

# L&T Arbitrage Opportunities Fund

An open ended scheme investing in arbitrage opportunities

## Inception date

30<sup>th</sup> June 2014

## AUM as on 29<sup>th</sup> June

2021 : Rs. 5002.61 Cr

## Benchmark

Nifty 50 Arbitrage Index

## Minimum Inv. Amount

Rs. 5000

## Additional Inv. Amount

Rs. 1000

## Exit Load

- On or before 1 month from the date of allotment : **0.50%**
- After 1 month : **NIL.**

## Plans & Options

Regular & Direct Plans

Growth & IDCW\*

Monthly & Quarterly

(Payout & Re-investment)

\*refer note on slide 5

## Fund Managers :

- **For Equity Portfolio**  
Praveen Ayathan  
Venugopal Manghat
- **For Debt Portfolio**  
Jalpan Shah
- **For Foreign Securities**  
Alok Ranjan

## About L&T Arbitrage Opportunities Fund

- Enters into simultaneous transactions of a long position in cash and exactly off-setting short position in futures.
- Equity position is completely hedged at trade initiation.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

## Market Actions

- The roll spread (annualized) on the L&T Arbitrage book was approximately 5.26% for the start of July series with avg. spreads in the expiry week ended on 24<sup>th</sup> June' 21 were ~0.51 bps.
- Annualized yield for July series may optically look a tad lower as compared to June series, but, that is on account of the longer series (35 days in July series where in 28 days of June series)
- Nifty ended the June series with a gain of 3% Among sectors Financials and IT had seen considerable addition in Open interest (OI) where in Pharma has seen a fall in OI.

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Series (Month)	~ Roll spreads (Annualised)
July 21	5.26%
June 21	6.85%
May 21	5.86%
April 21	6.77%
Mar 21	4.46%
Feb 21	4.40%
Jan 21	5.50%
Dec 20	3.84%
Nov 20	3.97%
Oct 20	5.50%
Sep 20	3.75%

The above table indicates the approximate average spread of arbitrage position and does not in any manner indicate any return potential of the scheme.

- Where Retail and HNIs continued to remain long since the beginning, their participation in derivative segment is highest in last six years. This resulted into building up a positive momentum during the expiry week and better realization of roll spreads.
- With rise in inflation, markets views are divided on whether it is transitory or is going to be sticky. We believe, monthly inflation print has the potential to cause volatility in the markets. Volatile markets are good for arbitrage funds as it increases the opportunity to churn the portfolio.

## Fund Positioning & Strategy:

- L&T Arbitrage Opportunities Fund is Rs. 5002.61 Crs. (as on 29th June 2021)
- The Fund's<sup>^</sup> expiry to expiry annualized returns (June 2020) is at 7.78% whereas the annualised roll spread at the start of the June series were ~6.85%. This superior performance is on account of tactical dividend arbitrage bets taken in the Fund and portfolio churn done during the series.

<sup>^</sup> Source: MFI Explorer for L&T Arbitrage Opportunities Fund : Direct Plan

# L&T Arbitrage Opportunities Fund

- Currently, allocation towards hedged equities or cash futures arbitrage is at ~67% with a tilt towards Large caps. The fund in the current series as well have exposure in companies where the fund managers believes, dividend arbitrage opportunities exists.
- The rest is invested in Liquid Fund, G-Secs and Bank FDs (Margin Placements).The debt portion is actively managed but has a conservative maturity profile and a high quality focus : AAA/Sovereign/A1+ portfolio and **no exposure to any low rated Debt Instruments or any Perpetual Bonds.**

The above portfolio break up is as on 29th June'21

## Post Tax Return Simulation:

Investors with a 6 months investment horizon can look at L&T Arbitrage Opportunities Funds as a good proxy to Overnight, Liquid and Money Market Funds or any other traditional investment avenues (Bank FD's) as the same provides better tax adjusted returns.

	Arbitrage Funds	Liquid/Bank FD's
Investment Tenure	6 Months	6 Months
Invested Amount	10,00,000	10,00,000
Assumed Pre-Tax Returns	4%	4%
Pre-Tax Gains / Interest	20,000	20,000
Tax rate Applicable**	17.16%	34.32%
Total Tax Payable	3,432	6,864
Post - Tax Gains / Interest	10,16,568	10,13,136
Post Tax Return	3.39%	2.68%

\*\*Tax on Arbitrage Funds : STCG 15% +10% Surcharge + 4 % Cess & Tax on Debt Funds : STCG 30% +10% Surcharge + 4 % Cess Returns from Mutual funds are subject to market fluctuations while returns on Fixed Deposits and Bonds are fixed. Above table is Only for Illustration Purpose

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## Key Events to watch:

In the immediate future, key events to be watched going forward that may control the Indian markets are

- Vaccination drive
- Unlock theme & COVID cases
- Demand revival & Rural recovery
- Global trends, Commodity prices & inflation

## Disclaimer & Product labelling

### L&T Arbitrage Opportunities Fund

This product is suitable for investors who are seeking\*

- Generation of reasonable returns over short to medium term
- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments

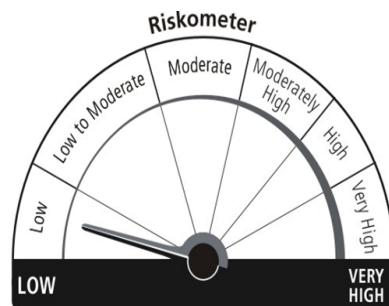
\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

\*Note: IDCW stands for 'Income Distribution cum Capital Withdrawal option'. The amounts can be distributed out of investors' capital (Equalization Reserve), which is part of the sale price that represents realized gains, as may be declared by the Trustees at its discretion from time to time (subject to the availability of distributable surplus as calculated in accordance with the Regulations). Refer our notice no. 55 and addendum no. 56 dated March 26, 2021 for details on IDCW.

This document is for general information only and does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. This document provides general information on financial planning and comparisons made are only for illustration purposes. The data/information used/disclosed in this document is only for information purposes and not guaranteeing / indicating any returns. Investments in mutual funds and secondary markets inherently involve risks and recipient should consult their legal, tax and financial advisors before investing. He/ She should also understand that any reference to the indices/ sectors/ securities/ schemes etc. in the document is only for illustration purpose. The securities indicated in the presentation may or may not form a part of the portfolio of the Scheme as on the date of receipt of the document. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. Recipient of this information should understand that statements made herein regarding future prospects may not be realized or achieved.

**The details pertaining to Risk-o-meter and portfolio strategy are based on portfolio of L&T Arbitrage Opportunities Fund as on May 31, 2021.**

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



Investors understand that their principal will be at low risk