

MONTHLY FACTSHEET

AUGUST 2020



Macro Economy & Event Update

- Global equity markets closed on a mixed note during the period under review and once again the COVID-19 pandemic was the *raison d'être*. Increase in coronavirus infection cases across the globe fuelled concerns of loss in income/employment, muted demand, reduced spending and subdued sentiment which led to worries that the coronavirus crisis may pulverize the global economy and plunge it into a deep recession. On the top of it, U.S. ordered China to close its consulate in Houston and China retaliated by ordering the U.S. to close its consulate in the western city of Chengdu which renewed fears of escalating tensions between U.S. and China. However, upbeat quarterly earning numbers of some of the big wigs in U.S. and an agreement among member countries of the European Union on a landmark stimulus package to combat the pandemic provided some support to the market sentiment.
- U.S. equity markets rose after member countries of the European Union agreed on a landmark stimulus package to fight the aftershocks of the COVID-19 pandemic. Upbeat quarterly earning numbers of some prominent companies also boosted market sentiments. However, record contraction of the U.S. economy in the second quarter of 2020 and persisting concerns over increase in coronavirus infection cases capped the gains.
- However, European equity markets fell as escalating tensions between U.S. and China dampened market sentiments. Persisting concerns over the COVID-19 pandemic also contributed to the downside.
- Asian markets closed the month on a mixed note. Optimism about a potential coronavirus vaccine and hopes of a gradual recovery from the COVID-19 pandemic boosted market sentiments. However, concerns over escalating tensions between U.S. and China and continued increase in coronavirus infection cases across the globe dampened investor risk sentiment.
- Back home, domestic equity markets extended its rally in Jul 2020 despite persisting concerns over COVID-19 pandemic as market participants remained optimistic of a coronavirus vaccine. Bond yields fell for the sixth consecutive month on hopes that the Reserve Bank of India (RBI) will come out with supportive measures to absorb the excess supply of sovereign debt from the market.
- Moving ahead markets will be dictated as to how quickly the pandemic is contained and till then the recovery is expected to be slow, steady and gradual. For the domestic economy the rebound might not be automatic as some structural issues exists that has somewhat worsened due to the pandemic which needs to be addressed in the aftermath of the pandemic to bring about a sustainable recovery.

Key Economic Indicators

Indicators	Current	Previous
WPI (Jun-20)	-1.81%	-3.21%
IIP (May-20)	-34.71%	-57.63%
CPI (Jun-20)	6.09%	6.27%

Source: Refinitiv

India's retail inflation rose 6.09% YoY in Jun 2020

- India's consumer price index-based inflation rose 6.09% YoY in Jun, majorly due to higher prices of food items. Consumer Food price index rose 7.87% while fuel and light index went up 2.69% in Jun 2020.

India's Index of industrial production (IIP) contracted 34.71% YoY in May 2020

- India's Index of industrial production (IIP) contracted 34.71% YoY in May 2020, slower than record fall of 57.63% in Apr 2020. Manufacturing sector contracted 39.32% in May 2020, compared with a massive fall of 67.12% in the prior month.

India witnessed its first trade surplus in over 18 years in Jun

- India witnessed its first trade surplus in over 18 years in Jun 2020. Trade surplus stood at \$0.79 billion in reported period compared with \$15.28 billion deficit in Jun 2019. Merchandise imports plunged 47.59% YoY in Jun 2020 to \$21.11 billion. Imports fell as the coronavirus pandemic hit domestic demand for crude oil, gold and other industrial products Exports dropped 12.41% YoY to \$21.91 billion.

India's fiscal deficit stood at Rs 6.62 lakh crore or 83.2% of the budgeted target for the period from Apr to Jun of FY21

- India's fiscal deficit stood at Rs 6.62 lakh crore or 83.2% of the budgeted target for the FY21 in the first three months till Jun 2020. During the same period, net tax receipts were Rs. 1,34,822 crore and total expenditure was at Rs. 8.16 lakh crore. Total expenditure and total receipts for the period from Apr 2020 to Jun 2020 were 26.8% and 6.8% of budget estimates for FY21.

Core output, contracted 15.0% in Jun 2020

- Core output, which constitutes 8 sectors of the economy contracted 15.0% in Jun 2020, slower than a revised contraction of 22% from previously reported fall of 23.4% in May 2020. Out of 8 core sectors, 7 continued to contract in Jun 2020. Steel and coal output fell sharply by 33.8% and 15.5%, respectively. Only fertilizers witnessed a growth of 4.2% during the month under review. Infrastructure output contracted 24.6% YoY in the first three months of FY21 compared to 3.4% expansion for the same period a year earlier.

India's WPI dropped 1.81% YoY in Jun 2020

- India's Wholesale Price Index (WPI) dropped 1.81% YoY in Jun 2020, slower than a fall of 3.21% in May 2020. Slower fall in wholesale prices was due to fuel and power index that plunged 13.60% in Jun 2020 compared with a 19.83% fall in the prior month. However, the WPI Food Index accelerated 3.05% in Jul 2020 from 2.31% in May 2020.

Equity Market

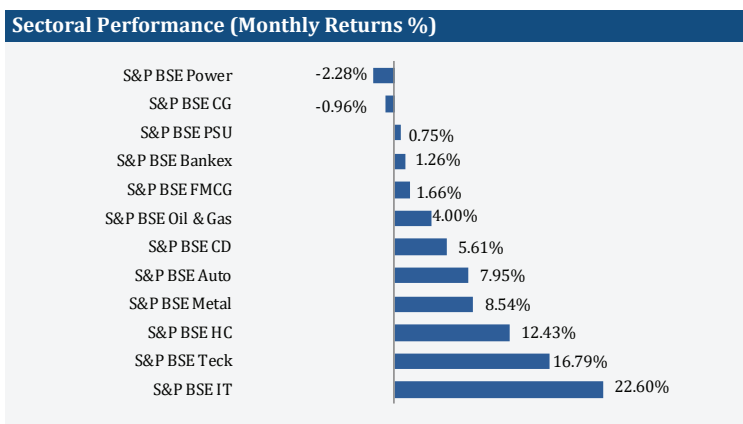
- The Indian equity markets continued to calibrate itself from the aftershocks of the COVID-19 pandemic which resulted to its swift recovery from the lows in Mar. The bourses extended the rally in Jul as well, led by a host of positive cues which included latest developments on the coronavirus vaccine to beat the pandemic, and encouraging earning numbers for the quarter ended Jun 2020 reported by major companies across the sectors.
- U.S. markets rose despite the continued spike in new coronavirus cases across several states. Investor sentiments were buoyed after select drug manufacturing majors round the world announced positive data from an early-stage human trial of a potential coronavirus vaccine. Investors also cheered news about the European Union leaders finally agreeing on a euro recovery fund. Buying interest improved in reaction to the latest batch of earnings, with a number of well-known big companies reported upbeat results for the Jun quarter of 2020. However, gains were largely restricted as U.S. economic activity showed a record contraction of 32.9% in the Jun quarter of 2020.
- European markets went down amid worries over rising new cases of coronavirus infections, renewed U.S.-China trade tensions and Brexit concerns. Worries about the economic impact of the coronavirus pandemic mounted after data showed a sharp contraction in U.S. GDP for the quarter ended Jun 2020, and on the U.S. Federal Reserve's weak outlook for the economy. However, the downturn was restricted by European Union accord on a landmark stimulus package to fight the aftershocks of the pandemic.
- Asian markets witnessed a mixed trend during the month. Initially, optimism about a potential coronavirus vaccine and signs that the global economy is emerging from the coronavirus lockdown generated positive vibes. Nonetheless, gains were neutralised by escalating U.S. - China trade tensions. Additionally, relentless surge in coronavirus cases around the world continued to weigh on market sentiments.
- The intensity of the second wave of coronavirus infection shall be closely tracked by the investors round the world and the buying interest shall be impacted accordingly. The Indian market has come up in line with global equity markets and been almost in line with other emerging markets from the bottom levels of Mar 2020. With India commencing the Unlock 2 phase from Jul 1, investors are seeing a lot of opportunities in the consumer discretionary companies, which will lead to revival in demand and share prices in certain consumer segment which have been beaten down considerably. Investors are also keenly awaiting more stimulus measures from the policy makers in coming time, as the exit strategy from the lockdown is formulated. Additionally, developments on the potential vaccine for COVID-19 treatment shall also be closely tracked. Lastly, market participants are expecting that a normal monsoon may bring smile to the farmers and policy makers alike, with prospects of a bumper crop output.

Domestic Indices Performance				
Indicators	31-Jul-20	30-Jun-20	Chg %	YTD%
S&P BSE Sensex	37,607	34,916	7.71	-8.84
Nifty 50	11,073	10,302	7.49	-9.00
S&P BSE 200	4,653	4,356	6.81	-8.38
Nifty Midcap 100	15,471	14,704	5.22	-9.54
Nifty Dividend Opportunities 50	2,398	2,253	6.43	-5.47
S&P BSE Smallcap	13,022	12,381	5.18	-4.95

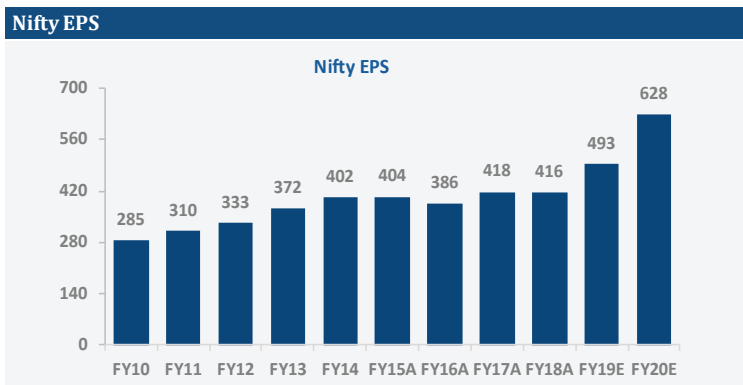
Source: Refinitiv

Global Indices Performance				
Global Indices	31-Jul-20	30-Jun-20	Chg %	YTD%
Dow Jones	26,428	25,813	2.38	-7.39
FTSE	5,898	6,170	-4.41	-21.81
CAC	4,784	4,936	-3.09	-19.98
Hang Seng	24,595	24,427	0.69	-12.75
SSE Composite Index	3,310	2,985	10.90	8.52

Source: Refinitiv



Source: Refinitiv



Institutional Flows (Equity) As on July 31, 2020				
(₹ Cr)	Purchases	Sales	Net	YTD
FPI Flows	119,629	112,066	7,563	-10,951
MF Flows*	61,104	70,299	-9,195	30,164
DII Flows	89,374	99,382	-10,008	79,299

Source: NSDL, NSE & SEBI; * As on July 31, 2020

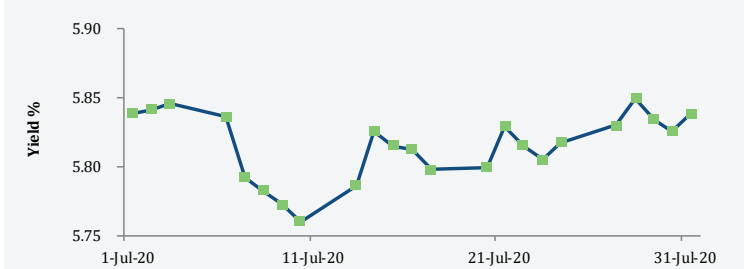
Debt Market

- Bond yields fell for the sixth consecutive month on hopes that the RBI will come out with supportive measures to absorb the excess supply of sovereign debt from the market. However, the lack of any such operations and elevated domestic inflationary pressures in Jun 2020 which also breached the upper tolerance level set by the RBI of 6% neutralised most of the gains. Market participants also preferred to exercise caution and remain on the side-lines as they awaited the outcome of the monetary policy review which is due on Aug 6, 2020.
- Yield on gilt securities fell across the maturities in the range of 5 bps to 30 bps barring 2-year paper which increased 2 bps and 3-year paper which closed steady. Yield on corporate bonds fell across 1 to 7-year maturities in the range of 7 bps to 36 bps and increased across the remaining maturities in the range of 5 bps to 77 bps. Difference in spread between corporate bond and gilt securities contracted across 1 to 4-year maturities and 6-year paper in the range of 12 bps to 35 bps and expanded across the remaining maturities in the range of 1 bps to 87 bps barring 5-year paper which closed steady.
- Bond yields moving ahead will be determined as to what steps the RBI takes to rein in the yield curve from steepening. There are expectations that RBI may announce open market operations when it gets some clarity regarding the amount that the government might borrow in the second half of the fiscal and till then bond yields may trade in a tight range. Retail inflation will also remain in sharp focus as increase in domestic inflationary pressures may limit the scope of further ease in monetary policy in the coming months. On the global front, global crude oil prices transactions trends by foreign portfolio investors, movement of the rupee against the greenback and stance adopted by key central banks across the globe on their respective monetary policies will also dictate the bond yield trajectory moving ahead.

Currency and Commodity Market

- The Indian rupee rose against the greenback following gains in the domestic equity market. Early-stage trials on a likely vaccine renewed expectations of a cure for the COVID-19 which reinforced expectations of a quick economic rebound also contributed to the upside. However, Increase in coronavirus infection cases and escalating tensions between U.S. and China also weighed on the market sentiment to some extent.
- Brent Crude prices edged higher led by weekly data from American Petroleum Institute and U.S. Energy Information Administration, which portrayed gradual recovery in U.S. oil and gasoline demand in the post COVID-19 scenario. Nonetheless, persisting concerns over rise in coronavirus infections across the globe, led to uncertainty over the recovery in fuel demand, thereby restricting gains.

10-Year Benchmark Bond (05.79% GS 2030) Movement



Source: Refinitiv

Spread Movement

Spreads		AAA	AA	A
31-Jul-20	1 Yr	148	381	167
	3 Yr	129	270	539
	5 Yr	128	242	716
30-Jun-20	1 Yr	168	402	244
	3 Yr	164	308	287
	5 Yr	127	253	197

Source: Refinitiv

Yield (%)	31-Jul-20	30-Jun-20
10 Year G-Sec	5.84	5.89
5 Year G-Sec	4.99	5.28

Certificate of Deposit

	31-Jul-20	30-Jun-20
3-Month	3.33	3.23
6-Month	3.51	3.69
9-Month	3.55	3.30
12-Month	3.75	4.05

Commercial Papers

	31-Jul-20	30-Jun-20
3-Month	3.65	3.75
6-Month	4.05	4.30
12-Month	4.45	4.80

Source: Refinitiv

Treasury Bill	31-Jul-20	30-Jun-20
91 Days	3.25	3.12
364 Days	3.46	3.46

Source: CIL

Event Calendar

Release Date	Release Date	Country
06-Aug-20	Bank of England Monetary Policy	U.K.
07-Aug-20	Nonfarm Payrolls (Jul)	U.S.
12-Aug-20	Gross Domestic Product (QoQ)(Q2) (P)	U.K.
14-Aug-20	Gross Domestic Product s.a. (YoY)(Q2) (P)	Euro Zone
17-Aug-20	Gross Domestic Product (QoQ)(Q2) (P)	Japan

Investment Objective

The investment objective of the scheme is to generate long term capital appreciation for investors from a portfolio of equity and equity related securities. However there can be no assurance or guarantee that the investment objective of the scheme would be achieved.

Fund Manager^s Mr. Mayur Patel

Mr. Mayur Patel has 14 years of work experience including investment management and research experience of more than 10 years. Prior to joining IIFL, he managed equity portfolios of DSP BlackRock Equity Savings Fund and MIP Fund at DSP BlackRock Investment Managers (a joint venture between BlackRock and the DSP Group in India). Mr. Patel joined DSP BlackRock in 2013 as an Equity Analyst responsible for origination and dissemination of ideas across energy, industrials and utilities sectors. Earlier he was associated with Spark Capital as Lead Analyst, Energy in their Institutional Equities division and has also worked with Tata Motors and CRISIL. He is a Chartered Accountant and a CFA charter holder.

Fund Details

Date of Allotment : October 30, 2014
Bloomberg Code : IIFGRRG IN
Benchmark Index : S&P BSE 200 TRI[^]
Plans Offered : Regular & Direct
Options Offered : Growth & Dividend
Minimum Application:
New Purchase : ₹5,000 and in multiples of ₹100 thereafter
Additional Purchase : ₹1,000 and in multiples of ₹100 thereafter
Monthly SIP Option : ₹1,000 per month for a minimum period of 6 months
Quarterly SIP Option: ₹1,500 per quarter for a minimum period of 4 quarters
Entry Load : NIL
Exit Load : 1% - if redeemed/switched out, on or before 12 months from the date of allotment w.e.f April 02, 2019.
Dematerialization : D-Mat Option Available

Portfolio Turnover Ratio (based on 1 year monthly data) : 0.78 times

[^]Effective January 01, 2019 the benchmark of the scheme is changed from Nifty 50 TRI to BSE 200 TRI.

NAV as on July 31, 2020

Regular - Growth : ₹17.4203
Regular - Dividend : ₹15.4122
Direct - Growth : ₹18.7537
Direct - Dividend : ₹18.5622

AUM as on July 31, 2020

Net AUM : ₹ 889.12 crore
Monthly Average AUM : ₹ 874.01 crore

Total Expense Ratio

Regular Plan : 2.26% p.a.
Direct Plan : 0.90% p.a.

Total Expense Ratio is as on the last business day of the month.

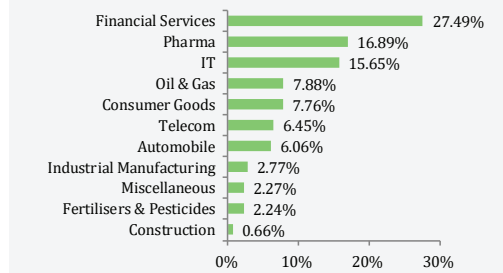
Volatility Measures Fund Benchmark

Std. Dev (Annualised)	19.87%	17.86%
Sharpe Ratio	0.39	0.27
Portfolio Beta	1.04	1.00
R Squared	0.87	NA
Treynor	0.08	0.05

Portfolio as on July 31, 2020

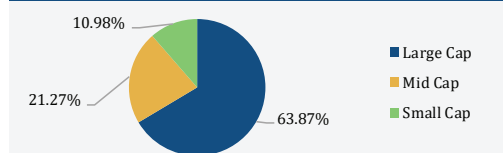
Company Name	Sector	% to Net Assets
Equity & Equity Related Total		
ICICI Bank Limited	Financial Services	8.84
Infosys Limited	IT	6.68
Bharti Airtel Limited	Telecom	6.45
HDFC Bank Limited	Financial Services	6.05
Dr. Reddy's Laboratories Limited	Pharma	5.63
Crompton Greaves Consumer Electricals Limited	Consumer Goods	4.49
Larsen & Toubro Infotech Limited	IT	4.16
Procter & Gamble Health Limited	Pharma	3.90
Bajaj Finance Limited	Financial Services	3.81
Muthoot Finance Limited	Financial Services	3.71
Bharat Petroleum Corporation Limited	Oil & Gas	3.56
Balkrishna Industries Limited	Automobile	3.28
Reliance Industries Limited	Oil & Gas	3.03
IPCA Laboratories Limited	Pharma	2.98
Escorts Limited	Automobile	2.78
Cyient Limited	IT	2.77
SRF Limited	Industrial Manufacturing	2.77
Divi's Laboratories Limited	Pharma	2.67
ICICI Lombard General Insurance Company Limited	Financial Services	2.35
Apollo Tricoat Tubes Limited	Miscellaneous	2.27
Coromandel International Limited	Fertilisers & Pesticides	2.24
Asian Paints Limited	Consumer Goods	2.21
Aavas Financiers Limited	Financial Services	2.15
Tata Elxsi Limited	IT	2.04
Abbott India Limited	Pharma	1.71
Petronet LNG Limited	Oil & Gas	1.29
Titan Company Limited	Consumer Goods	1.06
Larsen & Toubro Limited	Construction	0.66
CreditAccess Grameen Limited	Financial Services	0.58
Sub Total		96.12
TREPS**		4.10
Net Receivables / (Payables)		-0.22
Portfolio Total		100.00

Sector Allocation^{^^}



^{^^}Sector allocation as per AMFI classification

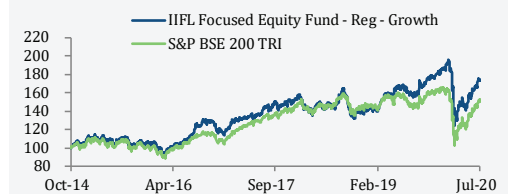
Market Capitalisation wise Exposure[^]



a. Large Cap Companies: 1st-100th company in terms of full market capitalization
 b. Mid Cap Companies: 101st-250th company in terms of full market capitalization
 c. Small Cap Companies: 251st company onwards in terms of full market capitalization
 The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, in terms of SEBI circulars dated October 6, 2017 and December 4, 2017.

[^]As on July 31, 2020

NAV Movement (Since Inception) Rebased to 100



Scheme Performance

	31-Jul-19 to 31-Jul-20	PTP (₹)	31-Jul-17 to 31-Jul-20	PTP (₹)	31-Jul-15 to 31-Jul-20	PTP (₹)	Since Inception ^s	PTP (₹)
IIFL Focused Equity Fund - Reg - Growth	8.63%	10,865	6.04%	11,926	9.27%	15,585	10.12%	17,418
IIFL Focused Equity Fund - Dir - Growth	10.20%	11,023	7.63%	12,471	10.69%	16,626	11.54%	18,751
Benchmark*	1.68%	10,168	3.31%	11,027	6.69%	13,828	7.35%	15,042
Additional Benchmark**	1.47%	10,147	6.20%	11,980	7.33%	14,249	7.07%	14,817

Past performance may or may not be sustained in future. Different plans shall have different expense structure.

As on July 31, 2020; Point to Point (PTP) returns in ₹ is based on standard investment of ₹10,000; ^sSince Inception date is 30-Oct-2014; *S&P BSE 200 TRI; **S&P BSE Sensex TRI; Managed by the fund manager since November 11, 2019.

The performance of the scheme is benchmarked to the Total Return variant of the Index.

SIP - If you had invested ₹10,000 every month

	31-Jul-19 to 31-Jul-20	31-Jul-17 to 31-Jul-20	31-Jul-15 to 31-Jul-20	Since Inception
Total Amount Invested (₹)	1,20,000	3,60,000	5,00,000	6,80,000
Total Value as on Jul 31,2020(₹)	1,27,717	4,08,159	7,69,543	8,96,760
Returns	12.17%	8.33%	9.89%	9.67%
Total Value of Benchmark: S&P BSE 200 TRI (₹)	1,25,369	3,71,977	7,01,718	8,14,461
Benchmark: S&P BSE 200 TRI	8.42%	2.14%	6.20%	6.30%
Total Value of Benchmark: S&P BSE Sensex TRI (₹)	1,25,274	3,86,551	7,35,352	8,49,741
Additional Benchmark: S&P BSE Sensex TRI	8.27%	4.68%	8.07%	7.78%

(Inception date :30-Oct-2014) (First Installment date : 01-Dec-2014)

Source: MF1 Explorer; Above returns are calculated assuming investment of ₹10,000/- on the 1st working day of every month. CAGR return are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Plan -Growth option. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. Managed by the fund manager since November 11, 2019.

The performance of the scheme is benchmarked to the Total Return variant of the Index.

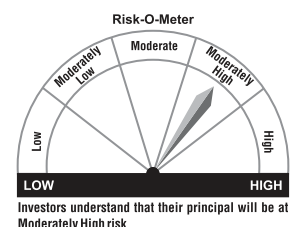
Dividend Details

	Record Date	Face Value (₹)	Cum Dividend NAV (₹) As on Feb 15, 2017	Dividend Per Unit
Regular Plan	15-Feb-17	10	12.7777	1.50
Direct Plan	15-Feb-17	10	13.0738	0.17

THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING*

- Capital appreciation over long term;
- Investment predominantly in equity and equity related instruments.
- * Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

^{**}With effect from November 05, 2018, Triparty Repo has replaced CBL0s for all schemes with provisions to invest in CBL0.



Investors understand that their principal will be at Moderately High risk

Fund Commentary

July proved to be a month of improvement in economic activity for most of the economies as lockdowns are being revoked. Amongst the global equities, emerging markets continued to outperform developed markets as concerns of muted demand, subdued spending and low employment creation weighed on developed markets. As all the major central banks now review their liquidity measures and policy rates, which have already touched their lower limits, pressure on central governments mounts for continued fiscal support to support the growth recovery. While the European Union agreed on a landmark fiscal stimulus, subsequent rounds of fiscal support from other major economies will be a scenario to watch. Nifty breached 11,000 levels for the first time since March this year, yielding +7.5% returns over the month.

Equity Markets during the month

Globally, even though renewed US-China tensions, Brexit concerns, weaker economic outlook portrayed by the Federal Reserve and second wave of the infection in re-opened economies posed negative sentiments, most of the global indices continued to factor in a gradual recovery supported by optimism around encouraging progress and favourable results in early-stage human trial of vaccine

The participants in Indian markets shrugged off ongoing global concerns and rising spread of COVID-19, taking positive cues from better than expected Q1 earnings, weak dollar (DXY down ~5% during July) and low mortality rate from Covid-19 for the rally that overlooked the rising spread of Covid-19 in India. Amongst the sectors, IT had a stellar month with Nifty IT index rising over 20% after a strong earnings season. Except for utilities and infra, which posted negative returns for the month, all other sectors ended in green zone. In flow trends, DIIs (led by Domestic Mutual Funds) turned sellers to the tune of INR 10,000 Cr while FPI absorbed most of it and were net buyers of INR 7,563 Cr during the month.

Indian economy : Road to gradual recovery

Though most of the high frequency indicators remained plateaued during the month due to decentralised lockdowns and depressed consumer sentiment, they have bounced off from lows in April pointing towards a gradual recovery and resumption in economic activity. Automobile sector showed a robust recovery across segments in the month after a complete washout quarter in the financial year. Tractors sales witnessed sharp increase, indicating a positive rural sentiment. With visible improvement in the increased freight activity and improved mobility of the supply side constraints for most of the sectors.

Headline CPI in June remained elevated to 6.1%, primarily due to supply side disruptions couple with subdued demand. The month was one of the rarest periods when trade surplus was reported as exports rebound while import demand remained weak. Overall, with the resumption of economic activities, supply side recovery would touch its normal green levels gradually, recovery in demand side would further determine the pace of supply side as well as economic recovery.

Our portfolio and thinking going forward

While improvement in economic activity is still visible only in some pockets, markets have been way more responsive to the optimism. The fundamentals supporting such rally in markets are yet to become favourable, but green shoots in economic activity have laid foundation for improvement in fundamentals.

We reaffirm that time for revival in different sectors and businesses shall be different and that lower ticket discretionary might perform better than large ticket discretionary. Monsoon saw a dip in July but cumulative rainfall so far is still 1% above the normal. Progress of the monsoon, implications of liquidity measures undertaken by RBI complemented by measures from the central government to keep this liquidity in rotation and the development in COVID-19 curve post re-opening would continue to drive sentiments for the next few months.

Given the current situation, long-term structural gainers, which are relatively large and well capitalized, are expected to withstand the downturn, emerging stronger for the next cycle and gaining market share from weaker players.

As mentioned earlier, while it is unclear how events will unfold over the coming months, our goal is to own a collection of quality businesses in the country. Most of stocks in your portfolio meet this criterion. Majority of the businesses we own have durable business moats, experienced managements, low leverage and prudent capital allocation. As a team, we are constantly trying to scout for businesses that meet the criterion mentioned above. Our proprietary SCDV framework helps us in minimizing mistakes that can be easily made in markets like these.

Note

³Mr. Mayur Patel, has been designated as Fund Manager for IIFL Focused Equity Fund and Mr. Prashasta Seth ceases to be Fund Manager for IIFL Focused Equity Fund w.e.f Nov 11, 2019

Disclaimer

The above commentary/opinions/in house views/strategy incorporated herein is provided solely to enhance the transparency about the investment strategy / theme of the Scheme and should not be treated as endorsement of the views / opinions or as an investment advice. The above commentary should not be construed as a research report or a recommendation to buy or sell any security. The information / data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. The above commentary has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of IIFL Mutual Fund. The information/ views / opinions provided is for informative purpose only and may have ceased to be current by the time it may reach the recipient, which should be taken into account before interpreting this commentary. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision and the stocks may or may not continue to form part of the scheme's portfolio in future. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time. Neither IIFL Mutual Fund / IIFL Asset Management Ltd, its associates, directors or representatives shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Investment Objective

The investment objective of the scheme is to generate income and long term gains by investing in a range of debt and money market instruments of various maturities. The scheme will seek to flexibly manage its investment across the maturity spectrum with a view to optimize the risk return proposition for the investors.

Fund Manager Mr. Ankur Parekh

Mr. Ankur Parekh has over 17 years of work experience in the Fixed income securities market. His previous experience include working with SBI DFHI primary Dealership firm and DBS Cholamandalam AMC. Prior to joining IIFL AMC he was associated with Reliance Capital AMC as Fund Manager - EPFO for seven years. He is commerce graduate and has done his Masters in Business Administration from Bharthihaar University, Tamilnadu. Mr Parekh has been managing the scheme since March 08, 2017.

Fund Details

Date of Allotment : June 24, 2013
Bloomberg Code : IIFDBDBIN
Benchmark Index : CRISIL Composite Bond Fund Index
Plans Offered : Regular & Direct
Options Offered : Growth & Dividend
Minimum Application Amount :
New Purchase : ₹10,000 and in multiples of ₹100 thereafter
Additional Purchase : ₹1,000 and in multiples of ₹100 thereafter
Monthly SIP Option : ₹1,000 per month for a minimum period of 6 months
Quarterly SIP Option : ₹1,500 per quarter for a minimum period of 4 quarters
Entry Load : Nil
Exit Load : Nil[^]
[^]The revised exit load as mentioned above shall be applicable on a prospective basis and will be applicable to all investments made on or after July 6, 2020 ("effective date").

Dematerialization : D-Mat Option Available

Asset Allocation :
 Debt Market Instruments : 0% to 100%
 Money Market Instruments : 0% to 100%
 Units issued by REITs & InvITs : 0% to 10%

NAV as on July 31, 2020

Regular Plan Growth : ₹16.2838
Regular Plan Bonus : ₹16.2838
Regular Quarterly Dividend : ₹15.7138
Regular Half Yearly Dividend : ₹15.7138
Regular Monthly Dividend : ₹11.8517
Direct Plan Growth : ₹16.9427
Direct Monthly Dividend : ₹12.4235

#Note: Bonus plan and Monthly & Half yearly Dividend payout options are discontinued no new investors can invest in the said option, existing investors remain invested in the said options.

AUM as on July 31, 2020

Net AUM : ₹ 383.70 crore
Monthly Average AUM : ₹ 276.45 crore

Total Expense Ratio

Regular Plan : 1.30% p.a.
Direct Plan : 0.67% p.a.
 Total Expense Ratio is as on the last business day of the month.

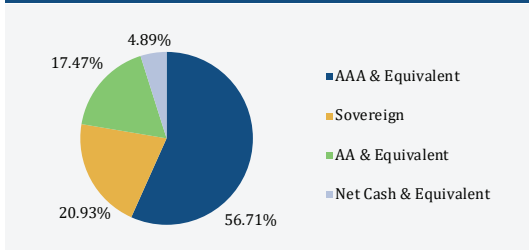
Statistical Debt Indicators

Macaulay Duration : 2.44 years
Modified Duration : 2.33 years
Average Maturity : 2.68 years
Yield to Maturity : 5.83%

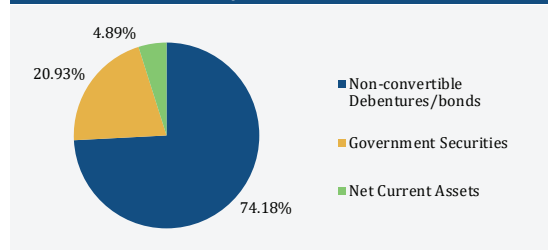
Portfolio as on July 31, 2020

Name of the Instrument	Rating	% to Net Assets	Name of the Instrument	Rating	% to Net Assets
Debt Instruments			8.95% Jamnagar Utilities & Power Private Limited		
Government Securities			7.75% LIC Housing Finance Limited		
7.32% Government of India	SOVEREIGN	14.10	8.40% India Grid Trust InvIT Fund	CRISIL AAA	3.88
6.18% Government of India	SOVEREIGN	6.83	8.15% State Bank of India Perpetual (Basel III compliant Tier I Perpetual)	CRISIL AA+	2.67
Non-Convertible Debentures/Bonds			8.85% HDFC Bank Limited (Basel III compliant Tier I Perpetual)		
EMBASSY OFFICE PARK REIT	CRISIL AAA	8.98	8.85% India Grid Trust InvIT Fund	CRISIL AAA	1.33
7.12% REC Limited	CRISIL AAA	8.44	7.90% Piramal Enterprises Limited	ICRA AA	1.30
6.40% National Bank For Agriculture and Rural Development	ICRA AAA	8.13	9.35% IDFC First Bank Limited	ICRA AA	0.03
9.15% ICICI Bank Limited (Basel III compliant Tier I Perpetual)	ICRA AA+	6.81	TREPS** / Reverse Repo		
6.72% Power Finance Corporation Limited	CRISIL AAA	6.76	TREPS**		5.07
6.95% Housing Development Finance Corporation Limited	CRISIL AAA	5.42	Net Current Assets		-0.18
7.20% Sikka Ports and Terminals Limited	CRISIL AAA	5.40	Portfolio Total		
8.75% Axis Bank Limited Perpetual (Basel III compliant Tier I Perpetual)	CRISIL AA+	5.31			100.00

Composition by Rating[^]



Instrument Wise Composition[^]



Dividend Declared - Monthly Dividend Plan

Date	Gross Dividend (₹) (Per Unit)	Regular Plan NAV (₹) (Ex-Dividend)	Direct Plan NAV (₹) (Ex-Dividend)
29-Jul-20	0.05	11.8766	12.4466
30-Jun-20	0.05	11.7799	12.3368
26-May-20	0.05	11.6942	12.2364

Quarterly Dividend Plan

04-Jun-15	0.4	11.4678	11.5708
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Half Yearly Dividend Plan

04-Jun-15	0.4	11.4678	
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Dividend is gross dividend. To arrive at the net dividend payable for corporate and non-corporate investors applicable dividend distribution tax, if any, needs to be adjusted respectively. Past performance may or may not be sustained in future. After payment of dividend the NAV has fallen to the extent of payout and distribution taxes if applicable. Monthly Dividend is not assured and is subject to availability of distributable surplus.

Scheme Performance

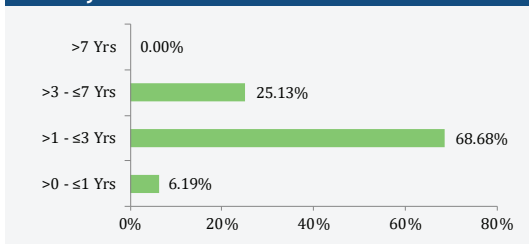
	31-Jul-19 to 31-Jul-20	PTP (₹)	31-Jul-17 to 31-Jul-20	PTP (₹)	31-Jul-15 to 31-Jul-20	PTP (₹)	Since Inception ^s	PTP (₹)
IIFL Dynamic Bond Fund - Reg - Growth	7.85%	10,787	6.50%	12,082	7.31%	14,235	7.10%	16,282
IIFL Dynamic Bond Fund - Dir - Growth	8.55%	10,857	7.18%	12,315	7.94%	14,659	7.70%	16,942
Benchmark*	12.25%	11,229	8.71%	12,850	9.49%	15,743	9.09%	18,558
Additional Benchmark**	7.72%	10,774	6.85%	12,201	8.40%	14,974	7.38%	16,587

Past performance may or may not be sustained in future

Different plans shall have different expense structure

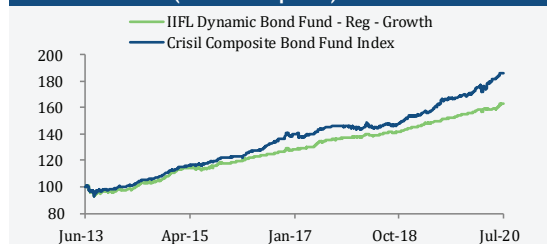
As on July 31, 2020* Crisil Composite Bond Fund Index,** Crisil 10yr Gilt Index; Point to Point (PTP) returns in ₹ is based on standard investment of ₹ 10,000 made on the inception date; ^sInception date 24-June-2013; Effective March 08 2017, Mr. Ankur Parekh has been appointed as Fund Manager of the scheme. The Scheme was managed till March 07, 2017 by Mr Ritesh Jain.

Maturity Profile[^]



[^]As on July 31, 2020

NAV Movement (Since Inception) Rebased to 100

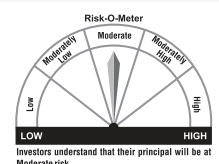


THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING*

- Income and long term gains
- Investment in a range of debt and money market instruments of various maturities

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

**With effect from November 05, 2018, Triparty Repo has replaced CBLOs for all schemes with provisions to invest in CBLO.



Fund Commentary

During the month of July liquidity surplus remained high. Tracking the comfortable liquidity conditions, the overnight rate continues to remain marginally below the reverse repo rate on an average basis. Average overnight rates remained in the range of 3% to 3.25% levels during most of the days. Meanwhile, short-end money market rates and bond yields of top-rated corporates and PSUs have remained choppy amidst increasing demand from mutual funds and expected no cut RBI policy due in the early August. 3 month CPs for some top-rated PSUs are now trading at the reverse repo rate. The 3-year corporate bond yields which were moderated by 25-30 bps last month to trade around sub 5% are now corrected by 5-10 bps and trading above 5% - 5.10%. In past few months, RBI and Government have taken slew of measures by providing plethora of liquidity and systemic ease. While continuing with the non-conventional measures, in early August policy RBI avoided any overnight rate action but provided additional funding to Housing and Agri sectors through grants to NHB and NABARD. As widely expected in markets the RBI kept policy rates unchanged and maintained "accommodative" stance amidst standstill economy and lockdown throughout the country. The RBI's pause in rate cutting cycle is expected to be short term. The mounting risks on growth imply that the rate cutting cycle is far from getting over and as the inflation cools off in the second half RBI will have more room to address the growth concerns through rate cuts. RBI conducted one special Open Market Operations (OMO) of simultaneous purchase (long tenor) and sale of Government Securities during the month to support the benchmark 10year yields. Market is gradually getting more concerned about fiscal situation and the resultant oversupply of Government securities.

The fiscal deficit of the Government of India (GoI) stood at Rs. 6.6 trillion in Q1 FY2021, which is 53% higher than the level in Q1 FY2020, much because of lack of revenue collection amid the lockdown. Tax collections is likely to improve as the lockdown easing and it will reflect more in next few months data due to late filings. In line with the recovery in sales and payment of GST dues for prior months, as well as the impact of the hikes in excise duty on fuels have slower but positive collection impact. Given the pressures on government finances, while system liquidity is comfortable, yields will increase if RBI does not support the markets (in 2HFY21E) with OMO purchases. The option of direct monetization should be kept as the last option.

The recent inflation data suggests CPI inflation has remained above the RBI's upper limit of 6% for the past three months. The trajectory has however been moderating and much of the recent rise in inflation can be attributed to higher fuel and gold prices. June CPI inflation moderated to 6.09% as against 6.27% in May and 7.2% in April. Even though economic activity remains weak, core inflation rose to 5.2% (4.8% in May) owing to rise in personal care products and increasing costs of fuel and gold. Inflation is likely to remain at elevated levels for the next few months due to supply side constraints and labor shortages. However, the situation is extremely volatile, and the previously published numbers can see revisions. The oil prices are now broadly stable, and the excise duty hikes have been passed through. And, food inflation should continue to normalize as supply restrictions ease.

Index of Industrial Production (IIP) contracted 35% in May. This was an improvement compared to 57% contraction in April. IIP prints for May indicate that economic activity started to normalize since the easing of lockdown though June will be a better indicator of the level of reversal in activity. The contraction is far deeper than most countries, perhaps reflecting stringency of India's lockdowns.

India's recent time rare trade surplus data is due to worsening import growth and improved export growth hinting at faltering domestic recovery. June recorded a trade surplus at USD790mn vs a deficit of USD3.1bn in May, much better than expected. The last time India experienced a surplus was nearly two decades ago in 2001-2002, when the record was close to USD240mn of surplus. In June, export growth improved to -12.4% y-o-y vs -36.2% in May, and import growth remained in deep negative territory of -47.6% vs -52.4% in May.

The overall rainfall in June-July 2020 was normal, at 100% of the Long Period Average (LPA). Good monsoons have been aiding farm activity, as Khariff sowing seems to be higher by 10% as compared to the last year. This indicates rural economy to lead the overall growth and is likely to out-perform industrial sector.

On the global front US is facing short, but steep, recession in H1 2020 before a gradual recovery aided by fiscal and monetary accommodation. Europe, economy is likely to face even deeper recession in 2020. Lower oil prices and a demand shock caused by COVID-19, should push euro area inflation lower. At its June meeting the ECB increased its fiscal support by €600bn. UK GDP forecasts seems a recessionary with COVID-19 spreading for few quarters followed by a gradual recovery. After China spill overs in Q1, a sharper growth slump is expected in Q2 due to domestic lockdowns and weaker external demand. A sequential recovery is likely in H2, but at a gradual pace due to unemployment and weak corporate profits. Monetary and fiscal policy easing have already been stepped up, and even more easing is anticipated ahead. Beijing's infrastructure stimulus and higher new home completions should be offset by weaker export growth. In India, COVID-19 is amplifying the financial sector weakness, worsening nonperforming assets and slowing potential growth. A weaker pace of recovery in 2020 will mean more policy support is likely, both conventional and non-conventional through monetary (50bp cut) and fiscal policies. All over the globe, as real consumption set to be adversely impacted, Governments and Central Banks in respective countries will be more concerned with the welfare implications of the pandemic on real consumption.

Overall, the bond markets will take cues from RBI's actions to keep easing policy using both conventional and unconventional levers along with government fiscal announcements to calm down the present situation in post covid unlocking. RBI's addressing of liquidity and yield management actions in terms of absorbing excess supply due to elevated borrowings will be crucial. Even as there has been some normalization in economic activity since the easing of the lockdown-related restrictions, it remains well below the pre-pandemic levels. There have also been lockdowns imposed again, in areas/districts that see a spike in cases. The agriculture sector continues to see robust activity as reflected in kharif sowing, tractor sales, and fertilizer sales. Rural activity in general seems in much better shape compared to urban areas but surplus labor concerns will weigh (possibly post the agriculture season). The government will need to provide infrastructure stimulus to provide employment opportunities and broaden the consumption base as India gradually enters the rebuilding phase. In terms of the yield impact, In past 4 months of the current fiscal, the CP issuances by the NBFC sector has been a sharp Rs 10 trn, with the cost of borrowing also declining by a sharp 140 basis points. Rate transmission by banks have been the fastest in history with banks cutting rates on an average by 72 basis points on fresh rupee loans in 4 months. RBI policy has yielded better transmission. In this scenario of changing market conditions, we continue our view of positioning at the front-end of the curve with a defensive outlook as rate trajectory is likely to be volatile. The incremental positioning may be executed in certain pockets of yield curve if it offers value in terms of attractive spreads between low duration high carry bonds and overnight funding rates. The scheme aims to maintain relatively high-quality superior bonds and moderate duration, to benefit out of the steep yield curve. However, any changes in the macro-economic environment is being continuously tracked for change of stance if the situation requires so.

Disclaimer

The above commentary/opinions/in house views/strategy incorporated herein is provided solely to enhance the transparency about the investment strategy / theme of the Scheme and should not be treated as endorsement of the views / opinions or as an investment advice. The above commentary should not be construed as a research report or a recommendation to buy or sell any security. The information / data herein alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. The above commentary has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of IIFL Mutual Fund. The information/ views / opinions provided is for informative purpose only and may have ceased to be current by the time it may reach the recipient, which should be taken into account before interpreting this commentary. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision and the stocks may or may not continue to form part of the scheme's portfolio in future. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. The statements made herein may include statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time. Neither IIFL Mutual Fund / IIFL Asset Management Ltd, its associates, directors or representatives shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Investment Objective

To provide liquidity with reasonable returns commensurate with low risk through a portfolio of money market and debt securities with residual maturity of up to 91 days. However, there can be no assurance that the investment objective of the scheme will be achieved.

Fund Manager **Mr. Ankur Parekh**

Mr. Ankur Parekh has over 17 years of work experience in the Fixed income securities market. His previous experience include working with SBI DFHI primary Dealership firm and DBS Cholamandalam AMC. Prior to joining IIFL AMC he was associated with Reliance Capital AMC as Fund Manager – EPFO for seven years. He is commerce graduate and has done his Masters in Business Administration from Bharthihaar University, Tamilnadu. Mr Parekh has been managing the scheme since March 08, 2017.

Fund Details

Date of Allotment : November 13, 2013

Benchmark Index : CRISIL Liquid Fund Index

Plans Offered : Regular & Direct

Options Offered : Growth & Dividend

Minimum Application:

New Purchase : ₹5,000 and in multiples of ₹100 thereafter

Additional Purchase : ₹1,000 and in multiples of ₹100 thereafter

Monthly SIP Option : ₹1,000 per month for a minimum period of 6 months

Quarterly SIP Option : ₹1,500 per quarter for a minimum period of 4 quarters

Entry : NIL

Exit Load⁵ :

Investor exit upon subscription : Exit load as a % of redemption proceeds

Day 1	0.0070%
Day 2	0.0065%
Day 3	0.0060%
Day 4	0.0055%
Day 5	0.0050%
Day 6	0.0045%
Day 7 onwards	0.0000%

⁵The revised exit load as mentioned above shall be applicable on a prospective basis to all fresh investments (purchase or switch-ins) made on or after October 20, 2019 (Effective Date). Redemption/Switch out of units would be done on First in First out basis. Please refer addendum notice dated Oct 18, 2019 for more details.

Dematerialization : D-Mat Option Available

Asset Allocation :

Money market and debt instruments with residual maturity up to 91 days : 0% to 100%

NAV as on July 31, 2020

Regular Plan Growth : ₹1555.2743

Regular Plan Weekly : ₹1005.2550

Dividend

Regular Plan Daily Dividend: ₹1000.0701

Direct Plan Growth : ₹1560.5179

Direct Plan Dividend : ₹1000.0427

Direct Plan Weekly : ₹1005.2520

Dividend

AUM as on July 31, 2020

Net AUM : ₹ 267.53 crore

Monthly Average AUM : ₹ 419.24 crore

Total Expense Ratio

Regular Plan : 0.25% p.a.

Direct Plan : 0.20% p.a.

Total Expense Ratio is as on the last business day of the month.

Statistical Debt Indicators

Macaulay Duration : 39 days

Modified Duration : 38 days

Average Maturity : 39 days

Yield to Maturity : 3.32%

Portfolio as on July 31, 2020

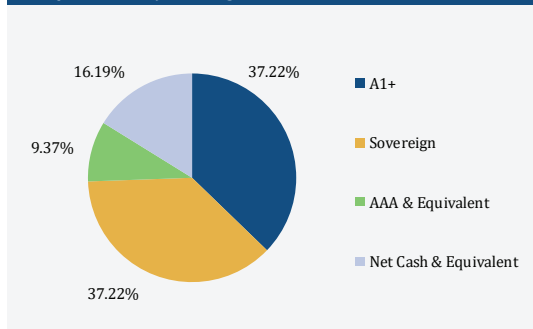
Name of the Instrument	Rating	% to Net Assets	Name of the Instrument	Rating	% to Net Assets
Debt Instruments			Treasury Bill		
Non-Convertible Debentures/Bonds			84 Days CMB	SOVEREIGN	18.66%
7.2% Housing Development Finance Corporation Limited	CRISIL AAA	9.37%	91 Days Tbill	SOVEREIGN	18.56%
Sub Total		9.37%	Sub Total		37.22%
Money Market Instruments			TREPS^{**} / Reverse Repo		
Commercial Paper			TREPS ^{**}		13.99%
National Housing Bank	CRISIL A1+	18.62%	Sub Total		13.99%
NTPC Limited	CRISIL A1+	18.60%	Net Receivables / (Payables)		2.20%
Sub Total		37.22%	Portfolio Total		100.00%

Scheme Performance

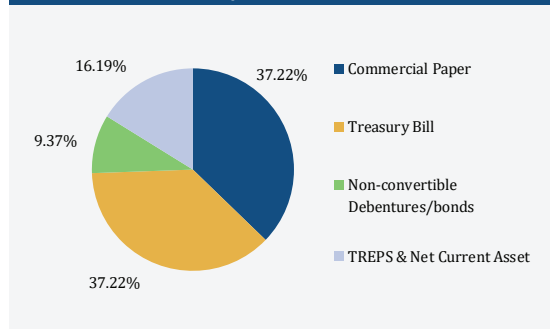
	31-Jul-19 to 31-Jul-20	PTP(₹)	31-Jul-17 to 31-Jul-20	PTP(₹)	31-Jul-15 to 31-Jul-20	PTP(₹)	Since Inception ⁵	PTP (₹)
IIFL Liquid Fund - Reg - Growth	4.37%	10,438	5.85%	11,862	6.29%	13,571	6.80%	15,557
IIFL Liquid Fund - Dir - Growth	4.43%	10,444	5.90%	11,878	6.34%	13,603	6.85%	15,606
Benchmark*	5.53%	10,555	6.72%	12,157	6.96%	14,004	7.48%	16,235
Additional Benchmark**	9.64%	10,964	7.76%	12,516	7.42%	14,310	7.80%	16,556

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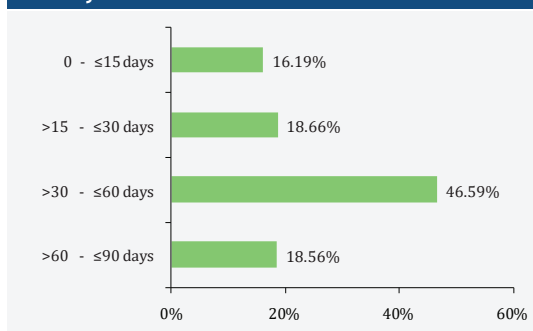
Composition by Rating[^]



Instrument Wise Composition[^]

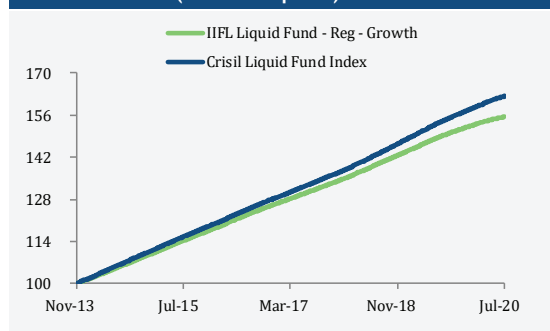


Maturity Profile[^]



[^]As on July 31, 2020

NAV Movement (Since Inception) Rebased to 100

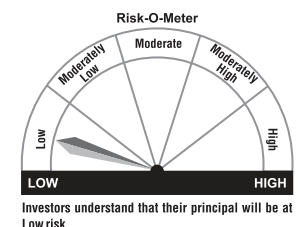


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- Income over short term horizon
- Investments in money market and short term debt instruments, with maturity not exceeding 91 days

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^{**}With effect from November 05, 2018, Triparty Repo has replaced CBLOs for all schemes with provisions to invest in CBLO.



GLOSSARY OF TERMS

FUND MANAGER	An employee of the asset management company such as a mutual fund or life insurer, who manages investments of the scheme. He is usually part of a larger team of fund managers and research analysts.
APPLICATION AMOUNT FOR FRESH SUBSCRIPTION	This is the minimum investment amount for a new investor in a mutual fund scheme.
MINIMUM ADDITIONAL AMOUNT	This is the minimum investment amount for an existing investor in a mutual fund scheme.
YIELD TO MATURITY	The Yield to Maturity or the YTM is the rate of return anticipated on a bond if held until maturity. YTM is expressed as an annual rate. The YTM factors in the bond's current market price, par value, coupon interest rate and time to maturity.
SIP	SIP or systematic investment plan works on the principle of making periodic investments of a fixed sum. It works similar to a recurring bank deposit. For instance, an investor may opt for an SIP that invests ₹ 500 every 15th of the month in an equity fund for a period of three years.
NAV	The NAV or the net asset value is the total asset value per unit of the mutual fund after deducting all related and permissible expenses. The NAV is calculated at the end of every business day. It is the value at which the investor enters or exits the mutual fund.
BENCHMARK	A group of securities, usually a market index, whose performance is used as a standard or benchmark to measure investment performance of mutual funds, among other investments. Some typical benchmarks include the Nifty, Sensex, BSE200, BSE500, 10-Year Gsec.
ENTRY LOAD	A mutual fund may have a sales charge or load at the time of entry and/or exit to compensate the distributor/agent. Entry load is charged at the time an investor purchases the units of a mutual fund. The entry load is added to the prevailing NAV at the time of investment. For instance, if the NAV is ₹ 100 and the entry load is 1 %, the investor will enter the fund at ₹ 101.
EXIT LOAD	Exit load is charged at the time an investor redeems the units of a mutual fund. The exit load is deducted from the prevailing NAV at the time of redemption. For instance, if the NAV is ₹ 100 and the exit load is 1%, the redemption price would be ₹99 per unit.
MODIFIED DURATION	Modified duration is the price sensitivity and the percentage change in price for a unit change in yield.
STANDARD DEVIATION	Standard deviation is a statistical measure of the range of an investment's performance. When a mutual fund has a high standard deviation, it means its range of performance is wide, implying greater volatility.
SHARPE RATIO	The Sharpe Ratio, named after its founder, the Nobel Laureate William Sharpe, is a measure of risk-adjusted returns. It is calculated using standard deviation and excess return to determine reward per unit of risk.
BETA	Beta is a measure of an investment's volatility vis-a-vis the market. Beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 implies that the security's price will be more volatile than the market.
AUM	AUM or assets under management refers to the recent I updated cumulative market value of investments managed by a mutual fund or any investment firm.
HOLDINGS	The holdings or the portfolio is a mutual fund's latest or updated reported statement of investments/securities. These are usually displayed in terms of percentage to net assets or the rupee value or both. The objective is to give investors an idea of where their money is being invested by the fund manager.
NATURE OF SCHEME	The investment objective and underlying investments determine the nature of the mutual fund scheme. For instance, a mutual fund that aims at generating capital appreciation by investing in stock markets is an equity fund or growth fund. Likewise, a mutual fund that aims at capital preservation by investing in debt markets is a debt fund or income fund. Each of these categories may have sub-categories.
RATING PROFILE	Mutual funds invest in securities after evaluating their creditworthiness as disclosed by the ratings. A depiction of the mutual fund in various investments based on their ratings becomes the rating profile of the fund. Typically, this is a feature of debt funds.

Note: SEBI, vide circular dated June 30, 2009 has abolished entry load and mandated that the upfront commission to distributors will be paid by the investor directly to the distributor, based on his assessment of various factors including the service rendered by the distributor.