

MONTHLY FACT SHEET

March 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

Let me try to start on a happy note. Our first fund, TRUSTMF Banking & PSU Debt Fund has survived a period of volatility caused initially by the announcement of larger than expected Government borrowing plans in the Budget, then higher US yields and crude oil prices, and finally changes in the valuation norms for bonds with special features (read Tier I and II bonds), and managed to generate positive returns for investors since inception. The new financial year has started on a good note for bond investors with RBI pledging higher support in terms of bond buying, keeping liquidity aplenty and maintain rates lower for longer periods of time.

While markets are generally celebrating the return of normalcy, the epidemic refuses to go away, with daily cases in India hitting all-time highs as well. Vaccinations have started in full swing but one is not sure whether the economic recovery is sustainable over a medium run. While inflation is expected to remain range-bound around 5% for the coming quarters, the output gaps in the economy remain high and there is hardly any sign of wage inflation. The bond markets are likely to remain range-bound too, waiting for clarity to emerge on the future trajectory of growth and inflation. Liquidity is likely to remain surplus for a long time to come as RBI keeps monetary conditions easy to support economic recovery.

Now, we are ready to launch a TRUSTMF Liquid Fund (an open-ended Liquid Scheme) – with a difference! While researching short term rates and ratings, our team discovered that the short term rating scale is a 9-point scale while the long term rating scale is a 20-point scale and they do not map one-to-one easily. A company that is rated A1+ on the short scale, denoting the highest safety does not mean that it necessarily rates the highest AAA rating in the long scale. Even a company rated AA- on the long scale gets rated A1+, the highest short term rating. We found out that most of the papers below 1-year maturity are rated A1+, despite their issuers getting significantly lower ratings in the long term scale. The short term ratings are simply not able to distinguish between good companies and not so good companies. We are launching TRUSTMF Liquid Fund, which endeavours to invest in select companies, which are rated AAA in the long term scale. Additionally, the issuers we invest in would have to pass the 4 filter test developed in partnership with CRISIL*. We will focus on the long term health of the companies we invest in, even in TRUSTMF Liquid Fund.

Times are tough, and we need to be safe. Whether it is our health or the health of our investments. Let us be safe and invest in safe avenues.

Warm regards,

Happy Investing!

A handwritten signature in black ink, appearing to read 'Sandeep Bagla'.

Sandeep Bagla

Note: To know more about TRUSTMF Liquid Fund, click here : https://trustmf.com/trustmf_liquid_fund

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



Anand Nevatia
Fund Manager

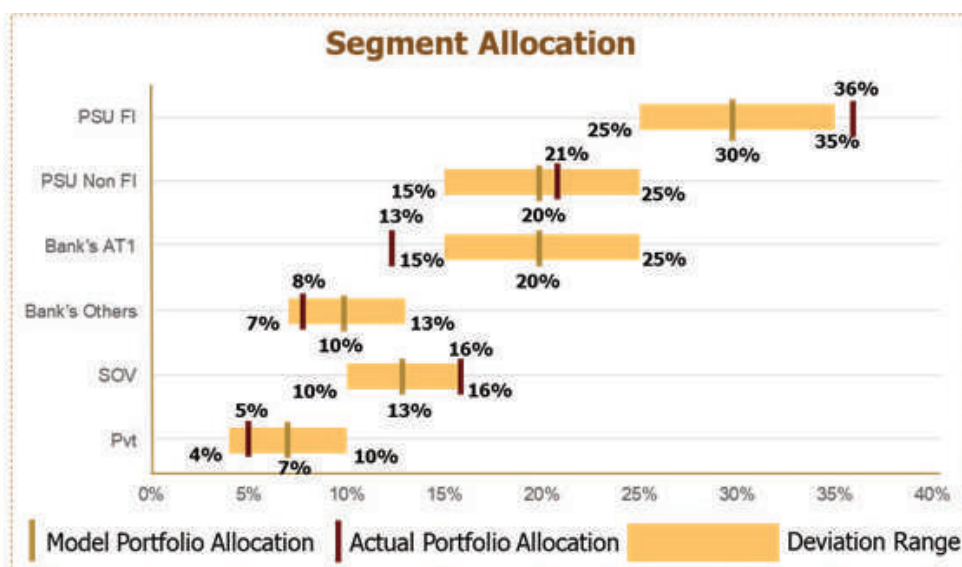
Market Commentary:

The new regulations on Bank Tier 1 and Tier 2 bonds issued under Basel III guidelines ensured markets stayed volatile right till the end of March 2021. SEBI has mandated that Mutual Funds need to treat AT1 bonds as 100-year maturity bonds (over a transition period of 2 years) and has also restricted the total exposure of such bonds at both scheme and AMC level. While the new rules will definitely impact the demand of these special bonds, more importantly, it makes it difficult for funds that have a lower target duration range, to take exposure in these bonds. It remains to be seen how the new rules will impact the capital raising capability of banks and what new set of investors come in to fill up the vacuum created by the new regulations.

The Central government borrowing through the G-Sec auction was much smoother in the month of March 2021 as against the previous months. The State government borrowing through SDL auction also witnessed good traction from investors with an average cut-off yield in the 10-year segment at 7.09%. The G-Sec auction of Rs 20,000 Crs scheduled on March 26, 2021 was cancelled as the position of cash balance with central government was in surplus. This helped the 10-year benchmark to close at 6.17% which was otherwise trading in the range of 6.20 – 6.25% for most of March 2021.

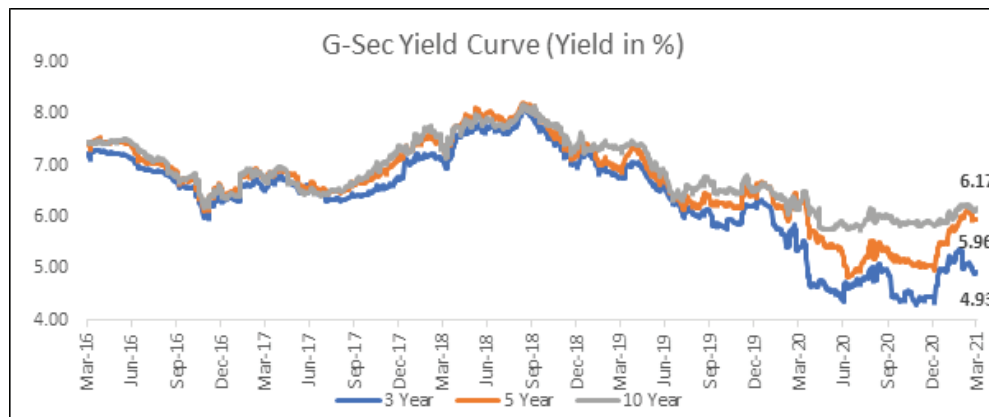
Headline CPI for February rose to 5.03% compared to 4.03% in January, as prices of oil and fats, non-alcoholic beverages and prepared meals, fuel, transport and communication continued to rise, while the pace of disinflation in vegetable prices slowed in February. Overall, the food and beverages inflation rose from 2.60% to 4.25% in February. Core CPI rose above 5.5%, due to higher inflation in transportation, fuel and lighting, clothing and recreation.

Portfolio Update:



The portfolio of TRUSTMF Banking and PSU Debt Fund was almost in line with the model portfolio in terms of allocation across segments. As of March-end, the actual portfolio had 13% exposure to AT1 bonds and nil exposure towards Tier 2 bonds. Effective 1st April 2021, the model portfolio will be realigned to effect the new SEBI guidelines on AT1 bonds.

Bond Yield Movement & Spreads:



AAA PSU Term Spreads (Longer end minus shorter end)						
	Current Spread	3M back	6M back	1Y back	5 Year Average	SD
1 - 3 Year	133	82	78	38	22	23
3 - 5 Year	81	77	72	18	18	19

- The 3 yr. benchmark yield on the GSEC curve has been the best performer with yield cooled-off by almost ~ 35-40 bps during the month due to excessive liquidity. In comparison, the 5 yr. & 10 yr. benchmark yield has slightly improved by ~ 6 bps.
- The GSEC term premium (10 yr. – 1 yr. T-bill) now stands at ~ 241 bps, which still is relatively high from the average spread of ~ 74 bps.
- The term spread between 1-3-year AAA PSU is around 133 bps, which is relatively high from the average spread of ~ 22 bps.

Outlook:

The new SEBI regulations put up a big question mark on the future of AT1 bonds and have definitely dented the demand metrics, particularly from the MF angle. As markets absorbed the ramifications of the new regulations, the AT1 bonds did experience a good amount of repricing. Going ahead, mutual funds need to declare both yield to call and yield to maturity on these bonds and calculate the duration basis the specified maturity. However, investors must note that while the duration of the bonds and portfolios will change due to the new regulations, the underlying quality of the bonds have not changed and as a result, the portfolio quality remains intact. Markets continue to trade these bonds at a yield to call and hence, there will be no impact on portfolio NAVs due to the new regulations.

In the first Monetary Policy statement of the FY 2021-22, RBI has maintained a status quo on rates. While reiterating its stance on reducing the term premium, RBI announced a larger Variable Rate Reverse Repo for a longer duration and also introduced a secondary market government acquisition program (G-SAP), under which it has declared to buy government bonds worth 1 lac crores in Q1FY2022. RBI would upfront declare the purchases it would make every quarter under the G-SAP. This will support the large GOI borrowing calendar and also exert downward pressure on the yield curve. The policy clearly hints towards lower rates for a longer period of time.

Source: Bloomberg, RBI, CEIC data – as on 31st March 2021

Past performance may or may not be sustained in future. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Note for Segment Allocation: Based on various parameters a model portfolio is created with sector/segment allocations. The Fund Manager has attempted to construct the actual portfolio 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 depict the actual portfolio construction vis-à-vis the model portfolio and as it can be seen we still need to 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 an intended or indicative portfolio.

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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



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

Fund Size

- Month end AUM: ₹ 613.12 Cr
- Average AUM: ₹ 634.39 Cr

Load Structure

- Entry Load: Nil
- Exit Load: Nil

Benchmark

CRISIL Banking and PSU Debt Index

Minimum Investment (lumpsum)

₹1,000/-

NAV as on 31st March 2021

NAV	Regular Plan	Direct Plan
Growth	₹1000.9206	₹1001.7320
Dividend	₹1000.8050	₹1001.7528

Total Expense Ratio (TER)

Including Additional Expenses and GST on Management Fees

- Regular: 0.73%
- Direct: 0.23%

Portfolio Parameters

Standard Deviation	1.43%
Average Maturity	3.38 years
Macauley Duration	3.03 years
Modified Duration	2.86 years
YTM	5.87%
YTM net of fee(direct)	5.64%

Instruments

Govt Securities / SDL

6.18% GOI - 04-Nov-2024[^]
5.22% GOI - 15-Jun-2025

Total

CORPORATE BONDS/NCD

Axis Bank[^] AAA 8.10%
Indian Railway Finance Corporation[^] AAA 7.07%
National Housing Bank[^] AAA 6.88%
Power Finance Corporation[^] AAA 6.86%
Rural Electrification Corporation[^] AAA 6.85%
Indian Oil Corporation Ltd[^] AAA 6.68%
NABARD[^] AAA 6.48%
Hindustan Petroleum Corporation Ltd[^] AAA 5.98%
State Bank of India Perpetual[^] AA+ 5.83%
Mahanagar Telephone Nigam Ltd AAA(CE) 4.42%
LIC Housing Finance AAA 4.30%
ICICI Bank Ltd Perpetual AA+ 4.22%
Power Grid Corporation of India AAA 3.64%
HDFC Bank Perpetual AA+ 3.34%
SIDBI AAA 1.64%
Housing Development Finance Corporation AAA 0.87%

Total

Cash, Cash Equivalents & Net Current Assets 4.40%

Total

Grand Total

Rating

% To Net Assets

12.44%

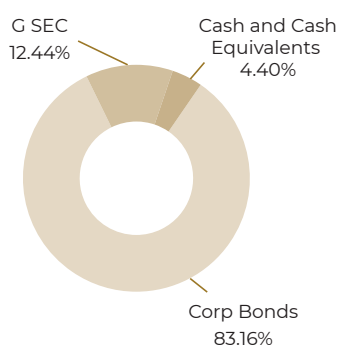
83.16%

4.40%

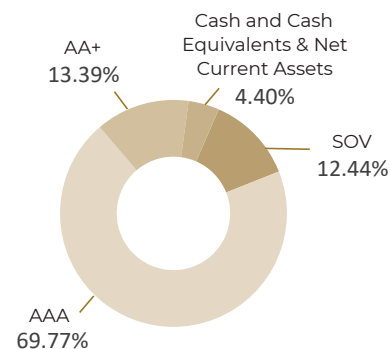
100.00%

[^] Top 10 holdings

Portfolio Allocation



Asset Quality



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.

LOOK BEYOND SHORT TERM RATINGS



Our fund emphasizes on providing a high quality portfolio by preferring an Investible Universe of Issuers having only AAA Long Term Rating and securities maturing in less than 91 days. This unique and structured investment approach and LimitedACTIV methodology is adopted with the help of our strategic knowledge partner - CRISIL**

INVEST IN

TRUSTMF Liquid Fund

(An open-ended Liquid Scheme)

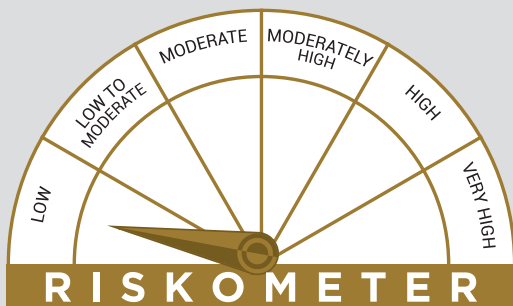
NFO Period: **8th to 22nd April 2021**

Powered by



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

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



Investors understand that their principal will be at Low Risk

This Product is suitable for investors who are seeking*

- Income over short term
- Investment in debt and money market instruments

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

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