



IDFC BOND FUND - STP

(Previously known as IDFC Super Saver Income Fund - Short Term Plan)

(IDFC MMF-IP has been merged into IDFC Bond Fund - Short Term w.e.f. 14th May, 2018)

An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year and 3 years.

A Short Term Income Fund, the portfolio is mostly a mix of short duration debt and money market instruments. The average portfolio maturity will not ordinarily exceed around 2 years.

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.

Fund Features:

Category: Short Duration

Monthly Avg AUM: ₹10,390.37 Crores

Inception Date: 14th December 2000

Fund Manager: Mr. Suyash Choudhary (Since 11th March 2011)

Standard Deviation (Annualized): 1.68%

Modified Duration: 1.75 years

Average Maturity: 2.06 years

Yield to Maturity: 6.56%

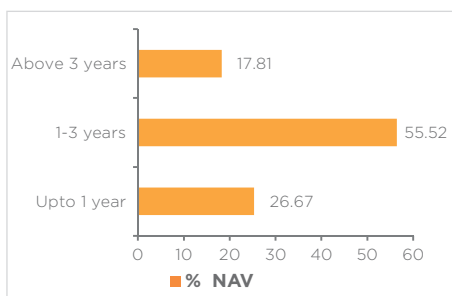
Benchmark: CRISIL AAA Short Term Index (w.e.f. 26th September 2016)

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

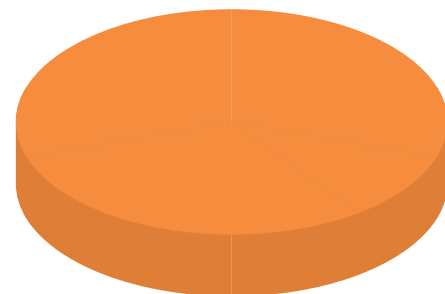
Exit Load: Nil (w.e.f. 23rd May 2016)

Options Available: Growth, Dividend - Fortnightly (Payout, Reinvestment & Sweep), Monthly & Periodic

Maturity Bucket:



ASSET QUALITY



AAA Equivalent
100.00%

Standard Deviation calculated on the basis of 1 year history of monthly data

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

PORTFOLIO (31 October 2019)

Name	Rating	Total (%)
Corporate Bond		90.64%
NABARD	AAA	11.23%
HDFC	AAA	11.03%
Reliance Industries	AAA	10.74%
LIC Housing Finance	AAA	8.25%
Power Finance Corporation	AAA	7.59%
REC	AAA	6.93%
Indian Railway Finance Corporation	AAA	6.91%
National Highways Auth of Ind	AAA	6.73%
Small Industries Dev Bank of India	AAA	5.03%
Power Grid Corporation of India	AAA	4.68%
NTPC	AAA	3.85%
HDB Financial Services	AAA	2.09%
Larsen & Toubro	AAA	2.01%
Bajaj Finance	AAA	1.37%
Kotak Mahindra Prime	AAA	1.29%
Sundaram Finance	AAA	0.71%
M&M Financial Services	AAA	0.14%
Export Import Bank of India	AAA	0.05%
Certificate of Deposit		4.25%
Axis Bank	A1+	3.56%
ICICI Bank	A1+	0.46%
Bank of Baroda	A1+	0.23%
Commercial Paper		1.38%
Kotak Mahindra Prime	A1+	1.15%
HDB Financial Services	A1+	0.23%
Net Cash and Cash Equivalent		3.74%
Grand Total		100.00%



This product is suitable for investors who are seeking*:

- To generate optimal returns over short to medium term
- Investments in Debt & Money Market securities such that the Macaulay duration of the portfolio is between 1 year and 3 years

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

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