

Union Arbitrage Fund aims to generate income by capitalizing on arbitrage opportunities that arise from pricing disparities among securities in different markets or as a result of special situations.

The Scheme at all points in time maintains fully hedged positions, effectively mitigating market risk, and seeks to deliver absolute returns through arbitrage opportunities.

With a short term investment horizon, Union Arbitrage Fund aims to offer a balance of income and liquidity.

Market Update [Data as on December 28, 2023 (December End Expiry)]

Nifty 50 Index rose by 8.17% (expiry to expiry), settling at 21,779. The Midcap (Nifty Midcap 100) and Small-cap (Nifty Smallcap 100) Indices also rose by 6.77% and 6.21% respectively.

Nifty futures rollovers stood at 80% vs 77% (average of the last three series). Alongside, Nifty futures will start the December series at a higher Open Interest (OI) base of ₹301 billion (~13.8mn shares) vs. OI of ₹216 billion (~10.7mn shares) seen at the start of the December series.

Market-wide rollovers are at 91%, in line with the three-month average of 91%. Stock futures rollovers stand at 93%, at par with the average rollovers of the last three series at 93%.

Source: Nuvama Research, NSE, Union Mutual Fund Internal Research

Portfolio Update:

- The yield on the arbitrage book was ~7.42% (annualized) for the December series (the average 3-month yield is ~7.31%).
- The gross rollover spread of the December 2023 expiry on the arbitrage book was approximately 0.82% (~9.84% annualized).
- The gross yield on Debt and Money Market Instruments was approximately 7.22% (annualized).
- On expiry day (December 28, 2023), the Scheme maintained a cash future arbitrage exposure at around 81% and the remaining 19% in Debt and Money Market Instruments including Net Current Assets.

Source: NSE, Union Mutual Fund Internal Research, Data as on December 31, 2023. The yield referred here is the weighted average spread of the arbitrage portion and does not in any manner indicate the performance of the scheme and does not in any manner indicate any potential return of the scheme. This also does not include expenses incurred by the scheme

How does the upward-trending market impact arbitrage funds?

Upward trending markets are generally good for arbitrage funds as investors/ speculators who are Bullish on the market tend to take leverage exposure through the futures segment and hence, they tend to pay elevated roll spreads on their futures' positions.

If the momentum is very strong with a higher uptrend, the investors/ speculators might pay even more premium on their position in the market. But the caveat for the arbitrage fund lies in it, steep rally also acts as a hindering aspect on returns of arbitrage funds in the form of Mark-to-Market (MTM).

E.g. Stock X is trading at say INR 100 in the cash market and INR 101 in the futures market, the premium is INR 1 which is say annualized 12% assuming 1 month to expiry. Assuming that the stock rallies by 60% after the arbitrage position, the arbitrage fund has to pay INR 60 to the exchange as MTM as we are short on futures. Now our investment suddenly rises to INR 160, but the income remains the same at INR 1. So, the annualized return falls to 7.5% annualized ($1/160 \times 12$). This example demonstrates that the final returns could be lower than the spreads that we have captured depending on the extent of the rally.

Conclusion:

Spreads in arbitrage markets are closely tied to the prevailing interest rates in the money market instruments. Consequently, the returns in arbitrage funds tend to move in line with the money market rates. We believe that Arbitrage Funds can be a preferred choice, particularly when compared to fixed-income products with an investment horizon of 3 to 6 months, due to the equity taxation advantage available in the category.

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

Why Union Arbitrage Fund?

- The fund maintains a completely hedged position, avoiding any uncovered exposure to equities, and manages a market-neutral portfolio.
- The fund follows a cautious approach to stock selection, i.e. Large Caps v/s Mid & Small Cap stocks with criteria that include liquidity, spreads, and rollover volumes.
- Through active management, the fund aims to capitalize on the most promising arbitrage opportunities in the market.

Note: This is the current investment strategy which may change from time to time. Investors must refer to the Scheme Information Document of the Scheme for the asset allocation pattern and investment strategies in various scenarios.

Inception Date	20 February 2019
AUM	Rs.129.56 (As on Dec 31, 2023)
Expense Ratio (As on Dec 31, 2023)	Direct Plan: 0.36% Regular Plan: 0.99%
Fund Managers	Vishal Thakker (For Equity Portion): Over 13 years of experience in equity and derivative dealing functions. Managing this scheme since inception. Devesh Thacker (For Debt Portion): Over 23 years of experience in Fund Management & Banking Industry. Managing this scheme since inception.
Benchmark	Nifty 50 Arbitrage Index ^{@@@}
Load Structure	Entry Load: NA Exit Load: 0.25% if units are redeemed or switched out on or before completion of 1 month from the date of allotment of units. Nil if units are redeemed or switched out after completion of 1 month from the date of allotment of units.

Performance of Union Arbitrage Fund (As on December 31, 2023):

Fund Manager & Managing Since	Date of Inception	Period [@]	Union Arbitrage Fund		Nifty 50 Arbitrage Index ^{@@@}		CRISIL 1 Year T-Bill Index #	
			Returns	Value [^]	Returns	Value [^]	Returns	Value [^]
Co-Managed by Mr. Vishal Thakker and by Mr. Devesh Thacker since inception of the fund.	20-Feb-19	1 Year	7.04%	10,704	7.95%	10,795	6.96%	10,696
		3 Years	4.79%	11,507	5.42%	11,716	4.85%	11,525
		Since Inception	4.94%	12,641	5.03%	12,694	5.47%	12,955

Note: [^]Based on standard investment of Rs. 10,000 made in the beginning of the relevant period.

[@]In case, the start date or the end date of the concerned period is a non-business day, the NAV of the previous business day is considered for computation of returns.

^{###}Standard benchmark prescribed as per the applicable circular by SEBI.

Returns shown above are for Regular Plan - Growth Option.

Past performance may or may not be sustained in future.

Returns for more than 1 year period are Compounded Annual Growth Rate (CAGR).

Performance of the IDCW Option for the investor would be net of Statutory Levy, if any, applicable.

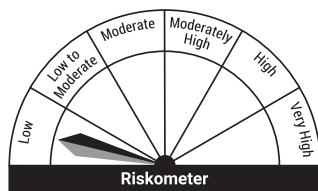
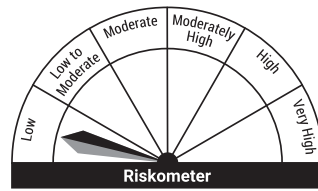
The Direct Plan has a lower expense ratio as compared to the Regular Plan to the extent of distribution expenses, commission, etc and no commission or distribution expenses for distribution of Units or distribution expenses are paid / charged under the Direct Plan.

The performance of the Scheme has been benchmarked to the Total Return variant of the Index (TRI).

Performance of other schemes managed by the Fund Managers is available at:

<https://unionmf.com/docs/default-source/fundmanagerreport/performance-pages.pdf>

Union Arbitrage Fund (An Open Ended Scheme investing in Arbitrage Opportunities)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
<ul style="list-style-type: none"> Income over short term from arbitrage opportunities in equity market. Investment in arbitrage opportunities in the cash & derivatives segment of the equity market 	 <p style="text-align: center;">Riskometer</p> <p style="text-align: center;">Investors understand that their principal will be at low risk</p>	 <p style="text-align: center;">Riskometer</p> <p style="text-align: center;">NIFTY 50 Arbitrage Index^{@@@}</p>

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

Note: The Scheme and Benchmark riskometers are evaluated on a monthly basis and the above riskometers are based on the evaluation of the portfolios for the month ended December 31, 2023.

@@@Benchmark NIFTY 50 Arbitrage Index Disclaimer: The "Product" offered by "the issuer" is not sponsored, endorsed, sold or promoted by NSE Indices Limited (formerly known as India Index Services & Products Limited)(IISL). NSE Indices Limited does not make any representation or warranty, express or implied (including warranties of merchantability or fitness for particular purpose or use) and disclaims all liability to the owners of "the Product" or any member of the public regarding the advisability of investing in securities generally or in the "the Product" linked to NIFTY 50 Arbitrage Index or particularly in the ability of the NIFTY 50 Arbitrage Index to track general stock market performance in India. Please read the full Disclaimers in relation to the NIFTY 50 Arbitrage Index in the in the Offer Document/Prospectus/Information Statement.

#CRISIL Benchmark Disclaimer: CRISIL Indices are the sole property of CRISIL Limited (CRISIL). CRISIL Indices shall not be copied, transmitted or distributed in any manner for any commercial use. CRISIL has taken due care and caution in computation of the Indices, based on the data obtained from sources, which it considers reliable. However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Indices and is not responsible for any errors or for the results obtained from the use of the Indices. CRISIL especially states that it has no financial liability whatsoever to the users of CRISIL Indices.

Disclaimer: The views, facts and figures in this document are as of December 31, 2023, unless stated otherwise, and could change without any notice. The information in this document alone is not sufficient and should not be used for the development or implementation of an investment strategy. Neither the Sponsors/the AMC/ the Trustee Company/ their associates/ any person connected with it, accepts any liability arising from the use of this information. While utmost care has been exercised while preparing this document, the Sponsors/ the AMC/ the Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The recipients of this material should rely on their investigations and take their own professional advice.

Please refer the Scheme Information Document for complete details about the Scheme. Copy of all Scheme Related Documents can be obtained from any of our AMC offices/ Customer Service Centres/ distributors as well as from our website www.unionmf.com

Statutory Details: Constitution: Union Mutual Fund has been set up as a Trust under the Indian Trusts Act, 1882; **Sponsors:** Union Bank of India and Dai-ichi Life Holdings, Inc.; **Trustee:** Union Trustee Company Private Limited, [Corporate Identity Number (CIN): U65923MH2009PTC198198], a company incorporated under the Companies Act, 1956 with a limited liability; **Investment Manager:** Union Asset Management Company Private Limited, [Corporate Identity Number (CIN): U65923MH2009PTC198201], a company incorporated under the Companies Act, 1956 with a limited liability. **Registered Office:** Unit 503, 5th Floor, Leela Business Park, Andheri Kurla Road, Andheri (East), Mumbai - 400059. **Toll Free No.** 18002002268/18005722268. **Non Toll Free.** 022-67483333 **Fax No:** 022-67483402. **Website:** www.unionmf.com. **Email:** investorcare@unionmf.com.

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

CONTACT US:

18002002268 | 18005722268
investorcare@unionmf.com
www.unionmf.com

OR

CONTACT DISTRIBUTOR:

Name: Name_Long_placeHolder
 ARN No. ARN_Long_placeholder
 Contact No: Mobile_number_Placeholder