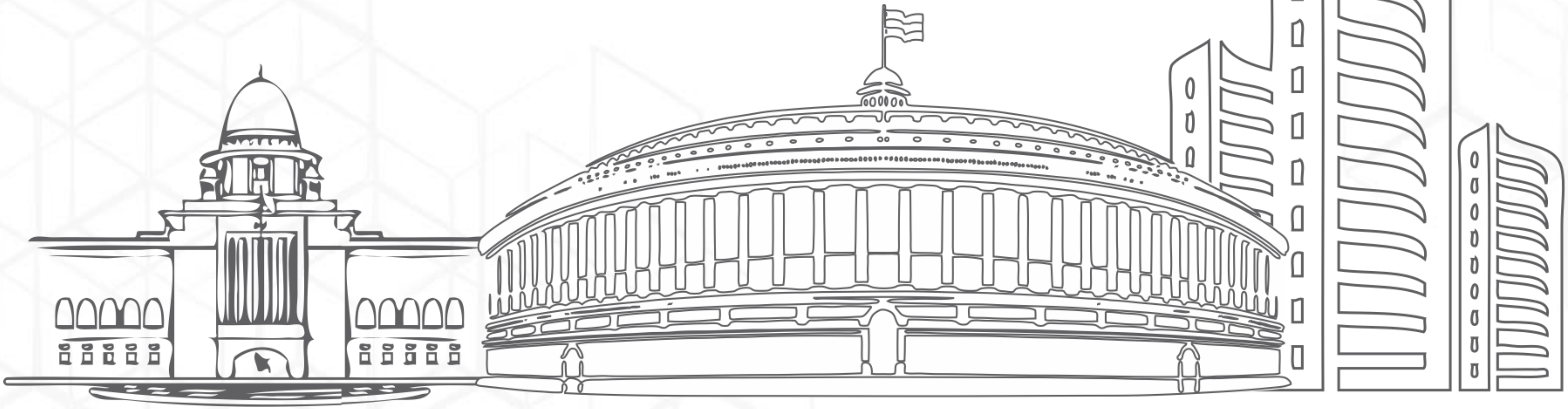
Aditya Birla Sun Life Nifty G-Sec Jun 2027 ETF

(An open-ended Target Maturity Exchange Traded Fund tracking the Nifty G-Sec Jun 2027 Index. A relatively high interest rate risk and relatively low credit risk)

NFO Opens: March 22, 2022
NFO Closes: March 24, 2022



Why could Passive Debt Funds be an attractive investment in India currently?

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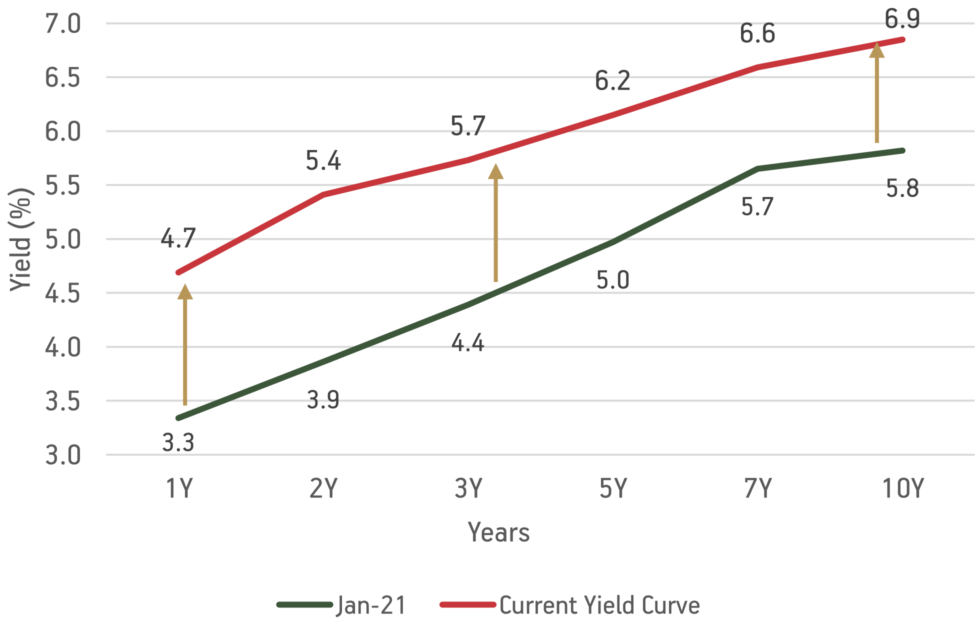
G-Sec Yield Curve



Current trends driving Debt Markets in India

- Systemic **liquidity** position remains benign and is expected to remain surplus through CY 2022
- **Inflation (CPI)** is expected to ease going ahead as per RBI guidance
- RBI's overarching priority remains to support growth and their commitment is to **normalize rates** in a gradual, calibrated and non-disruptive manner
- Yield curves continues to be very steep and it looks attractive till the 5-6 year point

Investors can potentially benefit from the current steepness in rates by investing in target maturity funds!

Source: India G-Sec Curve Index data from ABSLAMC Research (as on Mar 14, 2022)

Why should you consider investing in G-Secs?

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For their Safety

G-Secs are government backed instruments. This sovereign status practically eliminates credit risk for investors

For their High Liquidity

This feature significantly reduces the bid-ask spread for G-secs, translating into lower costs during transactions & fund rebalancing.

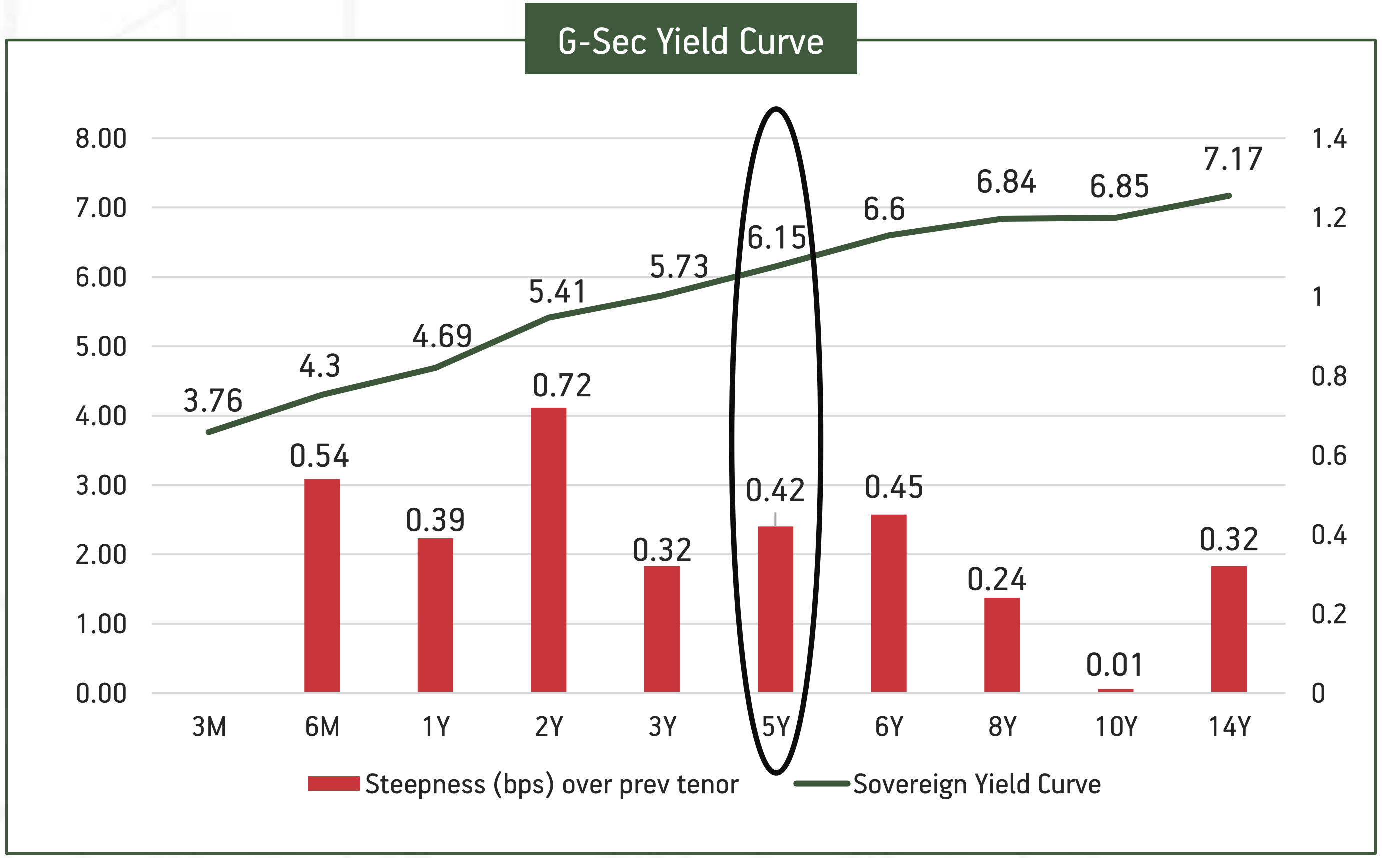
To Unlock Investor Value on Inclusion in Global Indices

G-Secs are on track to be included in global indices. The increase in demand from foreign investors may lower the G-Secs yield owing to higher demand, increasing G-sec prices and value for domestic investors.

Portfolio Diversification Avenue

Sovereign rated G-Secs are a safe investment option and help in constructing a diversified investment portfolio

Attractive Steepness Providing Rolldown Benefits



- G-Sec curve looks attractive till ~5-6 year point with steepness gradually fading thereafter.
- Steep curves would be more than compensating for the likely duration loss given the RBI's guidance of gradual normalization
- A roll down strategy* can be employed to take benefits of reasonable yields.

Source: ABSLAMC Research, as on Mar 14, 2022. *refer appendix

Ways To Access This Fixed Income Opportunity

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TRADITIONAL SAVINGS

- Interest taxable on annual basis
- Lower liquidity - Penalty on withdrawals
- Predictable returns
- Low risk

BONDS*

- Interest rate risk
- Little diversification
- Operationally challenging
- High minimum investment
- Predictable returns
- Tax efficient
- Exchange Traded

DEBT MUTUAL FUNDS

- Unpredictability of returns
- Tax efficient
- Liquidity
- Low minimum investment amount
- Transparency

*Bonds comprise of corporate / PSU debt instruments.

A Better Solution: Passive Debt Funds

TRADITIONAL SAVINGS

- Simplicity
- Target maturity
- Predictable returns
- Transparency

+

BONDS*

- Safety - High quality
- Tax advantage
- Predictable returns
- Transparency
- Exchange Traded

+

MUTUAL FUNDS

- Liquidity
- Professional management

=

PASSIVE DEBT ETFS

*Bonds comprise of corporate / PSU debt instruments.

The Passive Advantage

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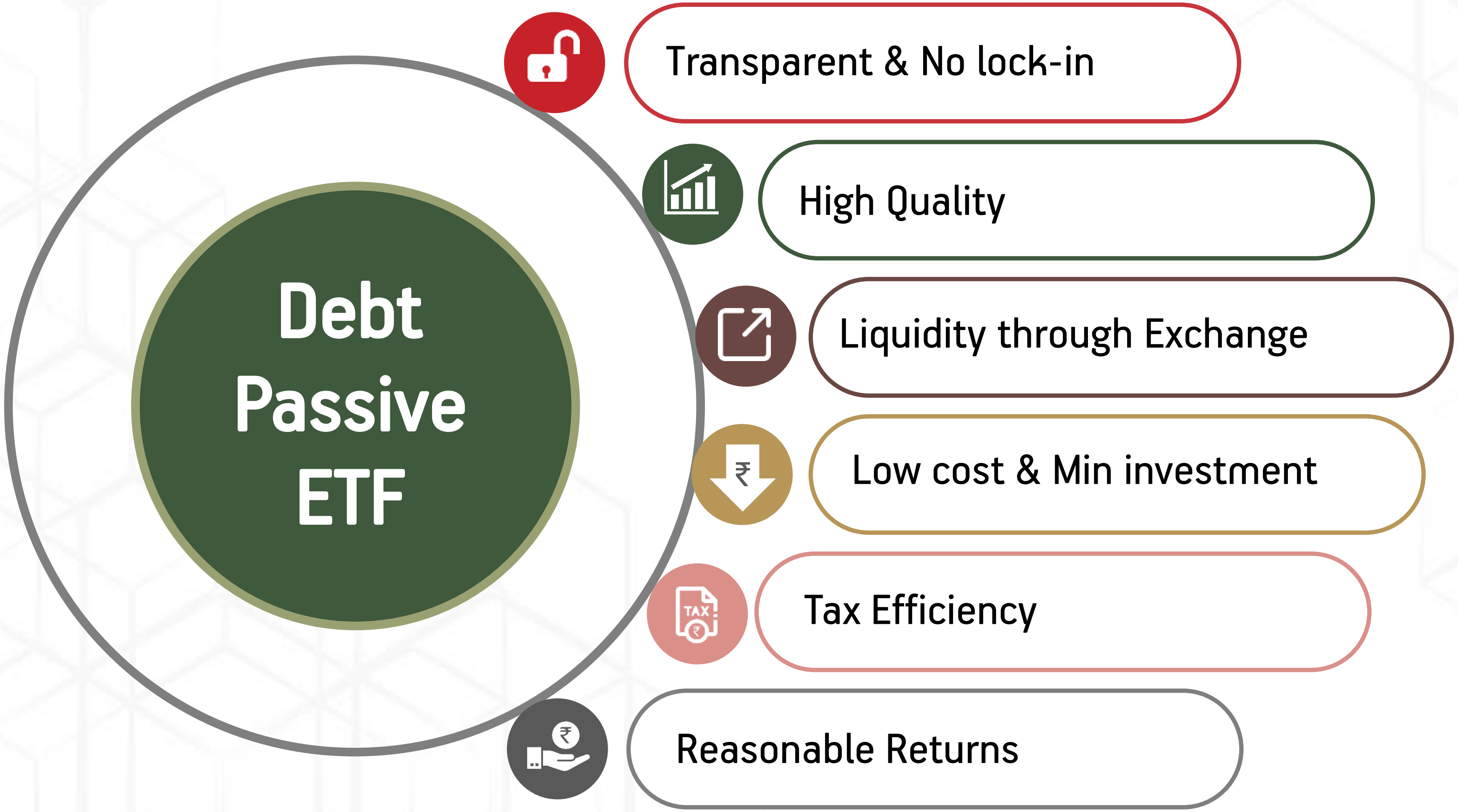

How To Make The Best Of This Investment Opportunity?

Introducing

Aditya Birla Sun Life
Nifty G-Sec Jun 2027 ETF

(An open-ended Target Maturity Exchange Traded Fund tracking the Nifty G-Sec Jun 2027 Index. A relatively high interest rate risk and relatively low credit risk)

NIFTY G-Sec Jun 2027 Index

Overview

- It seeks to measure the performance of portfolio of Nifty G-Sec Jun 2027 Index
- Computed using the total return methodology, including price & coupon return

Index Construction

- **Five most liquid G-Sec** maturing during the twelve month period ending June 30, 2027 based on the aggregate trading value & and with a minimum outstanding amount of Rs. 25000 crores are selected to be part of the index
- Each G-Sec is given weight based on a composite score* calculated on the basis of **liquidity** and **outstanding amount**
- Rebalanced on a quarterly basis
- Weights of all the securities will reset every quarter
- The coupons will be reinvested in the proportion of existing weights

Please refer to the index disclaimer

*Aggregate trading value of the G-Sec contributes 80% and outstanding amount contributes 20% in calculating composite score for weight calculation of each G-Sec

Introducing Target Maturity Approach To Fund Investing

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Index Maturity: Jun 30, 2027

Aditya Birla Sun Life Nifty G-Sec Jun 2027 ETF

- Exchange Traded
- Tracks the underlying index
- Portfolio of bonds selected on the basis of a predefined template
- Focus on a specific tenor for investment
- Subject to the same prudential norms as defined by SEBI

Nifty G-Sec Jun 2027 Index

- Attention on credit curve of G-Secs
- Roll down focus* with a Target Maturity approach
- Liquidity & safety are the key considerations while developing the strategy

*refer appendix

Key Reasons To Invest In ABSL Nifty G-Sec Jun 2027 ETF

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- Target Maturity approach – ability to customize your investment as per your goals
- Benefit of 6-year indexation
- Credit risk mitigated as part of design
- Liquidity available through exchange during the tenure of the fund
- No Duration risk at time of maturity
- Roll down strategy - apt in the current interest rate environment
- Low minimum investment*

*The minimum investment amount is ₹5000 and in multiples of ₹1 thereafter during NFO. Post NFO units will be traded on exchange

Debt ETF Compared With Other Debt Options With Target Maturity Approach

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Basis	Closed-ended FMP	Exchange Traded Funds
Taxation	Indexation features available for LTCG	Indexation features available for LTCG
Fund Management	Generally, buy & hold with activism enabled for event risk	Passively managed
Regulatory focus	Compliance with MF portfolio norms	Compliance with MF norms, subject to tracking errors*
Portfolio Construction	MF limits apply dependent on fund manager view	MF limits apply as per design provided by index provider
Liquidity	Lock-in funds with entry & exit possible at NFO & redemption respectively	Available through exchange
Investor Concentration	20-25 rules apply	20-25 rules not applicable
Key product proposition	Intended to deliver target return over fixed period, like traditional saving instruments	Typically, indented to deliver accrual portfolio return over period along with market-based liquidity Investors can benefit from interim MTM (Mark to Market) movements also during the fund tenure

* Tracking error is defined as the standard deviation of active returns, measured from the benchmark. The objective of ETFs & Index Funds is to minimize the tracking errors from their respective benchmarks. The same can not be construed as base for non-compliance of the respective fund.

Benefit Of 6 Year Indexation

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Traditional Savings	Parameters	Debt ETF
₹1,00,000	Investment Amount	₹ 1,00,000
5.50%	*Assumed Returns	6.10%
₹ 1,32,457	Investment Value upon Maturity	₹ 1,36,460
₹ 1,00,000	**Indexation Cost	₹ 1,34,006
₹ 32,457	Taxable Gain	₹ 2,454
31%	Applicable Tax Rate	20%
₹ 10,062	Tax Amount	₹ 491
₹ 1,22,395	Post Tax Value	₹ 1,35,969
3.92%	**Post Tax Return (%)**	**6.03%**

Disclaimer: The above calculations are only for illustration purposes. These are not be considered as investment advice, please consult your investment / tax advisers. *These are tentative 5 year upto 10 year SBI Retail Domestic term Deposit rates assumed for traditional saving instruments, compounded annually. The returns mentioned for the debt ETF are for illustration purpose only. It may or may not be realized. **The indexation cost is calculated as Cost Inflation Index (CII) of maturing year (2027) / CII of purchase year (2021). They are 424.8 & 317.0 respectively. Index cost arrived at assuming 5% p.a. growth rate in CII. 6 year indexation benefit is only available to investors who invest in FY21-22 & remain invested in the fund until FY27-28. Indexation is not available on traditional saving instruments. The income tax rate for investment between ₹10 lakhs to ₹50 lakhs is 30.99%, between ₹50 lakh to ₹1 crore is 33.99% & above ₹1 crore is 35.59%. **Past Performance may or may not be sustained in the future**, Aditya Birla Sun Life AMC Limited / Aditya Birla Sun Life Mutual Fund is not guaranteeing/offering/communicating any indicative yield/returns on investments.

Constituents of the Index

1	5.74% GS 2026	60.18%
2	6.79% GS 2027	19.92%
3	8.24% GS 2027	8.50%
4	6.97% GS 2026	6.20%
5	8.15% GS 2026	5.20%

Weight

Source: NSE Indices. Portfolio as on 09th Mar 2022

Scheme Details

Aditya Birla Sun Life Mutual Fund

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<table>
<tr><th>Scheme</th><th>Aditya Birla Sun Life Nifty G-Sec Jun 2027 ETF</th></tr>
<tr><td>Type of Scheme</td><td>An open-ended Target Maturity Exchange Traded Fund tracking the Nifty G-Sec Jun 2027 Index. A relatively high interest rate risk and relatively low credit risk</td></tr>
<tr><td>Investment Objective</td><td>The investment objective of the Scheme is to generate returns corresponding to the total returns of the securities as represented by the Nifty G-Sec Jun 2027 Index before expenses, subject to tracking errors. The Scheme does not guarantee/indicate any returns. There can be no assurance that the objective of the Scheme will be achieved.</td></tr>
<tr><td>Investment Strategy</td><td>The Scheme seeks to track the Nifty G-Sec Jun 2027 Index subject to tracking errors. Accordingly, the Scheme will invest in debt instruments in line with the underlying Index of the scheme. For detailed investment strategy, refer the SID of the scheme.</td></tr>
<tr><td>Asset Allocation</td><td>
<table>
<tr><th rowspan="2">Instrument</th><th rowspan="2">Risk Profile</th><th colspan="2">Allocation
(% of total Assets)</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>Debt Instruments comprising Nifty G-Sec Jun 2027 Index</td><td>Moderate</td><td>95%</td><td>100%</td></tr>
<tr><td>Cash, Money Market & Debt instruments</td><td>Low to Moderate</td><td>0%</td><td>5%</td></tr>
</table>
</td></tr>
<tr><td>Benchmark Index</td><td>Nifty G-Sec Jun 2027 Index</td></tr>
<tr><td>Load</td><td>Entry Load: Nil
Exit Load: Nil</td></tr>
<tr><td>Fund Manager</td><td>Mr Bhupesh Bameta & Mr Harshil Suvarnkar</td></tr>
</table>

For more information, please refer the SID & KIM of the scheme

Aditya Birla Sun Life Mutual Fund

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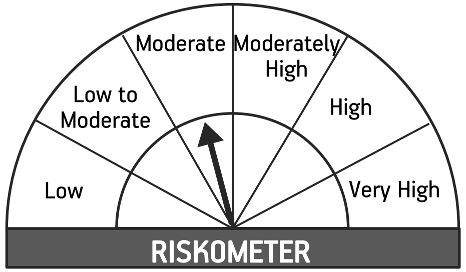
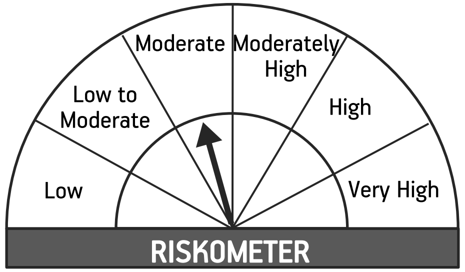
Nifty G-Sec Jun 2027 ETF

An open-ended Target Maturity Exchange Traded Fund tracking the Nifty G-Sec Jun 2027 Index. A relatively high interest rate risk and relatively low credit risk

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer Nifty G-Sec Jun 2027 Index
• Income over the target maturity period • An open ended Target Maturity Exchange Traded Fund that seeks to track Nifty G-Sec Jun 2027 Index	 Investors understand that their principal will be at Moderate risk	 Investors understand that their principal will be at Moderate risk

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

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

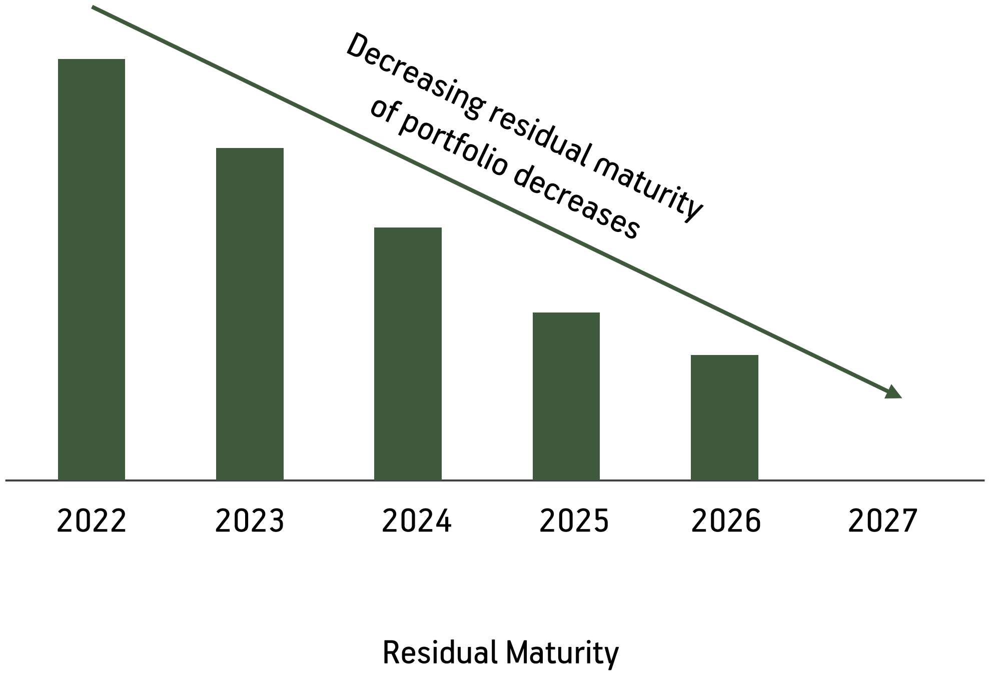
The product labelling assigned during the NFO is based on internal assessment of the Scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Appendix

Roll-down strategy

- **Roll Down/Run Down strategy** is an accrual strategy that us generally used in elevated rates environment and seek to earn only coupons/yield at regular intervals from its underlying portfolio by buying and holding security.
- The average maturity of the scheme's portfolio, as a consequence, decreases with the passage of time. Benefit of Rolling down the yield curve:
- **Low- interest rate risk:** The strategy avoid impact from the expected increase in interest rates over time. It is useful for capturing higher present yield at any point of curve and gradually move towards shorter end of the curve which is less susceptible to interest rate risk.

Illustration of Roll-down Strategy



Source: ABSLAMC Research

Thank You

Disclaimers

Past performance may or may not be sustained in the future. For more details, please refer the SID / KIM of the scheme.

Issuer(s) / Bond(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the bond mentioned, from time to time.

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