

Investment Strategy

- A combination of accrual, duration, credit strategies are employed depending on the prevailing market conditions.
- Market variables are continuously monitored to identify mispriced opportunities which aid alpha generation.
- Investments are made into instruments having adequate liquidity and limited risk.

Total Return

Accrual

Capital Gain

Accrual/Spread Compression

- High coupon bonds generate attractive carry income & act as a yield kicker
- Current spreads remain very high & mean reversion could fetch capital gains

Duration

- Tactical duration exposure could significantly improve portfolio alpha.
- Benign interest rate outlook amid low inflation & attractive real rates.
- Aim would be capture at least 50% of rally on yields on an annual basis.

Indicative Portfolio Construct

| | |
|----------------------------|-------|
| GOI/SDLs: | 40% |
| Corporate Bonds: | 35% |
| Tier II Bank Bonds: | 25% |
| YTM: | 8.51% |
| Weighted Average Duration: | 3.45 |

Product Snapshot

Fixed Fees: 0.50% per annum

Redemption: T + 10

Taxation: As per the Income Tax Act 1961
(Assumed tax rate for return calculation: 35%)

Minimum Investment Size: INR 5 crores

Indicative Portfolio Construct & Return Profile

- The portfolio is positioned suitably in order to navigate through market risks.
- Investments are made into instruments having adequate liquidity and limited risk
- #Potential return of 11.00% for GOI/SDLs is assuming rallies in bonds are captured effectively through interest rate calls.
- With spread compression or drop in yields for corporate bonds, this strategy could potentially deliver tax & expense adjusted returns of ~6.32%

| Issuer | Weight | Credit Rating | Maturity/Call | Duration | Indicative Yield/Return |
|---------------------------------|--------|---------------|---------------|----------|-------------------------|
| GOI/SDLs | 40% | Sovereign | 2029 & above | 5.89 | 11.00%# |
| Shriram Transport Finance | 20% | AA+ | 2024 | 2.35 | 10.90% |
| Muthoot Finance | 15% | AA | 2021 | 0.26 | 5.75% |
| South Indian Bank | 15% | A+ | 2024 | 2.44 | 11.25% |
| Karur Vysya Bank | 10% | A | 2024 | 2.18 | 11.00% |
| Pre Tax Pre Fee Return | - | - | - | - | 10.23% |
| Post Tax Post Fee Return | - | - | - | - | 6.32%* |

* Assumed fees & rate of tax: 0.50% & max marginal rate of 35%

Performance comparison

Performance comparison with Debt Mutual Funds

Long Term Dynamic Strategy has outperformed most Debt Mutual Fund categories across time horizons.

Annualized returns as on 28th February 2021

| Scheme / Sector Name | 1 Month | 3 Months | 6 Months | 1 Year | Since Inception (5th April 2019) |
|---|---------|----------|----------|--------|----------------------------------|
| Dynamic Bond Fund Category Average | -14.96% | -2.70% | 6.16% | 6.01% | 7.09% |
| Medium Duration Fund Category Average | -6.86% | 0.29% | 6.57% | 2.02% | 4.03% |
| Medium to long Duration Fund Category Average | -22.80% | -5.81% | 2.88% | 6.03% | 7.16% |
| Short Duration Fund Category Average | -4.59% | -0.30% | 4.76% | 6.13% | 5.56% |
| Debt PMS - Long Term Dynamic Strategy | -5.99% | 1.58% | 7.31% | 7.78% | 11.58% |

Source- ICRA MFI explorer, Past Performance is not indicative of future performance

Advantages:

- The Debt PMS strategy does not have exit loads unlike most debt mutual fund schemes.
- Unlike debt mutual funds which have a large number of securities with sectoral and security level limits, the Debt PMS offers flexibility to take concentrated positions in high conviction ideas
- Investors can create customized portfolios in the case of a PMS as opposed to blind pool investing in the case of mutual funds.

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