TATA BANKING & PSU FUND- DECEMBER 2021 UPDATE

(An open ended debt scheme predominantly investing in debt instruments of Banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds.)

For External Circulation

This product is suitable for investors who are seeking*:

- Regular Income Over Short Term to Medium Term.
- Predominant investment in Debt & Money Market instruments issued by Banks, Public Sector Undertakings & Financial Institutions.

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

Investors understand that their principal will be at Moderate Risk

Potential Risk Class			
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

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

About the Fund

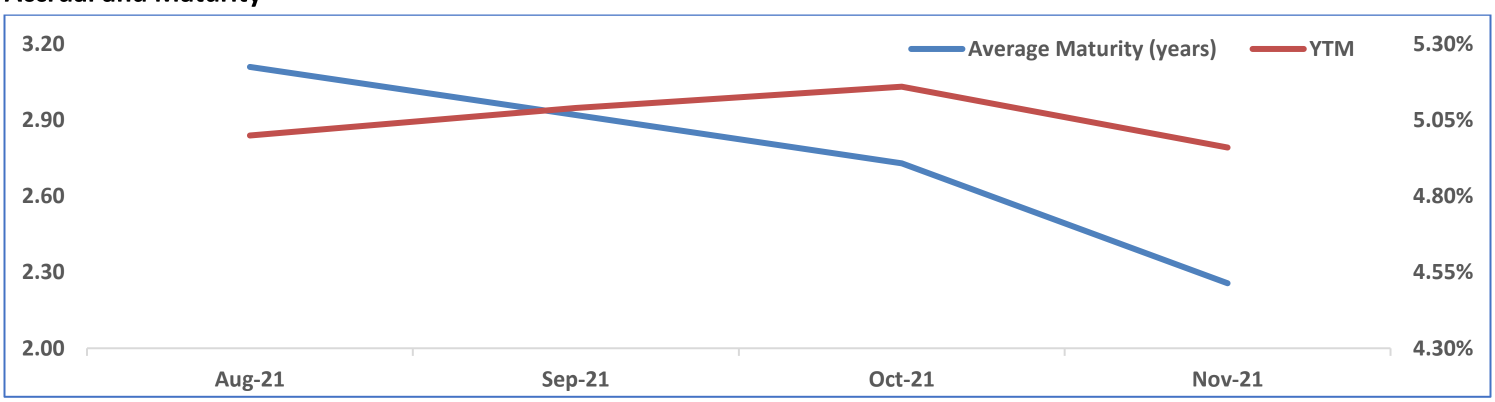
The investment objective of the scheme is to generate reasonable income, with low risk and high level of liquidity from a portfolio of predominantly debt & money market securities issued by Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds.

Fund Commentary

As on 30th November, the fund has ~79% in instruments from SOV or AAA-rated papers and ~11% in A1+ papers. ~11% of the portfolio is invested in SDLs, ~62% in PSU bonds & debentures, 19% in instruments issued by banks (CDs and bonds/debentures).

The fund has kept allocations towards AAA-PSU bonds, at ~55-60% levels since July-21, while reducing allocation to G-Secs from ~20% to ~11% in the same period while exiting from G-Sec holdings and retaining SDLs. The fund has increased allocations to Certificates of Deposit from ~5% in July-21 to ~11% in November-21. The fund will continue to focus on accruals. The fund has significantly reduced exposure to AT-1 Bonds from ~17% in Jan-21 to ~2% in November 2021. Call dates of these bonds in the portfolio are under 6 months away.

Accrual and Maturity



The fund has reduced its maturity in the past few months to ~2.25 year levels, while its yield remained range bound.

Fund Overview-As on 30th November 2021

Ratings-wise Breakdown of the Portfolio

Scheme	Cash & Equivalents	SOV	AAA	AA+	A1+	Total
Tata Banking & PSU Debt Fund	7.68%	10.69%	68.43%	2.22%	10.98%	**100%**

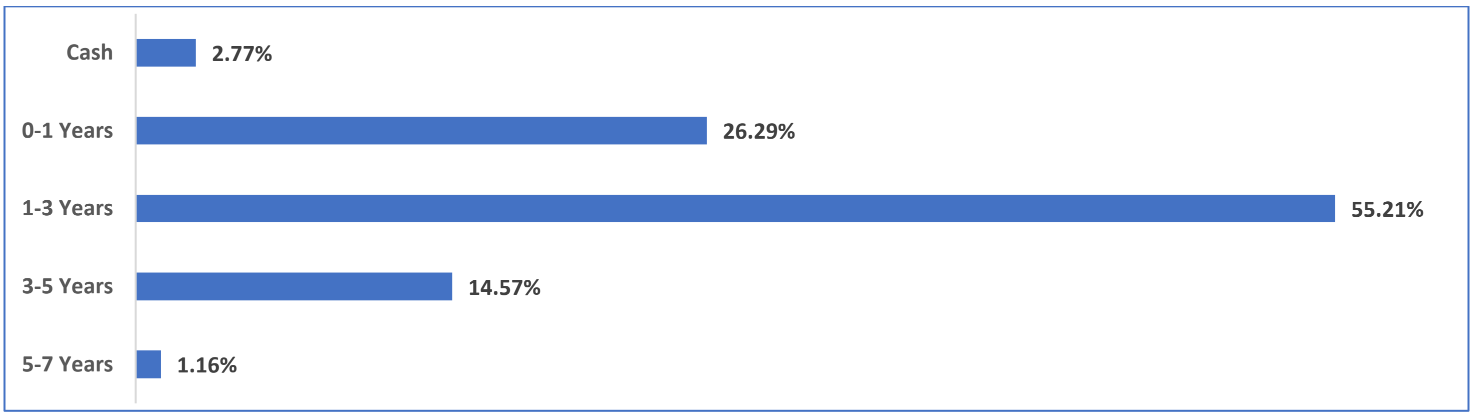
Instrument-wise Breakdown of the Portfolio

Scheme	Cash & Equivalents	SDLs	AAA-PSU	CD	Total	Bonds Issued by Banks	Grand Total
Tata Banking & PSU Debt Fund	7.68%	10.69%	62.15%	10.98%	**91.50%**	8.50%	**100%**

Fund Metrics

Average Maturity	Macaulay Duration	Modified Duration	YTM
2.26 Years	**1.94 Years**	**1.84 Years**	**5.00%**

Maturity-wise breakdown of the Portfolio



Current Portfolio Strategy*

Maturity

- The portfolio is biased towards the short to medium term with ~81% of the portfolio in the 0-3 year segment and ~15% in the 3-5 year segment.

Liquidity

- Portfolio is highly liquid, with ~11% in SDLs, ~68% in AAA-PSUs and ~11% in CDs.

Accrual

- The YTM of the portfolio is 5.00%

Portfolio Quality

- The portfolio is comprised of ~82% assets in AAA-rated issuers and ~11% in SDLs
- ~7% of the portfolio is in cash & equivalents.

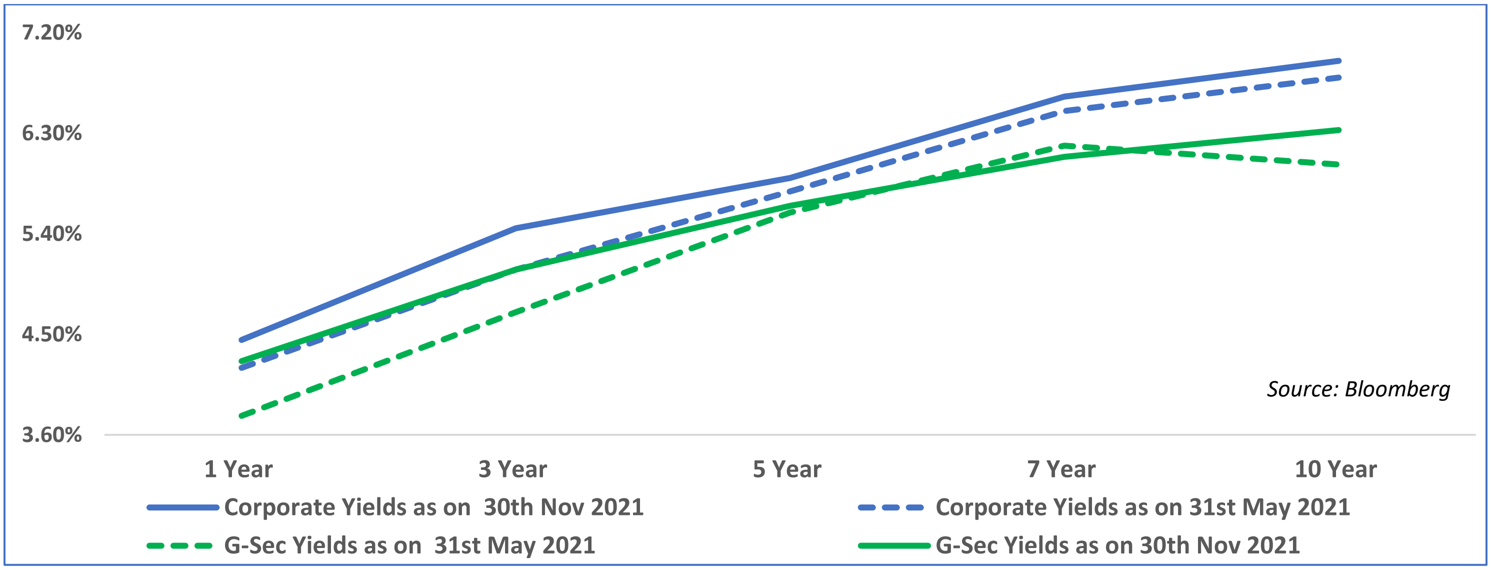
***Based on current market scenario. Strategy is subject to change without notice.**

Investment in Tata Banking & PSU Debt Fund- Rationale

RBI Governor has stated he will take conventional and unconventional measures to keep interest rates low to support economic growth. G-Sec yields are expected to remain stable on the basis of RBI's stated intention to ensure orderly evolution of the G-Sec curve and reduce volatility to ensure a stable rate structure. RBI Governor has endeavored to support the government's borrowing program. The fund is expected to maintain current allocations. The Tata Banking & PSU Debt Fund would be a good opportunity for investors looking to invest with a 1-3-year investment horizon.

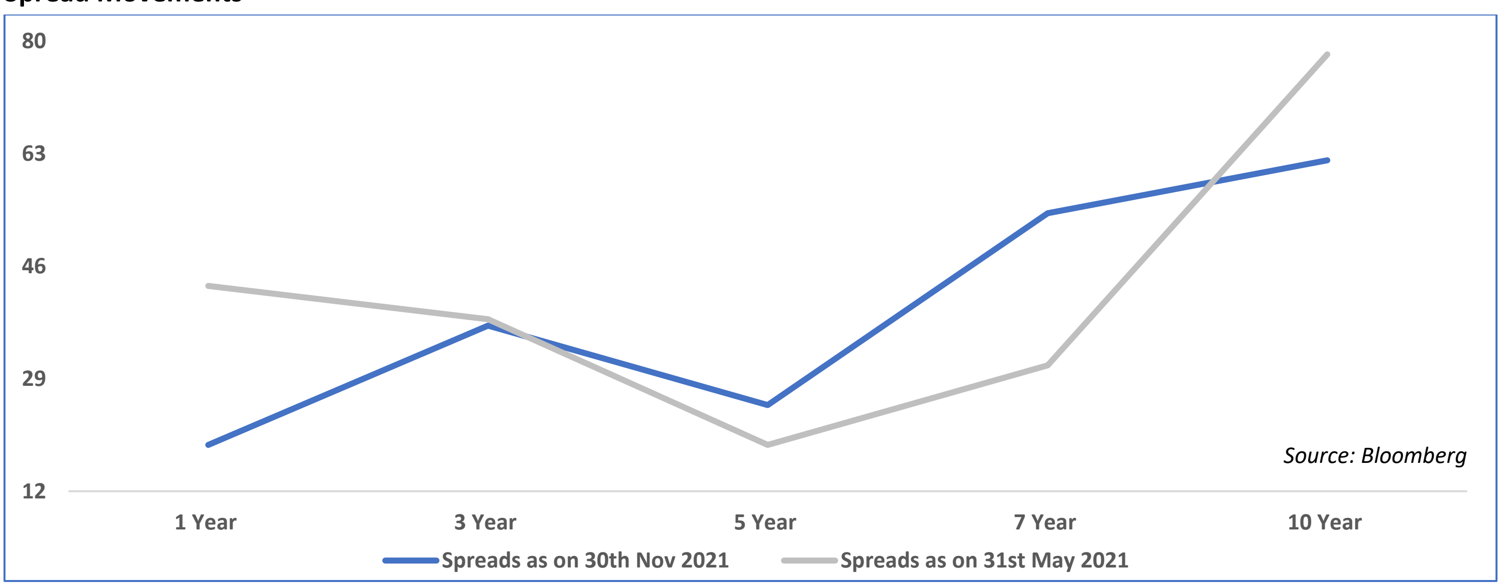
Movement of Yields and Spreads: May-2021 to November-2021

Yield Movements



- Corporate Yields rose by ~25-40 bps in the 1–3-year segment and by ~10-15 bps in the 5–10-year segment.
- G-Sec yields rose by ~30-40 bps in the 1–3-year segment and fell by ~10 bps in 7-year segment, while rising by ~30 bps in the 10-year segment.

Spread Movements



- Spreads in 1-year segment compressed by ~25 bps and remained stable in the 3-year segment.
- Spreads in the 3-7-year segment widened by ~5-25 bps. Spreads in the 10-year segment compressed by ~15 bps.

Debt Outlook

- The market is widely expecting RBI to make Reverse Repo rate hikes in the February MPC and hike the Repo Rate in the next financial year.

- US federal Reserve is expected to end Quantitative Easing by March 2022, Rate hikes from the US Fed are expected from June 2022 as CPI inflation for November 2021 has come at 6.8%.

- Market players expect 2/3 rate hikes in US in 2022. This has led to expectation of growth slowing down in the coming years in the US with the ten year yields below 1.5%.

- Liquidity absorption by RBI and expectation of RBI hiking Reverse Repo rates in the coming year should keep the short end of the yield curve under pressure. In the medium to long end segment, there could be buying at higher levels from banks / mutual funds/insurance companies/ provident funds to deploy their surplus.

- Growth in the Indian economy is robust, as evident from GST Collection remaining high, freight movements and direct and indirect tax collections. However, global growth slowdown due to the omicron variant, is a risk

Yield and Spreads

Yield Movements

Instrument	Yields as on 30th November 2021	Yields as on 31st May 2021	Change between May to-Nov 21
1 Year AAA PSU	4.45%	4.20%	25
1 Year G-Sec	**4.26%**	**3.77%**	**49**
3 Year AAA PSU	5.45%	5.08%	37
3 Year G-Sec	**5.08%**	**4.70%**	**38**
5 Year AAA PSU	5.90%	5.78%	12
5 Year G-Sec	**5.65%**	**5.59%**	**6**
7 Year AAA PSU	6.63%	6.50%	13
7 Year G-Sec	**6.09%**	**6.19%**	**-10**
10 Year AAA PSU	6.95%	6.80%	15
10 Year G-Sec	**6.33%**	**6.02%**	**31**

Source: Bloomberg

Spread Movements

Instrument	Spreads over G-Secs on 30th November 2021 (bps)	Spreads over G-Secs on 31st May 2021 (bps)
1 Year AAA (PSU)	19	43
3 Year AAA (PSU)	37	38
5 Year AAA (PSU)	25	19
7 Year AAA (PSU)	54	31
10 Year AAA (PSU)	62	78

Source: Bloomberg