

# TRUST Debt PMS Long Term Dynamic Strategy

April 2021



## 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:	8.18%
Weighted Average Duration:	3.42

## 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 ~6.18%

Issuer	Weight	Credit Rating	Maturity/Call	Duration	Indicative Yield/Return
GOI/SDLs	40%	Sovereign	2029 & above	5.85	11.00%#
Shriram Transport Finance	20%	AA+	2024	2.31	10.00%
Muthoot Finance	15%	AA	2021	0.19	5.75%
South Indian Bank	15%	A+	2024	2.38	11.20%
Karur Vysya Bank	10%	A	2024	2.38	10.70%
<b>Pre Tax Pre Fee Return</b>	-	-	-	-	<b>10.01%</b>
<b>Post Tax Post Fee Return</b>	-	-	-	-	<b>6.18%*</b>

\* 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 greater than one month.

### Annualized returns as on 31<sup>st</sup> March 2021

Scheme / Sector Name	1 Month	3 Months	6 Months	1 Year	Since Inception (5 <sup>th</sup> April 2019)
Dynamic Bond Fund Category Average	9.51%	-1.47%	4.41%	6.86%	7.21%
Medium Duration Fund Category Average	9.00%	1.51%	6.55%	4.54%	4.28%
Medium to long Duration Fund Category Average	10.09%	-3.98%	3.30%	6.45%	7.31%
Short Duration Fund Category Average	7.38%	0.87%	5.07%	6.71%	5.71%
<b>Debt PMS - Long Term Dynamic Strategy</b>	<b>-1.16%</b>	<b>2.26%</b>	<b>6.89%</b>	<b>8.21%</b>	<b>11.45%</b>

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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