FUND SPOTLIGHT

IDFC MUTUAL FUND

IDFC GOVERNMENT SECURITIES FUND-INVESTMENT PLAN

(Government Securities Fund PF will be merged into Government Securities Fund IP w.e.f. May 7, 2018)
An open ended debt scheme investing in government securities across maturities

A dedicated gilt fund with an objective to generate optimal returns with high liquidity by investing in Government Securities.

Fund Features:

Category: Gilt

Monthly Avg AUM: ₹464.87 Crores

Inception Date: 9th March 2002

Fund Manager: Mr. Suyash Choudhary (Since 15th October 2010)

Standard Deviation (Annualized): 4.60%

Modified duration: 7.29 Years

Average Maturity: 11.48 years

Yield to Maturity: 7.01%

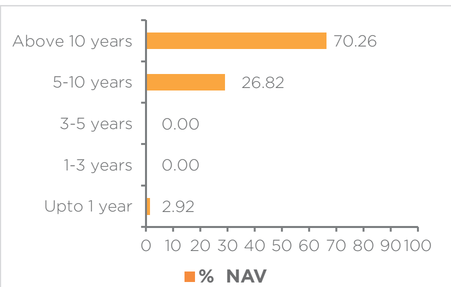
Benchmark: CRISIL Dynamic Gilt Index (w.e.f 01st February, 2019)

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

Exit Load: Nil (w.e.f. 15th July 2011)

Options Available: Growth, Dividend - Quarterly, Half Yearly, Annual, Regular & Periodic

Maturity Bucket:

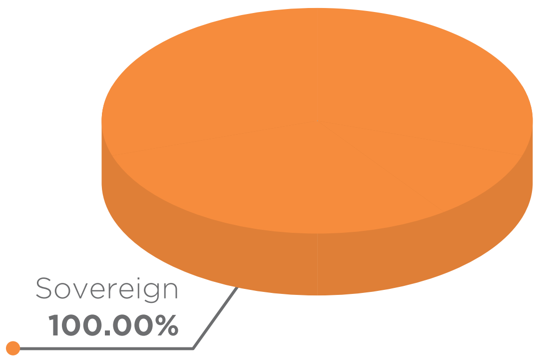


OUTLOOK

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

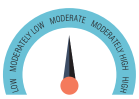


Gsec/SDL yields have been annualized wherever applicable
Standard Deviation calculated on the basis of 1 year history of monthly data

IDFC MUTUAL FUND

PORTFOLIO (31 October 2019)

Name	Rating	Total (%)
Government Bond		**97.08%**
7.57% - 2033 G-Sec	SOV	66.92%
7.59% - 2026 G-Sec	SOV	23.36%
8.24% - 2027 G-Sec	SOV	3.44%
7.61% - 2030 G-Sec	SOV	3.34%
7.17% - 2028 G-Sec	SOV	0.01%
Net Cash and Cash Equivalent		**2.92%**
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 long term optimal returns.
- Investments in Government Securities across maturities.

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

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