

## L&T Resurgent India Corporate Bond Fund

### *A combination of duration and accrual strategy...*

The bond yields have come off substantially over the past two years and given the current growth-inflation dynamics, yields are unlikely to move significantly higher in the short run. Given this background, accrual funds may potentially score over duration funds from a short to medium term perspective as the yield accrual from duration funds have reduced significantly with the falling interest rates. In such an environment, investors having investment horizon of over 3 years may consider investing in **L&T Resurgent India Corporate Bond Fund (L&T RICBF)** as it not only offers relatively higher yield accrual but could also potentially benefit from roll down over the next 2-3 years. Moreover, it also has the flexibility to increase duration to a certain extent if the bond yields move higher thereby potentially helping it deliver robust risk adjusted performance over the medium to long term.

**L&T RICBF** aims to maintain a portfolio yield that is relatively higher than the typical duration funds without significantly diluting portfolio credit quality and it also has the flexibility to increase the portfolio duration upto 6 years in a conducive interest rate environment. The credit selection in the Fund is based on our rigorous internal credit research process encompassing detailed analysis of financial strength, liquidity, management track record and corporate governance. We believe given such an approach of combining the best of accrual and duration strategies, this Fund could be a good investment option for investors looking to make allocation to fixed income asset class with a medium to long term investment horizon.

### Short to medium term rate outlook

- ❖ The RBI Monetary Policy Committee's overall objective of maintaining CPI inflation in the range of 2-6% as against earlier stance of targeting 4% inflation could support lower rates over the next few quarters
- ❖ Lower than expected inflation reading coupled with normal monsoon are also likely to support lower interest rates
- ❖ Given (a) structural softening in food inflation on account of government's efforts on various fronts and (b) most components of CPI are within RBI's target range of 2-6%, RBI has necessary leeway to maintain rates at lower level
- ❖ From a medium term perspective, impact of GST implementation on inflation and output gap could drive RBI's stance on interest rates
- ❖ While from a short term perspective interest rate environment looks quite conducive, from a medium term perspective, rate cycle could reverse as and when growth picks up and / or inflation inches up

## **L&T Resurgent India Corporate Bond Fund - Investment Approach**

- ❖ Adequate duration to capture upside potential in falling interest rate environment ; flexibility to cut back duration once rates stabilize. Modified duration can go upto 6 years.
- ❖ Own securities which provide adequate yield pick-up over G-Sec, while maintaining superior asset quality
- ❖ Typically maintains predominant exposure in AAA and nil exposure in below AA- papers.

## Why invest in L&T Resurgent India Corporate Bond Fund (L&T RICBF)?

- ❖ The Fund combines the best of duration and accrual strategies which makes it a suitable investment option for medium to long term investors
- ❖ Given the current stage of the interest rate cycle, accrual strategy could potentially outperform pure duration strategy from a medium term perspective. L&T Resurgent India Corporate Bond Fund could not only benefit from its accrual strategy but also from potential capital gains on account of roll down over a period of 2-3 years.
- ❖ Robust credit selection process with in-house credit research team to spot mispriced credits.
- ❖ Maintains a relatively high credit quality portfolio - typically maintains higher exposure in AAA and nil exposure in AA- or below.
- ❖ Investments held for over 3 years are tax efficient as gains on such investment is treated as long term capital gains and thus enjoy concessional tax rate and indexation benefit.

## Who is this fund suitable for?

- ❖ Investors looking for a product with relatively higher portfolio yield without significant dilution in credit quality
- ❖ Investors looking to earn relatively higher and tax efficient returns over medium to long term, from their fixed income allocation
- ❖ Investors having investment horizon of at least 3 years

## Key scheme features

- ❖ **Scheme Benchmark:** CRISIL Composite Bond Fund Index
- ❖ **Exit Load:** On or before 1 year from the date of allotment or purchase applying first in first out basis: 2%; After 1 year but on or before 2 years from the date of allotment or purchase applying first in first out basis: 1%; After 2 years: NIL

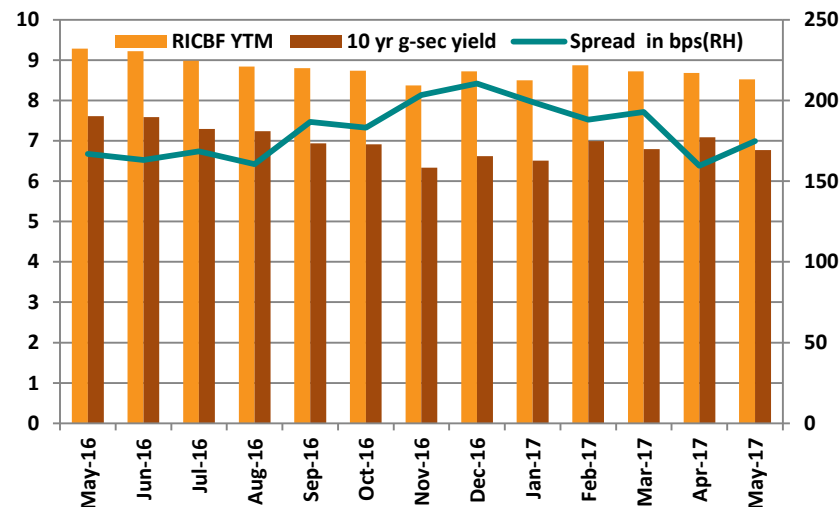
## Portfolio Statistics (31.05.2017)

<b>Average Maturity</b>	4.49 years
<b>Modified Duration</b>	3.27
<b>Gross YTM</b>	8.52%
<b>Fund size (Rs. Cr)</b>	1748

## Portfolio credit profile (31.05.2017)

<b>AAA / A1+ and equivalent / CBLO / reverse Repo / Net receivables</b>	66.19%
<b>AA + / AA and equivalent</b>	33.81%

## RICBF - Yield pick up of ~160-210 bps over 10 yr g-sec



## Product Labeling L&T Resurgent India Corporate Bond Fund ("L&TRICBF")

### Scheme name and type of scheme

An open-ended income scheme

**Investment Objective:** To seek to generate income by investing primarily in debt and money market securities of fundamentally strong corporates/companies in growth sectors which are closely associated with the resurgence of domestic economy, with a flexibility to follow more conservative investment approach during economic downturns.

This product is suitable for investors who are seeking\*:

- Generation of income over medium to long term
- Investment primarily in debt and money market securities of fundamentally strong corporate/ companies in growth sectors which are closely associated with the resurgence of domestic economy



Investors understand that their principal will be at moderate risk

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

### Disclaimer

This document is for general information only and does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. This document provides general information on financial planning and comparisons made are only for illustration purposes. The data/information used/disclosed in this document is only for information purposes and not guaranteeing / indicating any returns. Investments in mutual funds and secondary markets inherently involve risks and recipient should consult their legal, tax and financial advisors before investing. Recipient of this presentation should understand that statements made herein regarding future prospects may not be realized. He/ She should also understand that any reference to the indices/ sectors/ securities/ schemes etc. in the document is only for illustration purpose. The securities indicated in the presentation may or may not form a part of the portfolio of the Scheme as on the date of receipt of the document. Neither this presentation nor the units of L&T Mutual Fund have been registered in any jurisdiction except India. The distribution of this document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. Recipient of this information should understand that statements made herein regarding future prospects may not be realized or achieved.

**Risk Factors: Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

**CL04528**