



IDFC DYNAMIC BOND FUND

An open ended dynamic debt scheme investing across duration

The fund is positioned in the income fund category to take exposure across the curve depending upon the fund manager's underlying interest rate view where we employ the majority of the portfolio. It is a wide structure and conceptually can go anywhere on the curve. The fund plays the trade of the season which we think will sustain for a longer period of time.

OUTLOOK

Both the macro and micro frameworks remain reasonably bond bullish and we are happy to continue to participate, although our instruments of choice may keep shifting depending upon relative value within the core interest rate buckets (AAA/SDL/sovereign). Our preference for duration building is now via sovereign papers given the very benign supply environment for government bonds that is likely to come over the second half of the financial year. This may also help further compress term spreads of sovereign versus repo, which otherwise have generally been quite elevated since late 2017 owing to diminishing risk appetites and excess supply overhang.

Also while past comparisons are useful, they must be made with caution. For instance, while demonetization was a significant local development, it must be remembered that a global deflation trade had begun in earnest at the same time with expectations of a US fiscal stimulus from the Trump administration. Also, RBI had embarked in 2017 on a significant OMO sale program thereby significantly adding to gross bond supply just as post demonetization deposit accretion was beginning to fall away. Whereas, the current phase is that of a synchronized global slowdown where local fiscal policy so far has been relatively disciplined. Thus it is not necessary that 'demonetization lows' should actually form some sort of a lower bound to yields in the current environment.

As always, investments need to be considered in 3 buckets of liquidity, core and alpha. In our view it remains a very constructive environment to continue to allocate to AAA front end that chiefly forms part of core allocation bucket.

Fund Features:

Category: Dynamic Bond

Monthly Avg AUM: ₹2,036.3 Crores

Inception Date: 25th June 2002

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

Standard Deviation (Annualized): 4.17%

Modified Duration: 5.43 years

Average Maturity: 7.16 years

Yield to Maturity: 6.66%

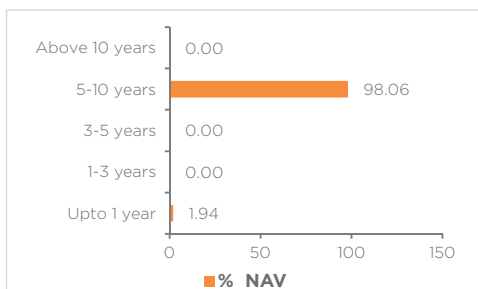
Benchmark: CRISIL Composite Bond Fund Index

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

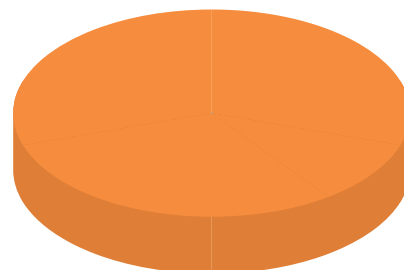
Exit Load: Nil (w.e.f. 17th October 2016)

Options Available: Growth, Dividend - Quarterly (March, June, September & December), Half Yearly, Annual, Regular & Periodic

Maturity Bucket:



ASSET QUALITY



AAA Equivalent
100.00%

PORTFOLIO (30 August 2019)

Name	Rating	Total (%)
Government Bond		98.02%
7.27% - 2026 G-Sec	SOV	39.12%
7.17% - 2028 G-Sec	SOV	30.81%
7.59% - 2026 G-Sec	SOV	20.68%
8.24% - 2027 G-Sec	SOV	7.41%
8.20% - 2025 G-Sec	SOV	0.01%
State Government Bond		0.03%
8.32% Karnataka SDL - 2029	SOV	0.03%
Net Cash and Cash Equivalent		1.94%
Grand Total		100.00%



This product is suitable for investors who are seeking*:

- To generate long term optimal returns by active management
- Investments in money market & debt instruments including G-Sec across duration

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

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