

UPDATE ON THE CURRENT SCENARIO

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	
March 2021	93%
December-20 to February-21 Average	92%

The market-wide rollover has been over 90% in the past few months.

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.

This yield can be realized at the expiry or before.

On an average the rollover spreads at the end of the March series were around 60-61 bps (premium). Elevated spreads (compared to ~33 bps in February series) were due to increased volatility in markets, higher spreads, and the portfolio positioning. Spike in fixed income yields over the past month contributed to heightened market volatility.

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	
March 2021	~Rs.1,46,600 Crores
February 2021	~Rs.1,55,200 Crores

Source: BhavCopy/Internal Calculations

Open Interest in Futures has risen compared to the past month.

Movement of Arbitrage Spreads

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

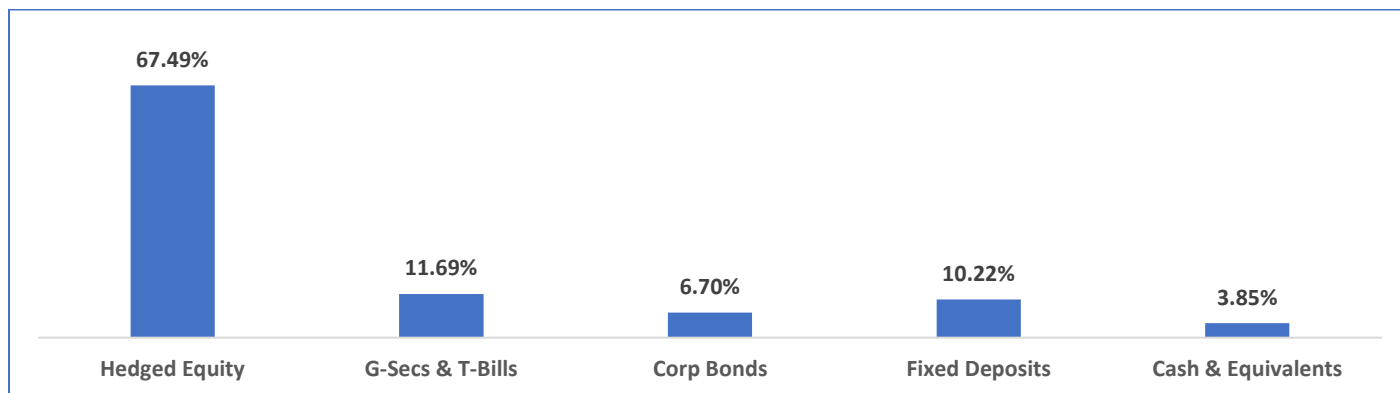
Arbitrage Spreads Scenario	Possible Reasons
Spreads Move Up	Markets remain strong
Spreads Move Down	Markets remain flat

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
4.91%	10.47 Months	10.02 Months

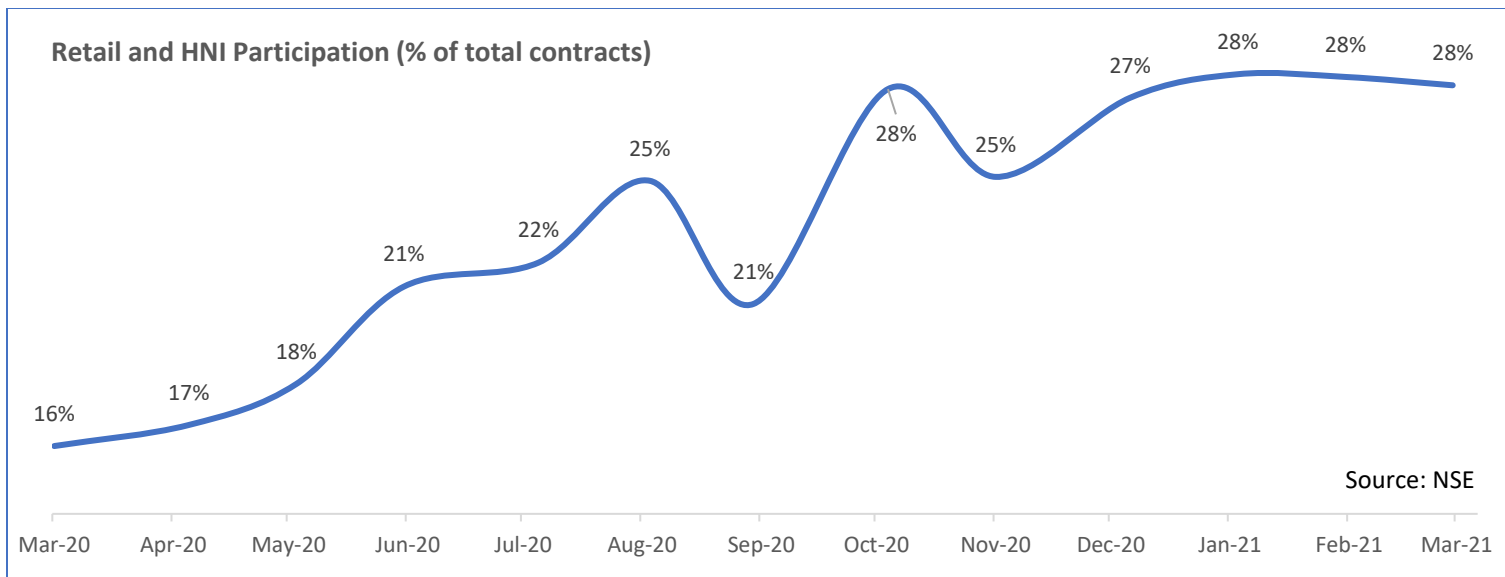
Return Drivers

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.70,000 crores in March 2020 to the ~Rs.1.46 lakh crores level in March 2021, indicating a doubling of activity over the past year. Rollovers too are looking up at ~93%.



Retail participation in the stock futures market increased from a low of ~16% of total futures contracts in March 2020 and has stabilized at ~28% in the past 3 months.

b) Liquidity in Stock Futures: Given the increase in stock volatility, FPI/FII trading has shifted to the Index futures from stock futures and their absence from the stock futures market is impacting liquidity to some extent. 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

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

Outlook Going Forward

Indian and US 10-Year g-sec yields have spiked in the past months, indicating that this is an inflection point for volatility increasing in the equity markets over the coming months, which should help the fund.

FUND PERFORMANCE RELATED DISCUSSIONS

	Tata Arbitrage Fund		Nifty 50 Arbitrage Index*		CRISIL 1 Year T-Bill Index**	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	3.83%	10,383	2.34%	10,234	4.66%	10,466
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	5.39%	11,275	4.52%	11,063	6.40%	11,524
Inception Date	18-Dec-18			Managing Since		10-Dec-18

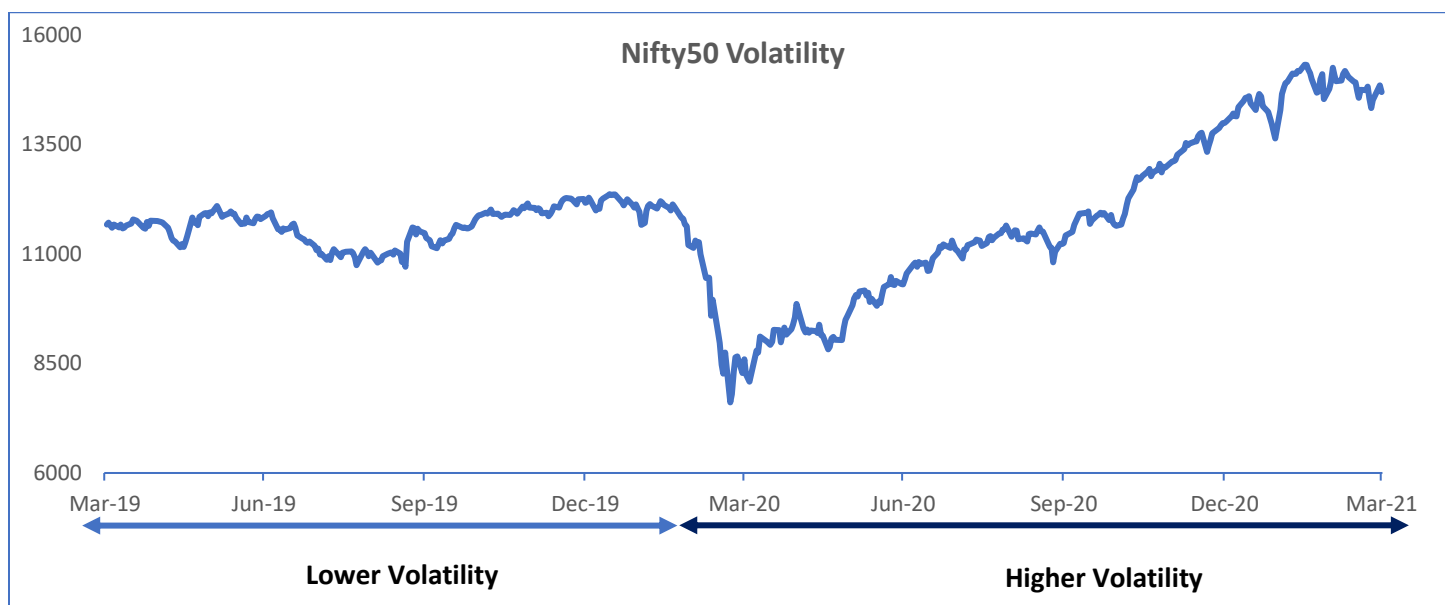
*Scheme Benchmark

**Scheme Additional Benchmark

Fund Manager: Sailesh Jain

For performance of other schemes managed by fund manager, please refer below

Advice to Existing Investors



- The fund is suitable for investors with a horizon of at least six months and beyond.
- The coming months could see lower volatility however the rollover and deployments spreads will increase as markets stabilize.

FUND OVERVIEW

Fund Snapshot

Type of Scheme	An open-ended scheme investing in arbitrage opportunities.
Benchmark	Nifty 50 Arbitrage Index
Inception Date	18 th December 2018
AUM	Rs.4270.08
Expense Ratio	Regular: 1.13 Direct: 0.38
Fund Manager	Sailesh Jain (Managing Since 8 th 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

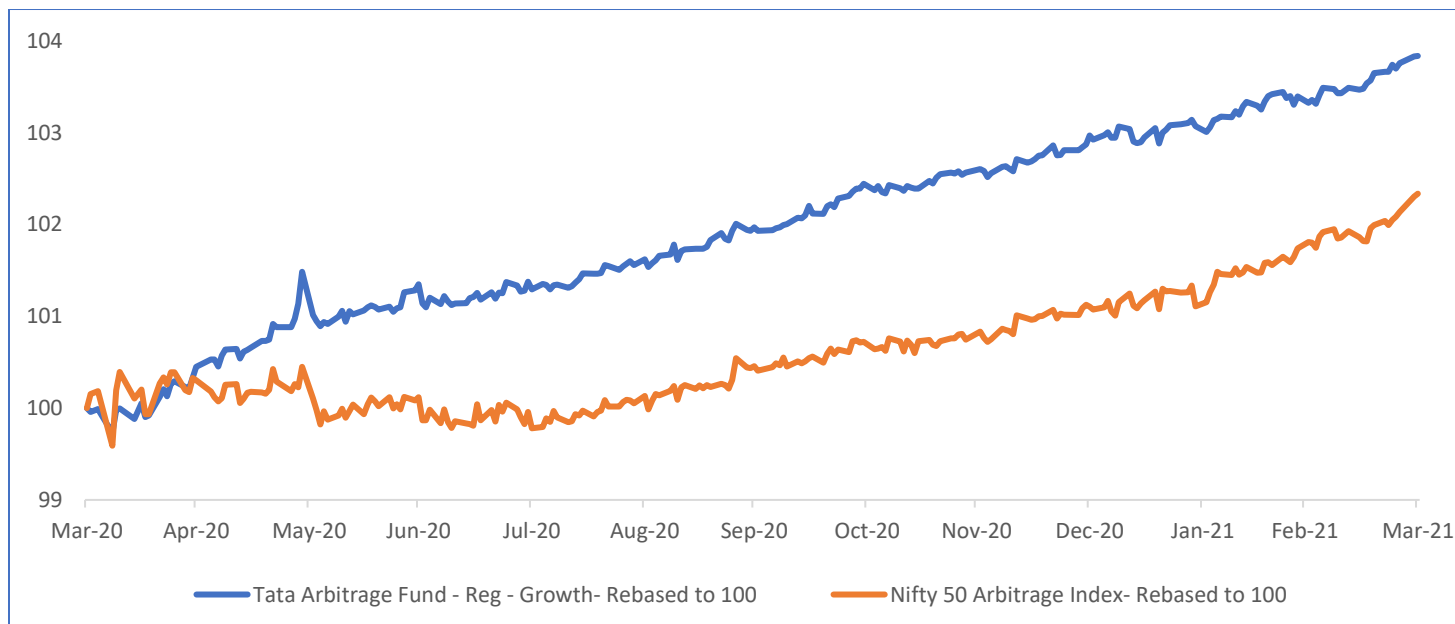
Top 5 Sectors

Sector	Allocation
Financial Services	10.93%
Information Technology	8.39%
Pharmaceuticals	7.32%
Consumer Goods	7.02%
Automobiles	5.89%

Top 10 Cash Equity Holdings

Holding	Allocation
Infosys Ltd	1.94%
State Bank of India	1.93%
Bharti Airtel Ltd	1.91%
Adani Ports and SEZ Ltd	1.90%
Tata Consultancy Services Ltd	1.86%
HDFC Ltd	1.75%
ICICI Bank Ltd	1.74%
Larsen & Toubro Ltd	1.69%
Sun Pharma Industries Ltd	1.69%
Tata Steel Ltd	1.64%

NAV Movement



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

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

Performance of Other Schemes Managed by Sailesh Jain in SEBI Format

	Tata Balanced Advantage Fund [^]		CRISIL Hybrid 35+65 - Aggressive Index*		S&P BSE Sensex TRI**	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	39.50%	13,950	49.75%	14,975	69.82%	16,982
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	13.18%	13,086	16.26%	13,871	17.64%	14,234
Inception Date	28-Jan-19			Managing Since		09-Jan-19

	Tata Equity Savings Fund ^{^^}		NIFTY Equity Savings Index*		CRISIL 10 Year Gilt Index**	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	23.23%	12,323	26.39%	12,639	3.60%	10,360
3 Year	6.88%	12,218	9.88%	13,279	8.24%	12,693
5 Year	7.14%	14,123	9.91%	16,043	7.17%	14,141
Since Inception	7.19%	42,759	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*		S&P BSE Sensex TRI**	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	47.69%	14,769	54.16%	15,416	69.82%	16,982
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	30.20%	13,277	23.43%	12,536	28.16%	13,054
Inception Date	04-Mar-20			Managing Since		12-Mar-20

	Tata Nifty Exchange Traded Fund		Nifty 50 TRI*	
Period	Return %	Rs.	Return %	Rs.
1 Year	72.56%	17,256	72.54%	17,254
3 Year	NA	NA	NA	NA
5 Year	NA	NA	NA	NA
Since Inception	15.43%	13,805	15.48%	13,819
Inception Date	01-Jan-19		Managing Since	17-Dec-18

	Tata Nifty Private Bank Exchange Traded Fund		Nifty Private Bank TRI*		Nifty 50 TRI**	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	74.65%	17,465	74.61%	17,461	72.54%	17,254
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	10.87%	11,778	9.85%	11,607	20.98%	13,527
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	41.51%	14,151	76.26%	17,626	69.82%	16,982
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	-2.06%	9,756	21.06%	12,552	18.27%	12,208
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: 7