

# Indian Bonds on the Global Radar!

Make the Most of the Opportunity with

**Aditya Birla Sun Life**  
**CRISIL 10 Year Gilt ETF**

(An open ended Debt Exchange Traded Fund tracking the CRISIL 10 Year Gilt Index. A relatively high interest rate risk and relatively low credit risk.)

**NFO Period: 7<sup>th</sup> - 12<sup>th</sup> August, 2024**



The map of India is used for illustrative purposes only and is not a political map of India. The world map is not accurate and is used for illustration purposes only.

# India's Resilient Growth Story

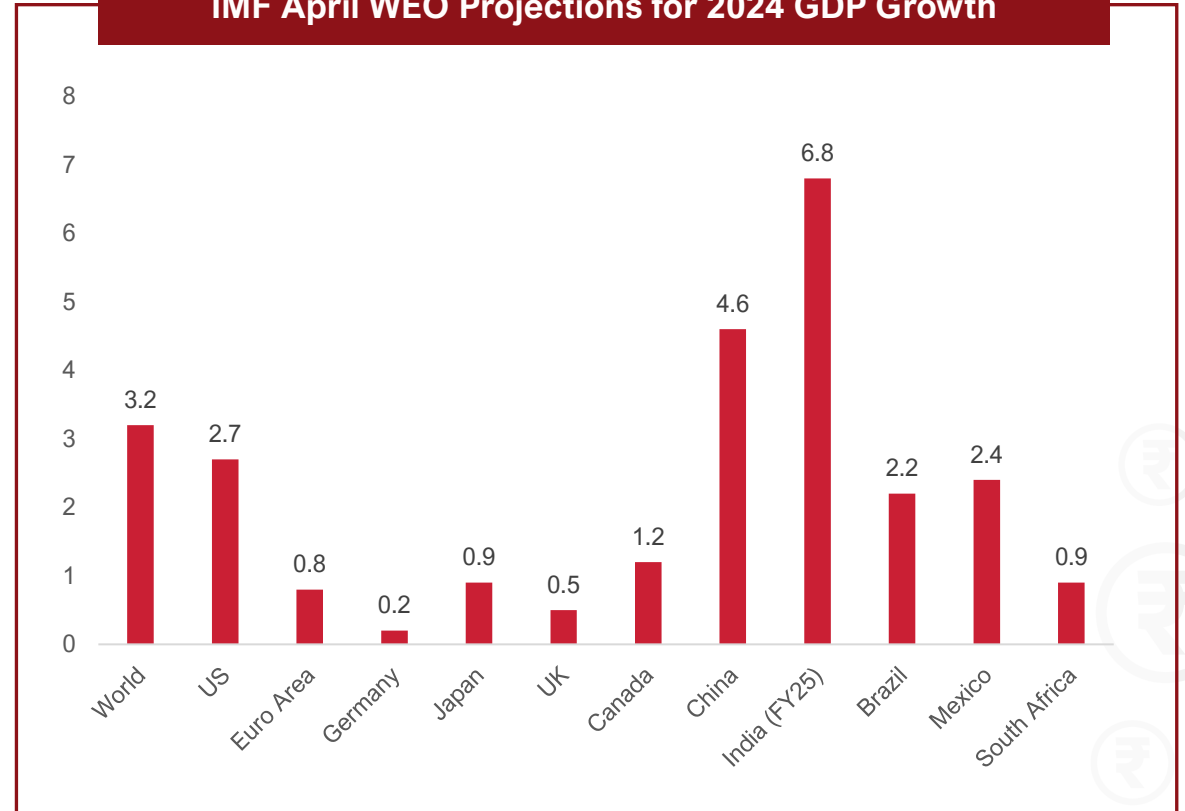


MUTUAL FUNDS

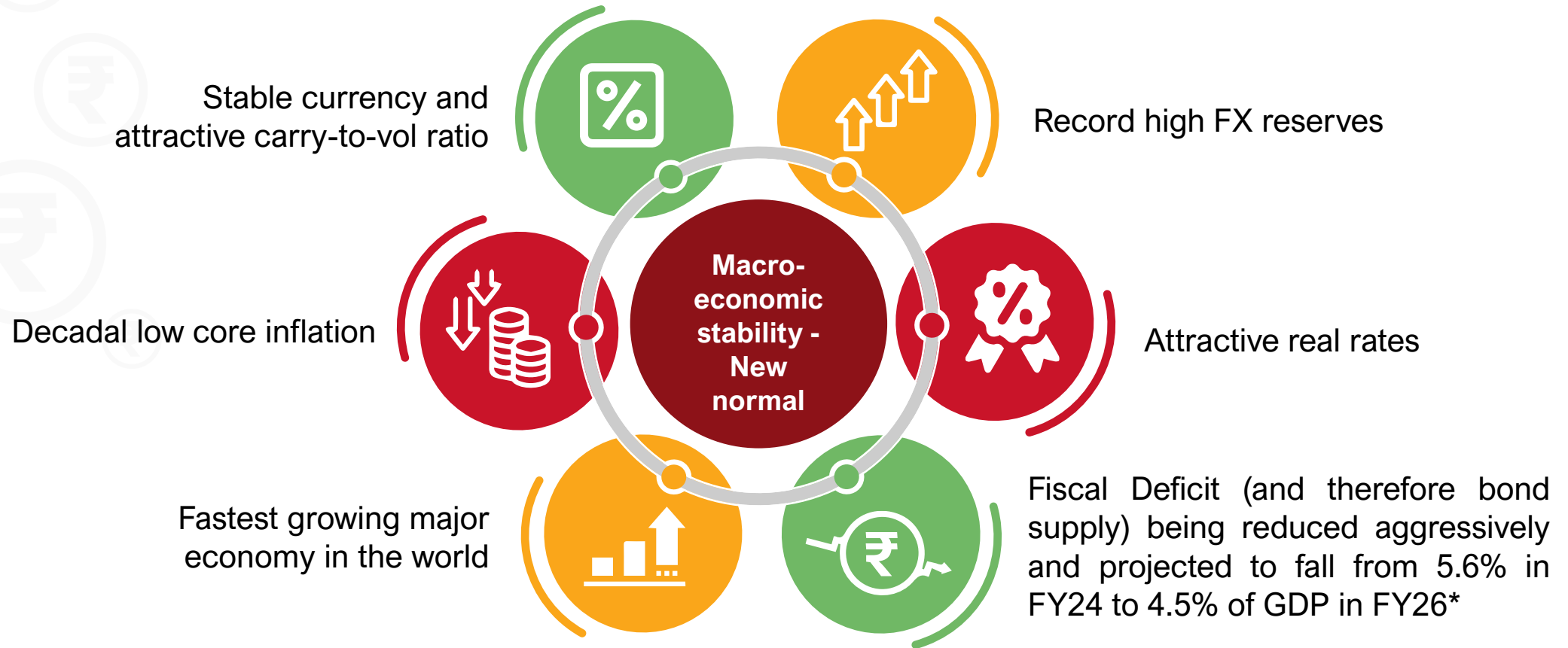
India GDP (% y-y)



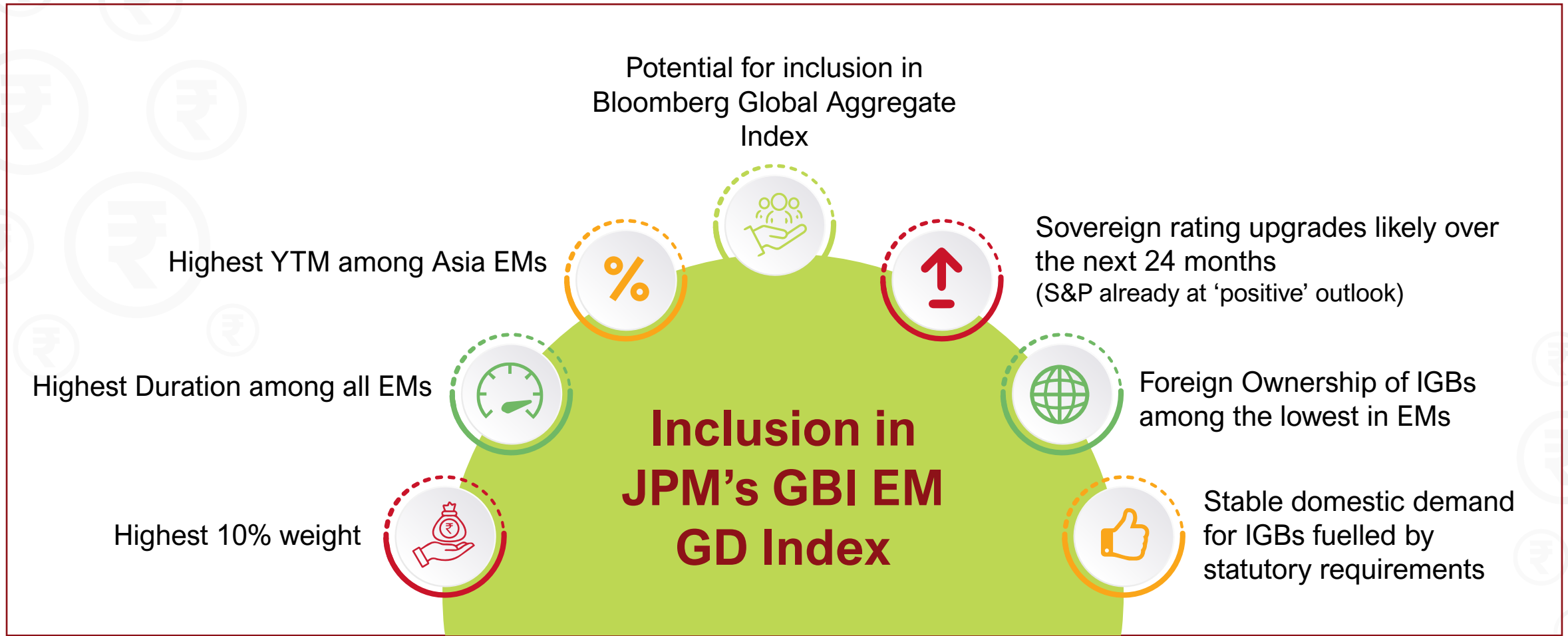
IMF April WEO Projections for 2024 GDP Growth



Source: CEIC, ABSLAMC Research

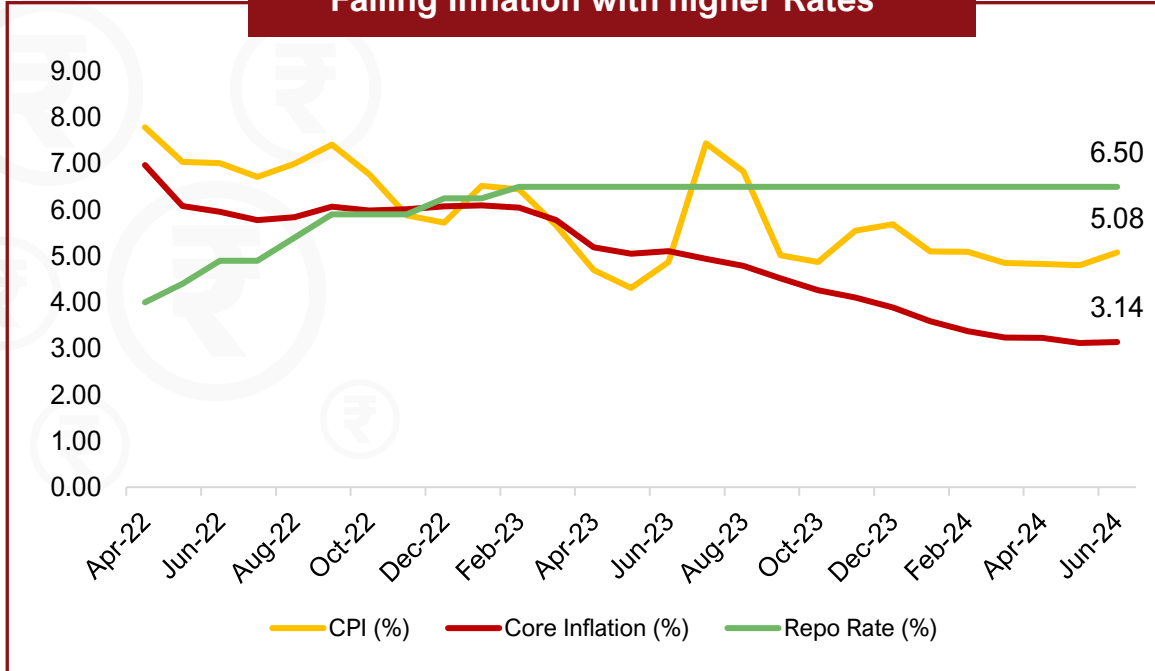


\*Source: Bloomberg | ABSLAMC Research

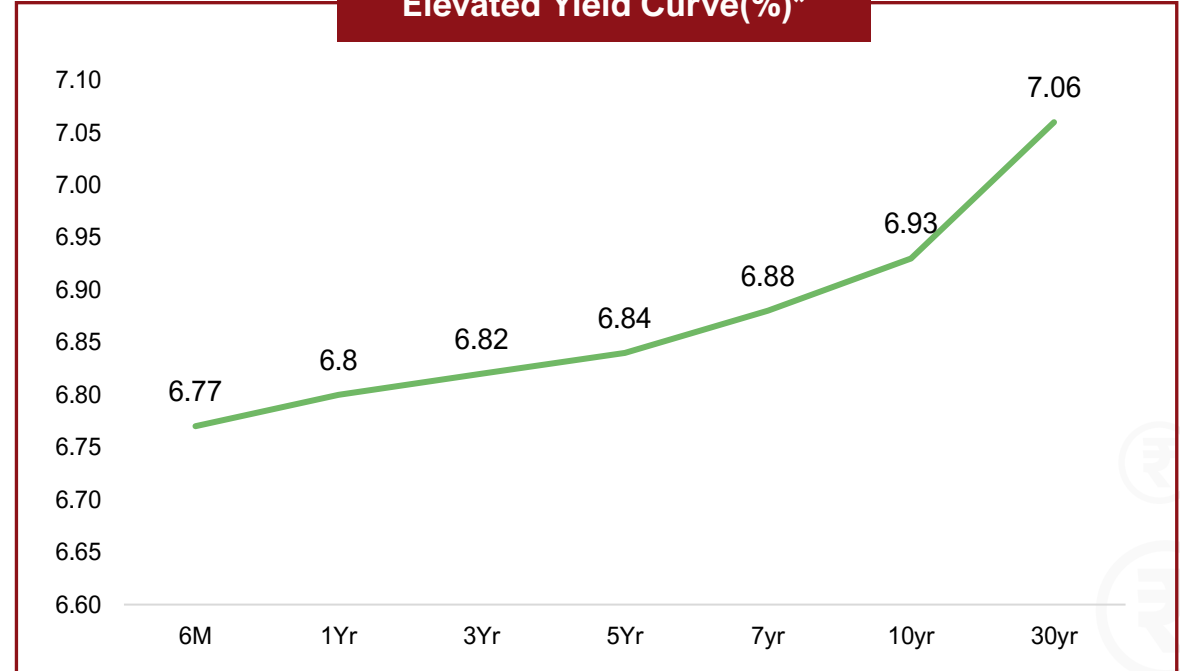


# Elevated G-Sec Yield Curve

**Falling Inflation with higher Rates^**



**Elevated Yield Curve(%)\***



- Real rates remain extremely attractive especially when compared to core inflation which remains at a decadal low.
- We expect 50-75 bps of rate cuts in 2025 on the back of slowing growth, normalisation of food inflation and the start of DM rate cut cycles.

Bloomberg. Yield curve data as of 31<sup>st</sup> July 2024. CPI and Repo data as of June 30, 2024. FPI – Foreign Portfolio Investors, DM – Developed Markets

# Inclusion in JPM GBI EM Bond Index - Huge positive for Indian G-Sec Bonds



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Inclusion of Indian Government Bonds into its GBI-EM family of indices from June 2024, in a staggered manner with 1% rise in weight every month, reaching the target allocation of 10% by March 2025.

**Net inflows into Fully Accessible Route (FAR) securities post announcement of JP Morgan index inclusion has already surpassed ~USD 10 billion as of June 2024**

## Why this matters?

### Higher Demand

G-Sec inclusion in the Index up to the target weight would bring in new FII investors for both passive as well as active funds. Total Index Inflows expected ~\$ 23-26 Billion till index inclusion.



### Capital Gains

Yields are expected to fall with increase in global demand for eligible FAR securities. Tactical opportunity for price returns with fall in yields.



### Inclusion in other indices

Other Global Index providers - Bloomberg and FTSE expected to follow adding to capital inflows.



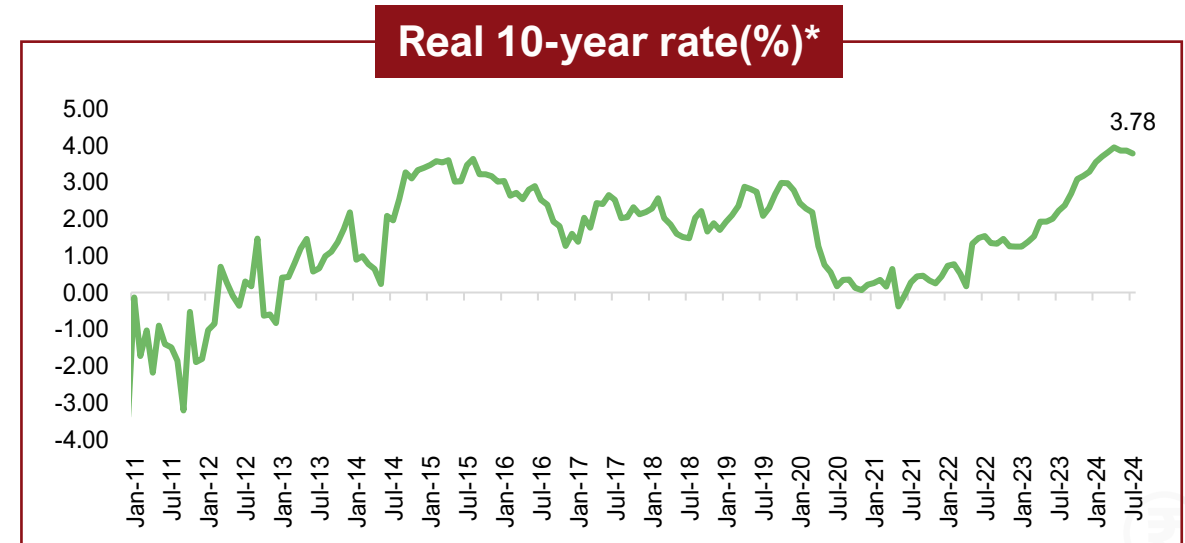
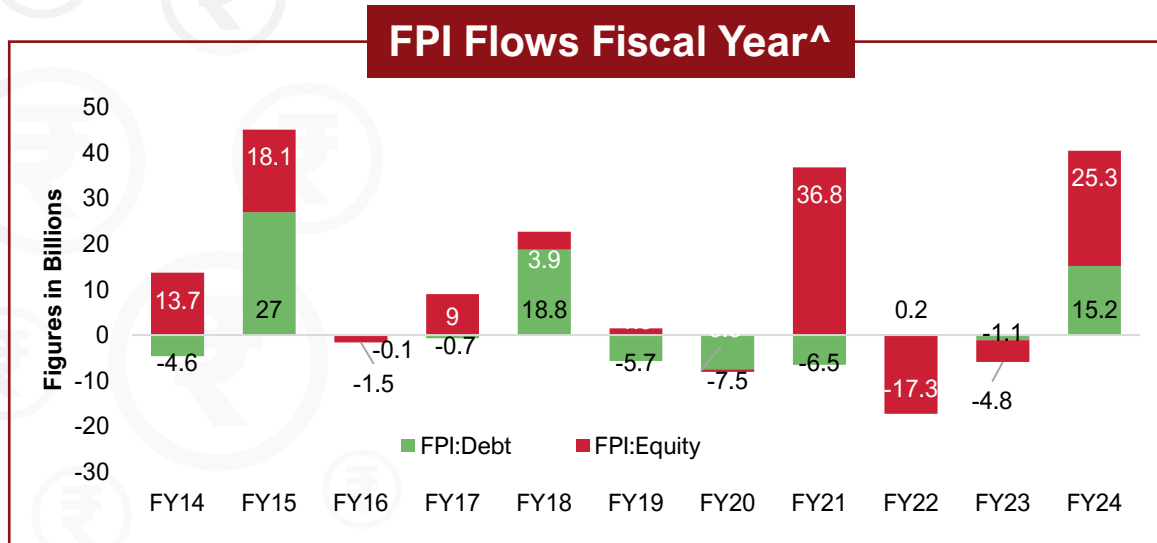
Source: Bloomberg. FAR securities are the eligible Government securities in which non-residents can invest without any restrictions. FII – Foreign institutional investor. IGB – Indian government bonds. Data as of June 24.

# Indian G-Sec Bonds: Right Time & Opportunity to Invest



MUTUAL FUNDS

## FII flows into IGBs picking up



Flows into IGBs have gone up substantially since the addition of JP Morgan Bond EM bond indices. FPI inflows received so far ~ **\$10-12 Billion**

- Fiscal consolidation, lower supply of Government papers is expected to have higher pressure on yields
- Real Rate at multi-year high makes Indian G-secs an attractive investment

**Demand Supply disequilibrium expected to create additional pressure and lower yields – An opportunity for Capital gains**

Source: Bloomberg <sup>^</sup>Data as on 31<sup>st</sup> Mar 2024 \*Data as on 31<sup>st</sup> July 2024 deflated by core inflation. IGB – Indian Government Bonds. FII – Foreign institutional investors. FPI – Foreign portfolio investors EM – Emerging Markets G-sec – Government Securities

# India G-Secs - Why Now?



G-sec yields at elevated levels can present an opportunity for higher accrual benefit



Benefit from potential price returns once the yields starts falling



Higher Offshore demand with Index Inclusion



Indian Government focusing on Fiscal consolidation reducing borrowings



Introducing

**Aditya Birla Sun Life**

**CRISIL 10 Year Gilt ETF**

(An open ended Debt Exchange Traded Fund tracking the CRISIL 10 Year Gilt Index.  
A relatively high interest rate risk and relatively low credit risk.)

# About the Index - Crisil 10 Year Gilt Index



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CRISIL 10 Year Gilt Index seeks to track the performance of the on-the-run 10 year benchmark government security. The index seeks to track the movement of the most actively traded government security in the market

## Methodology

The on-the-run 10-year Government Security is considered as the 10-year benchmark security.

## Replacement Criteria



Amount outstanding of new security should be minimum of Rs. 24,000 Crore



The average traded volume of new security as a percentage of old, during last 7 working days, should be a minimum of 50%



Index computed on daily basis using the gross price return of 10 year benchmark government security and its coupon cash flow return

Index marked to market on a daily basis using CRISIL Gilt Valuations

**Constituent**

**07.10%**

CGL 2034 (ISIN IN0020240019)

**Average Maturity**

**9.73**

**Macaulay Duration**

**6.82**

**Yield To Maturity**

**6.99**

**Transparent & No lock-in**

**Real-time Price Tracking**

**Liquidity & Trading Convenience**

**Index-based Investing**

**Open-ended Structure**



**Low cost & Min Investment**

# Key Reasons To Invest in GILT ETF

Potential Benefit  
from Price return  
with the fall in  
yields



Liquidity  
available during  
the tenure of the  
fund



Lock in elevated  
yield at 10-year  
point (YTM ~7%)\*



Credit risk  
mitigated as  
part of design



Allocation to  
10-year benchmark  
Gsec bond



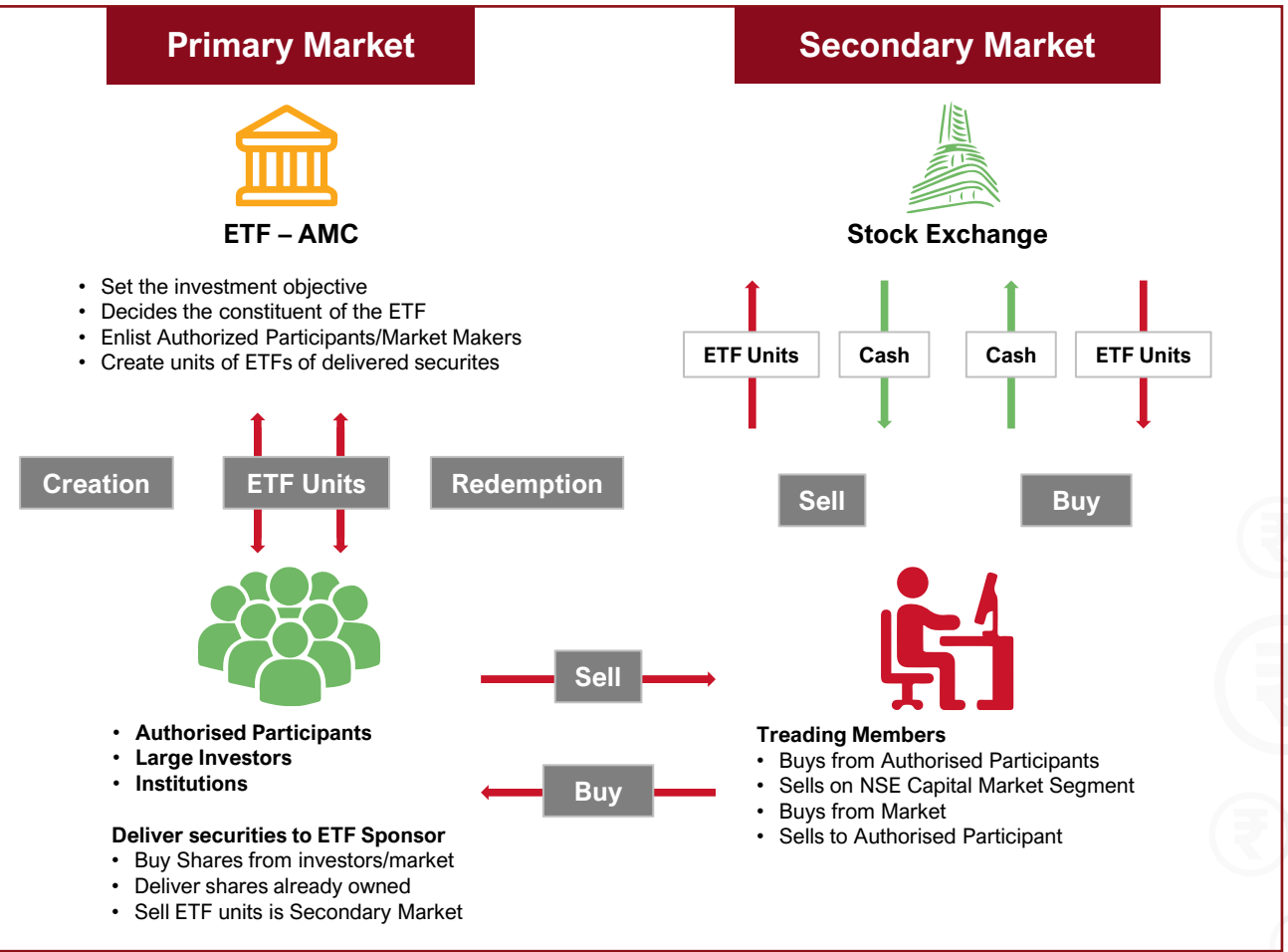
Convenience of  
trading through  
ETF route on real  
time price basis



\*The minimum investment amount is ₹1,000 and in multiples of ₹100 thereafter during NFO Period. Aditya Birla Sun Life AMC Limited /Aditya Birla Sun Life Mutual Fund is not guaranteeing / offering / communicating any indicative yield/returns on investments / \*Source: Bloomberg, Elevate Yield Data as on 31<sup>st</sup> July 2024

# Benefits and Structure of ETF

- Buy through Exchange during market hours where the ETF is listed
- Less impact cost, B/A spread
- Enough liquidity to place trades
- MM to ensure ETF trades close to NAV
- Large orders can be placed directly with the AMC minimizing the trade cost
- Feasible creation size to ensure MM maintains healthy volume and inventory



# Scheme Details



MUTUAL FUNDS

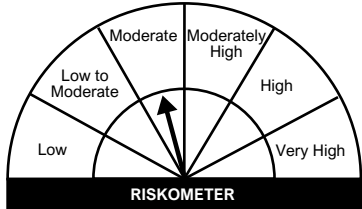
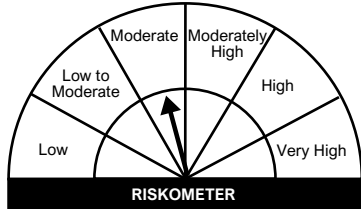
<b>Scheme</b>	<b>Aditya Birla Sun Life CRISIL 10 year Gilt ETF</b>		
<b>Type of Scheme</b>	An open ended Debt Exchange Traded Fund tracking the CRISIL 10 year Gilt Index. A relatively high interest rate risk and relatively low credit risk.		
<b>Investment Objective</b>	The investment objective of the Scheme is to generate returns corresponding to the total returns of the securities as represented by the CRISIL 10 Year Gilt Index before expenses, subject to tracking errors. The Scheme does not guarantee/indicate any returns. There is no assurance or guarantee that the investment objective of the Scheme will be achieved.		
<b>Investment Strategy</b>	The Scheme is a passively managed ETF which will devise an investment approach to track the CRISIL 10 Year Gilt Index, subject to tracking error. The Scheme will invest at least 95% of its total assets in the government securities. Accordingly, the Scheme will invest in securities in line with the benchmark index of the Scheme.		
<b>Asset Allocation</b>		Allocation (% of total Assets)	
	Instrument	Minimum	Maximum
	Government Securities	95%	100%
	T-Bills, Cash and Cash Equivalent	0%	5%
<b>Minimum Application</b>	<p><b>During NFO period:</b> Minimum of ₹1,000 &amp; in multiples of ₹100 thereafter during the New Fund Offer period.</p> <p><b>During Ongoing Offer period:</b> Units of the Scheme may be subscribed to / redeemed only in Creation Unit size &amp; in multiples thereof for market makers. Large investors can transact directly with the Fund for an amount greater than INR 25 crores.</p>		
<b>Benchmark Index</b>	CRISIL 10 year Gilt Index		
<b>Creation Size</b>	25,000 Units and multiple thereof		
<b>Load</b>	Entry Load: Nil Exit Load: Nil		
<b>Fund Manager</b>	Mr Bhupesh Bameta, Mr Sanjay Godambe & Mr. Vighnesh Gupta		

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

Aditya Birla Sun Life Mutual Fund

## Aditya Birla Sun Life CRISIL 10 Year Gilt ETF

(An open ended Debt Exchange Traded Fund tracking the CRISIL 10 Year Gilt Index. A relatively high interest rate risk and relatively low credit risk.)

This product is suitable for investors who are seeking*:	Scheme Risk-o-meter	Benchmark Risk-o-meter (CRISIL 10 Year Gilt Index)
<ul style="list-style-type: none"> <li>Income through exposure to Gilt securities over long term</li> <li>An open-ended Debt ETF that seeks to track CRISIL 10 Year Gilt Index.</li> </ul>	 <p>Investors understand that their principal will be at <b>Moderate</b> risk</p>	 <p>Investors understand that their principal will be at <b>Moderate</b> risk</p>
<p>*Investors should consult their financial advisors if in doubt whether the product is suitable for them.</p>		

### Potential Risk Class

Credit Risk of Scheme →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk of Scheme ↓			
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.

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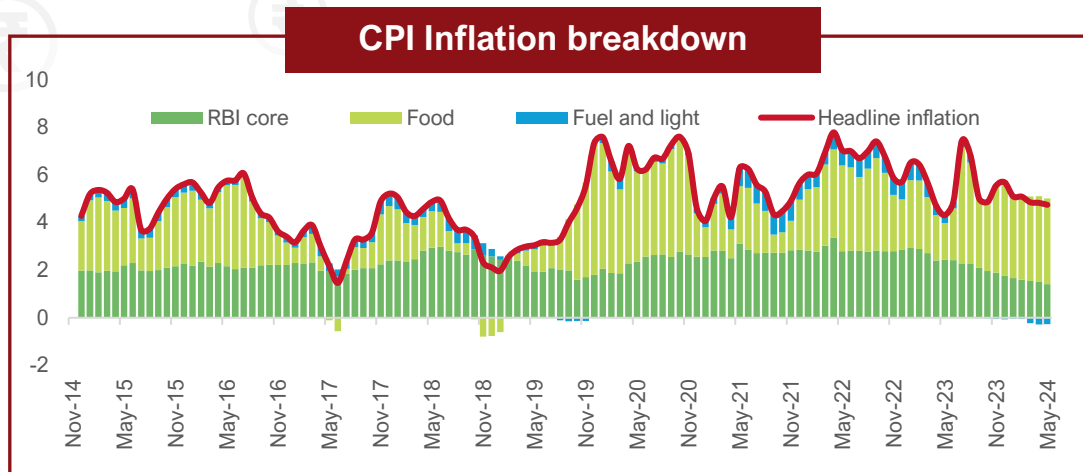
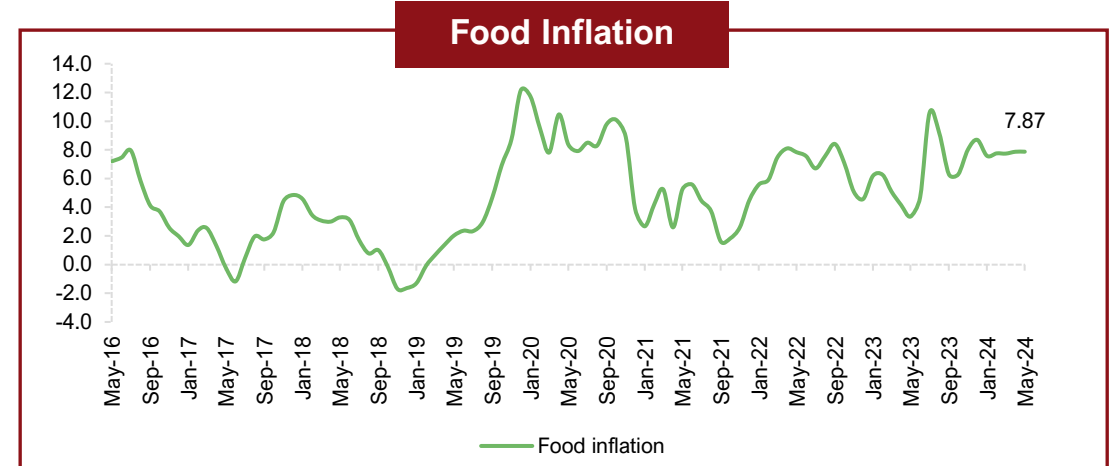
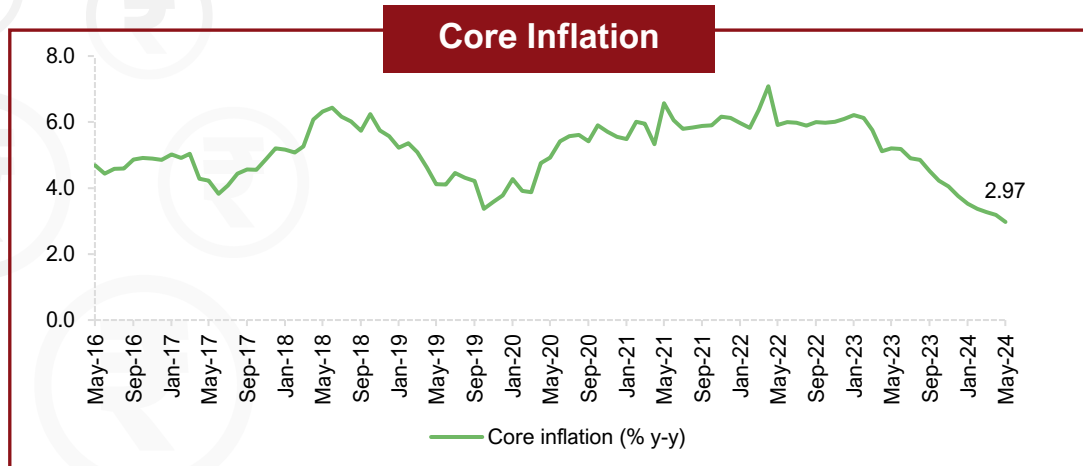
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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**



# ANNEXURE

# Declining Core Inflation: A Positive Sign



With core inflation coming in low, we expect food inflation to also fall to the core inflation trajectory as has been the trend in the past. Hence, we are quite positive on overall inflation even as we believe that core inflation may have bottomed out.

# Rupee strength with Strong Forex reserve

## MUTUAL FUNDS

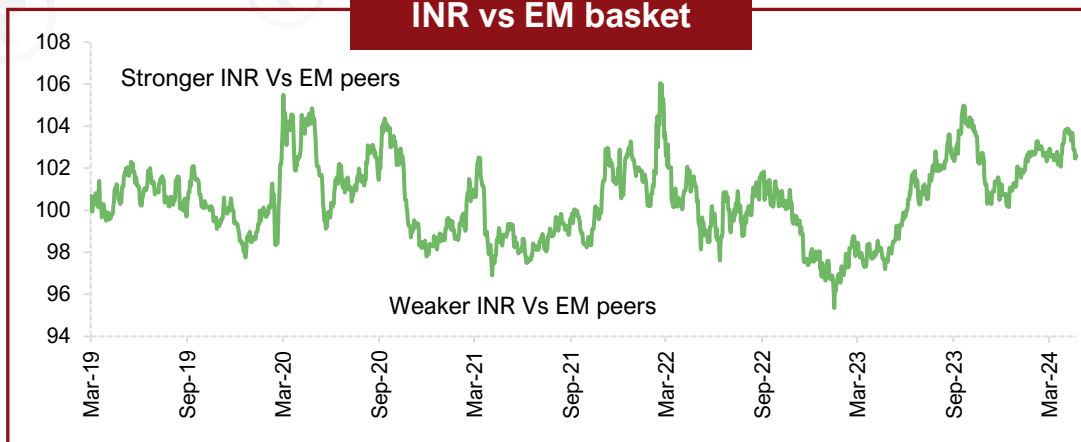
**INR vs Asia FX**



**Forex reserve (US\$ bn)**



**INR vs EM basket**

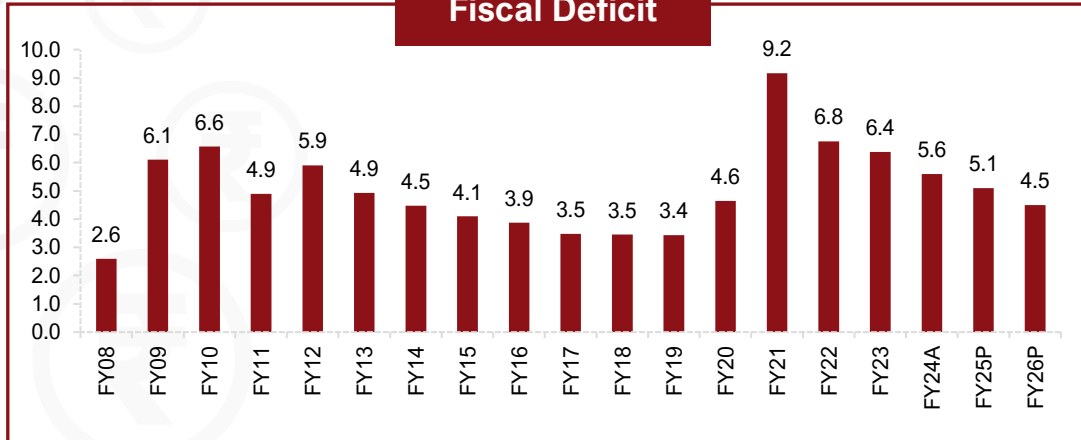


**INR continue to remain one of the most stable EM currencies aided by comfortable BoP and increasing Forex reserves**

Source: CEIC, ABSLAMC Research. EM – Emerging Market. BOP – Balance of Payment. RBI – Reserve Bank of India

# FY24 Fiscal Deficit Lower Than Budgeted

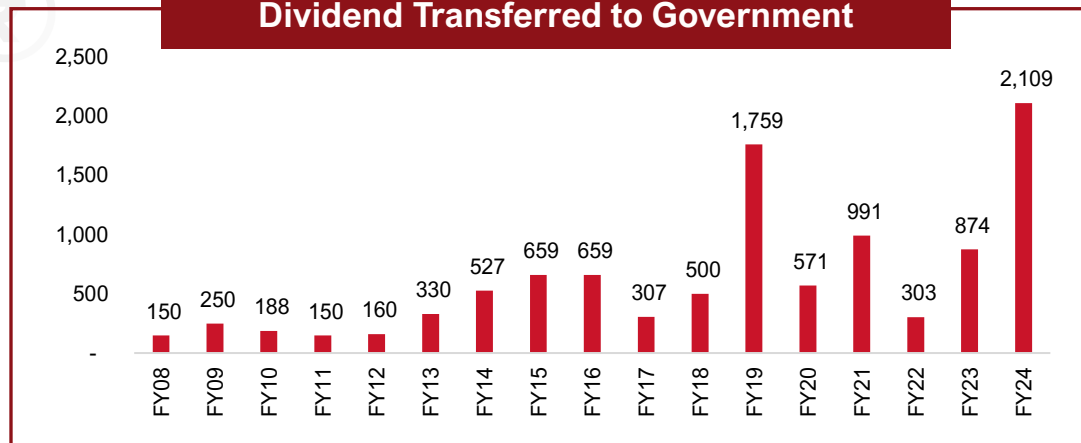
**Fiscal Deficit**



**Total Tax (% of GDP)**



**Dividend Transferred to Government**



Government fiscal deficit for FY24 turned out to be 5.6% of GDP compared to budgeted 5.8% owing to high tax collections. **Some impact of lower fiscal deficit in FY24 may also flow into FY25 borrowing requirement via higher cash balance.** The run rate of tax collection continue to be near record high and along with high RBI dividend augurs well for government borrowing in FY25 as well.

# S&P Upgrades India's Outlook to Positive



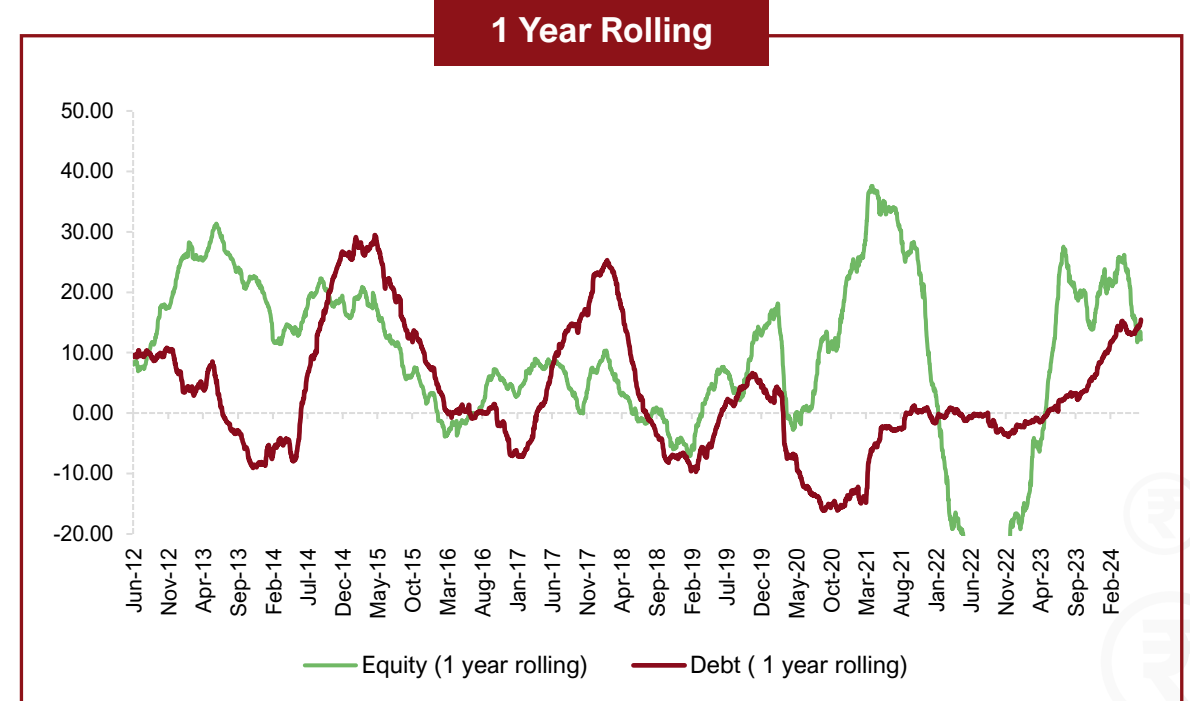
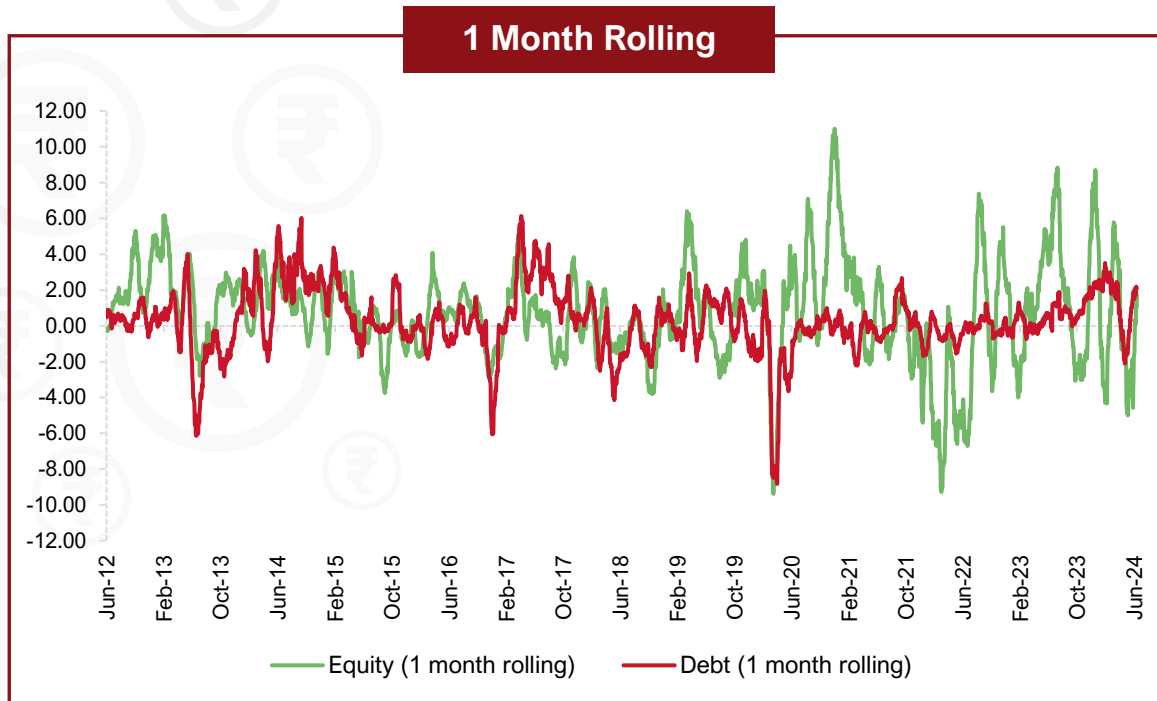
MUTUAL FUNDS

Period	S&P Global		Moody's		Fitch Ratings	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Jan-2004			Baa3	Stable	BB+	Stable
Aug-2004	BB	Positive				
Feb-2005	BB+	Stable				
Apr-2006	BB+	Positive				
Aug-2006					BBB-	Stable
Jan-2007	BBB-	Stable				
Feb-2009	BBB-	Negative				
Oct-2009						
Mar-2010	BBB-	Stable				
Jun-2011						
Apr-2012	BBB-	Negative				
Jun-2012					BBB-	Negative
Jun-2013					BBB-	Stable
Sep-2014	BBB-	Stable				
Nov-2014						
Apr-2015			Baa3	Positive		
Nov-2017			Baa2	Stable		
Nov-2019			Baa2	Negative		
May-2020						
Jun-2020			Baa3	Negative	BBB-	Negative
Oct-2021			Baa3	Stable		
Jun-2022					BBB-	Stable
May-2024	BBB-	Positive				

Rating agency S&P Global has upgraded India's sovereign rating outlook to positive from stable and affirmed the 'BBB-' long-term local currency sovereign credit ratings.

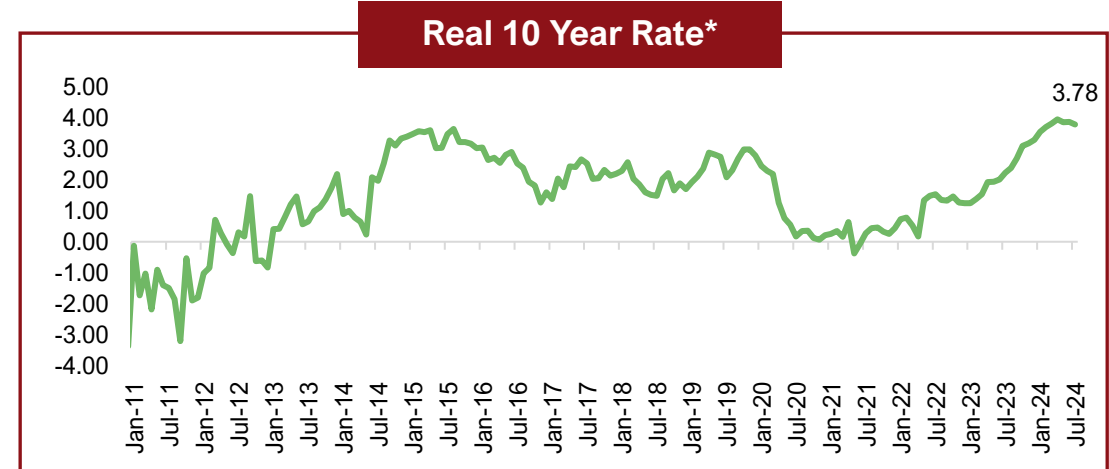
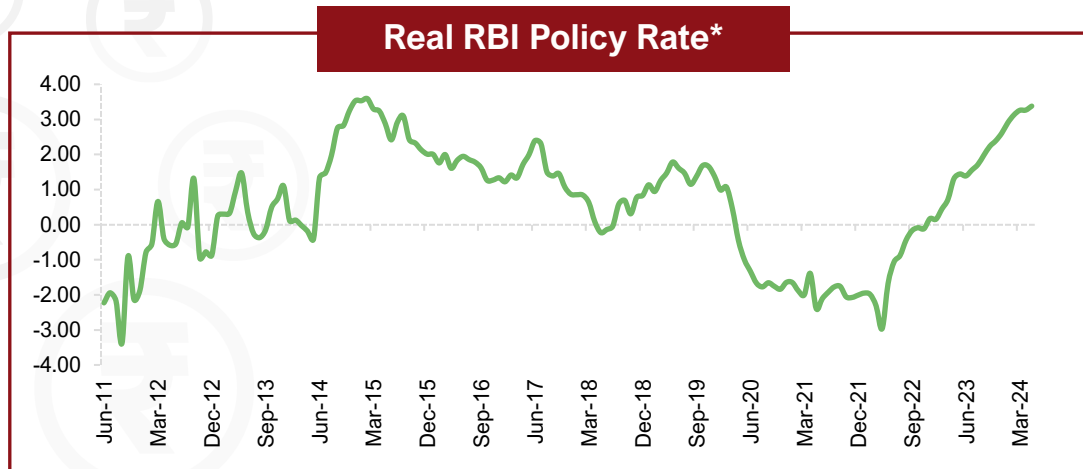
Source: Citi

# FII Flows Picking Up Again

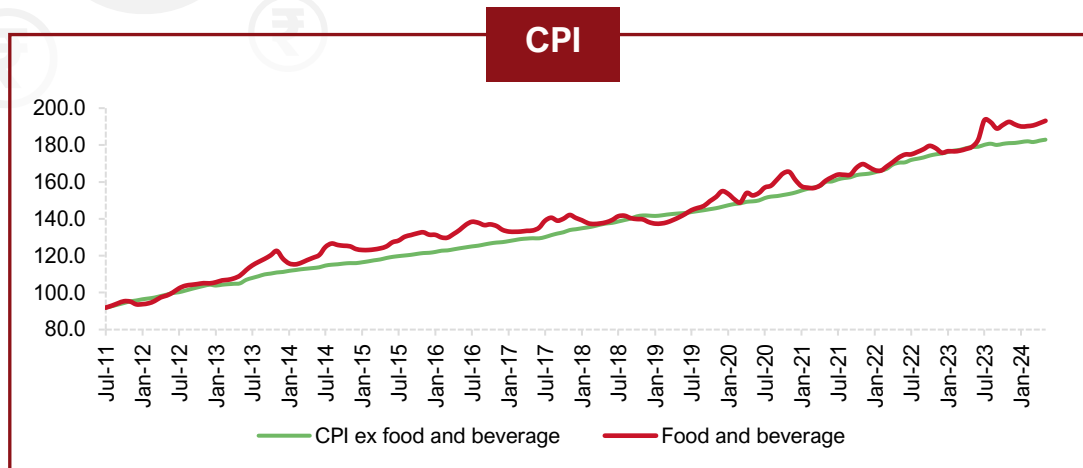


Flows into IGBs have gone up substantially since the addition of JP Morgan Bond EM bond indices. As we move closer to actual inclusion date, we expect healthy inflows provided global interest rates remain benign

# Real Rates Near Multi-Year Highs



\*vs core inflation



Headline inflation is typically more volatile due to supply shocks which affect food prices. In the medium-to-long run, headline inflation aligns with core inflation. Real rates near multi-year highs provide attractive entry opportunity for investors into fixed income assets.