FUND SPOTLIGHT

IDFC MUTUAL FUND

IDFC BOND FUND - Medium Term Plan

(Previously known as IDFC Super Saver Income Fund – Medium Term Plan)
An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years and 4 years

The fund is positioned in the short term fund category and invests in a mix of debt and money market instruments. The overall average maturity of the fund will ordinarily not exceed around 4 years. MT is best suited for investors who want moderate participation.

The around 4 year average maturity cap makes the fund well suited to offer lower volatility yet benefit from potential fall in interest rates.

Fund Features:

Category: Medium Duration

Monthly Avg AUM: ₹2,976.91 Crores

Inception Date: 8th July 2003

Fund Manager: Mr. Suyash Choudhary (w.e.f. 15/09/2015)

Standard Deviation (Annualized): 2.16%

Modified Duration: 3.21 years

Average Maturity: 4.09 years

Yield to Maturity: 6.74%

Benchmark: CRISIL Short Term Bond Fund Index

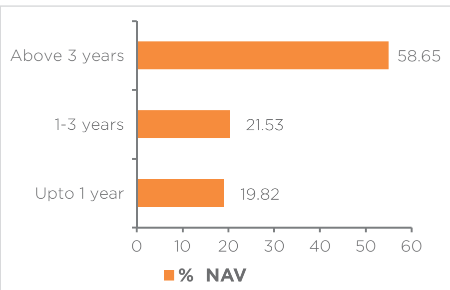
Minimum Investment Amount:

₹5,000/- and any amount thereafter

Exit Load: NIL (w.e.f. 15th January 2019)

Options Available: Growth, Dividend - Daily, Fortnightly (Payout & Reinvestment), Monthly, Bi - Monthly (once in two months), Quarterly & Periodic

Maturity Bucket:

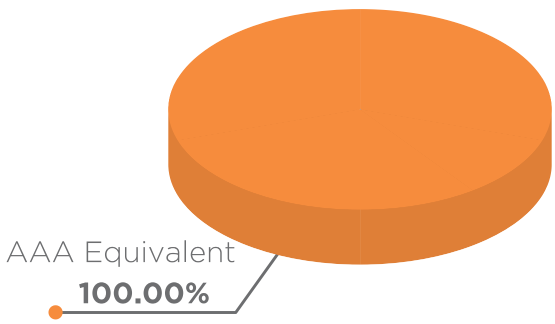


OUTLOOK

After the recent monetary policy, RBI / MPC are now emphatically firing on all three cylinders of rates, liquidity, and guidance. There is some appreciation subsequently in the front end of the rate curve of this new reality. The significant growth slowdown globally, amplified in India owing to a noticeably slowing consumer is now well documented. This has triggered monetary easing across most of the world. A new development is the US Fed deciding to restart a measured expansion of its balance sheet in response to recent sharp surges in overnight rates triggered, amongst other things, by banks no longer holding sufficient excess reserves. This marks a reversal from the 'quantitative tightening' that the Fed had embarked upon since late 2017. India has been proactive amidst emerging markets with 135 bps already delivered backed by liquidity and guidance as well, as noted above. Concurrent data suggests that the growth slowdown is still in play thereby keeping hopes for more easing alive. It is quite noticeable that term spreads should be so elevated at this point of the cycle. This is considering both local and global macro as well as the guidance and liquidity coming through from the RBI. The problem possibly, is the unavailability of enough capital willing to assume the additional market risk. A circa INR 2,00,000 crores positive liquidity is also not necessarily improving risk appetite for market participants. The dominant reason for this of course is continued fiscal fears.

A new thought that we are harboring is also that, while we are quite confident about our 'lower for longer' hypothesis on policy rates backed by surplus liquidity (which makes front end rates a very obvious lucrative trade), one cannot be definitive about the terminal rate in this cycle. The argument that terminal rate is very close cannot rest on the macro scenario. This requires much more support from policy as the continued spate of weak concurrent data suggests. Rather the judgment call at some juncture will lie in the efficacy of further cuts, as demonstrated in the potential inability of banks to keep passing lower rates. Bond investors don't need a resolution on this debate immediately, given that there is more than adequate room for term spreads to compress on the current curve structure itself.

ASSET QUALITY



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

IDFC MUTUAL FUND

PORTFOLIO (31 October 2019)

Name	Rating	Total (%)
Corporate Bond		**51.49%**
Reliance Industries	AAA	11.52%
LIC Housing Finance	AAA	11.30%
NABARD	AAA	10.95%
Power Finance Corporation	AAA	7.14%
REC	AAA	4.04%
HDFC	AAA	2.90%
HDB Financial Services	AAA	2.60%
Bajaj Finance	AAA	0.87%
Indian Railway Finance Corporation	AAA	0.18%
Government Bond		**45.17%**
7.59% - 2026 G-Sec	SOV	42.82%
7.57% - 2033 G-Sec	SOV	1.81%
7.35% - 2024 G-Sec	SOV	0.54%
Certificate of Deposit		**0.33%**
Axis Bank	A1+	0.33%
State Government Bond		**0.07%**
8.37% Tamil Nadu SDL - 2028	SOV	0.07%
8.25% Andhra Pradesh SDL - 2023	SOV	0.001%
8.68% Gujarat SDL - 2023	SOV	0.0001%
Net Cash and Cash Equivalent		**2.94%**
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 medium term
- Investments in Debt & Money Market securities such that the Macaulay duration of the portfolio is between 3 years and 4 years

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

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