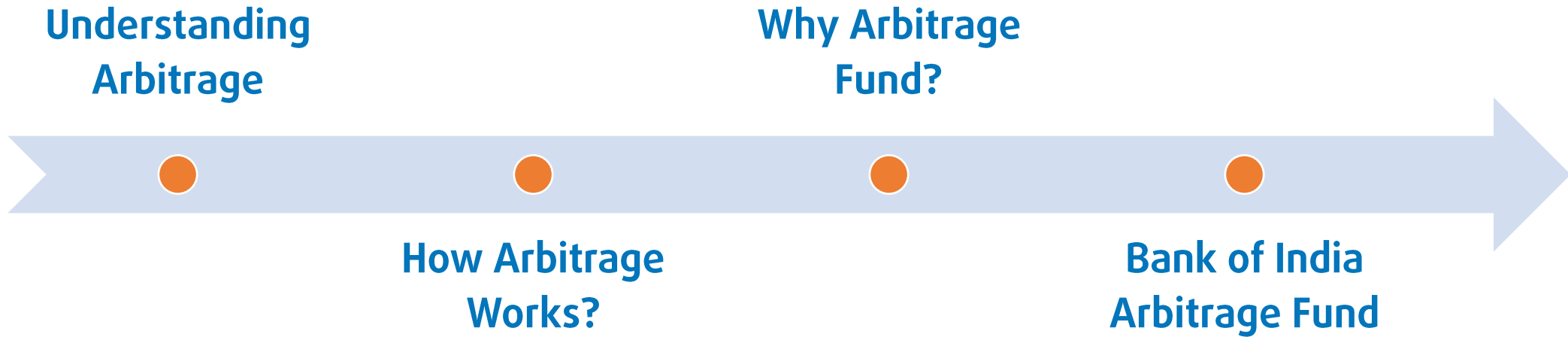


# Bank of India Arbitrage Fund

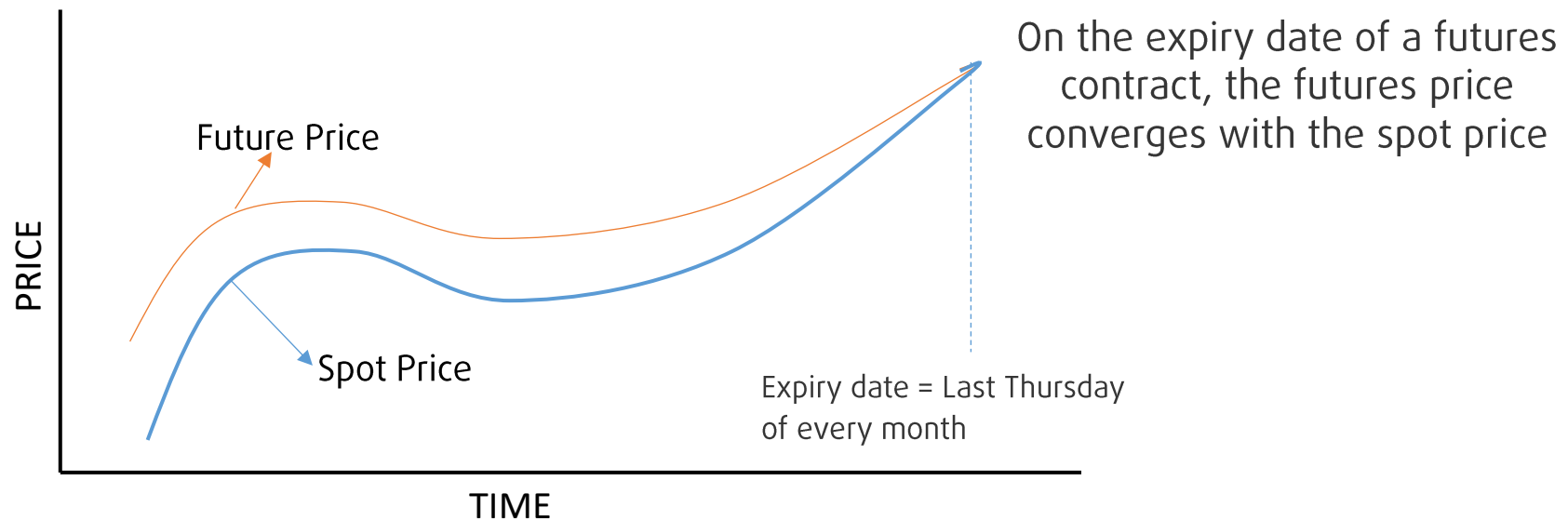
(An open-ended scheme investing in arbitrage opportunities)

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# Understanding Arbitrage

- Arbitrage refers to taking advantage of price differentials of the same asset, such as in the spot and futures market-
  - ✓ Buying security in one segment (cash) and selling in another segment (Futures)
  - ✓ Fund, buy and sell the same asset quantity in two different markets simultaneously to take advantage of the price differential i.e. Arbitrage Opportunity



## How Arbitrage Works?

- ✓ Buy and sell the same quantity of an asset in two different markets
- ✓ Return = Price difference [(Cash & Future) or (Exchange 1 & Exchange 2)]

Arbitrage opportunities is based on the **two scenarios**:

1

### Scenario #1

Price difference between the *Cash and Futures Markets*

2

### Scenario #2

Price difference between *Exchanges*

1

## Scenario #1

Price difference between the Cash and Futures Markets

### Cash and Future Market Illustration:

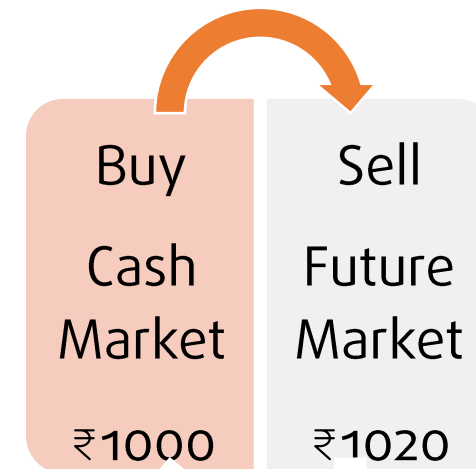
Stock of ABC Limited

Cash Market: ₹1000

Future Market: ₹1020

**Profit = ₹1020 - ₹1000 = ₹20 per share**  
*(less transaction costs) without taking any risks*

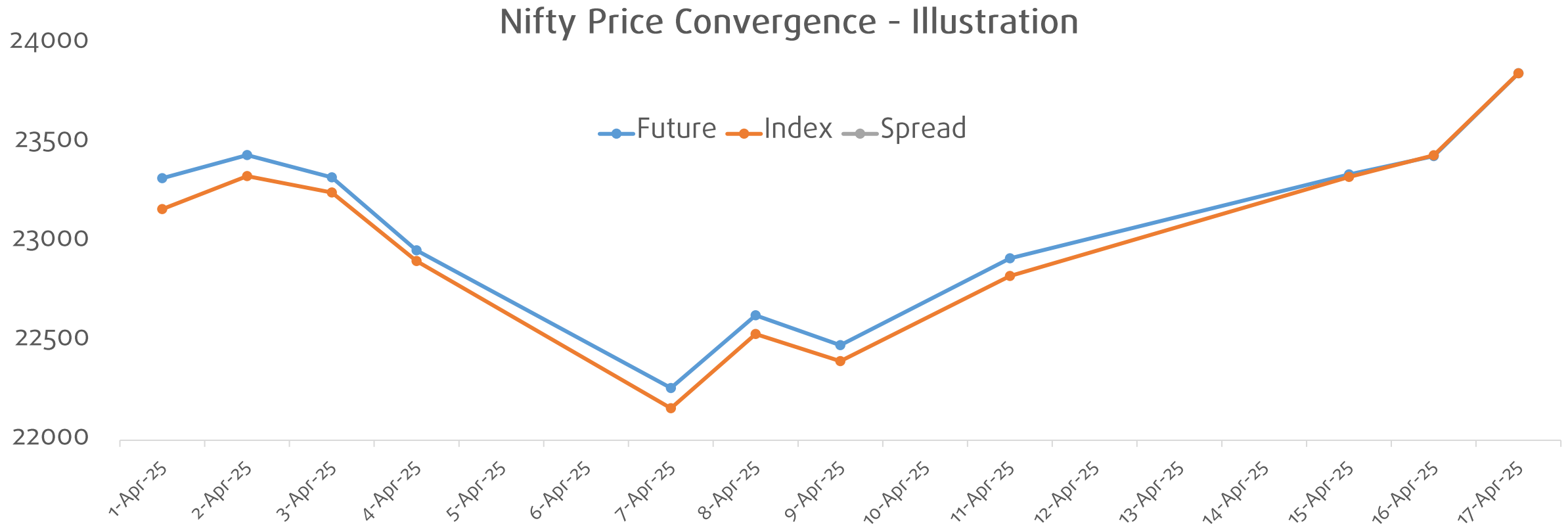
Starting of the month, Fund Manager buys shares from the **Cash Market** and sell in the **Future Market**



On the expiry date, sells the stock in the **Cash Market** and buy back in the **Futures Market**, hence squaring off the trade.

**Illustration**  
Price difference between the Cash and Futures Markets

- ✓ Market volatility leads to price fluctuation in the Cash and Future markets
- ✓ However, the convergence happens at the closure of expiry.



Source: Bloomberg, above is for conceptual understanding of Arbitrage Fund and related strategy.

2 Scenario #2  
Price difference between Exchanges

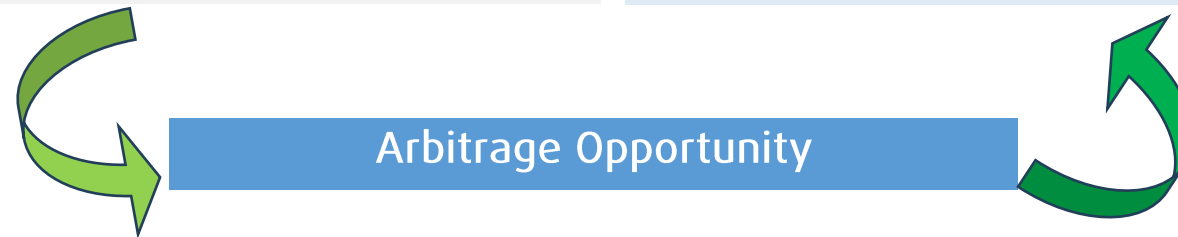
Arbitrage Opportunity of ₹20  
= ₹1,020 - ₹1,000

NSE [A]

Stock Price of ABC Limited = ₹1,000 per share

BSE [B]

Stock Price of ABC Limited = ₹1,020 per share



Profit of ₹20 per share (less transaction costs) without any risks

## Why Arbitrage Fund?

**Low Risk:** Price Risk is minimal, since the equity exposure is fully hedged

**No Counterparty Risk:** Risk is mostly eliminated as the exchange does the settlement

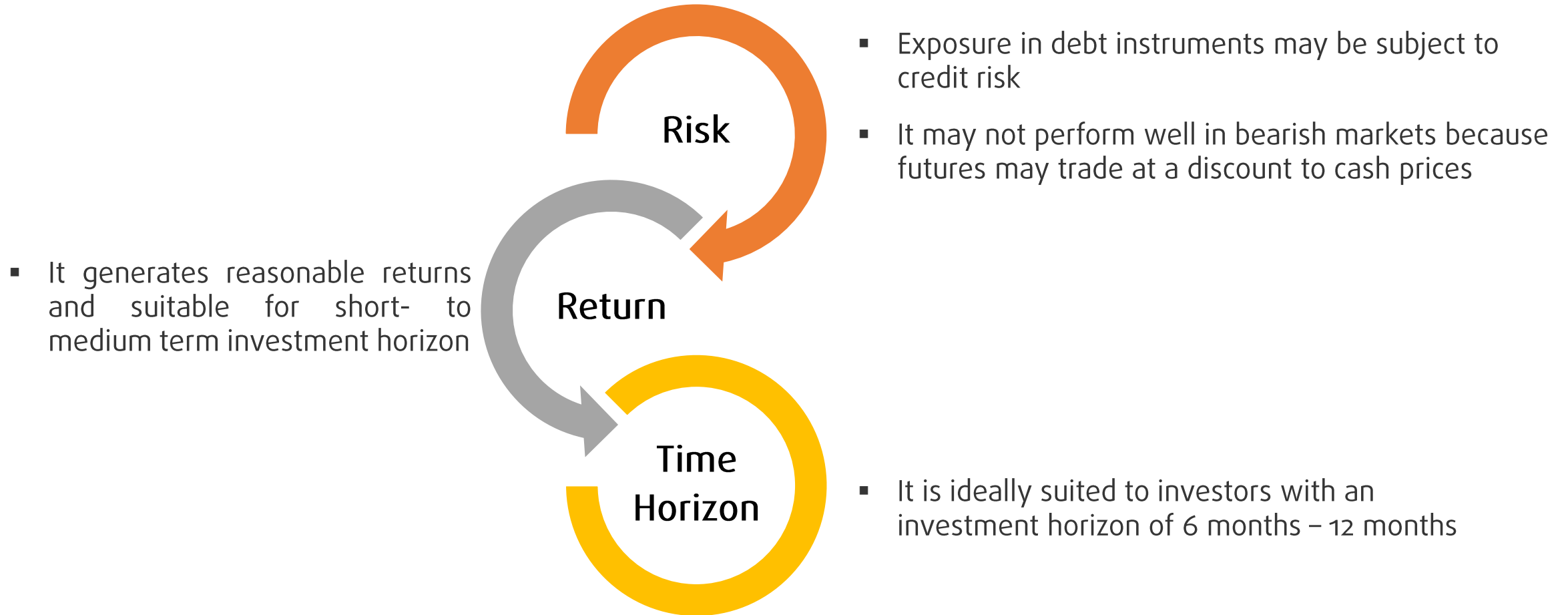
**Opportunity across Markets:** During the volatile market circumstances, the fund can create positions and square-off during the month to take opportunity of the market volatility

**Equity Taxation:** Despite being Hybrid Funds, they are taxed as equities

**Low Volatile Returns:** Arbitrage funds help in managing volatility as the positions are fully hedged

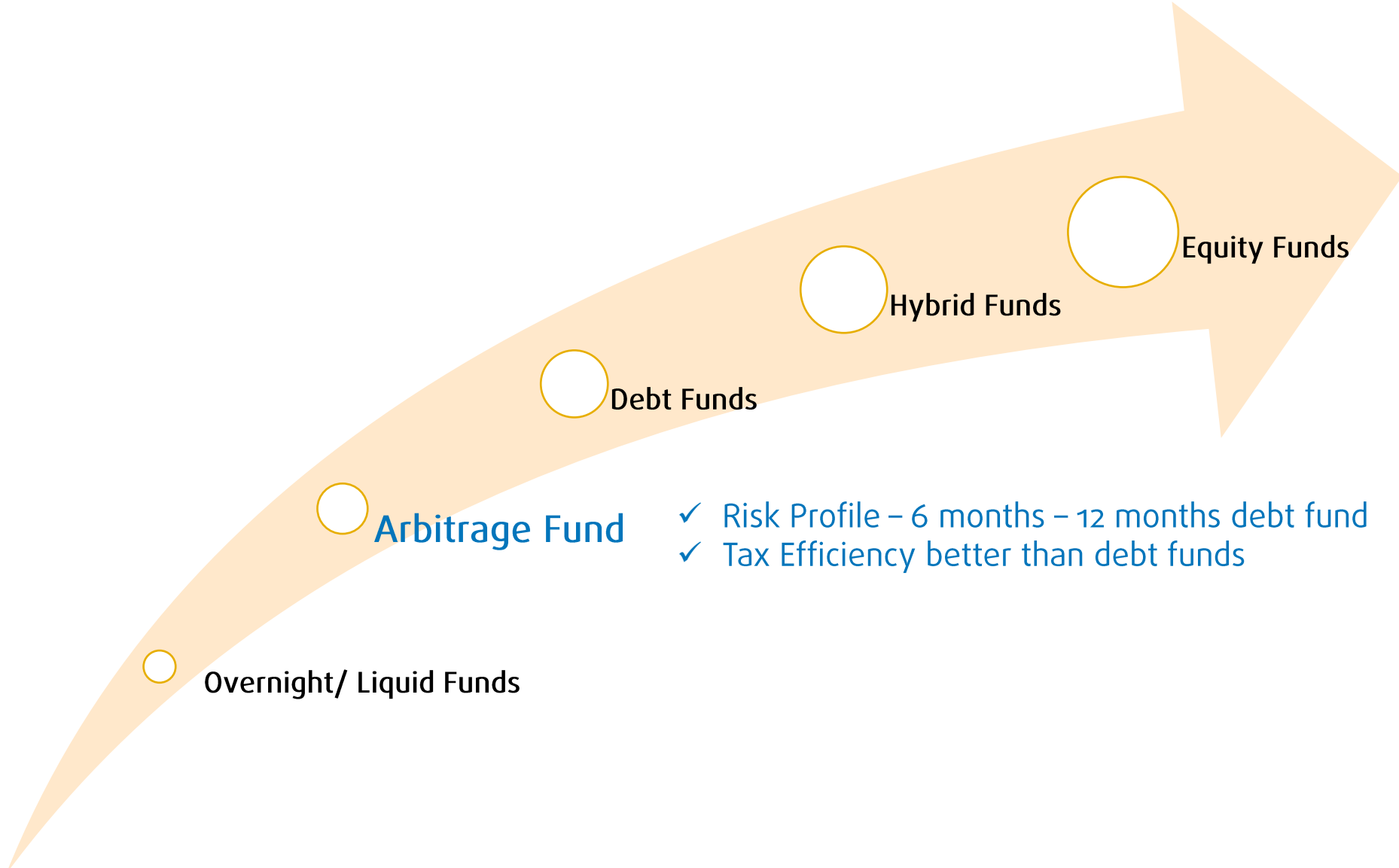


## Things to Consider Before Investing



Above is only for conceptual understanding of Arbitrage Fund and related strategy.

# Risk Return Positioning of Arbitrage Fund



- ✓ Risk Profile – 6 months – 12 months debt fund
- ✓ Tax Efficiency better than debt funds

## Bank of India Arbitrage Fund

- An open-ended scheme investing in arbitrage opportunities
- Suitable for investors with an investment horizon of 6 months – 12 months period
- Tax advantage of an equity fund and risk-return opportunity similar to debt fund
- All positions are completely hedged – No directional exposure to equity markets

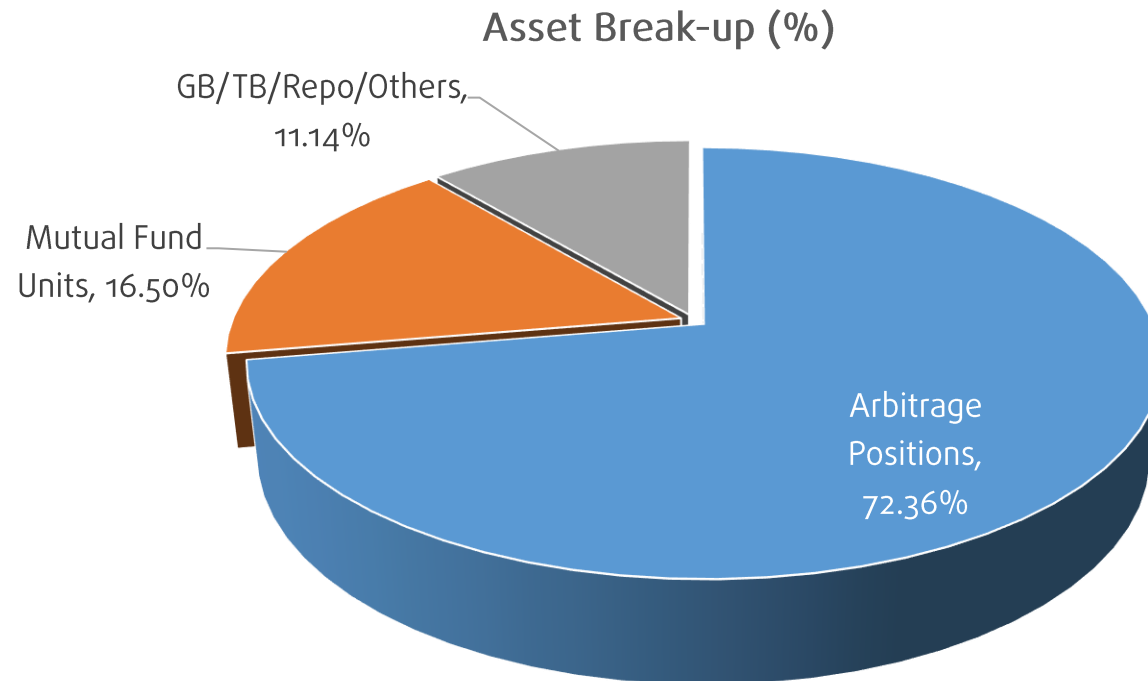
## Fund Facts

<b>Investment Objective</b>	The scheme seeks to generate income through arbitrage opportunities between cash and derivative segments of the equity market and arbitrage opportunities within the derivative segment and by deployment of surplus cash in debt securities and money market instruments. However, there is no assurance or guarantee that the investment objective of the scheme will be realized.
<b>Type</b>	An open-ended scheme investing in arbitrage opportunities
<b>Benchmark<sup>^</sup></b>	NIFTY 50 Arbitrage Index
<b>Fund Manager</b>	Mr. Firdaus Ragina: (w.e.f. October 1, 2024) Around 20 years of experience in the mutual fund industry
<b>Date of Allotment</b>	July 18, 2018

## Who Should Invest?

- Investors who want better risk-adjusted return (minimal exposure to market volatility)
- Tax Efficient Investment Opportunity– Risk-return profile like liquid fund along with tax advantages of an equity fund
- Short Term Liquidity – Investors who need funds in the short term, while still aiming for better return potential in comparison to fixed term instruments
- Retail/HNIs/Cash Rich Corporates looking for short term deployment of surplus funds

# Fund Portfolio Update



## Key Highlights:

- Average/Maturity: 0.22 Years
- Macaulay Duration: 0.22 Years
- Modified Duration: 0.22 Years
- Annualized Yield: 6.76%

- ✓ Fund maintained cash future Arbitrage exposure at ~72.4%
- ✓ The rest ~27.6% of corpus is invested in debt and money market instruments

# Fund Performance

## Bank of India Arbitrage Fund - Growth Option - PERFORMANCE (As on March 31, 2025)

Fund Manager - Firdaus Ragina				Current Value of Standard Investment of ₹ 10000				
Period <sup>®</sup>	Scheme Returns (%) ^		Benchmark Returns (NIFTY 50 Arbitrage Index) (%)	Additional Benchmark Returns (CRISIL 1 Year T-bill Index) (%)	Scheme Returns (₹)		Benchmark Returns (NIFTY 50 Arbitrage Index) (₹)	Additional Benchmark Returns (CRISIL 1 Year T-bill Index) (₹)
	Regular Plan*	Direct Plan*			Regular Plan*	Direct Plan*		
1 year	6.89%	7.58%	7.65%	7.54%	10,689	10,758	10,765	10,754
3 years	5.78%	6.38%	6.99%	6.39%	11,838	12,042	12,249	12,043
5 years	4.40%	5.02%	5.41%	5.51%	12,401	12,774	13,014	13,079
Since inception	4.63%	5.27%	5.54%	6.11%	13,600	14,175	14,420	14,957

^ Past performance may or may not be sustained in the future. \*Date of Allotment - June 18, 2018.

Above returns are in Compounded Annual Growth Rate (CAGR).

@ In case, the start date or the end date of the concerned period is a non-business day, the NAV of the previous business day is considered for computation of returns.

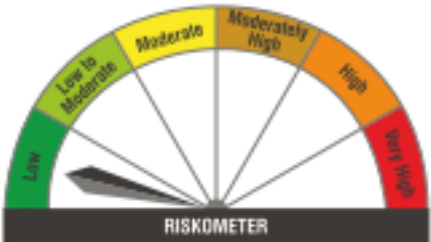
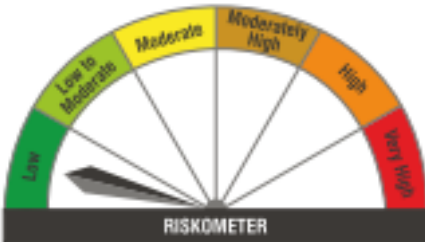
1. Mr. Firdaus Ragina has been managing the Scheme since October 01, 2024.
2. Period for which scheme's performance has been provided is computed basis on last working day of the Month-end preceding the date of publication.
3. Different plans shall have a different expense structure.
4. Benchmark and Additional Benchmark performance is computed as on 28th March, 2025, since values for 31st March 2025 are not available.

## Definitions

- Spot Price - The price of the underlying stock / index in cash segment of the exchange
- Future Price - The agreed upon price for future delivery of the stock/index
- Spread - The difference between spot price and future price
- Margin - The amount that must be paid to the exchange while entering a futures Margin contract
- Expiry Date - The date on which a futures contract expires and all outstanding positions expiry date in the contract are settled - the last Thursday of the month



# Product Label

This product is suitable for investors who are seeking*:	Risk-o-meter is based on the scheme portfolio as on March 31, 2025	Benchmark Risk-o-meter as on March 31, 2025^
<ul style="list-style-type: none"> <li>Income over short to medium term.</li> <li>Income through arbitrage opportunities between cash and derivative segments of the equity market and arbitrage opportunities within the derivative segment.</li> </ul>	 <p><b>RISKOMETER</b> Investors understand that their principal will be at low risk</p>	 <p><b>RISKOMETER</b> Benchmark riskometer is at low risk</p>

\*Investors should consult their financial advisor if they are not clear about the suitability of the product.

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# Thank You