

INDIA DYNAMIC BOND FUND

November 2018



**ADITYA BIRLA
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

- India Dynamic Bond Fund's (IDBF) objective is to take exposure to **high quality** debt and money market instruments issued by Indian companies through investment in an **India domiciled diversified Fixed Income fund**.
- IDBF feeds into **Aditya Birla Sun Life Dynamic Bond Fund (ABSL DBF)**
- ABSL DBF invests into across **Duration & Credit** to generate highest total return through out market cycles.

Investment Approach of ABSL DBF



The fund uses a tactical blend of **active duration and credit strategies** and is positioned in the **short term category**.



Has the flexibility of changing the **modified duration** depending upon fund manager's view on market conditions.



Offers a unique blend of **top-down and bottom up** approach to consistently deliver superior risk adjusted returns.

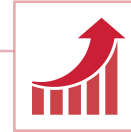


The fund invests in high quality **corporate debt, government securities & money market instruments**.



Dynamic Strategy

Effectively moves from **duration to accrual and back** to respond a rapidly changing interest rate environment.



Total Returns Strategy

Dual benefit of **interest income** and **capital gains**.

Offers an unique **blend of top-down and bottom up approach** to consistently delivery **superior risk adjusted returns**.

Top Down Strategy



Bottom Up Strategy





Positioning

- As an absolute return oriented fund, the fund moves gears between **duration** & **accrual strategies** to generate capital gains and preserve the purchasing power of capital **depending on market cycles**.
- Strategy plays on spreads as well as **actively managing portfolio duration**.



Large & efficient analyst team

- One of the largest & most experienced team of **credit analysts**, **fund managers** & **an independent macroeconomic research cell**.



Efficient Dealing

- Should the view change sharply & rapidly, **efficient dealing** & **strong relationships** with other market participants help in executing risk out of portfolios smoothly



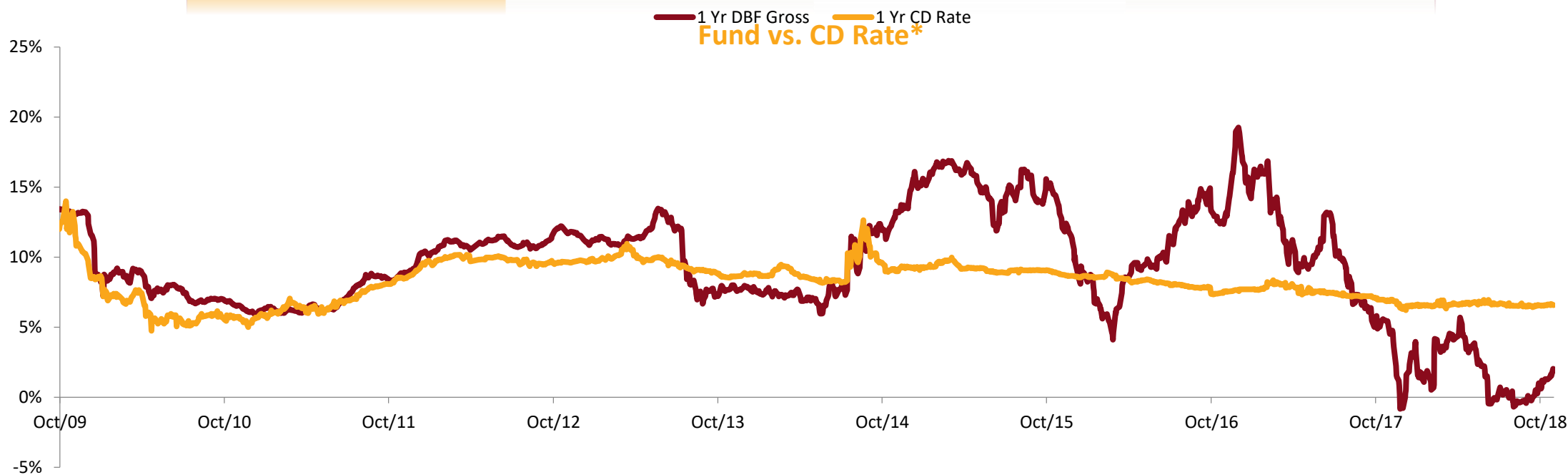
Sun Life ABSL DBF : Absolute Return Oriented Performance



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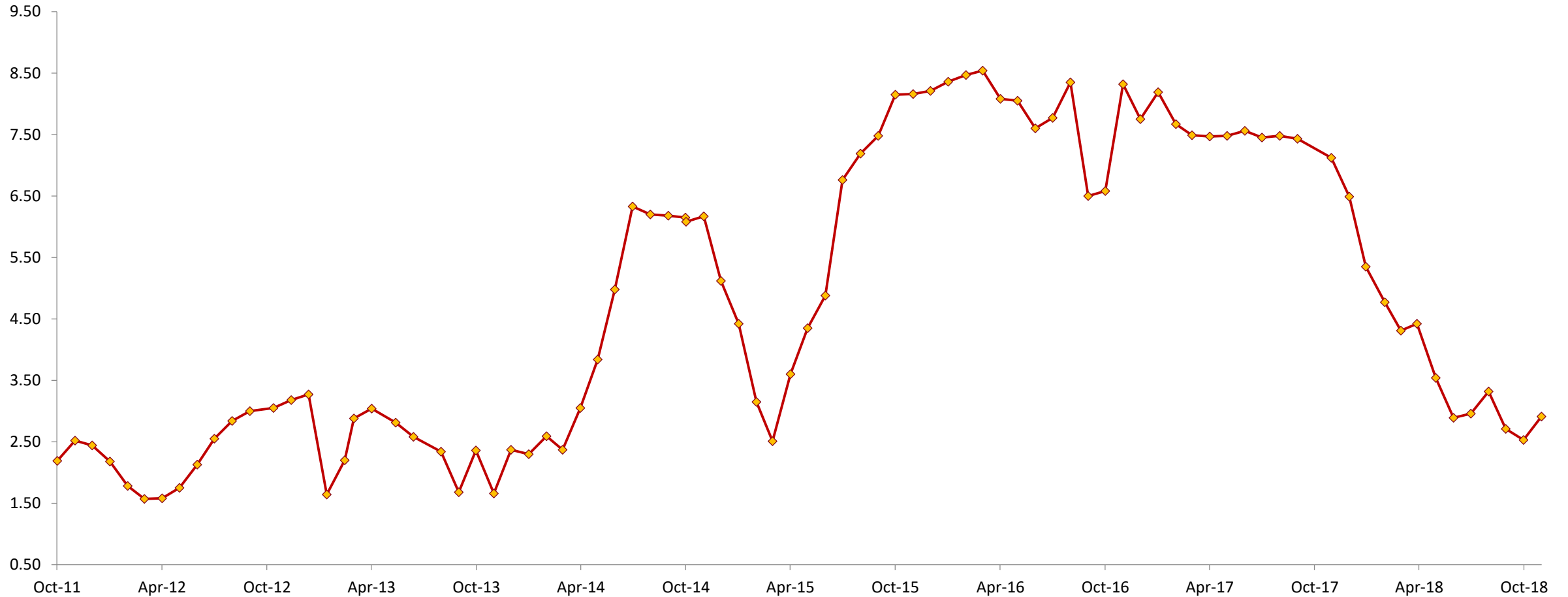
Over 71.34% times outperformance over prevailing ST rates on daily one year rolling returns

Summary of outperformance	Average 1.35%	Maximum 11.60%	Minimum -7.40%
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Returns in INR as on 31st October, 2018 Data Source: Bloomberg, MFExplorer * Certificate of Deposit

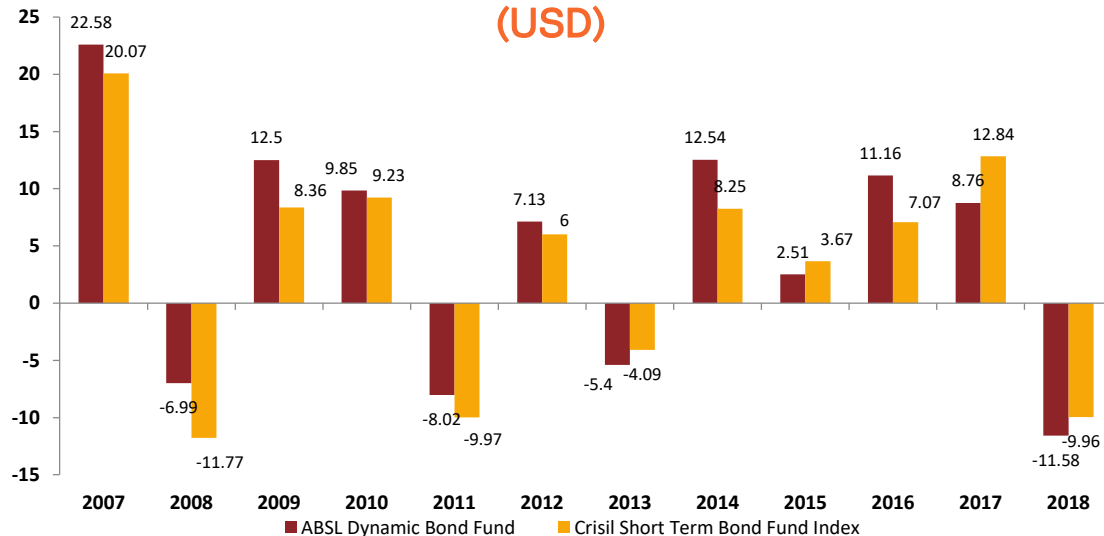
ABSL DBF : Dynamic Approach on Modified Duration



As on 31st October 2018 Data Source: ABSLAMC

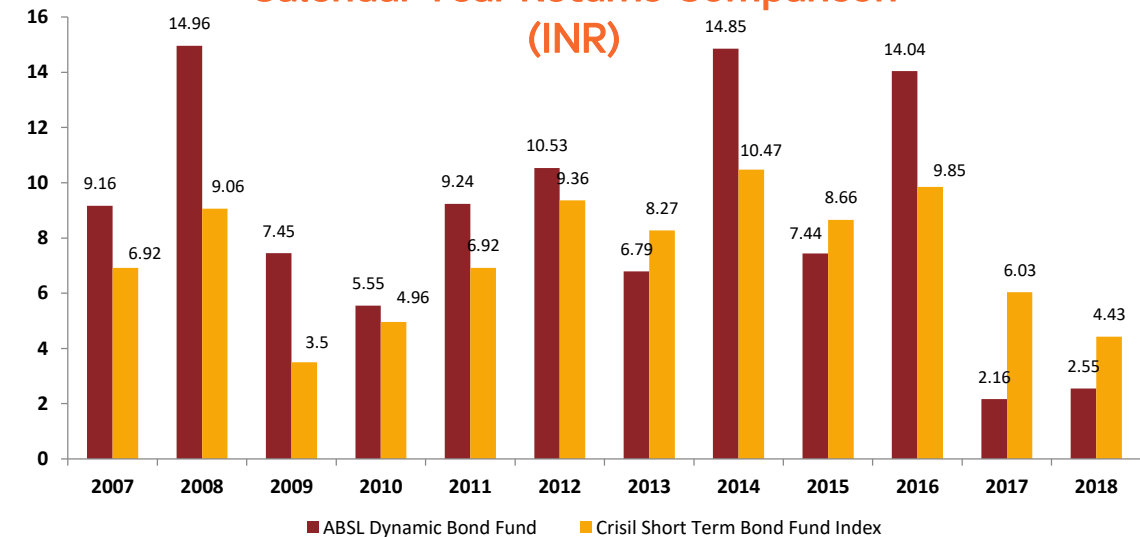
Investment Period	Aditya Birla Sun Life Dynamic Bond Fund (USD)	CRISIL Short Term Bond Fund Index (USD)
Last 1 Year	-11.73	-8.60
Last 3 Years	1.69	2.67
Last 5 Years	4.48	4.16
Since Inception	4.64	3.81

Calendar Year Returns Comparison (USD)



Investment Period	Aditya Birla Sun Life Dynamic Bond Fund (INR)	CRISIL Short Term Bond Fund Index (INR)
Last 1 Year	1.11	4.69
Last 3 Years	5.98	7.11
Last 5 Years	8.31	8.13
Since Inception	8.24	7.39

Calendar Year Returns Comparison (INR)





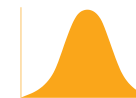
Modified Duration
2.91 Years



Yield to Maturity
10.10%

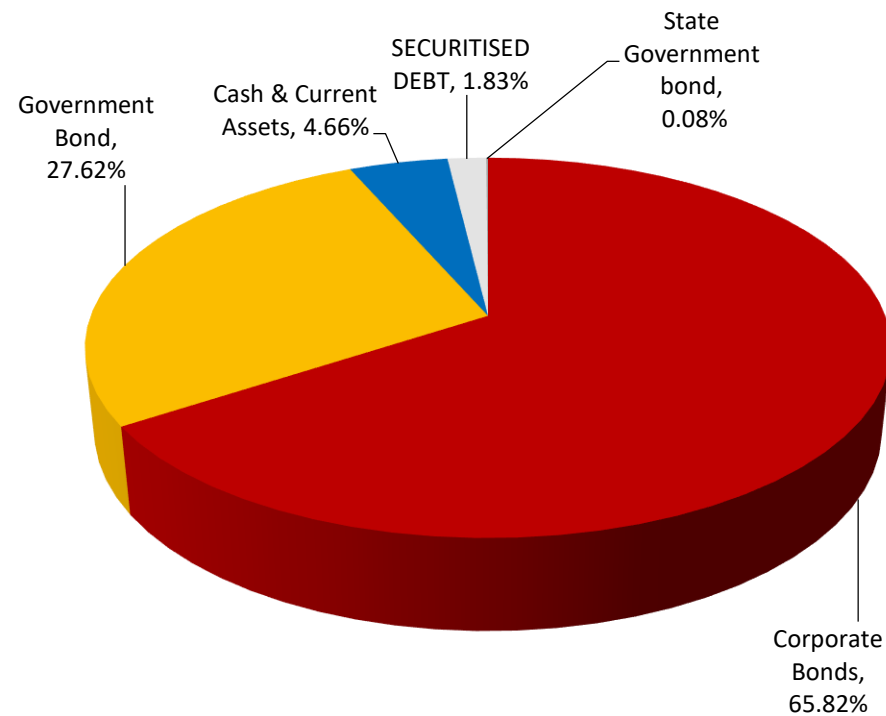


Number of Holdings
69

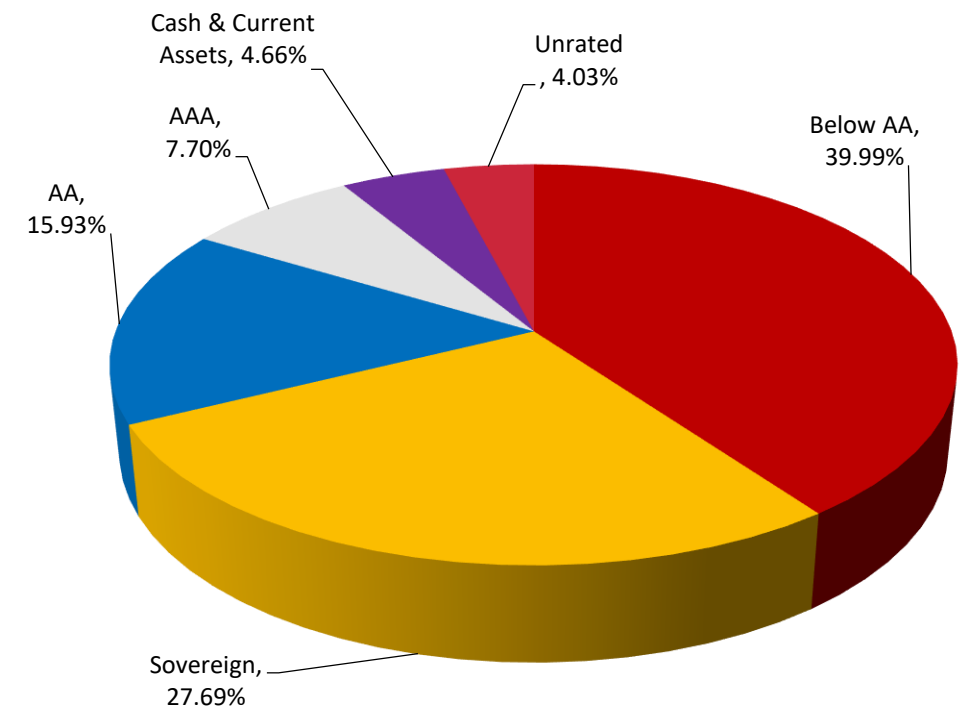


Standard Deviation
5.37%

CURRENT ALLOCATION

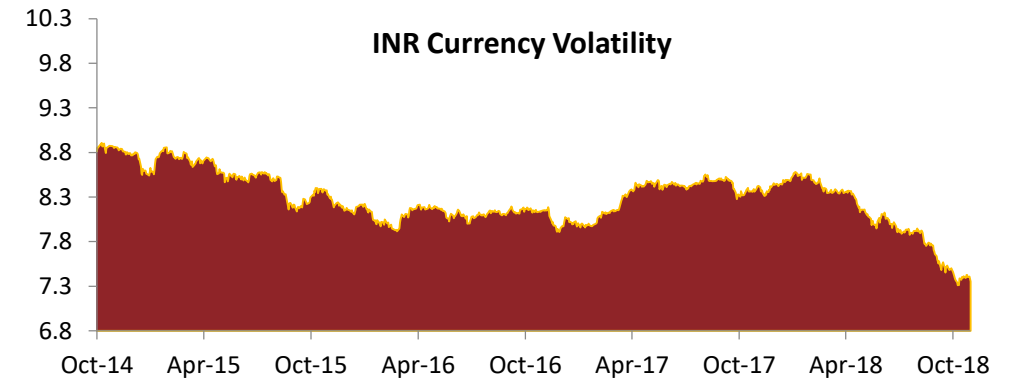
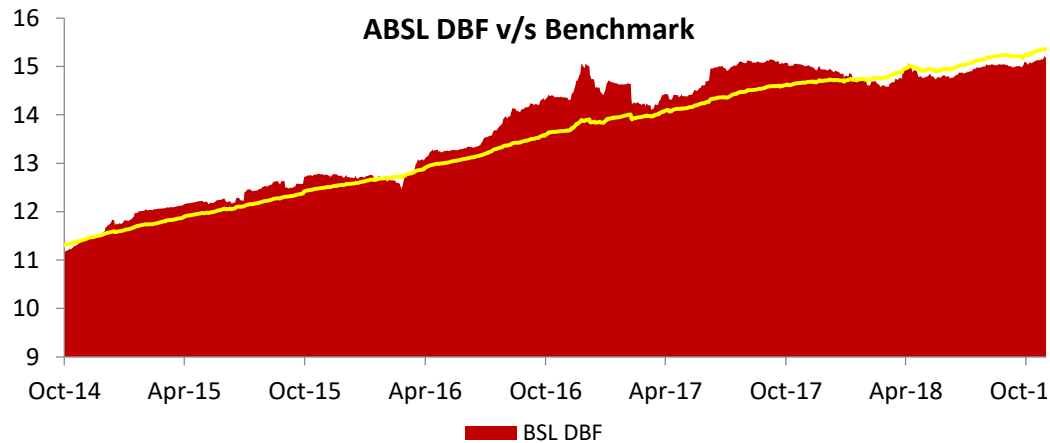


CURRENT RATING



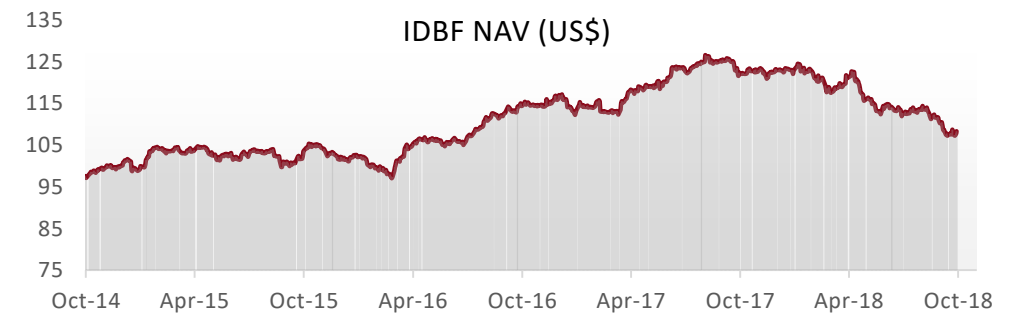
Issuer	% to Net Assets	Description
Government Bond	27.62	
Sprit Textile Pvt Limited	7.68	Spirit Textile Pvt Limited is a part of Essel Group belonging to Mr. Subhash Chandra Family. The company primarily acts as holding company for the group
Aasan Corporate Solutions Private Limited	7.58	AASAN Corporate Solutions Private Limited ("ACSPL") was incorporated in July 2011. The company promoted by Mr. Ajay Piramal of Piramal Group. The company is engaged in investing group and other entities. It also engaged in commodity trading. Sri Govind Trust holds 99.99 % shares in company.
Adani Infra (India) Limited	7.04	Adani Infra (India) Ltd. (AAIL) is a 100% subsidiary of Adani Properties Pvt. Ltd. It is an infrastructure development company with specialization in comprehensive engineering, project management and construction (EPC) services for power generation and transmission sector, and caters primarily to Group companies.
U.P. Power Corporation Limited	5.72	Uttar Pradesh Power Corporation Ltd was incorporated in November 1999 by Government of Uttar Pradesh in pursuance of the reform restructuring of the erstwhile Uttar Pradesh State Electricity Board under UP Electricity Reforms Act, 1999. UPPCL is specified as "Bulk Supply Licensee" and is responsible for procurement of power.
Piramal Capital & Housing Finance Limited	5.34	Piramal Capital Housing Finance Ltd is a wholly owned subsidiary of Piramal Enterprise Limited (PEL) and is the flagship entity of the group's financial services business. PCHFL has 4 business verticals: (i) real estate financing- lending to real estate developers (ii) Lending to corporate clients across sectors with loan size greater than Rs 100 crore; (iii) Emerging Corporate Group: which provide finance to mid-tier companies with loan size of upto Rs 100 crores and (iv) Housing Finance.
Adani Rail Infra Private Limited	4.61	Adani Rail Infra Pvt. Ltd. (ARIPL) is wholly-owned by S. B. Adani Family Trust through its nominees. ARIPL is in the business of commodity trading. It has one subsidiary company viz. Sarguja Rail Corridor Pvt. Ltd. (SRCPL). SRCPL has recently completed implementation of 70 km railway line from Parsa East & Kente Basin coal block in Chhattisgarh to the nearest railway station for transportation of coal from a nearby coal block to Rajasthan Rajya Vidyut Utpadan Nigam Ltd.'s (RVUNL) power plants
Adilink Infra & Multitrading Private Limited	4.03	Adilink Infra & Multitrading Private Limited is an Unlisted Company, a part of Essel Group, incorporated on 13 June 2017. Our investment is in unlisted unrated and secured zero coupon NCDs of Adilink would mature in March 2020 though there is a put/call option. Our security for this trade comprises of unlisted shares of 12 road SPVs and Essel Highways which at all points of time has to be 2 times the outstanding amount.
JM Financial Credit Solution Limited	3.30	JM Financial Credit Solutions focuses on wholesale lending business such as promoter financing and real estate lending. It is part of JM Financial group which has interests in investment banking, retail and institutional equity broking, wealth management, investment advisory services, portfolio management, asset management, commodity broking, securities-based lending, corporate lending, private equity, and asset reconstruction.
Wadhawan Global Capital Pvt Limited	2.94	Wadhawan Global Capital Ltd is a Core Investment Company and holds 37.32% equity stake in Dewan Housing Finance Corporation Limited (DHFL). DHFL, the flagship company of the group, has successful track record of 30 years of lending in the low and middle income group primarily to salaried employees. The Company also holds controlling stake in Aadhar Housing Finance Limited, Avanse Financial Services Limited, Arthveda Fund Management and WGC Management Services.

The performance of IDBF is driven primarily by 2 factors - Performance of ABSL DBF and the Currency Volatility



IDBF Performance

Period	Returns
1 Year	-13.18
3 Years	0.78
5 Years	3.51
Since Inception*	1.18



Being a 'true to label' Dynamic Bond Fund, we have adopted an accrual centric strategy in the last few months as the yields across credit profile and tenure for corporate bonds have risen.

- The majority of the portfolio ~66% is invested in high yielding corporate bonds and credit structures of diverse credit profile.
- The YTM of the fund is higher at 10.10% (from 7.82% in Dec 2017) and the duration of the fund is at 2.91 years (from 5.35 years in Dec 2017).
- Dynamic Bond Fund has the advantage of being able to transition from a pure duration based strategy (as seen till last year) to an accrual based strategy vis-à-vis its competitive peer space.
- In the following months, we would further seek to increase our exposure to attractively priced corporate bond and credit of diverse credit profiles to further ramp up the YTM of the fund so as to make it a sound investment proposition.



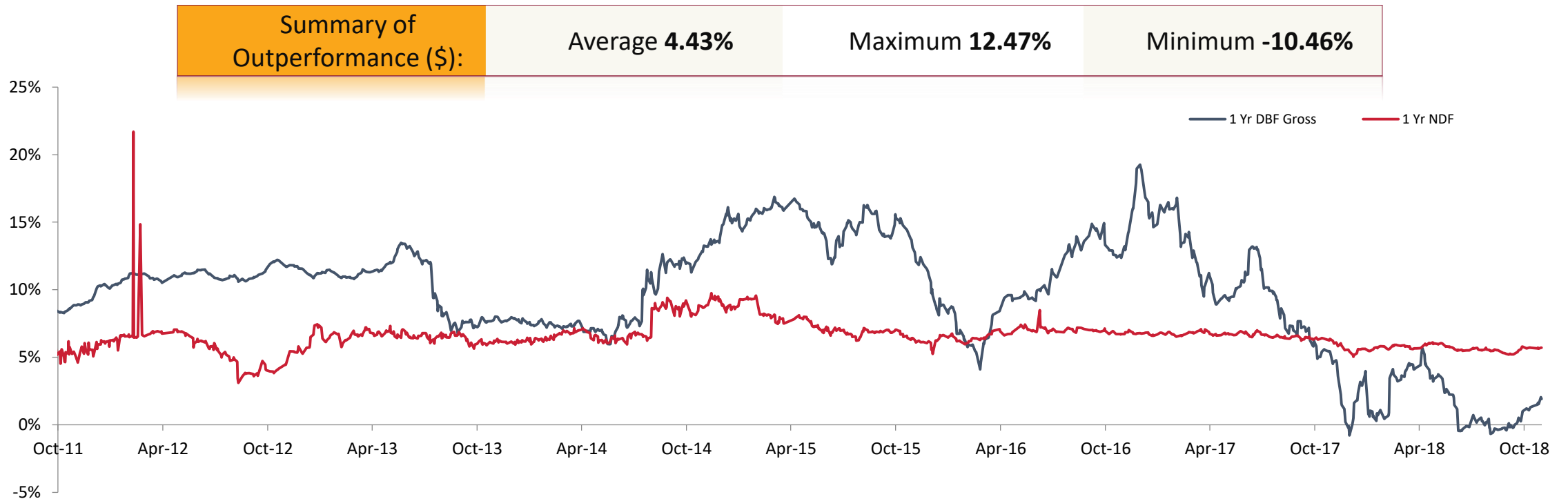
Potential Currency Hedge Scenarios for Foreign Investors



- Investors can **generate safer returns** if they are able to cover currency volatility
- Two key strategies available to investors for covering FX risk
 1. **Non Deliverable Forward (NDF)**
 2. **Currency Options**

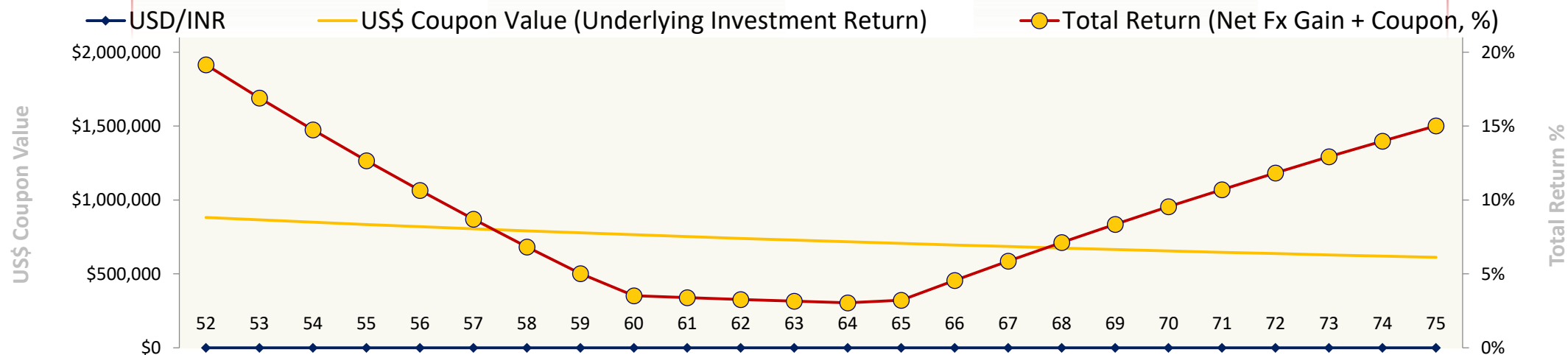
1. Currency Hedge through NDF

Over 85.99% times 1 year nominal returns (on a daily basis) of BSL DBF (in INR terms) is more than the cost of NDF



For a given range, options strategy can generate absolute positive returns provided underlying generates positive return

Client buys a USD Call, INR Put					
Spot Reference:	59.84	Notional Investment Amt.:	US\$ 10,000,000	Investment Expiry Date:	10th July 2015
Strike Rate:	64.80	Fx Option Premium Paid:	US\$ 413,000	Investment Delivery Date:	14th July, 2015
INR Returns Assumed:	8%	Fund Invested Amt.:	US\$ 9,587,000		



Disclaimer: The above illustration is only indicative. The underlying fund's return is variable and subject to market risks. Actual options prices and structure are likely to differ for each client and service provider.

Thanks !



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