

Bajaj Finserv Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

April 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.



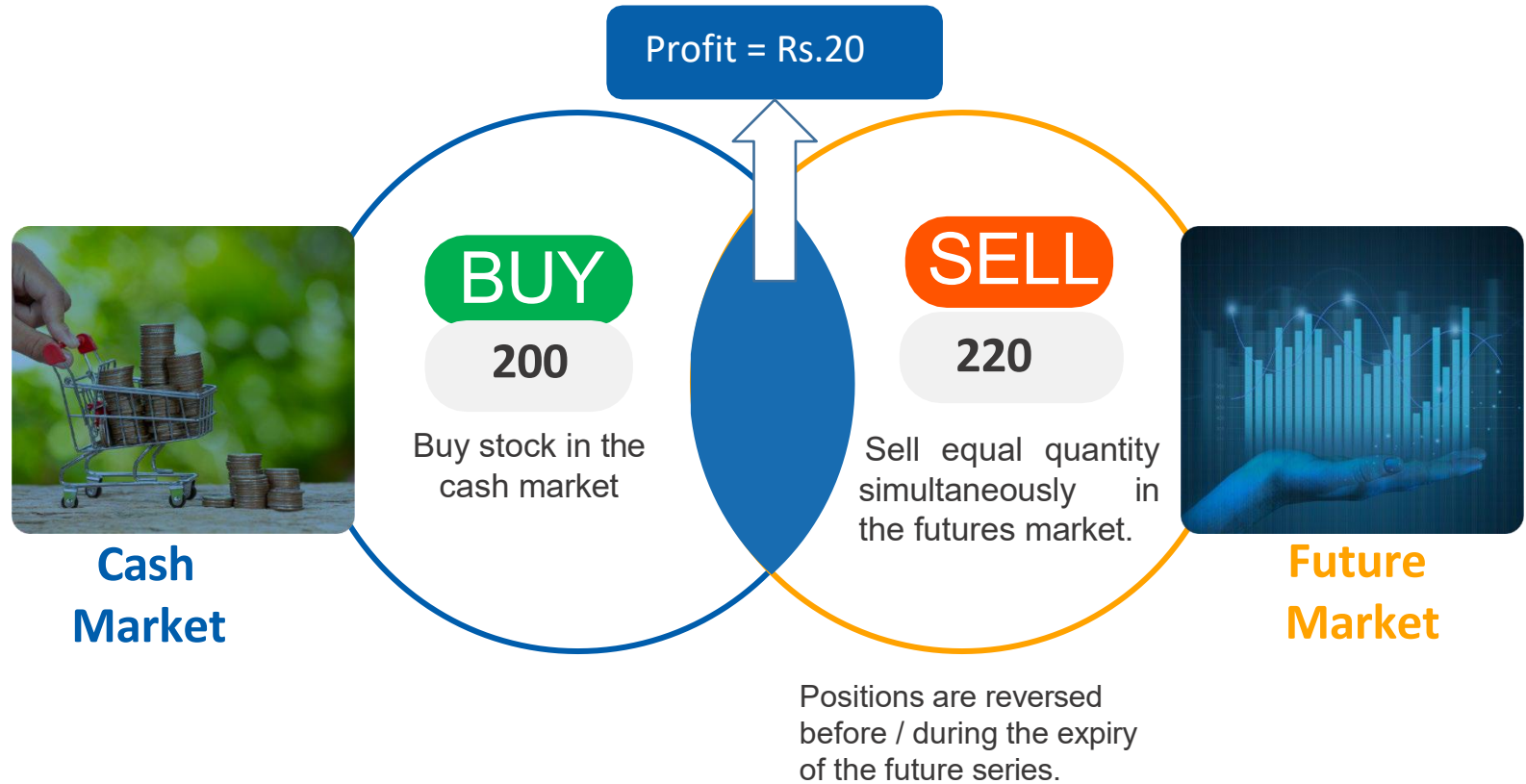
Arbitrage = Rs 12000 - Rs 10000 = Rs 2000

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.

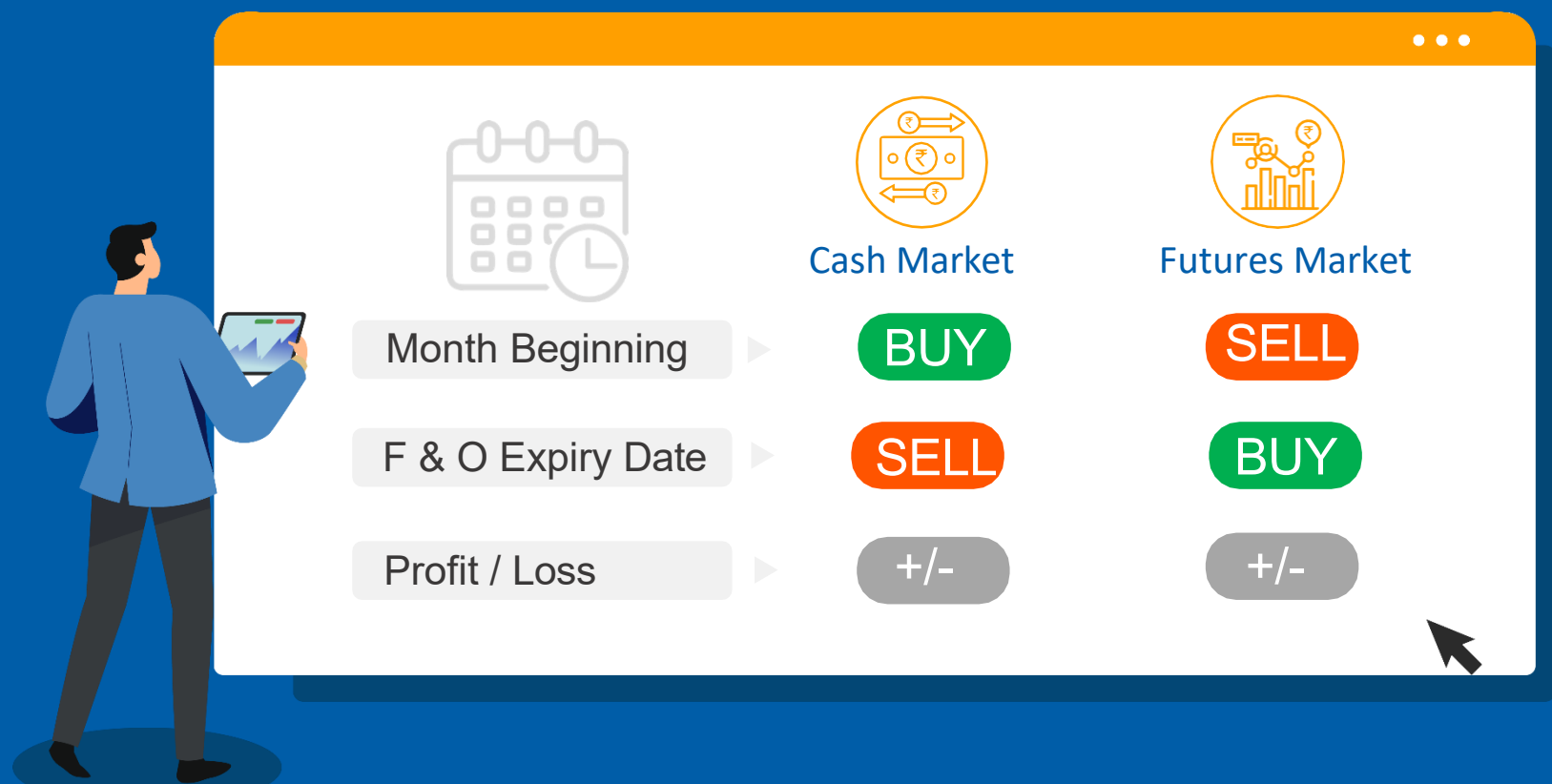
Cash and Carry Arbitrage – ‘Wait For The Expiry’ Method



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



Cash Position = A

Future Position = B

Net Profit

Different Price Possibilities at the month end

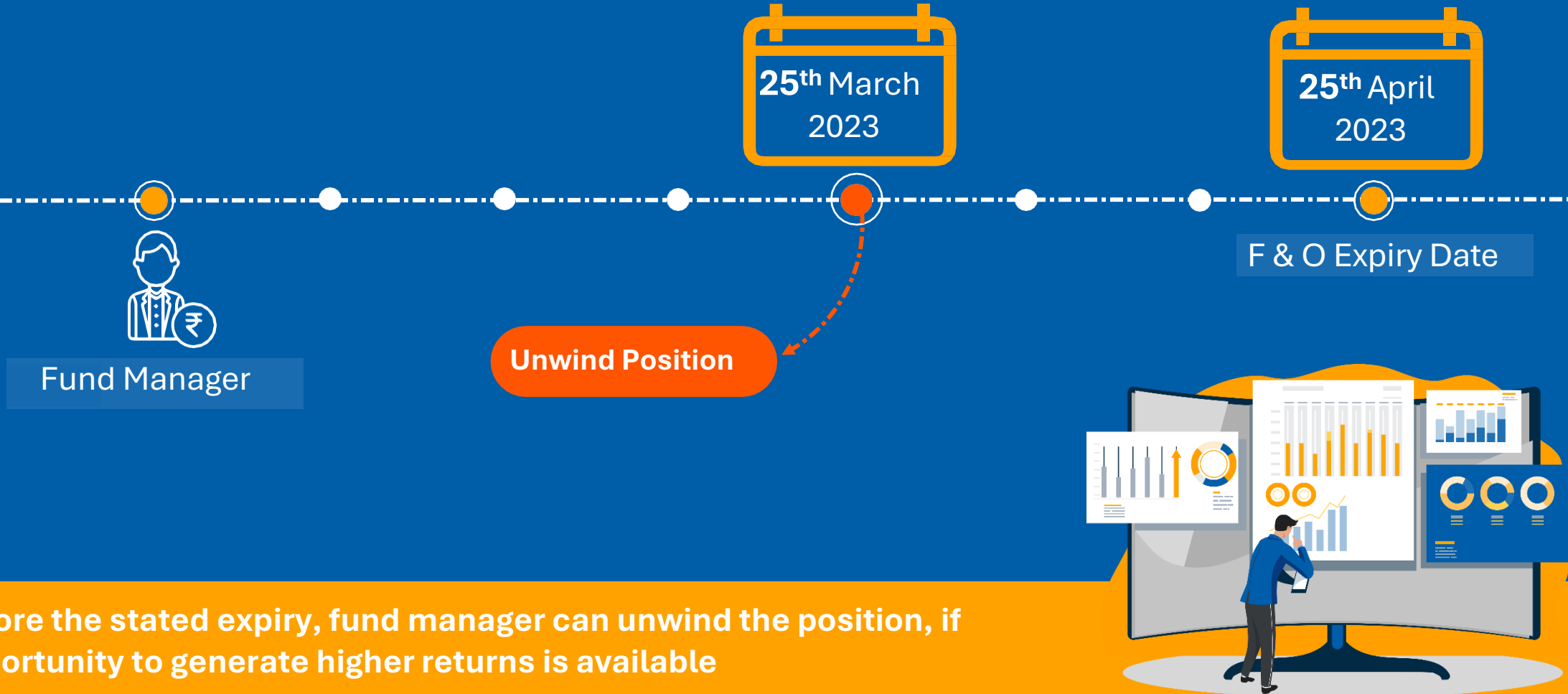
	 Stock Price rises to Rs.210	 Stock Price remain at Rs.200	 Stock Price dip to Rs.190
Cash Position = A	+ 10 (210-200)	0 (200 -200)	- 10 (200 -190)
Future Position = B	- 5 (205-210)	+ 5 (205 – 200)	+ 15 (205 – 190)
Net Profit	+ 5	+ 5	+ 5

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



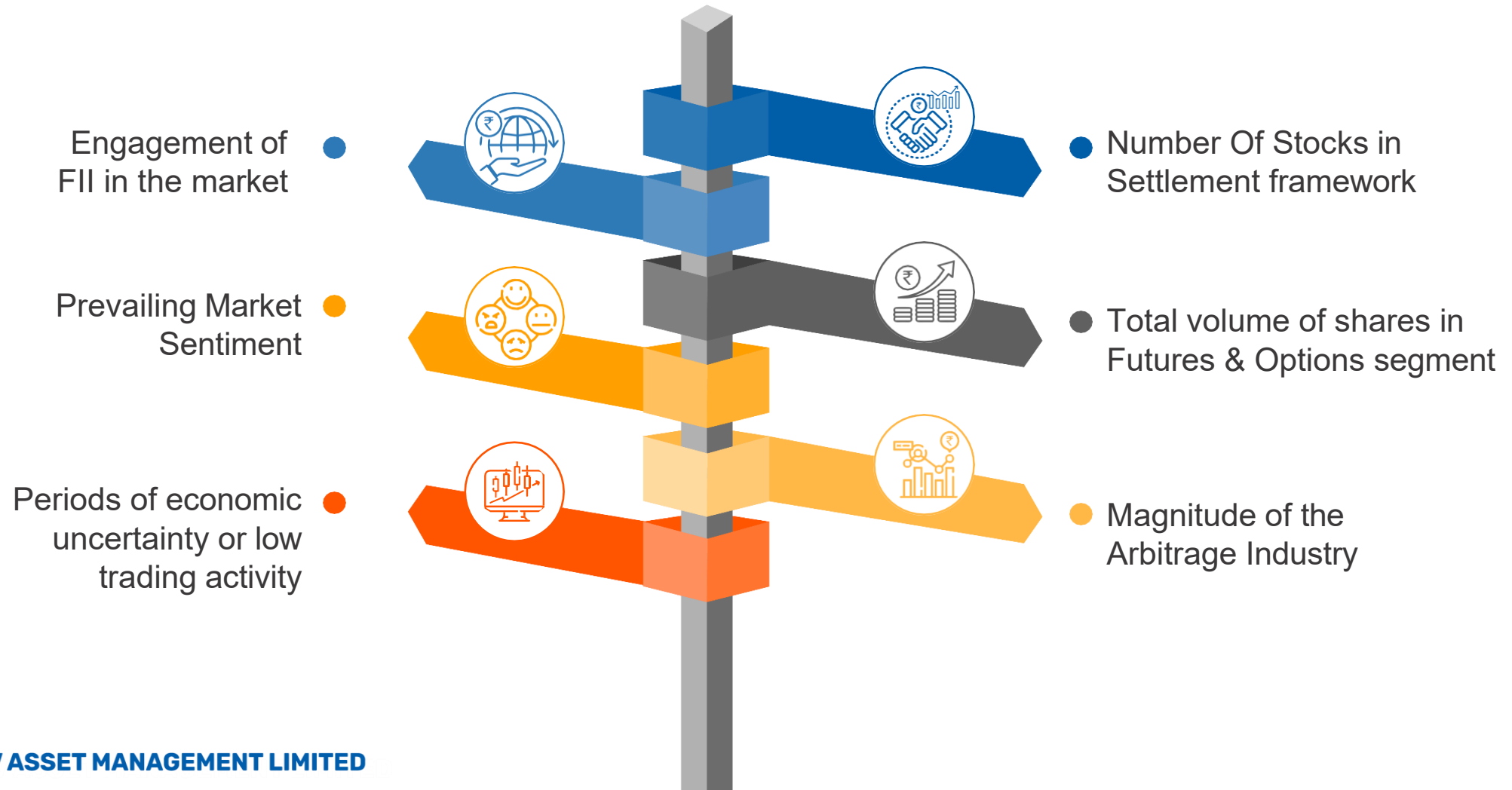
Exchange Arbitrage



Dividend Arbitrage

Factors Impacting Spreads

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



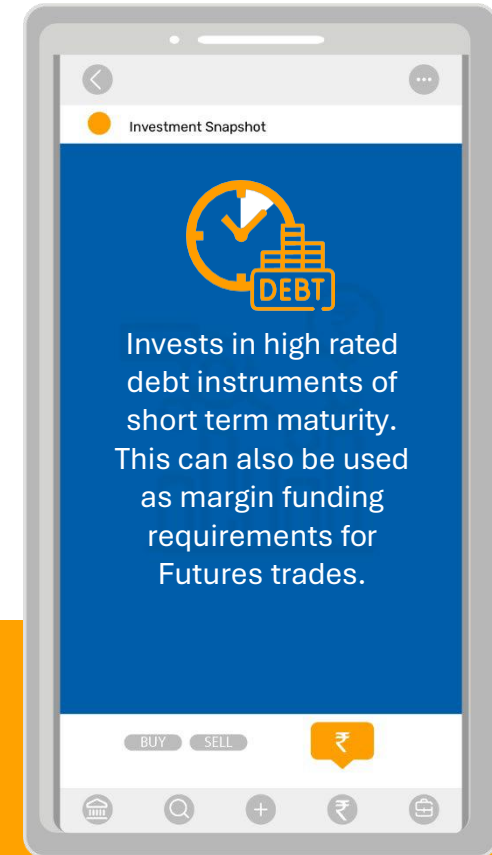
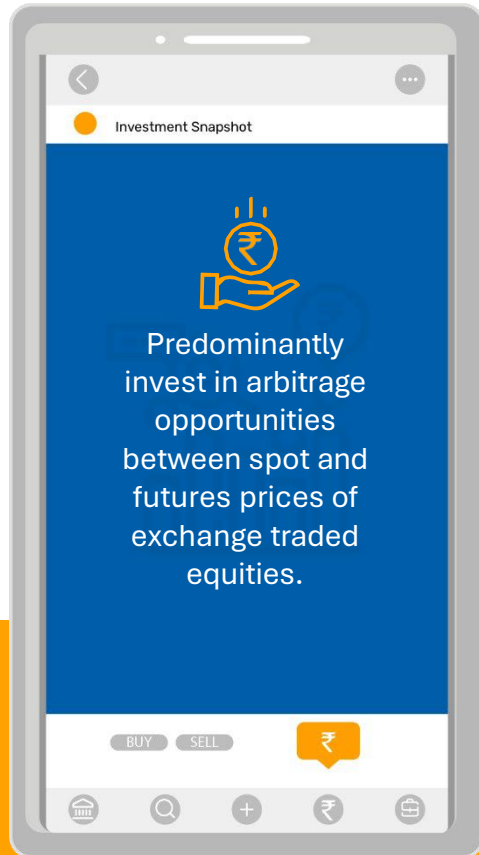
Decoding the commonly used terms

- **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.

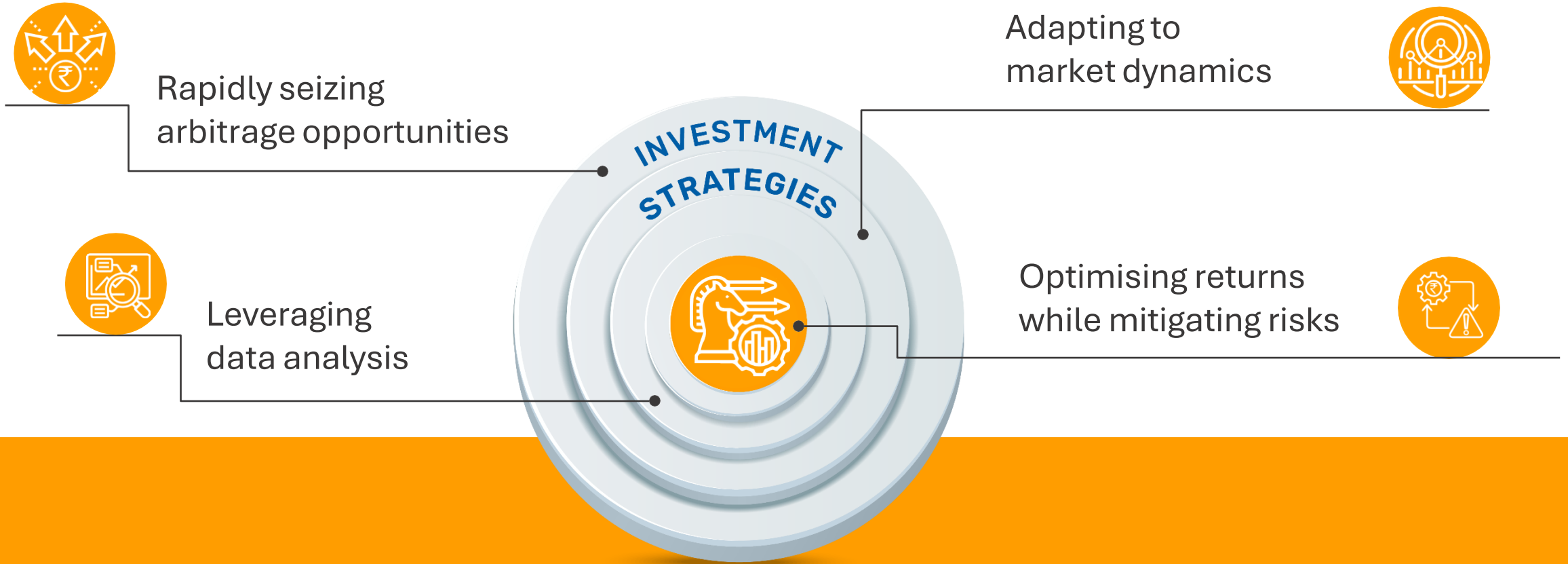
Introducing Bajaj Finserv Arbitrage Fund



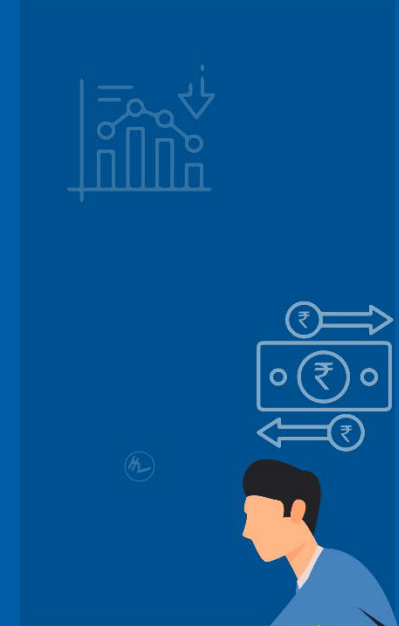
Investment Snapshot



Bajaj Finserv Arbitrage Fund : Investment Strategies



Why invest in Bajaj Finserv Arbitrage Fund?




Why invest in Bajaj Finserv Arbitrage Fund?

1 
Low Volatility

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

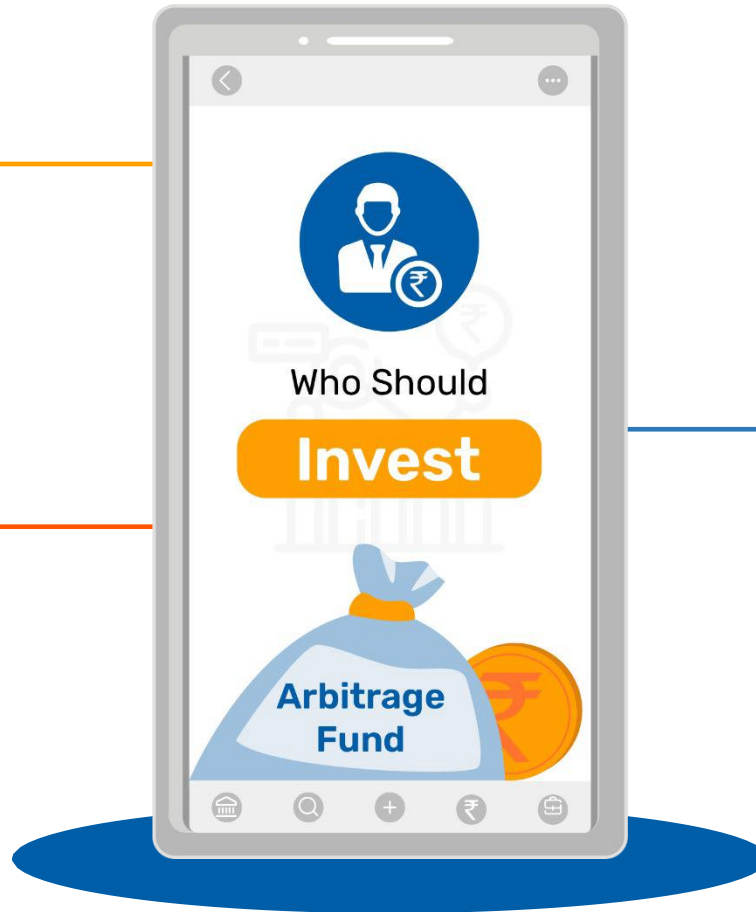
The above simulation is based on highest tax rates applicable to Individual/HUF/Domestic Companies as per the Finance Act, 2023 read with the Taxation Laws, for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. The above illustration is not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



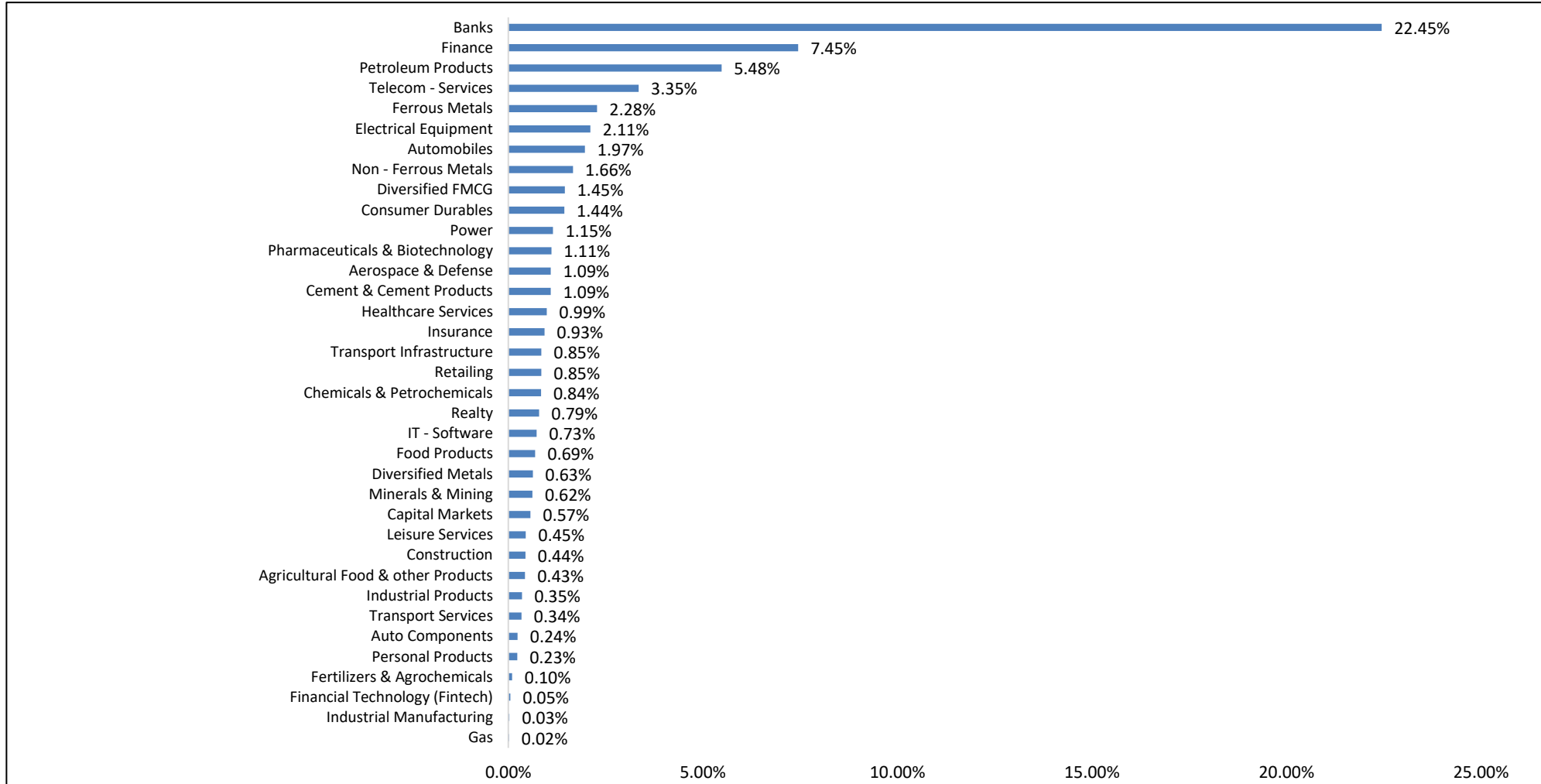
Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
HDFC Bank Limited	8.45%	-8.50%
Reliance Industries Limited	5.43%	-5.46%
RBL Bank Limited	4.34%	-4.37%
ICICI Bank Limited	3.88%	-3.90%
Vodafone Idea Limited	2.29%	-2.30%
Aditya Birla Capital Limited	1.78%	-1.78%
Steel Authority of India Limited	1.73%	-1.76%
IDFC First Bank Limited	1.59%	-1.60%
Punjab National Bank	1.46%	-1.46%
ITC Limited	1.45%	-1.46%
Mahindra & Mahindra Limited	1.39%	-1.40%
Hindustan Zinc Limited	1.17%	-1.17%
LIC Housing Finance Limited	1.05%	-1.05%
Bajaj Finance Limited	0.96%	-0.96%
Jio Financial Services Limited	0.94%	-0.95%
Sammaan Capital Limited	0.90%	-0.90%
Solar Industries India Limited	0.84%	-0.85%
Suzlon Energy Limited	0.83%	-0.83%
Bharti Airtel Limited	0.83%	-0.83%
Bandhan Bank Limited	0.77%	-0.77%
Eternal Limited	0.70%	-0.71%
Bharat Electronics Limited	0.70%	-0.70%
Britannia Industries Limited	0.64%	-0.64%
Vedanta Limited	0.63%	-0.63%
NMDC Limited	0.62%	-0.62%
Adani Ports and Special Economic Zone Limited	0.61%	-0.61%
Titan Company Limited	0.61%	-0.61%
Tata Consultancy Services Limited	0.56%	-0.56%
NTPC Limited	0.55%	-0.56%
Waaree Energies Limited	0.52%	-0.52%
Bajaj Finserv Limited	0.52%	-0.52%
Shriram Finance Limited	0.50%	-0.51%
Bharat Heavy Electricals Limited	0.49%	-0.49%
Hindalco Industries Limited	0.49%	-0.49%
Tata Power Company Limited	0.46%	-0.46%
Tata Steel Limited	0.46%	-0.46%
Axis Bank Limited	0.45%	-0.46%
The Indian Hotels Company Limited	0.45%	-0.45%
SBI Life Insurance Company Limited	0.44%	-0.45%
Kotak Mahindra Bank Limited	0.44%	-0.45%
Fortis Healthcare Limited	0.42%	-0.42%

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
REC Limited	0.42%	-0.42%
UltraTech Cement Limited	0.42%	-0.42%
Maruti Suzuki India Limited	0.42%	-0.42%
DLF Limited	0.41%	-0.41%
Hindustan Aeronautics Limited	0.39%	-0.39%
Yes Bank Limited	0.38%	-0.39%
BSE Limited	0.38%	-0.38%
Apollo Hospitals Enterprise Limited	0.38%	-0.38%
Godrej Properties Limited	0.37%	-0.37%
Marico Limited	0.37%	-0.37%
ICICI Prudential Life Insurance Company Limited	0.36%	-0.36%
Cipla Limited	0.35%	-0.35%
Larsen & Toubro Limited	0.32%	-0.33%
Supreme Industries Limited	0.32%	-0.33%
Power Finance Corporation Limited	0.26%	-0.27%
Crompton Greaves Consumer Electricals Limited	0.26%	-0.26%
Inox Wind Limited	0.26%	-0.26%
Lupin Limited	0.26%	-0.25%
Ambuja Cements Limited	0.25%	-0.25%
Dalmia Bharat Limited	0.24%	-0.24%
GMR Airports Limited	0.24%	-0.25%
Kalyan Jewellers India Limited	0.23%	-0.23%
State Bank of India	0.23%	-0.23%
Indus Towers Limited	0.23%	-0.23%
Delhivery Limited	0.22%	-0.22%
Sun Pharmaceutical Industries Limited	0.22%	-0.22%
Bank of Baroda	0.21%	-0.21%
Tube Investments of India Limited	0.20%	-0.21%
Asian Paints Limited	0.19%	-0.19%
Multi Commodity Exchange of India Limited	0.19%	-0.19%
Max Healthcare Institute Limited	0.19%	-0.19%
Grasim Industries Limited	0.18%	-0.18%
TVS Motor Company Limited	0.16%	-0.16%
Mphasis Limited	0.15%	-0.14%
Trent Limited	0.15%	-0.15%
Power Grid Corporation of India Limited	0.14%	-0.14%
IndusInd Bank Limited	0.13%	-0.13%
HDFC Life Insurance Company Limited	0.13%	-0.13%
Godrej Consumer Products Limited	0.13%	-0.13%
InterGlobe Aviation Limited	0.12%	-0.12%
NBCC (India) Limited	0.12%	-0.11%

Stock	Market Value as % of Net Asset (Eq)	Market Value as % of Net Asset (Fut)
Laurus Labs Limited	0.11%	-0.11%
UPL Limited	0.10%	-0.10%
Dabur India Limited	0.10%	-0.11%
PNB Housing Finance Limited	0.09%	-0.08%
Dixon Technologies (India) Limited	0.09%	-0.09%
JSW Steel Limited	0.09%	-0.08%
Dr. Reddy's Laboratories Limited	0.08%	-0.08%
Havells India Limited	0.06%	-0.07%
Patanjali Foods Limited	0.06%	-0.06%
PB Fintech Limited	0.05%	-0.05%
AU Small Finance Bank Limited	0.05%	-0.05%
Indian Oil Corporation Limited	0.05%	-0.05%
Nestle India Limited	0.05%	-0.05%
Divi's Laboratories Limited	0.04%	-0.04%
Glenmark Pharmaceuticals Limited	0.04%	-0.04%
Union Bank of India	0.04%	-0.04%
Canara Bank	0.03%	-0.03%
Polycab India Limited	0.03%	-0.03%
Mazagon Dock Shipbuilders Limited	0.03%	-0.03%
Manappuram Finance Limited	0.03%	-0.03%
Sona BLW Precision Forgings Limited	0.02%	-0.02%
Samvardhana Motherson International Limited	0.02%	-0.02%
GAIL (India) Limited	0.02%	-0.02%
KPIT Technologies Limited	0.02%	-0.02%
CG Power and Industrial Solutions Limited	0.01%	-0.01%
Lodha Developers Limited	0.01%	-0.01%
Hedged Equity Exposure	65.25%	-65.56%
Bajaj Finserv Money Market Fund-Direct Plan-Growth	15.09%	
Bajaj Finserv Liquid Fund - Direct Plan - Growth	12.54%	
Total Mutual Funds	27.63%	
Total Short Term Debt and Net Current Assets	72.68%	
Grand Total	100.00%	

Bajaj Finserv Arbitrage Fund - 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: 11.7110 Direct: 11.9210
AUM in Rs. Cr.	747.08
TER (%)	Regular: 1.03 Direct: 0.33

Riskometer

An open ended scheme investing in arbitrage opportunities

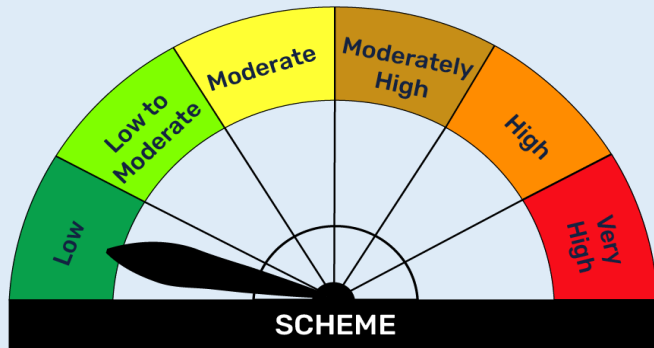
This product is suitable for investors who are seeking*:

- 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

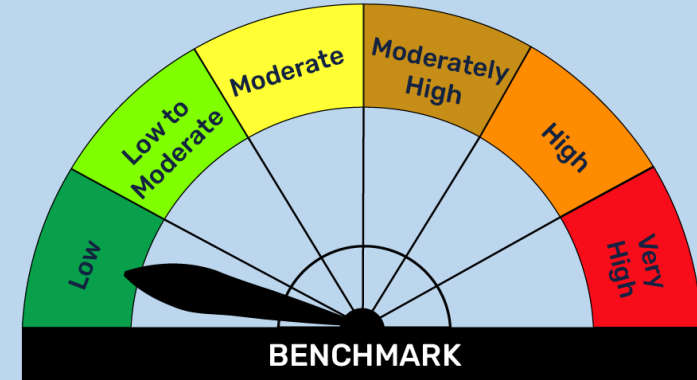
Riskometer



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