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: ₹43.98 Crores

Inception Date: 9th March 2002

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

Standard Deviation (Annualized): 4.75%

Modified duration: 6.05 years

Average Maturity: 9.04 years

Yield to Maturity: 7.44%

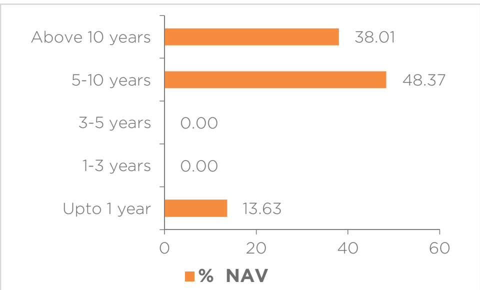
Benchmark: CRISIL 10 year Gilt Index (w.e.f. 28th May 2018)

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

Exit Load: Nil

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

Maturity Bucket:



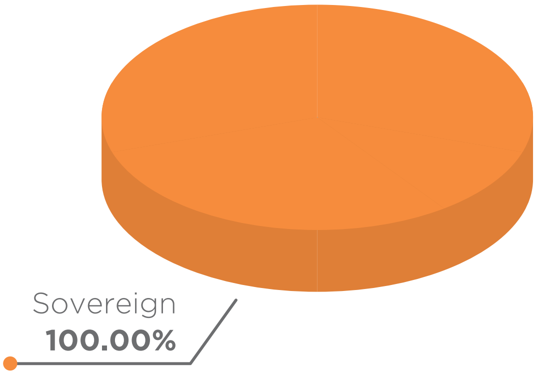
OUTLOOK

World growth expectations have taken a decided turn towards the worse over the past month or so. This is now reflected in expectations of easing by major central banks later in the year. As an example, the US yield curve is now reasonably inverted upto 10 years with market expecting 2 – 3 rate cuts in the future. Locally as well, there has been a marked deterioration in growth drivers with consumption being the latest casualty, probably courtesy an impact to leverage given the ongoing stresses in certain parts of the financing market. Thus, the current monetary easing underway has to be looked at in this overall context. While currently the expectation would be for one last rate cut alongside continued easy liquidity, this can very quickly change towards expecting a deeper further easing should the global outlook further deteriorate.

The next major domestic trigger is going to be the Union Budget in early July. Given the large undershoots in the actual revenue collections in FY 19 versus even the revised numbers presented in February, the numbers targeted in the interim budget are looking truly daunting. This is especially in context of the ongoing growth slowdown. Thus, the new finance minister will have a tall task to present a credible budget while sticking to the assumed deficit target. In this context, the Jalan committee's report on potential excess RBI reserves and their usage by the government will assume importance.

From a bond market standpoint, the focus should remain on quality rates (sovereign, SDL, AAA) as preferred vehicles to play the current macro environment. As developments continually highlight, the lower rated credit markets are far from settled and the spreads that can effectively be captured there may not yet be compensating for the risks involved.

ASSET QUALITY



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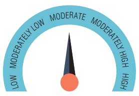
PORTFOLIO (31 May 2019)

Name	Rating	Total (%)
Government Bond		**47.09%**
7.88% - 2030 G-Sec	SOV	38.01%
7.17% - 2028 G-Sec	SOV	9.08%
State Government Bond		**39.29%**
8.08% Maharashtra SDL - 2028	SOV	18.60%
8.37% Tamil nadu SDL - 2029	SOV	9.46%
8.3% Karnataka SDL - 2029	SOV	9.43%
8.08% Gujarat SDL - 2028	SOV	1.80%
Net Cash and Cash Equivalent		**13.63%**
Grand Total		**100.00%**



Investors understand that their principal will be at Moderate risk

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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