

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

December 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.



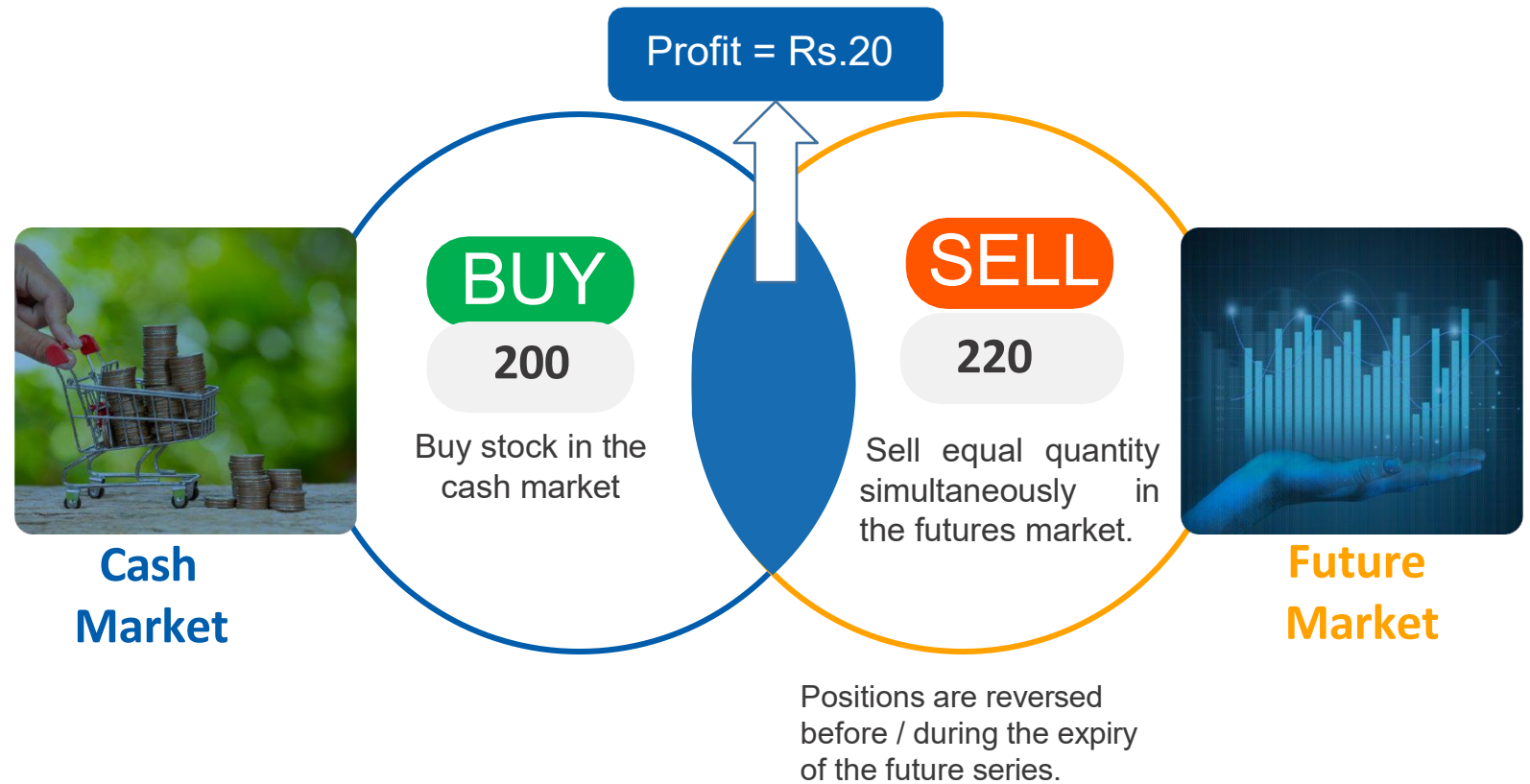
$$\text{Arbitrage} = \text{Rs } 12000 - \text{Rs } 10000 = \text{Rs } 2000$$

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

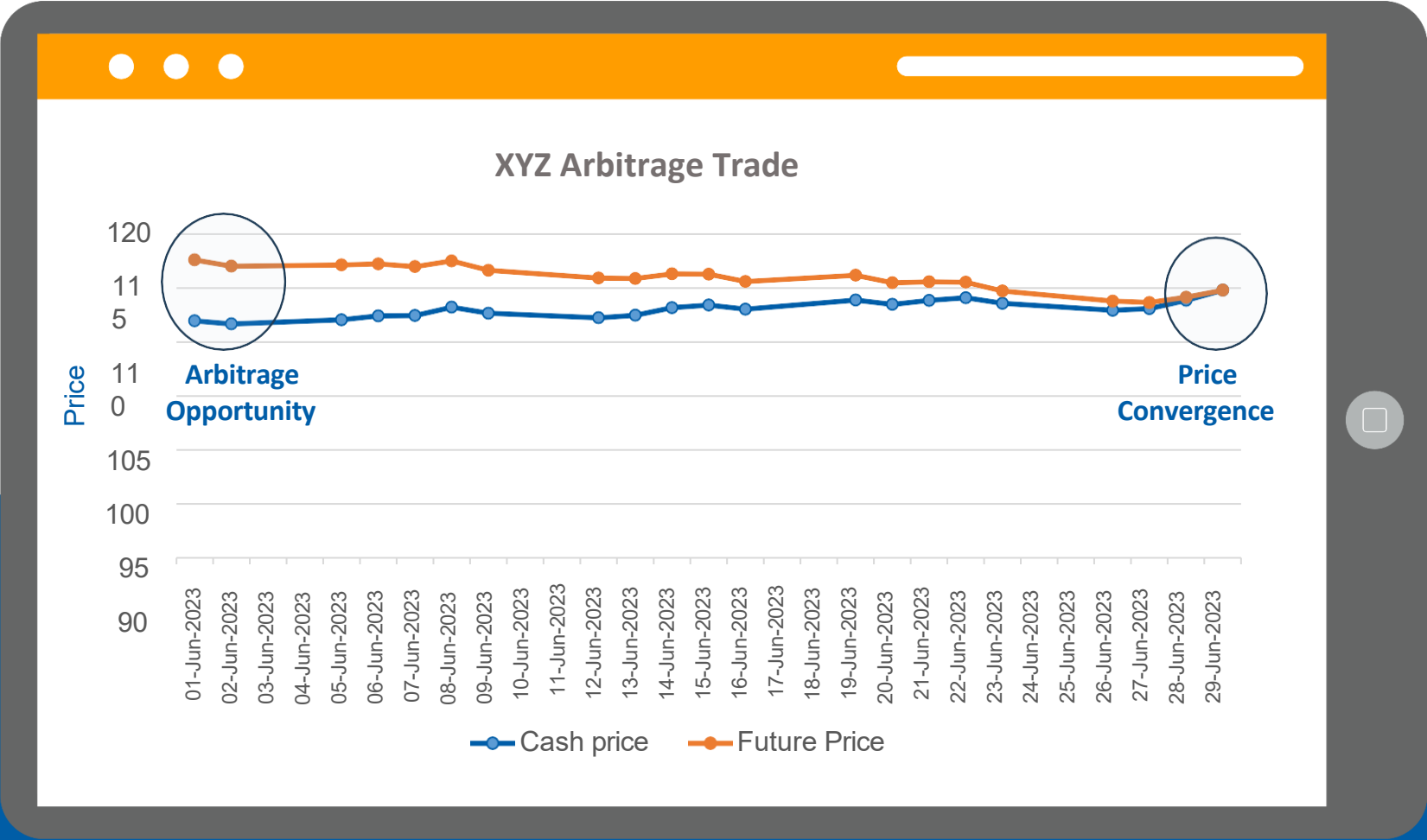


The activity happens in **two different markets** (Cash & Futures)



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

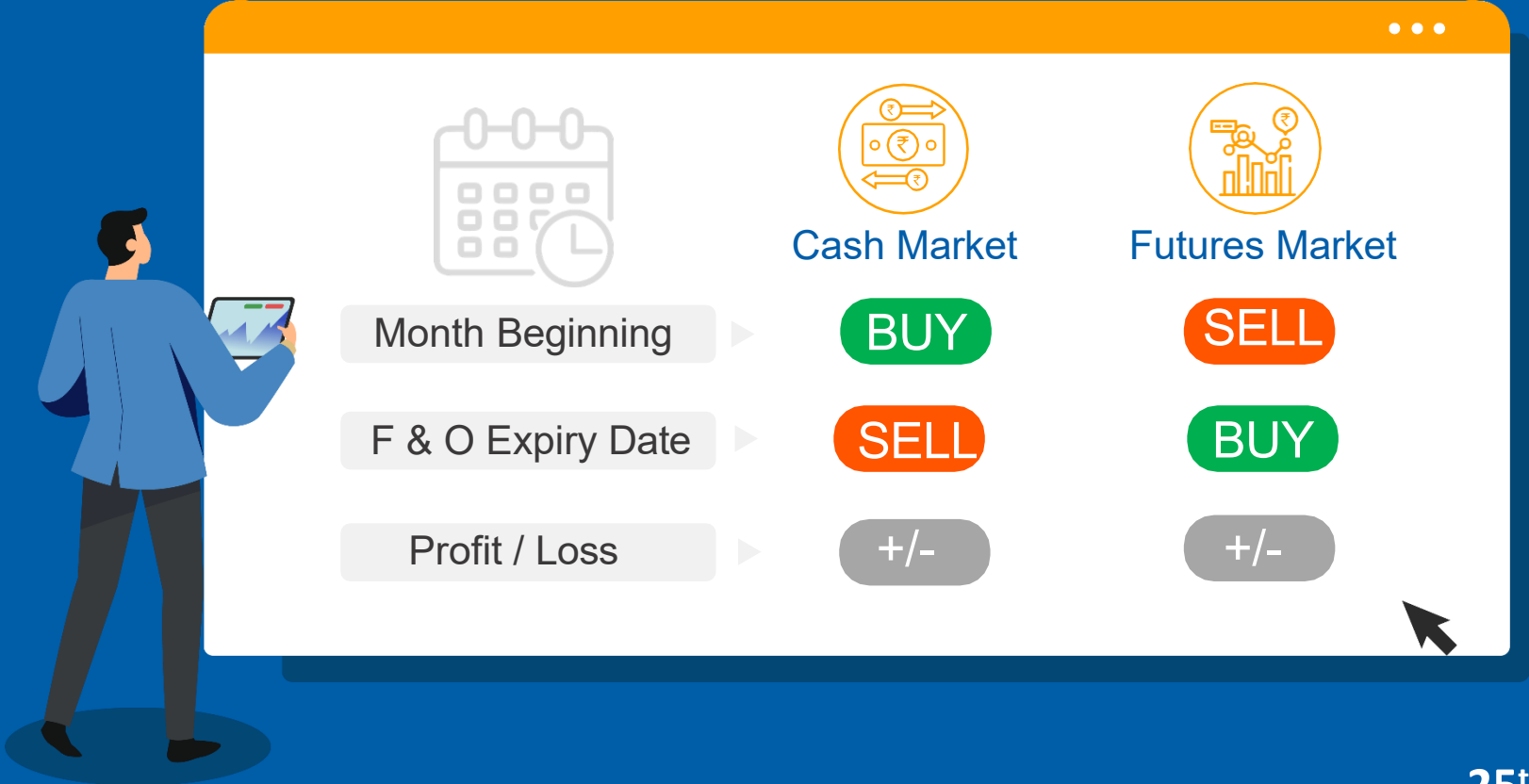


Fund Manager



F & O Expiry Date

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



24th March 2023

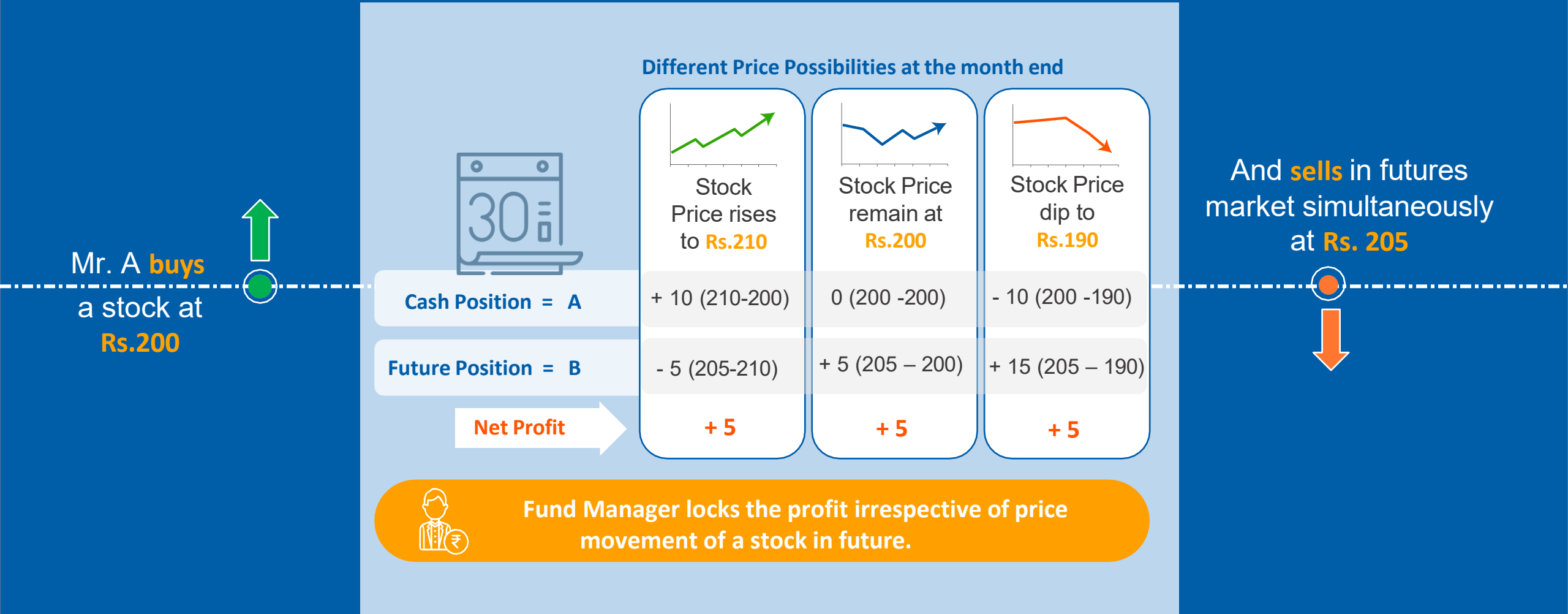
25th April 2023



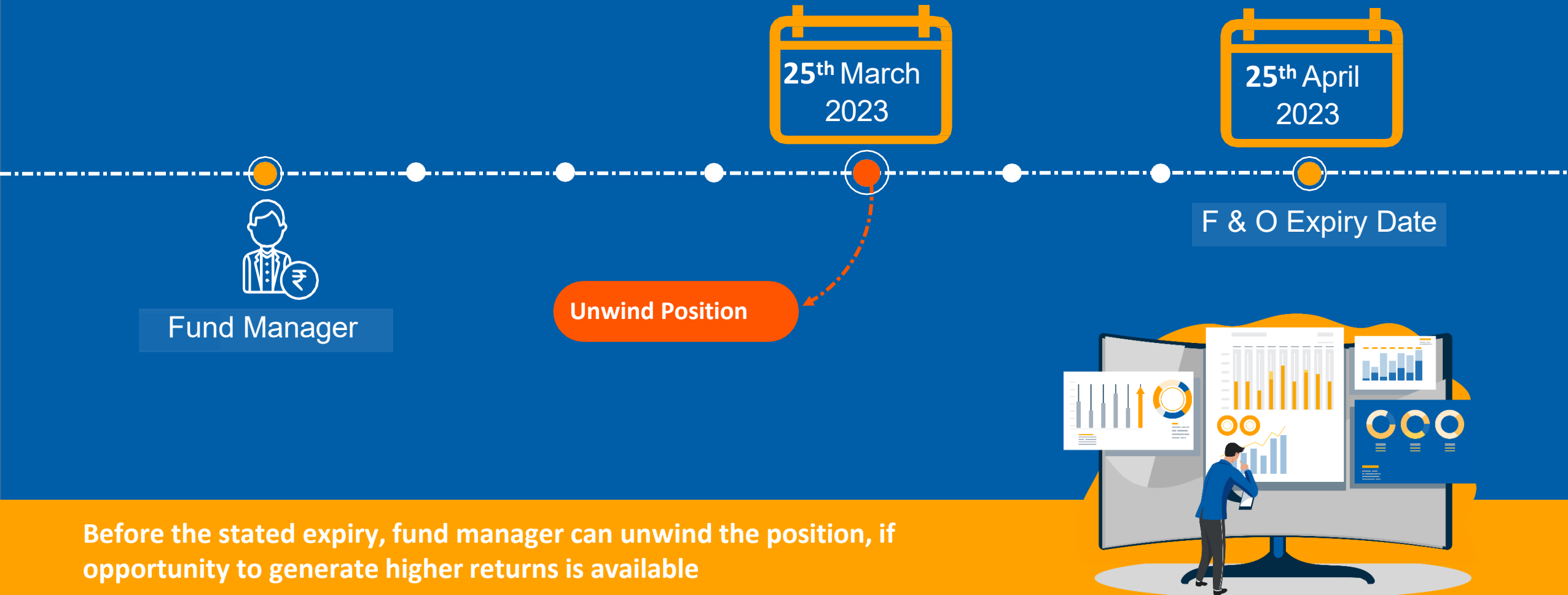
Fund Manager

F & O Expiry Date

Cash and Carry Arbitrage – Case study



Unwinding The Position



Rollover Futures Position



Fund Manager



F & O Expiry Date



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



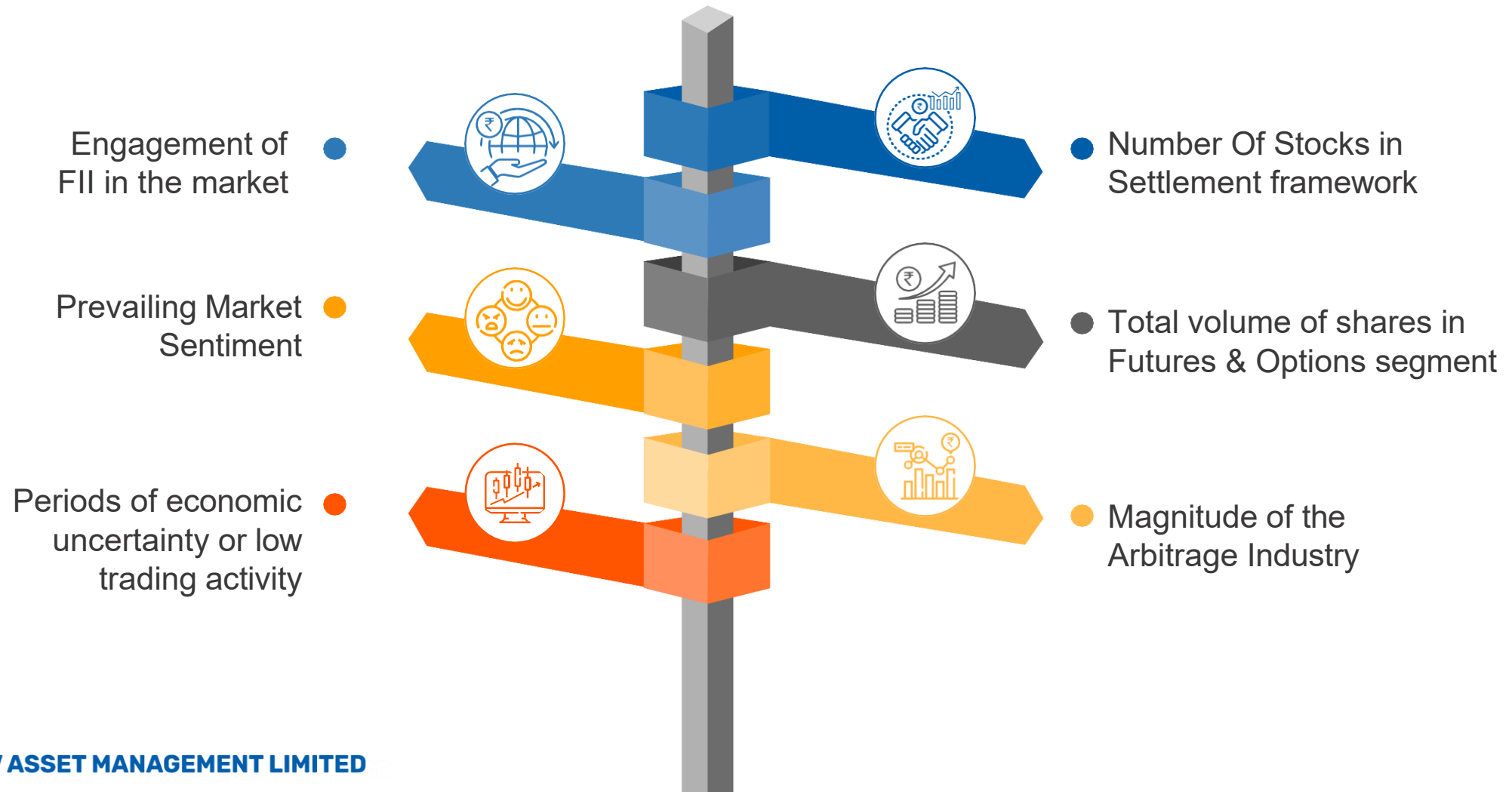
Exchange Arbitrage



Dividend Arbitrage

Factors Impacting Spreads

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



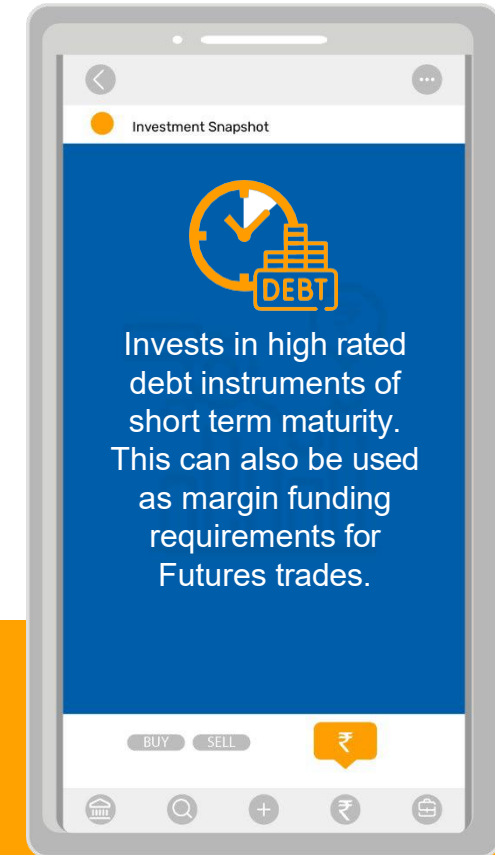
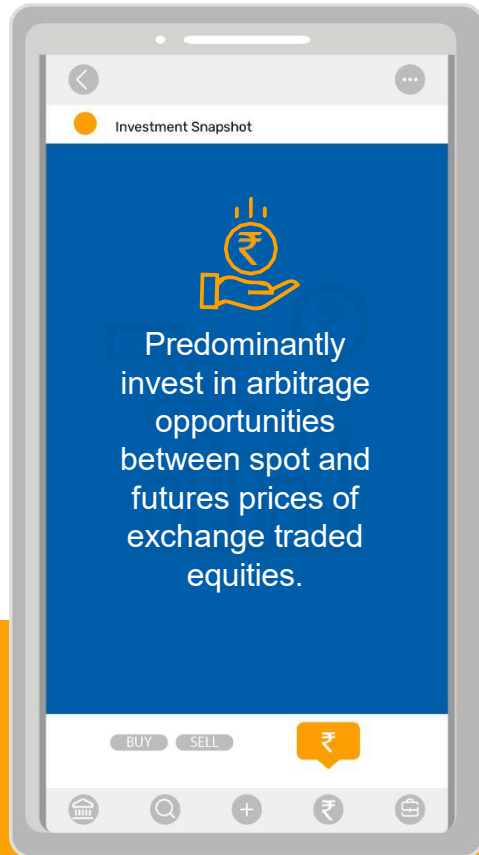
Decoding the commonly used terms

- **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.

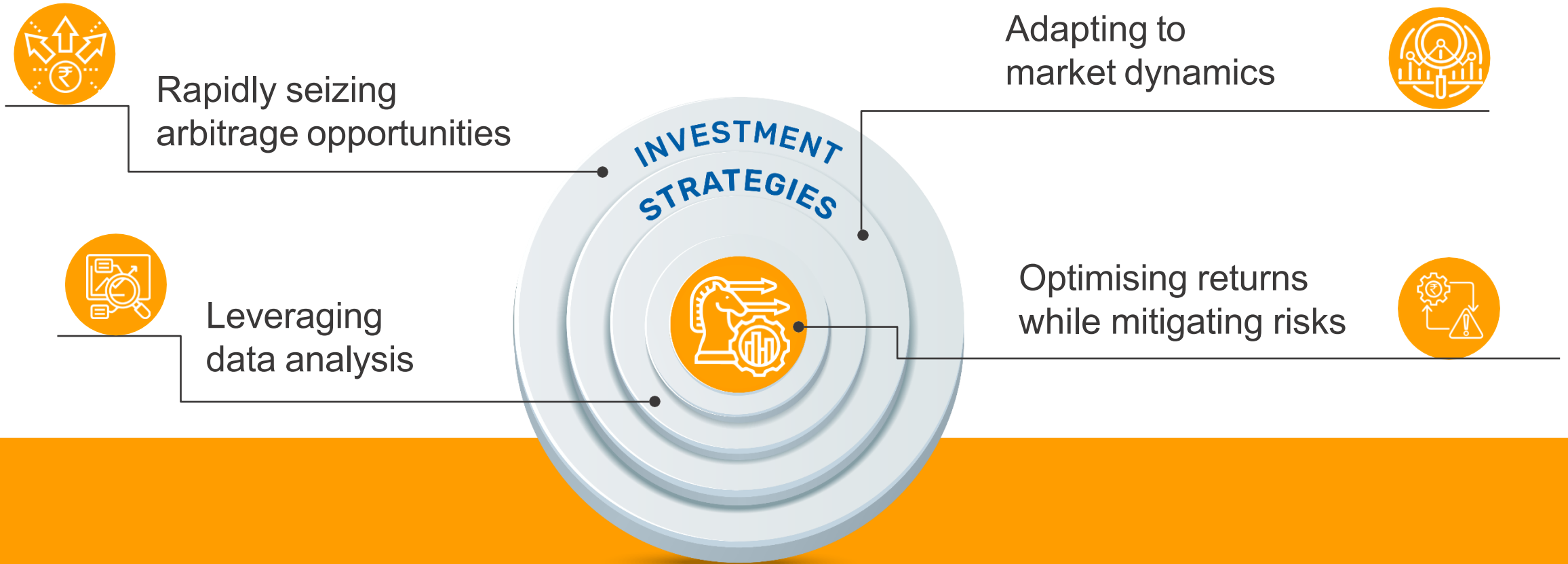
Introducing Bajaj Finserv Arbitrage Fund



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





2 
No Credit Risk

3 
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

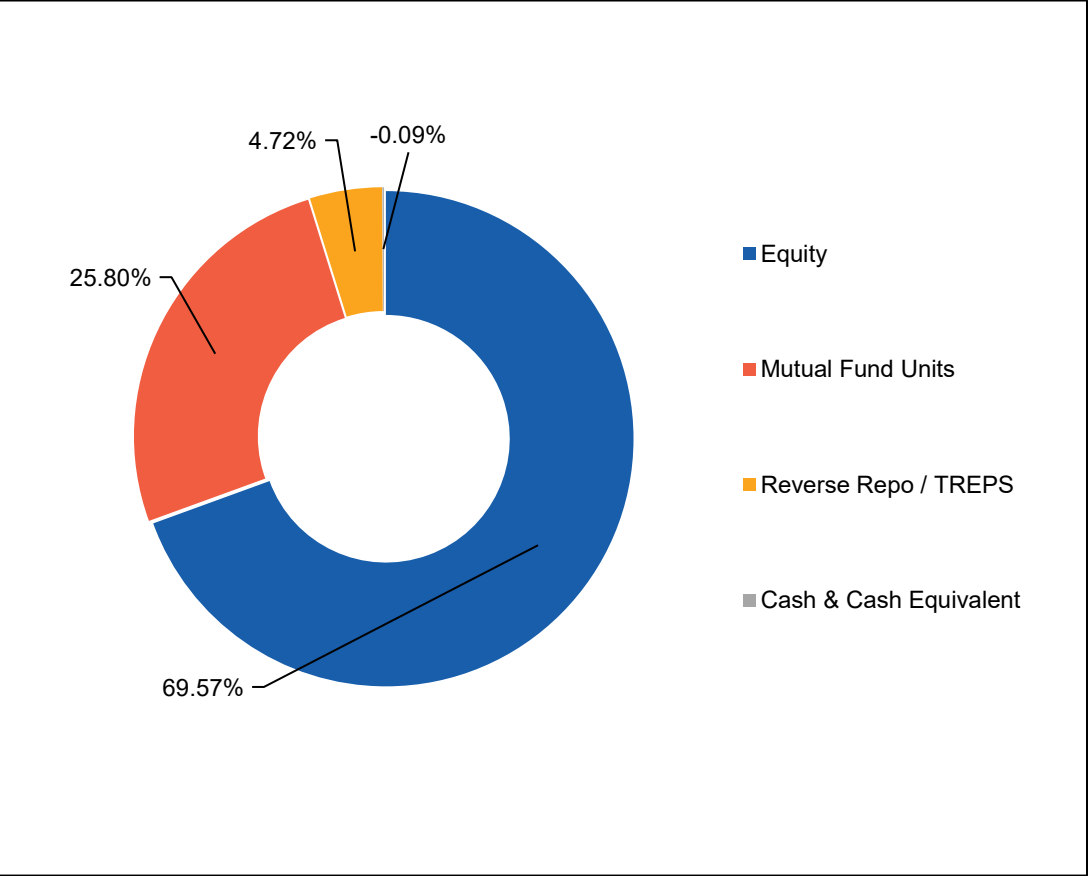
Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
RBL Bank Limited	4.37%	-4.39%
Reliance Industries Limited	3.55%	-3.58%
HDFC Bank Limited	3.31%	-3.35%
Aditya Birla Capital Limited	2.91%	-2.92%
Vodafone Idea Limited	2.63%	-2.67%
ICICI Bank Limited	2.34%	-2.37%
REC Limited	2.09%	-2.10%
Hindalco Industries Limited	1.93%	-1.95%
Punjab National Bank	1.86%	-1.87%
Steel Authority of India Limited	1.80%	-1.82%
IDFC First Bank Limited	1.54%	-1.56%
LIC Housing Finance Limited	1.16%	-1.17%
IndusInd Bank Limited	1.14%	-1.15%
Adani Ports and Special Economic Zone Limited	1.00%	-1.02%
Mahindra & Mahindra Limited	0.98%	-0.98%
Bandhan Bank Limited	0.97%	-0.98%
GMR Airports Limited	0.96%	-0.97%
Jio Financial Services Limited	0.96%	-0.97%
BSE Limited	0.95%	-0.96%
Tata Consultancy Services Limited	0.91%	-0.91%
Eternal Limited	0.89%	-0.90%
ITC Limited	0.87%	-0.87%
Bharti Airtel Limited	0.84%	-0.85%
Sammaan Capital Limited	0.83%	-0.84%
Vedanta Limited	0.75%	-0.76%
Tata Power Company Limited	0.73%	-0.73%
Hindustan Zinc Limited	0.73%	-0.74%
Dixon Technologies (India) Limited	0.67%	-0.68%
Kotak Mahindra Bank Limited	0.66%	-0.67%
Suzlon Energy Limited	0.66%	-0.67%
Titan Company Limited	0.66%	-0.66%
Oil & Natural Gas Corporation Limited	0.64%	-0.65%
Maruti Suzuki India Limited	0.62%	-0.62%
L&T Finance Limited	0.61%	-0.61%
Indus Towers Limited	0.59%	-0.60%
Bharat Electronics Limited	0.58%	-0.58%
Trent Limited	0.58%	-0.59%
Britannia Industries Limited	0.55%	-0.56%
Axis Bank Limited	0.52%	-0.52%
Power Finance Corporation Limited	0.52%	-0.53%
TVS Motor Company Limited	0.51%	-0.52%
Solar Industries India Limited	0.49%	-0.49%
Kalyan Jewellers India Limited	0.48%	-0.48%
NMDC Limited	0.48%	-0.48%
The Indian Hotels Company Limited	0.47%	-0.47%
Lupin Limited	0.46%	-0.47%
Tata Steel Limited	0.45%	-0.45%
Yes Bank Limited	0.45%	-0.46%
State Bank of India	0.44%	-0.45%
Multi Commodity Exchange of India Limited	0.41%	-0.42%

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
Power Grid Corporation of India Limited	0.41%	-0.42%
Tata Elxsi Limited	0.40%	-0.41%
Shriram Finance Limited	0.39%	-0.39%
Fortis Healthcare Limited	0.39%	-0.39%
Godrej Consumer Products Limited	0.38%	-0.38%
UltraTech Cement Limited	0.38%	-0.38%
Hero MotoCorp Limited	0.37%	-0.37%
JSW Steel Limited	0.37%	-0.38%
Jubilant Foodworks Limited	0.37%	-0.37%
NTPC Limited	0.37%	-0.38%
ICICI Prudential Life Insurance Company Limited	0.35%	-0.36%
Adani Enterprises Limited	0.33%	-0.32%
Havells India Limited	0.33%	-0.33%
Apollo Hospitals Enterprise Limited	0.32%	-0.32%
Aurobindo Pharma Limited	0.32%	-0.32%
Marico Limited	0.32%	-0.33%
Bajaj Finserv Limited	0.31%	-0.31%
Bank of Baroda	0.31%	-0.31%
Godrej Properties Limited	0.31%	-0.31%
National Aluminium Company Limited	0.30%	-0.30%
Manappuram Finance Limited	0.29%	-0.29%
HFCL Limited	0.29%	-0.29%
AU Small Finance Bank Limited	0.28%	-0.29%
Crompton Greaves Consumer Electricals Limited	0.26%	-0.26%
Ambuja Cements Limited	0.25%	-0.26%
Asian Paints Limited	0.25%	-0.25%
Larsen & Toubro Limited	0.25%	-0.26%
Hindustan Aeronautics Limited	0.23%	-0.23%
Computer Age Management Services Limited	0.22%	-0.22%
Dalmia Bharat Limited	0.22%	-0.22%
JSW Energy Limited	0.22%	-0.22%
Bharat Petroleum Corporation Limited	0.21%	-0.21%
Polycab India Limited	0.21%	-0.21%
Cipla Limited	0.20%	-0.20%
Hindustan Unilever Limited	0.19%	-0.19%
Glenmark Pharmaceuticals Limited	0.18%	-0.18%
Muthoot Finance Limited	0.18%	-0.18%
Delhivery Limited	0.18%	-0.18%
Bajaj Finance Limited	0.17%	-0.17%
SBI Life Insurance Company Limited	0.17%	-0.17%
Grasim Industries Limited	0.16%	-0.16%
Bharat Dynamics Limited	0.16%	-0.16%
Kaynes Technology India Limited	0.15%	-0.15%
Bharat Heavy Electricals Limited	0.13%	-0.14%
Dabur India Limited	0.11%	-0.11%
Max Healthcare Institute Limited	0.11%	-0.11%
Coforge Limited	0.11%	-0.11%
DLF Limited	0.10%	-0.10%
Laurus Labs Limited	0.10%	-0.10%
HDFC Life Insurance Company Limited	0.09%	-0.09%
PNB Housing Finance Limited	0.09%	-0.09%
Patanjali Foods Limited	0.09%	-0.09%

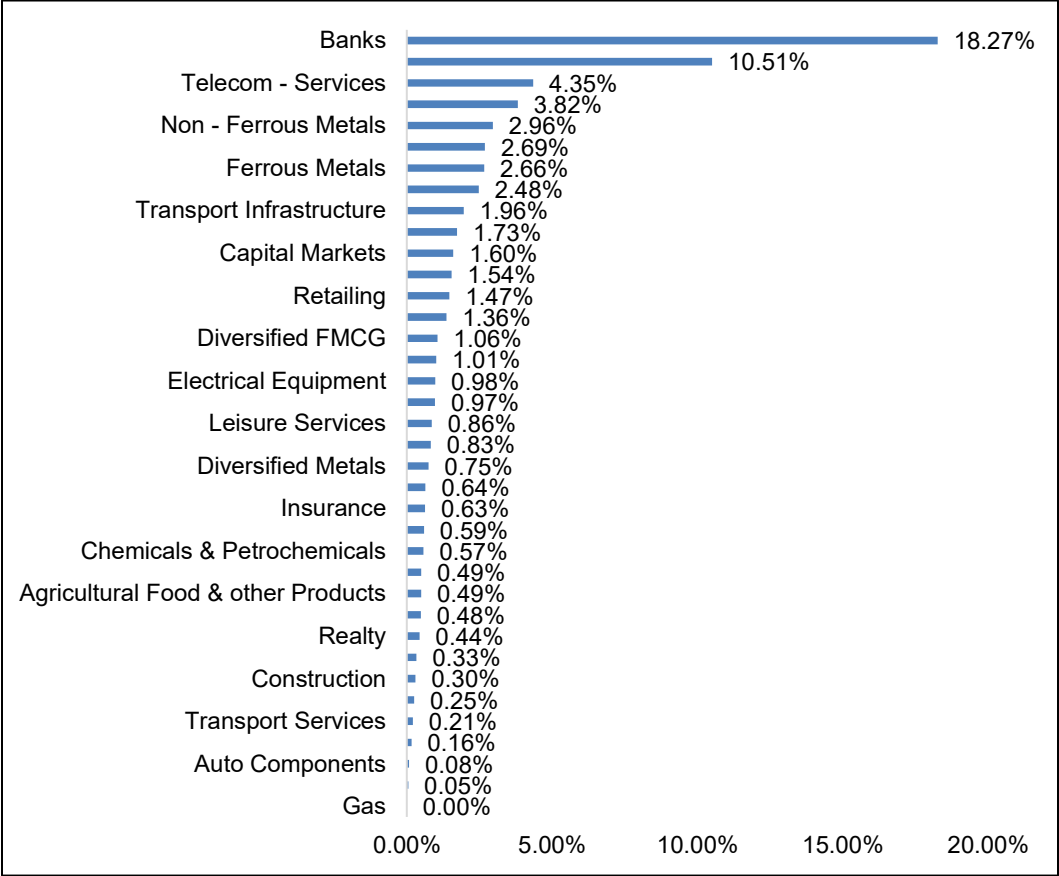
Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
Tata Consumer Products Limited	0.08%	-0.08%
Siemens Limited	0.07%	-0.07%
Inox Wind Limited	0.07%	-0.07%
Pidilite Industries Limited	0.06%	-0.06%
Samvardhana Motherson International Limited	0.06%	-0.06%
CG Power and Industrial Solutions Limited	0.05%	-0.05%
Indian Oil Corporation Limited	0.05%	-0.05%
PB Fintech Limited	0.05%	-0.05%
Sun Pharmaceutical Industries Limited	0.05%	-0.05%
Union Bank of India	0.05%	-0.05%
Nestle India Limited	0.04%	-0.04%
Wipro Limited	0.04%	-0.04%
NCC Limited	0.04%	-0.04%
Jindal Steel Limited	0.04%	-0.04%
PG Electroplast Limited	0.04%	-0.04%
APL Apollo Tubes Limited	0.03%	-0.03%
Divi's Laboratories Limited	0.03%	-0.03%
HCL Technologies Limited	0.03%	-0.03%
InterGlobe Aviation Limited	0.03%	-0.03%
The Federal Bank Limited	0.03%	-0.03%
Biocon Limited	0.02%	-0.02%
Indian Railway Catering And Tourism Corporation Limited	0.02%	-0.02%
Infosys Limited	0.02%	-0.02%
Life Insurance Corporation Of India	0.02%	-0.02%
SRF Limited	0.02%	-0.02%
Lodha Developers Limited	0.02%	-0.02%
Persistent Systems Limited	0.02%	-0.03%
Sona BLW Precision Forgings Limited	0.02%	-0.02%
Central Depository Services (India) Limited	0.02%	-0.02%
Cummins India Limited	0.01%	-0.01%
Prestige Estates Projects Limited	0.01%	-0.01%
Syngene International Limited	0.01%	-0.01%
Hindustan Petroleum Corporation 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%
Petronet LNG Limited	0.00%	0.00%
Hedged Equity Exposure	69.57%	-70.18%
Bajaj Finserv Mutual Fund	25.80%	
Total Mutual Funds	25.80%	
Reverse Repo/Treps	4.72%	
Cash Receivables/Payable	-0.09%	
Grand Total	100.00%	

Bajaj Finserv Arbitrage Fund - Allocation

Asset Allocation



Industry 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): Rs. 500 and above: 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

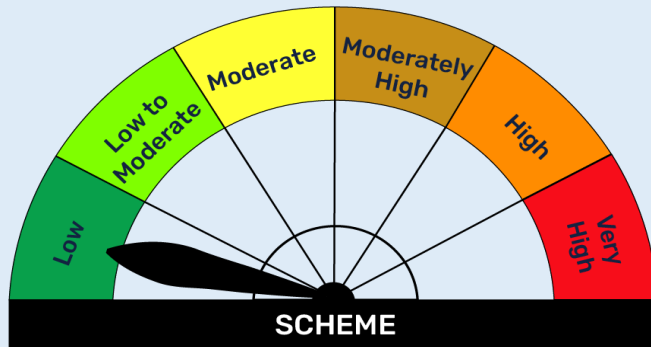
This product is suitable for investors who are seeking*:

- 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

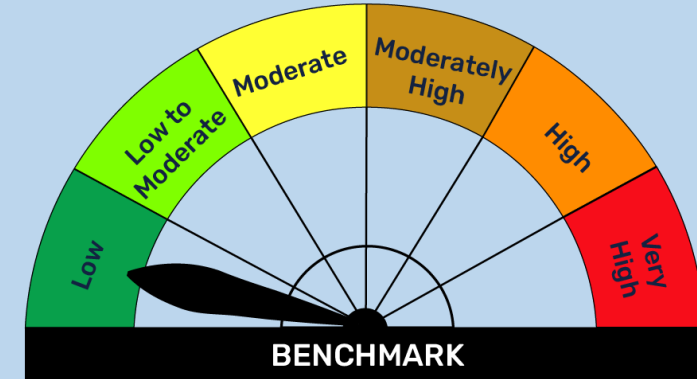
Riskometer



The risk of the scheme is low

BENCHMARK

Riskometer



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

Disclaimers

This document should not be treated as endorsement of the views/opinions or as an investment advice. This document should not be construed as a research report or a recommendation to buy or sell any security. This document alone is not sufficient and should not be used for the development or implementation of an investment strategy. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. Neither Bajaj Finserv Mutual Fund / Bajaj Finserv Mutual Fund Trustee Limited / Bajaj Finserv Asset Management Limited nor its Directors or employees shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Investors are advised to consult their own investment advisor before making any investment decision in light of their risk appetite, investment goals and horizon. This information is subject to change without any prior notice.

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

Thank You