Invesco Mutual Fund

Invesco India Arbitrage Fund

(An open ended scheme investing in arbitrage opportunities)

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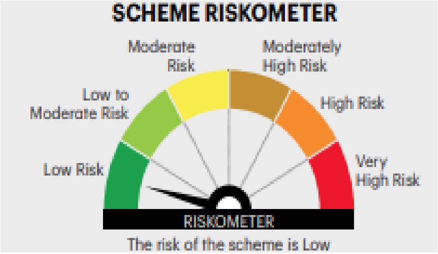
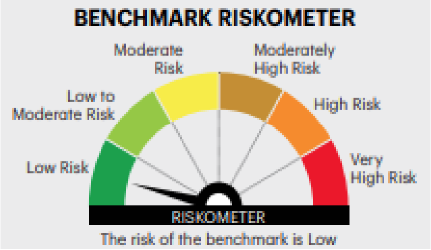
This product is suitable for investors who are seeking*:	**Scheme Riskometer**	**Benchmark Riskometer**
▪ Income over medium-term ▪ Income through opportunities emerging out of difference in pricing between cash and derivatives markets and through deployment of surplus cash in fixed income instruments ***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**	**Invesco India Arbitrage Fund** 	As per AMFI Tier I Benchmark i.e. **Nifty 50 Arbitrage** 

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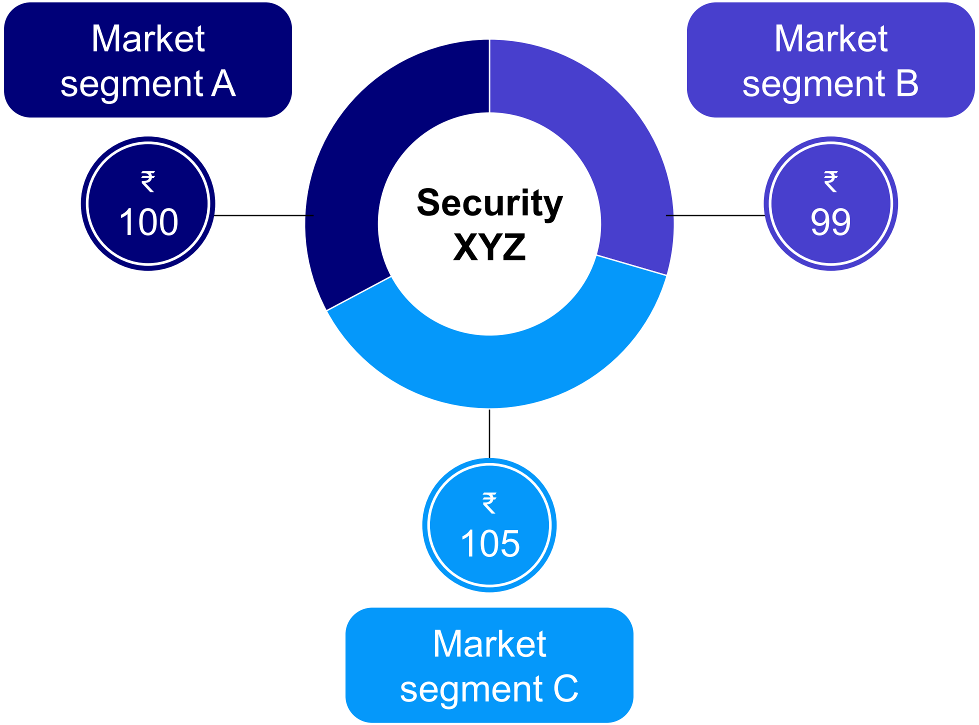
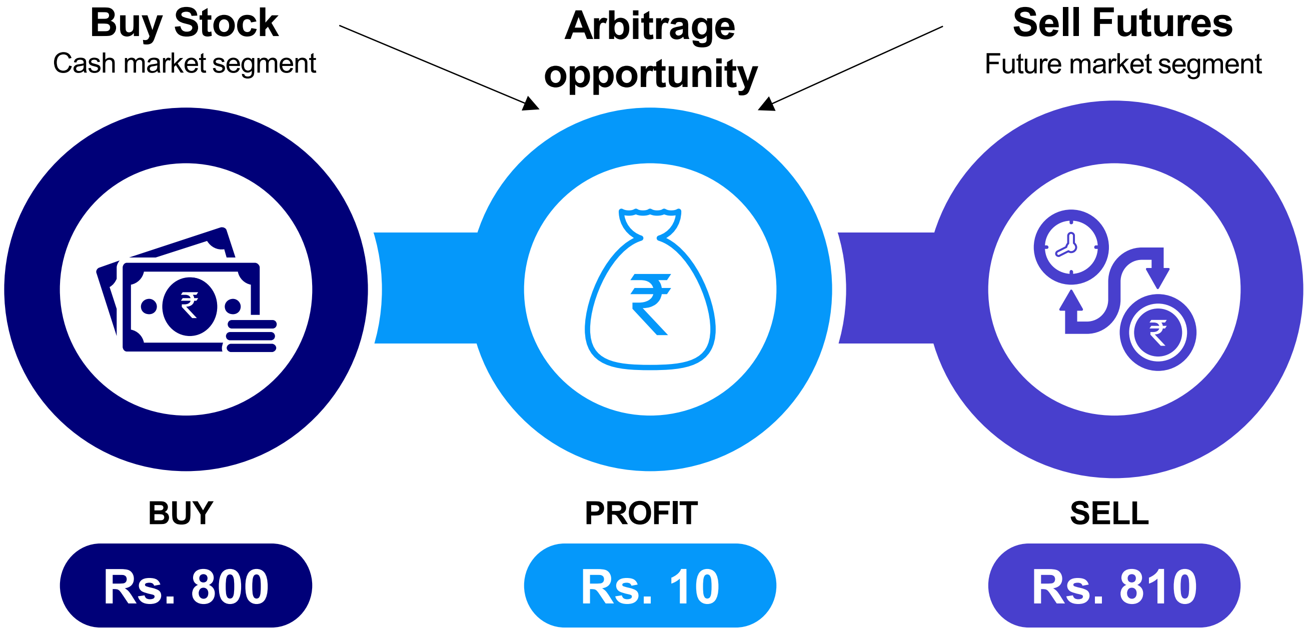
Isn't it common to see the same security selling at different prices in different market segments?



What can a smart investor do to take the advantage of differential pricing?

Such price disparity in the stock market creates opportunity for 'Arbitrage' trading..



Note: The above profit will be generated by squaring off corresponding position in cash and future market respectively.

How are these arbitrage opportunities used in equity market?

Stock Spot – Futures

- The pricing of Futures is derived from price of the underlying stock. The future generally trades at premium indicating cost of carry. The fund locks in the profit by entering into long stock – short future trade (i.e. purchase stock and sell stock future)

  – Please refer Annexure – 'Arbitrage strategies at work' for illustrations

Dividend Arbitrage

- Usually when a dividend is declared, the stock trades cum dividend while the stock future trades at a discount (as dividend is not payable on the stock future). Sometimes the stock future does not decline by the dividend amount, which provides an arbitrage opportunity. The fund locks in the profit (in the form of dividend) by entering into long stock – short future trade (i.e. sell stock future)

  – Please refer Annexure – 'Arbitrage strategies at work' for illustrations

1. Why arbitrage funds hold an edge?
2. What are the factors that drive arbitrage fund returns?

How can arbitrage funds be a solution to generate tax efficient returns?

Arbitrage funds qualify for status of an equity-oriented fund[1] for taxation and are tax-efficient compared to debt funds[2]

Arbitrage Funds

Short-term capital gains	**20%**
Long-term capital gains	**12.5%**

Debt Funds

Deemed Short-term capital gains*	**30%#**

#As applicable to individuals in highest tax bracket

* Long term capital gains are not applicable for debt funds acquired on or after 1 April 2023

Notes:

[1] In case of equity-oriented funds (that is investing minimum 65% in listed equity shares of Indian companies based on annual average of monthly average of opening and closing figures), short-term capital gains apply to units held for 12 months or less, while long-term capital gains apply to units held for over 12 months.

[2] Debt funds, or 'Specified Mutual Fund' as per the Act, means a Mutual Fund acquired after 1 April 2023, where, up to 1 April 2025, not more than 35% of its total proceeds are invested in equity; or where, on or after 1 April 2025, more than 65% of its total proceeds are invested in debt and money market instruments.

- The tax rates are as per the Income-tax Act, 1961 ('the Act') as amended by Finance (No.2) Act, 2024 that introduced significant changes in the capital gains tax regime which continues to be in force. The above-mentioned tax rates for Arbitrage Funds are applicable for transfers made on or after 23rd July 2024. Tax rates are at par for residents and non-residents.
- Tax on LTCG including on transfer of equity-oriented fund @12.5% applicable on aggregate gains under section 112A of the Act exceeding Rs. 125,000 in a financial year, without indexation and subject to payment of STT.
- The above tax rates are exclusive of Health and Education cess and Surcharge, which will be applicable in addition to these rates based on gross total Income. No indexation benefit is available on redemption of units of either of the schemes.
- Securities transaction tax (STT) will be deducted on equity funds at the time of redemption / switch to the other schemes / sale of units.

Let us now evaluate the factors that drive arbitrage spreads

Key determinates of arbitrage fund returns:

Equity market sentiments

- In bullish market, arbitrage returns go up as investors want to buy futures.
- In bearish market, arbitrage returns go down as investors want to sell futures.

Interest rates

- Higher the interest rates, higher is the premium in the futures.
- Lower the interest rate, lower is the premium in the futures.

FII participation

- Non-deliverable forward (NDF) premiums determine FII participation.
- When NDF premiums are flat, arbitrage returns usually come from sentiments prevailing in equity markets.

Category size

- Flows in arbitrage fund category impact the spreads. Higher flows lead to decline in spreads as more participants buy spot and sell futures.

Availability of arbitrage opportunities

- Increase in F&O universe enhances the absorption capacity of the arbitrage category and vice versa.

Equity market sentiments- Bull market with high volatility will keep arbitrage spreads at average levels

Currently Neutral

Market sentiments/prospects	Expected arbitrage performance	Why do we say so..
Strong bull market	• Best for arbitrage	• Potential to make good returns in spot market. So, investors are willing to pay high spreads.
Bull market with steady upmove	• Good for arbitrage	• Potential to make good returns in spot market. So, investors are willing to pay high spreads.
Bull market* with high volatility	• Average arbitrage spreads	• Stop losses of investors tend to get hit. Hence, investors try to save even on roll cost.
Range bound market	• Prolonged range bound or falling markets not good for arbitrage	• Initially stop losses get impacted and as a result, investors returns take a hit. Investors reduce their long positions and arbitrageurs often get low spreads
Bear market		

We seem to be in bull market characterized by high volatility as valuations are rich. Investors make money but at the same time stop losses also tend to get hit. So, investors who are long on futures might not make as much money and hence, they might try to save on roll cost. As a result, roll spreads are low, But, at the same time, due to higher volatility intra month churn opportunities might increase provided volumes in the market remain high. If volumes also dip then intra month churn also suffers.

Based on current views and may change from time to time.
*Generally, a correction of more than 20% is needed to make a bull market void. Since Nifty has not yet corrected more than 20%, technically we are still in a bull market.

Interest rates- Higher interest rates augur well for arbitrage spreads

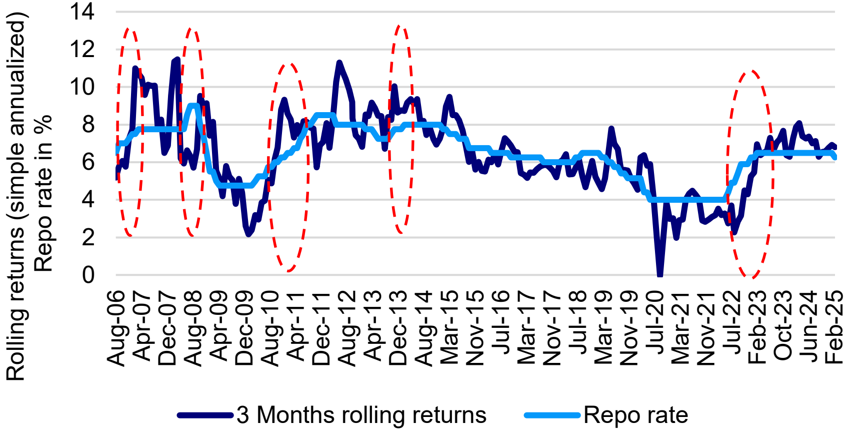
Currently neutral

Theoretically, futures price = spot market price + cost of carry (CoC). CoC is nothing but the interest rate. So, if general level of interest rates go up, cost of carry rises and theoretically the futures price should also go up.

Why should interest rates impact futures price. Let us understand with an example-

- Assuming an investor has Rs. 50,000, is very bullish on a stock market and is ready to leverage and buy, what can one do?
  - Option1: Leverage by borrowing and buying
  - Option 2: Pay Rs. 50,000 as margin and buy futures/ options
- How does one decide which option one should consider: compare interest cost on borrowings with futures premium (assuming transaction costs are nil)

3 months average rolling return and repo movement in %



In forthcoming policy reviews if RBI gives more weightage to growth, then there can be more rate cuts. If rates go down then the returns of the arbitrage category should follow suit but so should the returns of other investment avenues with similar risk and liquidity profile.

Past performance may or may not be sustained in future.

Source: Bloomberg, MFIE. Highlighted periods shows rising interest rate periods. Rolling returns are simple annualized average returns of the arbitrage funds in the category. Data as on February 28, 2025. **Disclaimer:** The above simulation is for illustration purpose and should not be construed as recommendations, advice to buy, sell or in any manner transact in the sector and neither should it be considered as Research Report from Invesco Asset Management (India) Private Limited (IAMI) and/or Invesco Mutual Fund (IMF). The Scheme may or may not have any present or future positions in these stocks/sectors. It should not be construed as a promise on minimum returns and safeguard of capital. The IAMI is not guaranteeing or forecasting any returns. **Note:** Based on current views and may change from time to time. Cost of Carry or CoC is the cost to be incurred by the investor for holding the futures position.

FII participation has been volatile

Currently positive

- FIIs are a dominant investor set in the Indian equity markets. A section of these FIIs also indulge in arbitrage but with a difference:

  - They convert their long positions in stocks into futures positions, convert that money into USD, deploy that USD money into US money market instruments and sell USD in the forward market.

  Their income = Money market (MM) yield in US + INR premia in the currency forward market
  Their cost = futures premium paid while rolling their long stock/ index futures
  So, till the time the futures premium in stocks is lesser than their income (MM yield in US + INR premia), they continue to do this trade.

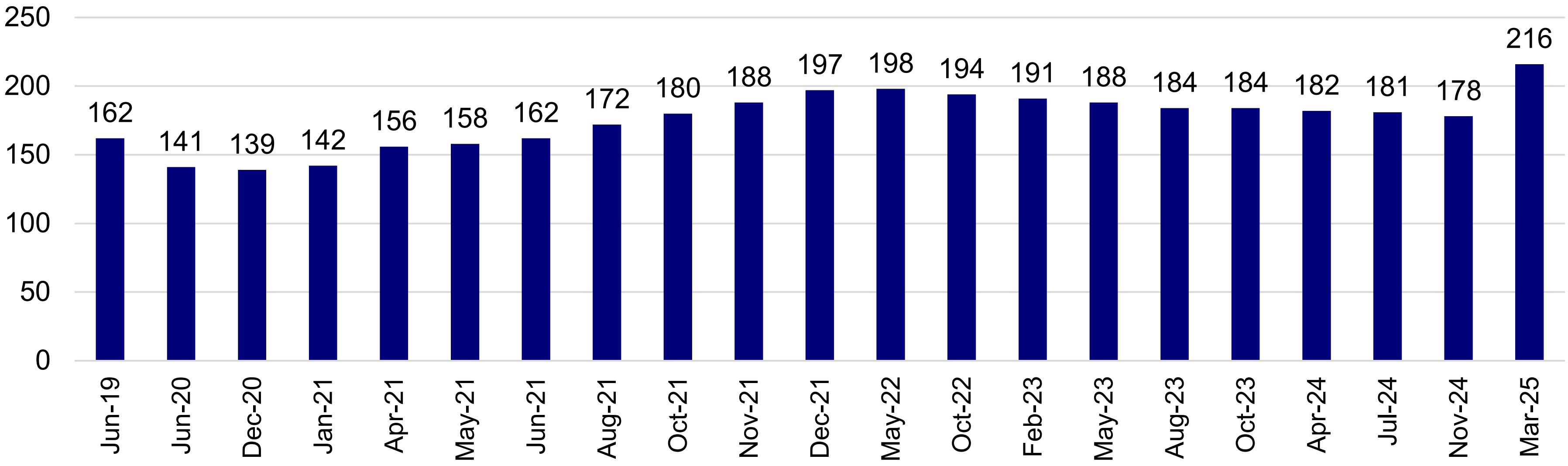
- FIIs turned net short in index futures in Apr 2024, then went net long in Jul 2024, turned net short in Oct 2024 and continued to remain net short (as of Mar 14, 2025). In stock futures they turned net long in Dec 2023 and have continued to remain net long till now. In fact, their net long in stock futures currently is the highest since 2014. So, based on Mar 2025 data they would provide liquidity to arbitrage funds when the time comes to roll the positions to the next series which is a positive sign.

FIIs: Foreign Institutional Investors. **Disclaimer-** The above description is to explain the factors that can affect arbitrage spreads and are as per prevailing views of Fund Manager of Invesco Asset Management (India) Private Limited and/or Invesco Mutual Fund. It should not be construed as recommendations from Invesco Asset Management (India) Private Limited and/or Invesco Mutual Fund.

Availability of arbitrage opportunities- Bigger the F&O universe, more is the absorption capacity

Currently positive

Number of stocks in F&O segment



Source: NSE. Data as on 12 March 2025.

Presenting Invesco India Arbitrage Fund

A fund which endeavors to take the advantage of the price difference across different market/segments with an aim to generate

risk-free profits

Why Invesco India Arbitrage Fund?

1. **Experienced fund manager -** Long track record in arbitrage space
2. **Active management of rolls with different mandates for each stock**
3. **Higher midcap allocation -** Increases potential for relatively better spreads
4. **Actively churning the portfolio and using strategies like dividend arbitrage**
5. **Low risk profile –** Relatively low credit risk, low duration risk

How do we manage Invesco India Arbitrage Fund?

Equity Allocation (Min. 65%)	Debt Allocation (Upto 35%)
• **Fully hedged equity exposure at all times** – Buys in cash market and simultaneously sells in derivative market to capture difference **between prices** • **No directional exposure to equities** • **Looks at opportunities to enhance potential portfolio returns** – At times, the fund can churn the equity portfolio aggressively to capitalize on the changing "spreads" in the spot and futures market • Maintains average equity and equity related exposure at 65%[1] to qualify for **the status of equity fund taxation**	• Debt component comprise of tactical and strategic allocation to enhance return potential • **Focus on safety of debt investments** – Primarily invests in high credit quality (AAA/AA+/A1+) rated papers • **Debt *Portfolio Statistics – As on February 28, 2025*** ◦ Average Maturity – ~109 days ◦ Macaulay Duration – ~103 days ◦ Debt portfolio YTM[2] – 6.97%

[1]On a rolling 12 month basis based on opening and closing average. [2]YTM: Yield to maturity should not be construed as minimum return offered by Scheme.
Note- Based on our current views & market conditions and are subjected to change from time to time.

Invesco Mutual Fund

Performance in extreme market conditions

How has fund fared in extreme market phases?

Performance when 10 year G-sec yields rose

From date	To date	Change in yield	Arbitrage fund performance		
			During the period	1 month prior	1 month after
27-Feb-09	13-Mar-09	+105 bps	-1.89%	8.20%	4.27%
27-Jun-08	11-Jul-08	+84 bps	2.76%	8.69%	3.62%
02-Jan-09	16-Jan-09	+74 bps	4.11%	6.15%	7.33%
26-Dec-08	09-Jan-09	+69 bps	5.43%	8.45%	4.65%
07-Aug-13	16-Aug-13	+75 bps	17.98%	6.83%	5.17%
14-Dec-21	02-Feb-22	+53 bps	5.45%	2.60%	5.74%
25-Apr-22	9-May-22	+43 bps	3.71%	6.72%	3.44%
14-Sep-23	23-Oct-23	+25 bps	8.23%	6.80%	5.18%

Performance when 10 year G-sec yields fell

From date	To date	Change in yield	Arbitrage fund performance		
			During the period	1 month prior	1 month after
05-Dec-08	19-Dec-08	-124 bps	2.14%	4.33%	7.01%
28-Nov-08	12-Dec-08	-92 bps	3.91%	4.09%	8.93%
26-Sep-08	10-Oct-08	-65 bps	8.01%	12.36%	6.56%
09-Apr-09	24-Apr-09	-61 bps	5.10%	2.81%	3.03%
22-Aug-08	05-Sep-08	-61 bps	9.36%	6.26%	11.19%
13-Jun-19	31-Jul-19	-64 bps	7.02%	6.35%	6.19%
16-Jun-22	13-Sep-22	-54 bps	3.72%	4.38%	6.99%
12-Jul-24	26-Sep-24	-27 bps	6.00%	7.75%	8.39%

How has fund fared in extreme market phases?

Performance when equity markets fell sharply

From date	To date	Change in index (Nifty 50 TRI)- (Absolute change)	Arbitrage fund performance		
			During the period	1 month prior	1 month after
10-Oct-08	27-Oct-08	-23%	12.85%	12.26%	4.41%
26-Sep-08	10-Oct-08	-18%	8.01%	12.35%	6.55%
26-Oct-21	20-Dec-21	-9%	3.91%	2.32%	2.54%
13-Apr-22	9-May-22	-7%	4.78%	6.13%	3.44%
1-Dec-22	24-Mar-23	-10%	7.69%	5.32%	6.89%
15-Sep-23	26-Oct-23	-7%	7.63%	7.96%	6.60%
13- Dec-24	28-Feb-25	-10%	6.98%	5.66%	-

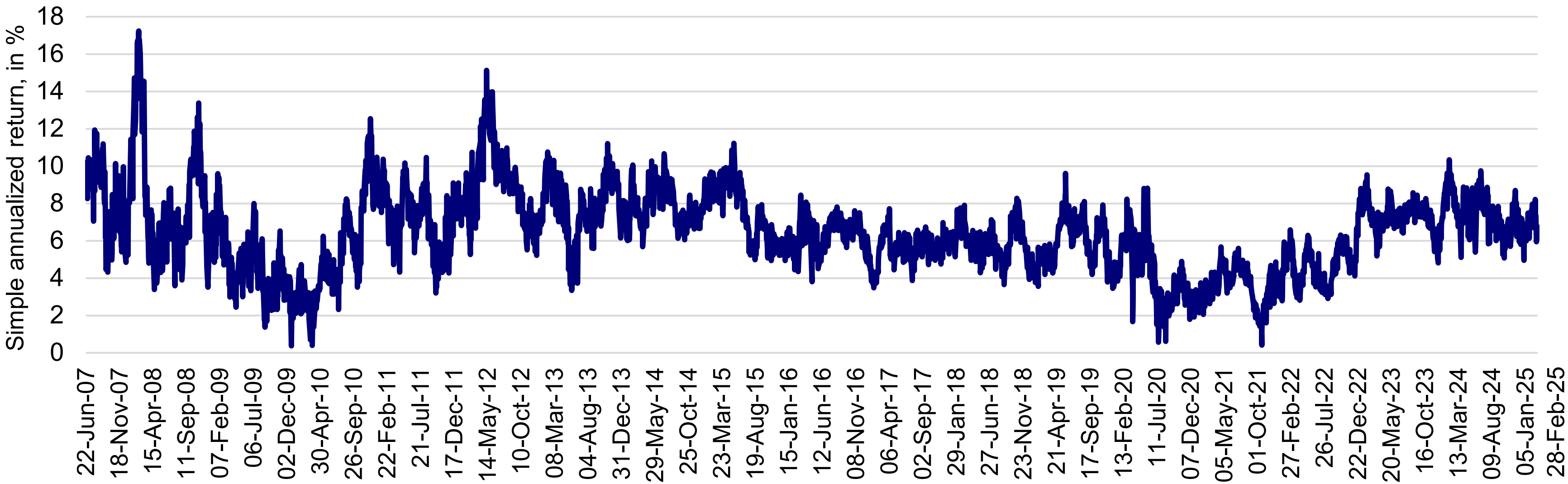
Performance when equity markets rose sharply

From date	To date	Change in index (Nifty 50 TRI- (Absolute change)	Arbitrage fund performance		
			During the period	1 month prior	1 month after
08-May-09	29-May-09	23%	4.86%	7.47%	4.82%
24-Oct-08	07-Nov-08	15%	1.42%	14.26%	6.25%
02-Jan-12	31-Jan-12	12%	7.62%	9.02%	4.23%
02-Aug-21	16-Sep-21	11%	3.00%	3.26%	0.73%
30-Jun-22	29-Jul-22	9%	0.47%	4.75%	6.17%
29-Mar-23	20-Jul-23	18%	7.68%	5.48%	8.33%
13-Nov-23	22-Feb-24	14%	7.64%	5.87%	6.69%
13-Aug-24	26-Sep-24	9%	5.23%	7.00%	8.39%

Past performance may or may not be sustained in future. It should not be construed as a promise on minimum returns and safeguard of capital. Invesco Asset Management (India) Private Limited (IAMI) and/or Invesco Mutual Fund (IMF). The IAMI is not guaranteeing or forecasting any returns. Source: MFIE. Fund- Invesco India Arbitrage Fund. The performance details provided herein are of existing/regular plan (non - direct plan) – Growth Option. Returns less than 1 years are simple annualized and above 1 year are Compounded Annualized Growth Rate (CAGR).

In past not a single instance of negative returns if investors came with an investment horizon of minimum 50 days

50 day rolling return (daily basis) since fund's inception



Past performance may or may not be sustained in future. Data as on 28 February 2025. Source: MFIE. The performance details provided herein are of existing plan (non-direct plan) – Growth Option. Different plans have different expense structure. The rolling returns are calculated on a daily basis for 50 days. Returns are simple annualized. Please refer slide 'Lumpsum Performance' for details. Fund – Invesco India Arbitrage Fund. Inception date- 30 April, 2007.

Disclaimer: The above simulation is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. The AMC/Mutual Fund is not guaranteeing or forecasting any returns.

Invesco Mutual Fund

Some myths and some frequently asked questions

Myth 1- Best time to enter or exit is towards expiry

E	E-1	E-2	E-3	E-4	E-5	E-6
5.65%	5.54%	5.60%	5.56%	5.60%	5.55%	5.53%
E-7	E-8	E-9	E-10	E-11	E-12	E-13
5.62%	5.59%	5.60%	5.60%	5.62%	5.56%	5.54%
5.56%	5.61%	5.58%	5.55%	5.58%	5.53%	5.50%
E-21	E-22	E-23	E-24	E-25	E-26	E-27
5.59%	5.56%	5.57%	5.58%	5.56%	5.53%	5.51%

- **There is no edge in entering/exiting the arbitrage funds on any particular day of a series.**
- **The analysis on the left shows that average return almost remained consistent and moved in a narrow range whether it was expiry day (E) or any other day such as 1 day before expiry (E-1) or two days before expiry (E-2) and so on.**
- In fact, if the fund receives big inflows during the expiry week, the fund is forced to deploy the money into the arbitrage trades at whatever spreads that are available in the market in order to maintain the equity taxation status.
- Better alternative is to spread entry and exit over 3 consecutive days to even out daily volatility.

Past performance may or may not be sustained in future.

Data source: MFIE. Returns less than 1 years are simple annualized and above 1 year are Compounded Annualized Growth Rate (CAGR). **Disclaimer**: The above simulation is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. The AMC/Mutual Fund is not guaranteeing or forecasting any returns.

Note- We have considered all arbitrage funds which have a continuous NAV history since 2016 till February 28, 2025 & have AUM above Rs. 200 crores, for analysis. A consolidated NAV series was generated for this portfolio assuming that an investor has invested an equal amount in all the funds under analysis, beginning at Rs.1000. Since the objective was to find out whether there is an edge in entering/ exiting the arbitrage funds on any particular day of the month, firstly all the periods when derivative contracts expired were marked as E (for e.g.30th Sep 21, 28th Oct 2021 etc.). Thus, beginning with E period and extending the analysis to capture any day of the month, we moved backward (E-1, E-2, E-3 and so on) to check whether there is any edge in timing the entry and exit. Accordingly, E-1 denoted a day preceding the expiry (i.e.29th Sep 21, 27th Oct 21 etc.), E-2 denoted two days prior to the expiry (i.e.28th Sep 21, 26th Oct 21 etc.) and so on. On each of these periods every month, it was assumed that the investor invested with an investment horizon of 3 months. We then take the average simple annualized returns for each of these combinations (i.e.all expiry day (E) periods, E-1 periods, E-2 periods and so on) and see whether there is any edge in timing the entry and exit on any particular day of the month.

Myth 2- More midcaps means more risk

- **The premium that an arbitrageur gets in a particular stock depends on whether one is a liquidity provider or a liquidity seeker.** Let us assume, as an arbitrageur one has positive outlook on both (1) a large blue-chip company (2) a mid-sized company. One wants to buy Rs. 50 crores value in futures in both stocks. Since liquidity will be higher in the large blue-chip stock, the arbitrageur cannot be a provider of liquidity and hence, cannot ask for a higher premium while selling futures. On the contrary, mid caps generally have lower liquidity and hence, the arbitrageur can demand a higher premium to provide liquidity by selling futures.

- **As positions are perfectly hedged, there is no risk from adverse price movements.**

- There is no expiry day risk as all stock futures are physically settled now.

- Example- At one time, the fund portfolio had 6% allocation in Vodafone Idea.

- **Midcaps show a higher propensity to slip into discount** as company and sector specific news has a more pronounced impact on the midcaps as compared to largecaps. **This gives an arbitrageur better churn opportunities intra month.**

- **Thus, midcaps don't add to the risk of an arbitrage fund but carry the potential of providing better returns.**

Fund- Invesco India Arbitrage Fund.

Myth 3- Upto 1 month can be an ideal investment horizon for investing in arbitrage funds

Date	MOM Returns
28-Feb-19	4.12
29-Mar-19	6.34
30-Apr-19	7.32
31-May-19	8.70
28-Jun-19	6.24
31-Jul-19	8.14
30-Aug-19	5.56
30-Sep-19	3.23
31-Oct-19	8.77
29-Nov-19	5.22
31-Dec-19	2.61
31-Jan-20	6.44
28-Feb-20	10.32

Date	MOM Returns
31-Mar-20	4.12
30-Apr-20	6.34
29-May-20	11.65
30-Jun-20	(0.28)
31-Jul-20	(0.85)
31-Aug-20	3.32
30-Sep-20	4.03
30-Oct-20	4.39
27-Nov-20	1.42
31-Dec-20	4.42
29-Jan-21	2.58
26-Feb-21	3.96
31-Mar-21	3.63
30-Apr-21	4.09
31-May-21	4.82

Date	MOM Returns
30-Jun-21	5.77
30-Jul-21	4.00
31-Aug-21	3.80
30-Sep-21	1.59
29-Oct-21	2.84
30-Nov-21	4.64
31-Dec-21	1.93
31-Jan-22	5.59
28-Feb-22	5.13
31-Mar-22	1.43
29-Apr-22	7.04
31-May-22	4.24
30-Jun-22	4.75
29-Jul-22	0.48
31-Aug-22	5.80

Date	MOM Returns
30-Sep-22	5.85
31-Oct-22	5.04
30-Nov-22	5.26
31-Dec-22	8.89
31-Jan-23	4.92
28-Feb-23	9.50
31-Mar-23	6.99
30-Apr-23	7.33
31-May-23	6.13
30-Jun-23	7.87
31-Jul-23	6.20
31-Aug-23	9.04
30-Sep-23	8.19
31-Oct-23	6.35
30-Nov-23	5.50

Date	MOM Returns
31-Dec-23	8.12
31-Jan-24	9.09
29-Feb-24	7.25
28-Mar-24	7.83
30-Apr-24	7.21
31-May-24	7.15
28-Jun-24	8.51
31-Jul-24	6.48
30-Aug-24	7.67
30-Sep-24	5.32
31-Oct-24	7.60
30-Nov-24	6.39
31-Dec-24	6.97
31-Jan-25	7.79
28-Feb 25	5.98

- Short period returns such as 1 day, 15 days or 1 month can be quite volatile.
- An investor who entered the fund on Nov 30, 2021 and exited on Dec 31, 21 would have got 1.93% annualized returns whereas an investor who entered on Dec 31, 2021 and exited on Jan 31, 22 would have got 5.6% annualized return.
- **We suggest to invest that portion of money which you think you won't require for 3-6 months with an option that in case of an unforeseen requirement investment can be liquidated after one month without any exit load.**

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Source: MFIE. The performance details provided herein are of existing/regular plan (non - direct plan) – Growth Option. MOM: Month on Month. Returns less than 1 years are simple annualized and above 1 year are Compounded Annualized Growth Rate (CAGR).

Myth 4- Don’t get swayed by near term returns

- On November 25 (expiry day of November series), the fresh arbitrage spreads were around 48- 50 bps. On December 13, the fresh arbitrage spreads still were 48 bps. This means there was no decay in spreads in 2 weeks since the November expiry day. The returns table looked as follows as on December 13, 2021:

Point to Point returns in % and are simple annualized (As on Dec 13, 2021)

Scheme/ Category	1 week	2 weeks	1 Month	2 Months	3 Months
Invesco India Arbitrage Fund	-5.53	-3.36	2.19	2.85	2.26
Category average	-5.92	-3.47	1.69	2.82	2.40

- Nifty 50 index corrected from 17368 on December13 to 16614 on December 20, causing a compression in the cash-futures spreads. The returns table looked as follows as on December20, 2021:

Point to Point returns in % and are simple annualized (A week later- As on Dec 20, 2021)

Scheme/ Category	1 week	2 weeks	1 Month	2 Months	3 Months
Invesco India Arbitrage Fund	14.49	4.47	4.34	4.78	2.92
Category average	12.03	3.05	3.03	4.20	2.81

Whatever spread has been locked in has to finally accrue to the fund. In a theoretical world, the spread of 48 bps on the expiry of November series should have decayed by 12 bps every week and become zero on the expiry day of December series. But in the real world, the path that the roll spread decay follows is very uncertain.

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Myth 4- Don’t get swayed by near term returns (contd..)

- The fall in returns may be on account of only 4 reasons:
  - Rollover spread itself was poor
  - The fund was running duration or credit on the debt side and it got hit on that front
  - The above case of slow decay in spreads
  - Initial fast decay in spreads and hence, subsequent less room for decay in spreads.
- **If 1,2 and 4 points are not the reason for the dip in returns, the thumb rule that the investors can follow is that the more the return is negative, the better it is to invest into this category at that point in time.**

Point to Point returns in % and are simple annualized (As on Feb 24, 2022)

Scheme/ Category	1 week	2 weeks	1 Month	2 Months	3 Months	6 Months	1 Year
Invesco India Arbitrage Fund	8.53	9.19	6.71	5.75	4.95	3.95	4.04
Category average (all funds with AUM >INR 900 crores)	6.41	8.64	5.23	4.59	3.97	3.81	4.12

Point to Point returns in % and are simple annualized (As on Mar 11, 2022)

Scheme/ Category	1 week	2 weeks	1 Month	2 Months	3 Months	6 Months	1 Year
Invesco India Arbitrage Fund	-6.87	-2.94	1.60	4.23	4.50	3.42	3.83
Category average (all funds with AUM >INR 900 crores)	-5.70	-2.77	1.41	3.42	3.69	3.32	3.97

Past performance may or may not be sustained in future. It should not be construed as a promise on minimum returns and safeguard of capital. Invesco Asset Management (India) Private Limited (IAMI) and/or Invesco Mutual Fund (IMF). The IAMI is not guaranteeing or forecasting any returns. Source: MFIE. The performance details provided herein are of existing/regular plan (non - direct plan) – Growth Option.

Key questions answered to dispel investor's concerns pertaining to arbitrage investments

In what scenario can the 1 day return go negative for the fund?

- There can be numerous reasons for the same. However, bulk of the impact is due to Mark to Market (both debt and equity) or corporate action and is not generally related to an active trade related impact

What investment strategy does fund deploy in the absence of arbitrage strategies?

- In the absence of arbitrage opportunities, the fund tactically deploys money in overnight/ liquid instruments for the limited time frame

How does fund hold during volatile equity markets?

- When markets are volatile, arbitrage positions usually provide attractive opportunity as spread between the cash and derivatives market tends to go up. Further, at the time of unwinding, additional gains may come as specific selling pressure can lead to narrowing of spreads. The fund strategy does not take directional calls and hence provides a shield during volatile times in the market

When is the right time to invest in the fund?

- Any time is good time to invest in the fund. The fund aims to capture difference between prices in cash & derivatives market and looks to provide stable returns across time frame

What is the ideal investment horizon for investing in the fund?

- The fund does not take market risk while qualifying for the tax treatment of an equity scheme. We suggest that the strategy suits someone who has surplus funds and can invest with a minimum investment horizon of 3-6 months

Portfolio Details

Portfolio data as on February 28, 2025

Top 10 Equity Holdings	% of Net Assets
Reliance Industries Limited	3.73%
ICICI Bank Limited	3.63%
HDFC Bank Limited	2.36%
Jio Financial Services Limited	2.24%
Axis Bank Limited	2.10%
REC Limited	2.01%
Tata Consultancy Services Limited	1.61%
Siemens Limited	1.40%
State Bank of India	1.32%
Power Grid Corporation of India Limited	1.25%

Total equity exposure: 67.78% of net assets

Corres-ponding derivative exposure: 68.14% of net assets

Asset Profile	% of Net Assets
Equity	67.78%
Corporate Bond	0.58%
Mutual Fund Units	22.16%
Money Market Instruments	3.82%
Cash & Cash equivalent	5.66%

Source: Internal.

Lumpsum Performance

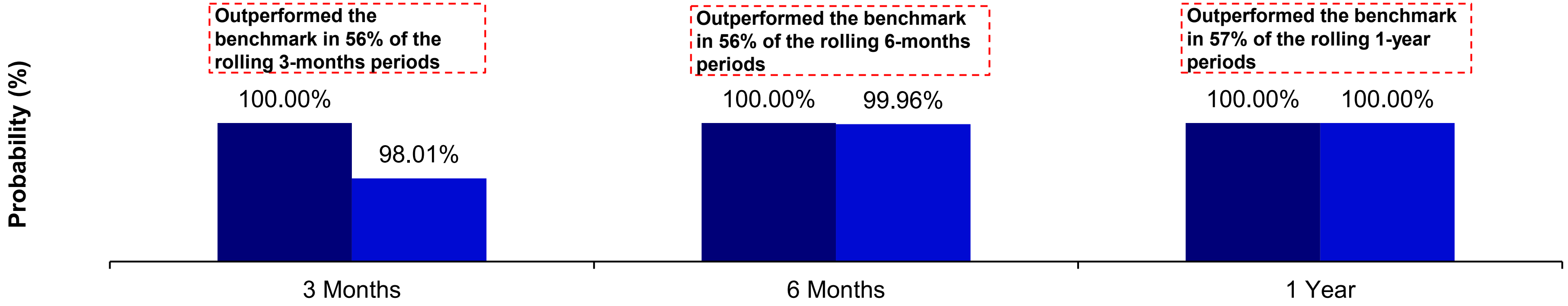
Performance as on February 28, 2025 **Fund Managers: Deepak Gupta & Kuber Mannadi**

Period	Returns (%) CAGR			Value of Rs. 10,000/- invested		
		Benchmark	Additional Benchmark		Benchmark	Additional Benchmark
	Invesco India Arbitrage Fund	Nifty 50 Arbitrage[1]	CRISIL 1 Yr T Bill Index	Invesco India Arbitrage Fund	Nifty 50 Arbitrage[1]	CRISIL 1 Yr T Bill Index
1 Year	7.30%	7.52%	7.50%	10,730	10,752	10,750
3 Years	6.74%	6.74%	6.35%	12,165	12,163	12,029
5 Years	5.51%	5.26%	5.62%	13,077	12,925	13,151
7 Years	5.65%	5.44%	6.08%	14,699	14,495	15,123
10 Years	5.87%	5.58%	6.35%	17,709	17,226	18,515
Since Inception (30 April, 2007)	6.58%	NA	6.28%	31,199	NA	29,637

Past performance may or may not be sustained in future.
The performance details provided herein are of existing plan (non - direct plan) – Growth Option. Different plans have different expense structure. For calculating returns since inception, NAV as on the date of allotment is taken as Rs. 10/-. Face Value per unit is Rs. 10/-. Returns above 1 year are Compounded Annualised Growth Rate (CAGR). [1]The inception date of the Scheme is 30 April, 2007 which is prior to the date (i.e. 01 April, 2010) from which figures for Nifty 50 Arbitrage Index (Benchmark Index) are available. Hence returns since inception are not available for Nifty 50 Arbitrage Index. Fund Managers: Deepak Gupta managing since November 11, 2021 & Kuber Mannadi Since September 1, 2022. Please refer 'Performance of other scheme managed' to know the performance of other schemes managed by the fund managers. For performance of direct plan please refer our latest factsheet and visit www.invescomutualfund.com.

Rolling Performance

Rolling Returns- Probability of generating positive returns Date range: 28 February 2015 -28 February 2025



	Min	Max	Avg	Min	Max	Avg	Min	Max	Avg
Fund	0.72%	10.02%	**5.78%**	2.45%	9.32%	**5.84%**	2.87%	8.77%	**5.95%**
Benchmark	-2.43%	11.61%	**5.46%**	-0.14%	10.17%	**5.51%**	1.53%	9.36%	**5.63%**

■ Fund ■ Benchmark

Past performance may or may not be sustained in future. Data as on February 28, 2025. Source: MFIE. The performance details provided herein are of existing plan (non-direct plan) – Growth Option. Different plans have different expense structure. The rolling returns are calculated on a daily basis for 3 months, 6 months and 1 year. Returns less than 1 years are simple annualized and above 1 year are Compounded Annualized Growth Rate (CAGR). Please refer slide 'Lumpsum Performance' for details. Fund – Invesco India Arbitrage Fund. Benchmark- Nifty 50 Arbitrage.

Disclaimer: The above simulation is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. The AMC/Mutual Fund is not guaranteeing or forecasting any returns.

SIP Performance

SIP Analysis as on February 28, 2025
(Rs. 10,000 invested on the first business day of every month)

Fund Managers: Deepak Gupta & Kuber Mannadi

		Invesco India Arbitrage Fund		Nifty 50 Arbitrage[1, 3]		CRISIL 1 Yr T Bill Index[2]	
SIP investment	Total amount invested (Rs.)	Market value (Rs.)	SIP returns (%) XIRR	Market value (Rs.)	SIP returns (%) XIRR	Market value (Rs.)	SIP returns (%) XIRR
1 Year	120,000	124,537	7.16%	124,794	7.57%	124,659	7.35%
3 Years	360,000	401,631	7.25%	402,864	7.46%	400,614	7.08%
5 Years	600,000	705,272	6.41%	706,422	6.48%	700,477	6.14%
7 Years	840,000	1,039,420	6.00%	1,036,961	5.93%	1,039,945	6.01%
10 Years	1,200,000	1,619,882	5.85%	1,600,702	5.62%	1,639,388	6.08%
Since Inception	2,140,000	3,880,944	6.29%	NA	NA	3,900,094	6.34%

Past performance may or may not be sustained in future. The performance details provided herein are of existing plan (non - direct plan) – Growth Option. Different plans have different expense structure. Load is not taken into consideration. [3]The inception date of the Scheme is 30 April, 2007 which is prior to the date (i.e. 01 April, 2010) from which figures for Nifty 50 Arbitrage Index (Benchmark Index) are available. Hence returns since inception are not available for Nifty 50 Arbitrage Index. . Please refer 'Performance of other scheme managed' to know the performance of other schemes managed by the fund managers. [1]Scheme Benchmark. [2] Additional Benchmark. Inception date: 30 April, 2007.
Note: XIRR method is used to calculate SIP returns. The above investment simulation is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. Invesco Asset Management (India) Private Limited/Invesco Mutual Fund is not guaranteeing or promising or forecasting any returns. SIP does not ensure a profit or guarantee protection against a loss in a declining market. Please refer SIP Enrolment Form or contact nearest ISC for Load Structure.

Performance of other schemes managed

Performance as on February 28, 2025

Period	Returns (% CAGR)									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Fund Manager: Kuber Mannadi										
Invesco India NIFTY 50 Exchange Traded Fund	1.74%	1.89%	10.79%	10.92%	15.73%	15.94%	12.42%	12.60%	10.80%	10.95%
Fund Managers: Dhimant Kothari, Amit Nigam (Equity), Deepak Gupta (Arbitrage) and Krishna Cheemalapati (Debt)										
Invesco India Equity Savings Fund	7.13%	5.92%	8.62%	8.33%	8.12%	9.88%	-	-	-	-

Past performance may or may not be sustained in future. BM- Benchmark**.** Returns above 1 year are Compounded Annualised Growth Rate (CAGR). Benchmark returns are calculated using Total Return variant of respective benchmark index. No. of schemes managed – Mr. Deepak Gupta : 2, Mr. Kuber Mannadi : 2. Funds benchmark- Invesco India NIFTY 50 Exchange Traded Fund: Nifty 50 TRI. Invesco India Equity Savings Fund: Nifty Equity Savings Index. Fund Manager managing the schemes: Invesco India NIFTY 50 Exchange Traded Fund: Kuber Mannadi since 19 May, 2020. Invesco India Equity Savings Fund- Dhimant Kothari- May 19, 2020, Amit Nigam- September 3, 2020 (Equity), Deepak Gupta (Arbitrage) – December 1, 2023 and Krishna Cheemalapati (Debt)- March 7, 2019.

Risk factors

- No assurance can be given that fund manager will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets
- Reduction in differential pricing between the cash market and future and options market may lead to lower level of activity affecting the returns
- As the Scheme proposes to execute arbitrage transactions in various markets simultaneously, this may result in high portfolio turnover and consequently high transaction cost
- Other risks include risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Scheme may not be able to sell or purchase derivative/equity quickly enough at a fair price

Key Facts

Category	**Arbitrage Fund**
Type	An open ended scheme investing in arbitrage opportunities
Investment Objective	To generate income through arbitrage opportunities emerging out of difference in pricing between the cash market and the derivatives market and through deployment of surplus cash in fixed income instruments. There is no assurance that the investment objective of the Scheme will be achieved.

Asset Allocation

Instruments	Indicative Allocations (% of Net Assets)
Equity & Equity Related Instruments	65–100%
[1]Equity Derivatives including stock future and stock options[2]	65–100%
Debt & Money Market Instruments	0–35%

Debt instruments may include securitized debt upto 35% of the net assets of the Scheme. The Scheme will not invest in foreign securitized debt.
[1]The exposure to derivative shown in the above asset allocation table is the exposure taken against the underlying equity investments and should not be considered for calculating the total asset allocation. The idea is not to take additional asset allocation with the use of derivatives.
[2]The notional value exposure in derivatives securities would be reckoned for the purposes of the specified limits, the margin money deployed on these positions would be included in the Money Market category.
The maximum derivative position will not exceed 100% of the net assets of the Scheme. The cumulative gross exposure through equity, debt, derivative positions other permitted securities/assets and such other securities/assets as may be permitted by SEBI from time to time should not exceed 100% of the net assets of the scheme.

Minimum Application Amount

Lumpsum: Rs. 1,000/- per application and in multiples of Re. 1 thereafter. For Systematic Investment Plan (SIP):

Options	Minimum Amount	Minimum Installments
Monthly	Rs. 500 per month and in multiples of Rs. 1/thereafter	12
	Rs. 1,000 or more per month and in multiples of Rs. 1/thereafter	6
Quarterly	Rs. 1,500 per quarter and in multiples of Rs. 1/thereafter	4

Plans^/Options (Applicable for Direct Plan also)

- Growth Option
- Income Distribution cum Capital Withdrawal (IDCW) option
  - IDCW Payout
  - IDCW Reinvestment option

  (If IDCW under payout of IDCW is equal to or less than Rs.100/- then the IDCW would be compulsorily reinvested in the respective plan/option of the scheme)

Fund Manager: Deepak Gupta and Kuber Mannadi

Key Facts (cont'd)

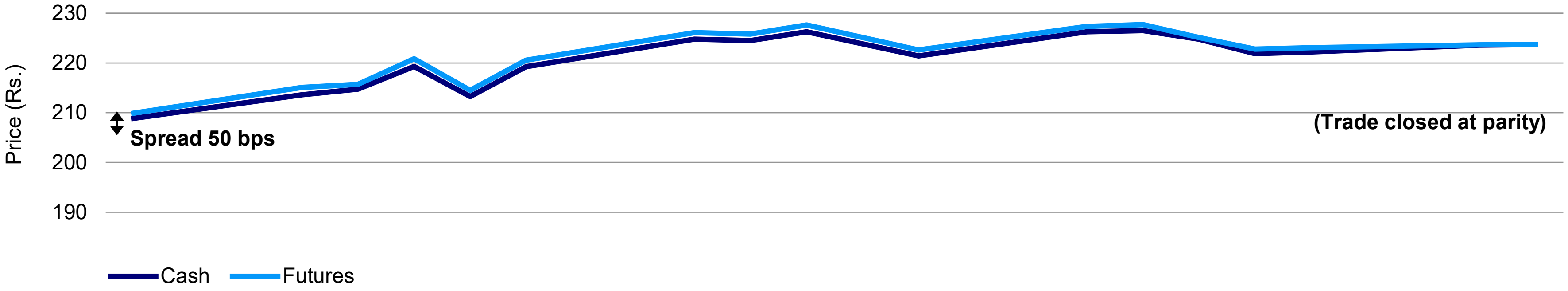
Loads	**Exit Load: #** • If redeemed/switched-out on or before 15 Days from the date of allotment: 0.5% • If redeemed/switched-out after 15 Days from the date of allotment: Nil Switch between the Plans under the Scheme: Nil
Benchmark	Nifty 50 Arbitrage

^ Direct Plan will have a lower expense ratio excluding distribution expenses, commission for distribution of Units etc.
* The upfront commission, if any, on investment made by the investor shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor.
# Exit load charged, if any, will be credited back to the scheme, net of Goods and Services tax.

Annexure
Arbitrage strategies at work

1. Stock Spot – Futures
Capturing the difference between Spot & Futures Price

ABC Limited Arbitrage trade Unwound at Parity



ABC Limited	Cash	Futures	Spread in Rs.
Initial	Purchase at Rs. 208.86	Sell at Rs. 209.91	1.04
Unwinding	Sell at Rs. 223.71	Purchase at Rs. 223.71	0.00
Difference in Rs.	14.84	13.80	1.04

In an initial trade, shares were bought at a lower price in the cash market and sold at a higher price in the futures segment (spread Rs. 1.04 or 50 bps), while unwinding was at par.

Past performance may or may not be sustained in future.
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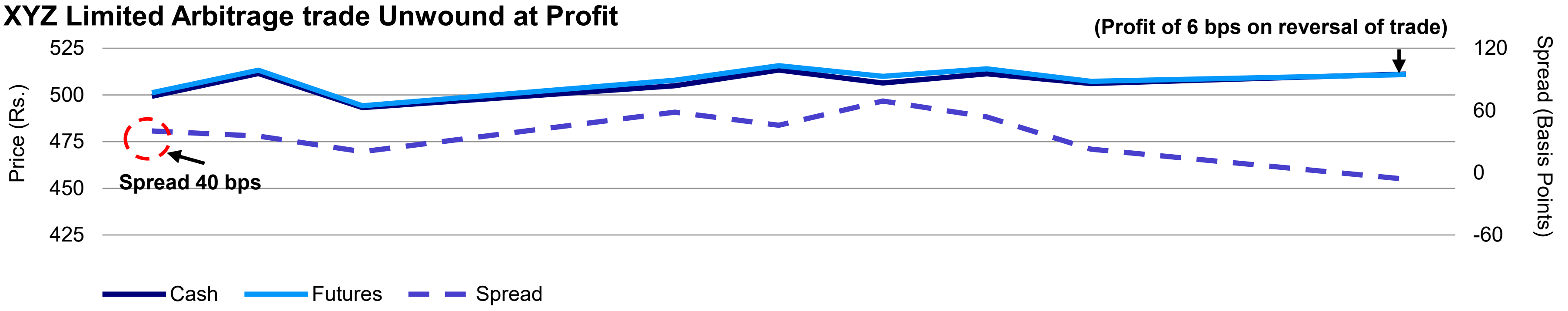
2. Stock Spot – Futures
Capturing the difference between Spot & Future Price on both legs of transaction



Total Arbitrage Spread (46 bps) = Initial spread 40 bps + spread on unwinding 6 bps

XYZ Limited	Cash	Futures	Spread in Rs.
Initial	Purchase at Rs. 499.48	Sell at Rs. 501.49	2.00
Unwinding	Sell at Rs. 511.19	Purchase at Rs. 510.88	0.31
Difference in Rs.	11.70	9.39	2.31

In an initial trade, shares were bought at a lower price in the cash market and sold at a higher price in the futures segment (spread of Rs. 2.00 or 40 bps). While unwinding of trade was done by buying at a lower price in the futures segment and selling at a higher price in the cash market, generating an additional profit of Rs. 0.30 or 6 bps. Overall, there was a profit of Rs. 2.31 or 46 bps in this trade (initial spread 40 bps + spread on unwinding 6 bps).

Past performance may or may not be sustained in future.

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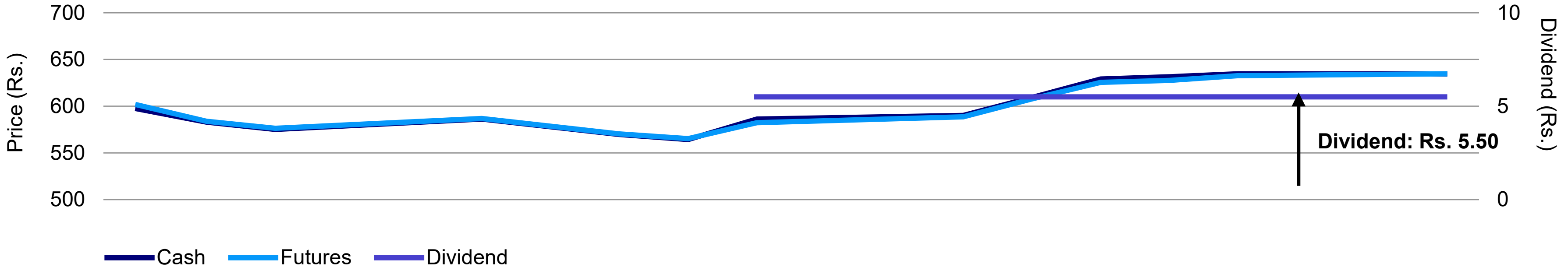
3. Dividend Arbitrage

DEF Limited Dividend Arbitrage



DEF Limited	Cash	Futures	Spread in Rs.
Dividend in Rs.	5.50	-	5.50
Initial	Purchase at Rs. 597.10	Sell at Rs. 601.35	4.25
Unwinding	Sell at Rs. 634.65	Purchase at Rs. 634.65	0.00
Difference in Rs.	37.55	33.30	4.25
Net Return (including dividend)	-	-	9.75

A trade was initiated in cash and futures market with a spread of Rs. 4.25 before a dividend of Rs. 5.50 per share was declared. Overall, there was a profit (including dividend and initial profit) of Rs. 9.75 or 163 bps from this trade.

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

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