TATA SHORT TERM BOND FUND- AUGUST 2021 UPDATE

(An open-ended short-term debt scheme investing in instruments such that the Macaulay Duration of portfolio is between 1 year and 3 years.)

For External Circulation

All Data as on 31st July 2021

(The scheme has 1 segregated portfolio which was created under Tata Corporate Bond Fund. Main portfolio Tata Corporate Bond Fund was merged with Tata Short Term Bond Fund w.e.f. 14th December 2019).

This product is suitable for investors who are seeking*:

- Regular Fixed Income for Short Term.
- 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 Low to 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 to medium 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

The portfolio's performance with respect to the benchmark in the past year can be attributed to the average maturity, higher allocation to Government securities and quality of the portfolio.

Since Jan-21, the fund has reduced its average maturity from the ~3-year levels to ~2-year levels in July-21 as yields have risen across maturities. In the past 6 months, the fund maintained a significantly higher allocation to G-Secs compared to the benchmark. The portfolio had overweight positions in CDs and while being underweight in CPs. The fund is absent in sub-AAA rated papers.

The fund was under-weight in AAA papers, but with greater exposure to PSU papers. This caused fund YTM to be lower as the fund invested in papers with relatively lower credit risk. The overweight position in money market instruments had a positive impact on the fund performance.

Fund Overview

Ratings-wise breakdown of the portfolio

Scheme	Cash & Equivalents	SOV	AAA	A1+	Total
Tata Short Term Bond Fund	4.30%	28.33%	53.01%	14.36%	**100%**

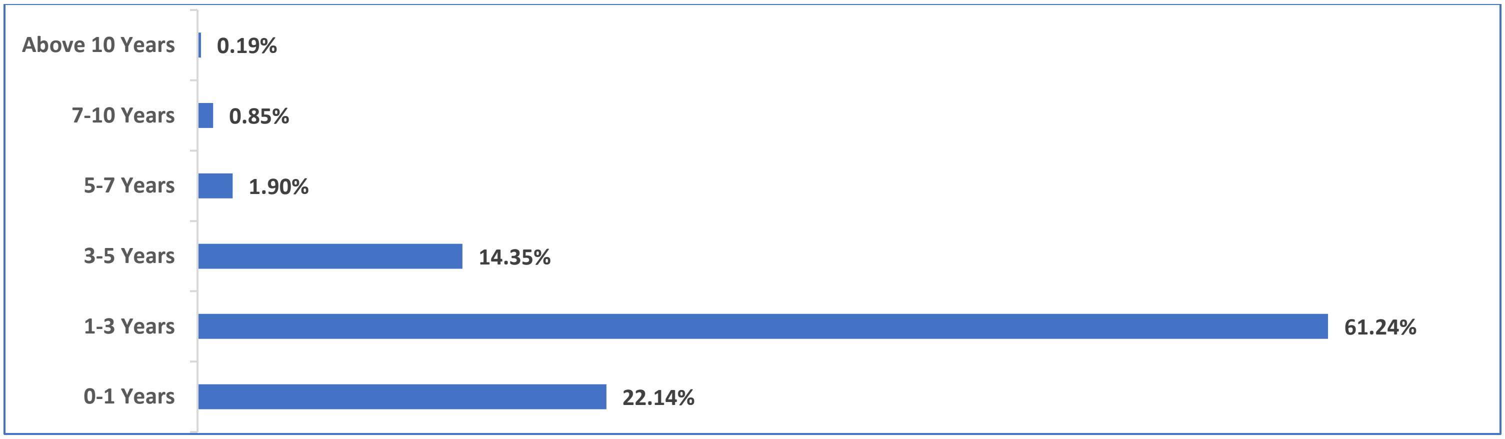
Instrument-wise breakdown of the portfolio

Scheme	Cash & Equivalents	G-secs	CD	CP	T-Bill	PSU Bonds	Total	Non-PSU Bonds	Grand Total
Tata Short Term Bond Fund	4.30%	28.16%	5.18%	9.19%	0.17%	34.15%	**81.13%**	18.87%	**100%**

Fund Metrics

Average Maturity	Macaulay Duration	YTM
2.02 Years	1.85 Years	4.76%

Maturity-wise breakdown of the Portfolio



Current Portfolio Strategy*

Maturity	Liquidity	Accrual	Portfolio Quality
• The portfolio is biased towards short term instruments with ~83% in the 0-3 year segment and ~16% in the 3-7 year segment	• Portfolio is highly liquid, with ~14% in money market instruments, ~28% in G-Secs & T-Bills and ~34% in AAA-PSU bonds.	• The YTM of the portfolio is 4.76%	• The portfolio comprises of ~67% in AAA/A1+ rated securities • Fund has ~28% assets invested in SOV papers

Due to second wave of Covid-19, Rate hike expectation have been pushed into next financial year provided we do not have a severe third wave and we are able to vaccinate majority of the population. The fund manager has reduced maturity and duration as yields have risen.

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

Allocation to G-Secs in the Portfolio

RBI has been conducting Government Securities Acquisition Program (GSAP) in March-July 2021 and OMO operations to keep interest rates low. RBI Governor has stated he take unconventional and conventional 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.

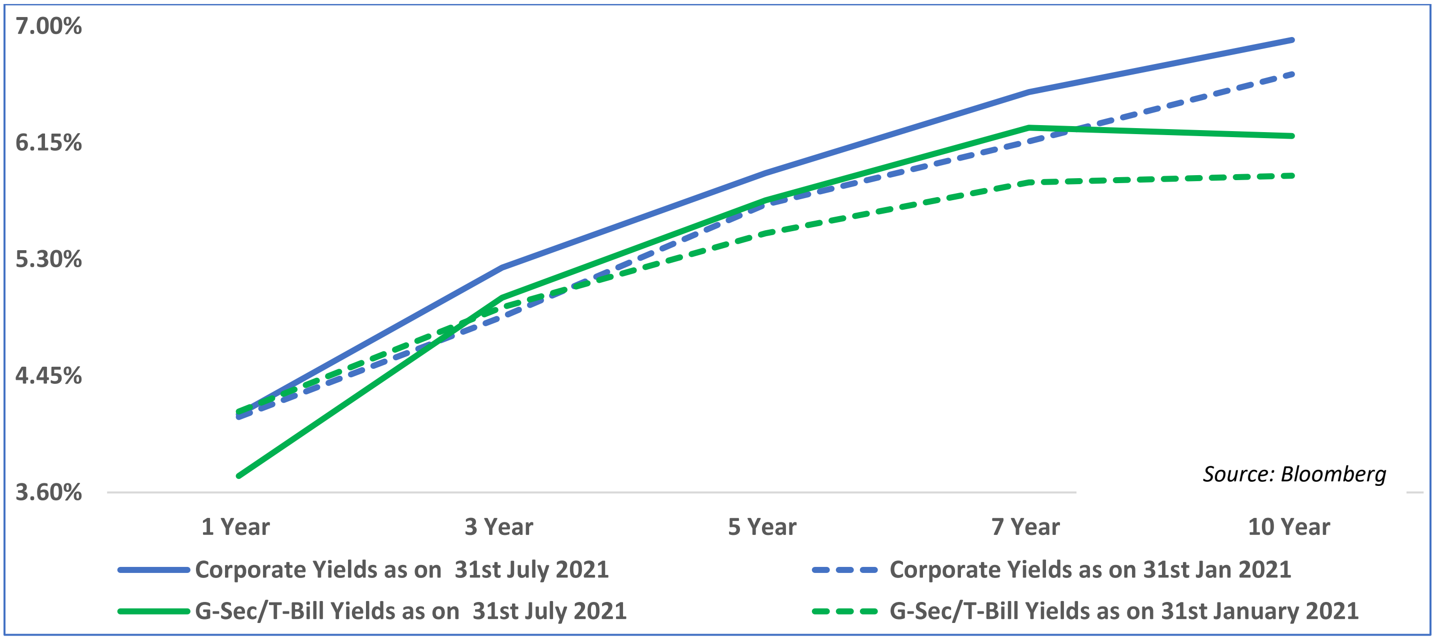
Investment in Tata Short Term Bond Fund- Rationale

- Maturities are biased towards high quality and 0-5-year papers. The fund is biased towards safer instruments given domestic and global uncertainties. The fund is positioned to predominantly generate accrual returns from high quality bonds and G-Secs.

- Fund is suitable for investors looking for an accrual-based portfolio for a ~2-year investment horizon.

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

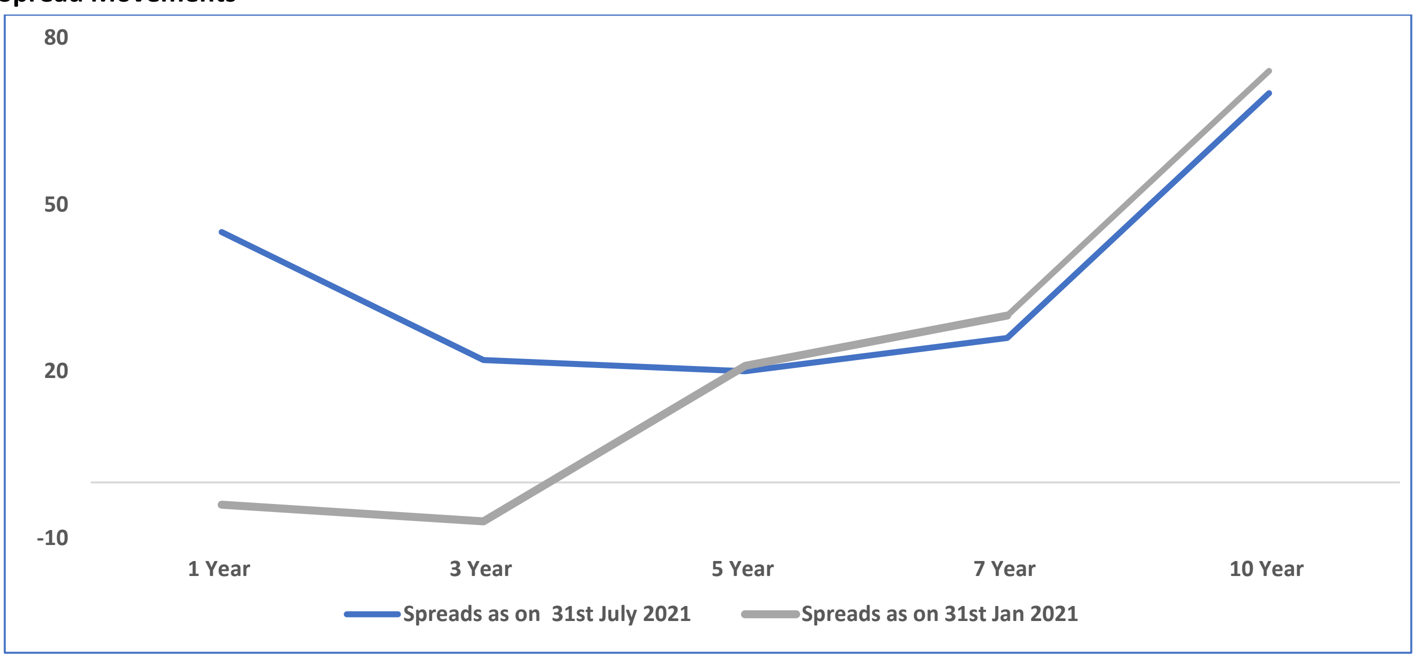
Yield Movements



- 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 31st 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 31st July 2021 (bps)	Spreads over G-Secs on 31st 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