

TATA**SHORT TERM BOND FUND**
(An Open Ended Debt Scheme)

Expertise that's trusted

Market Scenario

Interest rates are currently elevated and the yield curve is pressured by various external and internal factors. While the long-term interest rates are pressurized due to macro factors like high crude prices and their impact on the fiscal situation, the short term rates are at elevated levels due to rising inflation and the resultant RBI action of tight monetary policy.

To tame the inflation, the RBI has been continuously raising interest rates. RBI has so far raised the Repo rate by 375 bps and Reverse Repo Rate by 425 bps since March 2010. With the tight monetary stance adopted by the RBI, the yield curve has turned inverted. The yields at short to medium term, with maturities from 1-3 years is ranging between 9.75%-10%, and the longer end of the curve is trading in the range of 9.60-9.70%.

Currently, there is still uncertainty over the long-term interest rates, especially in view of the high risk of government breaching the budgeted fiscal target of 4.6%. In the first 6 months of the current fiscal, the fiscal deficit has already touched 71% of the budgeted amount. Given the high crude prices, weak rupee, delay in divestment and the slow down in the economy, the government may miss its fiscal deficit target by a wide margin. Thus, the resultant additional supply of bonds may keep the long term yields under pressure, despite the RBI indication that it is likely to pause in the December policy review.

However, a pause as indicated by RBI in the rate action could have a positive impact on the short term rates. In such scenario of elevated interest rates at the shorter end and the uncertain interest rate outlook, the short term bond fund may offer the investor, the benefit of both worlds - mitigated volatility and potential high return.

What are Short Term Bond Funds?

Short-term bond funds, as the name suggests, are the mutual fund schemes that seek to generate income by investing in short term fixed income instruments. Generally these schemes invest in certificate of deposits, commercial paper, bonds and other money market instruments with short maturities.

Why Tata Short Term Bond Fund?

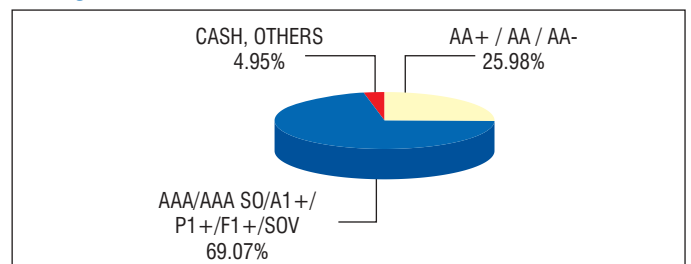
- Tata Short Term Bond Fund invests in a mix of different debt instruments across maturities; risk is diversified by investing in short

term corporate bonds, PSU bonds, Certificate of Deposits, Commercial paper and Cash or CBLO market.

- The Fund invests in high quality papers with no exposure to real estate and unrated papers.
- The Fund enjoys a long term track record of more than 9 years. (Date of Inception: 8th Aug, 2002).

Debt Portfolio as on 30th November 2011

Scrip Name	Rating	% Net Assets
CD		53.51
State Bank Of Travancore	P1+	26.06
State Bank Of Hyderabad	A1+	15.69
Canara Bank	P1+	11.76
Securitized Debt		10.48
Pitl 2011 - Series I	P1+ SO	10.48
NCD		31.06
Tata Communications Ltd	CAA+	15.57
Mah & Mah Fin Ser Ltd	AA+	10.41
ONGC Videsh Ltd	AAA	5.08
Cash, Others		4.95
Total		100.00

Rating Profile

Average AUM (In Lacs): ₹ 1901.40 (1st Sept 2011 to 30th Nov 2011)

Average Maturity: 0.41 Years

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Tata Short Term Bond Fund: Nature and Investment objective: An open ended debt scheme. The investment objective of the scheme is to create a liquid portfolio of good quality debt as well as money market instruments so as to provide reasonable returns and liquidity to the unitholders. **Entry Load:** NIL. **Exit Load:** 0.50% if redeemed on or before expiry of 180 days from the date of allotment. **Statutory Details: Constitution:** Tata Mutual Fund has been set up as a trust under the Indian Trust Act, 1882. **Sponsors & Settlers:** Tata Sons Ltd., Tata Investment Corporation Ltd. **Investment Manager:** Tata Asset Management Ltd. **Trustee:** Tata Trustee Co. Ltd. **Risk Factors** • All investments in Mutual Fund & securities are subject to market risks & the NAV of the units issued under the schemes can go up or down depending on the factors & forces affecting the capital markets • Mutual Fund & securities investments are subject to market risks & there can be no assurance & no guarantee that the objectives of the scheme will be achieved • Past performance of the previous scheme, the Sponsors or its group affiliates is not indicative of & does not guarantee the future performance of the scheme • The above is only the name of the scheme & does not in any manner indicate either the quality of the scheme, its future prospects or the returns • The Sponsors are not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the contribution of an amount of Rs. 1 lac made by them towards setting up of the Mutual Fund. Investments in debt securities are subject to interest rate risk, credit risk & liquidity risk • The present scheme is not a guaranteed or assured return scheme • Investment in mutual fund units involves investment risk such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of capital • Kindly refer Scheme Information Document (SID), Statement of Additional Information (SAI) & Key Information Memorandum (KIM) of the scheme for applicable loads. For scheme specific risk factors & other details please read the SID/SAI/KIM of the scheme carefully before investing.