

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of portfolio is between 6 months & 12 months)

The scheme has 1 segregated portfolio

For External Circulation

Data as on 15<sup>th</sup> June 2021

**This product is suitable for investors who are seeking\*:**

- Regular Fixed Income for Short Term.
- Investment in Debt & Money Market Instruments.

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

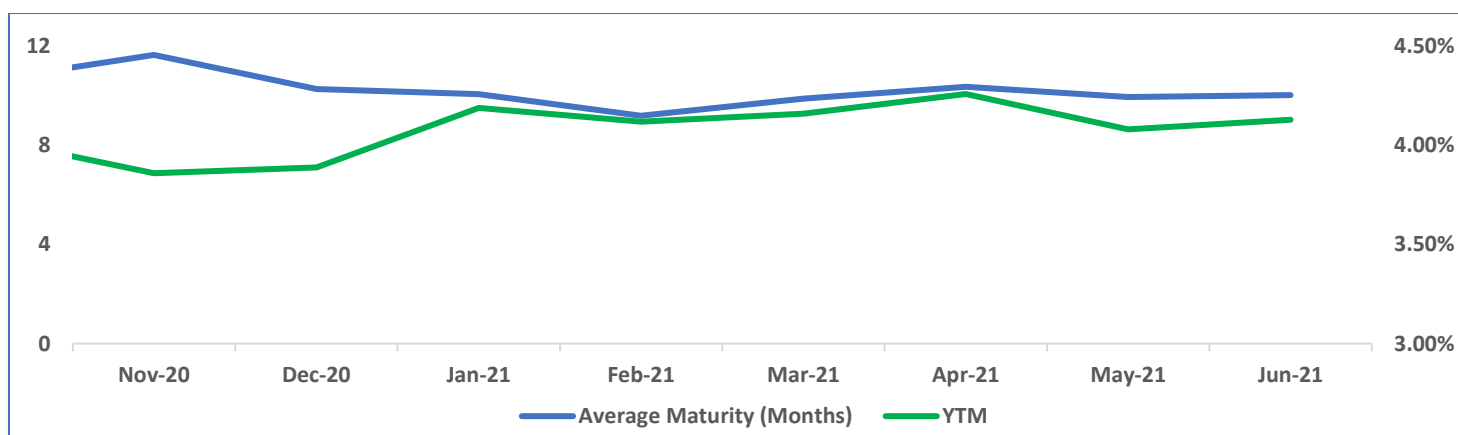
**Mutual Fund investments are subject to market risk, read all scheme related documents carefully**

## About the Fund

The Scheme will invest in various money market & fixed income securities with objective of providing liquidity & generating reasonable returns with lower interest rate risk. The fund maintains a duration in the range of 6-12 months.

## Fund Commentary

- The fund looks to build accrual income by adding papers with short term A1+ rating but long-term rating below AAA (~11% of the portfolio). The balance ~82% of the portfolio is of high quality with all issuers with ratings of SOV or AAA.



- In the past few months, the fund has kept its average maturity. However, the fund manager has increased allocations to AAA bonds from 33% in Dec-20 to 48% in June-21, while reducing allocations to A1+ papers from 45% to 27%.
- The current spreads in longer tenure papers are attractive and given the duration segment of the fund, it is strongly placed to take advantage of the term premium (the amount by which the YTM of a long-term bond exceeds that of a shorter-term bond) in the 3-5-year maturity papers.
- In comparison with the benchmark, the fund is overweight in SOV papers, AAA-bonds, and CDs, while being significantly underweight in CPs. Fund performance was aided by overweight allocations to AAA and SOV papers.

## Fund Overview

### Ratings-wise breakdown of the Portfolio

Cash & Cash Equivalents	SOV	AAA	A1+	Total
6.53%	15.55%	50.41%	27.52%	<b>100%</b>

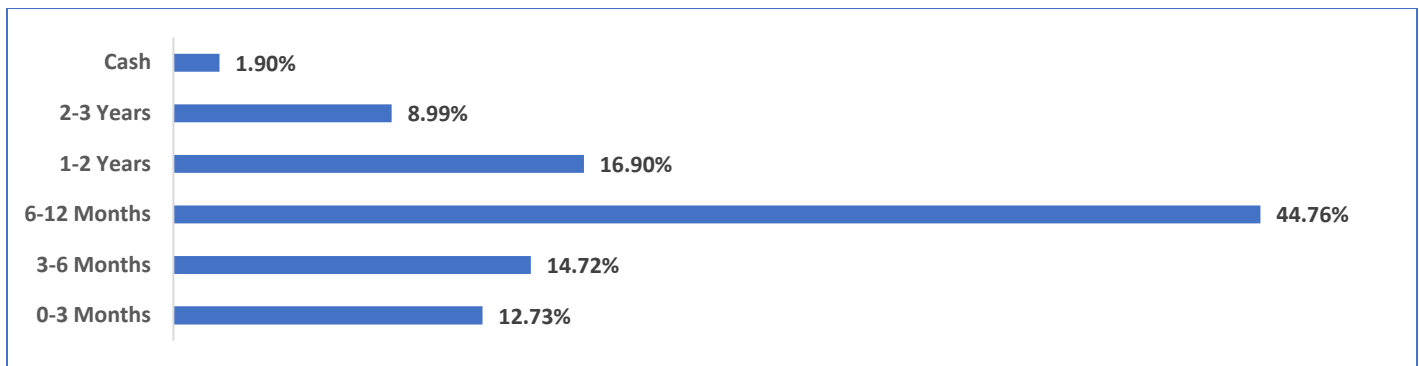
### Instrument-wise breakdown of the Portfolio

Cash & Equivalents	G-Secs	SDLs	AAA-PSU	AAA Non-PSU Bonds	CD	CP	Total
6.53%	9.03%	6.52%	32.97%	17.44%	13.45%	14.07%	<b>100%</b>

### Fund Metrics

YTM	Average Maturity	Macaulay Duration	Modified Duration
<b>4.13%</b>	<b>10.04 Months</b>	<b>9.75 Months</b>	<b>9.43 Months</b>

### Maturity Profile of the Portfolio



### Current Portfolio Strategy\*

Maturity	Liquidity	Accrual	Portfolio Quality
<ul style="list-style-type: none"> <li>Portfolio is biased towards short term instruments, with ~27% allocation in 0-6 months segment and ~51% in the 6-12 month segment.</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio is liquid, with ~33% of the portfolio in AAA-PSUs, ~16% in SOV papers and ~28% in CDs and CPs.</li> </ul>	<ul style="list-style-type: none"> <li>The fund runs an accrual strategy</li> <li>The YTM of the portfolio is 4.13%</li> </ul>	<ul style="list-style-type: none"> <li>The portfolio is of a very high quality, with ~16% in SOV papers, ~50% in AAA bonds and ~28% in A1+ papers.</li> <li>16% of A1+ rated papers are from AAA issuers</li> </ul>

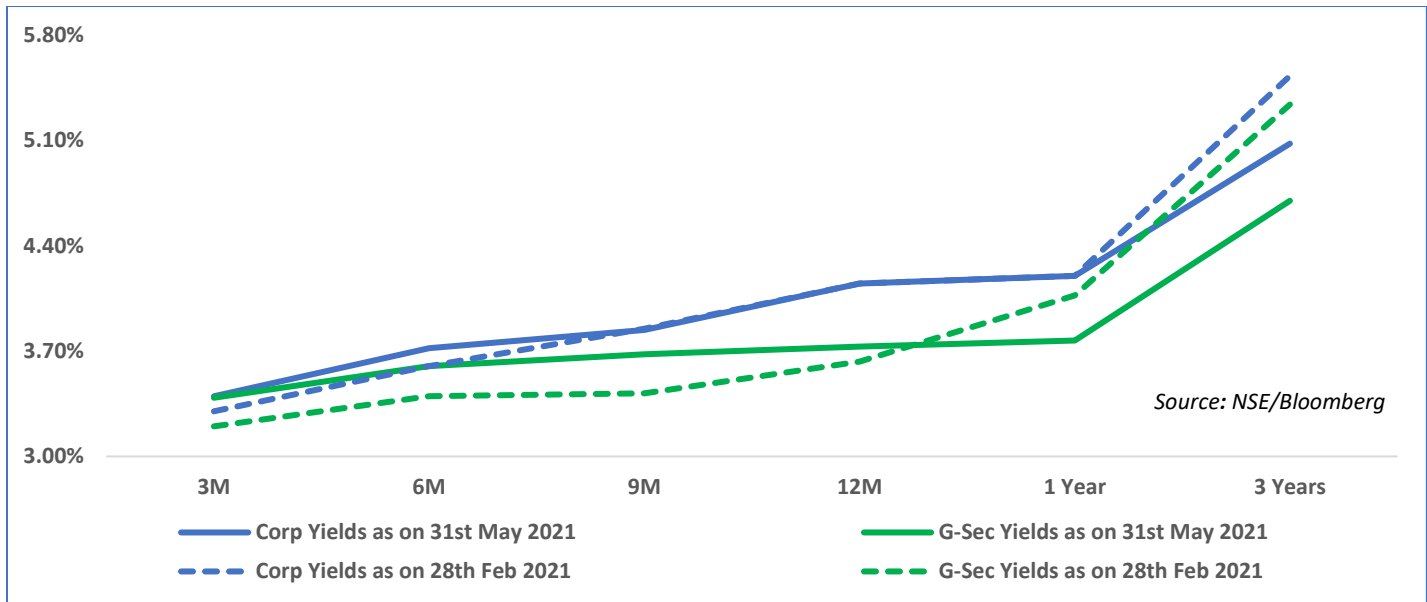
\*Based on current market scenario. Strategy is subject to change without notice.

### Investment in Tata Treasury Advantage Fund- Rationale

The fund is running an accrual strategy. The fund will also look to exploit opportunities where there is a scope for rating upgrade and thereby possible price appreciation to add capital gains in addition to accrual income. The Fund would be a good opportunity for investors looking to invest in a high-quality, accrual-based portfolio with a 6-12-month horizon.

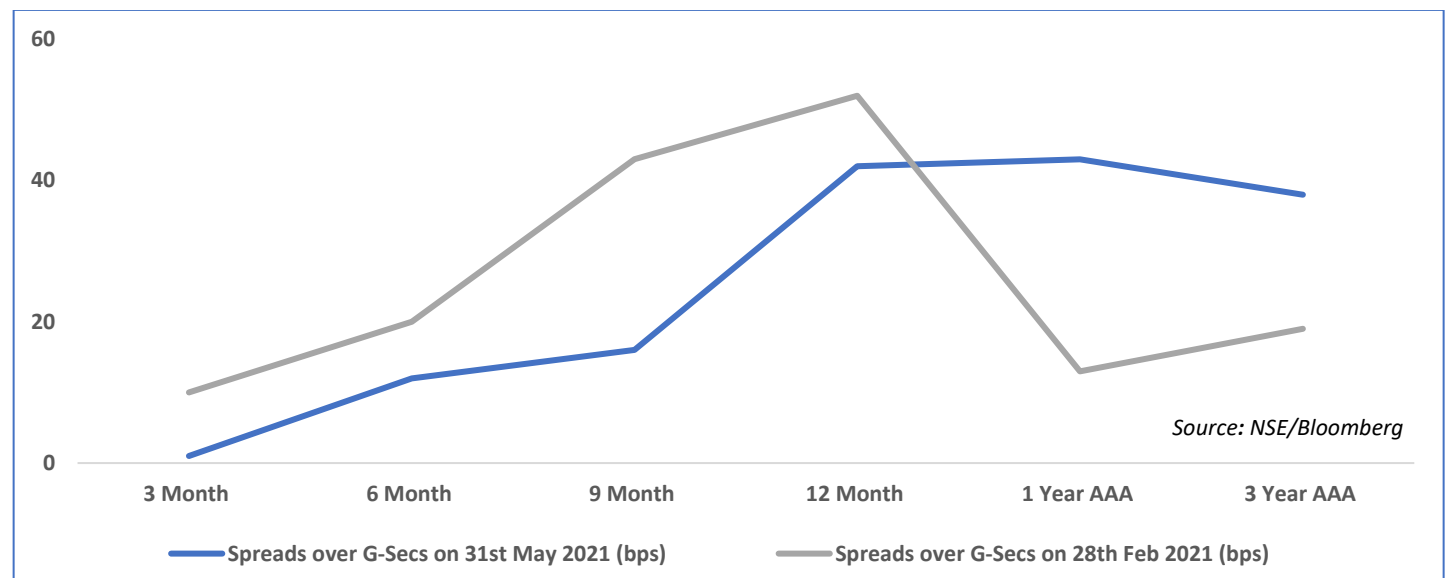
## Movement of Yields and Spreads

### Recent Yields Movements



- In the past 3 months, yields of CDs in the 0–6-month segment rose by 10-12 bps and remained stable in the 6–12-month segment. Yield in the 3-year segment rose by ~45 bps.
- T-Bill yields rose by ~10-25 bps in the past 3 months, while G-Sec yields fell to a significant extent.

### Recent Spread Movements



- Spreads of CDs over T-Bills in the 0-12-month segment compressed by 10-25 bps
- Spreads in the 1–3-year segment widened by ~20-30 bps as G-Sec yields fell to a greater extent than corporate yields.

## 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 should take another 6 months, in the best-case scenario.
- The economy is expected to improve from the second half onwards provided we do not have a third wave. Given weak consumer sentiments and high leverage of household full recovery of economy is expected only in the next financial year.
- With latest inflation print surprisingly high, we think policy setting complexity has increased. However, we expect RBI to continue with its growth supportive stance in near future while keeping a close eye on inflation.
- We are of view that policy stance change or direction change from its current accommodative position might be further away, but RBI could start to normalize excessive accommodation (liquidity and reverse repo setting) towards Q3/Q4 of FY22.

## Yields and Spreads Movements

### Yield Movements

Instrument	Yields as on 31 <sup>st</sup> May-2021	Yields as on 28 <sup>th</sup> Feb-2021	Change Between Feb-May 2021 (bps)
3 Month CD	3.40%	3.30%	10
<b>3 Month T-Bill</b>	<b>3.39%</b>	<b>3.20%</b>	<b>19</b>
6 Month CD	3.72%	3.60%	12
<b>6 Month T-Bill</b>	<b>3.60%</b>	<b>3.40%</b>	<b>20</b>
9 Month CD	3.84%	3.85%	-1
<b>9 Month T-Bill</b>	<b>3.68%</b>	<b>3.42%</b>	<b>26</b>
12 Month CD	4.15%	4.15%	0
<b>12 Month T-Bill</b>	<b>3.73%</b>	<b>3.63%</b>	<b>10</b>
1 Year AAA PSU	4.20%	4.20%	0
<b>1 Year G-Sec</b>	<b>3.77%</b>	<b>4.07%</b>	<b>-30</b>
3 Year AAA PSU	5.08%	5.53%	-45
<b>3 Year G-Sec</b>	<b>4.70%</b>	<b>5.34%</b>	<b>-64</b>

Source: NSE/Bloomberg

### Spread Movements

Instrument	Spreads over G-Secs on 31 <sup>st</sup> May 2021 (bps)	Spreads over G-Secs on 28 <sup>th</sup> Feb 2021 (bps)
<b>3 Month CD</b>	1	10
<b>6 Month CD</b>	12	20
<b>9 Month CD</b>	16	43
<b>12 Month CD</b>	42	52
<b>1 Year AAA (PSU)</b>	43	13
<b>3 Year AAA (PSU)</b>	38	19

Source: NSE/Bloomberg

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