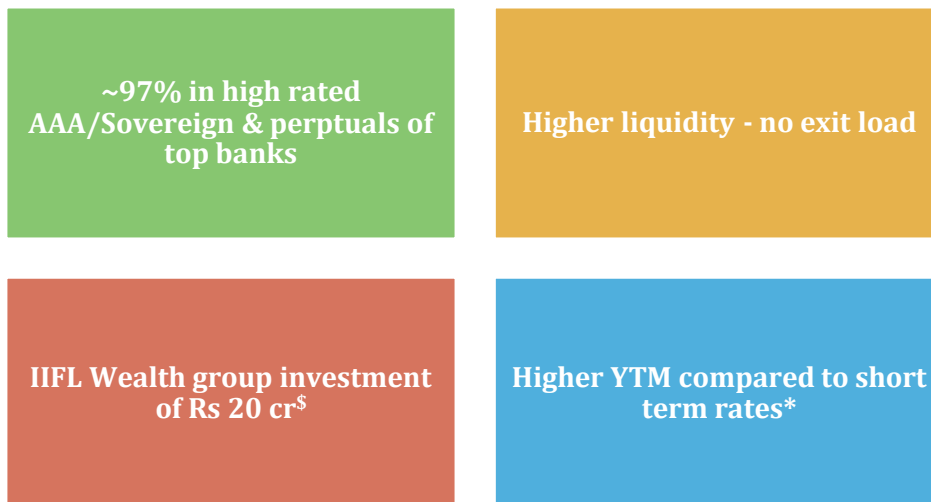


MARKET UPDATE

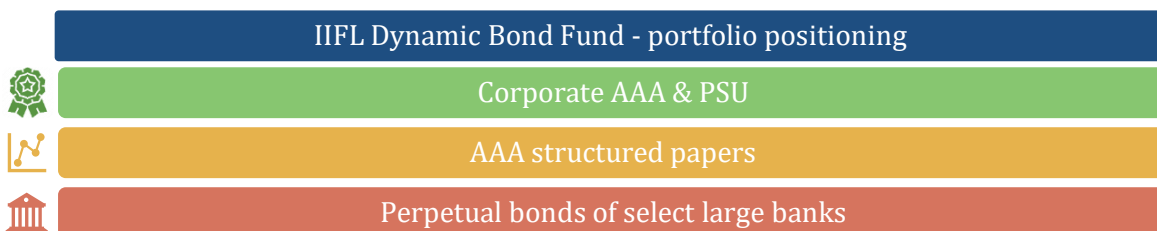
- **Steep yield curve** - Interest rates have fallen sharply in the shorter-end since the start of the year due to rate cuts & liquidity measures taken by RBI such as repo rate cuts, targeted long-term repo operations, reduction in cash reserve ratio, increase in marginal standing facility, etc
- **Mispriced opportunities available in select AAA-rated companies** - The current economic slowdown & the ongoing lockdown due to the COVID19 pandemic has led to risk aversion among debt participants and flows being directed to a select few AAA rated corporates. This has led to some AAA papers trading at increased spreads. These include AAA structured papers and perpetuals of high-quality banks which offer yield kickers without compromising on portfolio quality

Given the current scenario, we see an attractive risk reward in the mid-tenor segment (1 to 3-year maturity). IIFL Dynamic Bond Fund endeavours to capture these opportunities by investing in the best ideas across in this tenor with a focus on high-rated debt (AAA/SOV rated)

KEY FEATURES



PORTFOLIO POSITIONING



- The scheme aims to invest in G-Secs, AAA-rated corporate bonds and perpetual bonds of select banks
- The scheme will typically maintain duration range of 1-3 years and will have a high-rating bias
- In the current stressed credit environment, focus on quality reduces risk of default/downgrade
- AAA structured papers are currently mispriced with investors shying away from non-traditional AAA papers and redemptions in credit funds. These offer higher yields without compromising on the quality of portfolio
- Perpetual bonds of large banks offer a yield kicker along with adequate safety backed by the quality of the bank

The high-rated core portfolio supported by these strategies can drive the YTM of the portfolio much higher than prevailing short-term rates*.

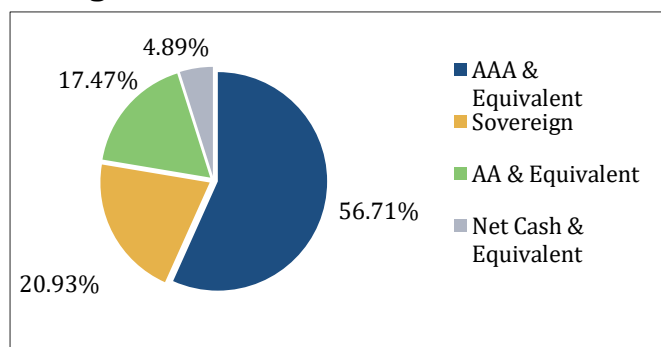
TOP 10 HOLDINGS

- 77.64% in AAA & equivalent papers (sovereign papers & AAA papers issued by corporates)
- High yield AAA papers like Embassy Office Parks REIT
- AA+ Papers ~17.47% including perpetual bonds of banks like SBI

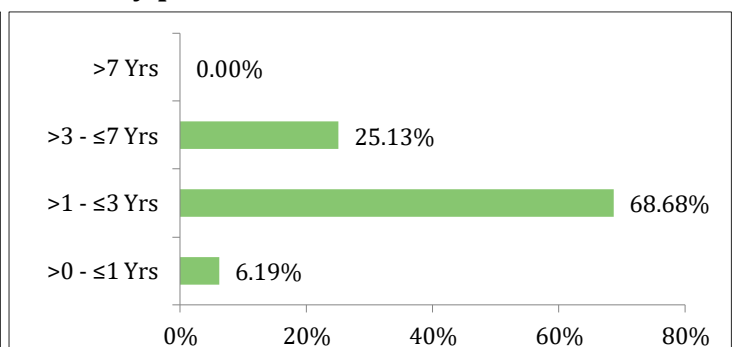
Name of the Instrument	Rating	Type	Maturity date	% to Net Assets
7.32% Government of India	SOVEREIGN	G-Sec	28-Jan-2024	14.10%
Embassy Office Park REIT	CRISIL AAA	NCD	03-May-22	8.98%
REC	CRISIL AAA		31-Mar-2023	8.44%
6.40% National Bank for Agriculture and Rural Development	ICRA AAA		31-Jul-2023	8.13%
6.18% Government of India	SOVEREIGN		G-Sec	04-Nov-2024
9.15% ICICI Bank Limited	ICRA AA+	NCD	20-Jun-2023	6.81%
6.72% Power Finance Corporation	CRISIL AAA		09-Jun-2023	6.76%
6.95% Housing Development Finance Corporation	CRISIL AAA		27-Apr-2023	5.42%
7.20% Sikka Ports and Terminals	CRISIL AAA		16-Jun-2023	5.40%
8.75% Axis Bank Limited Perpetual	CRISIL AA+		14-Dec-2021	5.31%
Cash & cash equivalents^^	-	-	-	4.89%
GRAND TOTAL				100.00%

Particulars	Values
Macaulay duration	2.44 years
Modified duration	2.33 years
Average maturity	2.68 years
Gross YTM	5.83%
Net YTM	4.83% (regular plan); 5.33% (direct plan)

Rating Profile



Maturity profile



SUMMARY

Scheme Name	IIFL Dynamic Bond Fund (an open-ended dynamic debt scheme investing across duration)
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.
Category	Dynamic bond
Fund Manager	Mr. Ankur Parekh [^]
Inception Date	June 24, 2013
AUM	Rs. 383.70 crore (as of July 31, 2020)
Total expense ratio	Regular plan: 1.00% p.a. Direct plan: 0.50% p.a.
Exit load:	NIL [#]

FUND MANAGER PROFILE



Ankur Parekh, Fund Manager

Ankur has over 15 years of work experience in the Fixed income securities market. His previous experience includes 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 a commerce graduate with Masters in Business Administration from Bharthiar University, Tamil Nadu.

RISK-O-METER



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.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Note – All data in this document are as of July 31, 2020. ^{\$}Investment made by IIFL Wealth (IIFL Wealth Management and its subsidiaries) group can be redeemed at any given time and is not subject to lock-in. Investment by IIFL Wealth group has been made through its proprietary funds. ^{*}Short-term rates refer to rates of money-market instruments like CBLOs etc. [^]The Scheme was managed till March 07, 2017 by Mr Ritesh Jain. [#]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”). TER (total expense ratio) is the base TER. ^{^^}Cash and cash equivalents comprises of TREPS (Tri-party repo) and net receivables.

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 enough and shouldn't be used for the development or implementation of an investment strategy. The above commentary has been prepared based on 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 considered 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.

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