

TATA BANKING & PSU FUND- AUGUST 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

Data as on 31st July 2021

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

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

About the Fund

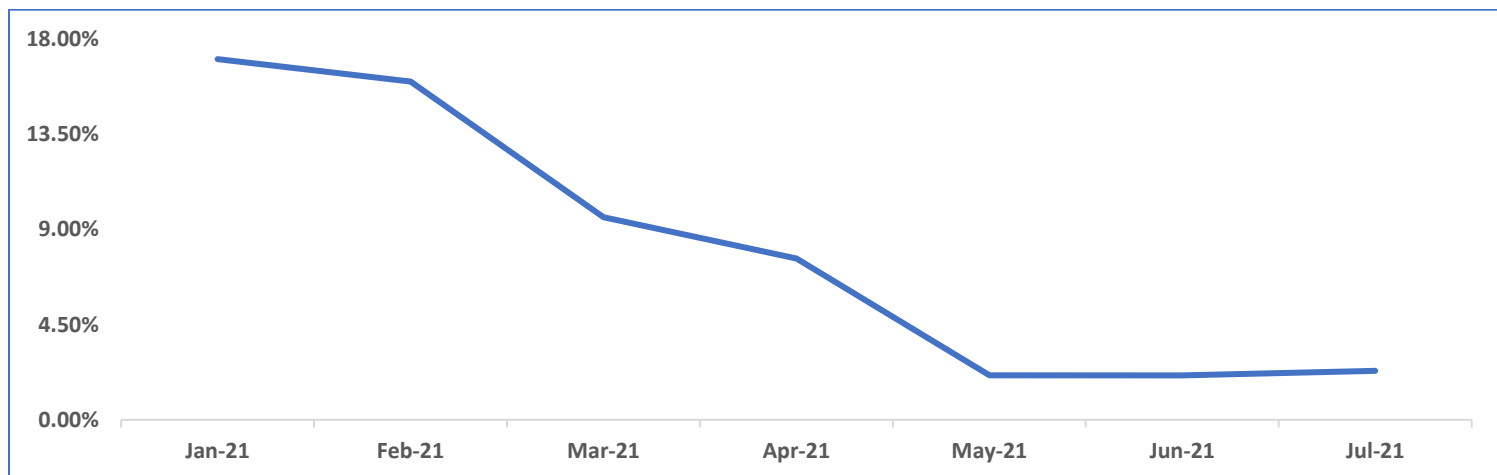
- The investment objective of the fund is to generate regular income/appreciation over the short-term.
- The Fund endeavors to create a liquid portfolio of debt as well as money market instruments to provide reasonable returns and liquidity to investors.

Fund Commentary

As on 31st July 2021, the fund has ~88% in instruments from SOV or AAA-rated issuers and ~5% in A1+ papers. ~19% of the portfolio is invested in G-Secs and SDLs, ~57% in PSU bonds & debentures, 14% in bonds issued by banks, ~6% in Certificates of Deposit and ~4% in cash & equivalents.

The fund has shifted allocations towards AAA-PSU bonds, increasing from ~42% in February-21 to ~57% in July-21. The fund will continue to focus on accruals.

Allocation to AT-1 Bonds



The fund has significantly reduced exposure to AT-1 Bonds from ~17% in Jan-21 to ~2% in July 2021. Call dates of these bonds in the portfolio are under 9 months away.

Fund Overview

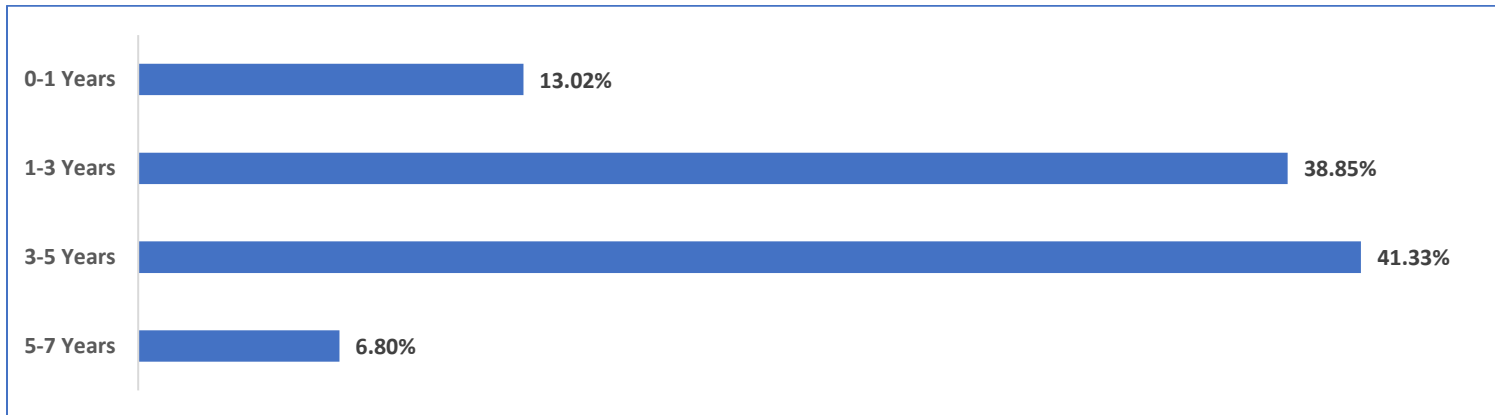
Ratings-wise Breakdown of the Portfolio

Scheme	Cash & Equivalents	SOV	AAA	AA+	A1+	Total
Tata Banking & PSU Debt Fund	3.96%	19.16%	69.01%	2.32%	5.55%	100%

Instrument-wise Breakdown of the Portfolio

Scheme	Cash & Equivalents	G-secs	SDLs	PSU Bonds	Total	Instruments Issued by Banks	Grand Total
Tata Banking & PSU Fund	3.96%	14.37%	4.79%	57.02%	80.14%	19.86%	100%

Maturity-wise breakdown of the Portfolio



Fund Metrics

Average Maturity	Macaulay Duration	YTM
3.21 Years	2.74 Years	5.35%

Current Portfolio Strategy*

Maturity	Liquidity	Accrual	Portfolio Quality
<ul style="list-style-type: none"> •The portfolio is biased towards the short to medium term with ~52% of the portfolio in the 0-5 year segment and ~41% in the 3-5 year segment. 	<ul style="list-style-type: none"> •Portfolio is highly liquid, with ~19% in G-Secs, ~57% in AAA-PSUs and ~6% in CDs. 	<ul style="list-style-type: none"> •The YTM of the portfolio is 5.35% 	<ul style="list-style-type: none"> •The portfolio is comprised of ~77% assets in AAA-rated issuers •Fund has ~19% assets invested in G-Secs/SDLs

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

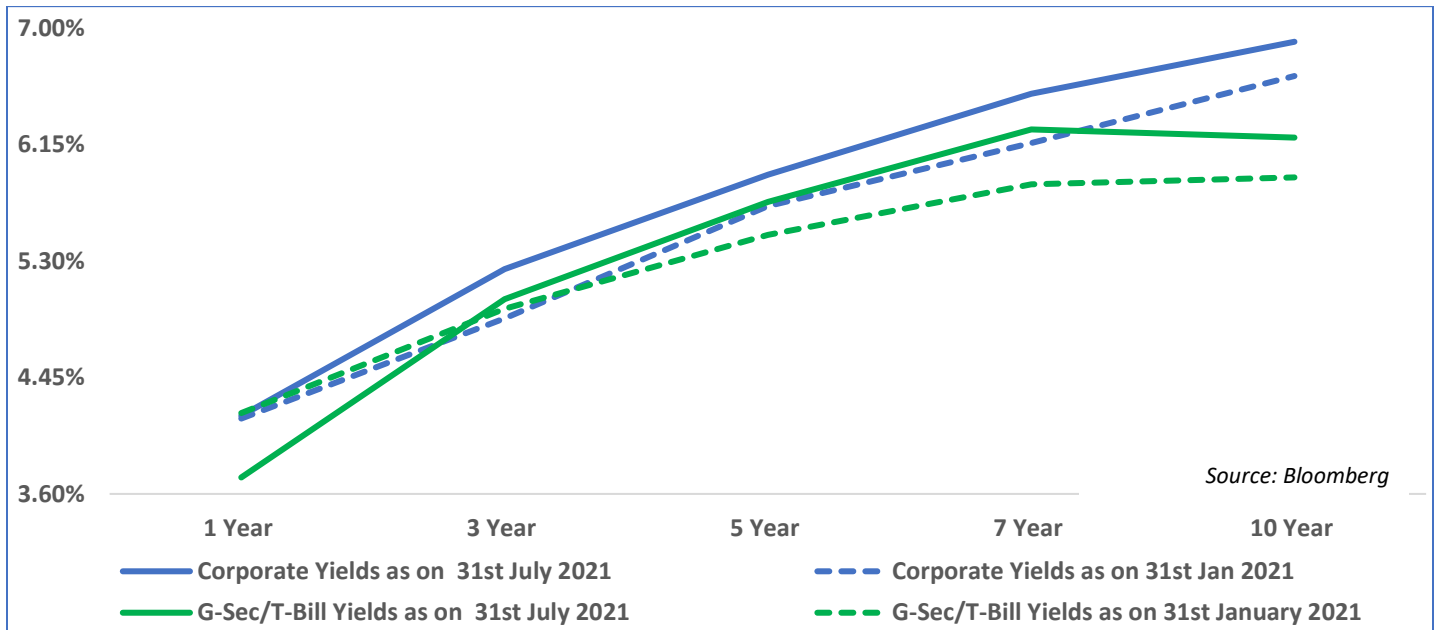
Investment in Tata Banking & PSU Debt Fund- Rationale

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. RBI is expected to cap 10-year yields at the 6.25% level at the present juncture. They want growth to be sustainable and durable before allowing yields to move up.

The Tata Banking & PSU Debt Fund would be a good opportunity for investors looking to invest with a 2-3-year investment horizon.

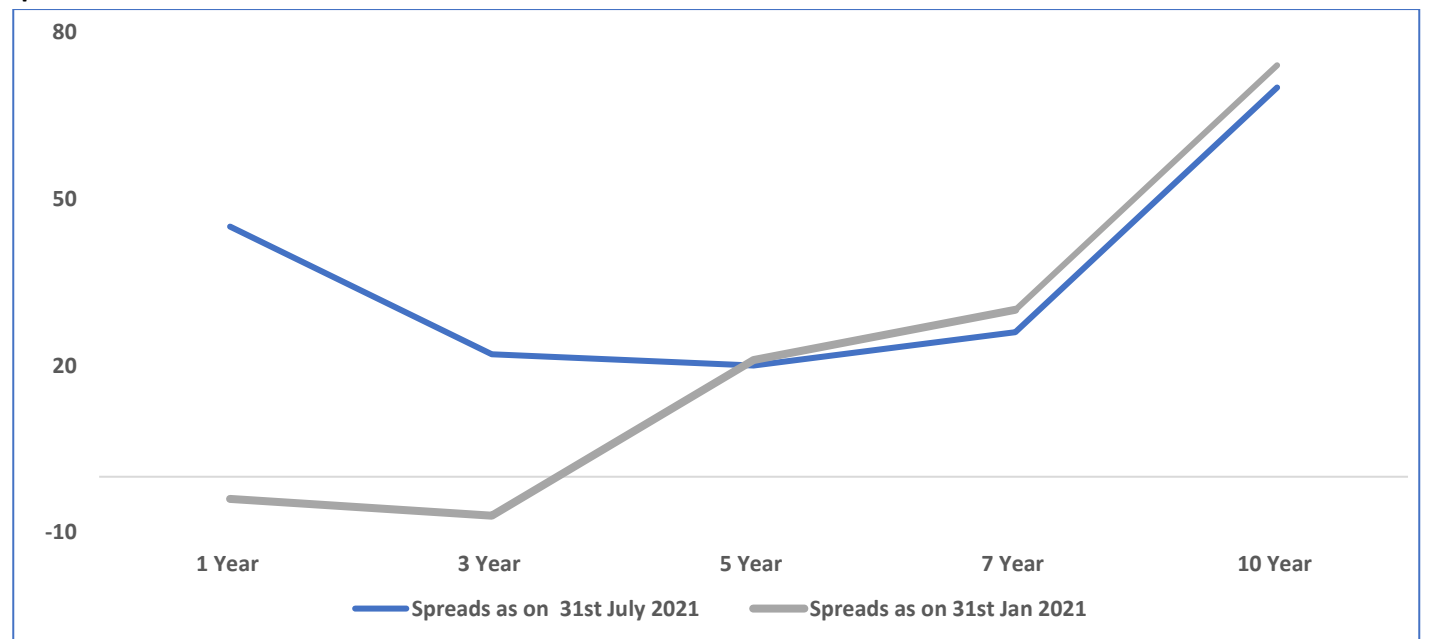
Movement of Yields and Spreads: January-2021 to July-2021

Yield Movements



- Corporate Bond yields in the 1-year segment remained stable, while yields in the 3–10-year segment rose by ~20-35 bps
- G-Sec yields in the 1-year segment fell by ~50 bps, rose by 5-25 bps in the 3–5-year segment and by ~30-40 bps in the 7-10-year segment.

Spread Movements



- Spreads in the 1-3 segment widened by ~30-50 bps
- Spreads in the 5–10-year segment remained stable as G-Sec and Corp yields moved up in tandem in this segment

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 with an upward bias in yields 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 sequential improve 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 yea, hiking of repo rates in the second half of the calendar year.

Yield and Spreads

Yield Movements

Instrument	Yields as on 31st July 2021	Yields as on 31 st January 2021	Change between Jan-21 to-July 21
1 Year AAA PSU	4.17%	4.15%	2
1 Year G-Sec	3.72%	4.19%	-47
3 Year AAA PSU	5.24%	4.88%	36
3 Year G-Sec	5.02%	4.95%	7
5 Year AAA PSU	5.93%	5.70%	23
5 Year G-Sec	5.73%	5.49%	24
7 Year AAA PSU	6.52%	6.16%	36
7 Year G-Sec	6.26%	5.86%	40
10 Year AAA PSU	6.90%	6.65%	25
10 Year G-Sec	6.20%	5.91%	29

Source: Bloomberg

Spread Movements

Instrument	Spreads over G-Secs on 31 st July 2021 (bps)	Spreads over G-Secs on 31 st January 2021 (bps)
1 Year AAA (PSU)	45	-4
3 Year AAA (PSU)	22	-7
5 Year AAA (PSU)	20	21
7 Year AAA (PSU)	26	30
10 Year AAA (PSU)	70	74

Source: Bloomberg

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