

L&T Arbitrage Opportunities Fund

An open ended scheme investing in arbitrage opportunities

Inception date

30th June 2014

AUM as on 27th August

2021 : Rs. 5655.79 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

Mr. Praveen Ayathan

Mr. Venugopal Manghat

For Debt Portfolio

Mr. Jalpan Shah

For Foreign Securities Mr.

Sonal Gupta (w.e.f July 5, 2021)

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) in the books of L&T Arbitrage Opportunities Fund was approximately 3.64% for the start of Aug series with avg. spreads in the expiry week were ~0.27-0.30 bps.
- Nifty ended the Aug series with a gain of 5% while the midcap index was flat. The advance decline ratio was also negative during the month.
- While August series had been a muted one. We had seen some participation in sectors like Cements, Auto, and Pharma, we have seen some underperformance and pressure in sectors like IT, Banks and Metals.

L&T Arbitrage Opportunities Fund

Series (Month)	~ Roll spreads (Annualised)
Sep 21	3.64%
Aug 21	4.62%
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.

- **The roll spreads were low due to**
 - Lacklustre performance within the derivative segment
 - Fall in NDF spreads, the non-deliverable forward (NDF) cost had dipped to as low as 32 bps
 - IPOs sucking out money from the secondary market
 - Shift/higher participation in Index futures by HNI/ retail investors where arbitrage spreads are relatively lower compared to stock futures
- The September series is a longer one (of 5 weeks) and hence will see more opportunity to augment returns by churning the portfolio. No duration or credit risk is taken on the debt side and that will pull down the final returns a bit.

Fund Positioning & Strategy:

- L&T Arbitrage Opportunities Fund is Rs. 5655.79 Crs. (as on 27th Aug 2021)

L&T Arbitrage Opportunities Fund

- Currently, allocation towards hedged equities or cash futures arbitrage is at ~66% 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 27th Aug '21

Post Tax Return Simulation:

Investors with a 6 months investment horizon can look at L&T Arbitrage Opportunities Fund 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

L&T Arbitrage Opportunities Fund

Key Events to watch:

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

- Vaccination drive & Monitoring Wave 3
- Demand revival & Unlock theme
- Taper Talks & Implication on market

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

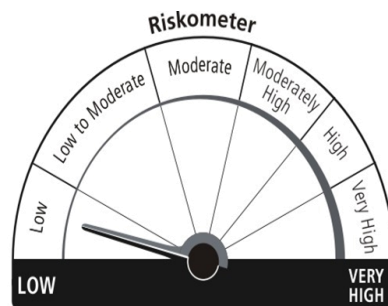
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

*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 is based on portfolio of L&T Arbitrage Opportunities Fund as on July 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