

## Product Note

### HSBC Arbitrage Fund (HATF)

(An open ended scheme investing in arbitrage opportunities)

June 2025

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. 2,272.06 Cr

Portfolio	% to Net Assets	% to Net Assets(Hedged)	% to Net Assets(Unhedged)	Industry - Allocation	% to net assets
ICICI Bank Limited	6.34%	6.34%	0.00%	Banks	34.31%
State Bank of India	6.03%	6.03%	0.00%	Internal - Mutual Fund Units	23.29%
HDFC Bank Limited	5.10%	5.10%	0.00%	Finance	5.96%
IDFC First Bank Limited	3.79%	3.79%	0.00%	Debt Instrument	4.25%
Axis Bank Limited	3.77%	3.77%	0.00%	Pharmaceuticals & Biotechnology	3.53%
Bank of Baroda	3.25%	3.25%	0.00%	Power	3.00%
Reliance Industries Limited	2.65%	2.65%	0.00%	Petroleum Products	2.93%
Tata Power Company Limited	2.27%	2.27%	0.00%	IT - Software	2.85%
Laurus Labs Limited	2.12%	2.12%	0.00%	Reverse Repos/TREPS	2.06%
RBL Bank Limited	2.00%	2.00%	0.00%	Automobiles	1.72%

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 May 30, 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)<sup>2</sup> – Regular<sup>3</sup>: 0.91%, Direct: 0.24%**

<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 May 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 7.23% annualized.
- Allocation towards hedged equities is at 71.03 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.
- Rollover initiated at 59-60 bps levels and were maintained for most of the week with good participation.
- On expiry day, roll levels dropped to 52-53 levels with no effect on volume levels while some selective stocks showing an uptick at 62-64 bps.
- The NSE NIFTY gained 2.1% in May 2025 (MTD) – after increasing by 5.05% in April 2025.
- This month to date, net equity FII flows have been positive (third consecutive month of inflows), to the tune of \$2.5 bn. In April 2025, FIIs bought \$1.3 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 2,75,492 crs vs Rs 2,57,541 crs). This month average roll basis was lower than previous expiry, 55.44 bps Vs 65.86 bps previous month.

## Market Movements

- Markets were volatile this month having traded in the range of 1,000 pts and touching the 25000 mark.
- The RBI has announced a record dividend of Rs 2.68 trn to the Centre for FY25, which is around 28% higher than the ~Rs 2.1 trn assumed in the FY26 Union Budget. This marks the third consecutive year where the actual dividend has exceeded the initial budgeted number, albeit the surprise is modest.
- Headline CPI inflation fell to 3.16% (YoY) in March (Consensus: 3.2%; Prior: 3.34%) – a 69-month low. Continued sequential easing in food prices was the primary driver for this soft print (-0.2% MoM).
- Markets gaining for the third consecutive month warrants caution in the month going forward as investors could book some profits.

## Global Markets

- Global equity markets around the world have been bullish this month.
- Policymakers in the US voted unanimously to keep their benchmark rate unchanged, at a target of 4.25% to 4.5%, while saying in their statement that “uncertainty about the economic outlook has increased further”.
- April's headline and core (ex-food and energy) CPI measures came in at 0.2% month-over-month, slightly below the 0.3% estimate. Year-over-year inflation showed signs of cooling (2.3% vs 2.4% estimate), reaching its lowest level since early 2021, suggesting a potential easing of near-term inflationary pressures.
- In the UK, an expected cut from the Bank of England came with a more hawkish-than-anticipated commentary, it was a little over-shadowed by the well-telegraphed announcement of a UK trade deal with the US.
- In the US, all the three major indices are trading positive this month (MTD) - with NASDAQ having increased the most.
- US10YR was slightly higher as compared to the previous month 4.4% vs 4.2% (April 2025).
- US Dollar Index was in line compared to last month: 99.5 in April 2025 vs to 99.4 as on today.
- Crude price saw an uptick compared to last month \$63.4/bbl. Vs \$63.1/bbl (April 2025).

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 May Series:

- RBI policy outcome - June 6, 2025
- Tariff updates
- Spread of monsoon
- Other global 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)
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%
Aug'24	7.57%
July '24	7.48%
June '24	8.93%

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~	10679	6.81	12095	6.55	12905	5.23	18875	5.99	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10753	7.56	12279	7.08	13102	5.55	18477	5.78	
Additional Benchmark (Nifty 50 TRI)	11108	11.11	15432	15.56	27380	22.29	37098	12.75	
HSBC Arbitrage Fund – Direct Plan~	10751	7.53	12341	7.26	13337	5.92	20196	6.65	30-Jun-14
Scheme Benchmark (Nifty 50 Arbitrage Index)	10753	7.56	12279	7.08	13102	5.55	18477	5.78	
Additional Benchmark (Nifty 50 TRI)	11108	11.11	15432	15.56	27380	22.29	37098	12.75	

**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 May 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	1310000	
Market Value as on May 30, 2025 (₹)	1,24,252	3,99,928	7,00,977	18,10,076	
Scheme Returns (%)	6.72	6.97	6.17	5.76	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,927	4,03,931	7,11,003	18,06,715	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.80	7.64	6.74	5.73	
Nifty 50 TRI - Additional Benchmark (₹)	1,24,412	4,47,334	8,83,839	29,56,916	
Nifty 50 TRI - Additional Benchmark Returns (%)	6.98	14.67	15.51	14.17	
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	1310000	
Market Value as on May 30, 2025 (₹)	1,24,702	4,04,206	7,13,524	18,80,753	
Scheme Returns (%)	7.44	7.69	6.88	6.43	
Nifty 50 Arbitrage Index - Scheme Benchmark (₹)	1,24,927	4,03,931	7,11,003	18,06,715	
Nifty 50 Arbitrage Index - Scheme Benchmark Returns (%)	7.80	7.64	6.74	5.73	
Nifty 50 TRI - Additional Benchmark (₹)	1,24,412	4,47,334	8,83,839	29,56,916	
Nifty 50 TRI - Additional Benchmark Returns (%)	6.98	14.67	15.51	14.17	

**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 May 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)
<div>HSBC Arbitrage Fund</div> <div>(An open ended scheme investing in arbitrage opportunities)</div> <div>This product is suitable for investors who are seeking*:</div> <div><div>• Generation of reasonable returns over short to medium term</div><div>• Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instrument.</div></div>	 <div>The risk of the scheme is Low Risk</div>	<div>As per AMFI Tier I Benchmark i.e. Benchmark Index: Nifty 50 Arbitrage Index</div>  <div>The risk of the benchmark is Low Risk</div>

\* 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 May 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 May 2025

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