

## 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:	7.89%
Weighted Average Duration:	3.23

## 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 ~5.99%

Issuer	Weight	Credit Rating	Maturity/Call	Duration	Indicative Yield/Return
GOI/SDLs	40%	Sovereign	2029 & above	5.36	11.00%#
Shriram Transport Finance	20%	AA+	2024	2.47	9.50%
Muthoot Finance	15%	AA	2021	0.12	4.50%
South Indian Bank	15%	A+	2024	2.30	11.20%
Karur Vysya Bank	10%	A	2024	2.30	10.65%
<b>Pre Tax Pre Fee Return</b>	-	-	-	-	<b>9.72%</b>
<b>Post Tax Post Fee Return</b>	-	-	-	-	<b>5.99%*</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 all the time horizons.

### Annualized returns as on 30<sup>th</sup> April 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	9.62%	1.92%	3.13%	6.42%	7.30%
Medium Duration Fund Category Average	9.44%	4.31%	5.52%	6.80%	4.53%
Medium to long Duration Fund Category Average	9.42%	-0.34%	1.45%	6.48%	7.41%
Short Duration Fund Category Average	8.71%	4.14%	4.22%	7.96%	5.84%
<b>Debt PMS - Long Term Dynamic Strategy</b>	<b>19.51%</b>	<b>9.38%</b>	<b>8.54%</b>	<b>9.60%</b>	<b>12.06%</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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