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Arbitrage Funds Gain Ground Amid Market Swings: Tata AMC

PANIPAT: Arbitrage Funds are gaining traction as an investment option amid equity market volatility, particularly for those seeking low risk investment opportunity. By capitalising on price differences between the cash and futures markets, these funds seek to perform better in turbulent conditions, giving fund managers greater scope for intra-month trading opportunities.



"In the current environment, arbitrage funds are uniquely positioned to capture the potential benefits of market volatility while shielding investors from direct equity risks. Elevated roll spreads and sustained volatility have enabled arbitrage funds to deliver reasonable returns, even as traditional income avenues have become less attractive. For investors seeking equity tax returns, arbitrage funds offer a suitable proposition," said Sailesh Jain, Fund Manager, Tata Asset Management.

According to data from the Association of Mutual Funds in India (AMFI), arbitrage funds attracted Rs 43,077 crore between April and June 2025, surpassing inflows into other hybrid and equity categories. This surge underscores investor preference for instruments that can deliver relatively reasonable returns while minimising equity risk during periods of heightened uncertainty. However, profit is not guaranteed. Reflecting the broader industry trend, the Tata Arbitrage Fund too, saw inflows of Rs 5,217 crore between April and June 2025, with nearly Rs 10 crore coming from Panipat. The fund had assets under management of Rs 14,274 crore as of June 30, 2025. The environment is especially conducive for arbitrage strategies, as elevated volatility and strong roll spreads have opened potential return opportunities. The Reserve Bank of India's recent easing measures—cutting the repo rate by 50 basis points and the Cash Reserve Ratio by 100 basis points—has further boosted the appeal of arbitrage funds over traditional fixed income avenues. The upcoming corporate earnings and a positive monsoon outlook are also expected to lift market sentiment.