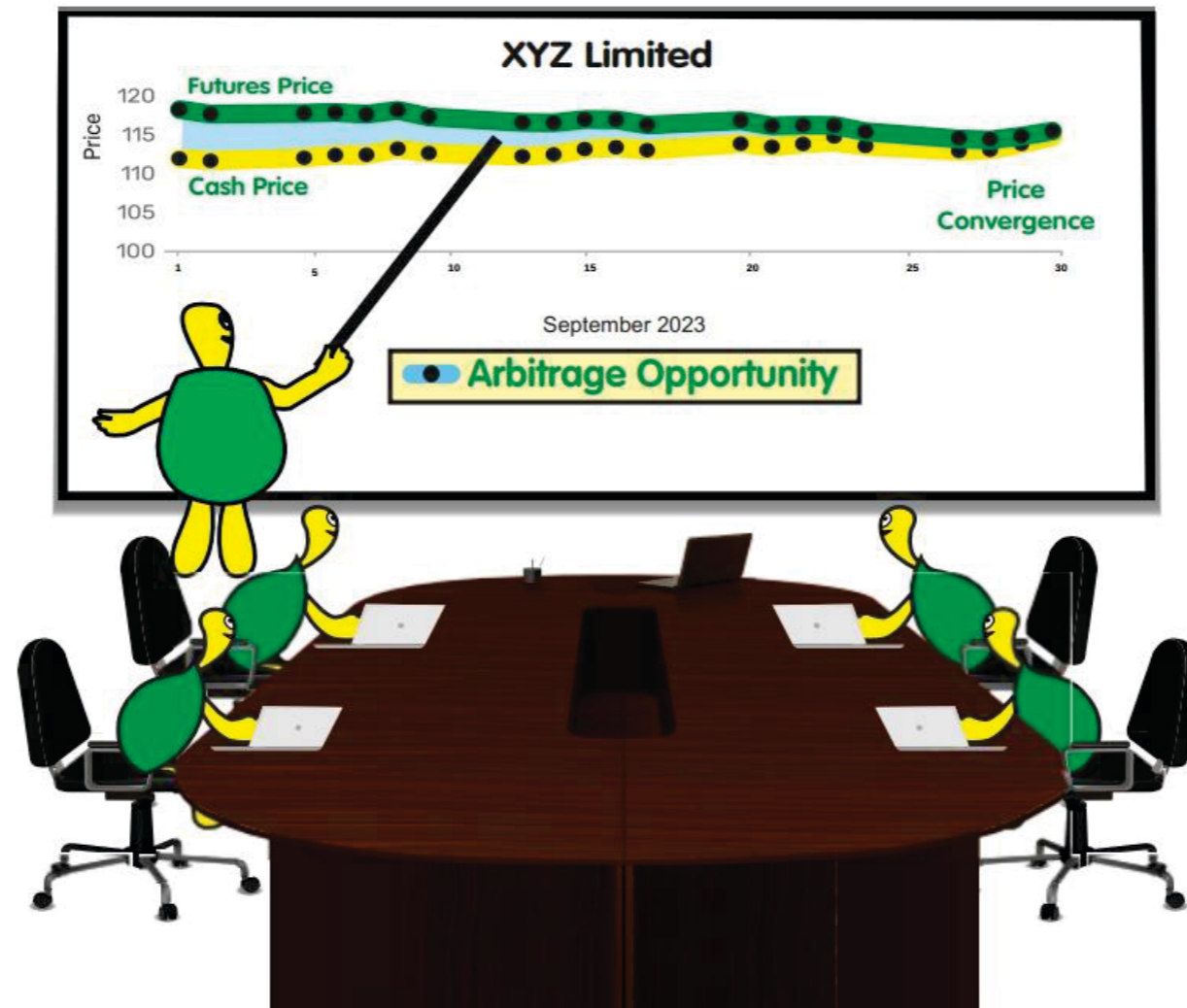


Parag Parikh Arbitrage Fund (PPAF)

An open-ended scheme investing in arbitrage opportunities



What is an Arbitrage Fund?

Arbitrage funds are a type of mutual fund that invests in securities with the aim of profiting from price differences between The 'cash' / 'spot' market and the 'Futures' market.

Spot / Cash price – The spot price is the current market price for an asset that is available for immediate delivery. It is the price that buyers are willing to pay, and sellers are willing to accept for the asset right now.

A Futures price is the price of an asset that is agreed upon today for delivery at a Futures date. The Futures price is typically higher than the spot price because it includes a premium for the risk of holding the asset until the Futures date



Positions are reserved before / during the expiry of the future series.

Hence, an arbitrageur could purchase stock A at Rs. 100/- in the cash market and simultaneously sell stock A in a Futures Market for Rs. 105/-, thereby locking in a relatively 'low risk' profit of Rs. 05/- (less applicable transaction costs). This arbitrageur is now unaffected by any subsequent price movement in stock A.

What we aim to do in Parag Parikh Arbitrage Fund (Illustration Purpose)

Parag Parikh Arbitrage Fund (PPAF) aims to replicate this process by undertaking simultaneous buy and sell transactions in spot and Futures markets whenever feasible, thereby generating relatively 'low-risk' profit for its unitholders.

Scrip	Cash/ Spot Price Per Share	Date	Quantity
Infosys	1271	26 June 2023	400 Shares

Scrip	Futures Price Per Share	Expiry Date	Lot size
Infosys	1281	27 July 2023	400 Shares

PPAF could purchase 400 shares of Infosys in the spot market and **simultaneously sell** the Futures contract

Spot Market	Futures Market	Difference (Profit)
400 X 1271	400 X 1281	4,000
5,08,400	5,12,400	

- Scrip name is only for the representation purpose only
- Transaction cost is not considered in the above illustration

Investment illustration – Arbitrage Fund

Buy a stock at Rs 200 and sell the 1-month Futures of the same at Rs. 220.
At the end of Month

Stock Price Rises to Rs. 250

Gain on Cash Position
50 (250 – 200)

Loss on Futures Position
30 (220 – 250)

Net Profit (50 – 30) 20

Stock Price remains at
Rs. 200

Gain on Cash Position
0 (200 – 200)

Gain on Futures Position
20 (220 – 200)

Net Profit (0 +20) 20

Stock Price falls to
Rs. 195

Loss on Cash Position 5
(195 – 200)

Gain on Futures Position
25 (220 – 195)

Net Profit (-5+25) 20

Why are we launching an arbitrage fund?

- To fill a gap in our product offerings
- A tax-efficient product for investors in higher tax slab
- To provide investors with a low-risk investment option

Arbitrage funds Vs Debt funds

Arbitrage Funds

Equity Taxation

Arbitrage funds are 100% hedged.
We will take very low credit risk in the portfolio.

Arbitrage funds returns depend on the underlying interest rate environment (impacting cost of carry) as well as the difference in rates between the cash and futures market.

Debt Funds

Debt Taxation

Debt funds, excluding overnight funds, can be exposed to credit risk

Debt fund returns depend upon prevailing yields and interest rate changes

Asset Allocation – Parag Parikh Arbitrage Fund

Type of Instruments	Normal Allocation (% of Risk Profile Net Assets)	Risk Profile
Equities and equity derivatives (Equity hedged exposure)	65 - 100	Low to Medium
Debt securities and money market instruments including margin money deployed in derivatives transactions**	0 - 35	Low to Medium

Note: The scheme shall not invest in overseas securities/ADR/GDR, REITs and InvITs, Credit Default Swaps, Short Selling of securities, security lending and borrowing, covered call strategy and Debt Instruments with special features i.e., AT1 and AT2 Bonds.

Note: Please refer to the [Scheme Information Document \(SID\)](#) of the scheme for detailed asset allocation.

Taxation on Arbitrage Fund

As per current provisions, capital gains earned in PPAF will be taxed at par with equity-oriented mutual funds

Capital Gains Tax	Arbitrage Funds	Equity Funds	Debt Funds
Short Term	15% (<1 Year)	15% (<1 Year)	As per the income tax slab
Long Term	10% (>1 Year)	10% (>1 Year)	As per the income tax slab

*The above tax rates exclude surcharge and cess
- Capital gains tax up to Rs. 1 Lakh is tax-exempted - Tax rates applicable for FY 2023-24

Who Should invest

Risk averse investors

Alternatives to bank short-term deposits and liquid fund

Investors who prefer 'equity taxation' - Those who are in higher tax slabs

Investors who do not want to take directional calls on the market

Who should not invest

Those who want exposure to equity markets as Risk and Returns both are not comparable

Seeking to earn a fixed amount of income every month

Those who are in 'NIL' or 'Lower Income Tax' bracket

Investment Team

Fund Managers



Rajeev Thakkar

CIO & Equity Fund Manager



Raunak Onkar

Head - Research &
Co-Fund Manager



Raj Mehta

Fund Manager - Debt



Rukun Tarachandani

Equity Fund Manager

The same team manages the following existing schemes...

1. Parag Parikh Flexi Cap Fund
2. Parag Parikh Tax Saver Fund
3. Parag Parikh Liquid Fund
4. Parag Parikh Conservative Hybrid Fund

Investment strategy

- Debt allocation tends to be a big differentiator between arbitrage funds. Some funds take Credit risk and/or duration risk

- Our Debt Strategy
Credit Risk: Low (Similar to Liquid Fund) Duration:
Around 1 Year

- Allocation to Equity Arbitrage vs. Debt will keep changing depending on arbitrage opportunities available. However, we will endeavour to maintain Arbitrage allocation at $\geq 65\%$

Plans offered and Tier I Benchmark

The Scheme offers two Plans:

1. Direct Plan
2. Regular Plan

Both, Regular and Direct Plan will offer only one Option, viz., Growth Option

Tier I Benchmark: Nifty 50 Arbitrage Total Return Index (TRI)

The NAVs of the above plans will be different and separately declared; the portfolio of investments remaining the same. The Investors should indicate the plan/option for which the Subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form.

Scheme features

- ✓ Systematic Investment Plan (SIP)
- ✓ SIP Top-Up Facility
- ✓ SIP Pause Facility
- ✓ Systematic Transfer Plan (STP)
- ✓ Systematic Withdrawal Plan (SWP)
- ✓ Transactions through PPFAS Selfinvest Apps (Mobile and Web) ✓ Transactions through Electronic Mode
- ✓ Transaction through Stock Exchange Platforms for MF.
- ✓ Registration of Multiple Bank Accounts in respect of an Investor Folio
- ✓ Transactions through channel distributors

Scheme features – Systematic Investment Plan (SIP)

Minimum Application/Additional Purchase Amount

Fresh Purchase: Rs. 1,000 and in multiples of Re. 1 thereafter.

-----Additional

Purchase: Rs.1,000 and in multiples of Re. 1 thereafter.

-----Monthly

SIP: Rs. 1,000 and in multiples of Re. 1 thereafter.

-----Quarterly

SIP: Rs.3,000 and in multiples of Re. 1 thereafter.

-----Note:

Allotment of units will be done after deduction of applicable stamp duty and transaction charges, if any. Units will be allotted post the credit realization of the fund.

Non-applicability of Minimum Application Amount (Lump-sum) to Alignment of Interest of Designated Employees of AMC:

*SEBI vide its master circular dated May 19, 2023 (Alignment of interest of Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes) has, inter alia mandated that a minimum of 20% of gross annual CTC net of income tax and any statutory contributions of the Designated Employees of the AMCs shall be invested in units of the scheme(s) of the Fund in which they have a role/oversight.

Accordingly, the criteria of minimum investment amounts would not apply for such Investments made by Designated Employees of the PPFAS Asset Management Private Limited in compliance with the aforesaid circular(s).

Scheme features – Systematic Transfer Plan (STP)

Particular	Frequency available
Type of STP	Default Day/ Date
Daily	Daily
Weekly	Every Monday of the week
Fortnightly	Every Monday of the alternate week
Monthly	10th of the Month
Quarterly	10 th of First month of the quarter.

Minimum no. of instalments

Daily, Weekly and Monthly:
6 Installments

Fortnightly and Quarterly:
4 Installments

Minimum amount per instalment

Daily, Weekly and Monthly: Rs. 1,000 & in multiples of Re. 1 thereafter

Fortnightly: Rs. 1,500 & in multiples of Re. 1 thereafter

Quarterly - Rs. 3,000 & in multiples of Re. 1 thereafter.

Systematic Withdrawal Plan

- The unit-holder can choose the 1st, 5th, 10th, 15th, 20th and 25th of the month as the SWP date (in case the date selected falls on a non-business day, the transaction will be effected on the next business day of the scheme.)
- The default SWP date will be the 10th of every month. The SWP frequency will be monthly
- The minimum SWP installment size is Rs. 1000/- and in multiples of Re. 1 thereafter and SWP request should be for a minimum period of 12 months
- The minimum unit holder's account balance or minimum amount of application at the time of SWP enrolment in the Transferor Scheme should be Rs.12000/-

Scheme Features – Entry and Exit Load

Entry Load: Not applicable

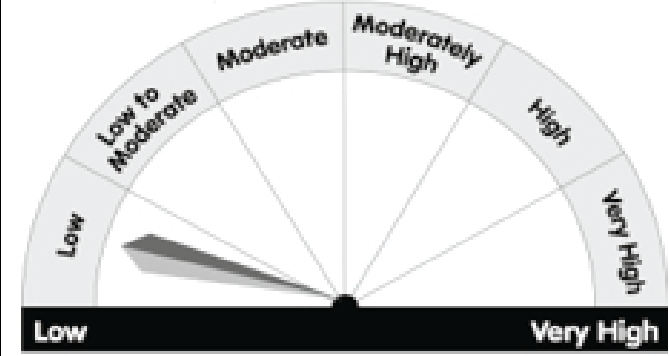
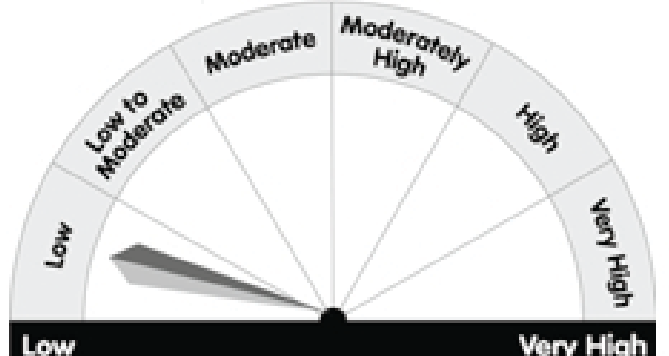
Exit Load:

In respect of each purchase / switch-in of units, an Exit Load of 0.25% is payable if Units are redeemed/ switched-out within 30 days from the date of allotment.

No Exit Load is payable if Units are redeemed / switched-out after 30 days from the date of allotment.

Inter scheme switch: At the applicable load in the respective scheme

Product Labelling/Risk-o-meter

This product is suitable for investors who are seeking*	Riskometers	
	Scheme's Riskometer	Tier I Benchmark's Riskometer (NIFTY 50 Arbitrage Total Return Index (TRI))
<ul style="list-style-type: none"> To generate income by investing in arbitrage opportunities Predominantly investing in arbitrage opportunities in the cash and derivatives segment of the equity market. 	 <p>Investors understand that their principal will be at low risk.</p>	

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

Note: The 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

Product labelling and Risk-o-meter for existing schemes

Parag Parikh Flexi Cap Fund
An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.

This Product is suitable for investors who are seeking*

The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of Equity and Equity Related Securities. Scheme shall invest in Indian equities, foreign equities and related instruments and debt securities.

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




Investors understand that their principal will be at very high risk.

Parag Parikh Tax Saver Fund
An open ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit

This product is suitable for investors who are seeking*

- Long term capital appreciation
- Investment predominantly in equity and equity related securities.

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




Investors understand that their principal will be at very high risk.

Parag Parikh Liquid Fund
An Open ended Liquid scheme. A Relatively Low Interest Rate Risk and Relatively low Credit Risk

This product is suitable for investors who are seeking*

- Income over short term
- Investments in Debt/money market instruments

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



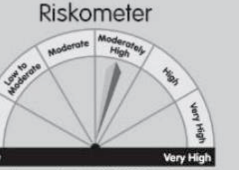
Investors understand that their principal will be at low to moderate risk.

Parag Parikh Conservative Hybrid Fund
An open-ended hybrid scheme investing predominantly in debt instruments.

This product is suitable for investors who are seeking*

- To generate regular income through investments predominantly in debt and money market instruments.
- Long term capital appreciation from the portion of equity investments under the scheme.

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



Investors understand that their principal will be at moderately high risk.

Note: Please visit the website address for latest Riskometer updates:
<https://www.amc.ppfas.com>----> Statutory Disclosures ----> Product Label of the Schemes.

Potential Risk Class of the debt scheme of PPFAS Mutual Fund:

	Potential Risk Class			
	Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Parag Parikh Liquid Fund	Interest Rate Risk ↓			
	Relatively Low (Class I)	A-I		
	Moderate (Class II)			
	Relatively High (Class III)			

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

Thank you