

TRUST Debt PMS Long Term Dynamic Strategy



December 2020

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:	8.87%
Weighted Average Duration:	3.63

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 ~6.25%

Issuer	Weight	Credit Rating	Maturity/Call	Duration	Indicative Yield/Return
GOI/SDLs	40%	Sovereign	2029 & above	6.00	11.00%#
Shriram Transport Finance	20%	AA+	2024	2.57	11%
Muthoot Finance	15%	AA	2021	0.50	5.00%
South Indian Bank	15%	A+	2024	2.67	11.00%
Karur Vysya Bank	10%	A	2024	2.41	11.00%
Pre Tax Pre Fee Return	-	-	-	-	10.10%
Post Tax Post Fee Return	-	-	-	-	6.24%*

* 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 30th November 2020

Scheme / Sector Name	1 Month	3 Months	6 Months	1 Year	Since Inception (5th April 2019)
Dynamic Bond Fund Category Average	7.52%	11.89%	7.48%	8.79%	8.61%
Medium Duration Fund Category Average	13.89%	12.73%	9.92%	5.61%	4.61%
Medium to long Duration Fund Category Average	6.69%	13.52%	8.40%	9.82%	10.02%
Short Duration Fund Category Average	9.93%	9.93%	10.19%	8.16%	6.59%
Debt PMS - Long Term Dynamic Strategy	12.66%	12.93%	9.78%	9.61%	13.15%

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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