

Product Note

HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

September 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. 2,374.44 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
ICICI Bank Limited	7.17%	7.17%	0.00%	Banks	34.86%
State Bank of India	7.14%	7.14%	0.00%	Internal - Mutual Fund Units	16.14%
HDFC Bank Limited	6.35%	6.35%	0.00%	Debt Instrument	12.55%
Axis Bank Limited	5.26%	5.26%	0.00%	Finance	7.06%
Reliance Industries Limited	3.76%	3.76%	0.00%	Petroleum Products	3.78%
PNB Housing Finance Limited	2.83%	2.83%	0.00%	Agricultural Food & other Products	2.64%
IDFC First Bank Limited	2.80%	2.80%	0.00%	Power	2.47%
Tata Power Company Limited	1.34%	1.34%	0.00%	Retailing	2.46%
Laurus Labs Limited	1.33%	1.33%	0.00%	Ferrous Metals	2.27%
Info Edge (India) Limited	1.30%	1.30%	0.00%	Pharmaceuticals & Biotechnology	2.12%

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 August 29, 2025.as on August 29, 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 31 August 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 6.31% annualized. Allocation towards hedged equities is at 69.53 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.
- Rolls started at a decent 59-60 bps levels providing good churn volumes. Later part of the week prior to rollover week, the spreads were maintained at 56-58 bps and continued to the start of rollover week. By the end of rollover, levels dropped to 50-52bps levels owing to tariff news and festival holiday, but volumes were healthy.
- NIFTY declined 1% in Aug'25 (MTD) – after declining by 2.9% in July'25. This month to date, FILs have sold equities close to \$2.5bn. In Jul'25 FILs sold \$2.8bn in cash. AUM of arb funds marginally increased compared to previous expiry (Rs 310599 Crs Vs Rs 304116 Crs). This month average roll basis was higher than previous expiry, 57bps Vs 53bps previous month

Market Movements

- The big news this month was the impending simplification in the GST, that PM Modi in his Independence speech alluded to – 12% and 28% categories may be slashed, and majority of the items may fall in the 5% and 18% category respectively, with “sin” goods likely commanding much higher rates (probably 40%).
- Headline CPI inflation fell to a 97-month low of 1.55% in Jul-2025 (prior: 2.1%). In line with consensus, the RBI decided to keep the policy repo rate unchanged at 5.5%, with unanimous votes. Despite sharply lowering its FY26 inflation forecast by 60bps to 3.1%, the decision to leave rates unchanged emanated from: 1) inflation likely edging up above 4% in Q4FY26, with core staying steady, 2) the growth outlook largely remaining unchanged amid evolving global order, and 3) the still-unfolding policy transmission of the last 100bps cut amid sufficient liquidity

Source – Bloomberg, HSBC Mutual Fund

Note – Details provided above is as on 31 August 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. In the US CPI rose 0.2% last month after gaining 0.3% in June, In the 12 months through July, the CPI advanced 2.7% while experts were expecting 2.8%. In the Jackson Hole meet Powell struck a cautious, data-dependent tone. He nodded to softer labor, flagged the balance of risks, and effectively set up September for a cut. The U.K.’s annual inflation rate hit a hotter-than-expected 3.8% in July. Economists polled by Reuters had anticipated inflation would reach 3.7% in the twelve months to July, after it picked up to 3.6% in June, exceeding forecasts. EU annual inflation rate was 2.0% in July 2025, stable compared to June. A year earlier, the rate was 2.6%. Word on the street is that the European Central Bank is likely to keep interest rates on hold next month but discussions about further cuts may well resume in the autumn if the economy weakens.
- In the US, all the three major indices are trading positive this month (MTD) - with Dow Jones having increased the most, by 3.2%. US10YR was slightly lower as compared to the previous month 4.2% Vs 4.36% (Jul’25). US Dollar Index declined compared to last month: 98 Vs 100 (Jul’25). Crude prices fell this month: \$67.5/bbl. Vs \$72.5/bbl. (July’25)

Key Triggers :

- GST rate rationalization
- India Us trade talks
- US FOMC meet outcome on Sep17th
- Pre festive buying and Impact of heavy rains

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)
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%
Sep’24	7.12%

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		Since Inception		
	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	Amount in Rs	Returns %	
HSBC Arbitrage Fund – Regular Plan~	10649	6.51	12183	6.80	13054	5.48	19146	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10763	7.65	12400	7.43	13357	5.96	18778	5.80	
Additional Benchmark (Nifty 50 TRI)	9799	-2.01	14236	12.49	22786	17.92	36834	12.38	
HSBC Arbitrage Fund – Direct Plan~	10720	7.22	12430	7.52	13496	6.18	20520	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10763	7.65	12400	7.43	13357	5.96	18778	5.80	
Additional Benchmark (Nifty 50 TRI)	9799	-2.01	14236	12.49	22786	17.92	36834	12.38	

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 August 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	1340000	
Market Value as on August 29, 2025 (₹)	1,24,001	3,99,182	7,01,928	18,66,367	
Scheme Returns (%)	6.33	6.85	6.23	5.76	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,712	4,03,424	7,12,744	18,66,475	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.46	7.57	6.84	5.77	
Nifty 50 TRI - Additional Benchmark (₹)	1,22,160	4,27,542	8,31,719	29,65,338	
Nifty 50 TRI - Additional Benchmark Returns (%)	3.40	11.53	13.05	13.51	

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	1340000	
Market Value as on August 29, 2025 (₹)	1,24,444	4,03,436	7,14,501	19,41,202	
Scheme Returns (%)	7.03	7.57	6.93	6.43	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,712	4,03,424	7,12,744	18,66,475	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.46	7.57	6.84	5.77	
Nifty 50 TRI - Additional Benchmark (₹)	1,22,160	4,27,542	8,31,719	29,65,338	
Nifty 50 TRI - Additional Benchmark Returns (%)	3.40	11.53	13.05	13.51	



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.

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 August 2025

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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 August 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 August 2025

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