

# Sundaram Arbitrage Fund

An open-ended scheme investing in arbitrage opportunities



SUNDARAM MUTUAL  
— Sundaram Finance Group —

Fund Insights - March 2025

## HOW ARBITRAGE WORKS?

The Process of Buying in one market and selling in another market simultaneously to take advantage of the price difference is called arbitrage. Typically, the fund invests in arbitrage opportunities simultaneously in cash and derivative segments of the equity market.

## THE MAJOR ARBITRAGE RETURN DETERMINANTS

- Short Term interest rate** is the biggest determinant of future price of any asset. Thus, in a higher interest rate scenario, the arbitrage returns are generally higher versus a low-interest rate scenario.
- Mood of the Market:** Demand & Supply plays a major role in determining the future price of a stock. In Bullish Market, demand for buying futures increases which increases the future price. In Bearish Market, demand for selling futures increases which reduces future price.
- Fund Flows:** As more money flows into the category, spread decreases.

## FUND FACTS & FEATURES

- Launch** ..... April 2016
- Month End AUM** ..... ₹ 290 Cr.
- Benchmark (Tier I)** ..... NIFTY 50 Arbitrage Index TRI
- Fund Managers**  
Mr. Rohit Seksaria (Equity), Mr. & Ashish Aggarwal (Equity) and Mr. Dwijendra Srivastava (Fixed Income)
- Minimum Investment**  
Rs.100/- per application and multiples of Rs.1/- thereafter
- SIP**  
Weekly: Rs. 1000, Monthly: Rs. 100, Quarterly: Rs. 750
- Exit Load:** Upto 25%, within 15 days from the date of allotment: Nil. More than 25% within 15 days from the date of allotment: 0.25%. >15 days: Nil
- Plan / Option**  
Regular and Direct  
Growth & IDCW (Payout, Re-investment, Transfer)

## FUND FEATURES

- Offers income by predominantly investing in arbitrage opportunities in the cash and the derivative segments of the equity markets and aims to lock in profit.
- The objective is to capture the cost of carry, capturing the difference between the cash and futures market by simultaneously executing buy (in cash market) and sell (in the future market) trades.
- The Fund is suitable for investors who seek returns but do not want any directional exposure linked to either equity or debt markets.

## FUND MANAGER UPDATE

- Gross rollover spreads are around 62 bps which equates to 7.4% annualized gross yield.
- Expected gross yield will be around 6.5% annualized.
- Maintained cash future arbitrage exposure at ~67%. The rest is invested in debt and money market instruments.
- Arbitrage funds are indifferent to market volatility as the spread is locked in on the date of rollover.
- We maintain a conservative debt portfolio and don't take any credit exposure.
- Ideal Investment horizon is 3 to 6 months.

## WHY SUNDARAM ARBITRAGE FUND?

### Market Neutral Strategy

Offsetting positions in the same underlying stock with completely hedged positions. The fund is neutral to movements in the underlying stock.

### Lower Risk & Better Liquidity

Offers debt equivalent return with lower credit risk and interest rate risk.

### Tax Efficiency

Equity taxation offers tax advantage over Fixed income schemes

## TAX EFFICIENCY COMPARISON

Particulars	Arbitrage Fund	Liquid Fund	Fixed Deposit	Savings Account
Investment	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000
1yr Return	7.2%	7.2%	6.8%	3.5%
Gain (₹)	7,22,000	7,15,000	6,77,500	3,50,000
Tax paid @	12.5%	30.0%	30.0%	30.0%
Post Tax Gain	6,31,750	5,00,500	4,74,250	2,45,000
Post Tax Gain Return%	6.3%	5.0%	4.7%	2.5%
Tax paid (₹)	90,250	2,14,500	2,03,250	1,05,000

Calculation as on 11th September 2024. Tax on Liquid Fund, FD and Savings Account as per tax slab & surcharge and CESS would be levied as applicable. Liquid Fund rate based on industry average. Arbitrage returns based on Sundaram Arbitrage Fund as on 11th September 2024. FD & Savings Account interest rate calculated on average of top 4 private banks - HDFC, Axis, Kotak & ICICI.

## INVESTMENT FRAMEWORK



### Completely Hedged

The equity portion is completely hedged.



### Aims to Provide Risk-Free Return

The strategy involves locking the rollover spread every month to aim for a risk-free return.



### Portion in Debt & Liquid Strategy

Investments are made in G-Secs and T-bills, which are used for margins. T-bills have a 6-month duration, while G-Secs have a 2-3 year duration.

### Recent Performance (%)

Period	Sundaram Arbitrage Fund	Arbitrage Index TRI
1 Month	6.90	9.51
3 Months	7.00	8.83
6 Months	6.73	8.81

### Allocation (%)

Category	Allocation
Equity	67.2
Derivatives (Hedged Equity Positions)	(67.5)
Cash/TREPS/Repo/Margin Money for Derivatives	32.8

Period	Performance			₹ 10,000 invested			Value of ₹ 10,000-a-month SIP			
	Fund (%)	Benchmark Tier I (%)	Additional Benchmark (%)	Fund (₹)	Benchmark Tier I (₹)	Additional Benchmark (₹)	Investment (₹)	Fund (₹)	Benchmark Tier I (₹)	Additional Benchmark (₹)
Last 1 year	7.0	7.6	7.5	10,697	10,765	10,749	1,20,000	1,24,416	1,25,051	1,24,653
Last 3 years	6.3	7.0	6.4	12,009	12,249	12,043	3,60,000	3,99,100	4,03,919	4,00,963
Last 5 years	4.9	5.4	5.5	12,701	13,014	13,079	6,00,000	6,95,549	7,09,134	7,01,493
Since Inception	4.3	5.4	6.1	14,538	16,024	17,032	10,70,000	13,27,303	13,90,820	14,09,737

Past performance may or may not be sustained in future. Returns/investment value are as of March 31, 2025. Returns are on a compounded annual basis for period more than one year and absolute for one-year period and computed using NAV of Regular Plan-Growth Option. Value of 10,000 invested at inception is as on March 31, 2025. SIP values are in rupees.

## PERFORMANCE DETAILS OF OTHER FUNDS MANAGED BY THE FUND MANAGER

Scheme Name	1 year (%)		3 years (%)		5 years (%)		Fund Managers
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	
Performance details for schemes managed by Mr. Rohit Seksaria							
Sundaram Long Term Micro Cap Tax Advantage Fund - Series VI	1.9	6.2	15.0	16.4	37.1	36.0	Rohit Seksaria & Sudhir Kedia
Sundaram Long Term Micro Cap Tax Advantage Fund - Series V	3.1	6.2	14.3	16.4	35.9	36.0	Rohit Seksaria & Sudhir Kedia
Sundaram Long Term Micro Cap Tax Advantage Fund - Series IV	1.6	6.2	15.0	16.4	35.7	36.0	Rohit Seksaria & Sudhir Kedia
Sundaram Diversified Equity	5.1	6.4	11.6	13.8	23.3	26.2	Sudhir Kedia & Rohit Seksaria
Sundaram Equity Savings Fund	8.8	7.8	10.3	8.8	13.0	12.3	Sudhir Kedia, Rohit Seksaria (Equity); Dwijendra Srivastava (Fixed Income)
Sundaram Arbitrage Fund	7.0	7.6	6.3	7.0	4.9	5.4	Rohit Seksaria & Ashish Agarwal (Equity); Dwijendra Srivastava (Fixed Income)
Performance details for schemes managed by Mr. Ashish Aggarwal							
Sundaram Infrastructure Advantage Fund	4.9	2.3	19.8	20.0	31.9	30.6	Ashish Agarwal & Ratish B Varier
Sundaram Nifty 100 Equal Weight Fund	3.2	4.5	14.2	15.4	25.8	27.5	Rohit Seksaria & Ashish Agarwal
Sundaram Large and Mid Cap Fund	7.9	7.3	13.0	16.4	25.5	29.2	Bharath S & Ashish Agarwal
Sundaram Financial Services Opportunities Fund	8.2	20.7	18.0	14.6	25.2	22.8	Rohit Seksaria & Ashish Agarwal
Sundaram Dividend Yield Fund	3.8	6.4	14.8	13.8	24.7	26.2	Ratish B Varier & Ashish Agarwal
Sundaram Arbitrage Fund	7.0	7.6	6.3	7.0	4.9	5.4	Rohit Seksaria & Ashish Agarwal (Equity); Dwijendra Srivastava (Fixed Income)

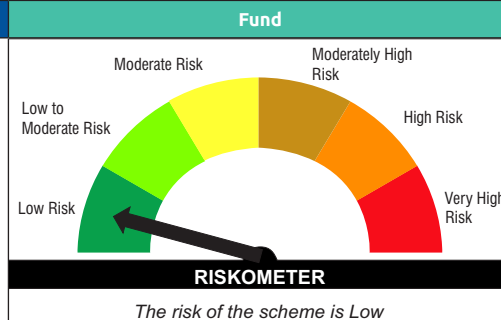
Data as on March 31, 2025. Source: In-house Computation. Past performance may or may not be sustained in the future. Different plans shall have a different expense structure. Returns are compounded on an annual basis for periods more than one year and absolute for one year period using the NAV of the Regular Plan – Growth Option. Returns are computed using weighted average performance using the NAV & AUM Weight of Transferor and Transferee/ Surviving Scheme for the merged funds from Principal AMC. Performance data of top 3 and bottom 3 funds (based on 5 year compounded return) managed by the fund managers are provided herein. All benchmark returns are calculated based on TRI.

### RISKOMETER

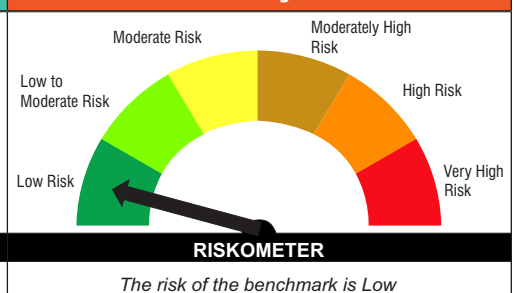
This product is suitable for investors who are seeking\*

- Income over short term
- Income through arbitrage opportunities

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



### NIFTY 50 Arbitrage Index TRI



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