

**This product is suitable for investors who are seeking\*:**

- Income over a short term investment horizon
- Investments predominantly in arbitrage opportunities in the cash and derivative segments of the equity markets and by investing the balance in debt and money market instruments.

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



Investors understand that their principal will be at Low Risk

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

## UPDATE ON THE CURRENT SCENARIO

What worked for the fund in the month of June was superior portfolio execution, capturing volatility and impending dividends amongst the portfolio stocks.

July will be a busy month with respect to Dividends and we have positioned our portfolio well to capture the opportunity here. Final yields will be contingent on what kind of dividends eventually come through

**Rollover:** Rollover involves carrying forward of the current futures positions from the current series, which is nearing expiry date, to the next one.

Market-wide Rollover	
June 2021	93%
February-21 to April-21 Average	90%

**Rollover Spreads:** Rollover spread for a portfolio is the difference in yield that is obtained when the position is carried over from one month to another.

On an average the rollover spreads at the end of the June-21 series were ~47-48 bps (premium), compared to similar levels in the May-21 series.

This yield can be realized at the expiry or before.

**Open Interest:** Open interest is the total value of outstanding derivative positions in the market. It provides a picture of trading activity, and whether money flows into the futures market is increasing or decreasing.

Market-wide Open Interest in Futures	
June 2021	~Rs. 1,76,200 Crores
May 2021	~Rs. 1,76,400 Crores

Source: BhavCopy/Internal Calculations

Open Interest in Futures has remained at similar levels compared to the past month.

## Movement of Arbitrage Spreads

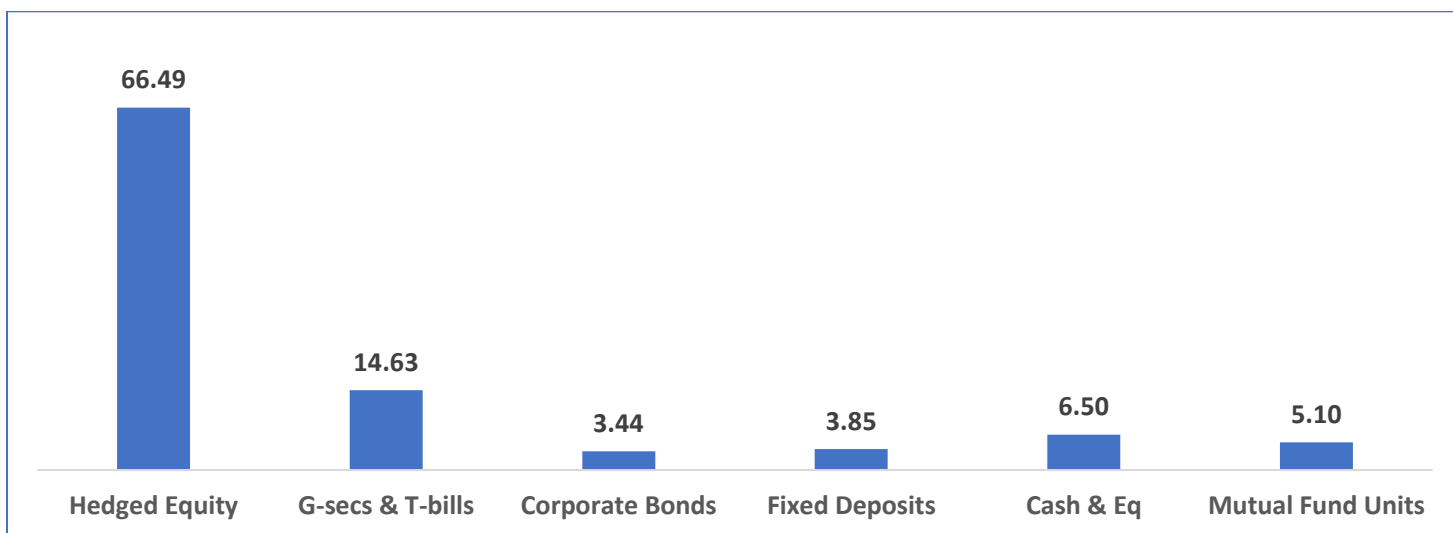
Spreads between cash equity and futures may move up under the following scenarios:

Arbitrage Spreads Scenario	Possible Reasons
Spreads Move Up	Markets remain strong
Spreads Move Down	Markets remain flat

Higher volatility in the markets can help enhance returns. Currently spreads have started improving as the markets are showing signs of stability.

## FACTORS AFFECTING THE FUND

### Asset Allocation



Exposure to cash futures arbitrage ranges from 65-70%. This exposure is a function of the view on the market by the FM and to some extent the level of margins required for the positions.

When markets stabilize or retail and HNI participation in the market increases, broad basing of the market happens, spreads tend to go up. When that happens, exposure towards cash futures arbitrage also moves up.

If the FM finds stocks with decent spreads available even in the current scenario, the exposure can touch the higher side of the band, else can be toned down to a minimum of 65%. Open Interest is an indicator of stability in the market – increase in open interest may lead to increase in spreads.

**Debt Portfolio:** The debt portfolio of the fund is comprised of highly rated securities, of which the majority is invested in G-Secs and AAA-PSU bonds.

### Debt Portfolio Metrics

YTM	Average Maturity	Macaulay Duration
4.46%	7.44 Months	7.20 Months

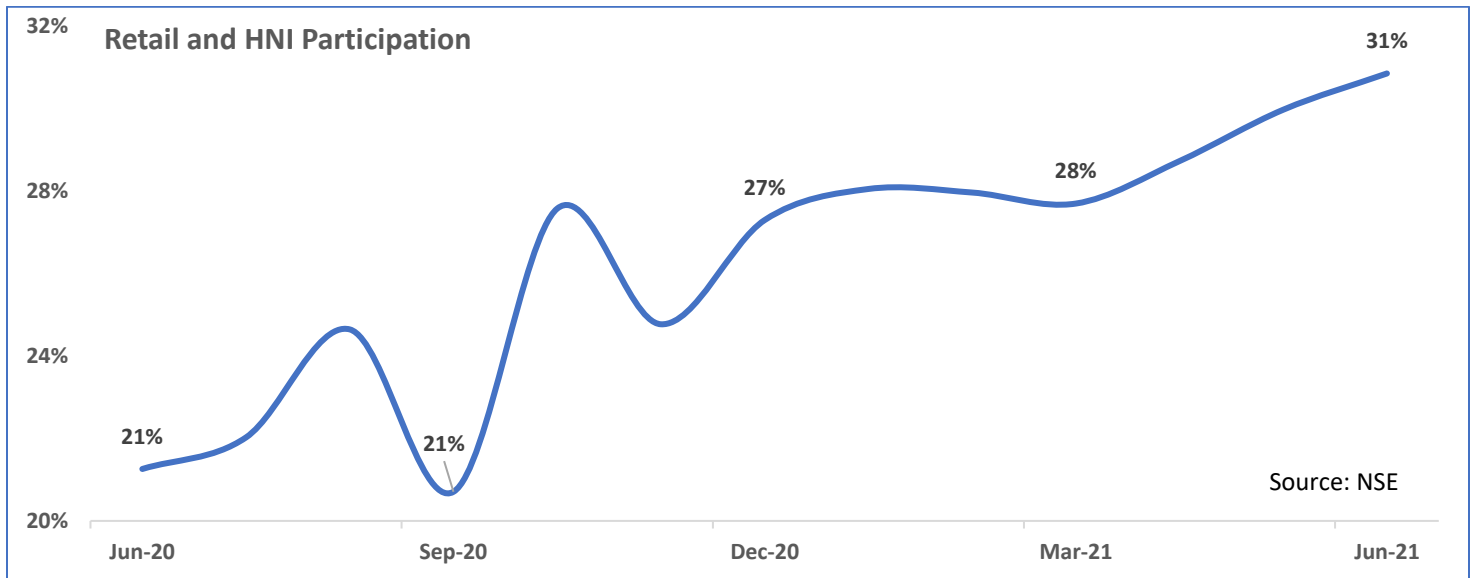
## Return Drivers

### Broad Sources of Returns for the fund:

Rollover Spreads	60-70%
Intra-Month Trading	30-40%

### Factors which have recently impacted spreads between Cash and Derivative Markets:

a) **Impact of increase/decrease in Market Participation:** Open Interest or trading activity increased from Rs.1.06 lakh crores in June-20 to the ~Rs.1.76 lakh crores level in June-2021, indicating a significant increase in activity over the past year.



Retail participation in the stock futures market increased from a low of ~21% of total futures contracts in June 2020 to ~31% in June-21.

b) **Liquidity in Stock Futures:** Demand and supply from various segments like traders, proprietary books, FIIs, Mutual funds impacts liquidity. Higher increased participation from retail & HNI helps stabilizing the spreads. There has been a steady increase in market participation from Retail & HNI players after a significant fall at the start of the pandemic.

### Factors that Impact Returns from Intra-Month Trading\*

1. **Allocation between the Market caps** i.e., large cap, Mid cap & Small cap: The fund manager deftly shifts allocations to market caps to reflect the current situation. This helps to take advantage of the volatility within the segment, thus allowing an enhancement in the return. The performance varies with how you adjust allocations among the market caps.
2. **Stock Selection-** This is a crucial part in the management of the arbitrage fund. Criteria for stock selection includes:
  - a. How much interest is there in the stocks & direction of price movement- which means whether the stock will be volatile or not and whether the stock will trend in one direction or not. The fund manager is biased towards volatile stocks as it allows for easy exits leading to return enhancement.

b. Corporate Actions- Understanding the corporate actions viz. dividends, mergers and fundamentals are critical and acting on them gives the fund an edge.

c. Generally, the fund takes a top-down approach towards market cap allocation, however positions can be built in individual stocks based on the fund manager's convictions.

\*Based on current market conditions and may change in the future

## FUND PERFORMANCE

Period	Tata Arbitrage Fund		Nifty 50 Arbitrage Index*		CRISIL 1 Year T-Bill Index#	
	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	3.73%	10,373	3.51%	10,351	3.58%	10,358
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	5.36%	11,415	4.59%	11,204	6.11%	11,622
Inception Date	18-Dec-18		Managing Since		10-Dec-18	

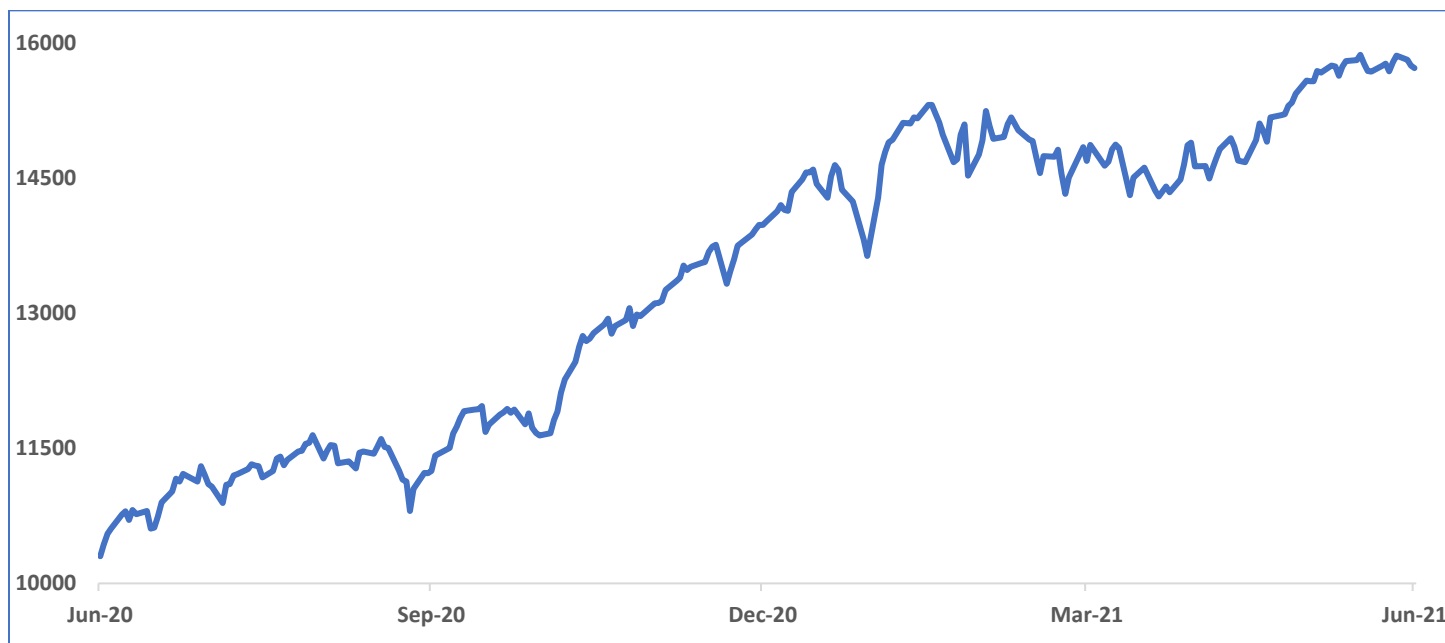
\*Scheme Benchmark

#Additional Benchmark

Fund Manager: Sailesh Jain

For Performance of other schemes managed by Sailesh Jain, please refer to page 6

## Advice to Investors



Increased volatility in the market in the past year has been a positive for the fund.

## FUND OVERVIEW

### Fund Snapshot

Type of Scheme	An open-ended scheme investing in arbitrage opportunities.
Benchmark	Nifty 50 Arbitrage Index
Inception Date	18 <sup>th</sup> December 2018
AUM	Rs.8261.43 Crores
Expense Ratio	Regular: 1.09 Direct: 0.32
Fund Manager	Sailesh Jain (Managing Since 8 <sup>th</sup> December-18)

### About the Fund

Arbitrage is the simultaneous buying and selling of securities, currency, or commodities in different markets or in derivative forms to take advantage of differing prices for the same asset.

The scheme invests primarily in arbitrage opportunities between spot and futures prices of exchange traded equities and the arbitrage opportunities available within the derivative segment.

The investment objective of the Scheme is to seek to generate reasonable returns by investing predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets and by investing balance in debt and money market instruments

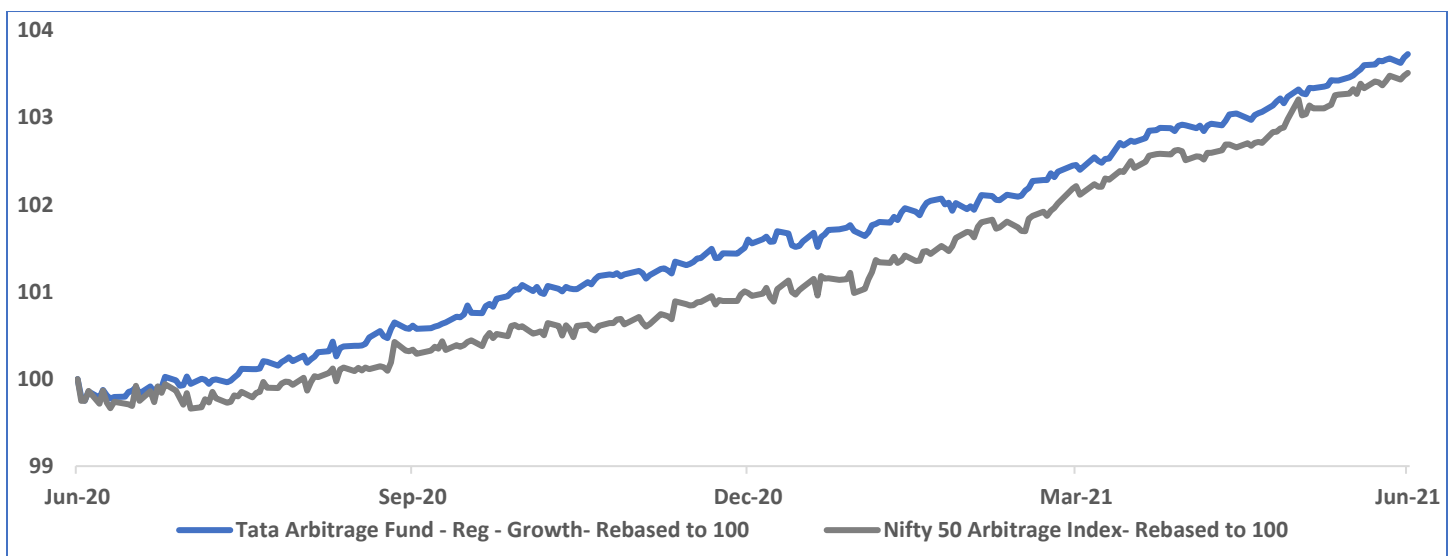
### Top 5 Sectors

Sector	Allocation
Financial Services	16.37%
Metals	7.76%
Pharma	6.9%
It	5.28%
Consumer Goods	4.97%

### Top 10 Cash Equity Holdings

Holding	Allocation
Reliance Industries Ltd.	2.10%
Adani Ports and SEZ Ltd.	1.82%
JSW Steel Ltd.	1.79%
HDFC Ltd.	1.78%
State Bank Of India	1.64%
Tata Steel Ltd.	1.50%
Tata Consultancy Services Ltd.	1.49%
Vedanta Ltd.	1.44%
Bharti Airtel Ltd.	1.42%
Kotak Mahindra Bank Ltd.	1.34%

### NAV Movement



Heightened volatility in the markets in recent months has allowed the fund to significantly outperform its benchmark

**Performance of Other Schemes Managed by Sailesh Jain in SEBI Format**

	Tata Balanced Advantage Fund <sup>^</sup>		CRISIL Hybrid 35+65 - Aggressive Index <sup>*</sup>		S&P BSE Sensex TRI <sup>#</sup>	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	28.70%	12,870	37.86%	13,786	52.38%	15,238
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	13.84%	13,688	17.37%	14,738	18.74%	15,157
Inception Date	28-Jan-19		Managing Since		09-Jan-19	

	Tata Equity Savings Fund <sup>^^</sup>		NIFTY Equity Savings Index <sup>*</sup>		CRISIL 10 Year Gilt Index <sup>#</sup>	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	18.92%	11,892	20.42%	12,042	4.08%	10,408
3 Year	7.60%	12,461	10.17%	13,378	9.61%	13,174
5 Year	6.93%	13,982	9.83%	15,985	7.25%	14,192
Since Inception	7.23%	43,873	NA	NA	NA	NA
Inception Date	27-Apr-00		Managing Since		09-Nov-18	

	Tata Multi Asset Opportunities Fund		65% S&P BSE 200 TRI + 15% CRISIL Short Term Bond Fund Index + 20% iCOMDEX Composite Index <sup>*</sup>		S&P BSE Sensex TRI <sup>#</sup>	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	40.47%	14,047	42.86%	14,286	52.38%	15,238
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	30.81%	14,267	25.50%	13,507	28.26%	13,901
Inception Date	04-Mar-20		Managing Since		12-Mar-20	

	Tata Nifty Exchange Traded Fund		Nifty 50 TRI <sup>*</sup>	
Period	Return %	Rs.	Return %	Rs.
1 Year	54.70%	15,470	54.58%	15,458
3 Year	NA	NA	NA	NA
5 Year	NA	NA	NA	NA
Since Inception	17.14%	14,841	17.19%	14,857
Inception Date	01-Jan-19		Managing Since 18-Dec-18	

	Tata Nifty Private Bank Exchange Traded Fund		Nifty Private Bank TRI <sup>*</sup>		Nifty 50 TRI <sup>#</sup>	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	56.63%	15,663	56.25%	15,625	54.58%	15,458
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	11.31%	12,173	10.28%	11,967	22.64%	14,543
Inception Date	30-Aug-19		Managing Since		16-Aug-19	

	Tata Quant Fund		S&P BSE 200 TRI*		S&P BSE Sensex TRI#	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	36.95%	13,695	58.77%	15,877	52.38%	15,238
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	3.75%	10,543	24.25%	13,665	20.01%	13,000
Inception Date	22-Jan-20		Managing Since		03-Jan-20	

\*Scheme Benchmark

#Scheme Additional Benchmark

^Manages Hedge/derivative exposure of the scheme

^^Manages Equity Portfolio

**Number of Schemes managed by Sailesh Jain: 8**

### Disclosures

- 1) Scheme returns in terms of CAGR are provided for past 1 year, 3 years, 5 years and since inception.
- 2) Point-to-point returns on a standard investment of Rs. 10,000/- are in addition to CAGR for the schemes. Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.
- 3) Different plans shall have a different expense structure. The performance details provided herein are of regular plan growth option
- 4) NA stands for schemes in existence for more than 1 year but less than 3 years or 5 years, or instances when benchmark data for corresponding period not available.
- 5) Period for which schemes performance has been provided is computed basis last day of the month - ended preceding the date of advertisement.
- 6) Past performance may or may not be sustained in future. For computation of since inception returns the allotment NAV has been taken as Rs. 10.00
- 7) For Benchmark Indices Calculations, Total Return Index (TRI) has been used
- 8) Tata Dividend Yield Fund has not completed 6 months of performance, hence performance is not shown