

Post Expiry Note – Apr 2024

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

Fund and Spreads Update:

- Approximately 75% of Bajaj Finserv Arbitrage Fund's corpus is deployed in the arbitrage positions.
- This allocation has helped in capturing an annualized rollover spreads at about 7.40%.
- The allocation to debt portion is approximately 25%.
- This debt allocation had an indicative YTM* of 7.02%.
- The debt portion's average maturity* is about 44 days.
- Arbitrage rollover spreads happened at an average of about 71 bps in Apr 2024.
- The arbitrage spreads traded around 68-72bps for majority of time this month.
- Blended yield of the portfolio stands close to 7.31%.

April Series Highlights

- The momentum is gradually turned bullish after three months of sideways price action.
- Nifty rollovers were lower at ~65% (vs. average 3m rollovers of ~77%) led by covering/expiry of short positions.
- Nifty futures OI stands at INR 280bn (~12.42mn shares) as against an Open Interest (OI) of INR 273bn (~12.23mn shares) at the start of April series.
- Interestingly stock futures rollovers (~84%) have been lower than the average (~93%).
- Due to compression in roll levels and availability of alternative instruments yielding more in the desired period, some of the arbitrage positions would have expired leading to low rollovers.
- Average roll costs during the expiry week were ~69-70bps.
- Owing to burgeoning arbitrage AUM (~INR 1.53tn) roll levels have come under pressure this expiry.
- Amidst volatility, retail participants have continued adding long positions in stock futures.
- Key events to watch out in May 2024 will be polling in the remaining phases (India general elections), Q4FY24 earnings, cues on monsoon, US inflation data and FOMC meet.
- India VIX stood at 10.6 at April 2024 expiry.

Overall, the market volatility and conditions provide a conducive environment for arbitrage funds and their investors to navigate through uncertainties, manage risks, and potentially generate favorable returns by leveraging arbitrage 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 25th Apr 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 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:

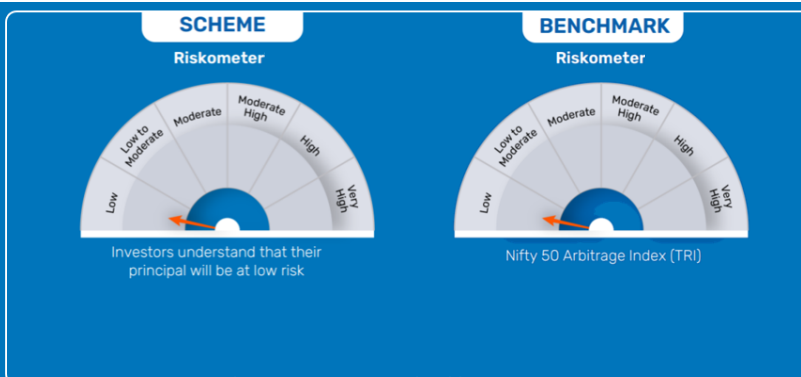
Growth & IDCW

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



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