

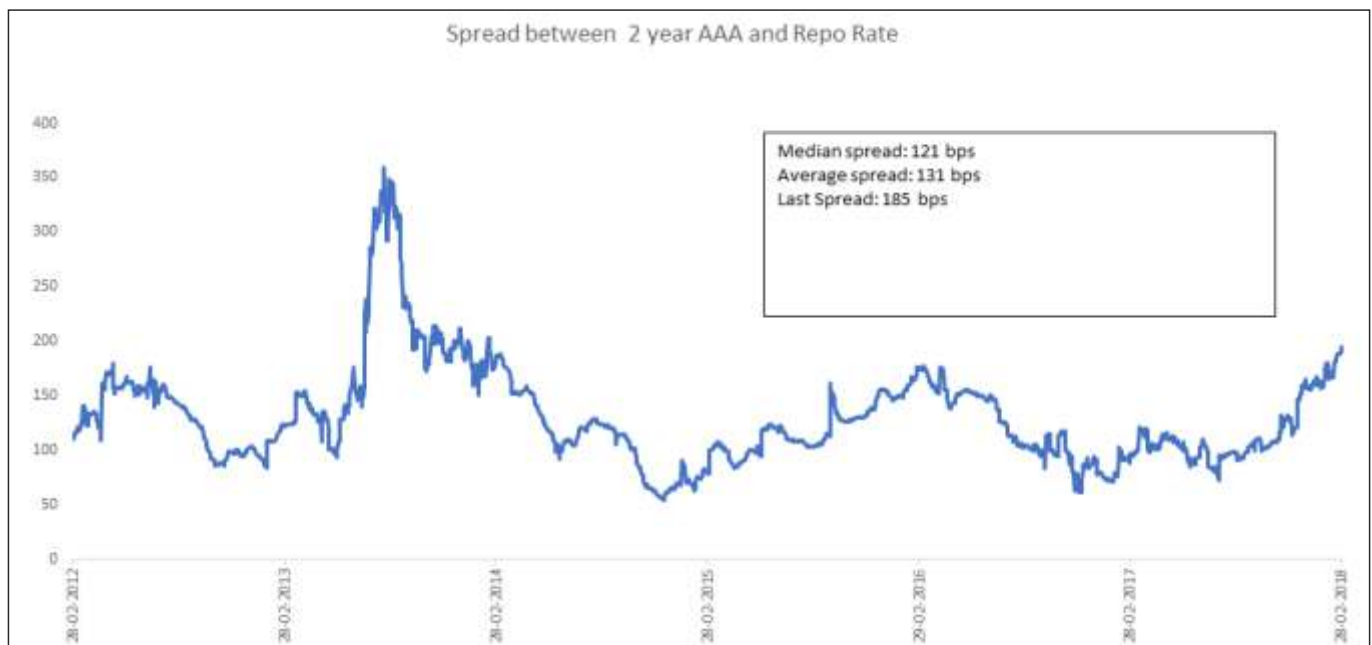


# The Case for Short Term Income Funds

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The Volatility and the steep rise in yields over the last 6 month has deterred many Investors from Investing in the Debt market, though the sharp rise in yields has made the short end of the curve very attractive from an absolute and relative yield perspective.

Currently the 2yr AAA bond is trading around 7.85% which is a spread of 185 bps over the repo rate (6.00%). The spread over the last six years has been (on an average) around 130 bps.



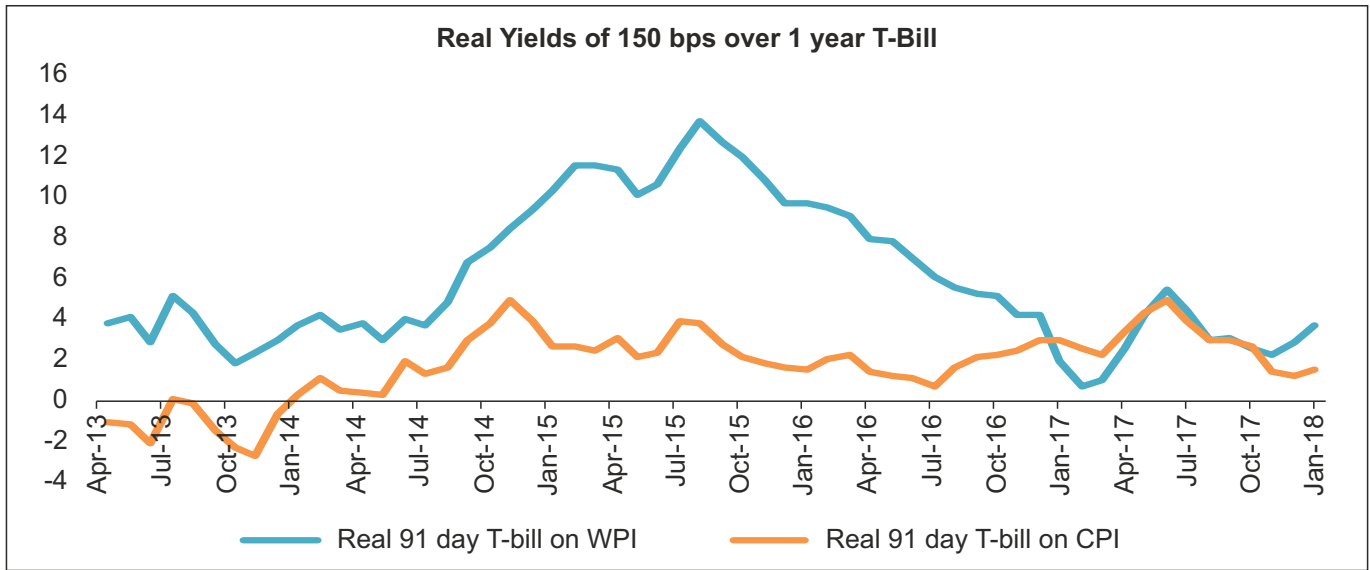
Source: Bloomberg

Bond yields have risen over the last six months primarily because of Fiscal and Inflation concerns. Global bond yields have also hardened accentuating the steep rise in domestic yields.

While the Investors are rightly concerned about the steep rise in yields in a short span of time (130 bps in last 7 months), the selloff in short term yields has provided an attractive opportunity for Fixed Income Investors. The current spread of 2-3yr bonds over the repo rate is pricing in 50 bps rate hike over the course of the next one year along with tight liquidity conditions.

We believe that the markets are pricing in an excessive bearish scenario which may not materialize. As the markets are already pricing in rate tightening the risk reward is in favour of Investments into Short Term Income Funds.

RBI , though hawkish in its comments, will not hike rates aggressively in a scenario where growth is still recovering and real rates are expected to remain positive. RBI is expecting Inflation to average 5.10% in FY19. The real rate is positive to the extent of 1.50% taking into account the one year T bill yield, currently at 6.60%.



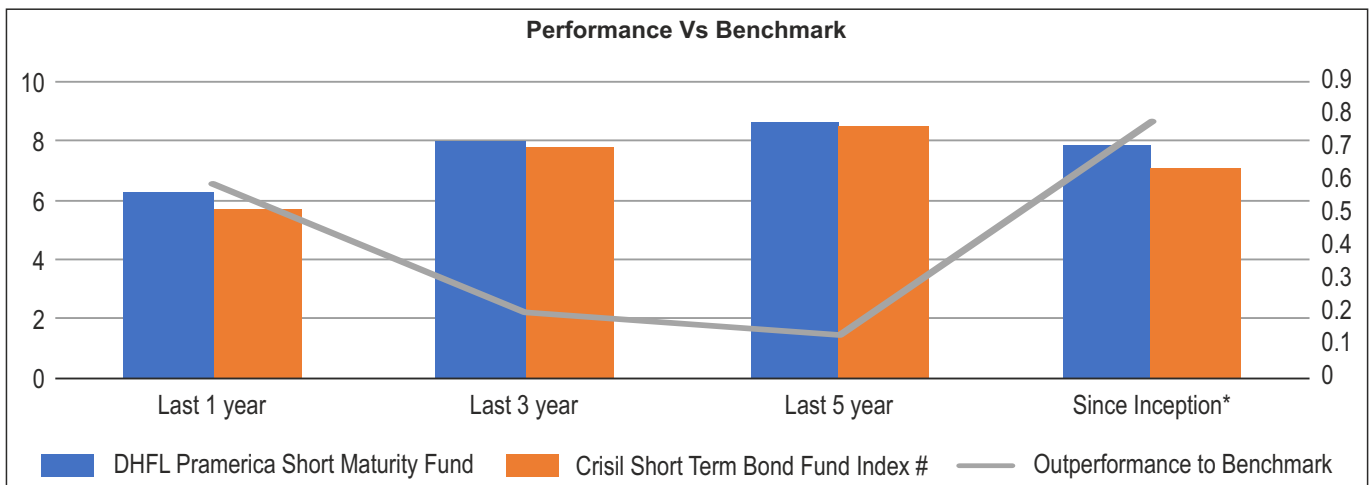
Source: Morgan Stanley Research

The adequate real rate cushion and the discounting of 50bps increase in policy rate in the yield curve makes the short end of the curve quite attractive from a risk reward perspective.

DHFL Pramerica Short Maturity Fund with portfolio average maturity of 2yrs and a YTM of 8.70% with 65% allocation to AA and above rated securities and is ideally positioned to take advantage of the current high short term yields.

DHFL Pramerica Short Maturity Fund has consistently outperformed the benchmark across all time periods

As on February 28th 2018	CAGR			
	Last 1 Year	Last 3 Years	Last 5 Years	Since Inception*
<b>DHFL Pramerica Short Maturity Fund</b>	6.26	7.98	8.62	7.87
Crisil Short Term Bond Fund Index #	5.67	7.78	8.49	7.09
Outperformance to Benchmark	0.59	0.20	0.13	0.78



Source: ACE MF

\*Date of Inception: Regular Plan: January 21, 2003. # Benchmark. The above data is of Regular Plan - Growth Option & CAGR. Different plans have different expense structure. Puneet Pal is managing this fund since December 2017 and Kumaresh Ramakrishnan is managing this fund since December 2017. For standard performance of the scheme & performance of other schemes managed by Puneet Pal and Kumaresh Ramakrishnan please refer page no. 3.

## Performance of DHFL Pramerica Short Maturity Fund as on 28th February, 2018 — Regular Plan - Growth Option

Period	Fund		CRISIL Short Term Bond Fund Index <sup>^</sup>		CRISIL 1 Year T-Bill Index <sup>#</sup>	
	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*	Returns (%)	Value (INR)*
Last 1 Year	6.26	10,625.74	5.67	10,566.76	5.65	10,565.42
Last 3 Years	7.98	10,798.38	7.78	12,521.76	6.97	12,242.51
Last 5 Years	8.62	15,119.97	8.49	15,033.17	7.05	14,060.86
Since Inception	7.87	31,401.46	7.09	28,148.42	5.93	23,859.52

**Date of Inception: Regular Plan:** January 21, 2003. All the above returns are CAGR. CAGR – Compounded Annual Growth Rate

<sup>^</sup> Scheme Benchmark. <sup>#</sup> Standard Benchmark. \*Based on standard investment of ₹10,000 made at the beginning of the relevant period. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

Returns for the benchmark have been calculated using TRI values.

Puneet Pal is managing this fund since December 2017 and Kumaresh Ramakrishnan is managing this fund since December 2017

Different plans have a different expense structure. For other schemes managed by Puneet Pal and Kumaresh Ramakrishnan, please refer below table.

### Performance of other funds managed by Fund Manager Puneet Pal as on February 28, 2018

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
DHFL Pramerica Short Term Floating Rate Fund\$	6.35	7.64	8.14	December 2017
CRISIL Short Term Bond Fund Index <sup>^</sup>	5.67	7.78	8.49	
DHFL Pramerica Banking and PSU Debt Fund	5.53	7.41	—	December 2017
CRISIL Short Term Bond Index <sup>^</sup>	5.67	7.78	—	
DHFL Pramerica Dynamic Bond Fund	4.79	7.03	7.78	December 2017
CRISIL Composite Bond Fund Index <sup>^</sup>	4.25	7.60	8.26	
DHFL Pramerica Medium Term Income Fund	5.50	8.00	—	December 2017
CRISIL Composite Bond Fund Index <sup>^</sup>	4.25	7.60	—	
DHFL Pramerica Premier Bond Fund#	4.27	6.52	7.02	December 2017
CRISIL Composite Bond Fund Index <sup>^</sup>	4.25	7.60	8.26	
DHFL Pramerica Gilt Fund	4.51	7.22	7.71	December 2017
I-Sec Mi-Bex <sup>^</sup>	4.65	7.96	8.58	
DHFL Pramerica Inflation Indexed Bond Fund	5.24	8.41	—	December 2017
I-Sec Composite Index <sup>^</sup>	4.06	7.44	—	

<sup>^</sup> Scheme Benchmark. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

The above returns are for Regular Plan - Growth Option of respective schemes. Different plans have a different expense structure.

All the above returns are CAGR. CAGR – Compounded Annual Growth Rate. Returns for the benchmark have been calculated using TRI values.

\$ Jointly with Rakesh Suri (w.e.f. January 2017). # Jointly with Rakesh Suri (w.e.f. March 2016)

### Performance of other funds managed by Fund Manager Kumaresh Ramakrishnan as on February 28, 2018

	Last 1 Year	Last 3 Years	Last 5 Years	Managing Since
DHFL Pramerica Ultra Short Term Fund#	6.69	7.91	8.67	January 2011
CRISIL Liquid Fund Index <sup>^</sup>	6.68	7.37	8.08	
DHFL Pramerica Low Duration Fund	6.65	8.29	8.73	August 2008
CRISIL Liquid Fund Index <sup>^</sup>	6.68	7.37	8.08	
DHFL Pramerica Insta Cash Plus Fund#	6.69	7.50	8.12	January 2011
CRISIL Liquid Fund Index <sup>^</sup>	6.68	7.37	8.08	
DHFL Pramerica Credit Opportunities Fund	6.59	8.68	—	March 2016
CRISIL Short Term Bond Fund Index <sup>^</sup>	5.67	7.78	—	
DHFL Pramerica Arbitrage Fund	6.02	6.46	—	August 2014
Nifty 50 Arbitrage Index <sup>^</sup>	4.33	5.91	—	(Debt Portion)
DHFL Pramerica Midcap Opportunities Fund	15.06	8.48	—	March 2016
Nifty Free Float Midcap 100	20.80	15.82	—	(Debt Portion)

<sup>^</sup> Scheme Benchmark. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

The above returns are for Regular Plan - Growth Option of respective schemes. Different plans have a different expense structure.

All the above returns are CAGR. CAGR – Compounded Annual Growth Rate. Returns for the benchmark have been calculated using TRI values.

# Jointly with Kunal Jain (w.e.f. January 05, 2018)

### DHFL Pramerica Short Maturity Fund

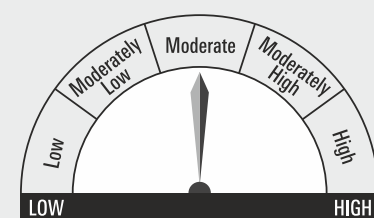
(An Open Ended Income Scheme)

This product is suitable for investors who are seeking\*:

- Income over the medium term
- Investment in short term debt and money market instruments
- Degree of risk – MODERATE

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

#### Riskometer



Investors understand that their principal will be at moderate risk

**Disclaimer:** The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding investment/ disinvestment in securities market and/or suitability of the fund based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary. The AMC has no obligation to update any or all of such information; nor does the AMC make any express or implied warranties or representations as to its completeness or accuracy. There can be no assurance that any forecast made herein will be actually realized. Except for the historical information contained herein, statements in this publication, which contain words or phrases such as 'will', 'would', 'may', 'will' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. The AMC undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. The above forecasts are based on our current view of the likely course of markets over the period nominated. The above forecasts are made as indications only and not as the basis for investment decisions by readers of this material. Persons wishing to make such decisions should obtain their own professional advice. The AMC, its affiliates/associates, their directors, employees, representatives or agents shall not be liable or responsible, in any manner whatsoever, to any Investor/Recipient or any other person/entity, for the performance/profitability/operations of the Products or any investments in the Products including any and all direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

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

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