



PRODUCT DETAILS

Inception	: April 28, 1997
Benchmark Index	: Crisil Composite Bond Fund Index
Exit Load	: 1% of NAV if redeemed/switched-out before expiry of 365 days from the date of allotment.
Gross YTM	: 7.68% (as on 31st Mar 2015)
Avg. Maturity	: 9.48yrs (as on 31st Mar 2015)

INVESTMENT PHILOSOPHY

Tata Income Fund is a duration fund with a focus on capital appreciation opportunities based on interest rate expectations and credit spreads. Tata Income Fund is an income fund with a mandate to manage duration to capture yield curve shifts and spread compression opportunities. One of the key features of the Fund is its focus on maintaining the quality of the portfolio.

For the purpose of duration calls, the Fund seeks to invest in government securities which are relatively liquid in the market. The Fund also takes exposure to quality and liquid Non-Convertible Debentures to tap opportunities from high credit spreads. For defensive & liquidity considerations, the Fund has flexibility to invest in cash or money market instruments.

INVESTOR PROFILE

The Fund is suitable for investors who have moderate risk appetite and are seeking to invest in an income fund with a potential to generate higher income than liquid funds. Investors who prefer to invest in a duration fund with a focus on quality of the portfolio can also consider investing in Tata Income Fund. The investment horizon of the investors should be a minimum of 1 Year and above.

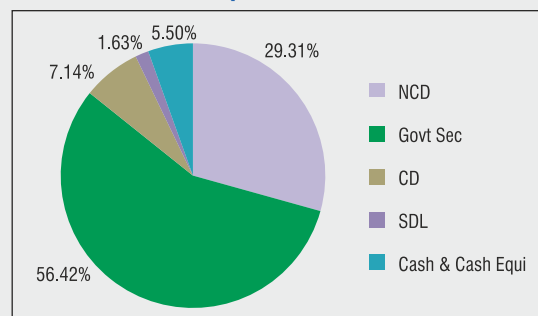
OUTLOOK

Macro Update:

Economy:

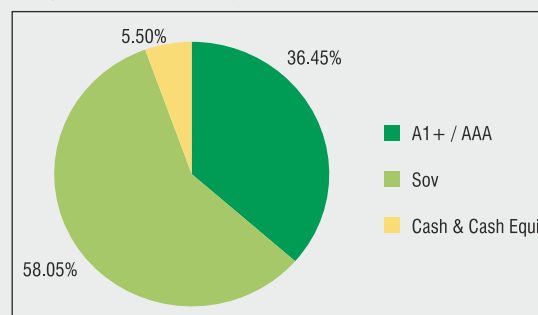
- The Current Account Deficit (CAD) narrowed to USD8.2bn (1.6% of the GDP) in the third quarter of FY15 from USD10.1bn (2% of GDP) in 2Q FY15
- The narrowing of the CAD can be largely attributed to an increase in net services exports and reduction in investment income outflows as well as softening of crude prices

Instrument Wise Composition



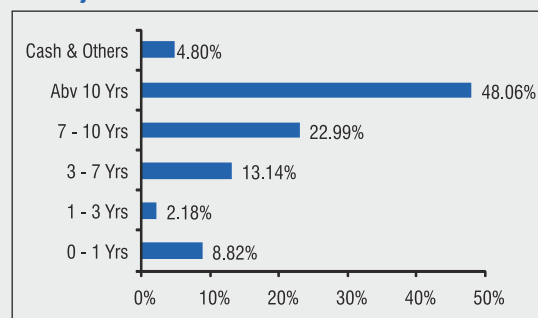
As on 31st March, 2015

Composition by Ratings



As on 31st March, 2015

Maturity Ladder



As on 31st March, 2015

This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation & Regular Income
- Investment in Debt/Money Market instruments/Government Securities.
- The scheme is classified as **Low Risk** ■ (BLUE). Investors understand that their principal will be at low risk.

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:



(BROWN) investors understand that their principal will be at high risk.



(YELLOW) investors understand that their principal will be at medium risk.



(BLUE) investors understand that their principal will be at low risk.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

- Exports fell 15% in February following a 11% YoY decline in Jan-15 as commodity related exports like petroleum (55%) and iron ore (-76%) showed a decline
- Imports followed a similar trend, contracting 15.7% in Feb-15 led by a decline in oil imports; non-oil/non-gold imports rose 9% YoY in Feb-15
- The Index of Industrial Production (IIP) continued to expand at a moderate pace of 2.6% YoY in Jan-15 versus a revised growth of 3.2% in Dec-14 as core and capital goods sector displayed strong growth

Inflation

- The Consumer Price Index (CPI) inched up to 5.4% YoY in Feb-15 versus 5.1% YoY print in the previous month and the rise was ascribed primarily to unfavourable base effect as sequential inflation remained muted at ~0.2% MoM
- Core inflation inched down marginally to 3.9% YoY as compared to 4% YoY in the previous month
- The Wholesale Price Index (WPI) touched a low of -2.1% YoY in Feb-15 as compared to -0.4% YoY in Jan-15; all the major sub-indices reported a lower YoY inflation in Feb-15 versus the previous month's print
- Food inflation in February 2015 was elevated in terms of both CPI (6.8%) & WPI (7.7%) and the recent non-seasonal rainfall especially in the Northern and Central parts of the country could keep food prices elevated in the near term

Monetary Policy

- During the month, RBI surprised the market by cutting the policy rates by 25bps for the second time in the year on 4th March, drawing comfort from the ongoing disinflationary trend and improving quality of fiscal adjustment as enunciated in the Union Budget 2015-16
- As per RBI, the government's intent to clean up legacy issues in the fiscal accounts, reduction in subsidies, as well as a greater transfer of resources to state governments understated the true level of fiscal rectitude
- The commitment of maintaining fiscal discipline, the change in direction of government spending from subsidies to infra creation coupled with continued disinflationary trends may have prompted RBI to announce the cut in rates before the policy meeting date

Outlook

- The Government has planned to borrow Rs.3.6Tn, in first half of FY16, which is around 60% of the total planned gross borrowing
- While the gross planned issuance for the first half of FY16 is slightly higher than last year (Rs.3.52Tn), the net issuance is nearly 19% lower than last year, due to higher redemption in the first 6 months (Rs.1.37Tn). This lower net supply should get easily absorbed by the banking system
- Going forward, benign crude oil prices and a stable currency should aid in keeping core inflation low which in turn is likely cushion the upside risks to food inflation due to adverse climatic conditions
- We expect India's trade deficit to decline to USD 27bn in Q4FY15 from USD

33.2bn in Q4FY14, translating into a CAD surplus for the first time since in seven years

- We believe rate cuts and higher-than-anticipated government spending will be positive for investment recovery

Debt Market

- Going forward, a conflux of benign commodity prices, improvement in quality of government spending is expected to keep CPI inflation well within the comfortable range of 5-5.5%
- The future trajectory of rate cuts is expected to be data-dependent with RBI likely to monitor developments in food inflation more closely. We expect the RBI to pause at least till the June policy as it will have greater clarity regarding the onset of the monsoon.
- We continue to believe that the RBI has room for an additional cut of 25-50bps in FY16
- We expect only one additional rate cut in the calendar year 2015. We expect RBI may cut rate in its June policy review however, beyond that it may choose to pause till the end of the year
- The 10yr benchmark yield may trade in the range of 7.25% - 7.40% by the end of the current year
- RBI may keep the liquidity in the market at comfortable levels through term repos
- Under current market conditions we prefer to play duration through corporate bonds as we are positive on the corporate bond segment due to limited supply and continued demand from foreign investors
- In the medium term we expect the 10Yr Benchmark G-sec yields to ease to 7.00% levels which makes Duration Funds attractive
- Investors with moderate risk appetite and more than 1 year investment horizon may opt for Income funds

Data source: Bloomberg

CURRENT PORTFOLIO STRATEGY & POSITIONING

- Exposure to government securities increased to about ~58%
- The Fund has exposure of ~36% to maturity segment of 3yrs to 10yrs and ~9% exposure to debt & money market securities of maturities up to 1yr
- We have increased our exposure to above 10yr segment at ~48%
- The average portfolio maturity stands at 9.48 years and modified duration at 5.80 years. The gross YTM of the portfolio was at 7.68% as on 31st Mar 2015
- The Scheme has predominant exposure to medium to longer segment of the yield curve with a view to position itself to earn capital appreciation over the medium term
- The Scheme may seek to increase its modified duration, as and when there are opportunities to buy G-sec thereby positioning the scheme to benefit from potential capital appreciation opportunities in a falling interest rate scenario over the medium term

Contact Your Financial Advisor

DISCLAIMER

The present strategy of the Fund is based on the current market conditions as explained above. The Fund Manager may change the strategy appropriately to reflect changes in market outlook/changed guidelines by regulatory authorities or any such event which may have an impact on the performance of the Fund without prior intimation to investors. As per the terms of the Scheme Information document, there is no restriction on investment in any sectors. The Fund manager may invest in sectors/instruments which are currently not reflecting in the portfolio.

Given the above mentioned scenario investors with a horizon 1 Year or more, may consider investing in the scheme. However investors may note that there can be no assurance & no guarantee that the objectives of the scheme will be achieved. There is possibility of lower/negative returns in case the market yields move up after initial investments.

Internal views, estimates, opinions of Tata Asset Management Ltd. expressed herein may or may not materialize. These views, estimates and opinions alone are not sufficient and should not be used for the development or implementation of an investment strategy. The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document (SID) of the scheme. Please refer to the SID for asset allocation, investment strategy and scheme specific risk factors. Forward looking statements are based on internal views and assumptions and subject to known and unknown risks and uncertainties which could materially impact or differ from actual results or performance from those expressed or implied under those statements.