Portfolio Published on 28th September 2020

QUANTUM DYNAMIC BOND FUND
(An Open Ended Dynamic Debt Scheme Investing Across Duration)

Fact Sheet as on 25-Sep-2020

Fund Size as on (Rs. in crores) 25-Sep-2020	Absolute AUM
DIRECT PLAN GROWTH OPTION	66.6382
DIRECT PLAN MONTHLY DIVIDEND OPTION	0.7090
REGULAR PLAN GROWTH OPTION	2.6030
REGULAR PLAN MONTHLY DIVIDEND OPTION	0.0102
Total	**69.9604**

Net Asset Value as on 25-Sep-2020	(Rs./Unit)
DIRECT PLAN GROWTH OPTION	15.9919
DIRECT PLAN MONTHLY DIVIDEND OPTION	10.3869
REGULAR PLAN GROWTH OPTION	15.9305
REGULAR PLAN MONTHLY DIVIDEND OPTION	10.4784

Weighted Average Maturity	No of years
At the end of the week	5.98
Modified Duration	4.55

Sr.No.	Name of Instrument	Rating	Residual Maturity (in days)	Market Value (Rs Lakhs)	% to Net Asset
	DEBT INSTRUMENTS				
a	**Listed/awaiting listing on Stock Exchanges**				
i)	**Non-Convertible debentures / Bonds**				
1	6.4% NABARD Sr 20K NCD (MD 31/07/2023)	ICRA AAA	1039	515.52	7.37%
	Total of NCD			**515.52**	**7.37%**
ii)	**Government Securities**				
1	5.22% GOI (MD 15/06/2025)	Sovereign	1724	2,979.68	42.59%
2	7.37% GOI (MD 16/04/2023)	Sovereign	933	1,650.64	23.59%
3	6.19% GOI (MD 16/09/2034)	Sovereign	5104	1,507.61	21.55%
4	7.17% GOI (MD 08/01/2028)	Sovereign	2661	106.22	1.52%
5	7.27% GOI (MD 08/04/2026)	Sovereign	2021	43.03	0.62%
	Total of Government Securities			**6,287.18**	**89.87%**
b	**Privately Placed/Unlisted**			**NIL**	**NIL**
c	**Securitized Debt Instruments**			**NIL**	**NIL**
	Total of Debt instruments			**6,802.70**	**97.24%**
	MONEY MARKET INSTRUMENTS				
a	**Commercial Papers (CP)**			**NIL**	**NIL**
	Total of CP			**NIL**	**NIL**
b	**Certificate of Deposits (CD)**			**NIL**	**NIL**
	Total of CD			**NIL**	**NIL**
c	**Treasury Bills (T-bill)**			**NIL**	**NIL**
	Total of T-Bills			**NIL**	**NIL**
d	**TREPS ***			**236.68**	**3.38%**
	Total of Money Market Instruments			**236.68**	**3.38%**
	Net Receivable / (Payable)			(43.33)	(0.62%)
	Grand Total			**6,996.05**	**100.00%**

* Cash & cash Equivalents

Quantum Dynamic Bond Fund

Yields moved up ahead of H2 borrowing program

Bond markets had a subdued week with lackluster market activity as investors await the release of the central government's second half borrowing calendar. Bond yields remained in a tight range hovering around 6.01% for most part of the week.

Sentiment turned negative towards the week end as the RBI did not accept any offer in the OMO and the weekly debt auction witnessed weak demand. The RBI once again, for the fourth time, devolved almost entire notified amount (Rs. 178.6 billion out of Rs. 180 billion) of the benchmark 10 year government bond on underwriters (primary dealers).

Bond yields moved up marginally in the later part of the week. The 10 year benchmark government bond yield ended the week 3 basis points higher at 6.04% as against 6.01% in the previous week.

This week the government will announce its second half borrowing program and the monetary policy committee (MPC) of the RBI will meet to review the policy rates. These are two crucial decisions for the bond market which will determine the course of interest rates in the near future.

Although we do expect the government to borrow more than the planned Rs. 12 trillion, they may not increase the borrowing as yet. They will probably review the fiscal position and borrowing program by the end of third quarter when they will have a better estimates of the revenue shortfall and spending requirements.

In the monetary policy we expect the RBI to maintain status quo on rates and continue to remain accommodative to support growth. The recent spike in inflation seems like a temporary phenomenon caused by disrupted supply chains and unfavorable base effect. We expect the inflation to cool down by the year end. If happens, that will open up some space for rate cut in December meeting.

From the bond markets' prospective, RBI's view on inflation will be a crucial factor to watch. Markets will also look out for some clarity on the RBI's plan to monetise the rising pile of government debt. Till now, the RBI has relied on tactical interventions in the market through OMOs and Operation Twists to control long term bond yields. But as the supply pressure started to weigh, there is an expectation of a proactive and more aggressive approach by the RBI.

In the last week, the RBI announced an Operation Twist (Simultaneous purchase of long maturity bonds and sale of short maturity bonds) of Rs. 100 billion. We expect the RBI will continue to intervene in the bond markets through Open Market Purchases and Operation Twists to put a lid on long term bond yields. The weekly size of operation twists/OMOs might increase from the current Rs. 100 billion to make it more effective. At current levels we see scope for long term bond yields to go down.

Abundant liquidity keeping money markets rates low

Liquidity condition remained in high surplus. The amount under reverse repo was close to ~ Rs. 4 trillion in the last week which is lower than ~Rs. 6 -7 trillion witnessed in the last 4 months. This drop in surplus liquidity is mainly due to reversal of earlier long term repos (LTRO) and outflows on account of advance tax payments.

Money market rates remained almost flat with 2-3 months treasury bills yields quoting in the range of 3.30%-3.35%.

We expect that the RBI will maintain surplus liquidity conditions till we get a sustained revival in economic activity. Abundant liquidity and potential rate cuts will likely keep yields on short term treasury bills and PSU papers suppressed near reverse repo rate.

Portfolio Outlook

<u>Quantum Dynamic Bond Fund (QDBF)</u>

In the Quantum Dynamic Bond Fund, we have not taken any exposure in private sector companies and invested only in government securities, treasury bills and highest quality instruments issued by public sector undertakings (PSU) which are shortlisted under our proprietary credit research and review process. However, the fund does take interest rate risk depending on our assessment of the market outlook.

We expect the RBI to continue to intervene in the bond markets through operation twist and outright OMOs to protect long term yields from rising too much. However, given the uncertainty about the monetary policy and the borrowing program in short run, we have reduced the maturity profile of the QDBF portfolio.

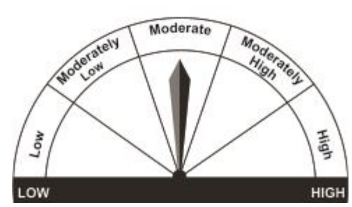
As on 25th September 2020, the average maturity of Quantum Dynamic Bond Fund is 5.98 years and modified duration of 4.55.

Credit Exposures:
With the QLF and QDBF portfolios continuing to comprise of G-secs, T-bills and PSU securities, hence credit risk remains minimal.

Please click here to access the weekly portfolio disclosures of Quantum Dynamic Bond Fund.

Data Source: RBI

<u>PRODUCT LABEL</u>

Name of the Scheme	This product is suitable for investors who are seeking*	Riskometer
Quantum Dynamic Bond Fund (An Open Ended Dynamic Debt Scheme Investing Across Duration)	• Regular income over short to medium term and capital appreciation • Investment in Debt / Money Market Instruments / Government Securities.	 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, Statutory Details & Risk Factors:

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

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