

Post Expiry Note – Nov 2023

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

Fund and Spreads Update:

- Approximately 74% of Bajaj Finserv Arbitrage Fund's corpus is deployed in the arbitrage positions.
- This allocation has helped in capturing a rollover spreads at about 6.7% on annualized basis.
- The allocation to debt portion is approximately 26%.
- With an indicative YTM* of 6.99%, the carry on debt allocation is expected to have a positive impact on portfolio returns.
- The debt portion's average maturity* is about 51 days.
- At expiry, Nifty rollovers were lower at ~73% (vs. average 3m rollovers of ~81%).
- Arbitrage rollover spreads happened at an average of about 65 bps in Nov 2023.
- The arbitrage spreads traded around 65–70 bps for majority of time in Nov 2023.

September Series Highlights

- Nifty Index rose by 6.8% in November series. This is the strongest performance of Nifty Index since July 2022 series.
- After the concerns in the initial part of the month, the market-wide roll data had synchronized with 3 month average.
- India VIX stood at 12.69 in Nov 23 vs 11.73 in Oct 23 indicating an increase in volatility. However, at the larger levels, VIX at these numbers indicates complacency.
- At the end of November series, market-wide rollovers stood at ~89% which was lower compared to the average last 3 series rollovers which stood at ~91%.
- Market-wide futures open interest (OI) stood at ~INR 3 tn (~INR 2.69 tn seen at the start of November series).
- Nifty futures OI stood at INR 216 bn (~10.7mn shares) as against an OI of INR 219 bn (~11.6 mn shares) at the start of November series.
- Low rollovers in Nifty futures was partly on the back of short covering.
- FPIs started the December series as net shorts in index futures (~-56.9k contracts as against OI of ~-152k contracts at the start of November expiry).
- December series has a bouquet of events lined up right from OPEC meeting (influencing oil prices), local state elections results, RBI monetary policy and FOMC interest rate decision.
- Also, year-end holiday season in international markets may bring some volatility albeit in the absence of liquidity.

The volatility and disparities in the market suggests potential opportunities in the arbitrage space. We anticipate that volatility will persist and may further add to potential 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 30th Nov 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:

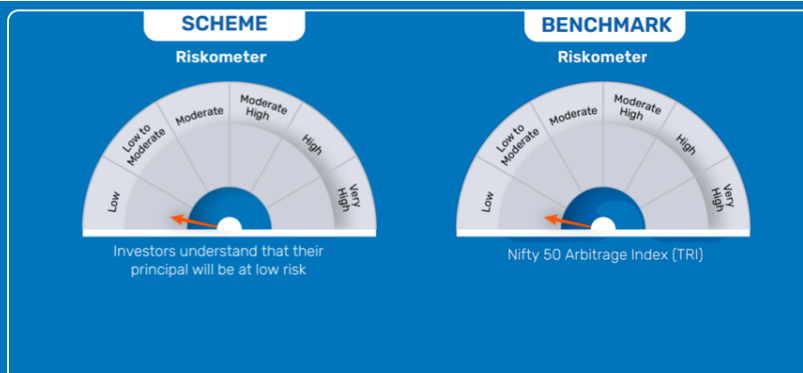
Growth & IDCW

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