

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

October 2025



Arbitrage in a nutshell!

The simultaneous purchase and sale of the same or similar asset in different markets in order to profit from tiny differences in the asset's listed price.



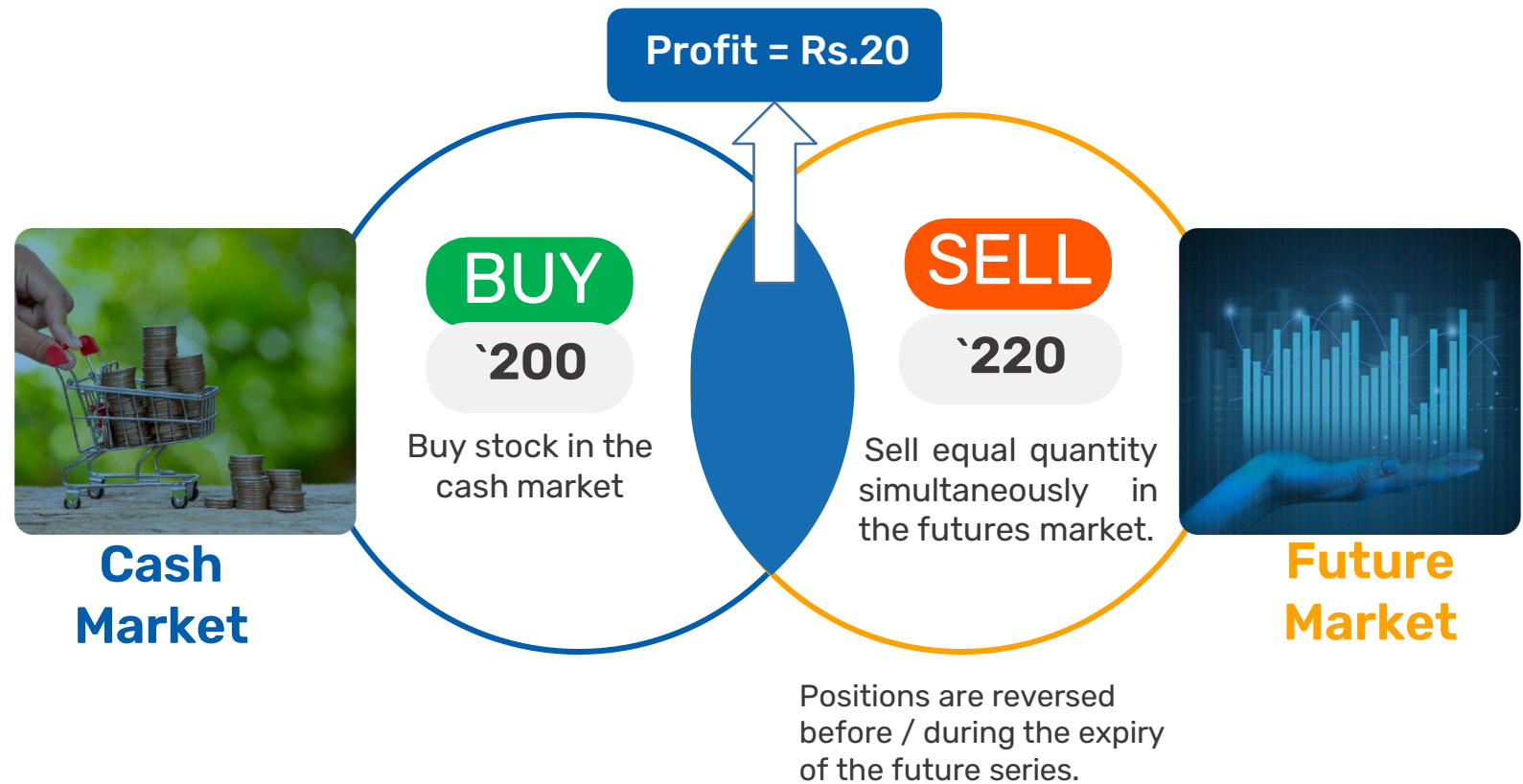
$$\text{Arbitrage} = \text{Rs } 12000 - \text{Rs } 10000 = \text{Rs } 2000$$

Let's dive deep into Arbitrage Fund

A type of mutual fund that leverages on the price difference between cash and futures market to generate returns for one particular asset/asset class.

Arbitrage Opportunity

Price difference prevailing in two different markets for the same security/commodity.



DNA of Arbitrage Fund



A transaction wherein **buying and selling occurs simultaneously.**



A **security and derivative** is bought and sold

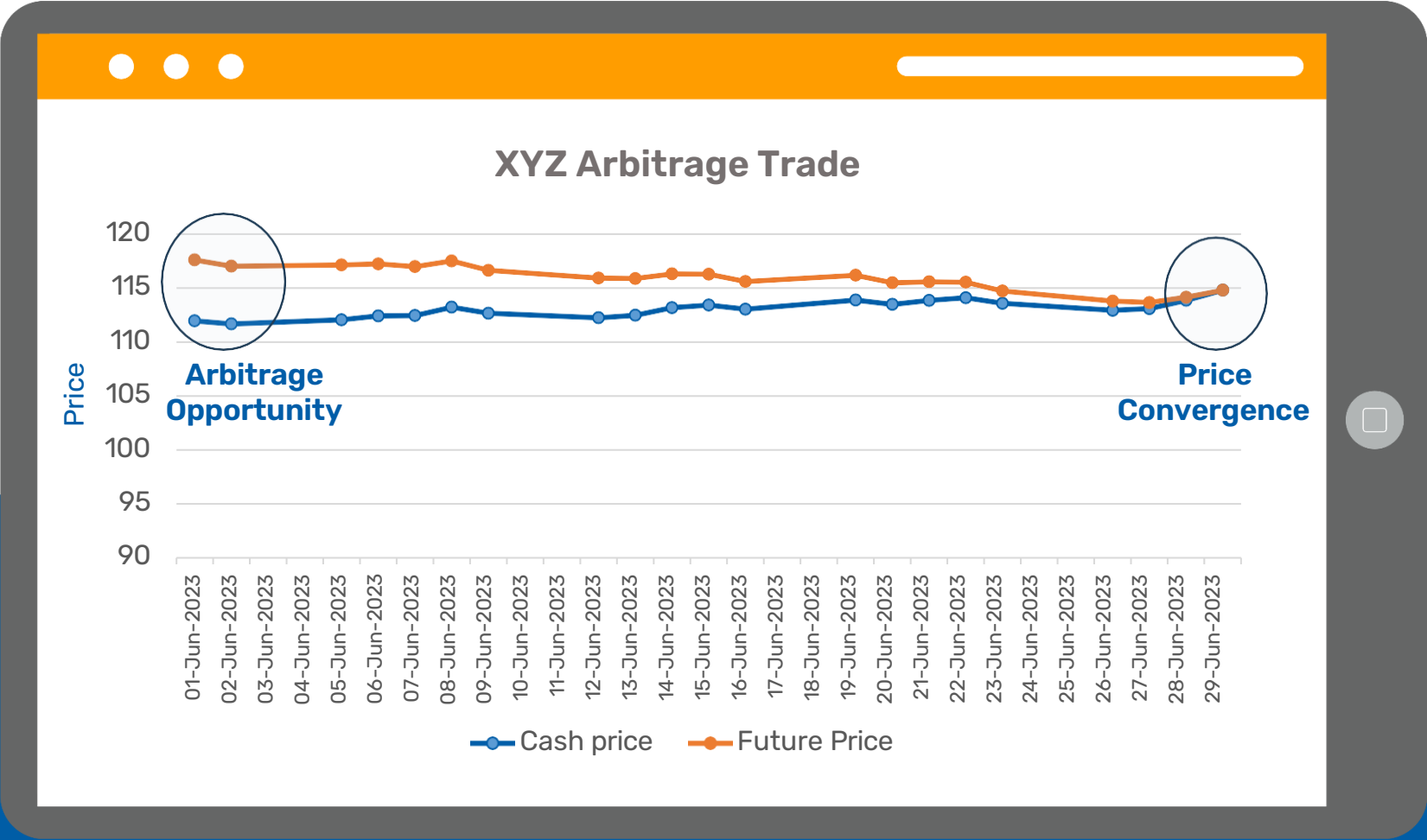


The activity happens in **two different markets** (Cash & Futures)



Relatively Low Risk since the cash market price converges with the futures market price at the month end.

Example : Capturing the spread between Cash and Future prices



Reasons for spreads between Cash and Futures markets



Cost of Acquisition: The cost of acquisition i.e. full consideration for cash markets and margin funding for futures contract affects their price relationship.



Transaction Volume: Higher acquisition costs may lead to reduced trading volume, affecting liquidity and prices in both markets.



Participant Diversity: Different types of traders in cash and futures markets lead to varied liquidity levels and spread dynamics.



Settlement Timing: Cash markets settle immediately, while futures have set expiration dates, causing spread variation as contracts approach maturity.



Market Sentiments and Volatility: Differences in market sentiment, economic data, and geopolitical events affects the spread width in both markets.



Speculation: Levels of Traders' speculative behaviour affects the spread differences between markets for arbitrage opportunities, impacting spread levels.

Cash and Carry Arbitrage – 'Wait For The Expiry' Method

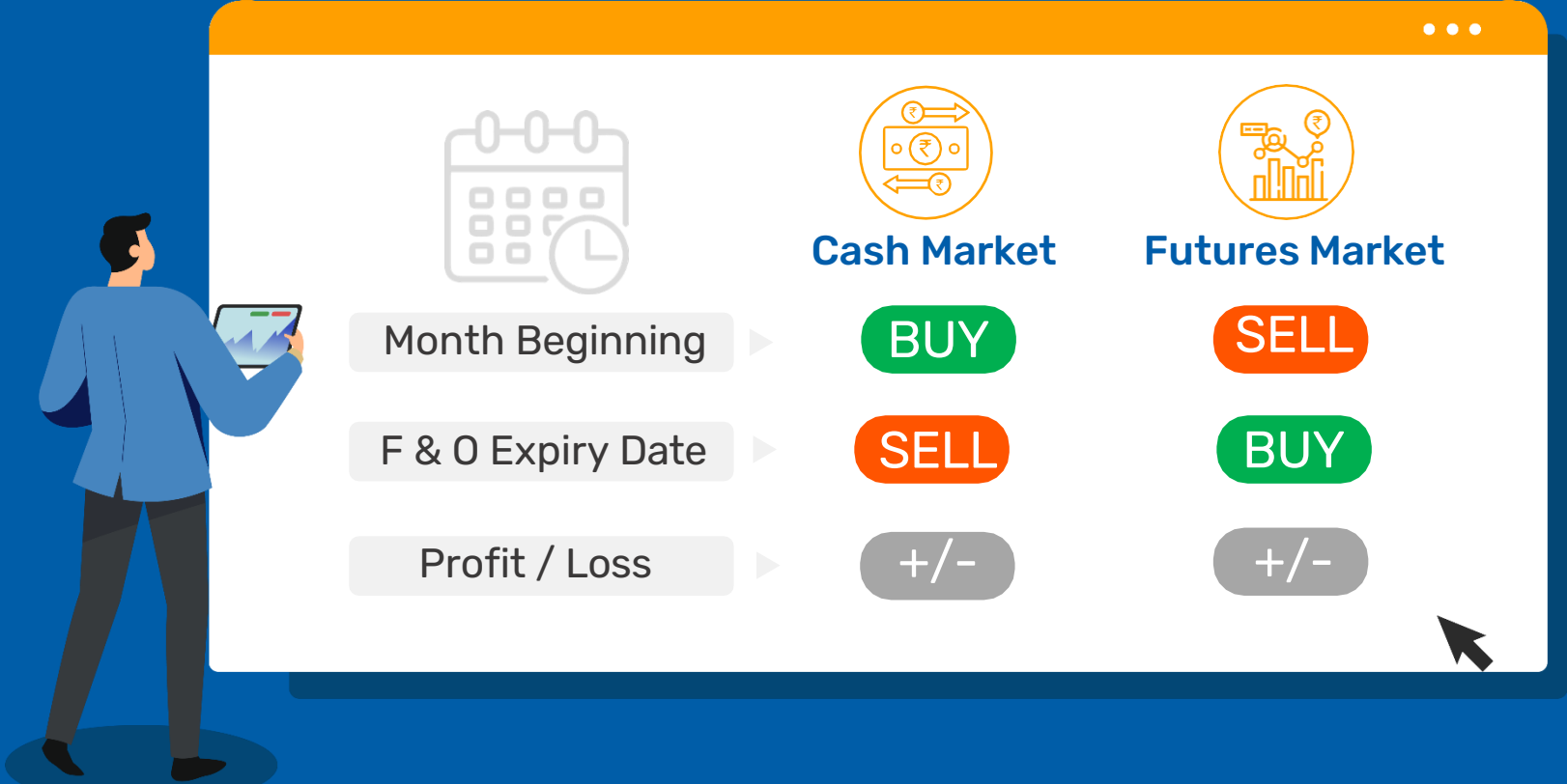


Fund Manager



F & O Expiry Date

Cash and Carry Arbitrage – ‘Wait For The Expiry’ Method



24th March 2023

25th April 2023



Fund Manager



F & O Expiry Date

Cash and Carry Arbitrage – Case study

Mr. A **buys**
a stock at
Rs.200



Cash Position = A

Future Position = B

Net Profit

Different Price Possibilities at the month end

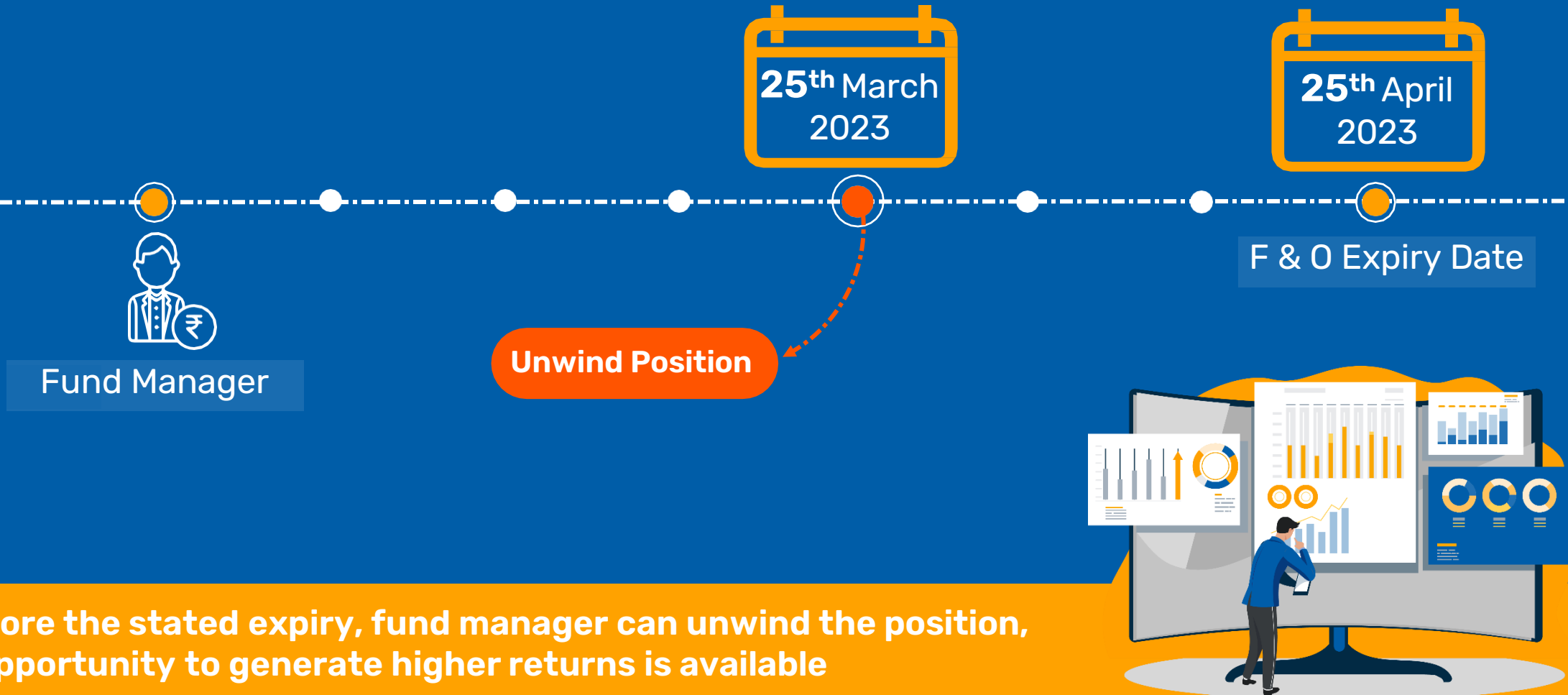
 Stock Price rises to Rs.210	 Stock Price remain at Rs.200	 Stock Price dip to Rs.190
+ 10 (210-200)	0 (200 -200)	- 10 (200 -190)
- 5 (205-210)	+ 5 (205 - 200)	+ 15 (205 - 190)
+ 5	+ 5	+ 5

And **sells** in futures
market simultaneously
at **Rs. 205**



Fund Manager locks the profit irrespective of price movement of a stock in future.

Unwinding The Position



Before the stated expiry, fund manager can unwind the position, if opportunity to generate higher returns is available

Rollover Futures Position



Fund Manager

25th April
2023

F & O Expiry Date

24th May
2023

Rollover Futures Position

On the date of expiry, fund manager can rollover the futures position to capture delta, if the price difference still exists for the next month's expiry.

Arbitrage Investment Strategies



Spot - Futures



Index Arbitrage



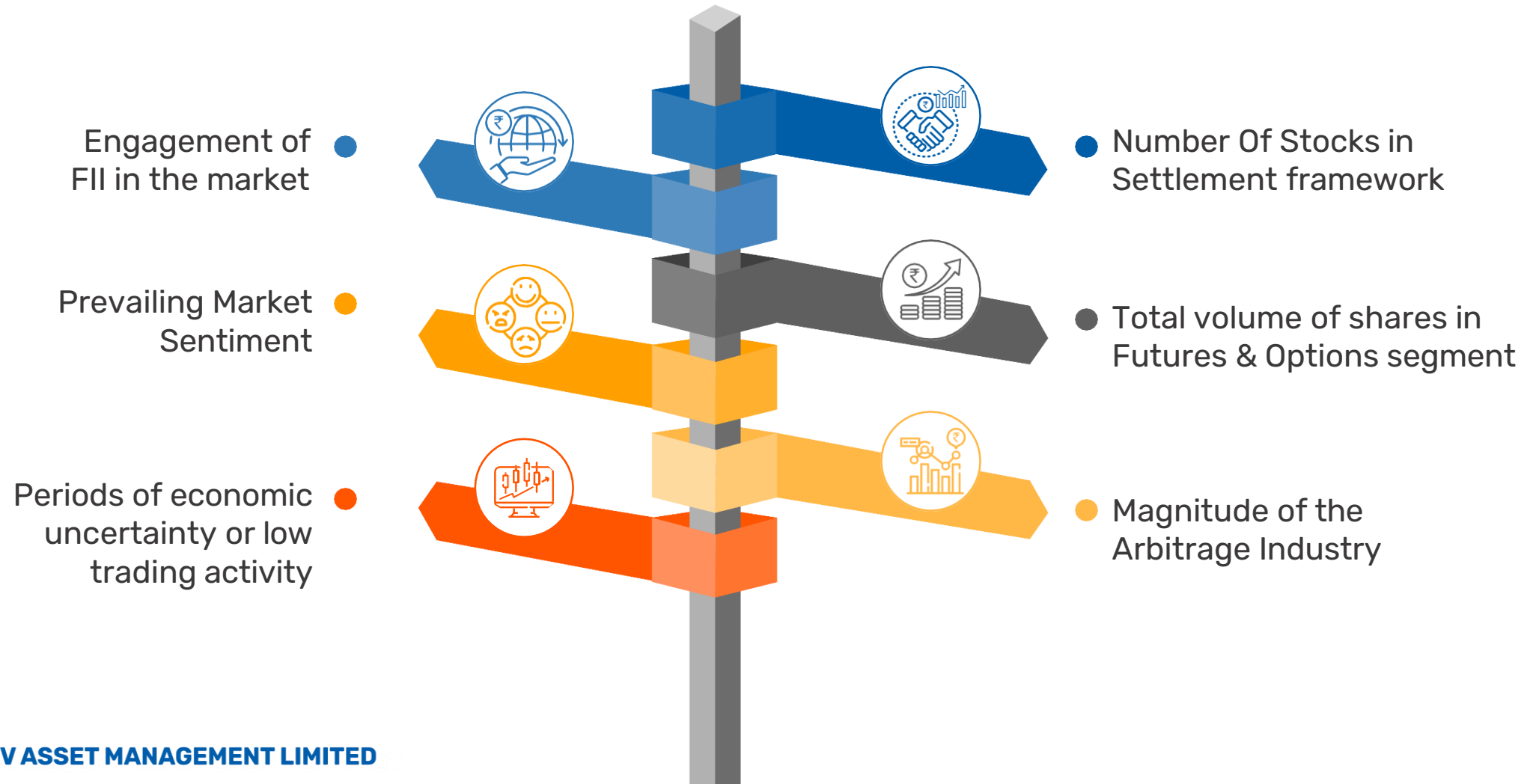
Exchange Arbitrage



Dividend Arbitrage

Factors Impacting Spreads

Spread: Difference between buying and selling prices of a stock.



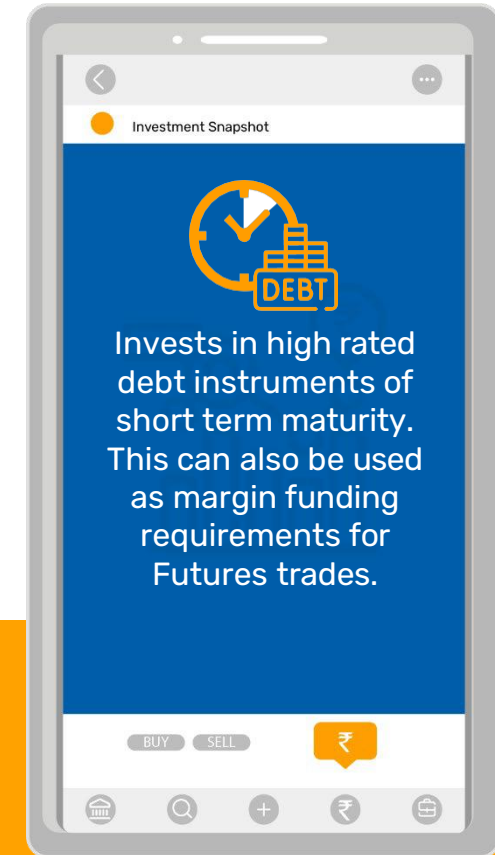
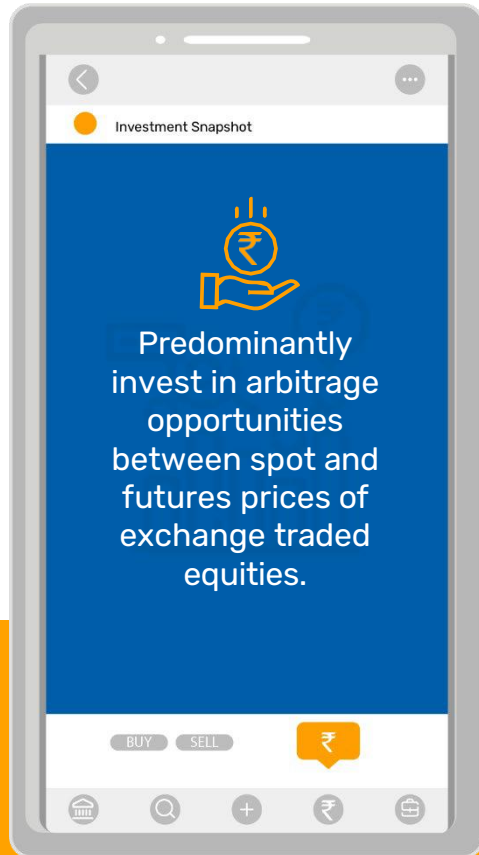
Decoding the commonly used terms

- **Arbitrage:** The practice of exploiting price differences for the same asset in different markets to make a profit.
- **Spot Market:** Financial instruments, commodities, or assets are bought and sold for immediate delivery and settlement.
- **Futures Market:** Contracts are traded that obligate the buyer to purchase, and the seller to sell, an asset at a predetermined price and date in the future.
- **Price Discrepancy:** Difference in prices between markets that allows for potential profit.
- **Long Position:** Owning stock with the expectation of its price increasing
- **Short Position:** Borrowing or selling stock with the expectation of its price decreasing, aiming to buy it back at a lower price.
- **Spread:** Difference between buying and selling prices of a stock.
- **Hedging:** Using a strategy or instrument to offset potential losses from price movements in another asset, reducing overall risk.
- **Market Efficiency:** How well asset prices reflect all available information and adjust to new information.
- **Index arbitrage:** Trading strategy that attempts to profit from the price differences between two or more market indices.
- **Dividend arbitrage:** An options trading strategy that involves purchasing put options and an equivalent amount of underlying stock before its ex-dividend date and then exercising the put after collecting the dividend.

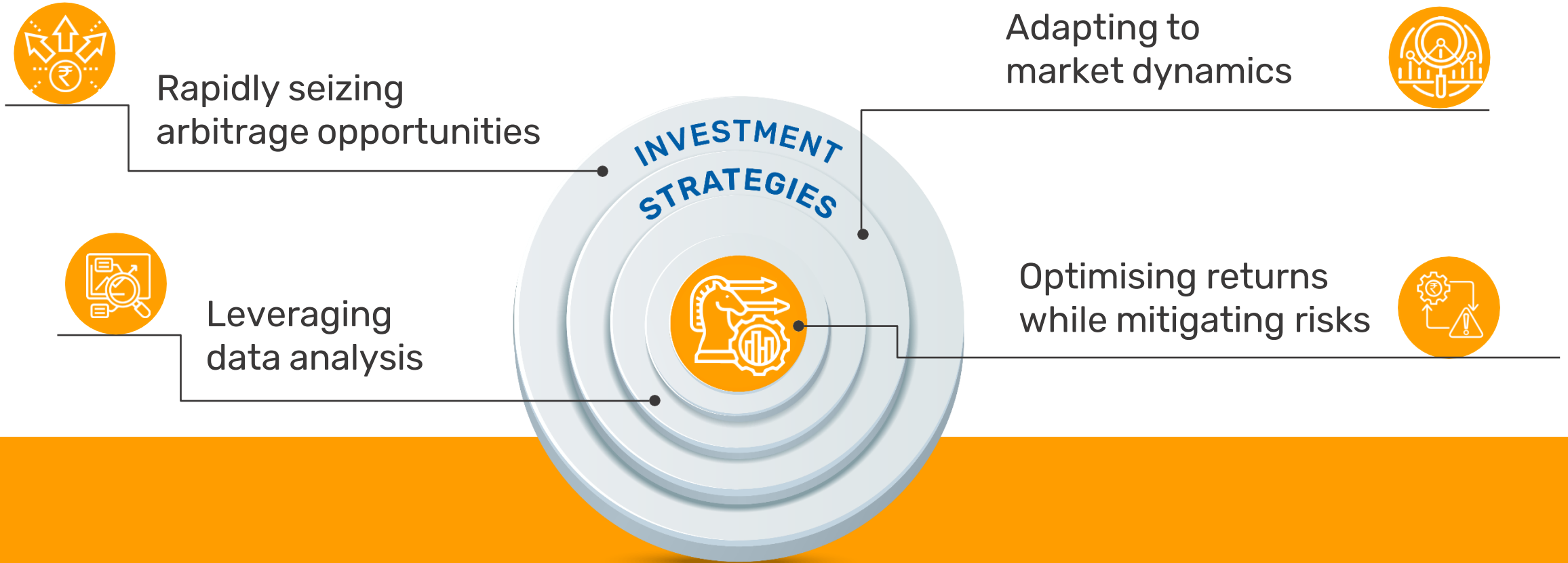
Introducing Bajaj Finserv Arbitrage Fund



Investment Snapshot



Bajaj Finserv Arbitrage Fund : Investment Strategies



Why invest in Bajaj Finserv Arbitrage Fund?



Why invest in Bajaj Finserv Arbitrage Fund?

1  Low Volatility

The icon shows a line graph with a downward arrow and the word 'Low' above it, indicating low volatility.

2  No Credit Risk

The icon shows a credit card with a warning triangle, indicating no credit risk.

3  Equity Taxation

The icon shows a document with a magnifying glass over a percentage sign and the word 'TAX', indicating equity taxation.

Low Volatility Advantage

1  Low Volatility

An analysis of 90 days daily rolling returns of Nifty 50 Arbitrage Index vs Nifty 50 TRI
(from Apr 1, 2010 to Dec 31, 2024)

Parameter	Nifty 50 Arbitrage Index	Nifty 50 TRI
 Maximum Returns (Absolute)	3.05%	32.39%
 Minimum Returns (Absolute)	-0.54%	-37.52%
 No. of times +ve returns	98.75%	68.11%
 Standard Deviation	0.57%	7.89%

Arbitrage Index scores favourable on the risk parameters vis-a-vis Equities.

Past performance may or may not be sustained in the future

Fixed Income Strategy – Low Credit Advantage

2 No Credit Risk



Bajaj Finserv Arbitrage Fund endeavors to negate the credit and duration risk by investing in short term debt instruments that are highly rated.



For margin requirements, the fund would seek to invest in its own Liquid Fund.



Will allocate basis the interest rate and demand supply outlook to invest across the short end of the curve to generate performance.

Tax Advantage

3 Equity Taxation

 Capital Gains Tax	 Arbitrage Funds	 Equity Funds	 Debt Funds*
 Short Term	20% (< 1 year)	20% (< 1 year)	Income Tax Slab applicable to assessee
 Long Term	12.5%# (> 1 year)	12.5%# (> 1 year)	Income Tax Slab applicable to assessee

Above rates are excluding Surcharge and Cess

Capital gains upto Rs 1 lakh are tax exempted.

*The Finance Act 2023 by way of introduction of Section 50AA of the Income Tax Act, 1961 (hereinafter referred to as 'the IT Act') provided that any gain or income arising on transfer, redemption or maturity of units of specified mutual funds (wherein not more than 35% of the total proceeds are invested in equity shares of domestic companies for instance, certain debt funds) acquired on or after 1 April 2024 will be deemed as short term capital gains, and subject to tax at the applicable slab rate of the investor, irrespective of the period of holding



Arbitrage Funds offers a better Tax Advantage than Debt Funds

Tax Advantage – Arbitrage Fund vs Bank Deposit

Individual/HUF		
Particulars	Arbitrage Funds	Bank Deposit
Invested Amount	Rs. 1,00,00,000	Rs. 1,00,00,000
Assumed Annualized Rate of Return (p.a)	7%	7%
Abs returns for 364 days	Rs. 6,98,082.19	Rs. 6,98,082.19
Tax rate*	15%	30%
(-) Short term capital gains tax	Rs. 1,04,712	Rs. 2,09,425
Net Tax Returns	Rs. 5,93,370	Rs. 4,88,658
Gains (Annualized)	5.95%	4.90%

*Excluding surcharge and cess. The incidence of the same will be based on the individual tax slabs. | Source: Internal data computation

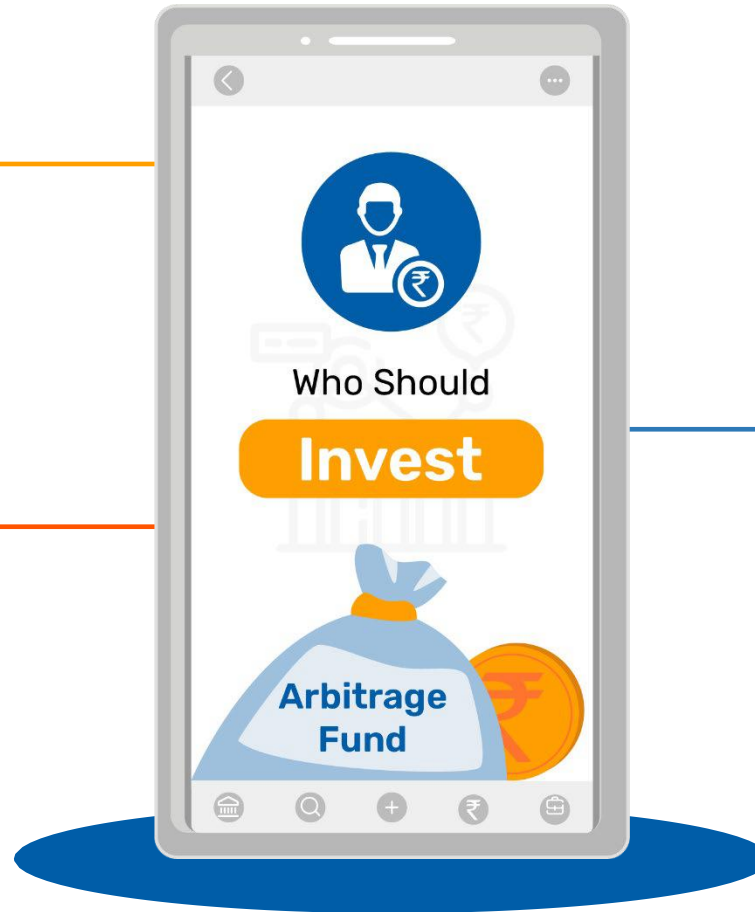
The above simulation is based on highest tax rates applicable to Individual/HUF/Domestic Companies as per the Finance Act, 2023 read with the Taxation Laws, for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. The above illustration is not a tax advise. Each investor is advised to consult his/her own professional tax advisor. The AMC / Mutual Fund is not guaranteeing or promising or forecasting any returns. These products are not strictly comparable. There is no assurance or guarantee to unit holders as to rate/quantum of dividend distribution nor that the dividends will be paid regularly.

Who should Invest in Arbitrage Fund?

Risk-averse investors
for parking surplus
funds



Looking for **investments**
upto 3 month or more



Investors who want
to take **advantage of**
Equity Taxation

Bajaj Finserv Arbitrage Fund - Portfolio

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
Reliance Industries Limited	4.31%	-4.34%
RBL Bank Limited	3.74%	-3.77%
ICICI Bank Limited	3.50%	-3.53%
HDFC Bank Limited	2.98%	-3.00%
REC Limited	2.72%	-2.73%
Aditya Birla Capital Limited	2.18%	-2.19%
Axis Bank Limited	2.16%	-2.18%
IDFC First Bank Limited	2.03%	-2.05%
Steel Authority of India Limited	2.00%	-2.01%
Tata Consultancy Services Limited	1.81%	-1.82%
Punjab National Bank	1.73%	-1.74%
Vodafone Idea Limited	1.66%	-1.69%
LIC Housing Finance Limited	1.50%	-1.50%
Kotak Mahindra Bank Limited	1.37%	-1.38%
State Bank of India	1.27%	-1.27%
Hindalco Industries Limited	1.22%	-1.23%
Bharti Airtel Limited	1.21%	-1.23%
Eternal Limited	1.12%	-1.13%
Mahindra & Mahindra Limited	0.96%	-0.97%
Sammaan Capital Limited	0.95%	-0.95%
Suzlon Energy Limited	0.94%	-0.95%
Bandhan Bank Limited	0.92%	-0.92%
Adani Ports and Special Economic Zone Limited	0.86%	-0.87%
Jio Financial Services Limited	0.86%	-0.86%
Tata Power Company Limited	0.79%	-0.80%
Indus Towers Limited	0.78%	-0.79%
GMR Airports Limited	0.77%	-0.77%
Hindustan Zinc Limited	0.71%	-0.72%
Max Healthcare Institute Limited	0.62%	-0.63%
Oil & Natural Gas Corporation Limited	0.62%	-0.63%
Trent Limited	0.60%	-0.61%
Power Grid Corporation of India Limited	0.59%	-0.59%
Lupin Limited	0.57%	-0.58%
Jubilant Foodworks Limited	0.52%	-0.53%
Dixon Technologies (India) Limited	0.51%	-0.51%
Power Finance Corporation Limited	0.50%	-0.50%
Titan Company Limited	0.49%	-0.49%
TVS Motor Company Limited	0.49%	-0.50%
Vedanta Limited	0.49%	-0.49%
NMDC Limited	0.49%	-0.50%
IndusInd Bank Limited	0.47%	-0.48%
Bharat Electronics Limited	0.45%	-0.46%
ITC Limited	0.45%	-0.45%
Tata Steel Limited	0.44%	-0.45%
BSE Limited	0.43%	-0.43%
Kalyan Jewellers India Limited	0.39%	-0.39%
UltraTech Cement Limited	0.39%	-0.39%
NTPC Limited	0.38%	-0.38%
One 97 Communications Limited	0.38%	-0.38%
Shriram Finance Limited	0.38%	-0.38%

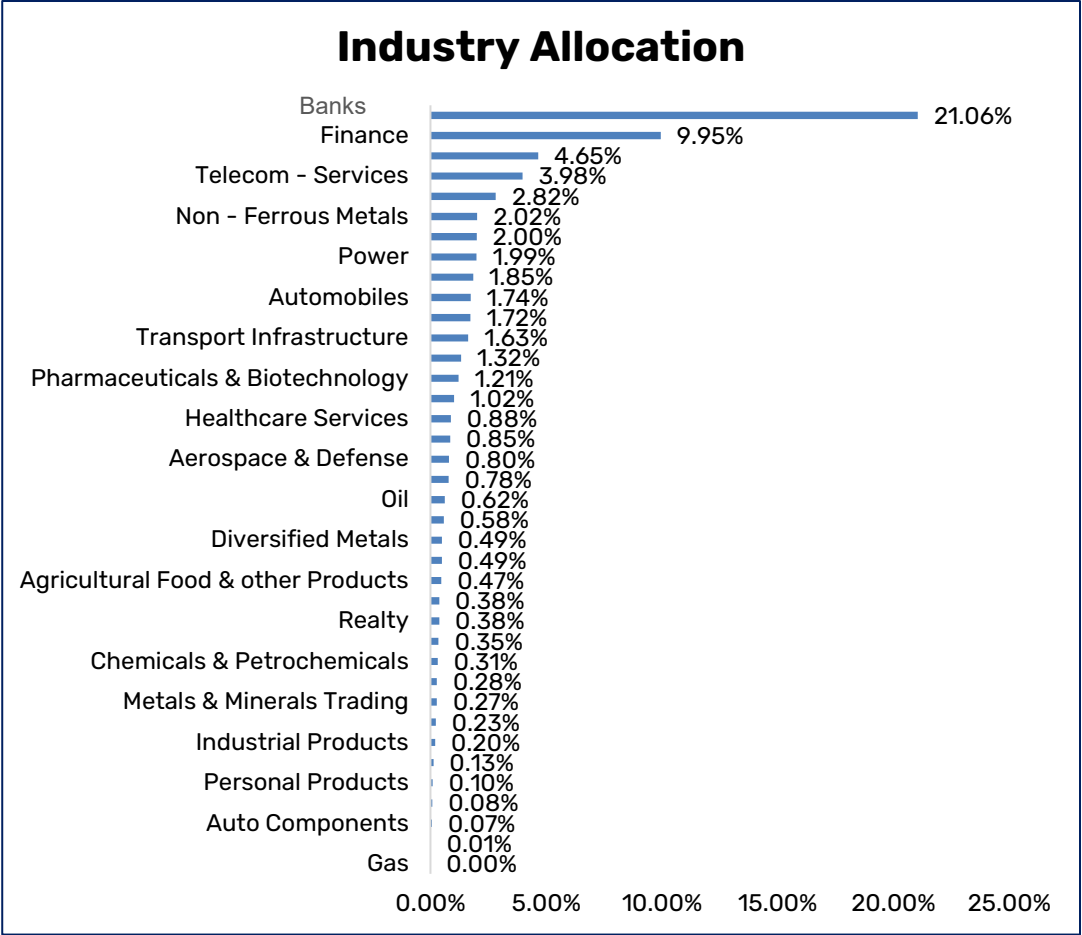
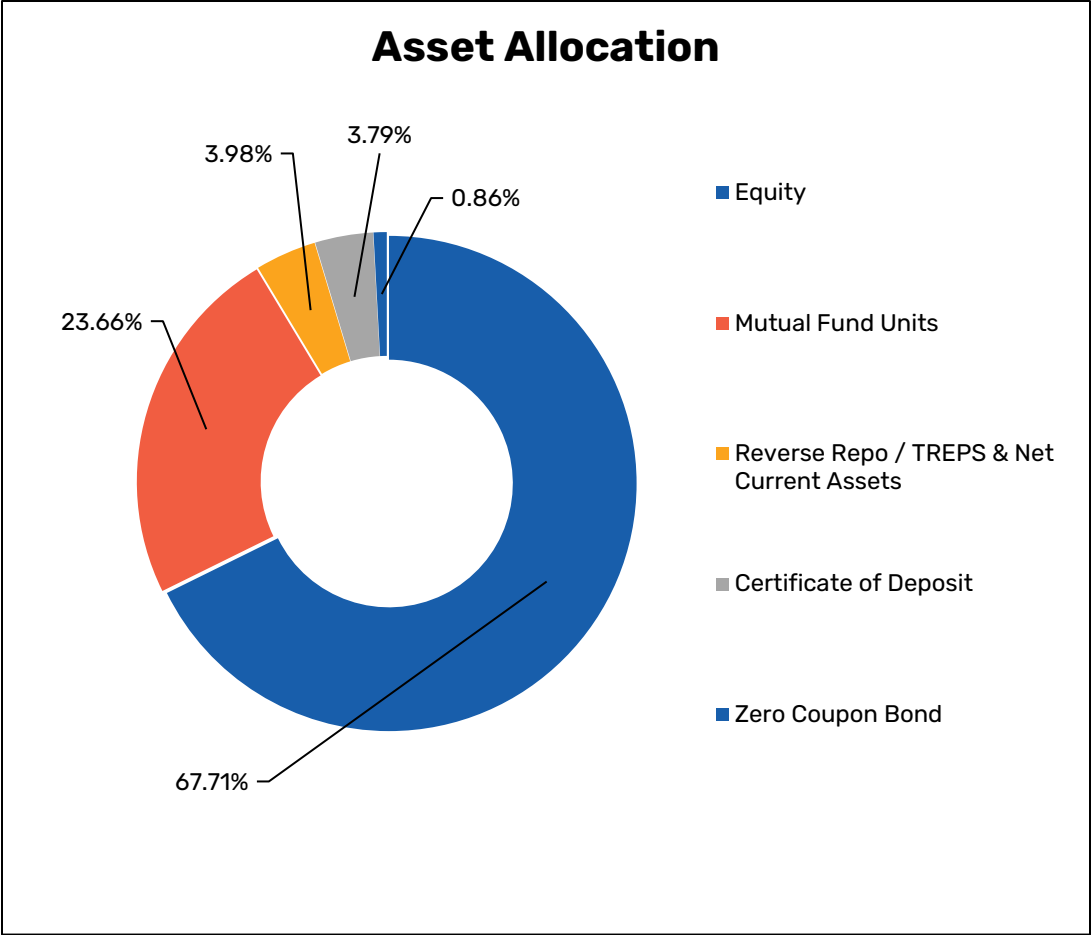
BAJAJ FINSERV ASSET MANAGEMENT LIMITED

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
JSW Steel Limited	0.36%	-0.36%
The Indian Hotels Company Limited	0.34%	-0.35%
Bajaj Finance Limited	0.33%	-0.33%
HFCL Limited	0.33%	-0.33%
Marico Limited	0.31%	-0.31%
Bajaj Finserv Limited	0.29%	-0.30%
Tata Motors Limited	0.29%	-0.29%
Godrej Properties Limited	0.28%	-0.29%
Adani Enterprises Limited	0.27%	-0.27%
Bank of Baroda	0.27%	-0.28%
Apollo Hospitals Enterprise Limited	0.26%	-0.26%
Ambuja Cements Limited	0.25%	-0.25%
Aurobindo Pharma Limited	0.25%	-0.25%
The Federal Bank Limited	0.24%	-0.24%
Yes Bank Limited	0.24%	-0.25%
Coal India Limited	0.23%	-0.23%
JSW Energy Limited	0.23%	-0.23%
Life Insurance Corporation Of India	0.23%	-0.24%
Solar Industries India Limited	0.23%	-0.23%
Larsen & Toubro Limited	0.22%	-0.22%
Asian Paints Limited	0.21%	-0.21%
Computer Age Management Services Limited	0.20%	-0.21%
Bharat Petroleum Corporation Limited	0.19%	-0.19%
Hindustan Aeronautics Limited	0.19%	-0.20%
Manappuram Finance Limited	0.19%	-0.19%
Polycab India Limited	0.18%	-0.18%
Indian Railway Catering And Tourism Corporation Limited	0.16%	-0.16%
Bharat Dynamics Limited	0.16%	-0.16%
Glenmark Pharmaceuticals Limited	0.15%	-0.15%
Grasim Industries Limited	0.14%	-0.14%
Havells India Limited	0.13%	-0.13%
Hindustan Unilever Limited	0.13%	-0.13%
Multi Commodity Exchange of India Limited	0.13%	-0.13%
Canara Bank	0.12%	-0.12%
Crompton Greaves Consumer Electricals Limited	0.12%	-0.12%
Siemens Limited	0.12%	-0.12%
Bharat Heavy Electricals Limited	0.11%	-0.11%
Dabur India Limited	0.10%	-0.10%
Mankind Pharma Limited	0.10%	-0.10%
Varun Beverages Limited	0.10%	-0.10%
Hindustan Petroleum Corporation Limited	0.10%	-0.10%
ICICI Prudential Life Insurance Company Limited	0.09%	-0.09%
National Aluminium Company Limited	0.09%	-0.09%
Patanjali Foods Limited	0.09%	-0.09%
Coforge Limited	0.09%	-0.09%
Laurus Labs Limited	0.08%	-0.08%
Dalmia Bharat Limited	0.07%	-0.07%

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
DLF Limited	0.07%	-0.06%
HCL Technologies Limited	0.07%	-0.07%
Tata Consumer Products Limited	0.07%	-0.07%
Inox Wind Limited	0.07%	-0.07%
Pidilite Industries Limited	0.06%	-0.06%
Samvardhana Motherson International Limited	0.06%	-0.06%
CG Power and Industrial Solutions Limited	0.05%	-0.05%
Indian Oil Corporation Limited	0.05%	-0.05%
NCC Limited	0.05%	-0.05%
Britannia Industries Limited	0.04%	-0.04%
Nestle India Limited	0.04%	-0.04%
ABB India Limited	0.03%	-0.03%
Divi's Laboratories Limited	0.03%	-0.03%
PNB Housing Finance Limited	0.03%	-0.03%
SBI Life Insurance Company Limited	0.03%	-0.03%
Sun Pharmaceutical Industries Limited	0.03%	-0.03%
United Spirits Limited	0.03%	-0.03%
360 One WAM Limited	0.02%	-0.02%
APL Apollo Tubes Limited	0.02%	-0.02%
AU Small Finance Bank Limited	0.02%	-0.02%
L&T Finance Limited	0.02%	-0.02%
SRF Limited	0.02%	-0.02%
Lodha Developers Limited	0.02%	-0.02%
Jindal Steel Limited	0.02%	-0.02%
Persistent Systems Limited	0.02%	-0.02%
Prestige Estates Projects Limited	0.01%	-0.01%
Mazagon Dock Shipbuilders Limited	0.01%	-0.01%
Mphasis Limited	0.01%	-0.01%
NBCC (India) Limited	0.01%	-0.01%
Sona BLW Precision Forgings Limited	0.01%	-0.01%
Petronet LNG Limited	0.00%	0.00%
Syngene International Limited	0.00%	0.00%
Colgate Palmolive (India) Limited	0.00%	0.00%
NHPC Limited	0.00%	0.00%
Hedged Equity Exposure	67.71%	-68.22%
Bajaj Finserv Mutual Fund	23.66%	
Total Mutual Funds	23.66%	
Union Bank of India CD (MD 03/02/2026)	1.89%	
Bank of India CD (MD 26/12/2025)	1.90%	
Certificate of Deposit	3.79%	
Reverse Repo/Treps	5.59%	
Cash Receivables/Payable	-1.61%	
Grand Total	100.00%	

Data as on 30th September 2025.

Bajaj Finserv Arbitrage Fund - Allocation



Fund Features

Investment Objective	The investment objective of the Scheme is to seek to generate returns by investing in arbitrage opportunities in the cash and derivatives segments of the equity markets and by investing balance in debt and money market instruments. However, there is no assurance that the investment objective of the Scheme will be achieved
Benchmark	Nifty 50 Arbitrage Index (TRI)
Plans	Regular/Direct
Options	Growth and IDCW
Fund Manager	Mr. Ilesh Savla (Equity portion) Mr. Siddharth Chaudhary (Debt portion)
Exit Load Structure	Entry Load – Nil 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.
Minimum Application Amount	Fresh Purchase (lumpsum): Rs. 500/- and in multiples of Re. 1/- thereafter Systematic Investment Plan (SIP): From Rs. 500 upto Rs. 1,000: minimum 60 instalments. Above Rs. 1,000: minimum 6 instalments. Minimum amount for switch-in: Rs. 500 and in multiples of Re. 1. Two-Factor Authentication will be applicable for subscription as well as redemption transactions in the units of Mutual Fund.

Riskometer

An open ended scheme investing in arbitrage opportunities

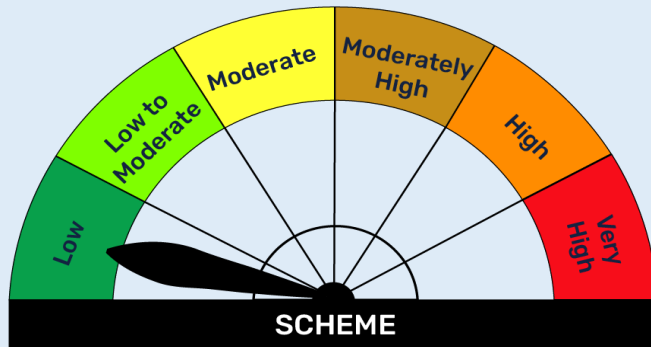
This product is suitable for investors who are seeking*:

- 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

SCHEME

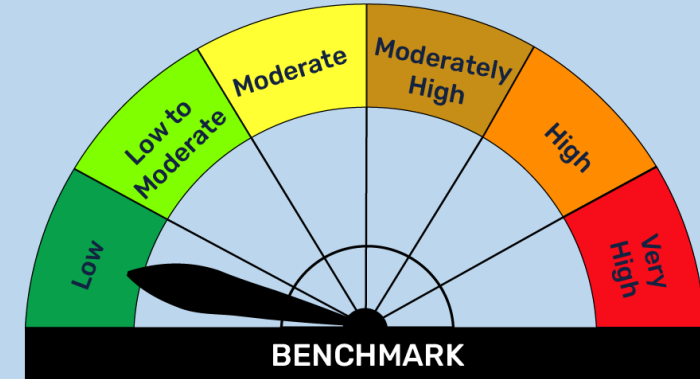
Riskometer



The risk of the scheme is low

BENCHMARK

Riskometer



The risk of the benchmark i.e. Nifty 50 Arbitrage Index (TRI) is low

Disclaimers

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

Thank You