

The logo for Motilal Oswal Mutual Fund, featuring the company name in a serif font with a red underline.

MUTUAL FUND

Minimize the Risks & Optimize the Returns

Introducing

Motilal Oswal Arbitrage Fund

NFO Period

16th to 19th Dec 2024



PRESENTATION FLOW

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Understanding
Arbitrage

2

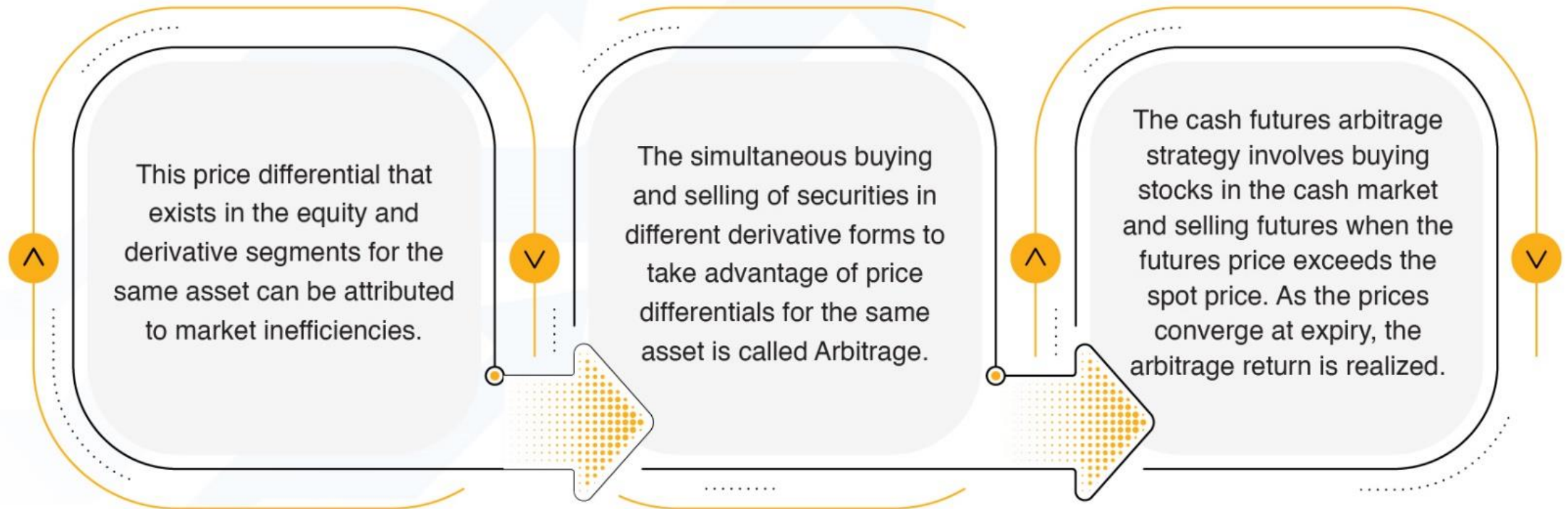
How Does
Arbitrage Work

3

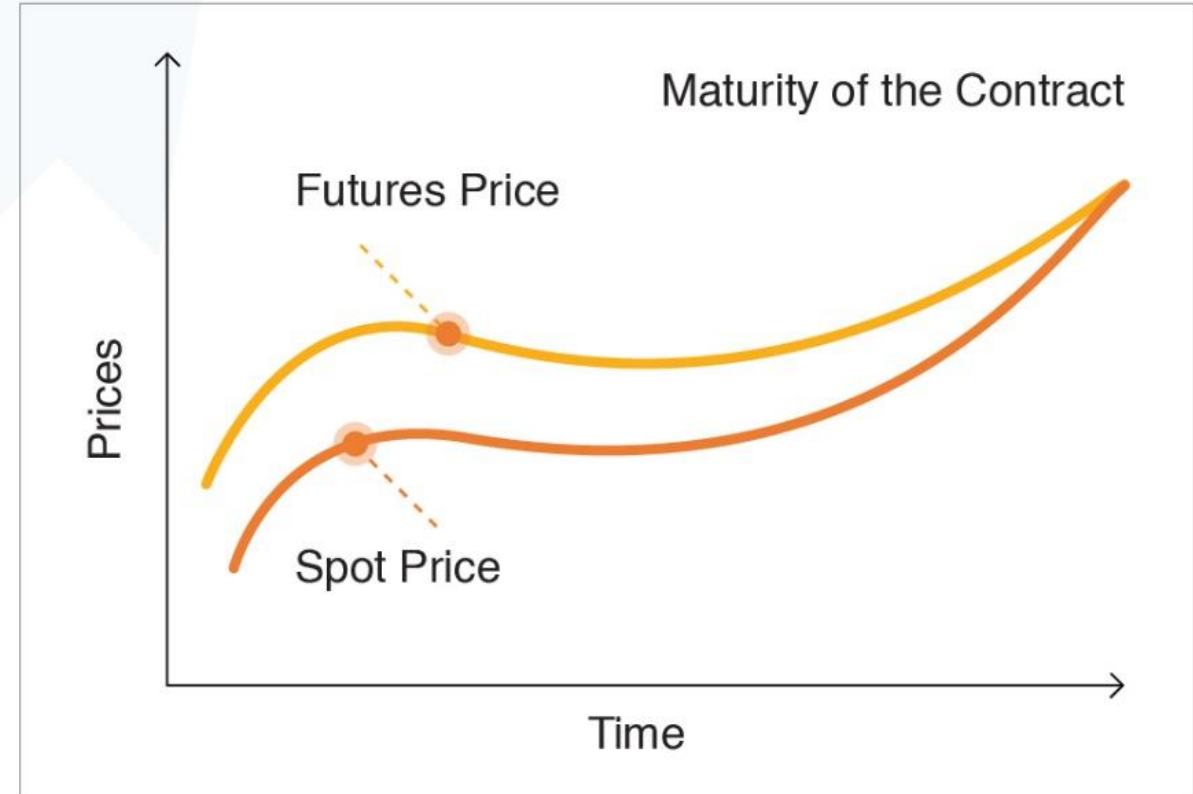
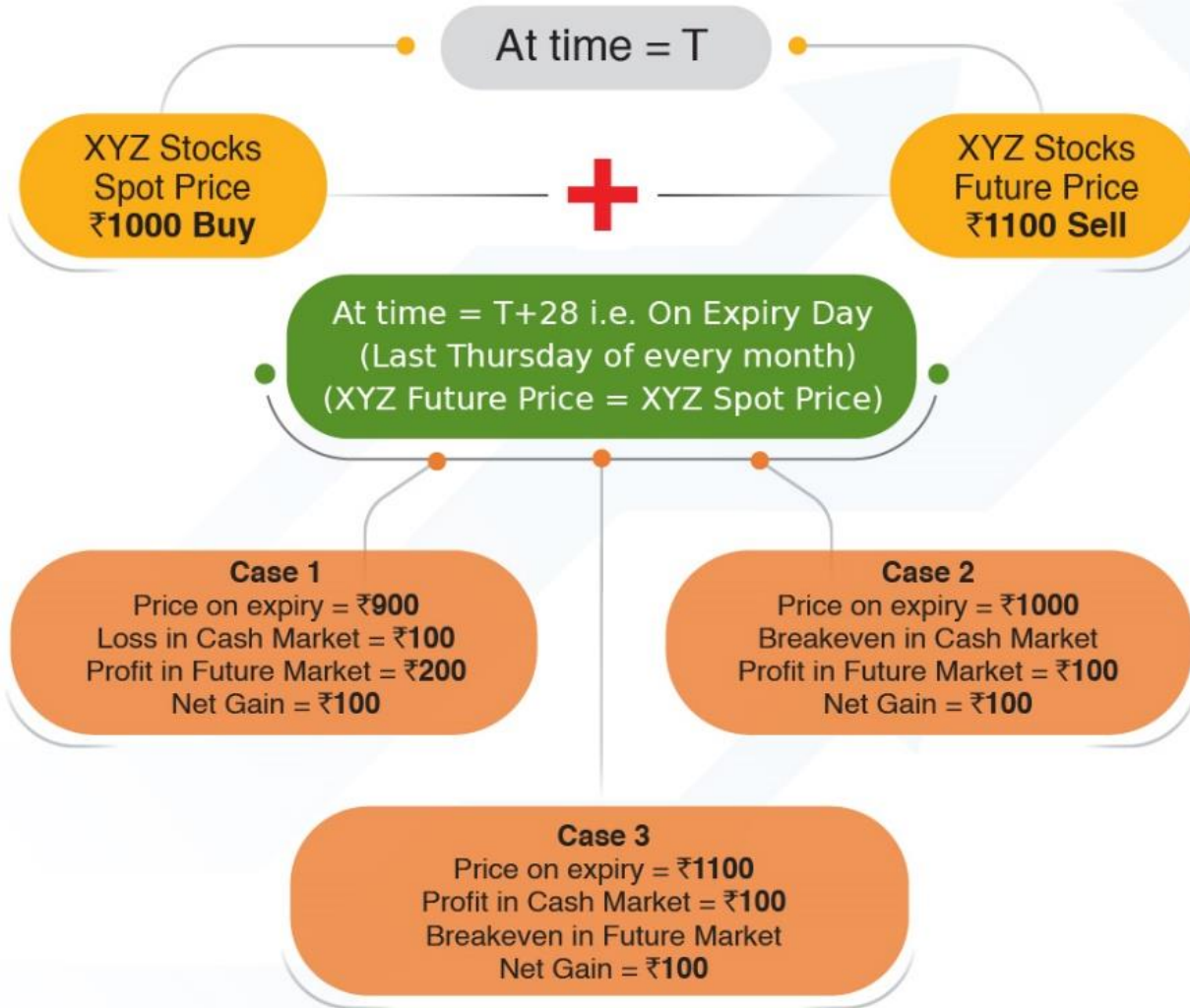
Reasons to Invest
in Arbitrage Funds

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Motilal Oswal
Arbitrage Fund



HOW DOES A CASH FUTURE ARBITRAGE WORK?



In the given example, on expiry day irrespective of prevailing XYZ Stock's price, you capture the spread (Profit) of ₹100



Exchange Arbitrage

- Exchange arbitrage is taking advantage of price difference of the same security in two stock exchanges.



Cash and Carry Arbitrage

- Cash and Carry Arbitrage is taking advantage of price difference of the same security in cash market and future contracts of the same security



Reverse Arbitrage

- Reverse arbitrage is reversing the arbitrage position wherein since the premiums in the futures market is negative you sell the stock in the cash market and simultaneously buy the futures of the stock.



Index and Basket of Stocks Arbitrage

- Index and basket of stocks arbitrage is similar to Cash and Carry arbitrage, the only difference is that instead of a single stock here the arbitrage is for the index.



Corporate Driven Arbitrage

- Corporate-driven arbitrage encompasses strategies that are based on either rights issue, mergers and acquisitions or dividend arbitrage. These activities involve capitalizing on market inefficiencies from corporate actions to generate risk free returns.

FACTORS DRIVING ARBITRAGE FUND RETURNS



WHY ARBITRAGE FUNDS?



TAX EFFICIENCY OF ARBITRAGE FUNDS OVER DEBT FUNDS

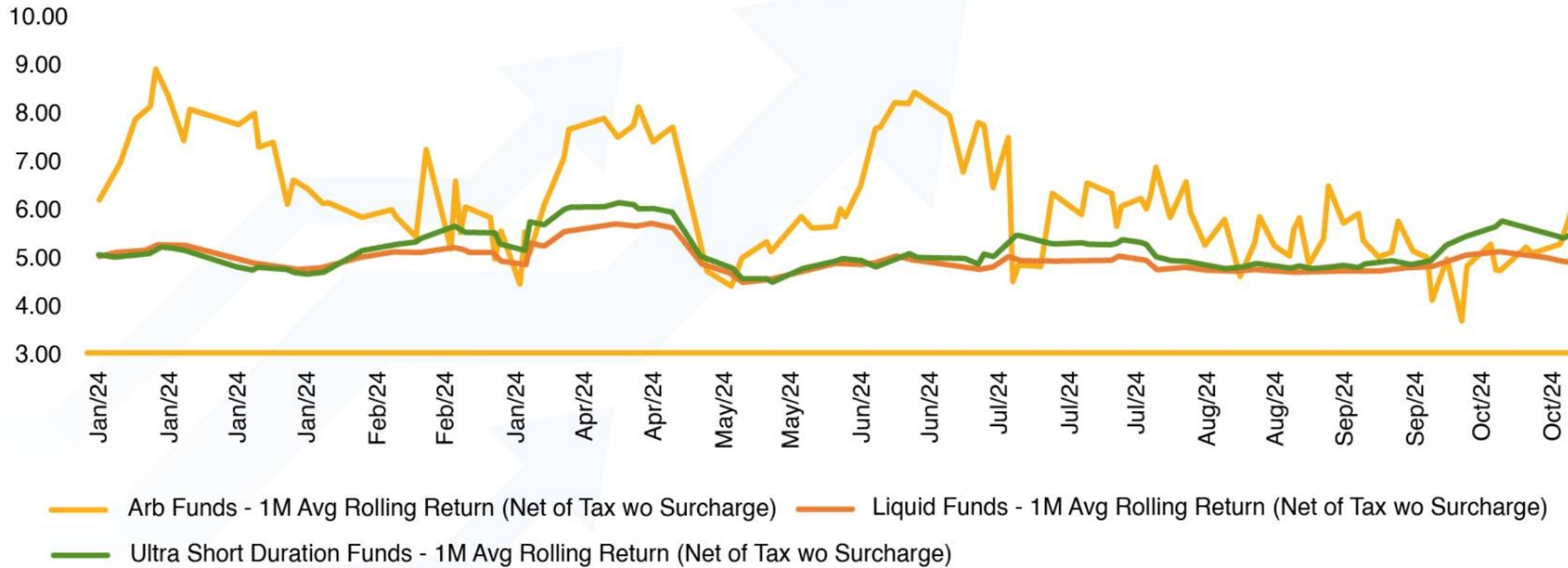
Type of Fund	1M		3M		1Y	
	Arbitrage Fund	Debt Funds	Arbitrage Fund	Debt Fund	Arbitrage Funds	Debt Fund
Amount Invested	1,00,000					
Returns * (Annualised. Net of Expenses)	7.50%					
Value at Time of Redemption	1,00,625	1,00,625	1,01,875	1,01,875	1,07,641	1,07,641
Tax Rate ^	20%	30%	20%	30%	12.5%	30%
Tax Amount	125	188	375	563	955	2,292
Post Tax Value	1,00,500	1,00,438	1,01,500	1,01,313	1,06,686	1,05,348
Post Tax Returns (Annualised* for < 1Y)	6.00%	5.25%	6.00%	5.25%	6.69%	5.35%

**Even after assuming Same Pre-Tax Returns from Arbitrage & Debt Funds
Arbitrage Funds deliver 14% to 25% Higher Post Tax Returns to the Investor**

- Bi-Annual Compounding
- ^ Tax Rate for Arbitrage is STCG/LTCG on equity investment as applicable and assuming above 1 lakh & For Arbitrage it is as per slab rate (Assuming Investor in 30% Tax Bracket). Tax Rates wo Surcharge & Cess
- Above illustration is for explaining tax calculation and in no way an indication of past or expected performance

Source: MOAMC Internal. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in the future.

IN REALITY - ARBITRAGE FUNDS HAVE DELIVERED HIGHER RETURNS THAN DEBT



On an average ^, Arbitrage Funds have delivered an Annualised Alpha of 1.17% over Liquid Funds and 0.98% over Ultra Short Term Funds (Net of Tax)

^ Data of 1M Rolling Returns during CY2024 till 31st Oct (Average of 117 Days of 1M Returns) – Average of All the Funds (Direct Plan) in the Industry in the respective categories

Source: MOAMC Internal. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

TREND IN ARBITRAGE SPREADS



Average ~ 7.95%

^ Average of Top50 Arbitrage Spreads from F&O Basket

Data as on: November' 2024. Source: MOAMC Internal. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Risk Averse Investor

Investors who want consistent returns with minimal exposure to Market Volatility.

Investors looking for Tax- Efficiency

Investors who are focused on after-tax returns & are looking for Tax – Efficient Investment Options.



Investor looking for stable income

Investors looking for Fixed-Income like Returns without exposure to interest rate risks or credit risks, Such as retirees or conservative savers.

Investor looking for liquidity

Investors who may need to access their funds in the short-term, while still aiming for better returns than traditional savings accounts or fixed deposits.



Equity Taxation

- Arbitrage funds are taxed as equity funds and hence in higher income bracket can allocate as alternate to Liquid/Debt Funds



Low Risk - Market Neutral Arbitrage Positions

- Returns and capital from arbitrage fund is not dependent upon market direction



Lower Volatility

- Arbitrage spreads once locked in are not volatile due to exposure to both buy and sell positions; movement in one is neutralized by reverse movement in other



Alternate to Liquid / Debt Funds

- Arbitrage funds which offer stable, moderate and tax efficient returns are good alternate to Liquid & Short Term Debt Funds



Liquidity

- Arbitrage funds are liquid in nature and exit load applicable in arbitrage funds is upto 15 days.

WHY MOTILAL OSWAL ARBITRAGE FUND?



Investment Objective



To generate long term growth of capital by predominantly investing in arbitrage opportunities present between the cash and derivate markets, as well as within the derivative segment, complemented by investments in debt securities and money market instruments.

Investment Allocation



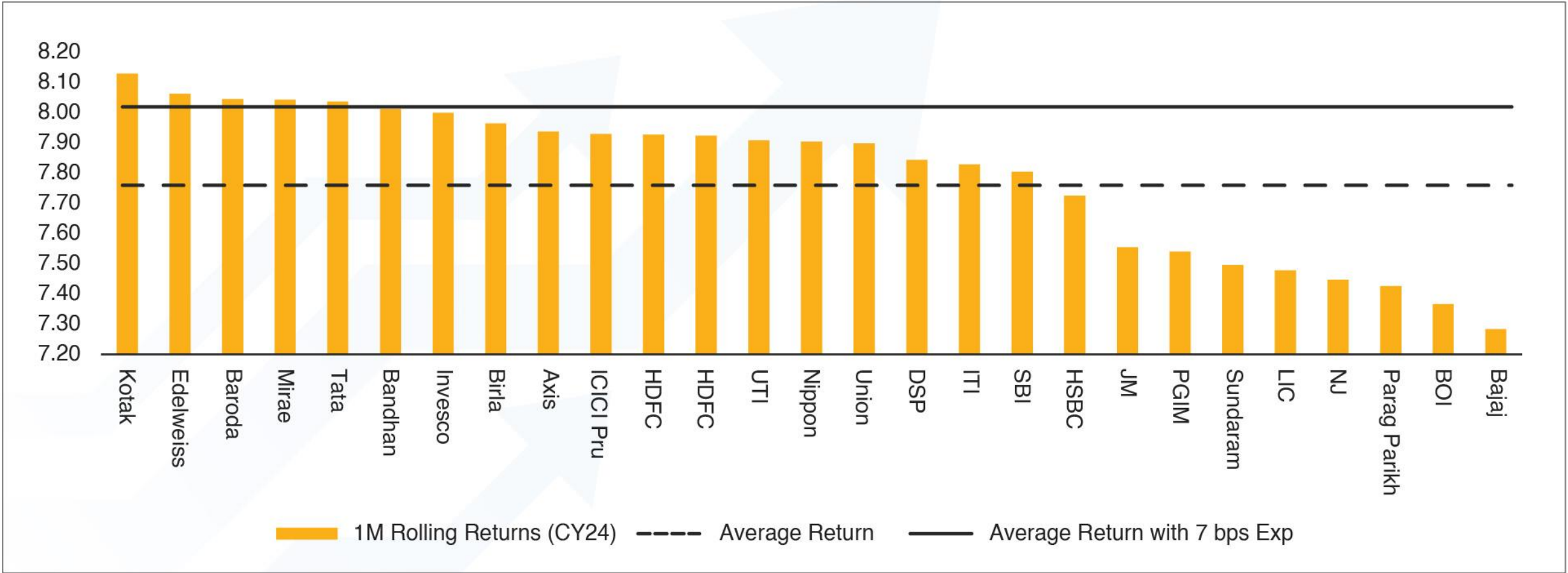
Minimum 65% - Maximum 100% - Equity & Equity related instruments including derivatives.
Minimum 0% - Maximum 35% - Debt & Money Market instruments* including the margin money deployed in derivative transactions.

Enhancement by No Management Fee for 12 Months



No Management Fee Charge for first 12 Months with the objective of enhancing investors return experience.
For Direct Plan only*.

THE EDGE OF MOTILAL OSWAL ARBITRAGE FUND - NO MANAGEMENT FEES FOR FIRST 12 MONTHS



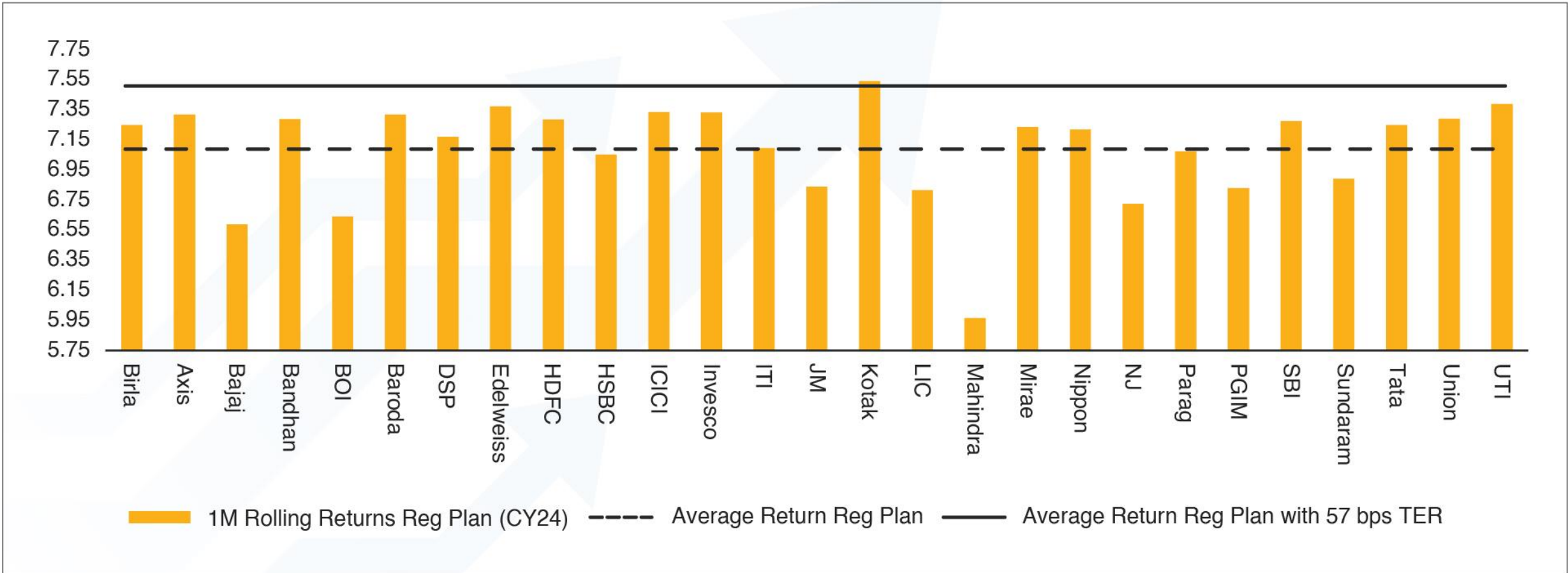
INTERNAL SLIDE NOT FOR CIRCULATION OUTSIDE

Direct Plan - Average Industry TER 33 bps. Average Return 7.76. With Exp of 7 bps, Even with Average Return Delivery, MO Arbitrage Fund expected to be among top performer. No management fees to be charged for the first 12 months with minimal TER

^ Data of 1M Rolling Returns during CY2024 till 31st Oct (Average of 117 Days of 1M Returns) – Average of All the Funds in the Industry in the respective categories Returns and Expenses are of Direct Plan

Source: MOAMC Internal. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

THE EDGE OF MOTILAL OSWAL ARBITRAGE FUND



INTERNAL SLIDE NOT FOR CIRCULATION OUTSIDE

Regular Plan - Average Industry TER 99 bps. Average Return 7.09. With Exp of 57 bps, Even with Average Return Delivery, Motilal Oswal Arbitrage Fund expected to be a top performer.

^ Data of 1M Rolling Returns during CY2024 till 31st Oct (Average of 117 Days of 1M Returns) – Average of All the Funds in the Industry in the respective categories Returns and Expenses are of Direct Plan

Source: MOAMC Internal. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

RANKS KEEP CHANGING BUT IMPACT OF NO MANAGEMENT FEES FOR 6M WOULD BE CONSISTENT

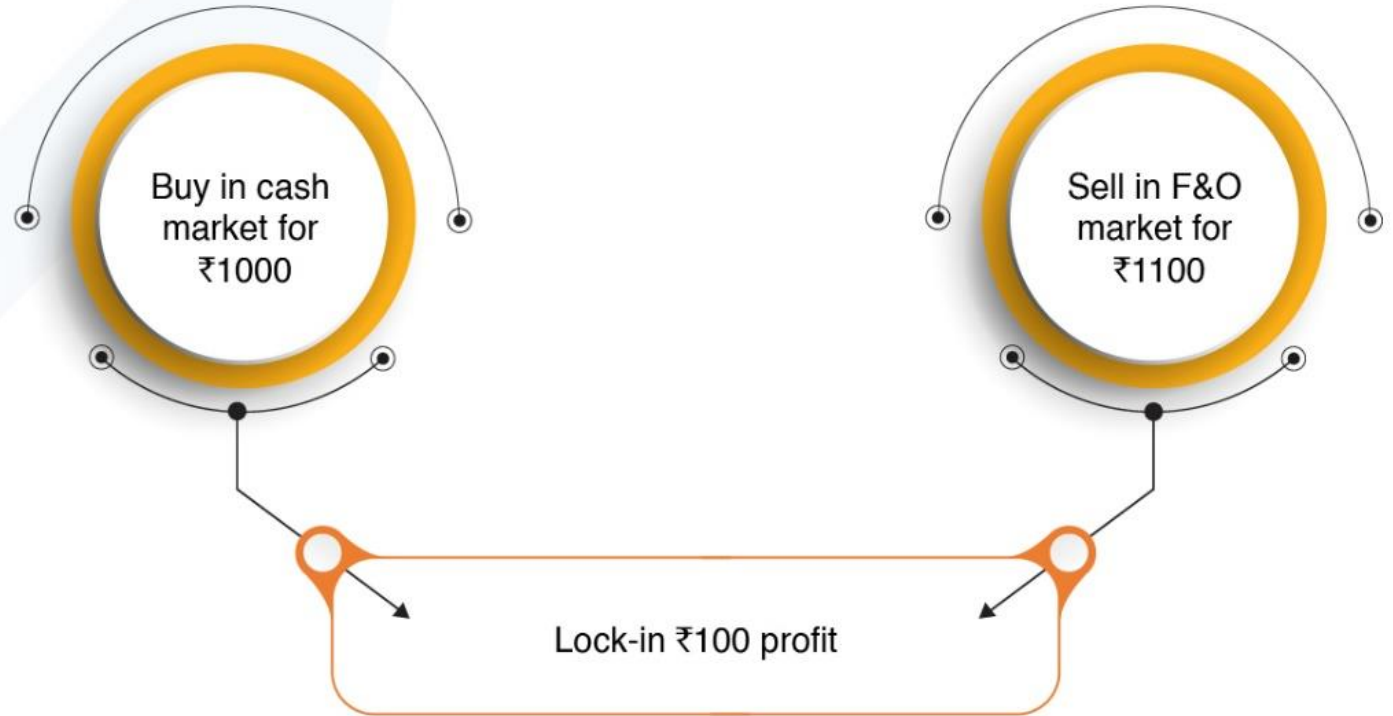
Scheme Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov TD
Aditya Birla Sun Life Arbitrage Fund - Dir - Growth	22	8	3	15	22	4	11	24	5	4	6
Axis Arbitrage Fund - Dir - Growth	12	4	13	8	8	15	14	19	9	15	9
Bajaj Finserv Arbitrage Fund - Dir - Growth	26	27	7	23	26	27	17	27	22	20	27
Bandhan Arbitrage Fund - Dir - Growth	17	13	19	12	7	9	2	11	7	8	14
Bank of India Arbitrage Fund - Dir - Growth	28	26	5	24	27	20	25	12	4	22	10
Baroda BNP Paribas Arbitrage Fund - Dir - Growth	21	21	11	5	1	1	22	1	27	25	19
DSP Arbitrage Fund - Dir - Growth	24	15	15	17	13	17	21	17	6	16	11
Edelweiss Arbitrage Fund - Dir - Growth	6	2	28	7	5	22	13	14	14	7	5
HDFC Arbitrage Fund - Dir - Growth	7	20	21	9	15	13	3	4	19	12	25
HDFC Arbitrage Fund - WP - Dir - Growth	8	19	23	10	19	10	8	5	17	10	24
HSBC Arbitrage Fund - Dir - Growth	9	14	9	18	11	23	9	23	8	21	28
ICICI Prudential Equity - Arbitrage Fund - Dir - Growth	13	18	29	14	24	16	4	3	25	5	8
Invesco India Arbitrage Fund - Dir - Growth	15	12	14	19	3	3	12	2	24	6	22
ITI Arbitrage Fund - Dir - Growth	23	7	26	21	2	7	29	8	2	28	7
JM Arbitrage Fund - Dir - Growth	20	11	12	26	12	25	27	15	23	9	18
Kotak Equity Arbitrage Fund - Dir - Growth	1	1	25	2	10	2	7	21	18	2	13
LIC MF Arbitrage Fund - Dir - Growth	25	17	6	20	21	29	5	22	13	24	3
Mahindra Manulife Arbitrage Fund - Dir - Growth	27	28	1	25	29	28	28	29	29	29	21
Mirae Asset Arbitrage Fund - Dir - Growth	5	3	18	16	4	6	6	18	20	3	26
Nippon India Arbitrage Fund - Dir - Growth	14	10	16	6	20	21	15	16	15	14	15
NJ Arbitrage Fund - Dir - Growth	3	25	8	1	28	24	26	26	26	17	23
Parag Parikh Arbitrage Fund - Dir - Growth	29	24	10	22	25	18	24	25	16	19	20
PGIM India Arbitrage Fund - Dir - Growth	2	29	2	27	6	26	1	28	1	23	4
SBI Arbitrage Opportunities Fund - Dir - Growth	18	16	22	13	14	19	16	6	28	11	12
Sundaram Arbitrage Fund - Dir - Growth	10	23	4	29	17	12	19	10	12	27	2
Tata Arbitrage Fund - Dir - Growth	16	5	24	11	9	5	20	7	3	13	16
Union Arbitrage Fund - Dir - Growth	4	6	17	4	23	8	23	20	21	1	29
UTI Arbitrage Fund - Dir - Growth	19	9	20	3	18	14	10	13	10	18	17

INTERNAL SLIDE NOT FOR CIRCULATION OUTSIDE

Exchange Arbitrage

	Price of Stock A	Action	Profit
NSE	₹100	Buy	₹1 (101-100)
BSE	₹101	Sell	

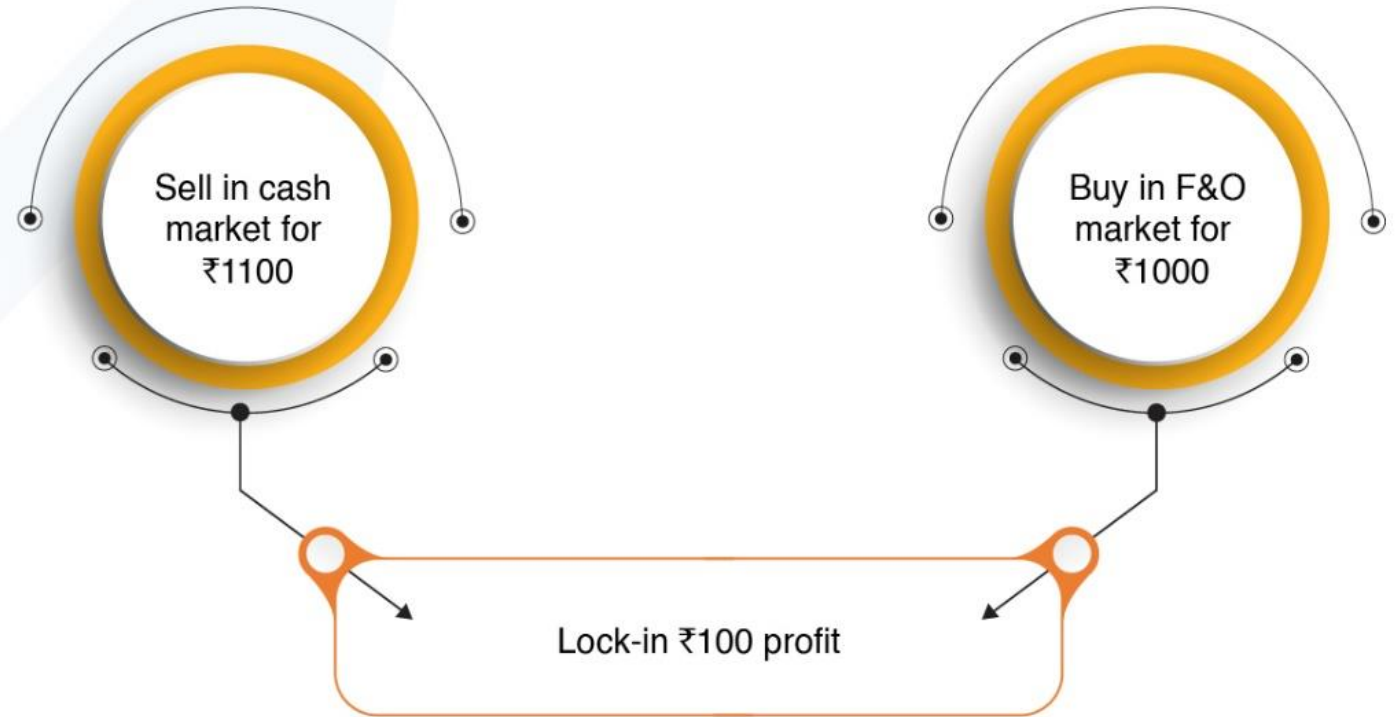
Cash and Carry Arbitrage



Index and Basket of Stocks Arbitrage

	Security	Action	Price	Profit
Cash Market	Stocks constituting the Nifty 50 index	Buy	₹10,000	₹200 (10,200-10,000)
F&O Market	Nifty 50 index	Sell	₹10,200	

Reverse Arbitrage



Name of Scheme	Motilal Oswal Arbitrage Fund
Type	An open-ended equity scheme investing in arbitrage opportunities
Category of Scheme	Arbitrage Fund
Entry/ Exit Load	Entry : Nil Exit : 0.25% - If redeemed on or before 30 Days from the date of allotment. Nil - If redeemed after 30 Days from the date of allotment. Exit Load will be applicable on switch amongst the Schemes of MOMF. No Load shall be imposed for switching between Options within the Scheme. Further, it is clarified that there will be no exit load charged on a switch-out from Regular to Direct plan within the same scheme. No Load shall be imposed for switching between Options within the Scheme. Further, it is clarified that there will be no exit load charged on a switch-out from Regular to Direct plan within the same scheme.
Plans	Regular Plan & Direct Plan
Options (Under each plan)	IDCW Option & Growth Option
Minimum Application Amount	Rs. 500/- and in multiples of Re. 1/- thereafter
Minimum Redemption Amount	Rs. 500/- and in multiples of Re. 1/- thereafter or account balance, whichever is lower.
Risks related to Arbitrage Strategy	<p>In case of a large redemption, the scheme may need to reverse the spot-futures transaction before the date of futures' settlement. This eventuality may lead to the basis risk. While reversing the spot-futures transaction on the Futures & Options settlement day on the Exchange, there could be a risk of volume-weighted-average-price of the market being different from the price at which the actual reversal is processed. This may result in basis risk.</p> <p>On the date of expiry, when the arbitrage is to be unwound, it is not necessary for the stock price and its future contract to coincide. There could be a discrepancy in their prices even a minute before the market closes. Thus, there is a possibility that the arbitrage strategy gets unwound at different prices.</p>

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Statutory Details: Constitution: Motilal Oswal Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. Trustee: Motilal Oswal Trustee Company Limited. Investment Manager: Motilal Oswal Asset Management Company Ltd. (CIN: U67120MH2008PLC188186) Sponsor: Motilal Oswal Financial Services Ltd.

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

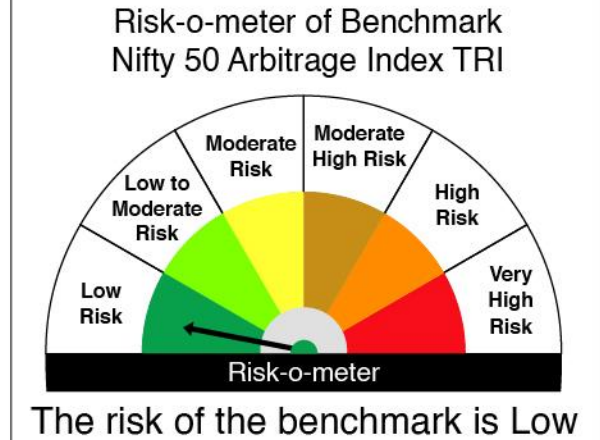
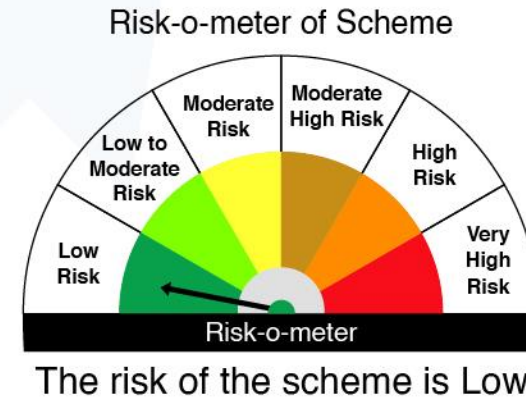
For any Mutual Fund queries, please call us on +91 81086 22222 /+91 22 40548002 (Press 1) or write to mfservice@molalosal.com

Name of the scheme

Motilal Oswal Arbitrage Fund (An open-ended equity scheme investing in arbitrage opportunities)

This product is suitable for investors who are seeking*

- Capital appreciation over long term
- Investing predominantly in arbitrage opportunities between cash and derivative market and arbitrage opportunities within derivative segment



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

Product labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

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



THINK EQUITY
THINK MOTILAL OSWAL

Thank You