

Post Expiry Note – May 2024

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

Fund and Spreads Update:

- Approximately 72% of Bajaj Finserv Arbitrage Fund's corpus is deployed in the cash/futures (arbitrage) positions.
- This allocation has helped in capturing an annualized rollover spreads at about 9.26% until Jun expiry.
- The allocation to debt portion is approximately 28%.
- This debt allocation had an indicative YTM* of 7.03%.
- The debt portion's average maturity* is about 37 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 8.63%.

May Series Highlights

- Nifty ended the May series on a flattish note.
- Markets is bracing volatility (India VIX has moved up from 12 to 24 in the last one month mirroring an element of uncertainty) at the start of June series as it head towards exit polls and election results.
- Nifty rollovers were ~72% (vs. average 3m rollovers of ~69%).
- Nifty futures Open Interest (OI) stands at INR 325bn (~14.44mn shares) as against an OI of INR 280bn (~12.42mn shares) at the start of May series.
- Such positioning can add to the bouts of volatility.
- FPIs started the June series with highest net shorts in index futures (~297.79k contracts as against net short of ~53.5k contracts at the start of May expiry)
- Retail net long in stock futures stood at ~2007000 contracts (vs ~1680000 contracts at the start of May expiry) Average roll costs during the expiry week were ~69-70bps.
- Amidst volatility, retail participants have continued adding long positions in stock futures.
- Key events to watch out in June are general election results, advancement of monsoon into the mainland, India GDP numbers, OPEC+ meet (production cuts expected), MPC and FOMC meet.

With the expected increase in accruals post-election results and the ongoing market conditions we believe it provides a conducive environment for arbitrage funds. The investors in this funds can navigate through uncertainties, manage risks, and can potentially gain by leveraging arbitrage opportunities.

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 May 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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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:

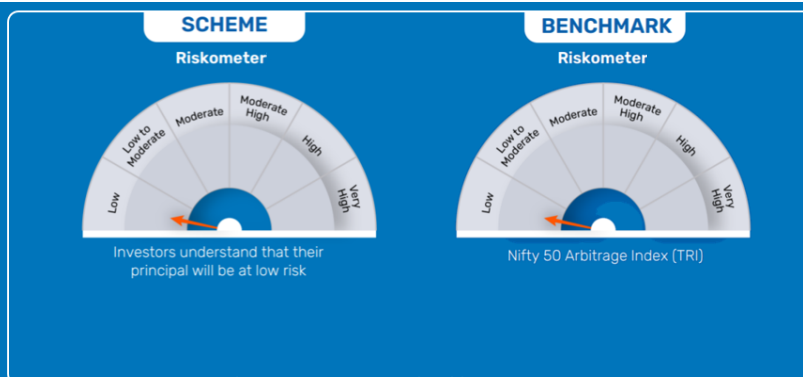
- Mr. Ilesh Savla (Equity portion)
- Mr. Siddharth Chaudhary (Debt Portion)

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.



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