

MONTHLY ARBITRAGE NOTE

Market update

In the October 2022 series, Nifty 50 ended 5.3% up at 17737 from the end of the September series at 16818. The October series saw an upside which was across during the month. Foreign Institutional Investors (FIIs) action in the cash market was on the negative side as they were net sellers to the tune of Rs. 6236 crore. Bank Nifty ended in October 2022 at 41299, up 9.7% from 37647 as of September 2022. Bank Nifty continued its relative outperformance over the Nifty 50 as in the last four series.

Highlights

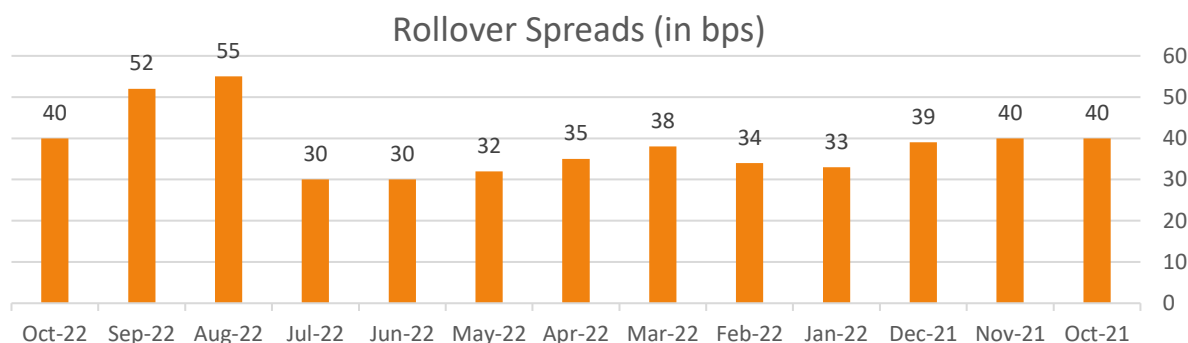
- Nifty futures rollover was at 76% compared to 78% last month. The average rollover for the past three months has been at 78%.
- Market-wide rollover stood at 91% which is close to last month's rollover at 89%.
- The November series started with Nifty open interest of 1.17 crore shares compared to 1.21 crore shares in the October series.
- Bank Nifty rollovers were at 77% while it was at 82% in the previous month. The past three months average rollover for the Bank Nifty was at 84%. The open interest in Bank Nifty indicates a low rollover, which means the Bank Nifty has not got long positions getting carried forward to the next series.
- Option distribution: In November series 17800, 18000 and 18400 calls have maximum build up, while 17000, 17500 and 17700 puts have highest Open Interest; Option data suggests wide trading range of 17500-18400.
- The India VIX (Nifty Volatility Index based on the NIFTY Index Option prices) which is an indicator of market's expectations of volatility has shown some respite in October against the rise in the previous month. an increase in build up. From its 52-week high of 32 (as on 24-Feb-22) it was at 16.6 (as of end Oct-22) vs 21.3 (as of end Sep-22).
- Lower open Interest in the Nifty futures as compared to last series, Lower stock futures open interest despite sharp rise in the Nifty from June lows, aggressive put writing at 17500 and 17000 levels and strong recovery in the global markets from the recent lows are the key takeaways from the end of October series.

Portfolio Commentary (As on 31st October 2022)

- Our portfolio holding of Mirae Asset Arbitrage Fund is mainly 74% in arbitrage strategy, 15.9% in Government Securities & 10% in current assets. If we compare the portfolio with that of a year back, the exposure in G-sec has replaced that of Margin Deposits which may help in generating better returns for investors. Historically as well, the asset allocation has remained in line with the investment strategy. Proceeds of some of the debt papers on maturity have been redeployed at better coupon yielding debt papers which resulted in a better YTM (6.51% as on Oct-22 vs 6.31% as of Sept 22).

Instrument Type (All in %)	Oct-22	Sep-22	Aug-22	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21
Domestic Equities	74	73	76	76	63	73	69	71	76	71	74	67	70
Government Securities	15.9	16	16	15	15	15	15	16	15	15	14	14	13
Treasury Bills / Money Market Instruments	6.2	1	1	6	8	6	6	7	6	6	7	11	13
Others	4	9	7	3	14	6	9	7	3	8	5	8	4

- The spreads have been range bound indicating markets expecting volatility & reduction in long positions.



Portfolio Update (As on 31st October 2022) Net AUM – 375.85 INR Crores

Equity Arbitrage	Debt & Money Market & others	No of Stocks	Average Maturity	Modified Duration	Macaulay Duration	YTM
74%	26%	58 Hedge Equities	0.58 years	0.58	0.61	6.51%

Our View

- Key triggers for November 2022 expiry –: US Federal Reserve, Bank of England & other central banks interest rate hikes to be announced for rest of 2022, further arbitrage positions in the markets considering the recent run up in Nifty 50 during October 22 & upcoming corporate results for Q2 for FY 2022-23.
- Current size of Mirae Asset Arbitrage Fund might seem to work in favor as deployment to capture better spreads without compromising on quality of the portfolio is an adhoc advantage.

Source: HDFC Securities Rollover Analysis Report, Sharekhan Rollover report and Internal views, as on 31st October 2022

* For complete portfolio, please visit the website: <https://www.miraeassetmf.co.in/>

About The Fund

Mirae Asset Arbitrage Fund - An open-ended scheme investing in arbitrage opportunities

Allotment Date	19th June 2020
Fund Managers	Mr. Jignesh Rao, (Equity portion) Mr. Jigar Sethia, (Equity portion) & Mr. Mahendra Jajoo (Debt portion)
Load Structure	Entry load: NA Exit load: 0.25% if redeemed or switched out within 30 days from the date of allotment Nil after 30 days
Plans Available	Direct and Regular
Minimum Investment Amount	Minimum Investment Amount Rs. 5,000/- and in multiples of Re. 1/-thereafter. Minimum Additional Application Amount: Rs. 1,000/- per application and in multiples of Re. 1/- thereafter

Disclaimer: Statutory Details: Trustee: Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

Disclaimer

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

PRODUCT LABELLING

Mirae Asset Arbitrage Fund is suitable for investors who are seeking*

- Income over short term
- Investments predominantly in arbitrage opportunities in the cash and derivative segments and the arbitrage opportunities available within the derivative segment

*Investors should consult their financial advisers, if they are not clear about the suitability of the product.

