

Post Expiry Note – Oct 2023

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

Fund and Spreads Update:

- Approximately 51% of Bajaj Finserv Arbitrage Fund's corpus is deployed in the arbitrage positions.
- This allocation has helped in capturing a rollover spreads at about 5.6% on annualized basis.
- The allocation to debt portion is approximately 49%.
- With an indicative YTM* of 6.87%, the carry on debt allocation is expected to have a positive impact on portfolio returns.
- The debt portion's average maturity* is about 40 days.
- At expiry, Nifty rollovers were at 83%, up 4% than 3 Months average of 79%.
- The rollover spreads have been on an up trend in the last 3 months.
- Arbitrage rollover spreads happened at an average of about 65 bps in Oct 2023.
- The spreads traded around 64-68 bps for majority of time in Oct 2023.

September Series Highlights

- Momentum at the beginning of Oct 2023 eventually faded in worry. Indian market succumbed amid rising global tension & increasing bond yield spread.
- Nifty closed the Oct series on a weak note, down ~3.4%.
- India VIX stood at 11.73 in Oct 23 vs 12.82 in Sep 23 indicating a decrease in volatility. However, the at the larger levels, VIX at these numbers indicates complacency.
- At the end of Oct series, market-wide rollovers stood at ~92% which was largely in line compared to the average last 3 series rollovers.
- Market-wide futures open interest (OI) stood at ~INR 2.69 tn (~INR 2.84 tn seen at the start of October series).
- Nifty futures OI stood at INR 219 bn (~11.62 mn shares) as against an OI of INR 204 bn (~10.45 mn shares) at the start of Oct series.
- Nifty futures has seen buildup of short positions (OI/Price: +11%/-3.4%).
- Interestingly unwinding was seen across Nifty50 stock futures as counters shed ~13.58 cr shares aggregated in October vs ~4.31 cr shares in Sep.
- Foreign Portfolio Investors started the Nov series as net shorts in index futures (~-152 k contracts as against OI of ~-57.28 k contracts at the start of Oct expiry).
- Foreign Institutional Investor's positioning remained net short in stock Futures & added Net Short in index futures recently.

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 Finserv AMC Internal Research.

*The YTM and Average Maturity mentioned above are for the weighted Debt portion of the fund portfolio as on 26th Oct 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.

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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:

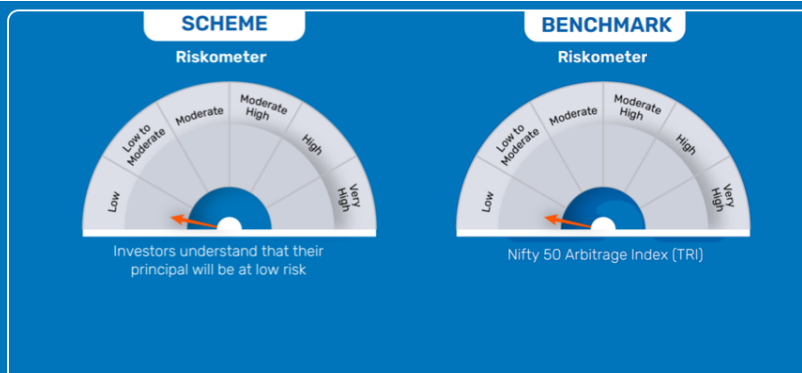
Growth & IDCW

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