

# Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)



## Spread and Fund Update:

- Arbitrage rollover spreads happened at an average of about 68-69 bps in Sep 2023.
- The spreads traded around 65-73 bps for majority of time in Sep 2023.
- Net flows in the arbitrage category was positive on the back of attractive spreads.
- The category added approx. INR 7000 crs during the month of Sep 2023.
- The Fund's debt component\* has a Yield To Maturity of 6.62% and average maturity of about 55 days.

## September Series Highlights

- Nifty 50 gained 1.4% in Sep 23 series.
- India VIX stood at 12.82 in Sep 23 vs 12.06 in Aug 23 indicating a marginal increase in volatility. However, the at the larger levels, VIX at these numbers indicates complacency.
- Market-wide rollovers at the end of September series stood at 91.2% which is largely in line compared to the average last 3 series rollovers.
- Market-wide futures open interest (OI) stood at ~INR 2.84 tn (~INR 2.7 tn seen at the start of October series).
- Nifty rollovers were lower at 76% (vs. average 3 month rollovers of ~80%).
- Nifty futures OI stood at INR 204 bn (~10.45 mn shares) as against an OI of INR 204bn (~10.61 mn shares) at the start of September series.
- Bank Nifty futures OI which stands at INR 106bn (~2.38 mn shares) has also not seen any material change this expiry.
- Arbitrage AUM grew from INR 1.14 lk crs to about INR 1.21 lk crs an uptick of ~INR 7000 crs.
- Despite sharp uptick for Arbitrage AUM, roll cost on avg continued to remain above fair (~68-69 bps) indicative of longs getting rolled into next series.

Rollover Summary	Sep 23	3M Average	Aug 23	Jul 23	Jun 23
Market wide (All)	91.2%	90.7%	90.5%	91.3%	90.4%
Nifty	76.0%	79.3%	78.0%	83.9%	76.1%
Bank Nifty	85.5%	77.9%	77.1%	77.4%	79.0%

- At the outset of the September series, Foreign Portfolio Investors (FPIs) held net-short positions worth INR 48.37 bn in Index Futures, a notable shift from their initial net-long positions of INR 1.41 bn. Additionally, they maintained net-short positions amounting to INR 113 bn in Stock Futures, compared to their net-short position of INR 110 bn at the commencement of the September series.
- In contrast, clients in the High Net Worth Individual (HNI) and Retail categories exhibited a bullish sentiment. They held net-long positions valued at INR 50.93 bn in Index Futures, a significant increase from their initial net-long position of INR 2.82 bn. Furthermore, they retained net-long positions totaling INR 1138 bn in Stock Futures, compared to their net-long position of INR 1048 bn at the outset of the September series.
- The volatility and disparities in the market suggests potential opportunities in the arbitrage space. We anticipate that volatility will persist at elevated levels only to further add to such opportunities. Collectively, these factors augur well for Arbitrage Funds, offering the potential for returns.

Source: Bloomberg, NSE, Bajaj AMC Internal Research.

\*The YTM and Average Maturity mentioned above are for the weighted Debt portion of the fund portfolio as on 28<sup>th</sup> Sep 2023. Further, these numbers does not in any manner indicate the potential return of the scheme. This also does not include the expenses incurred by the scheme.

## Bajaj Finserv Arbitrage Fund

Bajaj Finserv Arbitrage Fund is an optimal mix of hedged equities and high-quality fixed income assets. The Fund portfolio endeavors to hold a fully hedged equity position thus providing advantages like:

- ❖ Short term risk minimizing
- ❖ Locking the gains
- ❖ Endurance in volatile markets

Within the debt portion, the fund endeavors to negate the credit and duration risk by investing in short term debt instruments that are highly rated. The allocation to debt instruments would be largely based on the interest rate and demand supply outlook to invest across the short end of the curve.

The fund offers added advantages of low volatility and equity taxation. This fund is an investment proposition for risk averse investors seeking for alternatives to park surplus fund with investment horizon of 3 months or more.

### Disclaimer:

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### Product Label

This product is suitable for investors who are seeking\*:

- Short term income generation
- Income through arbitrage opportunities in the cash and derivatives segments of the equity markets

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

### Inception Date:

September 15, 2023

### Benchmark Index:

Nifty 50 Arbitrage Index (TRI)

### Who should Invest:

- Risk-averse investors looking to their park surplus funds.
- Investors who want to take advantage of equity taxation.
- Investors looking for investment upto 3 months or more.

### Plans:

Regular & Direct

### Options:

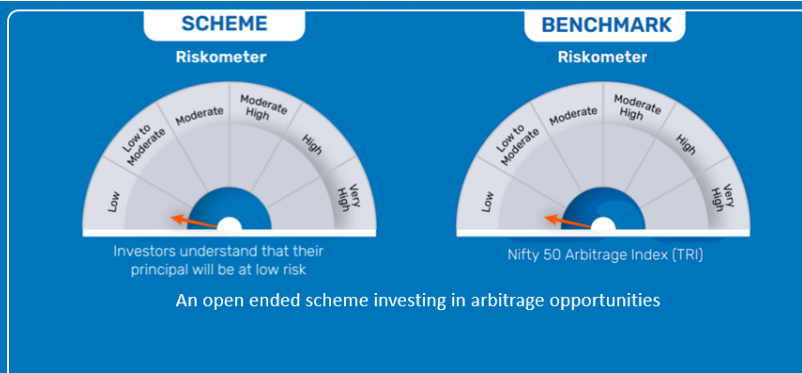
Growth & IDCW

### Load Structure/Lock-In Period:

- Entry load: Not applicable
- Exit load:
  - 0.25% of applicable NAV if redeemed/switched out within 15 days from the date of allotment.
  - Nil, if redeemed/switched out after 15 days from the date of allotment.

### Fund Managers:

- Mr. Chetan Chavan (Equity portion)
- Mr. Ilesh Savla (Equity portion)
- Mr. Siddharth Chaudhary (Debt Portion)



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