

# IIFL DYNAMIC BOND FUND

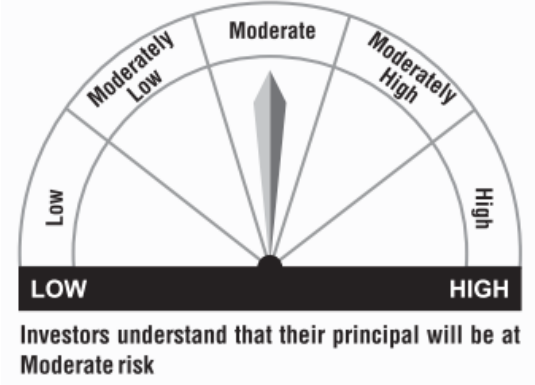
An Open Ended Income Scheme



# INDEX

SR NO.	DESCRIPTION	SLIDE NO.
1	Overview	3-7
2	Market Environment	8-10
3	Investment Process	11-13
4	Product Brief	14-15
5	Fund Management Team	16-17

# IIFL DYNAMIC BOND FUND

<b>This product is suitable for investors who are seeking*</b>	
<ul style="list-style-type: none"><li>Income and long term gains</li></ul>	 <p>Investors understand that the principal will be at moderate risk</p>
<ul style="list-style-type: none"><li>Investment in a range of debt and money market instruments of various maturities</li></ul>	
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	

# OVERVIEW

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- Current Investment Options
- Investment Idea
- Scenario Analysis
- Portfolio Attributes
- Summary



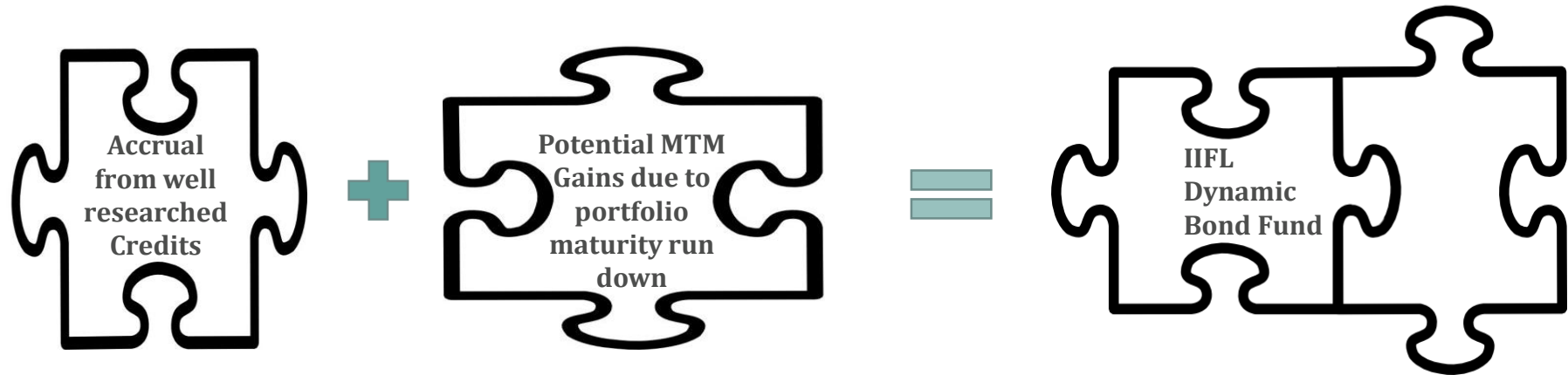
# CURRENT INVESTMENT OPTIONS

	Fixed Maturity Plan	Short Term Bond	IIFL Dynamic Bond Fund
Yield*	✓	✗	✓
Liquidity	✗	✓	✓
Potential for MTM Gains/ Benefit from mispricing	✗	✓	✓

\* Based on Net Yield to Maturity (computed as YTM – expense ratio). Based on comparison of average net YTM of short term plans with Corporate Bond Funds

MTM refers to mark to market gains from bonds

# INVESTMENT IDEA



Accumulating the yields in the portfolio as in a buy and hold strategy

Invest in debt & money market instruments with average Modified Duration of 3 – 4 years at the current yield levels to accumulate the yields in the portfolio

Portfolio would have potential to benefit from capital gains if interest rates ease in future and higher accruals due to optimized credit spreads

High Accrual strategy from well calibrated mispriced credit opportunities with potential for MTM (marked to market) gain from run down effect of portfolio over 3 years

# SCHEME ATTRIBUTES

## Investment Approach

- Focus on return generation through regular accruals
- Investment grade securities with maturity of 3-5 years
- Optimum maturity to be maintained through rebalancing at ~3 years
- Exposure to well researched high yielding mispriced credits without compromising on quality

## Portfolio Positioning (proposed)

- Rating: ~upto 25% in AAA; 75% in below AAA
- Modified Duration: ~3 years
- Indicative YTM: 8.50%\*
- Exit Load (%): 1% for the first 18 months; NIL thereafter
- Issuer Level exposure: around 15-20 credits in the portfolio

## Portfolio Attributes

## Product Positioning

- Ideal investment for investors seeking stable regular returns with low volatility
- Investment horizon of ~3 years
- High accrual oriented product that could fit into investors portfolio irrespective of market conditions

## Risk / Reward

- Attractive portfolio yield: Yield oriented strategy to benefit from higher short term yields but with low interest rate risk. Returns to be driven by accruals
- High Credits quality portfolio: Exposure to investment grade credits, compensating adequately for risk and with adequate diversification

\* Indicative YTM is based on a model portfolio at current market levels. The same shall be subject to change, depending on deployment dates

# SUMMARY

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Portfolio of  
Corporate Bonds &  
other debt  
securities

Credit Profile-  
25%: AAA  
75%: Below AAA

Medium Term  
Horizon\*

Invests across rating  
curve (investment  
grade)

Average maturity in  
the range of  
3-5 years

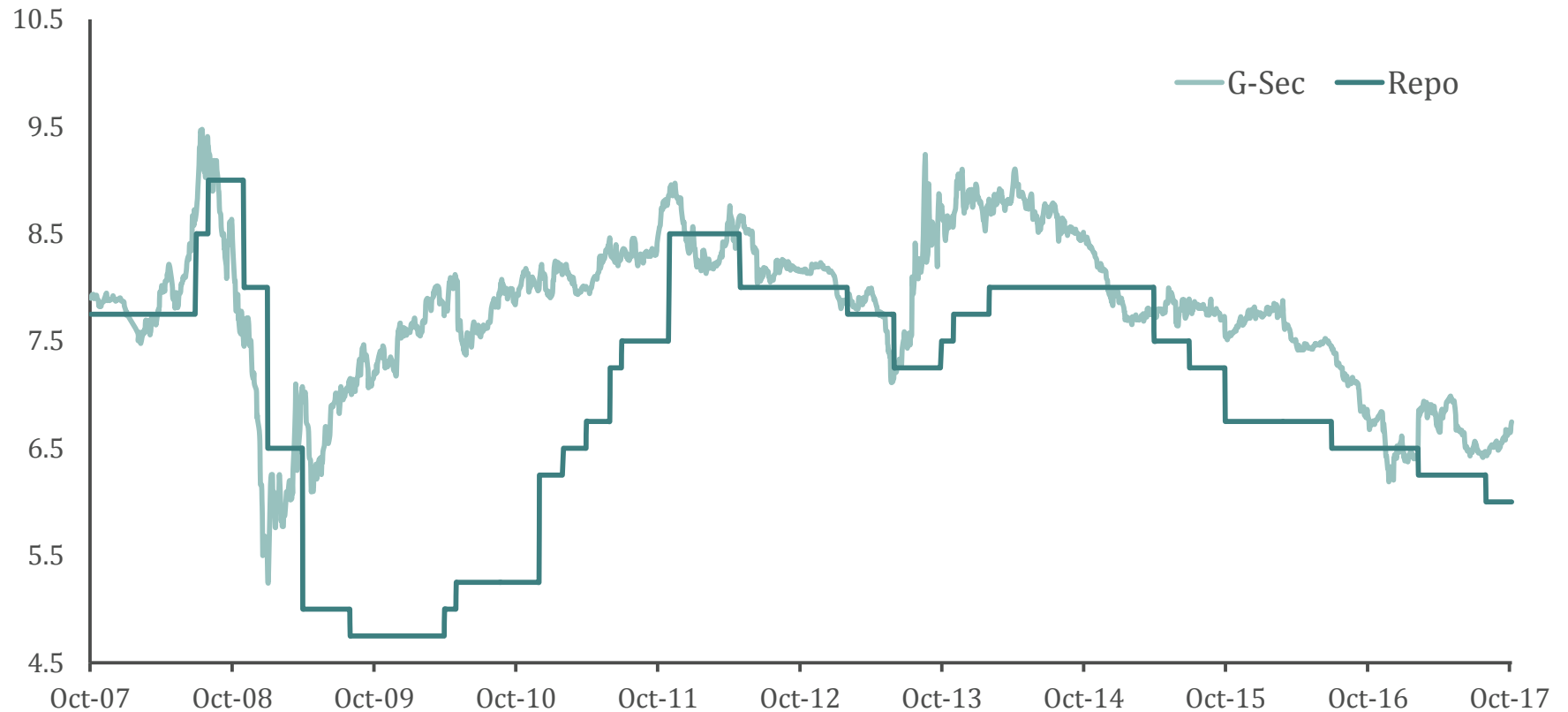


# MARKET ENVIRONMENT

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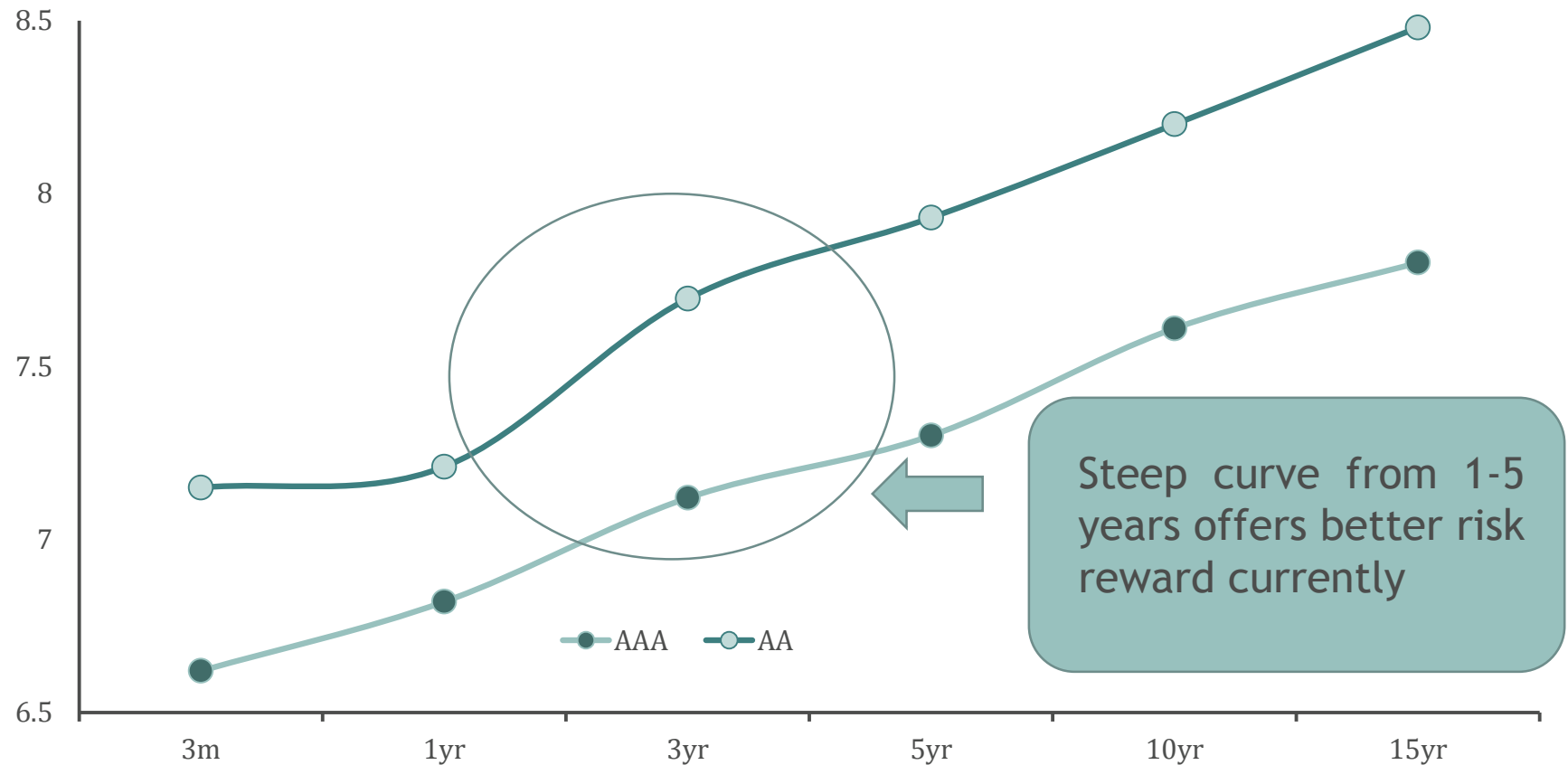
# LONG TERM BOND YIELDS AND POLICY RATES ARE CLOSE TO BOTTOM !



- Higher recent inflation, lack of policy action from RBI and concerns on fiscal deficit could slow the recent fall in yields and reduce potential gains from long term bonds
- Globally, interest rate environment is increasing, further limiting scope for rapid fall in rates from current levels

Source: Bloomberg

# STEEP YIELD CURVE OFFERS OPPORTUNITY AT THE FRONT END OF THE CURVE



- Steep curve from 1 to 5 year offers additional spread of up to 80 bps
- Provides higher accruals than long term AAA/ govt bonds

Source: Bloomberg

# INVESTMENT PROCESS

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- Investment Strategy
- Investment Process



# INVESTMENT STRATEGY

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## Investment Strategy

### **CREDIT SPECTRUM POSITIONING**

- Understanding lucrative credit spreads over the sovereign yield curve.
- Positioning the portfolio suitably to capitalise on credit spread opportunities

### **TACTICAL MISPRICING OPPORTUNITIES**

- Dynamic portfolio management to benefit from volatility in interest rates and credit spreads

### **CREDIT / ACCRUAL STRATEGIES**

- Investment decision based on issuer and liquidity of instrument
- Issuer specific due diligence
- Identifying key drivers for rating upgrades

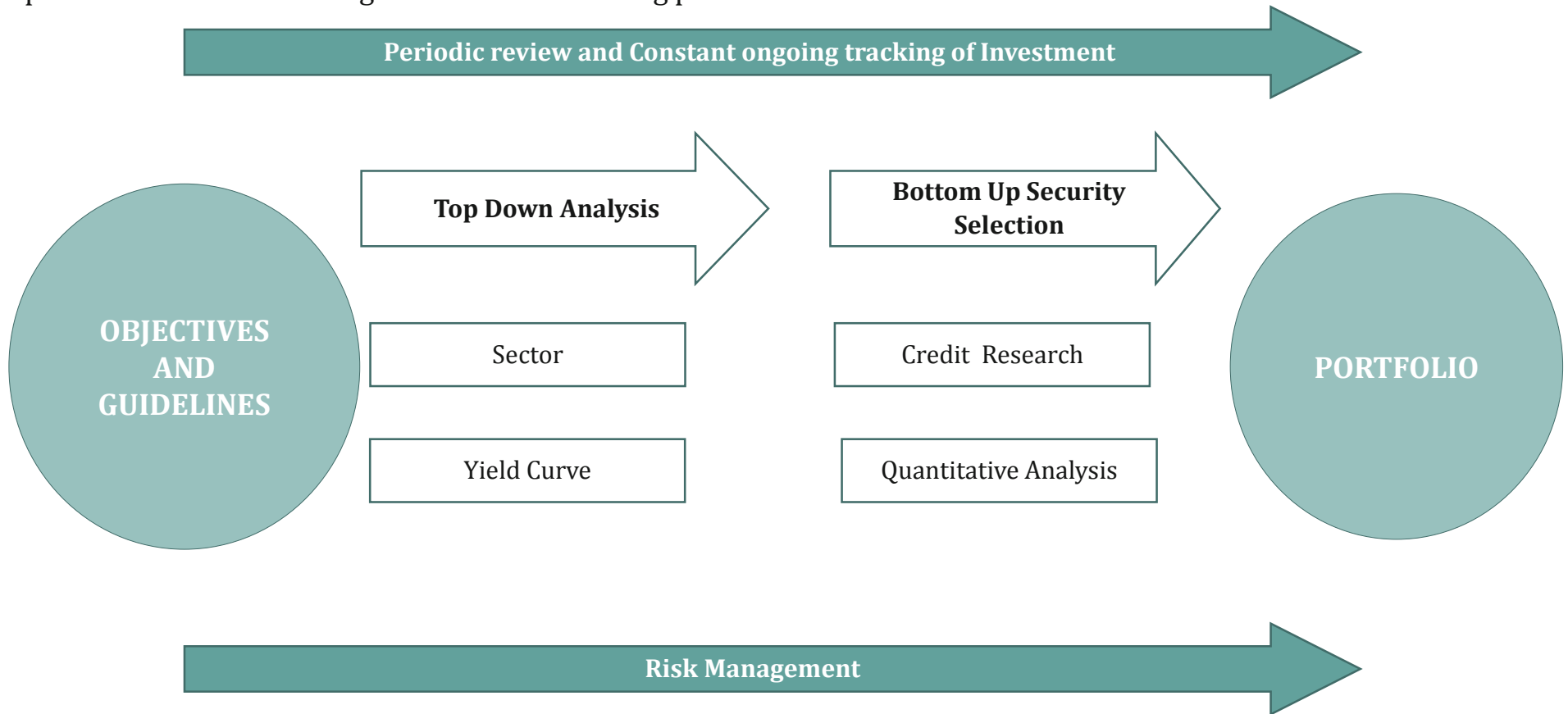
### **CREDIT RISK MANAGEMENT**

- Macro & Micro Analysis for identifying credit opportunities
- Thorough credit Analysis at pre investment stage
- Constant credit monitoring of portfolio universe

# INVESTMENT PROCESS

## Creating the Investment Portfolio

With a view to create a robust investment portfolio, we may adopt the below mentioned investment process. The process will function as a guideline for evaluating product ideas



# PRODUCT BRIEF

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- Key Terms



# KEY TERMS

PARTICULARS	DESCRIPTION
<b>Name of the Fund</b>	IIFL Dynamic Bond Fund
<b>Objective</b>	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
<b>Type</b>	An open ended Income scheme
<b>Benchmark</b>	CRISIL Composite Bond Fund Index
<b>Plans Offered</b>	Regular Plan and Direct Plan
<b>Options Offered</b>	Growth & Dividend Option
<b>Load Structure</b>	Entry Load –NIL , Exit Load – 1% - if redeemed/switched out, on or before 18 months from the date of allotment Nil – if redeemed/switched out after 18 months from the date of allotment
<b>Liquidity</b>	Being an open-ended Scheme, units may be redeemed on every business day at NAV based prices
<b>Asset allocation</b>	Debt Market Instruments: 0-100% Money Market Instruments: 0-100% Units issued by REITs/INVITs: 0-10%
<b>Minimum Investment</b>	INR 10,000 and in multiples of INR 100 thereafter
<b>Minimum Subsequent Investment</b>	INR 1,000 and in multiples of INR 100 thereafter
<b>Fund manager</b>	Ankur Parekh





# AMC MANAGEMENT TEAM

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# AMC MANAGEMENT TEAM

	Name	Designation	Experience
	<b>Ritesh Jain</b>	President -Fixed Income, IIFL AMC	Ritesh has over 18 years of experience in the Fixed Income space including previous experience with Morgan Stanley and Principal Mutual Fund. Prior to IIFL, he was working for Pramerica Asset Managers as Fixed Income Head. Ritesh is a commerce graduate and has completed PGDBA in Finance from K.J. Somaiya Institute of Management Studies and Research, Mumbai.
	<b>Ankur Parekh</b>	Fund Manager – Mutual Fund, IIFL AMC	Ankur has over 15 years of work experience in fixed income market including previous experience with SBI – DFHI (a primary dealership firm) and DBS Cholamanadalam AMC. Prior to joining IIFL AMC he has worked with Reliance Nippon Life Asset Management as Fund Manager – EPFO for 7 years. He is a commerce graduate and has done his Masters in Business Administration from Bharthihar University, Tamil Nadu.

## TAX IMPLICATIONS

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Type of Gain	Investment Holding Period	Taxation
Short Term Capital Gain	Less than 36 months	30%*
Long Term Capital Gain	More than 36 months	20% with indexation**

*Source: Section 112 & Section 48 of Income Tax Act*

*\* Assuming the investor falls into highest tax bracket*

*\*\* Above mentioned rates do not include surcharge. Surcharges shall be levied as applicable*

*For individual tax treatment, please consult a tax specialist/consultant/advisor. Above information should not be construed as tax advisory*

# DISCLAIMERS

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***Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.***

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