

Peerless[®]

MUTUAL FUND

for you, forever

STABILITY

GROWTH

**Fixed Income Funds Strategy and
Positioning**

DEBT MARKET CHARACTERISTICS

- Three tools to generate excess returns
 - Market Liquidity
 - Interest Rates
 - Credit Quality
- Using the first two needs high levels of portfolio liquidity
 - Excess returns are based on market opportunity
 - Uneven dispersion in normal times

DEBT MARKET CHARACTERISTICS

- Using lower Credit Quality offers smoother excess returns in normal times
 - Exposes schemes to enhanced mark to market and liquidity risks
 - Exposes the investor to sudden changes in the market, leaving little time to react
 - In 3 sigma market movements, investor might be forced to be invested longer than expected to protect his capital.

DEBT MF CHARACTERESTICS

- Only debt market intermediary exposed to volatility on both sides of balance sheet
 - Asset side volatility due to market movements & credit quality changes
 - Liability side volatility due to investor flows
 - Insurance is the only other intermediary, but there, the liability side can be forecasted using mortality and probability.

DEBT MARKET CHARACTERISTICS

- The interaction of both side risks, only compounds the total risk
 - Investors typically redeem when market liquidity is tight and yields are rising
- In addition, there is herd risk
 - Investors typically invest in & redeem across the MF industry
 - Increases total risk as majority of the industry rushes to either buy or sell assets at the same time
 - Common sense therefore suggests that debt Mutual funds should have a highly liquid portfolio

CHARACTERESTICS OF A LOW CREDIT STRATEGY

- Typical low credit portfolios rely on credit quality compromises to generate excess returns
 - Generates industry beating returns along with elevated risk levels.
 - Cannot be easily repositioned in tune with macro economic and GDP/inflation movements.

CHARACTERESTICS OF A LOW CREDIT STRATEGY

- An Inherently illiquid portfolio is formed, which is
 - Not in tune with volatility of investor flows
 - Suffers from liquidity and interest rate changes rather than gain from them
 - Unable to capture trading opportunities.
 - Can also lead to long periods of underperformance.

CHARACTERESTICS OF OUR STRATEGY

- Lower exposure to low quality credits, in tune with macro economic and corporate performance.
- Relies primarily on liquidity and interest rate opportunities to generate excess returns
 - Integrates investor flows & market liquidity to identify trading opportunities
 - Only risk comes in the form of uneven returns as per market opportunities

CHARACTERESTICS OF OUR STRATEGY

- This portfolio is exposed to significantly lower levels of liquidity risk
- Optimises the use of all 3 investment levers for a risk adjusted performance positioning
- Portfolio is flexible enough to be repositioned faster to more than 1 sigma events
- Is more acceptable to credit aware investors as
 - We believe it results in higher quality, more confidence among investors, and stable flows over time
 - Investors are also less impacted by 3 sigma market events.

NEW STRATEGY IMPLEMENTATION

- The revised strategy is almost completely implemented for Peerless Liquid Fund.
- Implementation of strategy in the ultra short term & Short Term Funds
 - Has started, and will continue to happen over a longer time frame, as sudden changes will create volatility.
 - For investors who are investing for a longer period of time, it makes more sense to invest in a high quality portfolio.
 - Parallel positioning in tune with market outlook

OUR STRATEGY

- In a nutshell, our strategy can be described as better, higher, and faster
 - Better quality of portfolios
 - Higher, stabler flows
 - Faster repositioning to market changing events, and therefore, lesser risk

**This strategy, we believe is better tuned
to current market conditions**

THANKS

Do visit our website : www.peerlessmf.co.in

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Call us : 1800 103 8999 (TOLL FREE)

Registered Office: Peerless Funds Management Company Limited Peerless Mansion, 1 Chowringhee Square, Third Floor, Kolkata - 700 069.

Customer Service Cell: Peerless Funds Management Company Limited 03, Ground Floor, Churchgate Chamber, Sir Vithaldas Thackersey Marg, New Marine Lines, Churchgate, Mumbai 400020.

Presented By : Mr. RAMESH RACHURI
Head – Fixed Income

DISCLAIMER

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