FUND SPOTLIGHT

IDFC MUTUAL FUND

# IDFC GOVERNMENT SECURITIES FUND - CONSTANT MATURITY PLAN

(Previously known as IDFC Government Securities Fund Short Term Plan )
An open ended debt scheme investing in government securities having a constant maturity of 10 years

The fund is a mix of government bonds, state development loans (SDLs), treasury bills and/or cash management bills. The fund will predominantly have an average maturity of 10 years.

**Fund Features:**

**Category:** Gilt Fund with 10 year constant duration

**Monthly Avg AUM:** ₹130.81 Crores

**Inception Date:** 9th March 2002

**Fund Manager:** Mr. Harshal Joshi (w.e.f. 15th May 2017)

**Standard Deviation (Annualized):** 4.88%

**Modified duration:** 7.52 years

**Average Maturity:** 12.00 years

**Yield to Maturity:** 7.04%

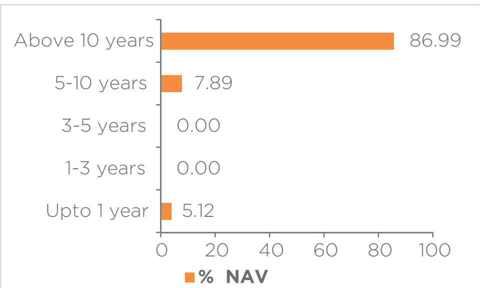
**Benchmark:** CRISIL 10 year Gilt Index (w.e.f. 28th May 2018)

**Minimum Investment Amount:** ₹5,000/- and any amount thereafter

**Exit Load:** Nil

**Options Available:** Growth, Dividend - Weekly, Monthly, Quarterly & Periodic

**Maturity Bucket:**

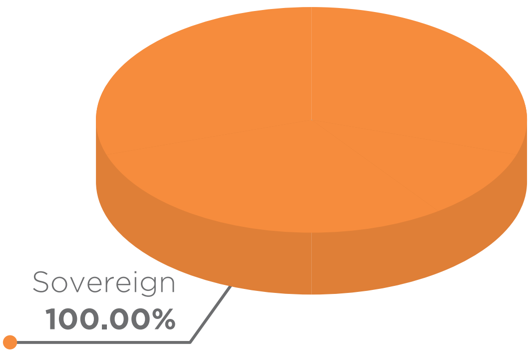



## OUTLOOK

The Monetary Policy Committee (MPC) rate decision to hold its policy rate in its December meeting was against market expectations of a 25bps cut. While not acting in the policy, the MPC nevertheless acknowledged monetary policy space for future action. It also reiterated continuation “with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target”. The RBI also downplayed the point about broader transmission, noting that this “has been full and reasonably swift across various money market segments and the private corporate bond market”. However, transmission to government bond market has been partial, while credit market transmission remains delayed but is picking up.

Investors should probably breathe a sigh of relief insofar that this provides a longer window to keep locking into front end quality interest rates. A 175 bps odd spread between overnight to 4 year AAA bonds is there for the receiving given our high conviction view of a ‘lower for longer’ policy regime. Longer end rates will struggle for now, but are also cheap given almost 200 bps spread between overnight and long duration government bonds, and with these bonds currently trading close to the year’s predicted nominal GDP growth. However, a sustained move here will depend upon the government not over-exerting the fiscal lever and fresh risk capital entering the system.

## ASSET QUALITY




Standard Deviation calculated on the basis of 1 year history of monthly data
Gsec/SDL yields have been annualized wherever applicable

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## PORTFOLIO (29 November 2019)

| Name | Rating | Total (%) |
|---|---|---|
| **Government Bond** | | **94.88%** |
| 7.57% - 2033 G-Sec | SOV | 70.93% |
| 7.88% - 2030 G-Sec | SOV | 16.06% |
| 7.59% - 2026 G-Sec | SOV | 7.89% |
| **Net Cash and Cash Equivalent** | | **5.12%** |
| **Grand Total** | | **100.00%** |


This product is suitable for investors who are seeking*:

- To generate optimal returns over long term
- Investments in Government Securities such that the average maturity of the portfolio is around 10 years

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

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