

TATA DYNAMIC BOND FUND- DECEMBER 2021 UPDATE

(An open-ended dynamic scheme investing across duration)

This product is suitable for investors who are seeking*:

- Short Term to Medium Capital Appreciation.
- Investment in Debt / Money Market Instruments / Government Securities.

*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

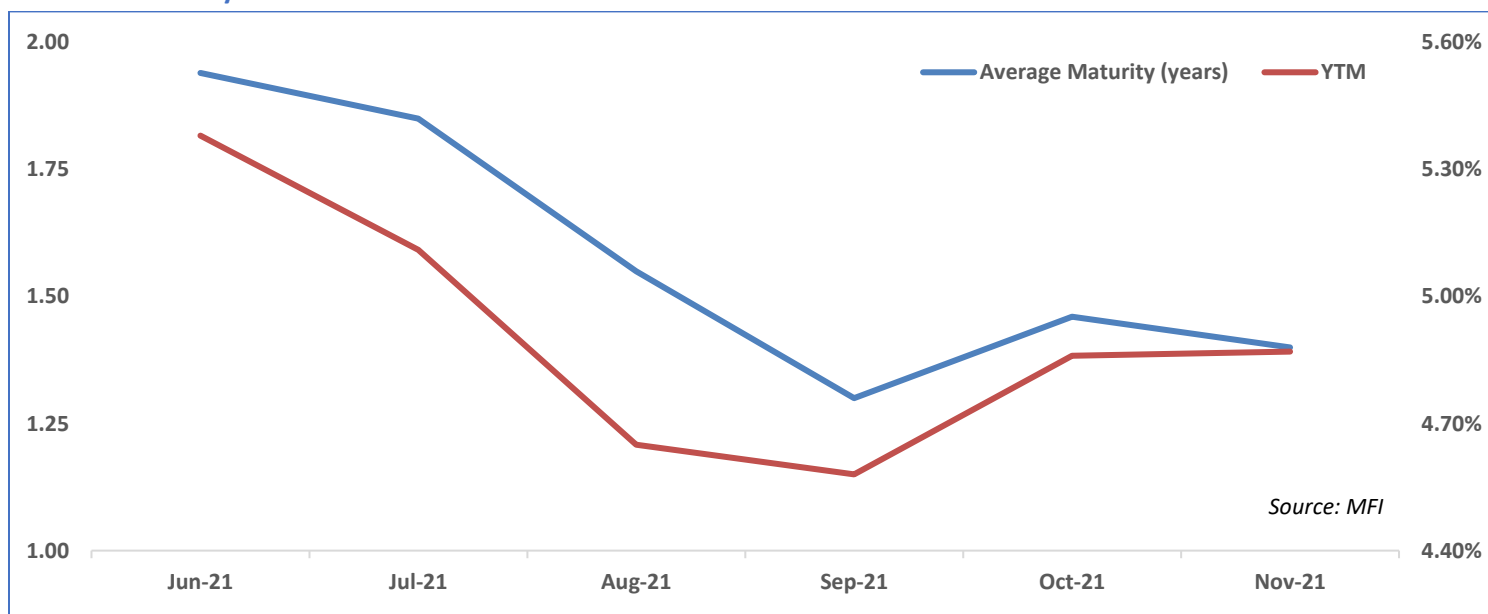
Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

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

About the Fund

The investment objective 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.

Fund Commentary



From June-21 onwards, the fund reduced its average maturity from ~2-year levels to the ~1.40-year levels currently. The fund concurrently brought down its yield from ~5.40% in April-21 to 4.87% in November-21.

The fund is currently running an accrual strategy based on a portfolio made of AAA-rated and SOV papers along with significant allocation to AA+ papers in order to build accruals. Since June-21, the fund has reduced allocations in AAA papers from ~64% in June-21 to ~49% in November-21. The fund increased allocations to AA+ papers from ~7% to ~14% in the same period while keeping allocations to SOV papers at similar levels of ~12%.

Fund Overview

Ratings-wise breakdown of the portfolio

Scheme	Cash & Eq.	SOV	AAA	AA+	A1+	Total
Tata Dynamic Bond Fund	18.07%	12.18%	48.69%	14.14%	6.94%	100%

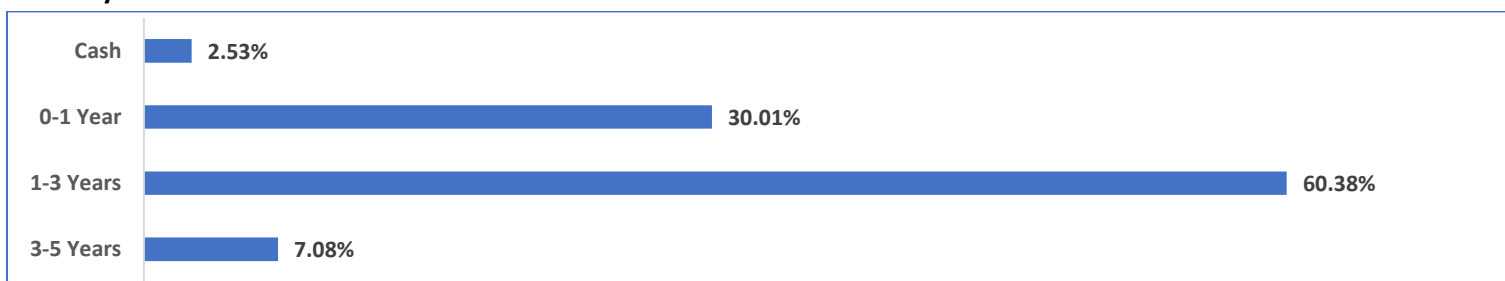
Instrument-wise breakdown of the portfolio

Scheme	Cash & Eq.	G-secs	CP	PSU Bonds	Total	Non-PSU Bonds	Grand Total
Tata Dynamic Bond Fund	18.07%	12.18%	6.94%	26.52%	63.70%	36.30%	100%

Fund Metrics

Average Maturity	Macaulay Duration	Modified Duration	YTM
1.40 Years	1.31 Years	1.24 Years	4.87%

Maturity-wise breakdown of the Portfolio



Current Portfolio Strategy*

Maturity	Liquidity	Accrual	Portfolio Quality
<ul style="list-style-type: none"> The portfolio is biased towards short term instruments with ~90% in the 0-3 year segment and ~7% in the 3-5 year segment 	<ul style="list-style-type: none"> Portfolio is sufficiently liquid, with ~7% in money market instruments, ~12% in G-Secs, ~27% in AAA-PSU bonds and ~18% in cash and equivalents. 	<ul style="list-style-type: none"> The YTM of the portfolio is 4.87% The fund endeavored to build accruals by investing in AA+ papers. 	<ul style="list-style-type: none"> The portfolio comprises of ~70% in AAA/A1+ rated securities Fund has ~12% assets invested in G-Secs and ~18% in cash & equivalents.

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

Investment in Tata Dynamic Bond Fund- Rationale*

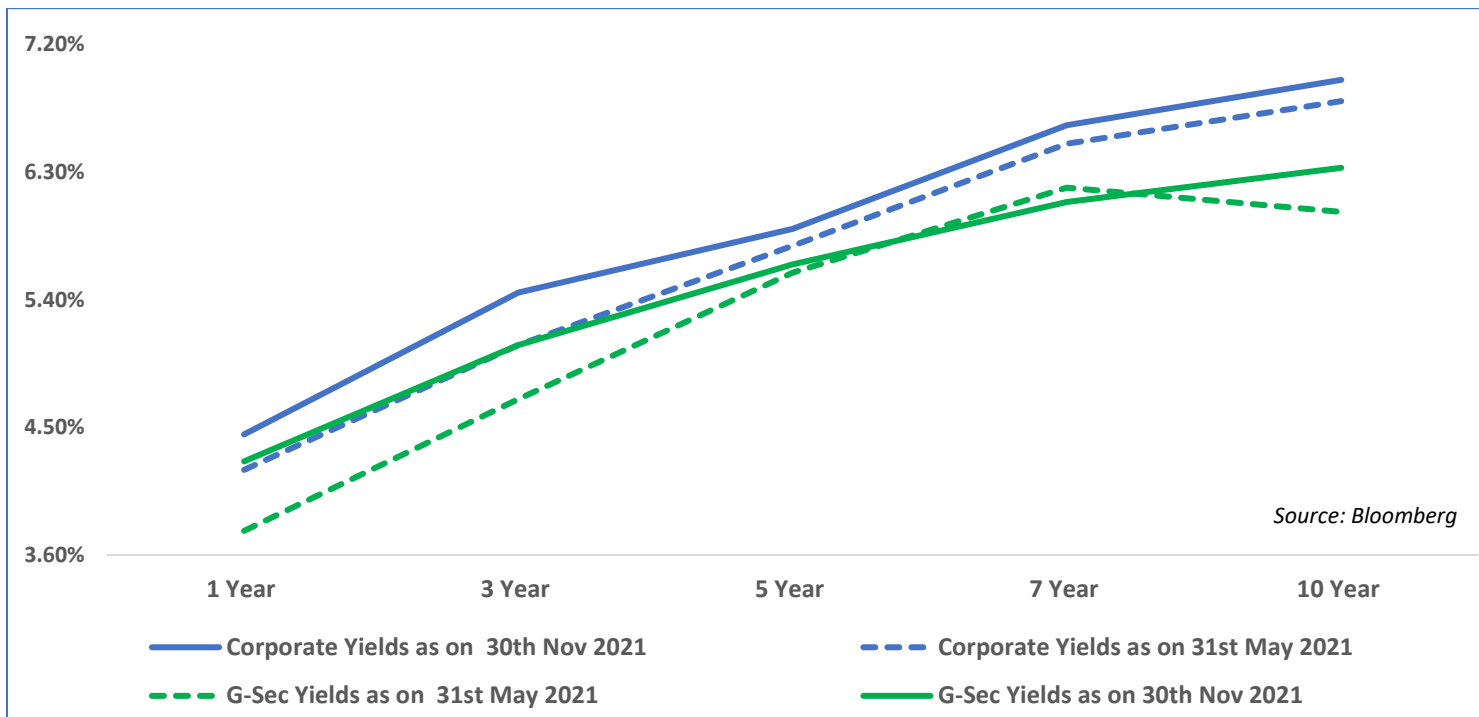
RBI is expected to shift its stance officially from the current accommodative one to a neutral position in the coming months. RBI is expected to narrow the LAF corridor by hiking the Reverse Repo rate in the coming two MPC announcements. It has already taken steps to absorb excess liquidity from the system through Variable Reverse Repo Rate auctions.

These actions are likely to push up pressure on yields across maturities, especially in the shorter end of the curve. Under above conditions Dynamic Bond Fund has the flexibility to take positions across maturities and to change allocations across instruments. The current focus on high-quality issuers and lower duration will help the fund to mitigate the risk of fall in liquidity and/or rising yields, while continue to generate accrual returns.

*Based on current portfolio

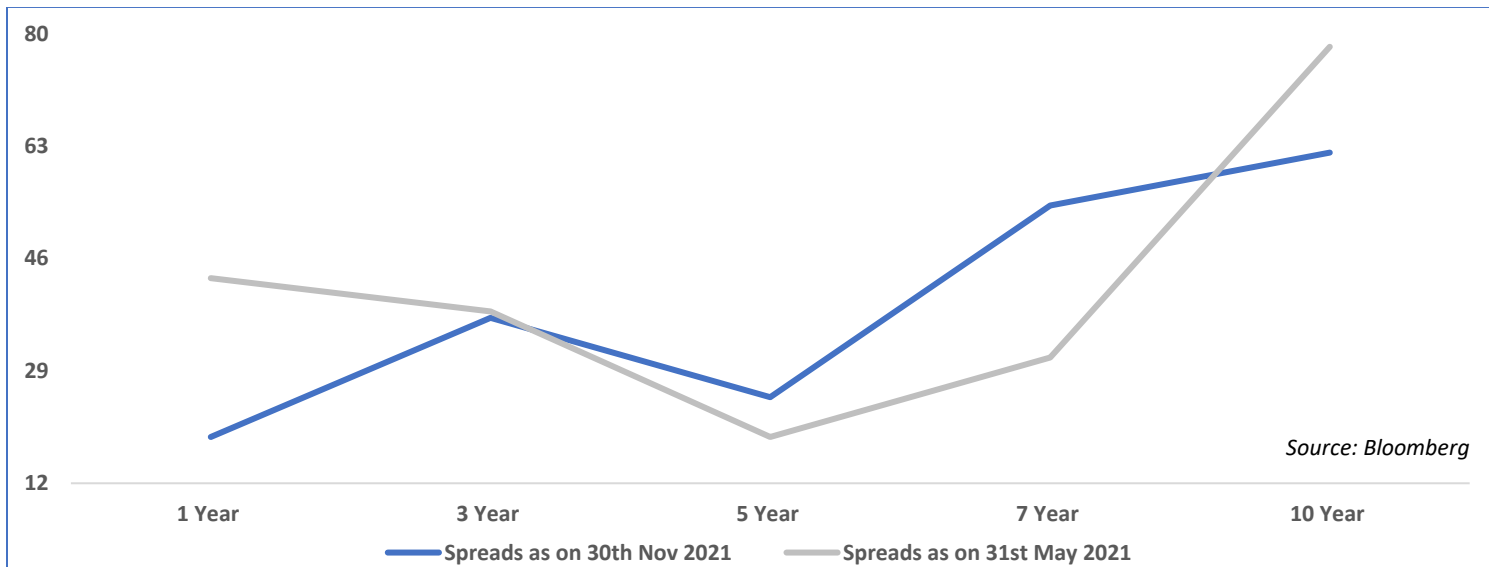
Movement of Yields and Spreads: May-2021 to November-2021

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.

Yield and Spreads

Yield Movements

Instrument	Yields as on 30 th November 2021	Yields as on 31 st 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 30 th November 2021 (bps)	Spreads over G-Secs on 31 st 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

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