

Overview

- Seeks to leverage the structure & steepness of the money market yield curve
- Investments are into high quality & liquid bonds/CPs with less than 1 year residual maturity
- The idea follows a roll down strategy and generates capital gain if rate drops or spread compresses.
- Ideal for tenor between 3 to 12 months

Opportunity in the short term segment

- Currently, spreads remain stretched & are expected to compress as regulators continue to aid liquidity
- Benign inflation outlook could lead to further monetary easing

Investment Strategy

- The portfolio strategy would involve buying 6-9 month instruments & selling after 3-6 months at the 3-6 month rate, given the steepness available.
- By investing in 9 months CP/Bonds and holding it for 3 months, investor earns 6.40%+ Roll down benefit 0.59%.
- Liquid fund returns have dropped below 5.30%, in line with current market rates of up to 3 months.
- Even if the 6 month rate during exit rises by 25 bps, the portfolio would still generate a considerably attractive return of ~6.50%

Advantages:

- Credit control through customized portfolios
- Yield pick-up with ability to take advantage of yield curve steepness
- Potential for capital gains through roll-down leading to higher returns
- No commingling impact like in mutual funds
- As liquidity improves, spreads will likely compress, leading to an added benefit

Performance Comparison

Annualized returns as on 30th November, 2019

Scheme / Sector Name	Month	2 Months	3 Months	Since Inception (3/5/19)
Liquid Fund Category Average	5.16%	5.39%	5.44%	6.11%
Arbitrage Fund Category Average	4.15%	5.90%	4.83%	5.78%
Liquid Alternate Strategy	7.76%	7.89%	7.93%	8.36%

Source – ICRA MFI explorer; Returns are Annualized; Past Performance is not indicative of future performance

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Indicative Exposures

(Not Exhaustive)

High quality & liquid money market instruments (Bonds & CPs) of various maturities below 1 year

- HDFC Group
- Bajaj Group
- L&T Group
- Reliance Industries/Jio
- Sundaram Finance
- AAA PSUs/FIs
- LIC Housing Finance
- Tata Group
- Aditya Birla Group
- Kotak Mahindra Group
- Bank Cds

Portfolio Return Sensitivity Over 3 Months

Scenario	Forecast Return
Yield Curve Remains Constant	6.99%
Yield Curve shifts down by 25 bps	7.49%
Yield Curve shifts up by 25 bps	6.50%

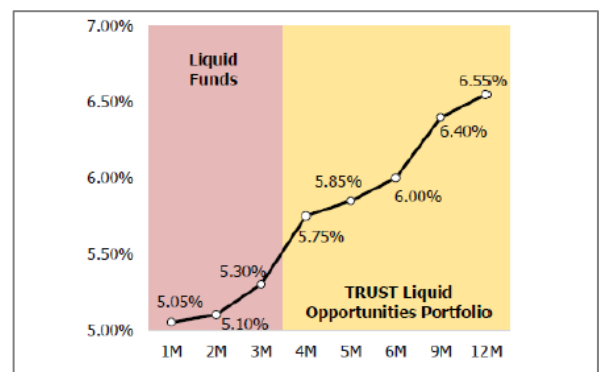
Product Snapshot

Bonds are directly delivered to the investor demat account

Tax Rate: Maximum Marginal Rate

Minimum Ticket Size: INR 5 Cr.

Current Money Market Yield Curve



These are current market rates and are subject to change