

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 are wide and expected to compress as regulators continue to provide liquidity
- Low interest rates are likely to continue.

Investment Strategy

- The portfolio strategy would involve buying 9-12 month instruments & selling after 3-6 months at the 6 months rate, given the steepness available.
- By investing in 9-12 months CP/Bonds and holding it for 3 months, investor earns 4.46%+ Roll down benefit 0.34%.
- Liquid fund returns have fallen below 3.30%
- Even if the 6 month rate during exit rises by 25 bps, the portfolio would still generate a considerably attractive return of 4.31%

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
- Muthoot Finance
- Bank CDs

Portfolio Return Sensitivity Over 3 Months

Scenario	Forecast Return
Yield Curve Remains Constant	4.80%
Yield Curve shifts down by 25 bps	5.30%
Yield Curve shifts up by 25 bps	4.31%

Product Snapshot

Bonds are directly delivered to the investor demat account

Tax Rate: Maximum Marginal Rate

Minimum Ticket Size: INR 5 Cr.

Inception Date: 3rd May, 2019

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

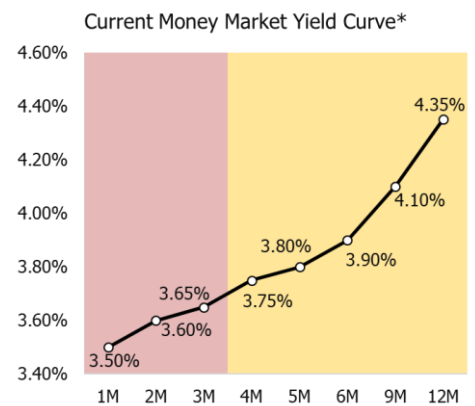
Annualized returns as on 30th September, 2021

Scheme / Sector Name	1 Month	3 Months	6 Months	1 Year	Since Inception (03/05/2019)
Liquid Alternate Strategy	4.00%	5.32%	5.02%	4.95%	7.22%
Liquid Fund Category Average*	2.91%	3.16%	3.18%	3.59%	4.35%

*Source – ICRA, MFI Explorer

**Past performance is no indication of future returns

Current Money Market Yield Curve*



*These are current market rates and are subject to change

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