

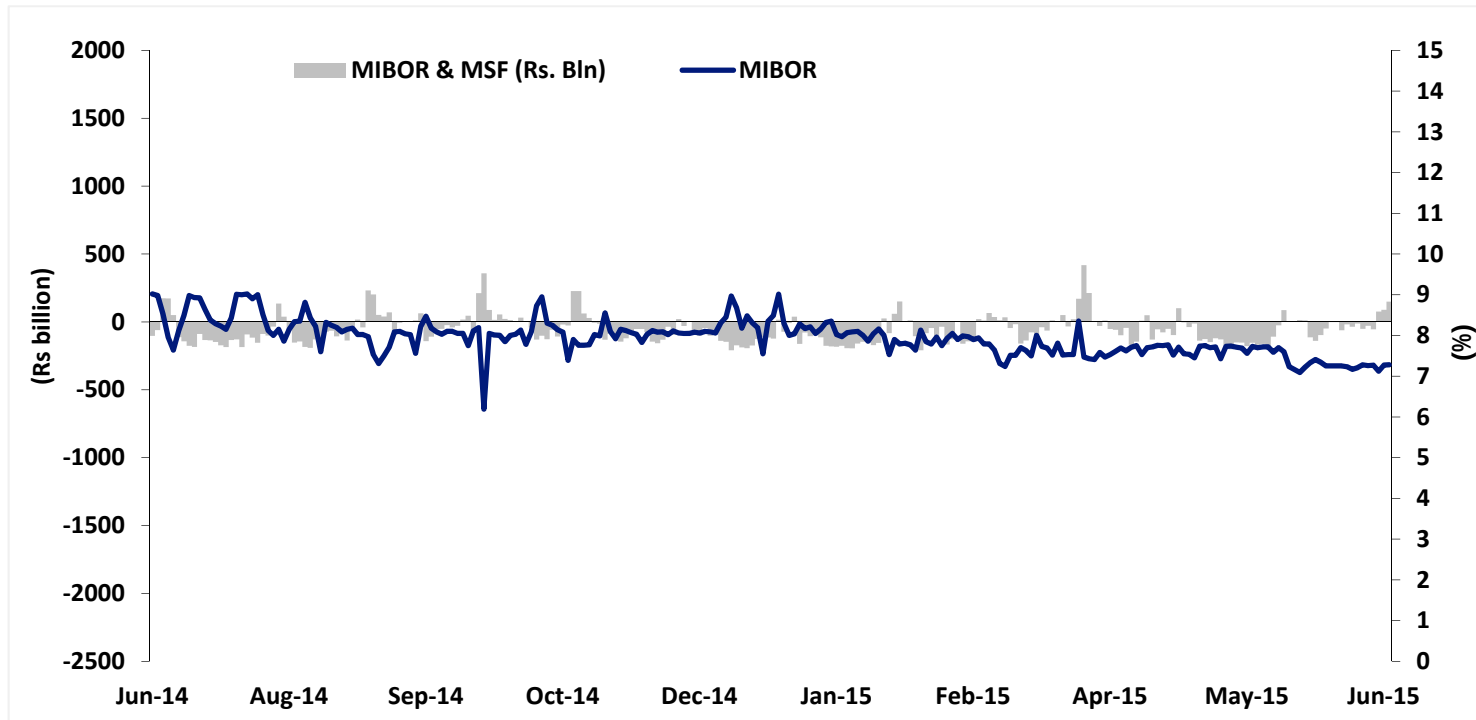
Fixed Income Market Outlook

Sujoy Das, Head of Fixed Income
June 2015

Macro Economic Events - Domestic

- The headline CPI remains benign, averaging around 5%
- The headline WPI in the negative zone for the last 7 months
- Forex reserves have increased steadily to over \$355bn
- Trade account deficit have narrowed to under \$11bn
- Rupee remains steady around USD for the last 2-3 months, despite the Greek crisis and a possible rate hike in US
- The real GDP growth is around 7.5%. The indirect tax collections have been robust over the last year

Liquidity



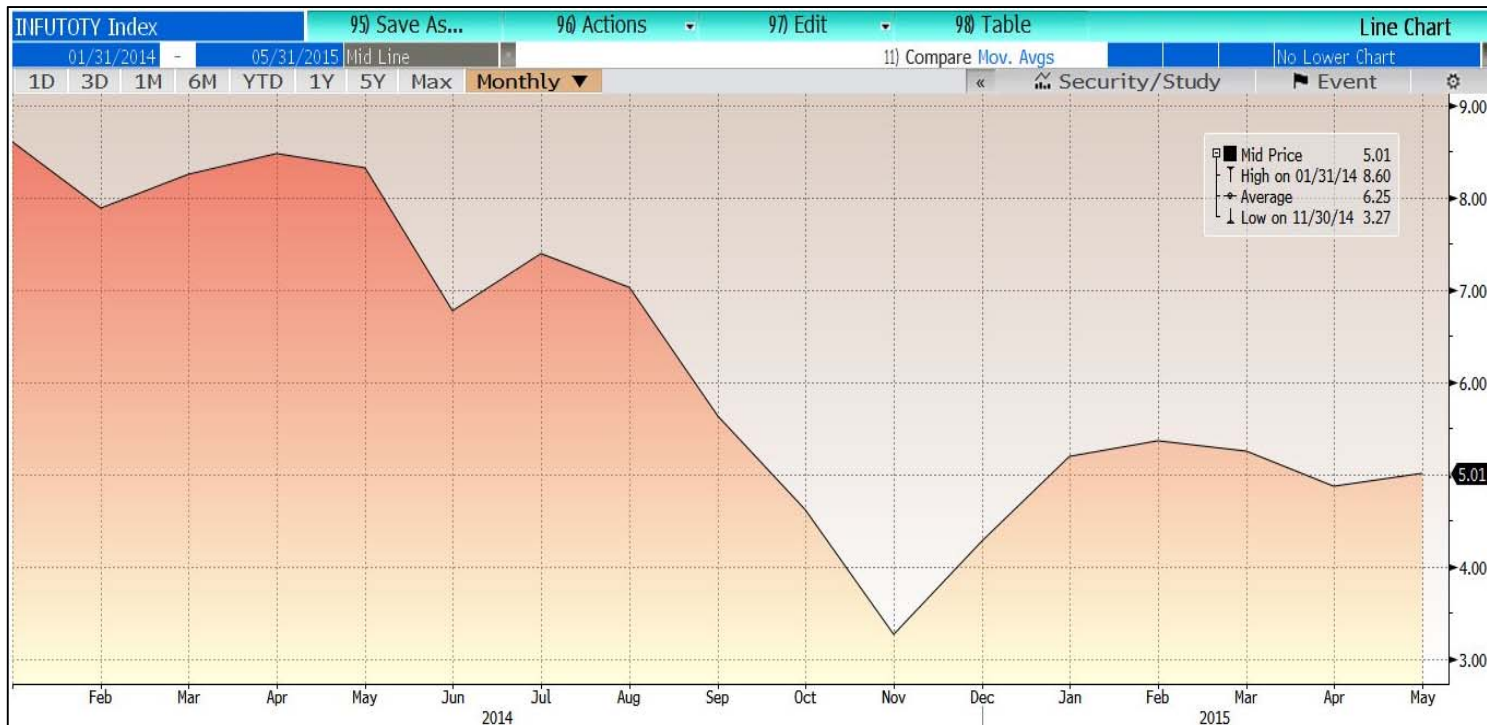
- Liquidity conditions remained ample
- The overnight rates moved lower with the repo rate reduction
- The liquidity on an average for the quarter has remained negative by Rs. 48 billion

Money Market (spread between 12M T bill & CD)



- Easy liquidity kept the spreads of money market papers tight

Inflation Dynamics



- Headline CPI remained benign
- The drop in food inflation and lower rural wage inflation kept the headline CPI low

G-Sec Yield Curve

10 Year G – Sec



- The yields traded within a band of 45bps over the last quarter
- Most of the trades were closer to the higher band
- The yields refused to move lower due to hawkish RBI Governor's stance on inflation despite rate reduction
- The yield curve steepened over the last quarter, with yields at the longer end moving up more than the yields at the middle section of the curve

G – Sec Yield Curve Change



Corporate Bond spreads contracted



- The corporate spreads tightened over the month
- The spreads contracted due to the selloff in the gilts segment

Fixed Income Outlook and Opportunities

Fixed Income Market Outlook

- We expect yields to move lower with inflation cooling off further due to superior food price management by Government and sustainable drop in oil prices in international markets
- The yields are expected to soften from the present levels as the sentiment improves and the actual inflation data is expected to undershoot RBI's projection
- A stable currency, and potential higher sovereign limits for FII's is expected to work in favor of higher demand for Indian gilt
- Higher indirect tax collections is allowing the government to speed up expenditure and potential improvement in the money supply
- We expect yields to soften in the market as reserve money creation expands
- However, RBI continues to work towards ensuring that any surplus liquidity within the system does not feed into any inflationary trend
- We expect further reduction in repo rates and tighter real rates as inflation moves lower on a sustainable basis

Portfolio Actions during the quarter

- **Religare Invesco Liquid Fund:** The scheme has maintained a low duration and increasing exposure to very short maturity securities through a mix of CD, CP and T-bills and other short maturity assets
- **Religare Invesco Ultra Short Term Fund:** The scheme is comprised of bank CDs and CPs apart from T-bills. The duration is being actively managed between 1-12 months, hence the scheme may benefit from the further expected reduction in the marginal standing facility (MSF) rates
- **Religare Invesco Short Term Fund:** The scheme is maintaining a duration of around 3.5 years largely comprised of the AAA PFI segment. The exposure in the gilts segment is being suitably altered according to market conditions
- **Religare Invesco Credit Opportunities Fund:** The scheme continues to invest in assets of short maturity which are available at a higher credit spread compared to others. The maturity is being maintained below 2 months to reduce any rate risk
- **Religare Invesco Active Income Fund:** We intend to manage the portfolio duration above 7 years in light of the swift decline in inflation. The scheme has a bias towards duration over credits at this point given the tight spreads
- **Religare Invesco Gilt Fund – Long Duration Plan:** The scheme has been actively trading in the liquid 10 year-plus gilts. It is investing up to 30 years gilts. Currently maintaining a duration over 8 years
- **Religare Invesco Gilt Fund – Short Duration Plan:** The scheme pursues a strategy where the funds are deployed at the extreme ends of the yield curves, between cash and 10 year benchmark and created a portfolio with maturity little under 3 years
- **Religare Invesco Bank Debt Fund:** The scheme is largely invested in the Bank CD and Bank Bonds segment. It is maintaining a portfolio modified duration around 3 years. The scheme has also indulged in tactical trades in gilts
- **Religare Invesco Medium Term Bond Fund:** The scheme has repositioned itself within 7m and 9m portfolio duration space and invest in assets of short maturity which are available at a higher credit spread compared to others.

Ideas for investors

- Investors are urged to enter long duration funds and select funds with longer duration, as the rates are poised to decline over the years as headline inflation is expected to head lower than RBI's forecast. They should also look to enter credit funds as the credit environment is expected to improve with improved growth conditions
- Religare Invesco Credit Opportunities Fund offers an opportunity for investors with short investment horizons of 1 - 3 months and moderate level of credit risk appetite. The scheme is ideally positioned to capture mis-priced risk in an environment of deficit liquidity and superior credit spreads of short maturity papers
- Religare Invesco Short Term Fund offers accrual along with a contained interest-rate risk. Ideal for investors with 6 - 18 months investment horizon
- Religare Invesco Medium Term Bond Fund offers higher current yield and low interest rate risk. The present duration of under 9 months opens potential of a steady stream of income from a portfolio of well-diversified credits.
- Religare Invesco Active Income Fund – It opens up opportunities for investors with 3 years of investment horizon
- Religare Invesco Bank Debt Fund – a thematic high credit quality portfolio comprising of bank CD and bank bonds, along with a small allocation to gilts/PFI. It's a superior investment allocation for credit risk averse long-term investors, looking for stable returns, along with some capital appreciation from a well-regulated industry over a 1 year investment horizon
- Religare Invesco Gilt Fund – Long Duration Plan – Investors are encouraged to invest in gilt funds as the valuations are attractive and the yields are trading close to historic highs, and the monetary rates are creating the dis-inflationary effect for attaining 6% on CPI by Jan'16¹
- Religare Invesco Corporate Bond Opportunities Fund – This product is suited for investors who are looking for a steady stream of income over a 3 year period from a well diversified credit portfolio

11 ¹Source: RBI, PFI: Public Finance Institution. **Note:** The above product positioning and intended duration is based on current view and is subject to change from time to time. For product labeling details ,kindly refer slide 12

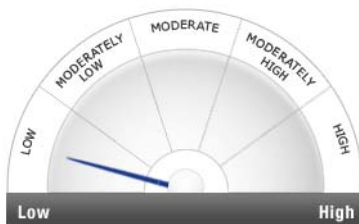
Product Labelling

Suitable for investors who are seeking*

Religare Invesco Liquid Fund (Open – ended Liquid Scheme)

- regular income over short term
- Provide reasonable returns with high liquidity by investing in money market and debt securities

RISKOMETER



Investors understand that their principal will be at low risk

Religare Invesco Credit Opportunities Fund (Open - ended Income Scheme)

- regular income over short to medium term
- provide high level of current income (vis-à-vis treasury bills) by investing in investment grade low duration debt securities and money market instruments

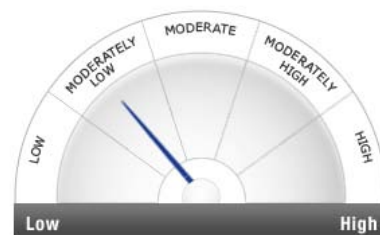
Religare Invesco Ultra Short Term Fund (Open - ended Debt Scheme)

- regular income over short term
- provide optimal returns while maintaining balance between safety and liquidity by investing in a mix of short term debt and money market instruments

Religare Invesco Gilt Fund - Short Duration Plan (Open - ended Dedicated Gilt Fund)

- credit risk free returns over short to medium term
- provide optimal returns by investing in securities issued and guaranteed by Central and State Government with portfolio maturity of less than 3 years

RISKOMETER



Investors understand that their principal will be at moderately low risk

Religare Invesco Active Income Fund (Open - ended Income Scheme)

- regular income over medium to long term
- provide optimal returns while maintaining liquidity through actively managed portfolio of debt and money market instruments

Religare Invesco Short Term Fund (Open - ended Income Scheme)

- regular income over short to medium term
- provide steady returns by investing in short-medium term debt and money market instruments

Religare Invesco Gilt Fund- Long Duration Plan (Open - ended Dedicated Gilt Fund)

- credit risk free returns over medium to long-term
- provide optimal returns by investing in securities issued and guaranteed by Central and State Government with portfolio maturity of greater than 3 years

Religare Invesco Medium Term Bond Fund (Open - ended Income Scheme)

- regular income over medium term
- provide regular income and capital appreciation by investing in medium term debt and money market instruments having residual maturity upto 5 years

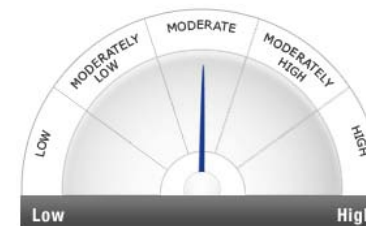
Religare Invesco Bank Debt Fund (Open - ended Debt Scheme)

- regular income over short to medium term
- provide optimal returns by investing in debt and money market instruments issued primarily by banks

Religare Invesco Corporate Bond Opportunities Fund (Open-ended Income Scheme)

- Income and capital appreciation over medium to long term
- Provide returns and capital appreciation by investing in corporate debt securities of varying maturities across the credit spectrum

RISKOMETER



Investors understand that their principal will be at moderate risk

Disclaimer

Disclaimer: This presentation is for information purposes only and is not an offer to sell or a solicitation to buy any mutual fund units/securities. The information alone is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as investment advice to any party. All opinions, figures, charts/graphs and data included in this document are as on date and are subject to change without notice. The content of this presentation is intended solely for the use of the addressee. If you are not the addressee or the person responsible for delivering it to the addressee, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it is prohibited and may be unlawful. The data used in this presentation is obtained by Religare Invesco AMC from the sources which it considers reliable. While utmost care has been exercised while preparing this document, Religare Invesco AMC does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. Neither Religare Invesco AMC nor any person connected with it accepts any liability arising from the use of this information. The recipient(s) before acting on any information herein should make his/their own investigation and seek appropriate professional advice.

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

Get in touch

Corporate Office:

Religare Invesco Asset Management Company Private Limited

GYS Infinity, Paranjpe 'B' Scheme, Subhash Road,

Vile Parle (E), Mumbai - 400057

T +91 22 67310000 F +91 22 28371565

To invest:

Call 1800-209-0007 Δ sms 'Invest' to 56677

Invest Online www.religareinvesco.com

Follow us on

