

Post Expiry Note – Feb 2024

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

Fund and Spreads Update:

- Approximately 70% of Bajaj Finserv Arbitrage Fund's corpus is deployed in the arbitrage positions.
- This allocation has helped in capturing a rollover spreads at about 7.50% on annualized basis.
- The allocation to debt portion is approximately 30%.
- With an indicative YTM* of 7.19%, the carry on debt allocation is expected to have a positive impact on portfolio returns.
- The debt portion's average maturity* is about 28 days.
- Arbitrage rollover spreads happened at an average of about 65 bps in Feb 2024.
- The arbitrage spreads traded around 60-70 bps for majority of time in Feb 2024.
- Blended yield of the portfolio stood close to 7.45%

February Series Highlights

- Range bound trend of the past few months is now paving way for weakness especially in mid and small caps.
- As the markets are coming out of a superior return phase for equities especially in the small caps and mid caps space.
- The advent of March (closure of financial year) may lead to further profit booking by participants.
- Average levels across stock futures that started at ~70bps at start of expiry week and settled at ~60bps (cost to long rollers) indicating short aggression.
- A large part of short aggression was owing to arbitrage funds.
- February series saw ~91% market-wide rollovers which is in line compared to the average rollovers of last 3 series.
- Market-wide futures open interest (OI) stands at ~INR 3.75 tn.
- This is the highest market-wide futures OI in value terms.
- Nifty rollovers were ~79%, almost in line with the 3 month average rollovers of ~80%.
- Nifty futures OI (shares) is at the highest levels since start of the Apr'22 series.
- Looking at the market-wide futures OI (value), the quantum of leverage appears on the higher side.
- This existence of high leverage can induce sharp bouts of volatility.
- India VIX stood at 15.6 at Jan expiry.

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 29th Feb 2024. 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:

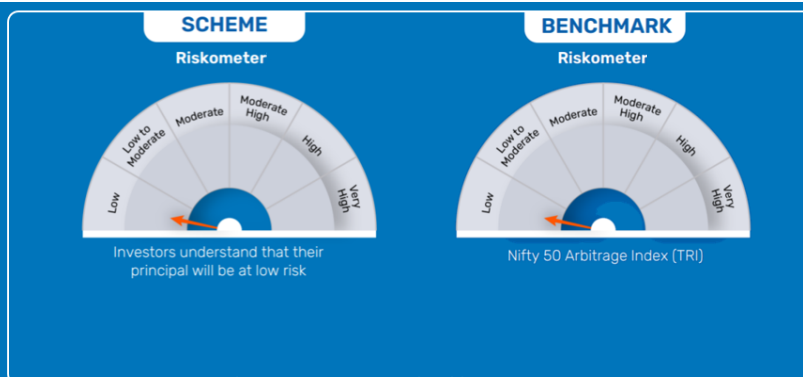
Growth & IDCW

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