

Axis Arbitrage Fund

(An open-ended scheme investing in arbitrage opportunities)

Fund Manager: Karthik Kumar, Devang Shah & Sachin Jain

Fund Facts - As of 31st Dec 2024

- Month-end arbitrage exposure – 71.1%
- Average net rolls for the current month – 69 bps

Monthly Recap

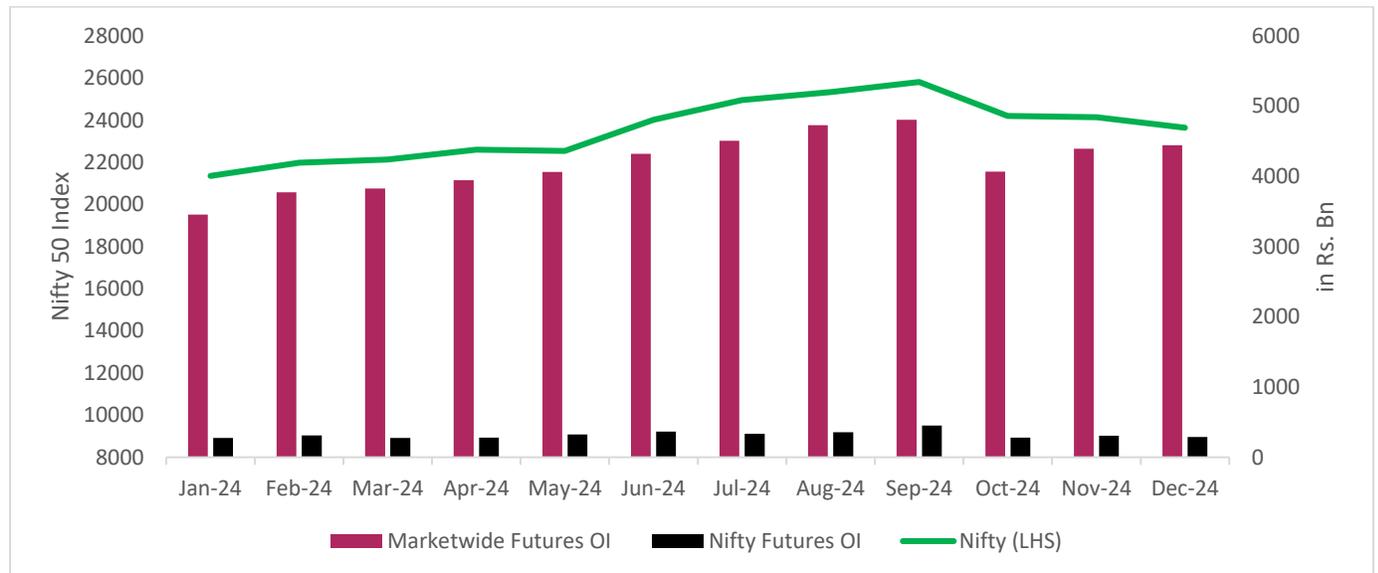
December was marked by volatility, with mid cap and small cap indices outperforming large cap index. The month's expiry was notable for small and mid-cap stocks, driven by strong retail and HNI participation, with record SIP inflows from mutual funds providing strong support.

Volatility was heightened by uncertainties around U.S. interest rate decisions, high valuations of Indian stocks, and persistent FII selling as the year drew to a close.

FIIs started December with strong cash inflows but quickly reversed to a selling spree after the first week, though they ended the month as net buyers with \$0.5 billion. In contrast, DIIs remained resilient, deploying \$2.9 billion, effectively acting as a stabilizing force by consistently absorbing the market's downside and maintaining stability amidst the volatility.

Source: Nuvama and Bloomberg, as on 31st Dec 2024

For the Dec series, Market-wide OI (open interest) base increased, while Nifty OI base decreased.



Source: Nuvama Alternative & Quantitative Research; NSE. Data as of 31st Dec 2024. OI in INR Bn

Nifty futures rollovers stood at 78% vs 77% (last three series). Market-wide futures open interest at the start of the Jan series stood at Rs. 4,441 Bn. Market-wide rollovers stood at 89%, higher than 3 months average of 88%. Stock futures rollovers stood at 93%, higher than the average rollovers of last three series at 92%. Most frontline names saw their roll cost hovering around 69 bps with average increase in roll cost across names being 1-2 bps DoD.

Month Series	Average Arbitrage Rolls (In bps)	Annualized %
Jan-25	69	7.29%
Dec-24	57	7.43%
Nov-24	61	7.95%
Oct-24	67	7.12%
Sept-24	57	7.45%
Aug-24	67	7.14%
July-24	68	8.43%
June-24	71	8.81%
May-24	73	7.61%
April-24	76	9.17%
Mar-24	67	8.43%

Source: Bloomberg, Axis MF Research. Roll spreads are not an indication of overall fund returns. Roll spreads annualized for expiry tenure.

Debt Allocation

The allocations in debt are largely marginable securities. The fund today holds investments primarily in Axis Money Market Fund. The fund also holds some money market instruments with a 1-9 month maturity profile.

The fund continues to run a conservative portfolio and invest in high quality instruments only. The debt portfolio for the fund will continue to remain actively managed to maximize return potential across the portfolio.

Debt Quants

Residual Maturity	Macaulay Duration	YTM (%)*
165 days	165 days	7.53%

The yield to maturity given above is based on the debt portion of the portfolio of funds as on 31st Dec, 2024. This should not be taken as an indication of the returns that may be generated by the fund and the securities bought by the fund may or may not be held till their respective maturities. The calculations are based on the invested corpus. * in case of semi annual YTM, it will be annualised

Going Forward

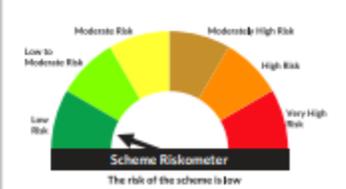
The market experienced a volatile month, largely on account of FII outflows post first week of month, high valuations, lackluster earning season and US policy decision. Geopolitical uncertainty also contributed to the month's volatility. These factors will continue to impact the market in the near term.

FII's have significantly added to Index Shorts while reducing SSF Longs. The HNI/Retail segment has added long positions in Index and SSF.

As we enter the new year, we believe the market will be sector-focused, with certain sectors potentially gaining more momentum. The overall outlook for spreads appears sustainable, barring any unforeseen event, and this series is likely to see performance driven by active position management.

As of December end, the fund allocation to hedged equity exposure stands at 71.1%. Additionally, the remaining allocation continues to be in high-quality papers for the debt portion. Overall, the fund has been able to maintain a lower annualized volatility of 3.1% (one-year data). We will continue to monitor our allocations closely throughout the month to ensure optimal performance. Timing the entry and exit in arbitrage funds is critical, and investors must remain vigilant throughout their investment cycle in this space.

Product Labelling & Disclaimers

Axis Arbitrage Fund (An Open Ended Scheme Investing In Arbitrage Opportunities) Benchmark: Nifty 50 Arbitrage Index	
This product is suitable for investors who are seeking* <ul style="list-style-type: none"> Income over short to medium term. Investment in arbitrage opportunities in the cash & derivatives segment of the equity market. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	
Riskometer	
Fund	Nifty 50 Arbitrage Index
	

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
Axis Money Market Fund (An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.) Benchmark: NIFTY Money Market Index A-I	This product is suitable for investors who are seeking* <ul style="list-style-type: none"> Regular income over short term. Investment in money market instruments with maturity up to one year. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them			<table border="1"> <thead> <tr> <th colspan="4">Potential Risk Class</th> </tr> <tr> <th>Credit Risk →</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> <tr> <th>Interest Rate Risk ↓</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Relatively Low (Class I)</td> <td></td> <td style="text-align: center;">B-I</td> <td></td> </tr> <tr> <td>Moderate (Class II)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Relatively High (Class III)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)		B-I		Moderate (Class II)				Relatively High (Class III)			
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Disclaimer

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