

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 months & 6 months)

For External Circulation

This product is suitable for investors who are seeking*:

- Regular Income Over Short Term.
- Investment in Debt & Money Market instruments such that the Macaulay Duration of the portfolio is between 3 months - 6 months.

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

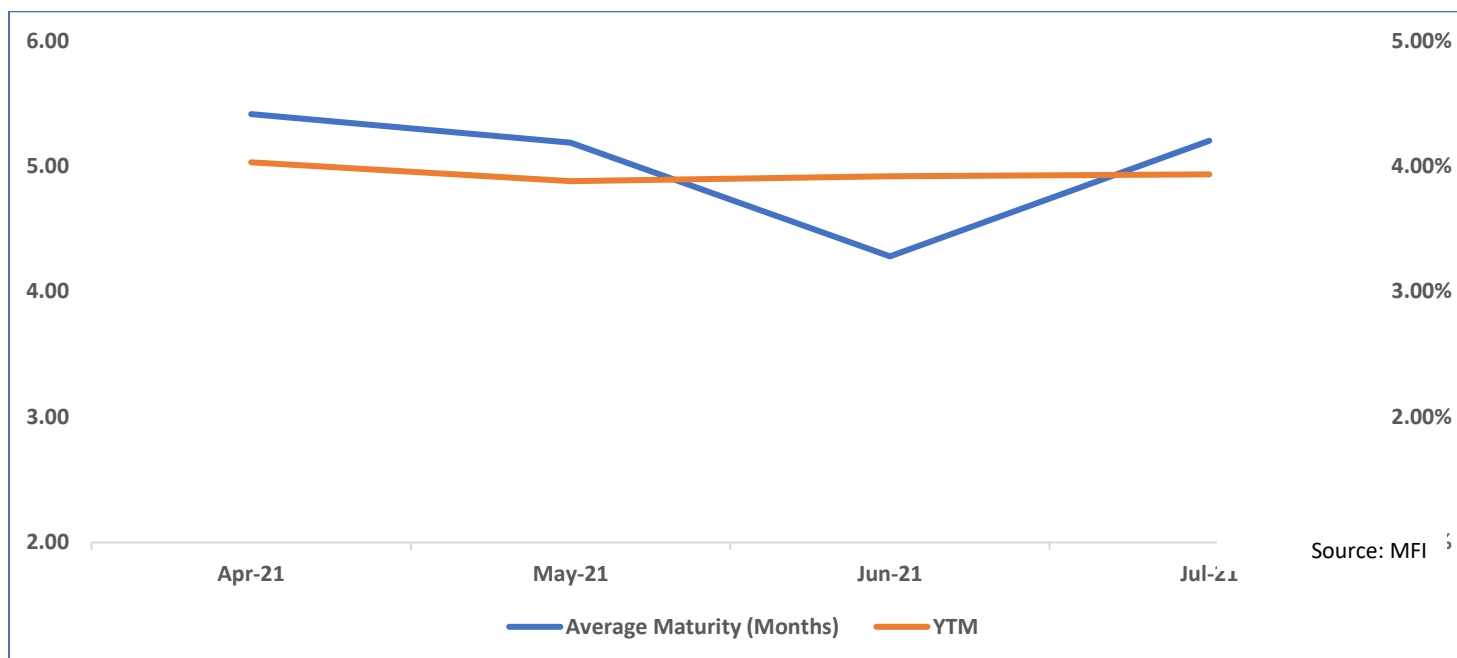
Mutual Fund investments are subject to market risk, read all scheme related documents carefully

About the Fund

Scheme will aim to generate regular income and capital appreciation by investing in a portfolio of short-term debt and money market instruments with relatively lower interest rate risk.

Fund Commentary

- As on 15th August 2021 currently holds ~10% in AAA-PSU Bonds, ~15% in non-PSU bonds, ~16% in SOV papers and ~55% in money market instruments.



- Since April-21, with rising yields, the fund has generally kept its yield and average maturity levels fairly stable.
- The fund has increased allocations to money market instrument (especially to CPs) from ~41% in June-21 to ~55% in August 2021. Allocations to T-Bills increased from ~6% to ~12% in the same period.
- In comparison with the benchmark, the fund is overweight in CDs, corporate bonds, and G-Secs & T-Bills, while being underweight in CPs.

Fund Overview- As on 15th September 2021

Ratings-wise breakdown of the Portfolio

Cash & Cash Equivalents	SOV	AAA	AA+	AA	A1+	Total
5.75%	16.94%	20.78%	6.88%	1.99%	47.64%	100%

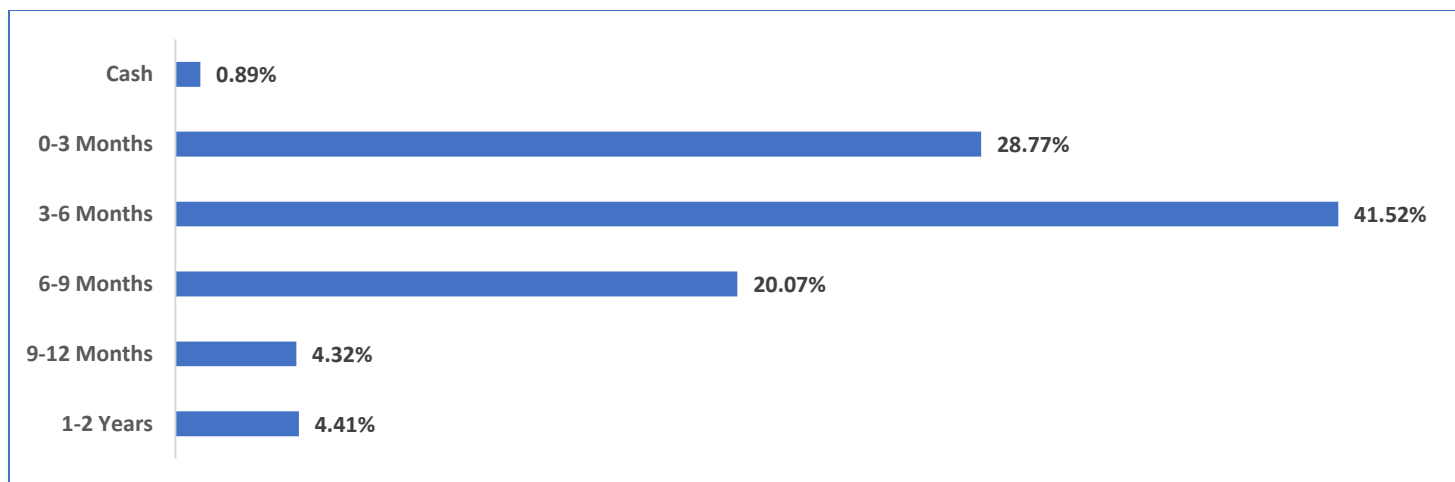
Instrument-wise breakdown of the Portfolio

Cash & Equivalents	G-Secs	AAA-PSU	Non-PSU Bonds	CD	CP	T-Bills	Total
5.75%	4.89%	9.97%	19.68%	21.47%	26.15%	12.05%	100%

Fund Metrics

YTM	Average Maturity	Macaulay Duration	Modified Duration
3.81%	4.76 Months	4.45 Months	4.37%

Maturity Profile of the Portfolio



Current Portfolio Strategy*

Maturity	Liquidity	Accrual	Portfolio Quality
<ul style="list-style-type: none"> Portfolio is biased towards short term instruments, with ~70% allocation in 0-6 months segment and ~24% in the 6-12 month segment. 	<ul style="list-style-type: none"> Portfolio is liquid, with ~10% of the portfolio in AAA-PSUs, ~17% in SOV papers and ~21% in CDs and ~5% in PSU-CPs. 	<ul style="list-style-type: none"> The fund runs an accrual strategy The YTM of the portfolio is 3.81% 	<ul style="list-style-type: none"> The portfolio is of a high quality, with ~17% in SOV papers, ~21% in AAA bonds and ~48% in A1+ papers.

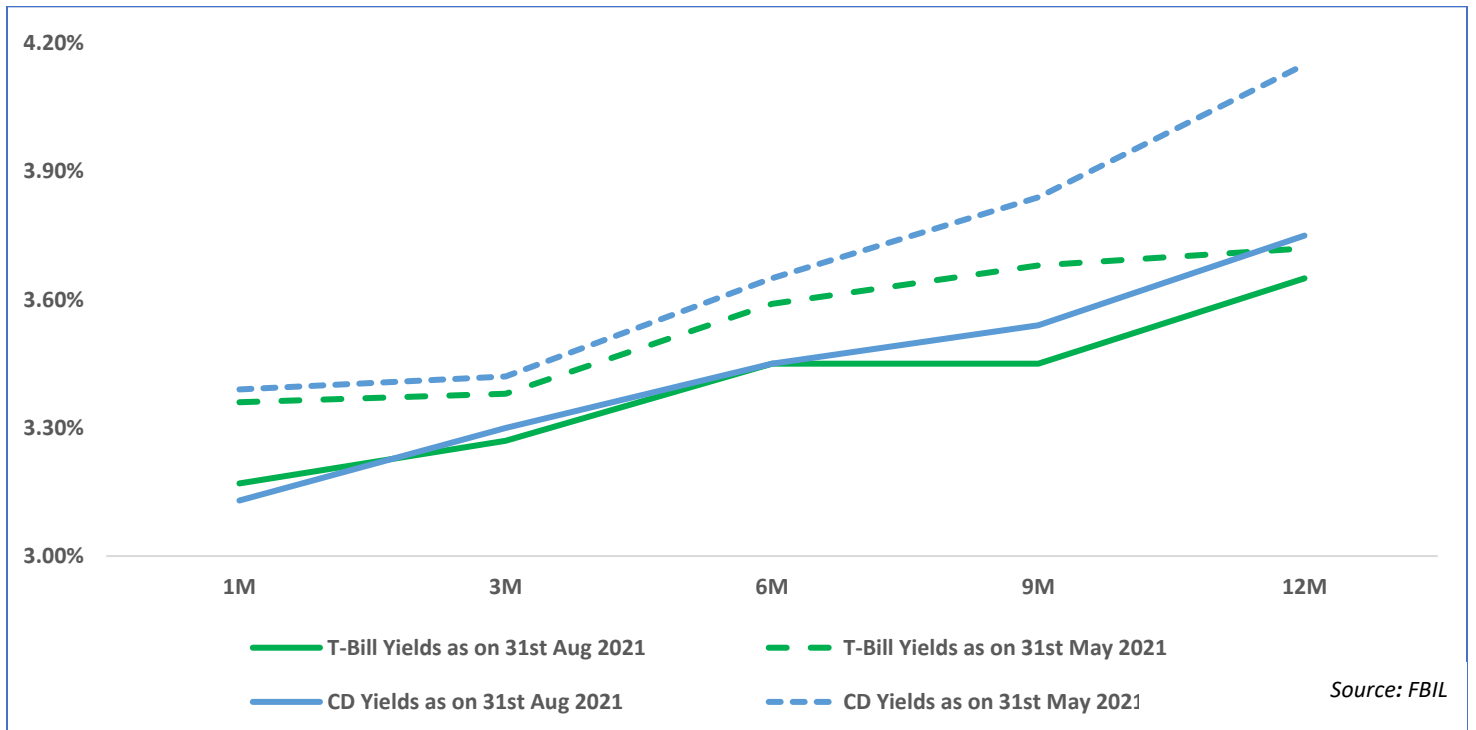
*Based on current market scenario. Strategy is subject to change without notice.

Investment in Ultra Short Term Fund- Rationale

The fund is running an accrual strategy. The Fund would be a good opportunity for investors looking to invest in a high-quality, accrual-based portfolio with a 3-6-month horizon.

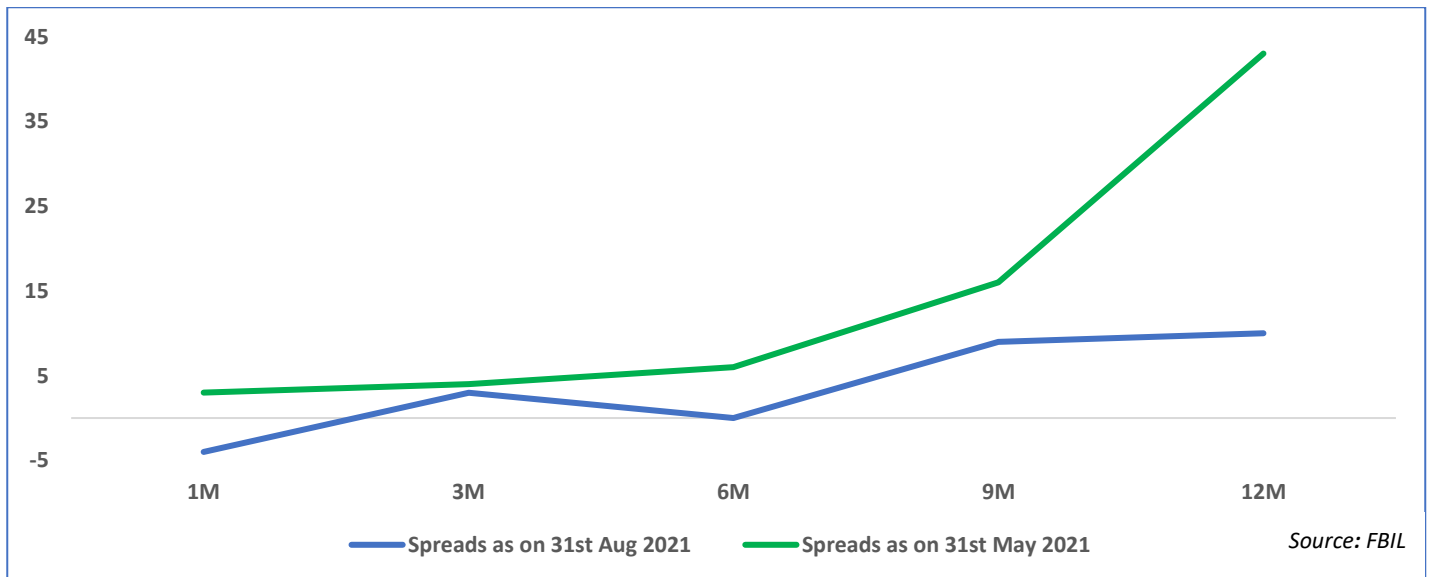
Yields and Spread Movements: May to Aug 2021

Yield Movements



- Yields of T-Bills in the 0–3-month segment fell by ~10-20 bps and by ~15-25 bps in the 6-9-month segment. Yields fell by ~10 bps in the 12-month segment.
- CD yields in the 0-6 -month segment fell by ~10-25 bps and by ~30-40 bps in the 9-12-month segment.

Spread Movements



- Spreads in the 0-9-month segment fell by ~0-10 bps
- Spreads in the 12-month segment compressed by ~33 bps.

Debt Outlook

- Growth Impulse continue to remain strong with GST collection coming at Rs 1.16 Lakh crores.
- Corporate profitability has improved, and activity levels have picked up in many industries to pre pandemic levels.
- We expect markets to be rangebound in the coming months.
- RBI in its monetary policy has indicated premature withdrawal of accommodative stance is not warranted when growth is still fragile. RBI has indicated its intent to withdraw excess liquidity in the coming months by hiking 14-day variable repo rate auction from 2 Lakh to 4 Lakh crores.
- Economic data is expected to improve sequentially in the coming months allowing for partial withdrawal of excess liquidity in the system. Hiking of Reverse Repo Rates is expected to commence in the first half of the next calendar year. Hiking of Repo Rates is expected in the second half of the next calendar year.

Yields and Spreads Movements

Yield Movements

Instrument	Yields as on 31 st Aug 2021	Yields as on 31 st May 2021	Change Between May-August (bps)
1 Month CD	3.13%	3.39%	-26
1 Month T-Bill	3.17%	3.36%	-19
3 Month CD	3.30%	3.42%	-12
3 Month T-Bill	3.27%	3.38%	-11
6 Month CD	3.45%	3.65%	-20
6 Month T-Bill	3.45%	3.59%	-14
9 Month CD	3.54%	3.84%	-30
9 Month T-Bill	3.45%	3.68%	-23
12 Month CD	3.75%	4.15%	-40
12 Month T-Bill	3.65%	3.72%	-7

Source: FBIL

Spread Movements

Instrument	Spreads over G-Secs on 31 st August 2021 (bps)	Spreads over G-Secs on 31 st May 2021 (bps)
1 Month CD	-4	3
3 Month CD	3	4
6 Month CD	0	6
9 Month CD	9	16
12 Month CD	10	43

Source: FBIL

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