

TRUST Debt PMS Long Term Dynamic Strategy

October 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:	3.83

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 ~6.66%

Issuer	Weight	Credit Rating	Maturity/Call	Duration	Indicative Yield/Return
GOI/SDLs	40%	Sovereign	2029 & above	6.21	11.00%#
Shriram Transport Finance	20%	AA+	2024	2.71	13.50%
Muthoot Finance	15%	AA	2021	0.73	7.00%
South Indian Bank	15%	A+	2024	2.90	11.00%
Karur Vysya Bank	10%	A	2024	2.63	11.00%
Pre Tax Pre Fee Return	-	-	-	-	10.75%
Post Tax Post Fee Return	-	-	-	-	6.66%*

* 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 September 2020

Scheme / Sector Name	1 Month	3 Months	6 Months	1 Year	Since Inception (5th April 2019)
Dynamic Bond Fund Category Average	10.15%	3.52%	8.07%	7.88%	8.00%
Medium Duration Fund Category Average	8.84%	3.80%	5.58%	4.18%	3.42%
Medium to long Duration Fund Category Average	8.21%	2.61%	9.34%	8.98%	9.48%
Short Duration Fund Category Average	5.88%	6.91%	8.20%	7.83%	5.96%
Debt PMS - Long Term Dynamic Strategy	10.57%	6.55%	9.19%	9.10%	12.97%

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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