

# Aditya Birla Sun Life Nifty SDL Apr 2027 Index Fund

(An open-ended Target Maturity Index Fund tracking the Nifty SDL Apr 2027 Index. A relatively high interest rate risk and relatively low credit risk)

NFO Opens: January 14, 2022

NFO Closes: January 27, 2022



Map of India is used for illustrative purpose only. It is not a political map of India.

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

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## Current trends driving Debt Markets in India



Systemic **liquidity** position remains benign with RBI committed to **manage interest rates cycle** in an orderly manner



**Inflation (CPI)** remains within RBI target range



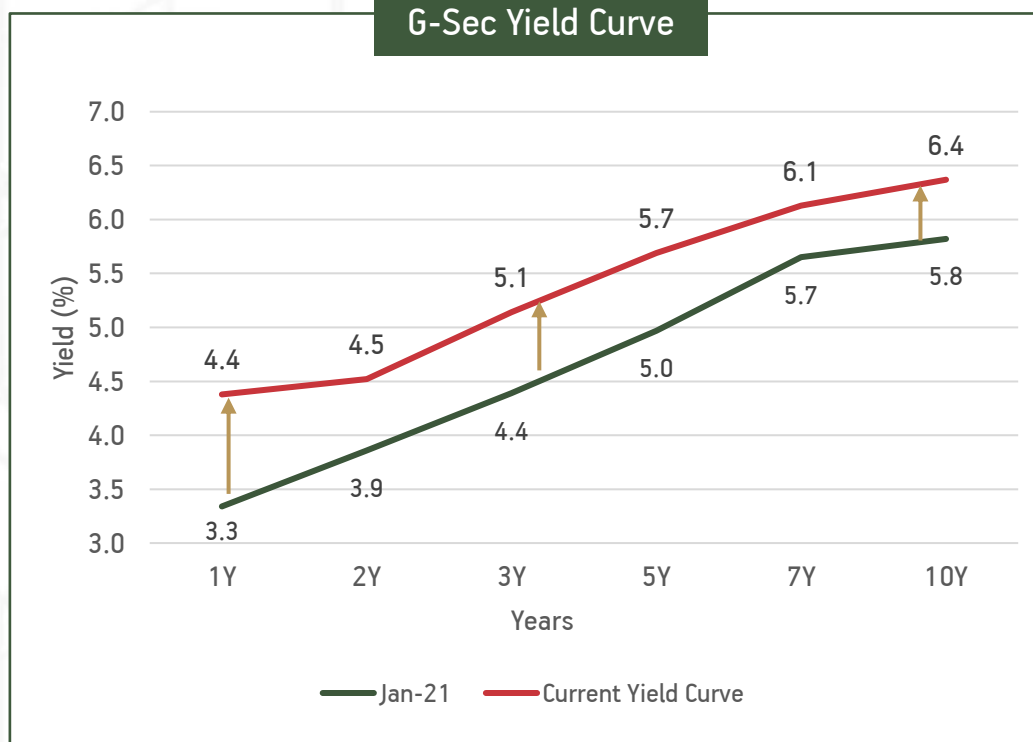
Sustained **economic growth** along with **Fiscal deficit** target at ~6.8% of GDP for FY22 as a centerpiece of Budget



**Steep Yield curve** in short to medium term & significant **Cost of waiting** to invest at higher yields due to low overnight rates



Strong case for investors patiently invested in funds matching their investment horizon



**With yields becoming more attractive & inflation numbers cooling, investors' real returns have gone up. 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 Dec 16, 2021) Trends figures as on Dec 31, 2021

## What are SDLs?

State Development Loans (SDLs) are securities issued by State Governments to raise funds to meet budgetary requirements



## Why are SDLs a safe investment option?

SDLs carry sovereign rating similar to Government Securities (G-Secs) which are issued by Government of India



## Key Features of SDLs



A market-oriented instrument for states to mobilise funds from the open market.



RBI facilitates the issue of SDLs in the market, and hence they are traded electronically on the RBI managed platforms.



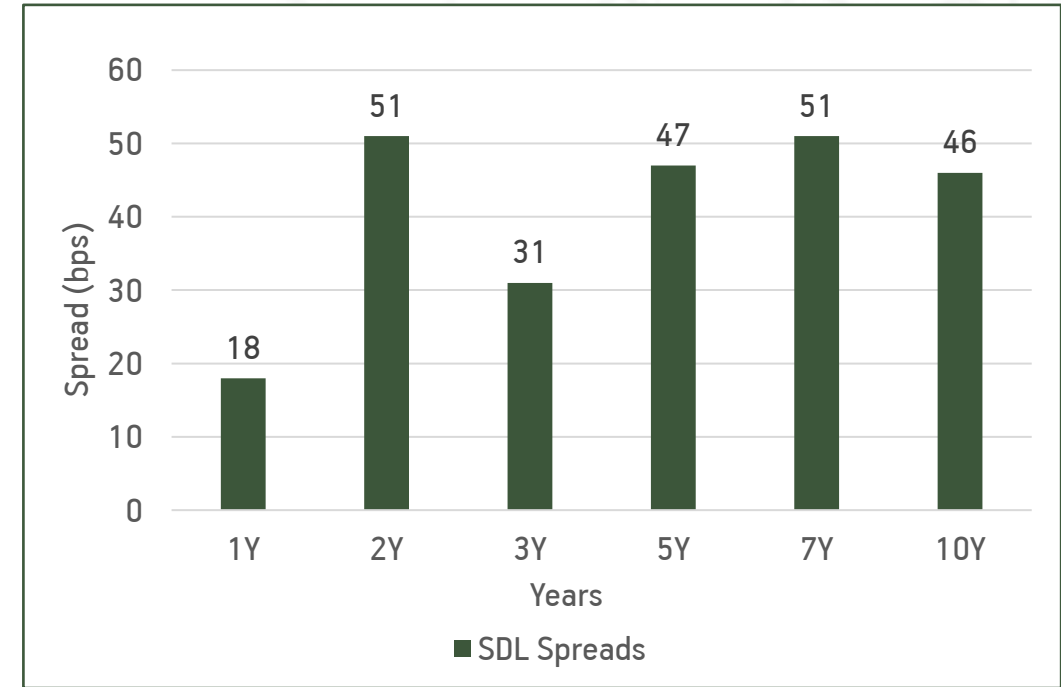
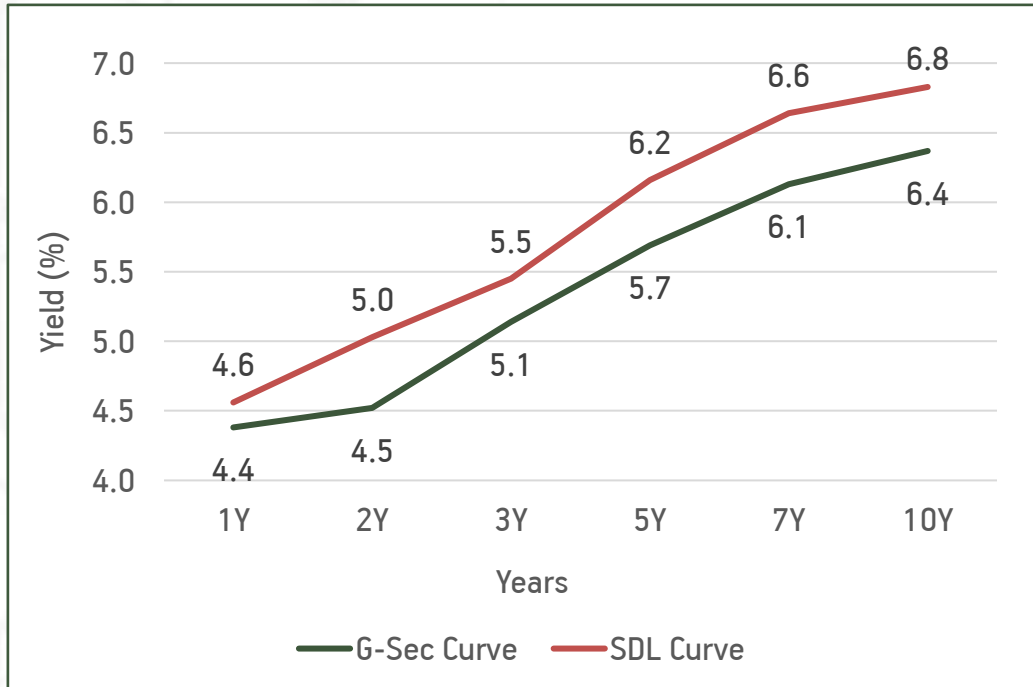
Act as credible collateral for meeting the SLR requirements of banks & for availing liquidity under the RBI's LAF.



Doesn't have any credit risk and, in this respect, SDLs are similar to G-Secs.



Interest rate of SDLs are determined by auction & generally are slightly higher than that of G-secs of matching tenure.



- SDL curve looks attractive till ~5-6-year point with steepness gradually fading thereafter.
- SDLs with Sovereign rating offering attractive spreads over G-Secs.
- In a short- & medium-term investment horizon, the spreads for 5-6 year appear attractive.
- A roll down strategy\* can be employed to take benefits of reasonable yields.

# 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 for investors
- High minimum investment amount
- Predictable returns
- Tax efficient



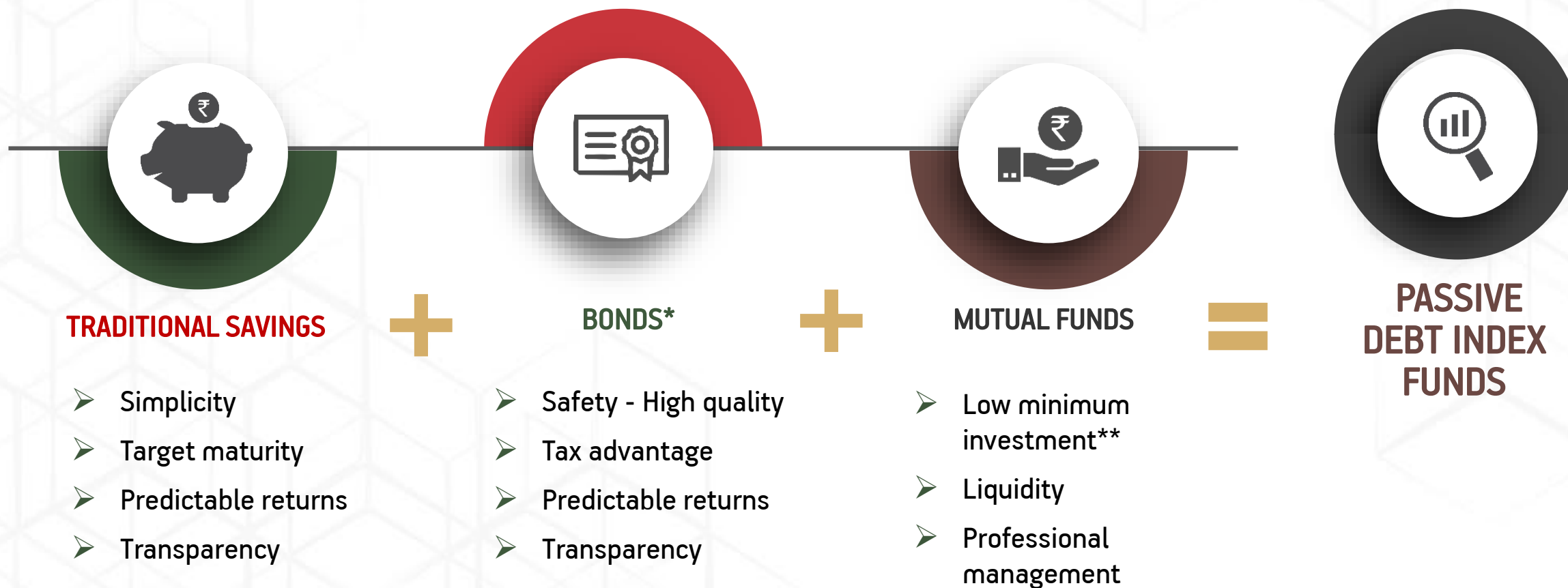
## DEBT MUTUAL FUNDS

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

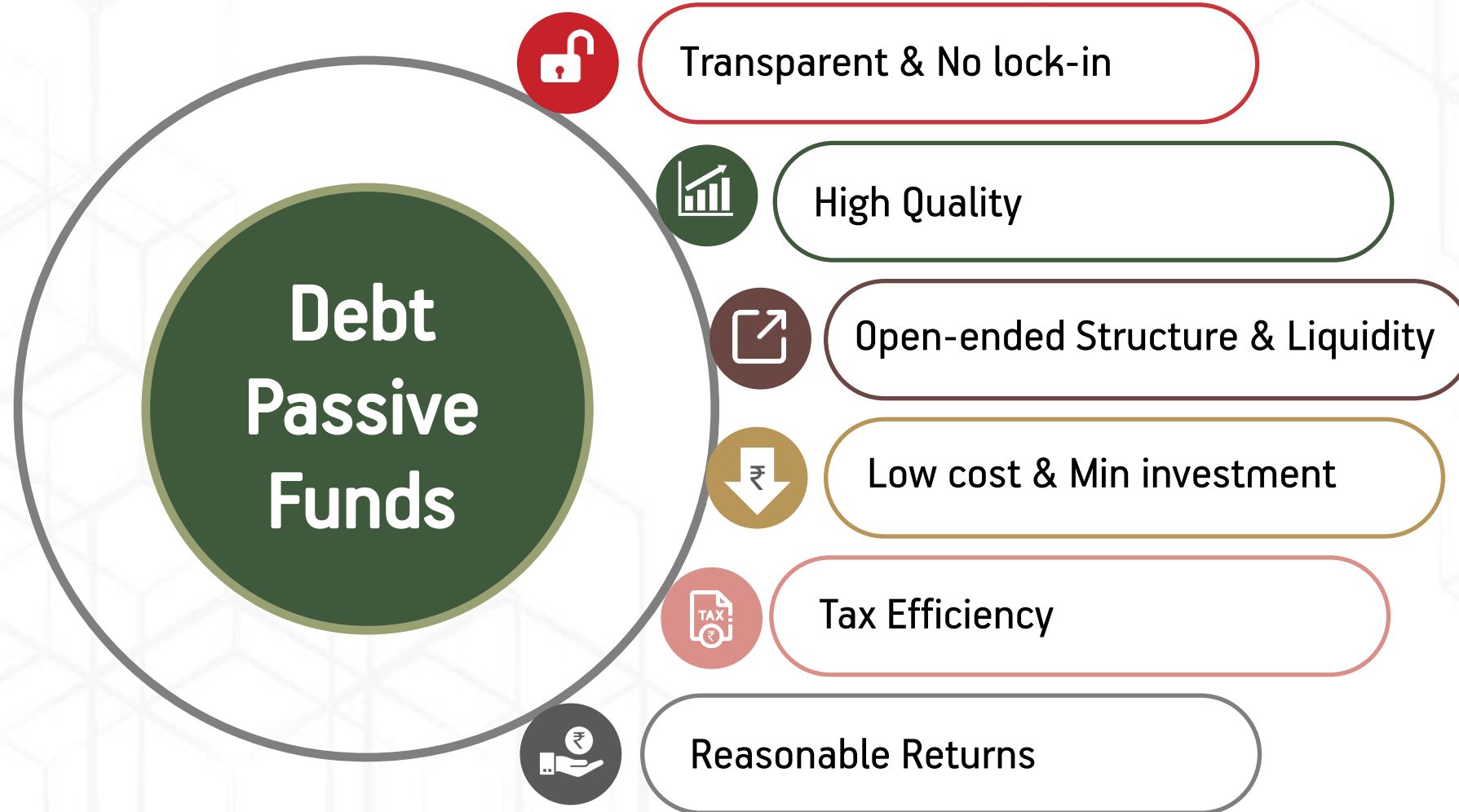
\*Bonds comprise of corporate / PSU debt instruments.

# A Better Solution: Passive Debt Funds

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\*Bonds comprise of corporate / PSU debt instruments. \*\*The minimum investment for this scheme is ₹500 & multiples of ₹1 thereof.





# How To Make The Best Of This Investment Opportunity?

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Introducing

**Aditya Birla Sun Life**

**Nifty SDL Apr 2027 Index Fund**

(An open-ended Target Maturity Index Fund tracking the Nifty SDL Apr 2027 Index. A relatively high interest rate risk and relatively low credit risk)

## Overview

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

## Index Construction






- Top **15 states/UTs** are selected based on their outstanding amount maturing during the twelve-month period ending April 30, 2027
- For every selected state/UT, **most recently issued SDL** maturing during the twelve-month period ending April 30, 2027 is selected to be part of the index
- Each state/UT that is part of the index is given weight based on the total outstanding amount in eligible SDLs of the selected state/UT maturing during the twelve-month period ending April 30, 2027 as on the September 30, 2021
- Rebalanced on a quarterly basis
- The coupons will be reinvested in the proportion of existing weights

[Know more about the Index](#)




Please refer to the index disclaimer

Index Maturity: April 30, 2027

## Aditya Birla Sun Life Nifty SDL Apr 2027 Index Fund

-  A new phenomenon
-  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 SDL Apr 2027 Index

-  Attention on credit curve of G-Secs / SDLs
-  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 SDL Apr 2027 Index Fund

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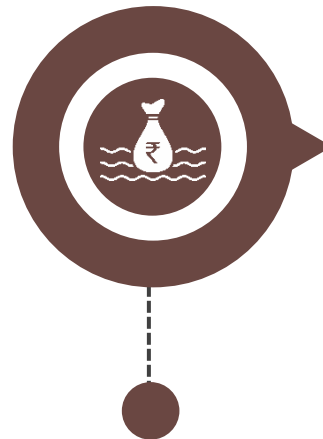
Target Maturity  
approach – ability  
to customize your  
investment as per  
your goals



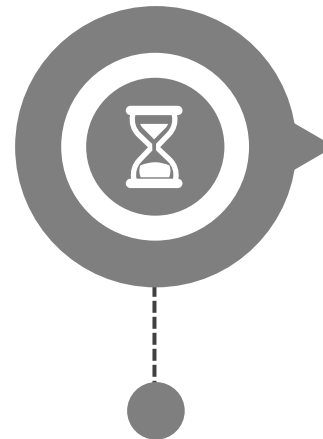
Benefit of  
6-year  
indexation



Credit risk  
mitigated as  
part of design



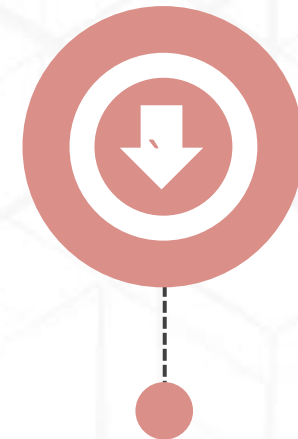
Liquidity  
available during  
the tenure of  
the fund



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 ₹500 and in multiples of ₹1 thereafter

# Debt Index Compared With Other Debt Options With Target Maturity Approach

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Basis	Closed-ended FMP	Index Funds
 <b>Taxation</b>	Indexation features available for LTCG	Indexation features available for LTCG
 <b>Fund Management</b>	Generally, buy & hold with activism enabled for event risk	Passively managed
 <b>Regulatory focus</b>	Compliance with MF portfolio norms	Compliance with MF norms, subject to tracking errors*
 <b>Portfolio Construction</b>	MF limits apply dependent on fund manager view	MF limits apply as per design provided by index provider
 <b>Liquidity</b>	Lock-in funds with entry & exit possible at NFO & redemption respectively	Available through AMC like MFs, subject to exit loads
 <b>Investor Concentration</b>	20-25 rules apply	20-25 rules apply
 <b>Key product proposition</b>	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
 <b>Operational Ease</b>	MF like onboarding & KYC	MF like onboarding & KYC

\* 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

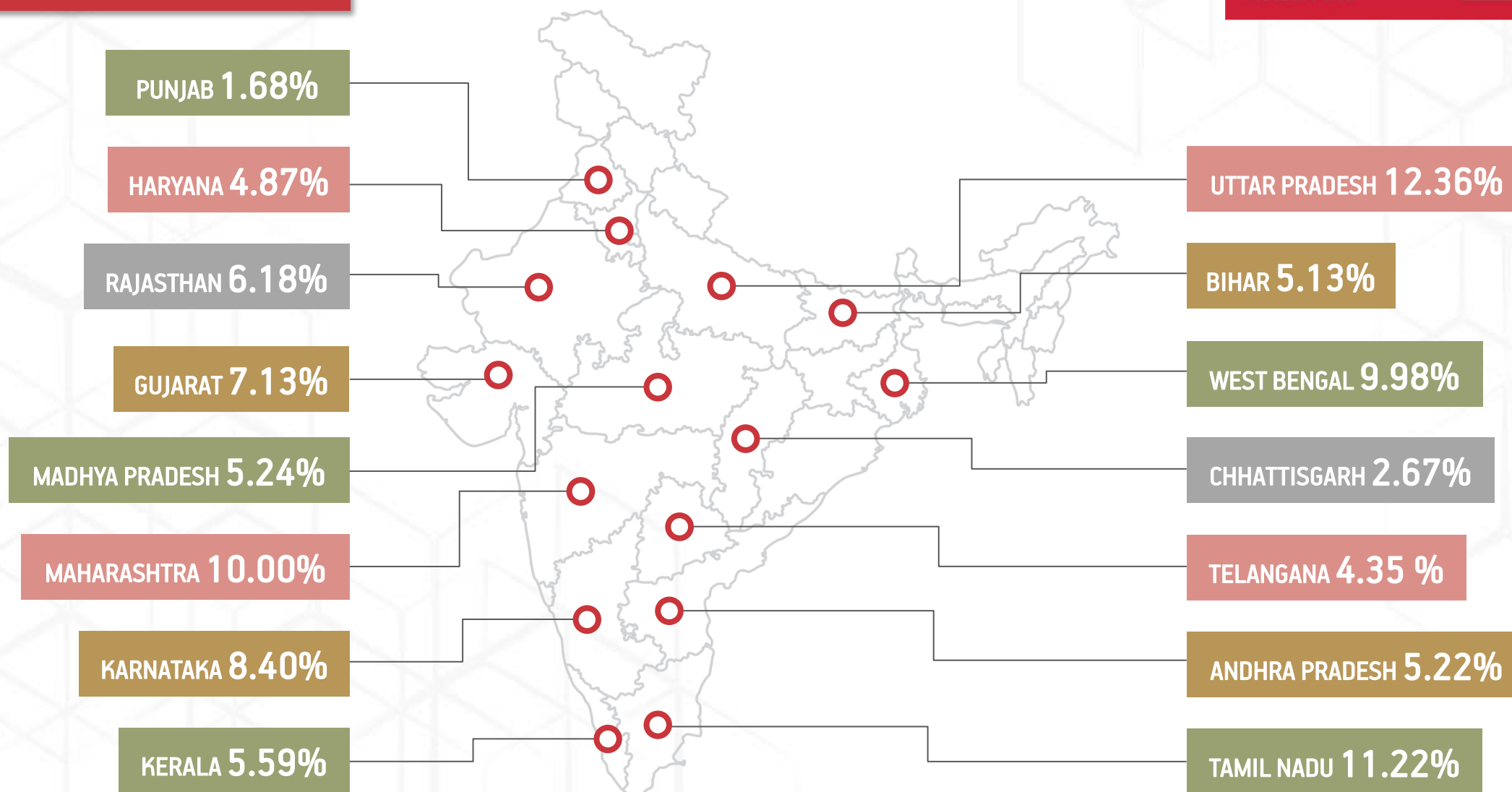
## Debt Index Funds - FTP

₹1,00,000	Investment Amount	₹ 1,00,000
5.40%	*Assumed Returns	6.15%
₹ 1,31,799	***Investment Value upon Maturity	₹ 1,36,798
₹ 1,00,000	**Indexation Cost	₹ 1,34,006
₹ 31,799	Taxable Gain	₹ 2,792
31%	Applicable Tax Rate	20%
₹ 9,858	Tax Amount	₹ 558
₹ 1,21,942	Post Tax Value	₹ 1,36,240
3.85%	Post Tax Return (%)	6.07%

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 rates assumed for traditional saving instruments, compounded annually. The yield mentioned for the debt index fund is indicative. 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. \*\*\*Maturity date 30<sup>th</sup> April 2027

## Constituents of the Index

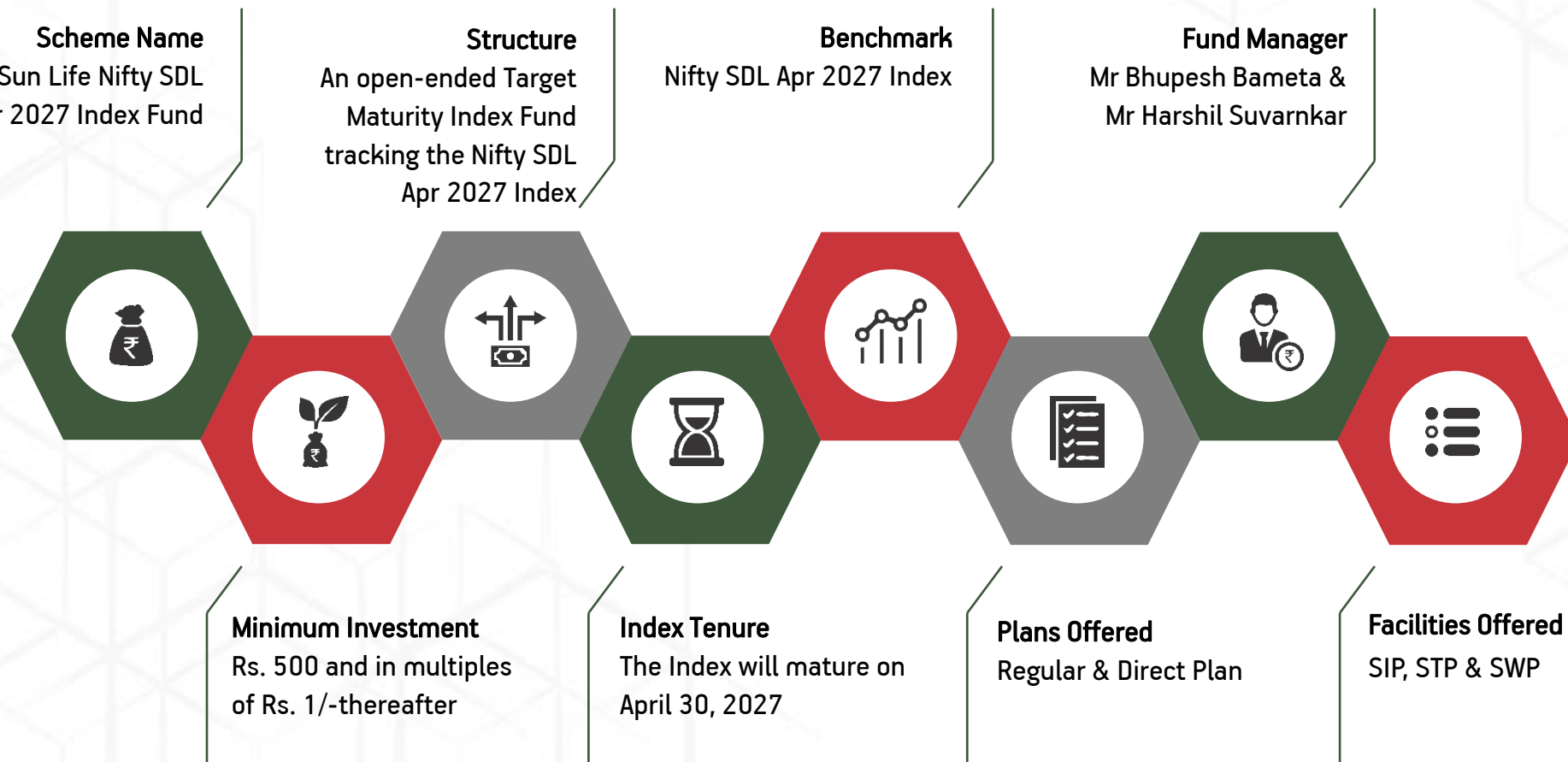
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Mutual Fund



Disclaimer: The map shown is for illustration purpose only.

Source: NSE Indices, Portfolio as on 06<sup>th</sup> Jan 2022



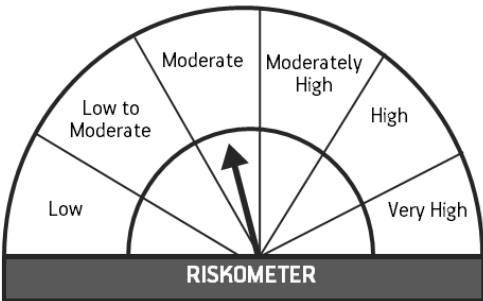
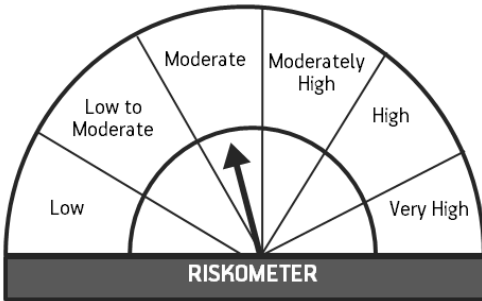


Scheme	Aditya Birla Sun Life Nifty SDL Apr 2027 Index Fund			
Type of Scheme	An open-ended Target Maturity Index Fund tracking the Nifty SDL Apr 2027 Index. A relatively high interest rate risk and relatively low credit risk			
Investment Objective	The investment objective of the Scheme is to generate returns corresponding to the total returns of the securities as represented by the Nifty SDL Apr 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.			
Investment Strategy	The Scheme seeks to track the Nifty SDL Apr 2027 Index subject to tracking errors. Accordingly, the Scheme will endeavor to invest in debt instruments in line with the benchmark of the scheme. For detailed investment strategy, refer the SID of the scheme.			
Asset Allocation	Instrument		Allocation (% of total Assets)	
			Minimum	Maximum
	Debt Instruments comprising Nifty SDL Apr 2027 Index		95%	100%
	Cash & Money Market Instruments		0%	5%
Plans Offered	Regular & Direct Plan			
Options Offered	IDCW* (Payout of IDCW) & Growth Options			
Facilities Offered	SIP, STP & SWP			
Minimum Application	Minimum of ₹ 500 & in multiples of ₹ 1 thereafter			
Benchmark Index	Nifty SDL Apr 2027 Index			
Load	Entry Load: Nil			
	Exit Load: For redemption / switch-out of units on or before 30 days from the date of allotment: 0.5% of applicable NAV. For redemption / switch-out of units after 30 days from the date of allotment – Nil			
Fund Manager	Mr Bhupesh Bameta & Mr Harshil Suvarnkar			

\*Income Distribution cum Capital Withdrawal Option. For more information, please refer the SID & KIM of the scheme

## ADITYA BIRLA SUN LIFE Nifty SDL Apr 2027 Index Fund

An open-ended Target Maturity Index Fund tracking the Nifty SDL Apr 2027 Index. A relatively high interest rate risk and relatively low credit risk

<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"><li>Income over longer term</li><li>Open ended Target Maturity Index Fund that seeks to track Nifty SDL Apr 2027 Index</li></ul>	<p><b>Scheme Riskometer</b></p>  <p>Investors understand that their principal will be at Moderate risk</p>	<p><b>Benchmark Riskometer</b> Nifty SDL Apr 2027 Index</p>  <p>Investors understand that their principal will be at Moderate risk</p>	<p><b>Potential Risk Class</b></p> <table><tr><td><p>Credit Risk of Scheme ➡</p></td><td rowspan="2"><p>Relatively Low (Class A)</p></td><td rowspan="2"><p>Moderate (Class B)</p></td><td rowspan="2"><p>Relatively High (Class C)</p></td></tr><tr><td><p>Interest Rate Risk of Scheme ↓</p></td></tr><tr><td><p>Relatively Low (Class I)</p></td><td></td><td></td><td></td></tr><tr><td><p>Moderate (Class II)</p></td><td></td><td></td><td></td></tr><tr><td><p>Relatively High (Class III)</p></td><td><p>A-III</p></td><td></td><td></td></tr></table>				<p>Credit Risk of Scheme ➡</p>	<p>Relatively Low (Class A)</p>	<p>Moderate (Class B)</p>	<p>Relatively High (Class C)</p>	<p>Interest Rate Risk of Scheme ↓</p>	<p>Relatively Low (Class I)</p>				<p>Moderate (Class II)</p>				<p>Relatively High (Class III)</p>	<p>A-III</p>		
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<p>*Investors should consult their financial advisors if in doubt whether the product is suitable for them.</p>																							

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

# Constituents of the Index

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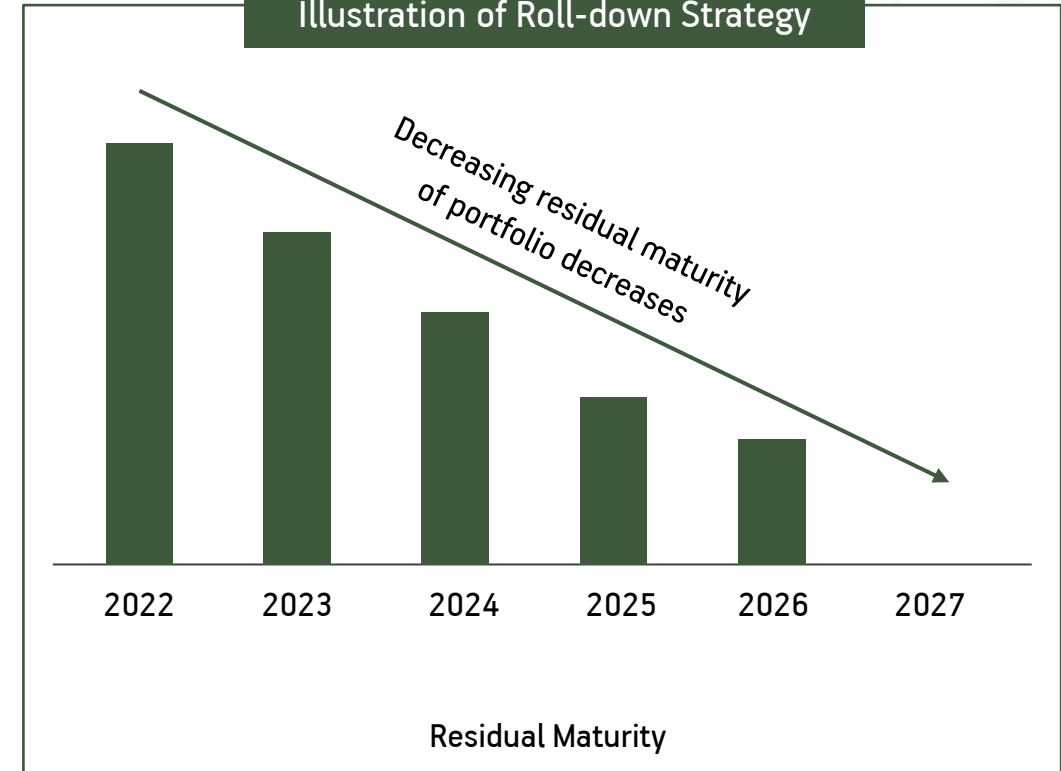


Sr. No.	Issuer	Weights
1	UTTAR PRADESH GOVERNMENT	12.36%
2	TAMIL NADU GOVERNMENT	11.22%
3	MAHARASHTRA GOVERNMENT	10.00%
4	WEST BENGAL GOVERNMENT	9.98%
5	KARNATAKA GOVERNMENT	8.40%
6	GUJARAT GOVERNMENT	7.13%
7	RAJASTHAN GOVERNMENT	6.18%
8	KERALA GOVERNMENT	5.59%
9	MADHYA PRADESH GOVERNMENT	5.24%
10	ANDHRA PRADESH GOVERNMENT	5.22%
11	BIHAR GOVERNMENT	5.13%
12	HARYANA GOVERNMENT	4.87%
13	TELENGANA GOVERNMENT	4.35%
14	CHHATTISGARH GOVERNMENT	2.67%
15	PUNJAB GOVERNMENT	1.68%
		100.00%

Source: NSE Indices. Portfolio as on 06<sup>th</sup> Jan 2022

- **Roll Down/Run Down strategy** is an accrual strategy that is generally used in an elevated rates environment and seeks 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 avoids 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 moving towards shorter end of the curve which is less susceptible to interest rate risk.

Illustration of Roll-down Strategy



# 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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**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**