TRUST MUTUAL FUND
CLEAR ★ CREDIBLE ★ CONSISTENT

MONTHLY FACT SHEET

February 2021

Protect what's important to you

Investment Ethos we stand for

Clear Mandate

Credible Investment Process

Consistent Focus on Risk Adjusted Returns

Sandeep Bagla
Chief Executive Officer

From The CEO's Desk

The last one year has been an extremely volatile for humanity, and financial markets - with expectations running amok last March that 3-5% of the world population will be wiped out by the virus and financial markets raced to price such dire possibilities of reduced demand arising out of the pandemic. Central banks globally sprung to action by easing liquidity, cutting rates in a bid to avert panic leading to a rebound in asset prices across the globe as gradually people found out that the virus was far less deadly than expected and the companies are gaining from cost savings, resilient demand and resumed supplies. The incoming economic data seems to suggest that the recovery is strong and global equities and commodities continue to soar as markets try to discount the best-case scenarios.

The Mutual Fund industry like the rest of the corporate world reacted smartly, adopting to the newly emerging work from home culture, investing incremental flows into relatively liquid assets. We launched TRUST AMC's first scheme, **TRUSTMF Banking & PSU Debt Fund** – a sectoral fixed income scheme with a unique LimitedACTIV™ methodology. The fund currently invests in a portfolio of bonds of the highest rated issuers with residual maturity of around 3.5 years at the portfolio level. TRUST AMC has entered into a strategic knowledge partnership with CRISIL, which has been partnered for construction & periodic rebalancing of model portfolio & universe, back testing & ongoing investment process validation. Given the uncertainties in the global asset markets, the 3-4 year bucket appears to be a sweet spot providing attractive yields to invest surplus funds while getting adequate compensation against inflation. Investors took up to the idea and we received an enthusiastic response to the NFO in the Banking and PSU debt fund category.

Market watchers are at times perplexed by the reaction of the markets to seemingly similar stimuli. For example, initially, an announcement by a central banker to continue with easy liquidity conditions is greeted with lower yields across the curve and a smart rally in bonds of all maturities. However, after a few months, a similar reassurance by the central banker leads to a bond sell-off and yields rising as people now fear that inflation will pick up. A Central Banker replied once on being asked whether he liked to surprise the markets that at times he surprised the markets and at other times, the markets surprised him. Well, markets are at crossroads where the promise of continued easy liquidity conditions cheer the risk markets and depress the bond markets. If anything the last 12 months have shown us, that markets are subject to wild mood swings and it is better to be safe than sorry.

I would like to thank all the investors and distributors who participated in our maiden NFO.

Happy Investing!

Sandeep Bagla

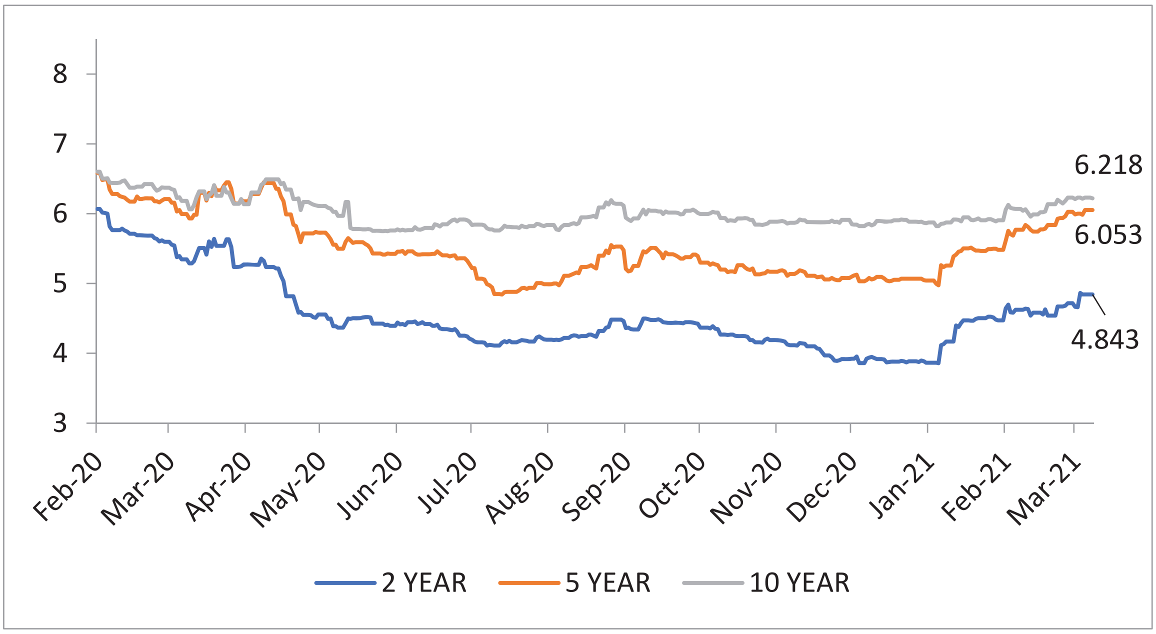
Anand Nevatia
Fund Manager

Market Commentary:

Union budget for FY 2021-22 shocked the fixed income markets as fiscal deficit for FY 2020-21 was revised upwards to 9.5% with an additional borrowing of Rs 80,000 crs to be completed in the last 2 months of the fiscal. Market were also jittery with an unprecedented gross borrowing of Rs 12.80 Lakh crs for the FY 2021-22.

The market expected Monetary Policy Committee to provide a roadmap in terms of supporting the high borrowing numbers but was disappointed as no clear guidance was received particularly in terms of Open Market Operations calendar. The RBI did assure on an accommodative stance for "as long as necessary" and revised CPI projection to 5.2 per cent for Q4 FY21 and pegged it at 5-5.2 per cent in H1 FY22 which is within the target band for CPI. The markets didn't draw any comfort from the governor's statement that CRR normalisation will open up space for variety of market operations. A higher cut off at 3.55% on the 14 day reverse repo auction for INR 2 lac crores was another indication that RBI was uncomfortable with the prevailing overnight rates and wants them to normalise.

G-Sec Yield Movement & Spreads:



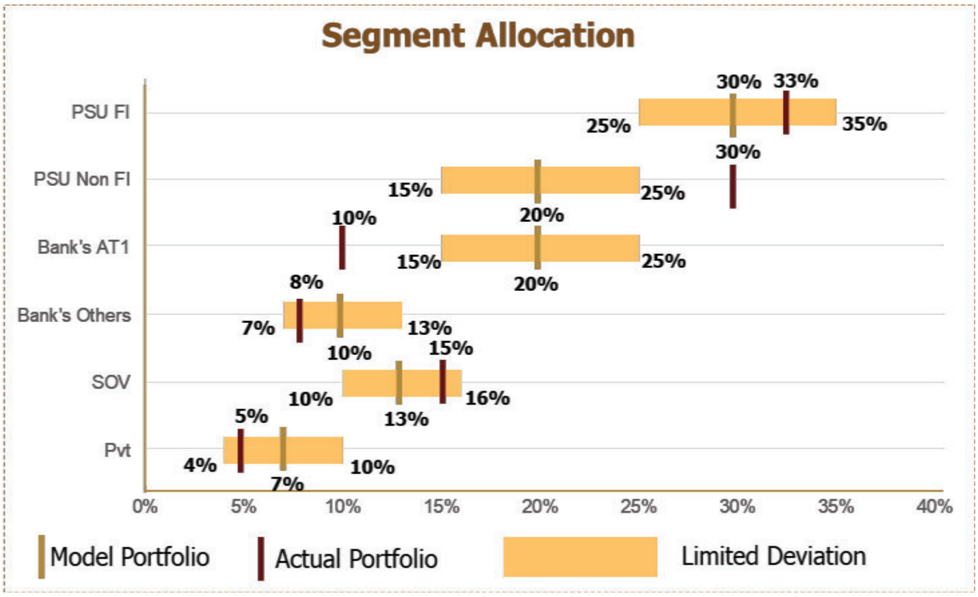
Term Spreads (Longer end minus shorter end)						
C	Current Spread	3M back	6M back	1Y back	5 Year Average	SD
2-5 year	131	116	105	61	50	30
5-10 Year	21	83	61	16	16	25

Source: Bloomberg, RBI, CEIC data

- The 5 yrs. benchmark on the G-Sec curve has underperformed with yields hardening by almost ~ 53 bps since budget day. In comparison the 2 yrs. benchmark has been less affected yield hardening of only ~ 13 bps. The 10 Yrs. benchmark (5.85% GS 2030) has hardened by ~ 32 bps.

- Yields at the shorted end of the curve have gradually inched up over the month owing to liquidity normalization measures undertaken by RBI.
- The GSEC term premium (10 yrs. – 1 yrs. T-bill) now stands at ~ 261 bps which still is relatively high from the average spread of ~ 71 bps.

Portfolio Update:



Source: Bloomberg, RBI, CEIC data

The actual portfolio has broadly been able to reflect the characteristics of the model portfolio in the first month itself in terms of segmental allocation. The portfolio has adhered to the deviation limits to all but two segments of the model portfolio.

Outlook:

The benchmark yield had been below the 6% mark for a significant period till the announcement of additional borrowings in the current Financial Year and exceptionally high borrowings for the FY 2021-22. These announcements and lack of guidance from the RBI led to significantly increased volatility across the curve. The tussle between the central bank and market participants was reflective in the cancelled auctions and a subsequent buyback by the RBI. However, it appears that central bank has relaxed its stand somewhat as it devolved the last benchmark auction and allowed the yields to move higher and settle around 6.20% - 6.25% range. We believe that RBI will continue to use unconventional tools and periodic OMOs to ensure yields do not shoot up significantly from the current levels. Most importantly the truce between the market participants and central bank appears to be temporary and investors should be prepared for volatility in the markets with the longer end of the curve most susceptible

Note: Based on various parameters a model portfolio is created with sector / segment allocations. The Fund Manager has attempted to construct the actual portfolio post the NFO in line with the characteristics of model portfolio by adopting limited variance. It may please be noted that the segment allocation depicting the model portfolio vis-à-vis the actual portfolio is being provided to showcase our investment approach and portfolio construct methodology. The above mentioned details depicts the actual portfolio construction vis-à-vis the model portfolio and as it can be seen we still need align our portfolio for 2 segments which will be done soon. The model portfolio and actual portfolio may vary and shall not be considered in any manner as intended or indicative portfolio.

TRUSTMF Banking & PSU Debt Fund

An open ended debt scheme predominantly investing in debt instruments of Banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds

TRUST MUTUAL FUND
CLEAR • CREDIBLE • CONSISTENT

Investment Objective

To generate reasonable returns by primarily investing in debt and money market securities that are issued by Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds. However, there can be no assurance that the investment objective of the scheme will be realised.

Scheme Features

Fund Highlights

- Unique LimitedACTIV™ methodology of fund management
- Strategic knowledge partnership with CRISIL#
- Roll down strategy with target maturity ~ 3.5 years*

Date of Allotment

1st February 2021

Fund Manager

Anand Nevatia (since 1st Feb 2021)
Total Experience - 17 years
Sandeep Bagla (since 1st Feb 2021)
(Co-Fund Manager)
Total Experience - 25 years

Fund Size

- Month end AUM: ₹645.03 Cr
- Average AUM: ₹615.13 Cr

Load Structure

- Entry Load: Nil
- Exit Load: Nil

Benchmark

CRISIL Banking and PSU Debt Index

Minimum Investment (lumpsum)

₹1,000/-

NAV as on 26th February 2021

NAV	Regular Plan	Direct Plan
Growth	₹993.5431	₹993.8971
Dividend	₹993.4640	₹993.8957

Total Expense Ratio (TER)

Including Additional Expenses and GST on Management Fees

- Regular: 0.73%
- Direct: 0.23%

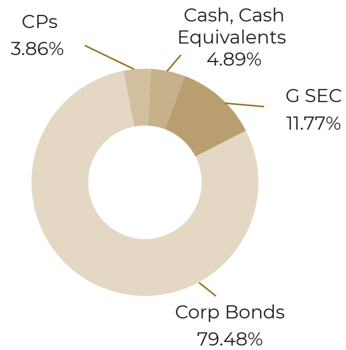
Portfolio Parameters

Standard Deviation	1.89%
Average Maturity	3.23 years
Macaulay Duration	2.89 years
Modified Duration	2.74 years
YTM	5.70%
YTM net of fee(direct)	5.47%

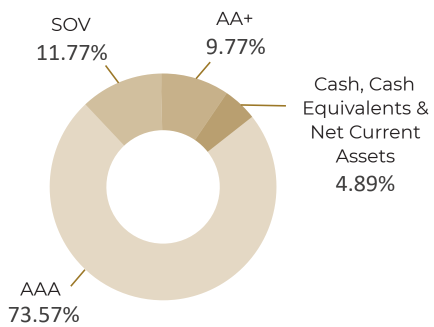
Instruments	Rating	% To Net Assets
Government Securities / SDL		
6.18% GOI - 04-Nov-2024 ^	Sovereign	7.97%
5.22% GOI - 15-Jun-2025	Sovereign	3.81%
Total		**11.77%**
Corporate Bonds/NCD		
Axis Bank ^	AAA	7.63%
Indian Railway Finance Corporation Ltd ^	AAA	6.67%
National Housing Bank ^	AAA	6.46%
Power Finance Corporation Ltd ^	AAA	6.43%
Rural Electrification Corporation Ltd ^	AAA	6.43%
Indian Oil Corporation Ltd ^	AAA	6.29%
NABARD ^	AAA	6.11%
State Bank of India ^	AA+	5.66%
Hindustan Petroleum Corporation Ltd ^	AAA	5.62%
National Highways Authority of India	AAA	5.57%
Mahanagar Telephone Nigam Ltd	AAA	4.19%
ICICI Bank Ltd	AA+	4.12%
LIC Housing Finance Ltd	AAA	4.06%
Power Grid Corporation of India Ltd	AAA	3.43%
Housing Development Finance Corporation	AAA	0.82%
Total		**79.48%**
Commercial Papers		
National Thermal Power Corporation Ltd	A1+	3.86%
Total		**3.86%**
Cash, Cash Equivalents & Net Current Assets		4.89%
Total		**4.89%**
Grand Total		**100.00%**

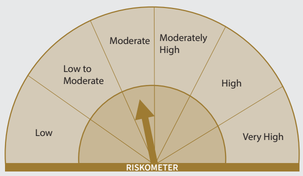
^ Top 10 holdings

Portfolio Allocation



Asset Quality





Investors understand that their principal will be at Moderate Risk

RISKOMETER & PRODUCT SUITABILITY LABEL:
This product is suitable for investors who are seeking*

- Regular income over short to medium term
- Investment primarily in debt and money market securities issued by Banks, PSU, PFI and Municipal Bonds

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

#CRISIL has been engaged for - construction & periodic rebalancing of model portfolio & universe, back testing & ongoing investment process validation

*The scheme is currently following a 'roll down' investment approach with approximate tenure on a tactical basis and same is subject to change. The investment will be made in line with investment strategy and asset allocation as prescribed in the Scheme related documents.

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CONSISTENT EFFORTS BUILD A PROMISING PARTNERSHIP.

Our fund focuses on consistent risk adjusted returns. A unique and structured investment approach and LimitedACTIV methodology is adopted with the help of our strategic knowledge partner - CRISIL**

TRUSTMF Banking & PSU Debt Fund

(An open ended debt scheme predominantly investing in debt instruments of Banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds.)

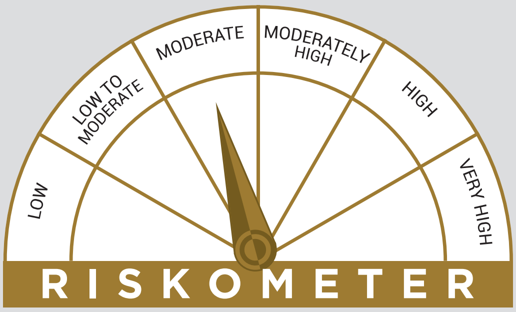
Invest before: **31st March, 2021**

& Stay invested beyond **31st March, 2024** to get **4 indexation benefits**#

To know more, Consult your financial advisor or
Call Toll Free **1800 267 7878** or E-mail us at **info@trustmf.com**

**CRISIL has been engaged for - construction and periodic rebalancing of model portfolio and universe, back testing & ongoing investment process validation.

#Investors are requested to independently consult their financial & tax advisor to understand the tax implication. For further details related to the scheme please visit our website www.trustmf.com.



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