ITI DYNAMIC BOND FUND

ITI MUTUAL FUND

Long-term wealth creators

(An open-ended dynamic debt scheme investing across duration. Relatively High interest rate risk and relatively low credit risk)

Product Review Note - December 2023

SCHEME DETAILS

Inception Date
July 14, 2021

Category
Dynamic Bond Fund

Benchmark Index
CRISIL Dynamic Bond A-III Index

Monthly AAUM ₹ 34.22 Crores
AUM ₹ 32.20 Crores

Minimum Application Amount:
₹ 5,000/- & in multiples of ₹ 1/- thereafter

Load Structure
Entry Load: Nil
Exit Load: Nil

Fund Manager

Mr. Vikrant Mehta
(Since 14-Jul-21)
Total Experience:
28 years

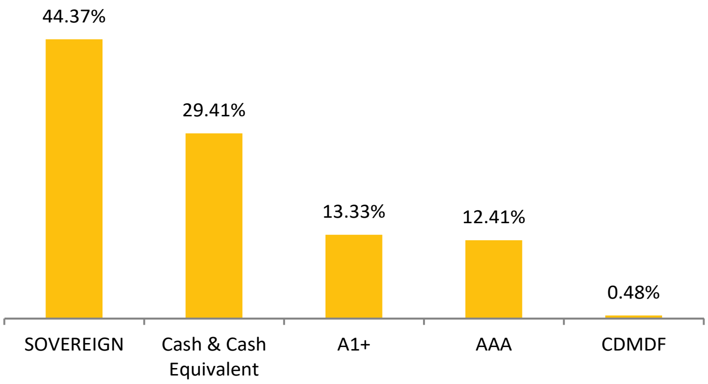
FUND HIGHLIGHTS

- The investment objective of the Scheme is to maximize returns through an active management of a portfolio comprising of debt and money market instruments. However, there can be no assurance or guarantee that the investment objective of the scheme would be achieved.
- The fund predominantly invests in GOI & Corporate bonds (viz. Public Sector Underatkings, Public Financial Institutions) that are highly liquid.
- All investments typically are long term AAA rated or sovereign securities – in line with the highest "A" credit quality PRC fundamental attribute.
- Active duration management according to interest rate outlook.
- Active duration management helps to benefit out of volatility & and/or accrual opportunities that arise.
- Flexible positioning across tenors & investments to optimize risk return tradeoff.

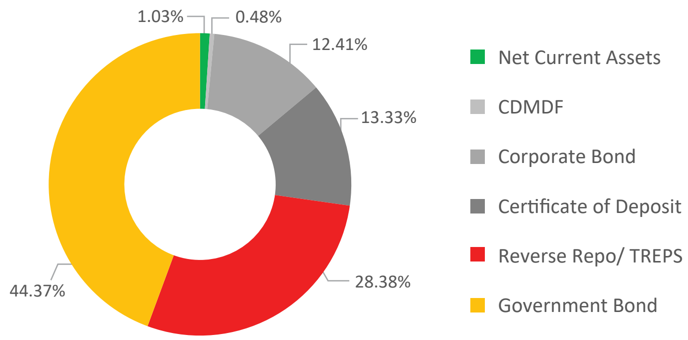
OUTLOOK - FIXED INCOME

- The US Fed expectedly held the benchmark rate in the 5.25% - 5.5% target range in the FOMC meeting in December 2023, and importantly projected 75 bps (100 bps = 1.0%) of rate cuts in 2024. Furthermore, though the Fed decided to continue with the pace of quantitative tightening (QT), the FOMC minutes indicated discussions on when to flag the balance sheet change.
- Markets have welcomed the "Fed pivot" and the 10-year US Treasury bonds closed largely unchanged for 2023. The nearly 1.0% fall from the 2023 peak in the last 2 months of the year seems to have left less room of error and puts the market at significant odds from the Fed's policy rate forecast trajectory.
- The RBI expectedly kept the repo rate as well as the policy stance unchanged at the December 2023 MPC meeting. The tone of the MPC was balanced with the focus on the need to sustain the disinflation path to ensure a durable alignment of CPI to the 4.0% inflation target being partly offset by cautioning the risk of overtightening, especially when large structural changes, geopolitical and geoeconomic shifts are taking place.
- Since November 2023 we have increased duration across portfolios as global environment became less hostile and anticipated the Fed to acknowledge the same. We moderately further added duration in December 2023 and expect our portfolios to maintain higher maturity over the coming months as compared to the past year.
- Prospects of a Fed rate cut in 1H CY2024, expected policy continuity at the Centre post the India's State elections results and potential inflows from India's inclusion in the global EM bond index remain tailwinds for Indian bonds. We expect any sharp increase in yields (not a base case) to be bought into and expect rates to trade lower into FY2025. Long maturity bonds are expected to find favour with long term investors over the coming months and we see some merit in taking advantage of this seasonality.
- Global policy rates are at peak levels or near peak levels and policy rates are expected to end lower by end-2024. The current environment seems suitable for duration products such as Dynamic Bond funds and Banking & PSU Debt funds which are well positioned to take advantage of a falling interest rate cycle and can deliver superior risk adjusted returns as compared to non-market linked fixed rate products.

RATINGS PROFILE



TOP COMPOSITION BY ASSETS



CDMDF: Corporate Debt Market Development Fund

PORTFOLIO TRENDS

	Dec-23	Oct-23	Sep-23
AUM (in ₹)	32.20 Cr	35.25 Cr	31.86 Cr
Yield to Maturity	7.27%	7.31%	7.07%
Modified Duration	5.50 Years	4.99 Years	0.97 Years
Average Maturity	14.34 Years	11.29 Years	1.16 Years
Macaulay Duration	5.70 Years	5.17 Years	1.01 Years

Data as on 29th December 2023

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As per SEBI Circular dated, June 07, 2021; the potential risk class (PRC) matrix based on interest rate risk and credit risk, is mentioned below :

Potential Risk Class			
Credit risk of scheme →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		

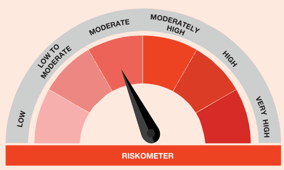
Consult your financial advisor or Call toll-free No: 1800-266-9603 Mail: mfassist@itiorg.com Website: www.itiamc.com

This product is suitable for investors who are seeking*:

- Regular income over medium to long term
- Investment in Debt and Money Market Securities with flexible maturity profile of securities depending on the prevailing market condition

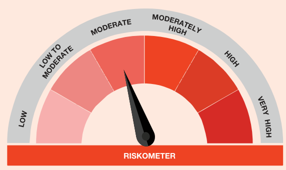
***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**

Scheme Riskometer



Investors understand that their principal will be at Moderate risk

Benchmark Riskometer
CRISIL Dynamic Bond A-III Index



Investors understand that their principal will be at Moderate risk

Riskometer as on 29th December 2023

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