

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

February 2026



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.



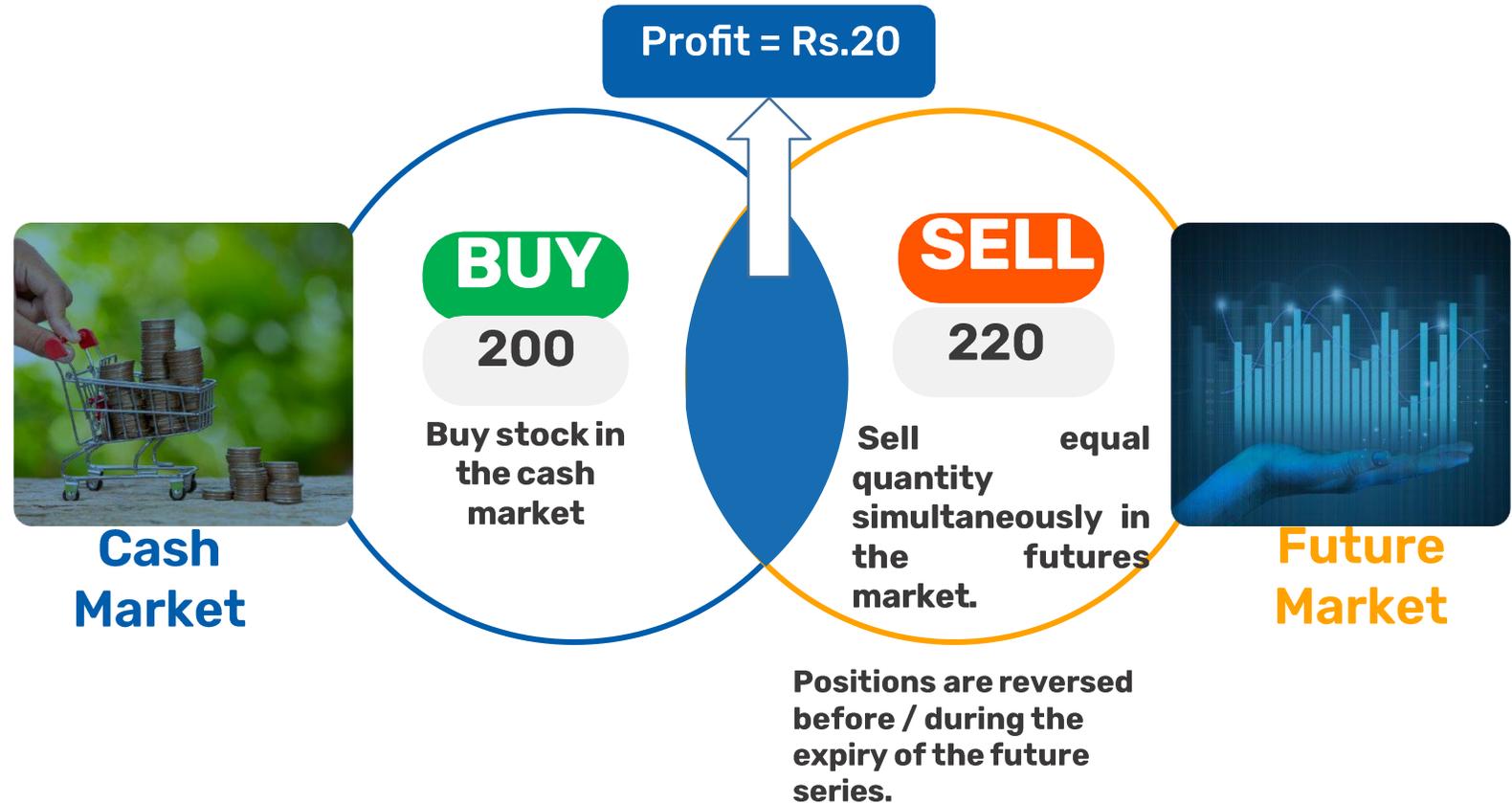
$$\text{Arbitrage} = \text{Rs } 12000 - \text{Rs } 10000 = \text{Rs } 2000$$

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 and sold bought



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.

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.

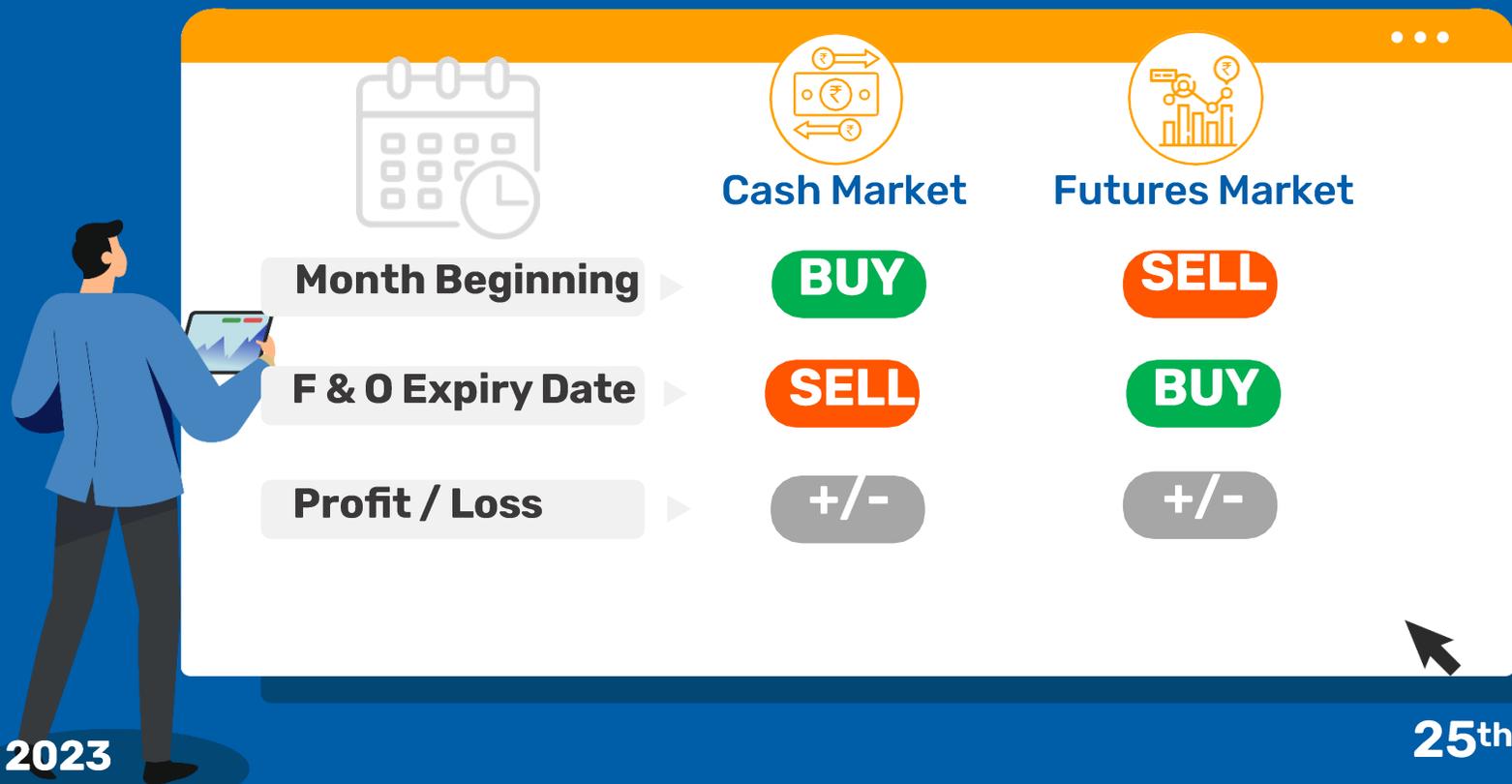
Cash and Carry Arbitrage – 'Wait For The Expiry' Method



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



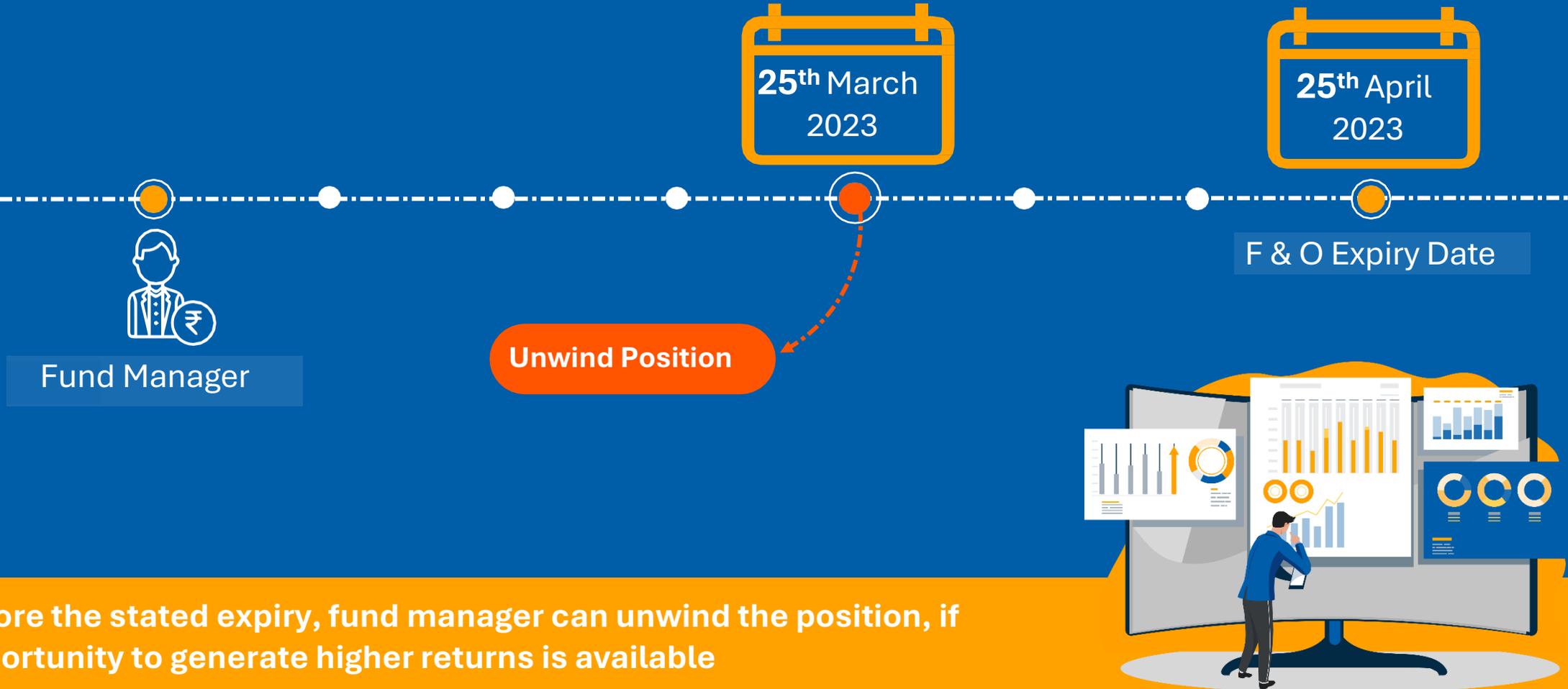
Different Price Possibilities at the month end

<p>Cash Position = A</p> <p>Future Position = B</p> <p>Net Profit →</p>	<p>Stock Price rises to Rs.210</p> <p>+ 10 (210-200)</p> <p>- 5 (205-210)</p> <p>+ 5</p>	<p>Stock Price remain at Rs.200</p> <p>0 (200 -200)</p> <p>+ 5 (205 – 200)</p> <p>+ 5</p>	<p>Stock Price dip to Rs.190</p> <p>- 10 (200 -190)</p> <p>+ 15 (205 – 190)</p> <p>+ 5</p>
	<p>Fund Manager locks the profit irrespective of price movement of a stock in future.</p>		

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



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



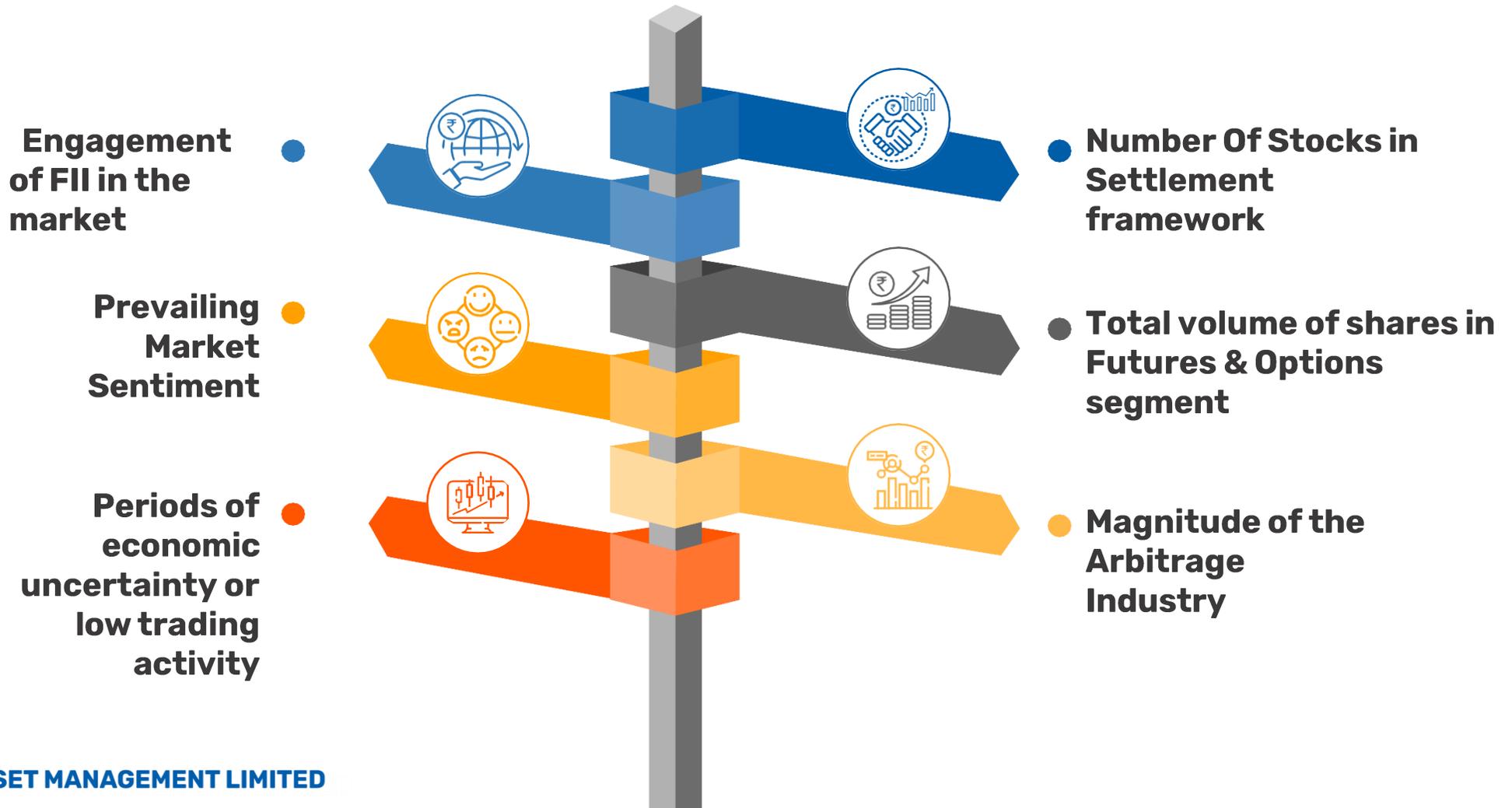
Exchange Arbitrage



Dividend Arbitrage

Factors Impacting Spreads

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



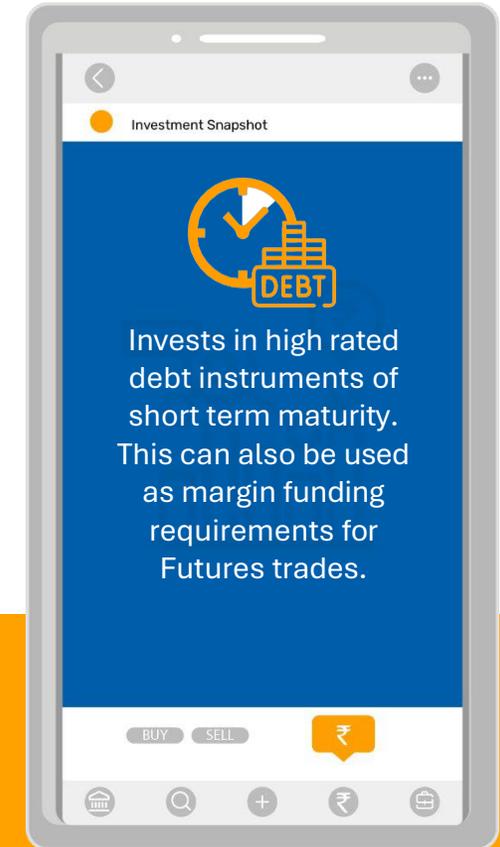
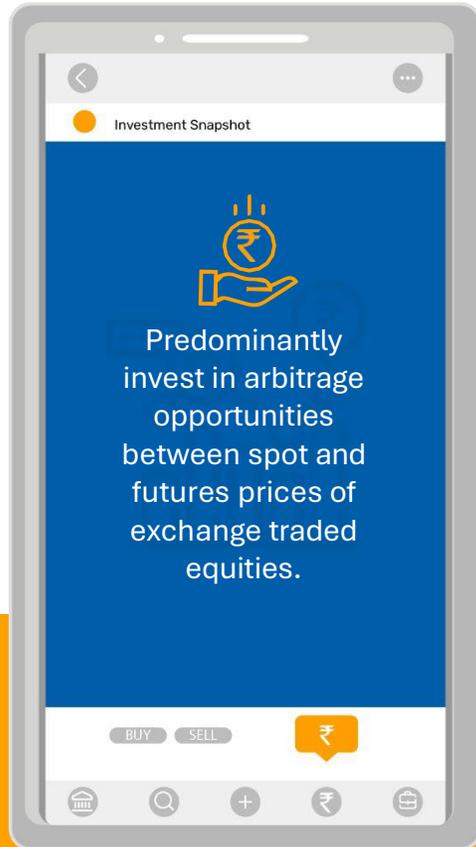
Decoding the commonly used terms

- **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.

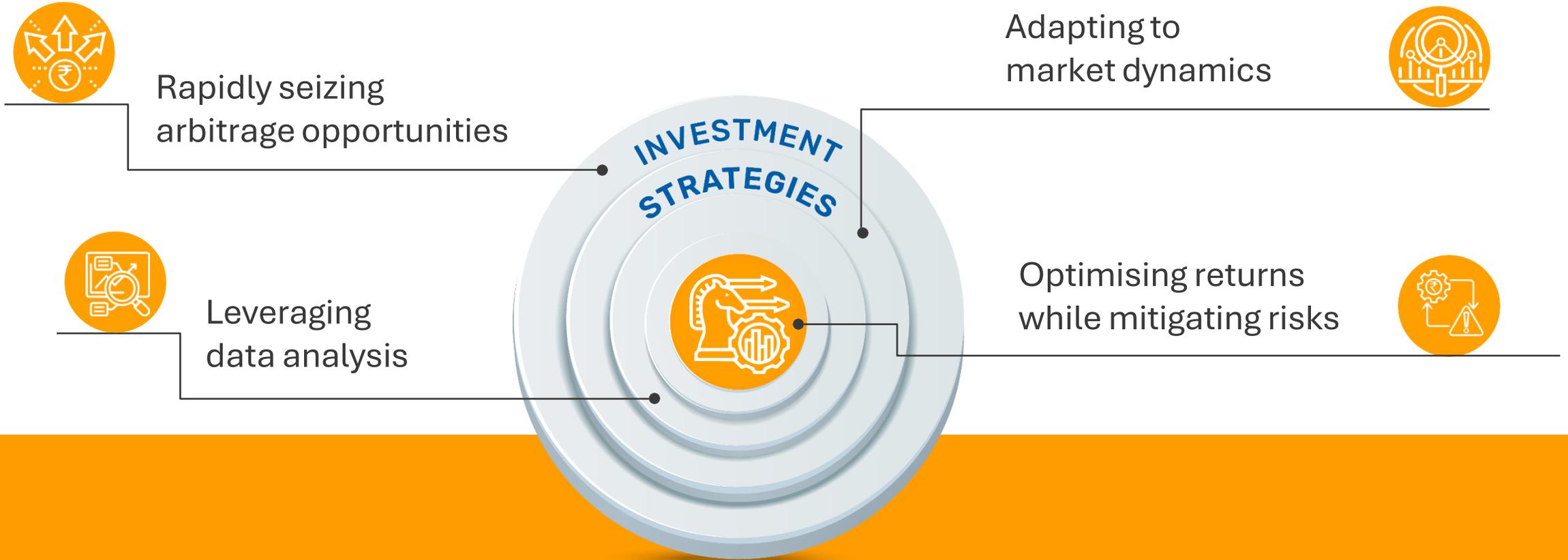
Introducing Bajaj Finserv Arbitrage Fund



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

2 
No Credit Risk

3 
Equity Taxation

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

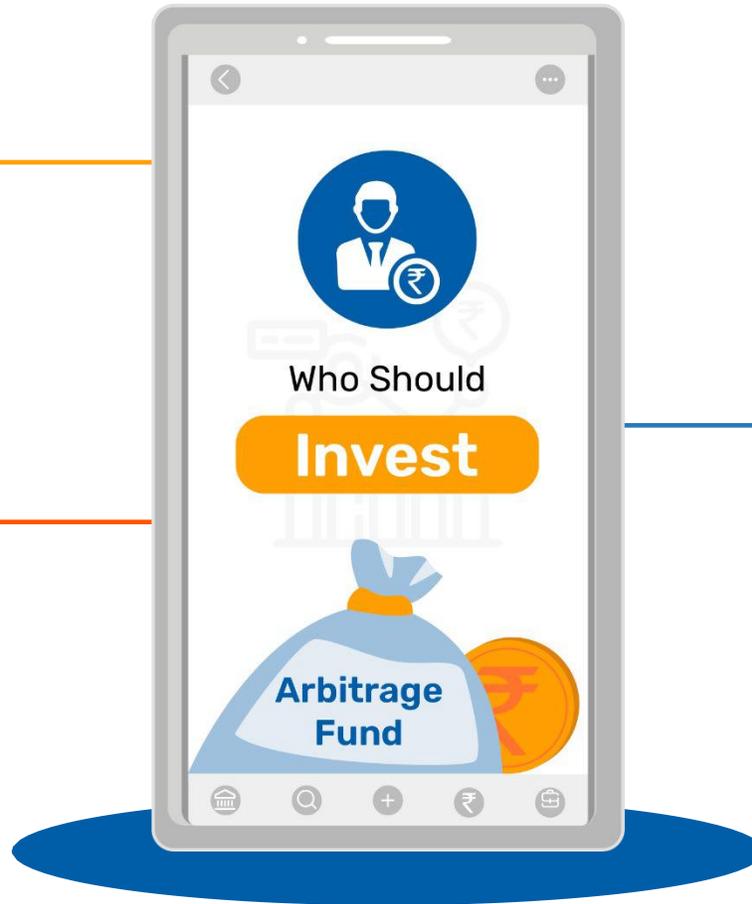
The above simulation is based on highest tax rates applicable to Individual/HUF/Domestic Companies as per the Finance Act, 2023 read with the Taxation Laws, for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. The above illustration is not 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



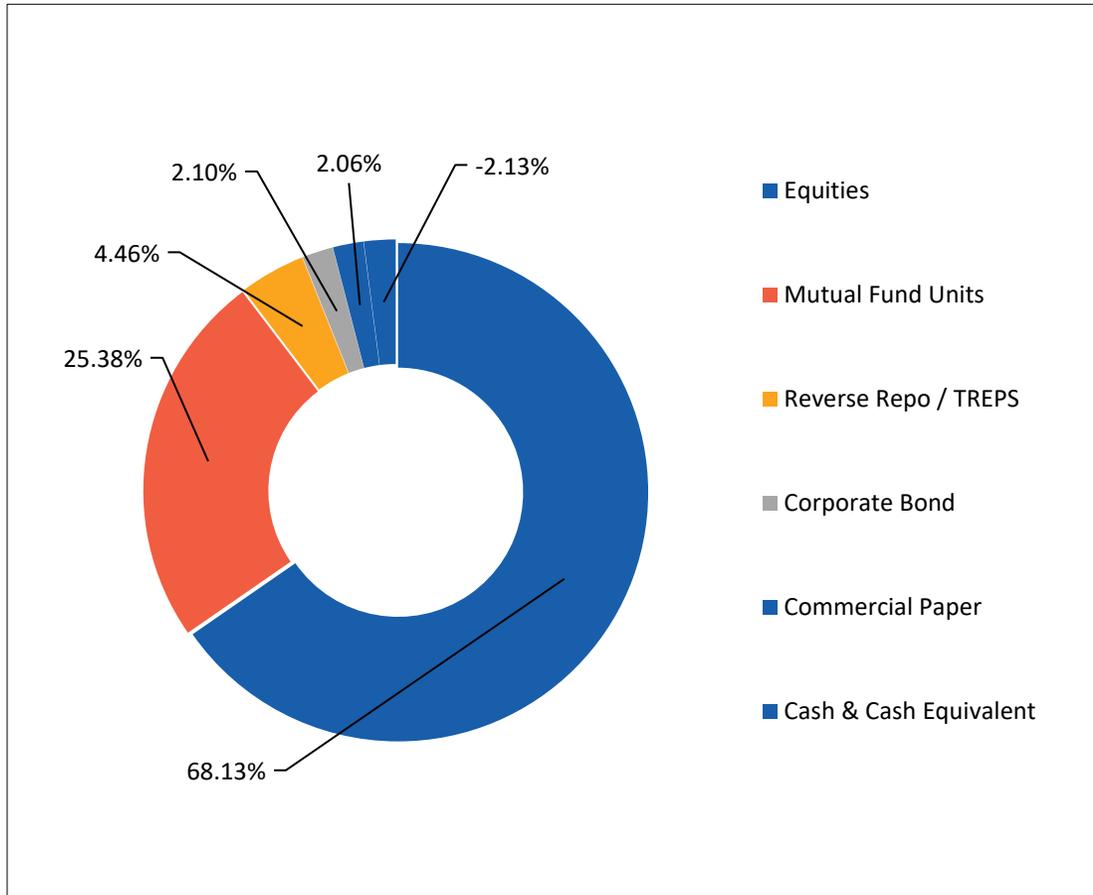
Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
HDFC Bank Limited	6.12%	-6.16%
RBL Bank Limited	4.43%	-4.44%
Reliance Industries Limited	4.11%	-4.14%
Vodafone Idea Limited	3.47%	-3.49%
ICICI Bank Limited	2.88%	-2.90%
Aditya Birla Capital Limited	2.25%	-2.25%
Punjab National Bank	1.80%	-1.81%
Steel Authority of India Limited	1.65%	-1.67%
Vedanta Limited	1.57%	-1.58%
IDFC First Bank Limited	1.43%	-1.44%
Bajaj Finance Ltd	1.24%	-1.24%
LIC Housing Finance Limited	1.19%	-1.20%
InterGlobe Aviation Limited	1.09%	-1.09%
Bandhan Bank Limited	1.07%	-1.08%
Mahindra & Mahindra Limited	1.03%	-1.03%
Jio Financial Services Limited	1.01%	-1.03%
Adani Ports and Special Economic Zone Limited	1.01%	-1.02%
BSE Limited	1.00%	-1.00%
Hindalco Industries Limited	0.91%	-0.91%
Hindustan Zinc Limited	0.87%	-0.87%
Bharti Airtel Limited	0.84%	-0.84%
Suzlon Energy Limited	0.81%	-0.81%
Solar Industries India Limited	0.81%	-0.81%
State Bank of India	0.78%	-0.78%
Tata Power Company Limited	0.74%	-0.74%
ITC Limited	0.74%	-0.74%
Eternal Limited	0.73%	-0.73%
Kotak Mahindra Bank Ltd	0.68%	-0.69%
Bharat Electronics Limited	0.68%	-0.68%
Britannia Industries Limited	0.60%	-0.60%
Bajaj Finserv Limited	0.59%	-0.60%
TVS Motor Company Limited	0.57%	-0.58%
NMDC Limited	0.57%	-0.57%
Tata Steel Limited	0.55%	-0.56%
Indus Towers Limited	0.53%	-0.53%
Maruti Suzuki India Limited	0.52%	-0.52%
Dixon Technologies (India) Limited	0.52%	-0.52%
Shriram Finance Limited	0.51%	-0.51%
Axis Bank Limited	0.49%	-0.48%
UltraTech Cement Limited	0.45%	-0.46%
DLF Limited	0.45%	-0.45%

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
The Indian Hotels Company Limited	0.44%	-0.44%
Titan Company Limited	0.44%	-0.44%
NTPC Limited	0.43%	-0.43%
Power Grid Corporation of India Limited	0.42%	-0.42%
JSW Steel Limited	0.42%	-0.42%
Power Finance Corporation Limited	0.41%	-0.41%
ICICI Prudential Life Insurance Company Limited	0.39%	-0.39%
Fortis Healthcare Limited	0.39%	-0.39%
Tata Consultancy Services Limited	0.39%	-0.39%
SBI Life Insurance Company Limited	0.37%	-0.37%
Infosys Limited	0.37%	-0.37%
GMR Airports Limited	0.37%	-0.37%
Sammaan Capital Limited	0.36%	-0.36%
Godrej Properties Limited	0.35%	-0.36%
Yes Bank Limited	0.35%	-0.36%
Aurobindo Pharma Limited	0.33%	-0.33%
Marico Limited	0.32%	-0.32%
Inox Wind Limited	0.32%	-0.32%
Havells India Limited	0.32%	-0.32%
Manappuram Finance Limited	0.31%	-0.31%
AU Small Finance Bank Limited	0.28%	-0.28%
Tata Elxsi Limited	0.28%	-0.28%
Angel One Limited	0.27%	-0.27%
REC Limited	0.26%	-0.26%
Larsen & Toubro Limited	0.26%	-0.26%
Kalyan Jewellers India Limited	0.26%	-0.26%
Hindustan Aeronautics Limited	0.25%	-0.25%
Ambuja Cements Limited	0.25%	-0.25%
Lupin Limited	0.25%	-0.25%
Crompton Greaves Consumer Electricals Limited	0.25%	-0.25%
Dr Reddys Laboratories Limited	0.24%	-0.24%
IndusInd Bank Limited	0.24%	-0.24%
Dalmia Bharat Limited	0.24%	-0.24%
Jubilant Foodworks Limited	0.22%	-0.22%
Polycab India Limited	0.21%	-0.21%
Cipla Limited	0.20%	-0.21%
Delhivery Limited	0.19%	-0.19%
HCL Technologies Limited	0.18%	-0.19%
Max Healthcare Institute Limited	0.18%	-0.18%
KPIT Technologies Limited	0.17%	-0.17%
Multi Commodity Exchange of India Limited	0.17%	-0.17%

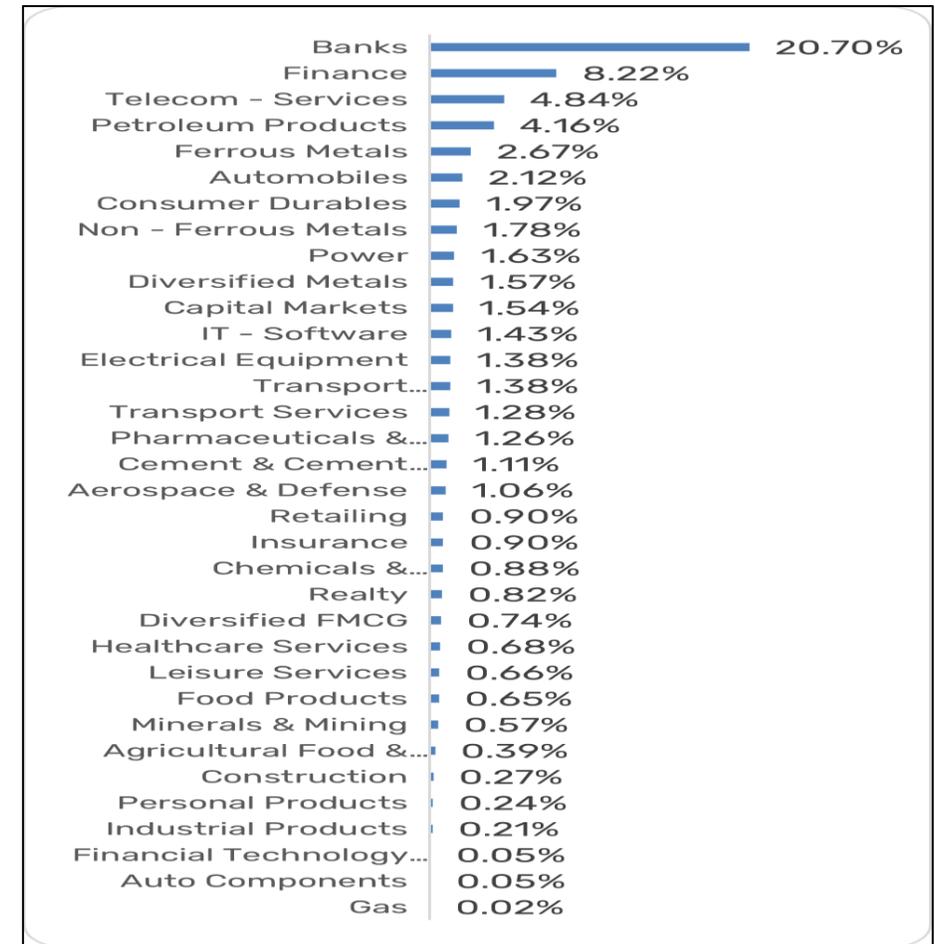
Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
Trent Limited	0.17%	-0.16%
Grasim Industries Limited	0.17%	-0.17%
Bank of Baroda	0.15%	-0.15%
HDFC Life Insurance Company Limited	0.14%	-0.14%
Bharat Dynamics Limited	0.13%	-0.13%
Godrej Consumer Products Limited	0.13%	-0.13%
PG Electroplast Limited	0.12%	-0.12%
Bharat Heavy Electricals Limited	0.12%	-0.12%
Apollo Hospitals Enterprise Limited	0.11%	-0.11%
Dabur India Limited	0.11%	-0.11%
Laurus Labs Limited	0.10%	-0.10%
Computer Age Management Services Limited	0.10%	-0.10%
PNB Housing Finance Limited	0.09%	-0.09%
Siemens Limited	0.08%	-0.08%
Pidilite Industries Limited	0.07%	-0.07%
Patanjali Foods Limited	0.07%	-0.07%
Mankind Pharma Limited	0.06%	-0.06%
Asian Paints Limited	0.06%	-0.06%
Jindal Steel Limited	0.05%	-0.05%
Indian Oil Corporation Limited	0.05%	-0.05%
Samvardhana Motherson International Limited	0.05%	-0.05%
PB Fintech Limited	0.05%	-0.05%
Nestle India Limited	0.05%	-0.05%
CG Power and Industrial Solutions Limited	0.05%	-0.05%
JSW Energy Limited	0.04%	-0.04%
Persistent Systems Ltd	0.03%	-0.03%
Divi's Laboratories Limited	0.03%	-0.03%
Glenmark Pharmaceuticals Limited	0.03%	-0.03%
GAIL (India) Limited	0.02%	-0.02%
Biocon Limited	0.02%	-0.02%
Prestige Estates Projects Limited	0.01%	-0.01%
Lodha Developers Limited	0.01%	-0.01%
NBCC (India) Limited	0.01%	-0.01%
Mphasis Limited	0.01%	-0.01%
Hedged Equity Exposure	68.13%	-68.42%
Bajaj Finserv Liquid Fund - Direct Plan - Growth	11.17%	
Bajaj Finserv Money Market Fund-Direct Plan-Growth	14.21%	
Total Mutual Funds	25.38%	
Total Short Term Debt and Net Current Assets	74.91%	
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.
NAV in Rs.	Regular: 11.602 Direct: 11.797
AUM in Rs. Cr.	889.37
TER	Regular: 1.0500 Direct: 0.3500

Riskometer

An open ended scheme investing in arbitrage opportunities

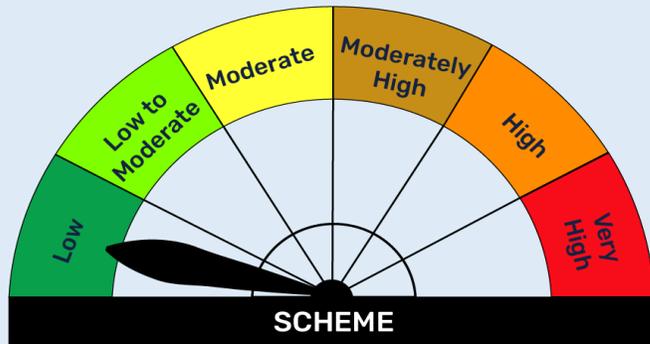
This product is suitable for investors who are seeking*:

- 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

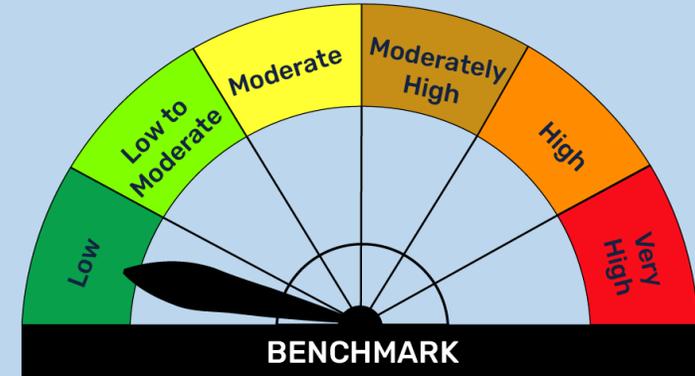
Riskometer



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