TATA MONEY MARKET FUND- JULY 2021 UPDATE

(An open-ended debt scheme investing in Money Market instruments)

TATA MUTUAL FUND

For External Circulation

Data as on 30th June 2021

This product is suitable for investors who are seeking*:

- Regular Income Over Short Term.
- Investment in Money Market Instruments.

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

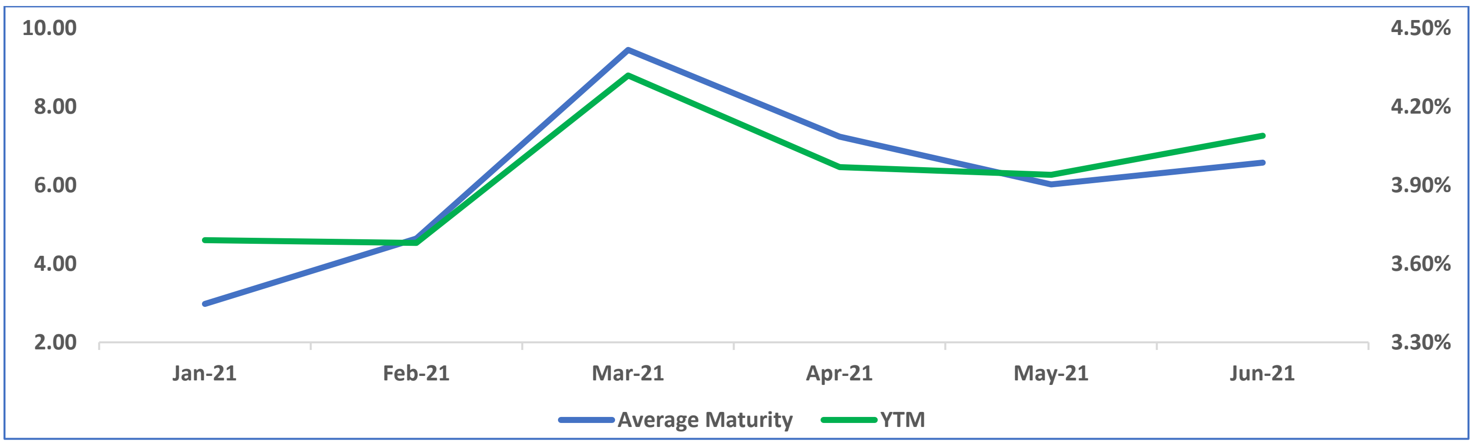
Mutual Fund Investments are subject to market risk, read all scheme related documents

Fund Overview

The investment objective is to generate returns for the unitholders by investing in money market instruments. The fund endeavors to generate returns predominantly from accrual income through a portfolio of highly liquid money market securities.

Fund Commentary

The fund holds a high-quality portfolio of assets, with ~29% in G-Secs and T-bills and ~70% in A1+ rated instruments. The fund has ~24% of assets in G-secs, ~5% in T-bills, ~23% in Certificates of Deposit and 47% in Commercial Papers.



The fund increased its average maturity and yield position in the first three months to the ~9.50-month levels and then reduced it to the current ~6.50-month levels.

We had expected 6-12 month yields to fall in the first quarter of FY22 and had increased average maturity of the portfolio. The fund thus benefited from MTM gains in the months of April and May. The fund had sharply reduced average maturity in April-21 and has been gradually reducing it since.

Ratings-wise breakdown of the portfolio

Scheme	SOV	A1+	Cash & Equivalents	Total
Tata Money Market Fund	29.02%	69.86%	1.12%	**100%**

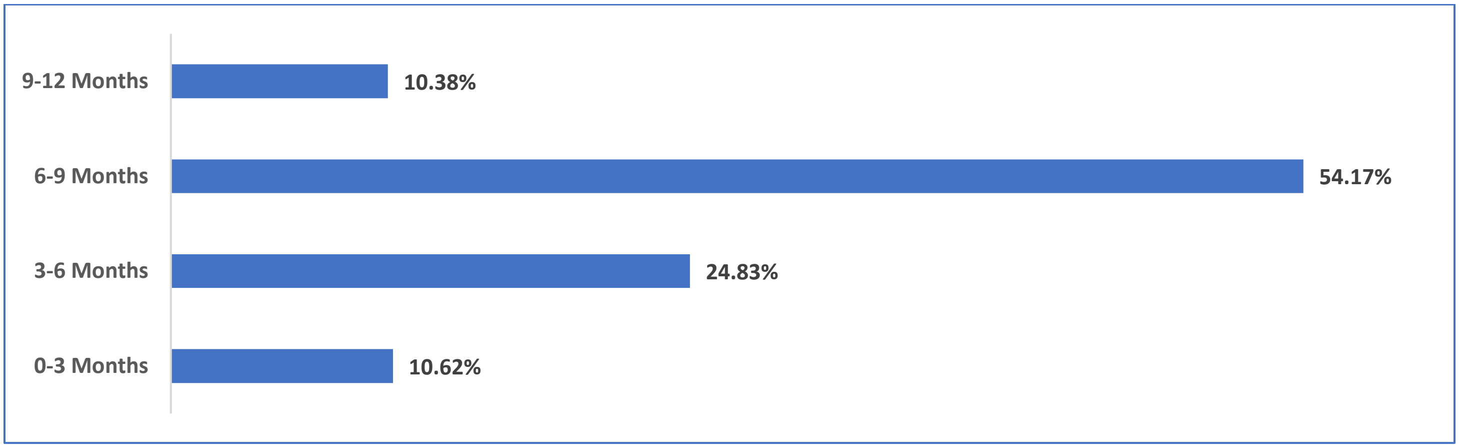
Instrument-wise breakdown of the portfolio

Scheme	G-Secs & SDLs	T-Bills	CD	CP	Cash & Equivalents	Total
Tata Money Market Fund	23.56%	5.46%	22.70%	47.16%	1.12%	**100%**

Fund Metrics

YTM	**4.08%**
Average Maturity	**6.70 Months**

Maturity Profile



Current Portfolio Strategy*

Maturity

- The portfolio invests in instruments with maturity up to 1 year
- Portfolio is biased towards instruments maturing in Jan-March 2022

Liquidity

- Portfolio is very liquid, with ~24% of the portfolio in G-Secs& SDLs, 6% in T-Bills, ~23% in Certificates of Deposit and ~8% in PSU CPs.

Accrual

- The YTM of the portfolio is 4.08%

Portfolio Quality

- ~41% of the portfolio is from issuers with long term AAA ratings and ~29% is in SOV-rated papers.

*Based on current market conditions and may change in the future

Allocation to G-Secs

The fund has taken significant allocation to G-Secs. G-Sec & T-Bills will remain part of the core portfolio, to impart liquidity as well as trading opportunities.

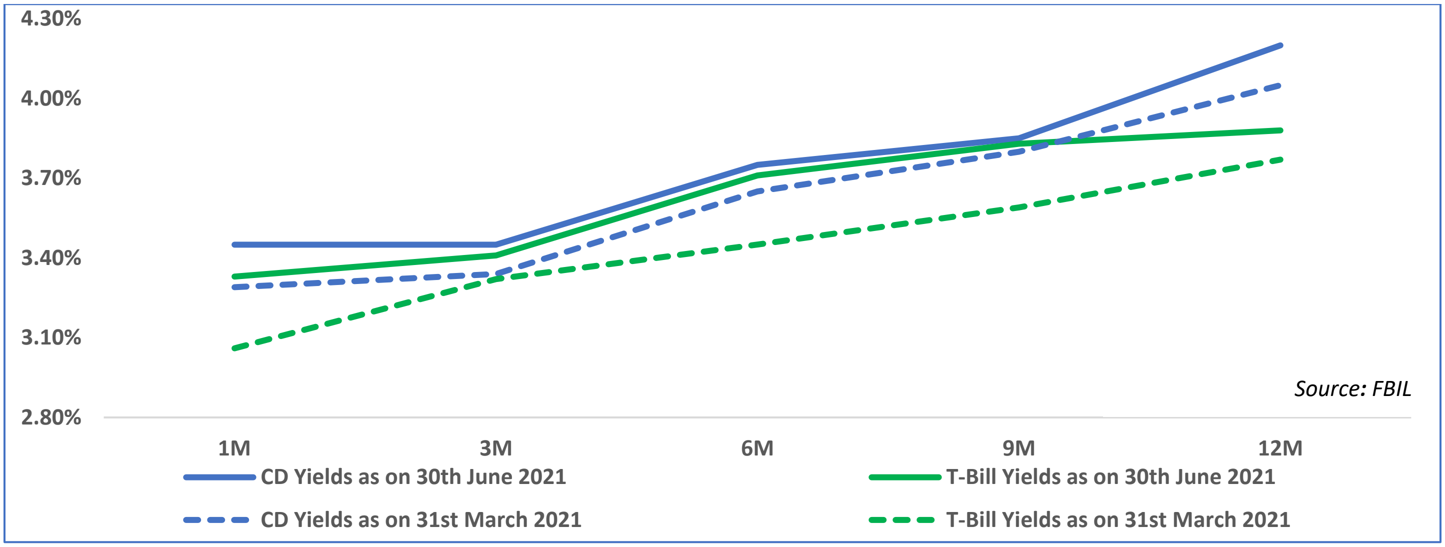
The fund has significant allocations to G-Secs maturing in 5-8 months. We find that with the fall in spreads, the risk-reward proposition of SOV papers have improved.

Why Invest in the Tata Money Market Fund?

Yields of medium to long term money market instruments (6-12 months) are currently at suitable levels and thus it offers an opportunity to invest in a high-quality portfolio that endeavors to generate returns primarily through accruals.

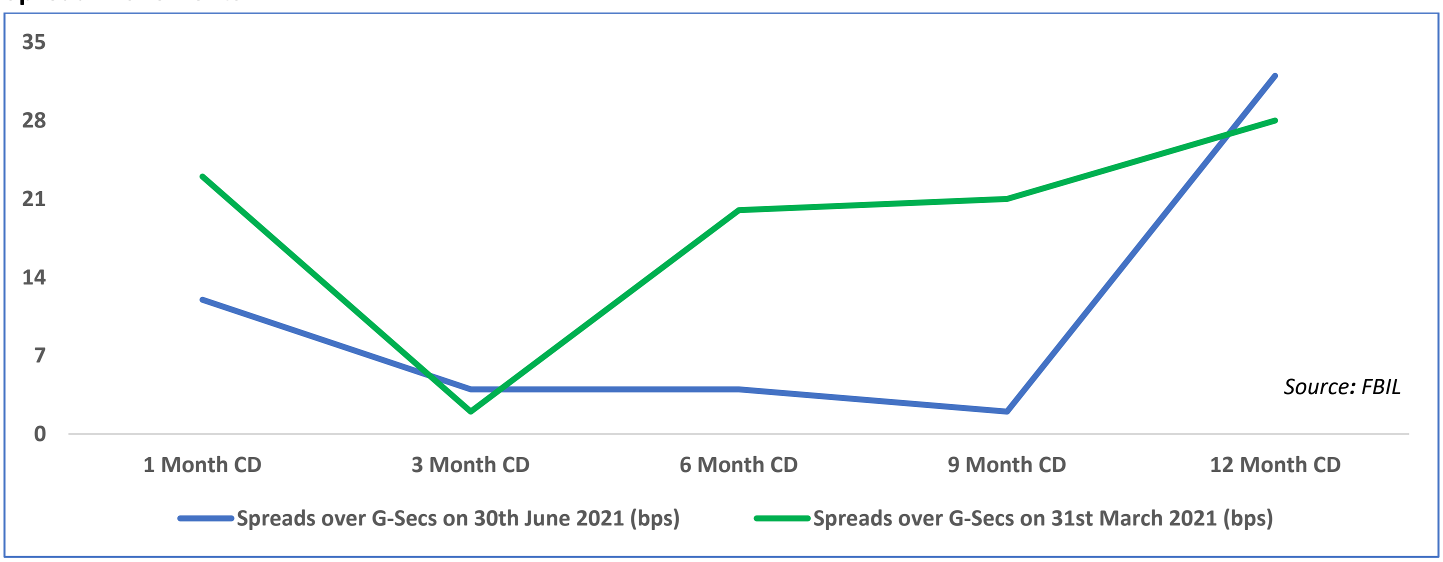
Yields and Spread Movements: March to June 2021

Yield Movements



- Yields of CDs in the 0–6-month segment rose by 10-15 bps and by ~15 in the 12-month segment
- T-Bill yields in the 1-month and 6–9-month segment rose by ~25 bps and by ~10 bps in the 3 and 12-month segment

Spread Movements



- Spreads in the 1-month segment fell by ~10 bps and by ~15-20 bps in the 6–9-month segment.
- Spreads in the 3-month and 12-month segment remained relatively stable.

Debt Outlook

- The recovery of the Indian economy seems to be pushed back due to the second wave of the pandemic, which has seen record level of infections and deaths. 40 % to 50 % of the population is likely to get vaccinated in the next 6 months, in the best-case scenario.

- We expect RBI to intervene decisively, especially in the short end of the yield curve to support bond prices.

- RBI would like to be sure of growth impulses getting firmly entrenched before it starts withdrawing its accommodative monetary policy stance. RBI would also like to guard against the third wave of covid in India which has engulfed countries like Australia, UK.

- Global macro-economic environment continues to be growth positive, with most advanced economy expected to start withdrawing monetary accommodation from next year onwards. The US is expected to at the forefront with Federal Reserve expected to hike rates in the second half of 2023.

- Additional borrowing for GST compensation cess and stimulus package announced by the government is expected to happen in less than 7-year segment.

Yields and Spreads Movements

Yield Movements

Instrument	Yields as on 30th June 2021	Yields as on 31st March 2021	Change Between Mar-June (bps)
1 Month CD	3.45%	3.29%	16
1 Month T-Bill	**3.33%**	**3.06%**	27
3 Month CD	3.45%	3.34%	11
3 Month T-Bill	**3.41%**	**3.32%**	9
6 Month CD	3.75%	3.65%	10
6 Month T-Bill	**3.71%**	**3.45%**	26
9 Month CD	3.85%	3.80%	5
9 Month T-Bill	**3.83%**	**3.59%**	24
12 Month CD	4.20%	4.05%	5
12 Month T-Bill	**3.88%**	**3.77%**	25

Source: FBIL

Spread Movements

Instrument	Spreads over G-Secs on 30th June 2021 (bps)	Spreads over G-Secs on 31st March 2021 (bps)
1 Month CD	12	23
3 Month CD	4	2
6 Month CD	4	20
9 Month CD	2	21
12 Month CD	32	28

Source: FBIL

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