

A SMART,
LOW-COST
APPROACH TO
BUILDING A
HIGH-QUALITY
DEBT PORTFOLIO



Presenting

Aditya Birla Sun Life CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund

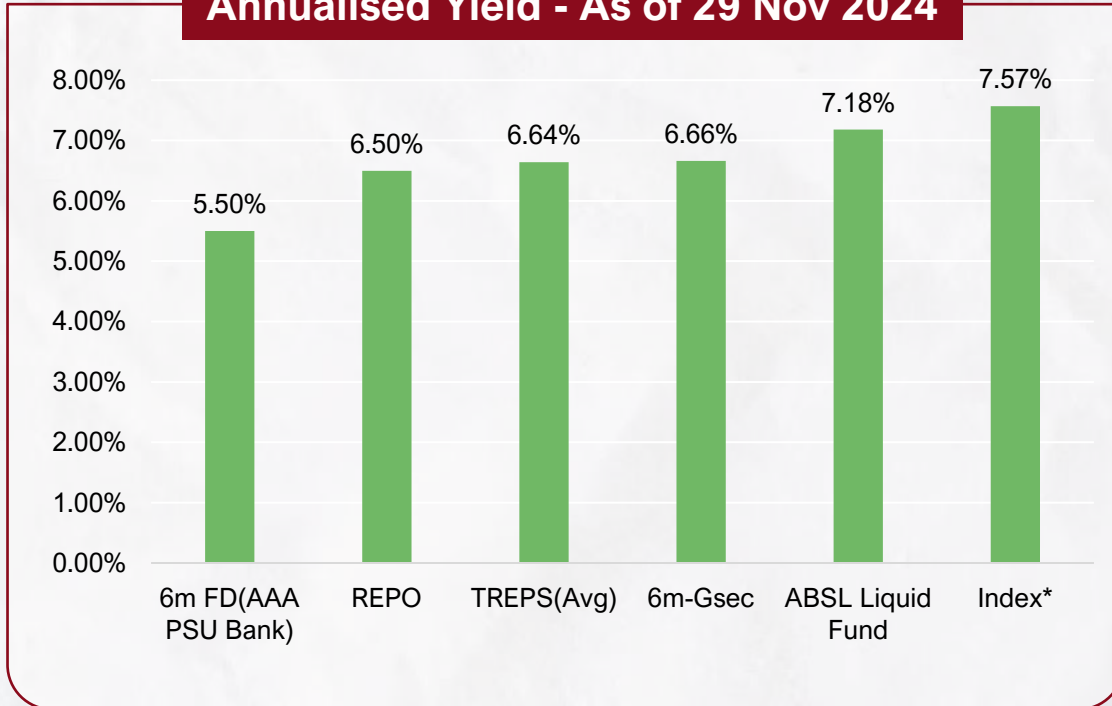
(An open ended Constant Maturity Index Fund tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index. A relatively low interest rate risk and relatively low credit risk.)

NFO Period: 9th - 16th December 2024



Macro Overview & Sectoral Strength

Annualised Yield - As of 29 Nov 2024



Inflation moderating globally – Rate cuts have started in leading economies. Yields in India remain relatively attractive with a backdrop of cooling growth



Healthy balance sheets across financial institutions, marked by strong capital buffers(CRAR & CET1 Ratio), adequate provisioning and robust earnings



Improving asset quality in the financial services sector reflecting in lower Gross non-performing assets (GNPA) ratios 2.8% for banks and 4.0% for NBFCs



India remains the fastest growing large economy, with resilience to global shocks, underpinned by domestic demand and sizeable FX reserves

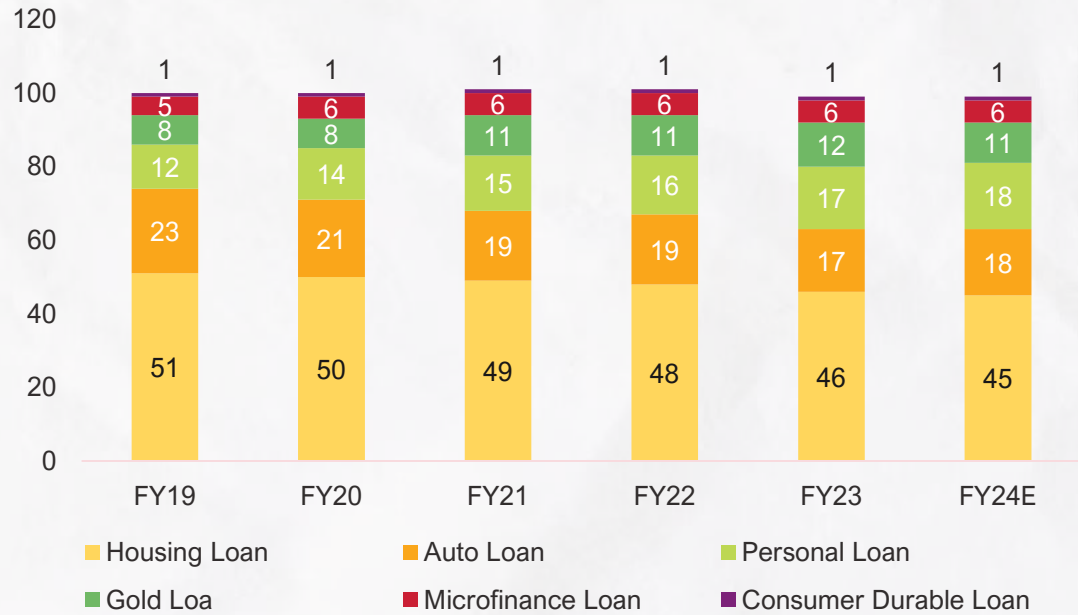
*Index :: CRISIL-IBX Financial Services 3 to 6 Months Debt Index | CRAR - Capital to Risk-Weighted Assets Ratio, CET1 - Common Equity Tier 1
Source: [RBI reports](#), [RBI FSR](#), CCIL, CRISIL, ABSLAMC Research (Data as of 29 Nov, 2024) | FX – Foreign Exchange



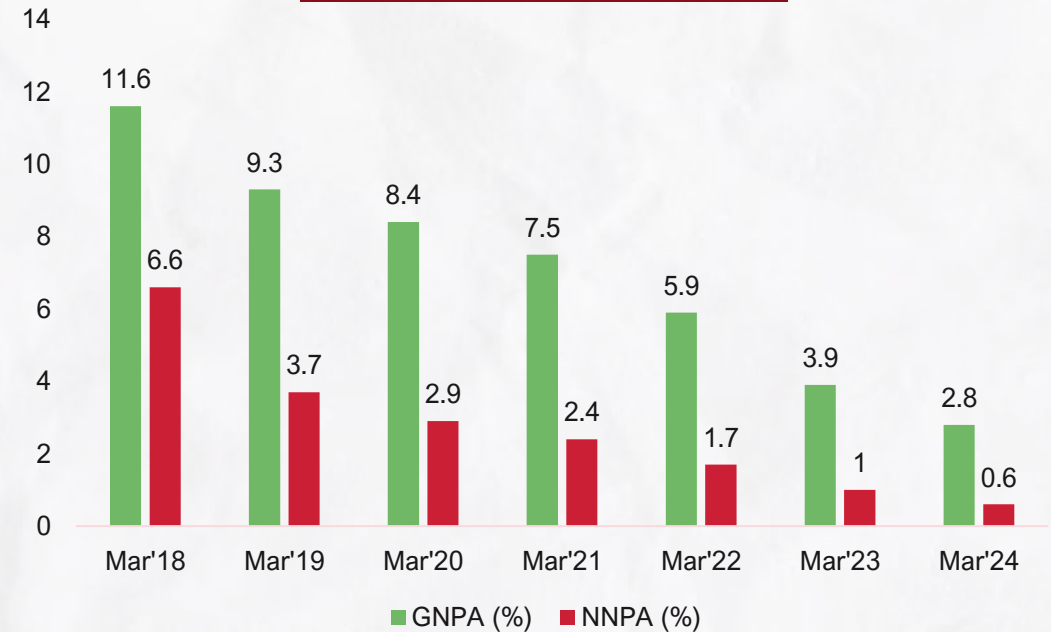


Banking – Sector Highlights

Share of Asset Classes in Retail Credit (Bank & NBFC)



Indian Bank - NPA (%)



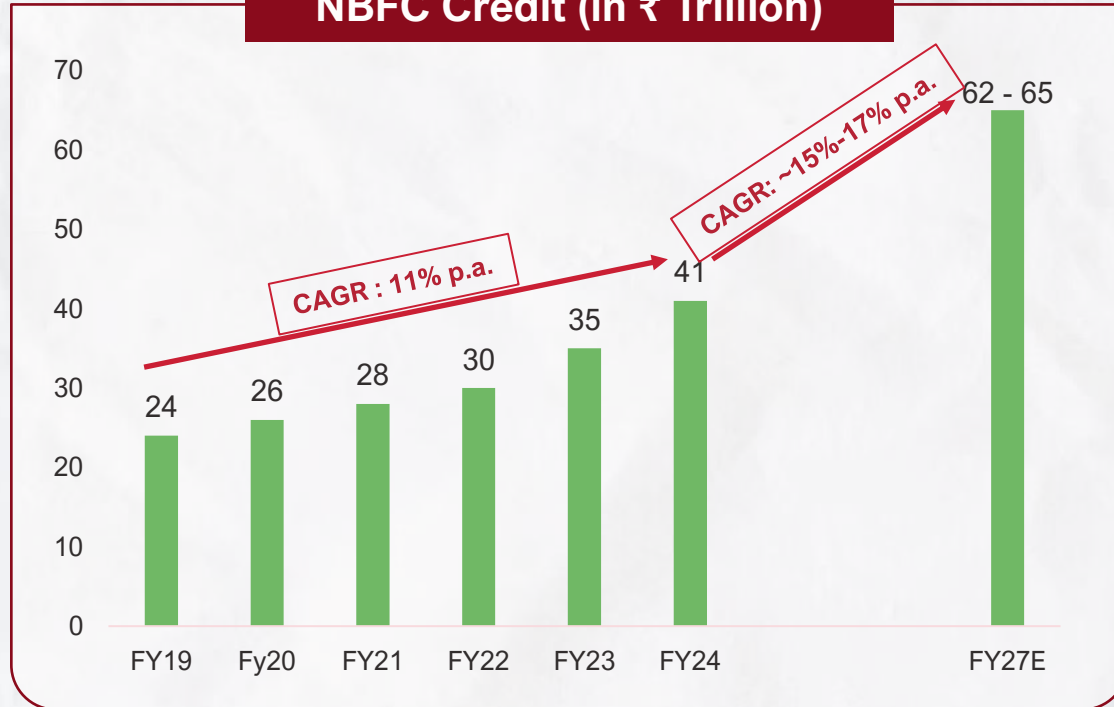
- For the Banking sector - The return on assets (RoA) and return on equity (RoE) are near decadal highs at 1.3 per cent and 13.8 per cent, respectively, as of March 2024
- In retail credit, housing loan remains dominant followed by auto and personal loans. Across most categories Gross NPA is improving, with Gross NPA for housing declining by over 25% YoY (FY 22 - 2.1%, FY 23 – 1.6%, FY 24-25E – 1.2%)

Source: Bajaj Housing Finance Ltd RHP, August 2024. ABSLAMC Research.

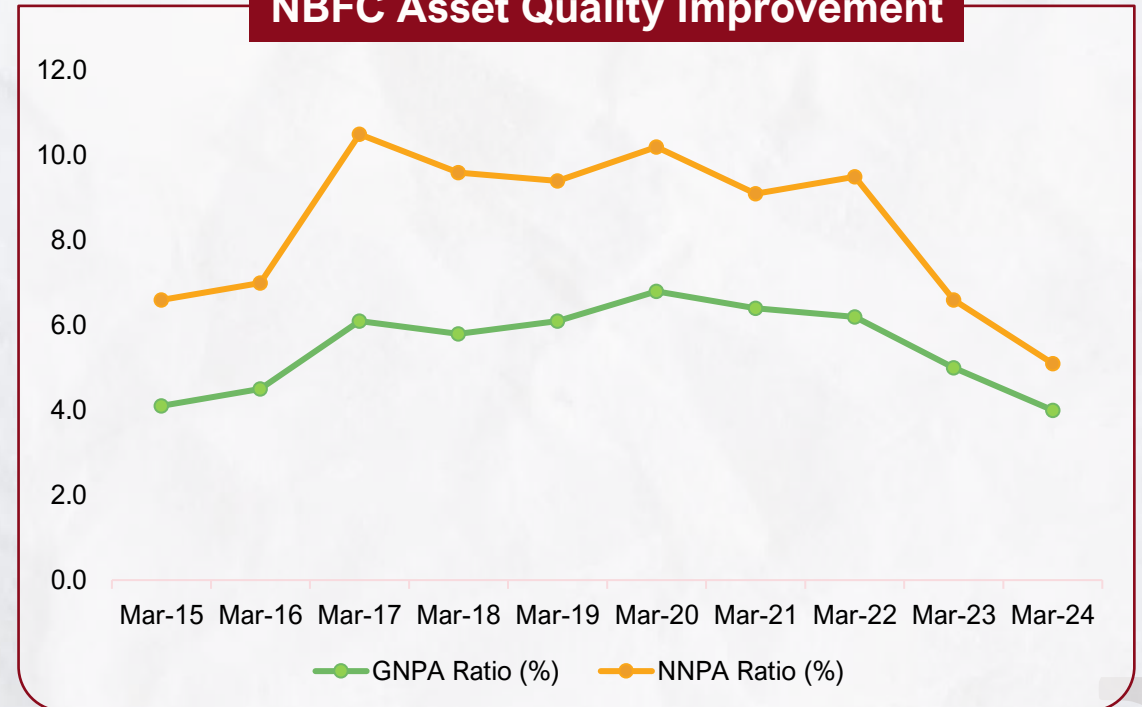


NBFCs – Sector Highlights

NBFC Credit (in ₹ Trillion)



NBFC Asset Quality Improvement



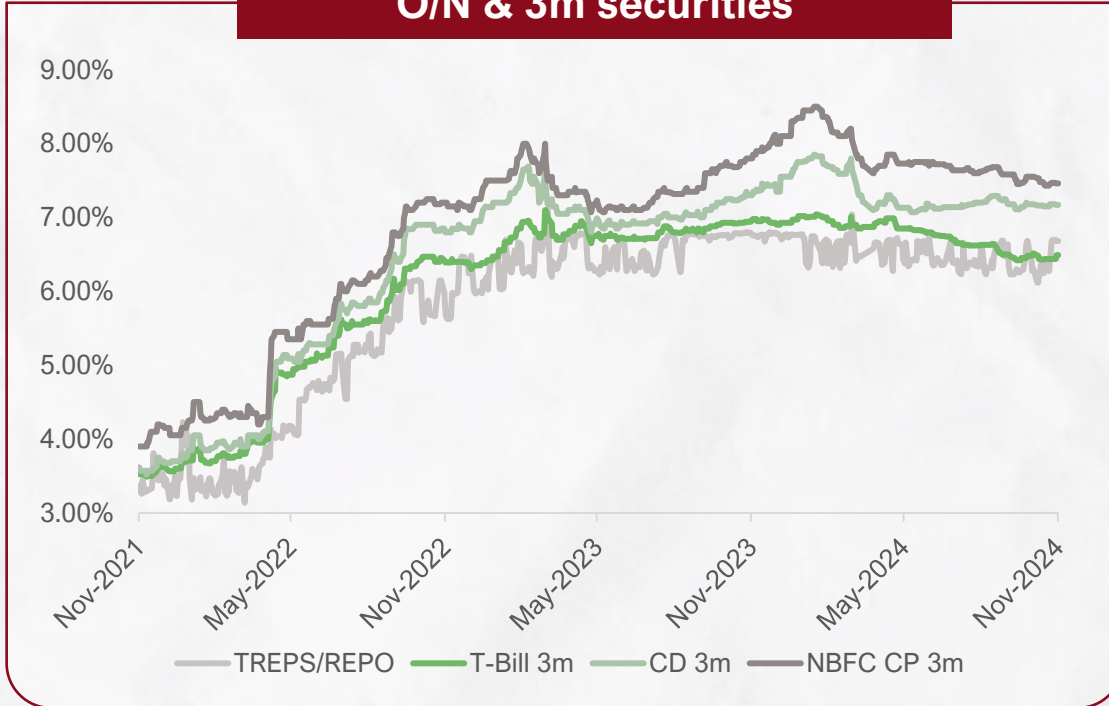
- Demand for credit is on the rise along with improving NPAs, setting a strong growth stage for NBFCs
- Capital adequacy of NBFCs well above regulatory limit of 15%. CRAR of 26.6% as of Mar-24, which lies in top quartile as per the last decade's average

Source: RBI FSR Jun 2024, ABSLAMC Research.

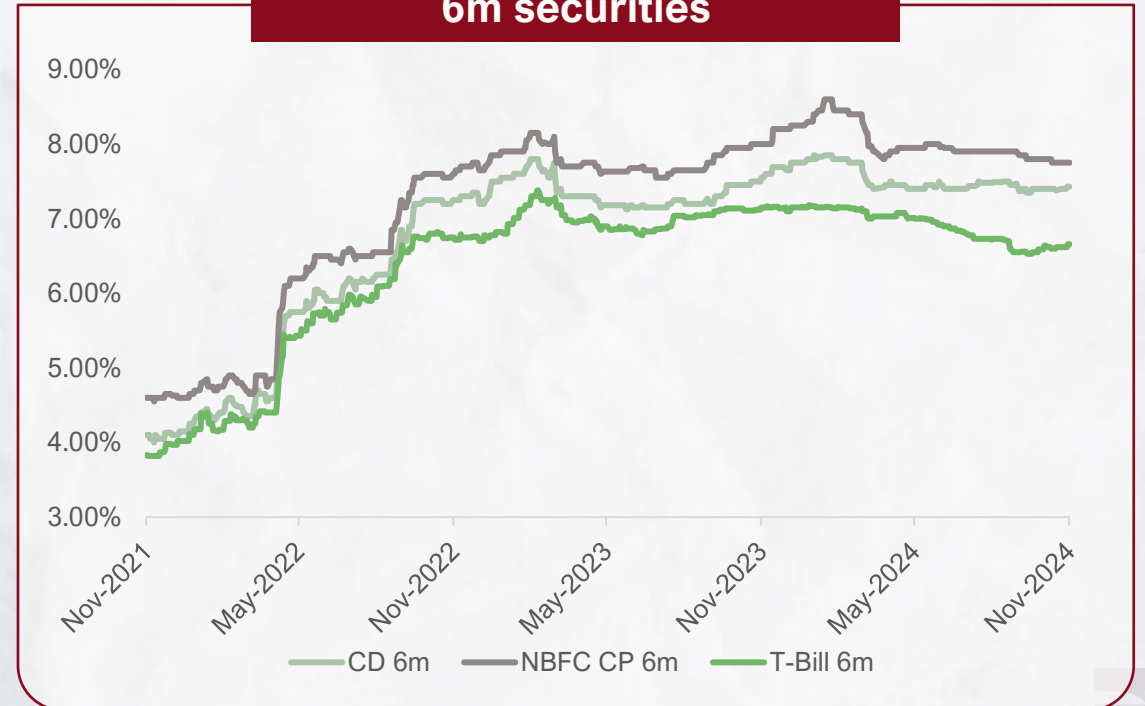


Yield – Evolution History

O/N & 3m securities



6m securities



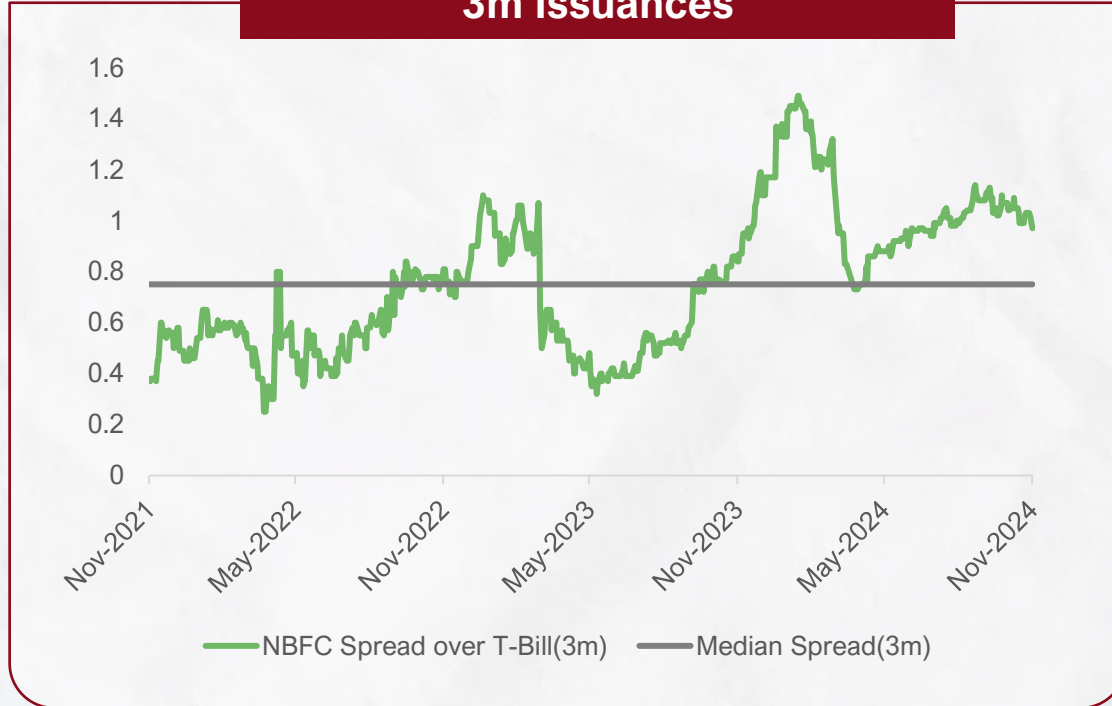
- Yield across multiple instruments peaked in February of 2024, and have tapered off since then
- The domestic rate curve carries term premium as we go across 'Overnight – 3m – 6m' categories, and the premium varies by the inherent risk in the instrument. The median 3-6m term premium for T Bills is 0.24% across this period

Source: ABSLAMC Research (Data as of 29 Nov, 2024)

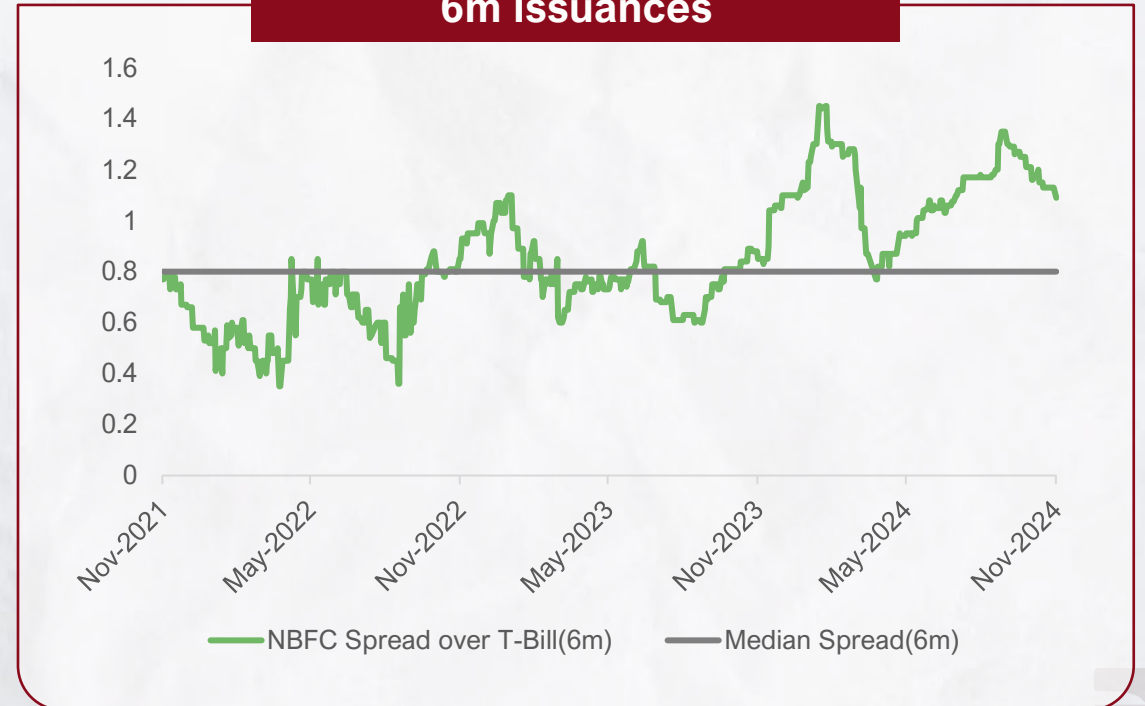


Yield – NBFC Premium

3m Issuances



6m Issuances



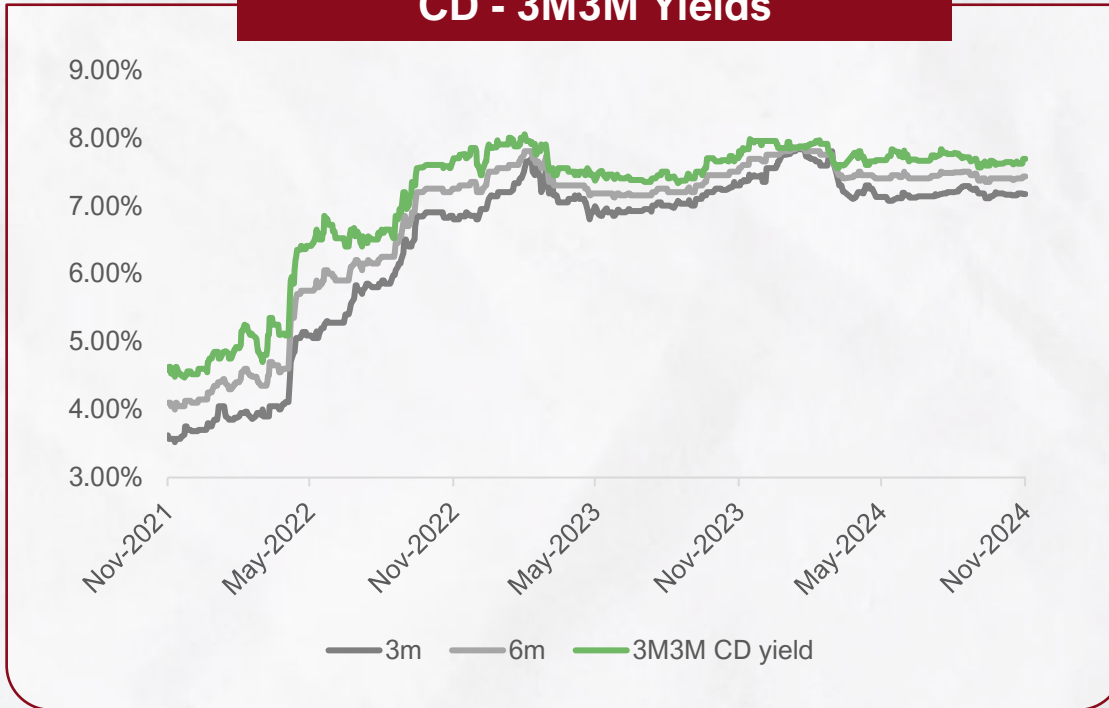
- In both 3m and 6m issuances, the NBFC credit has a spread over T-Bills
- With improving credit quality and profitability forecast across NBFCs, the premium in NBFC spreads has not fallen below the 3 year median, which makes it relatively attractive to capture this spread

Source: ABSLAMC Research (Data as of 29 Nov, 2024).

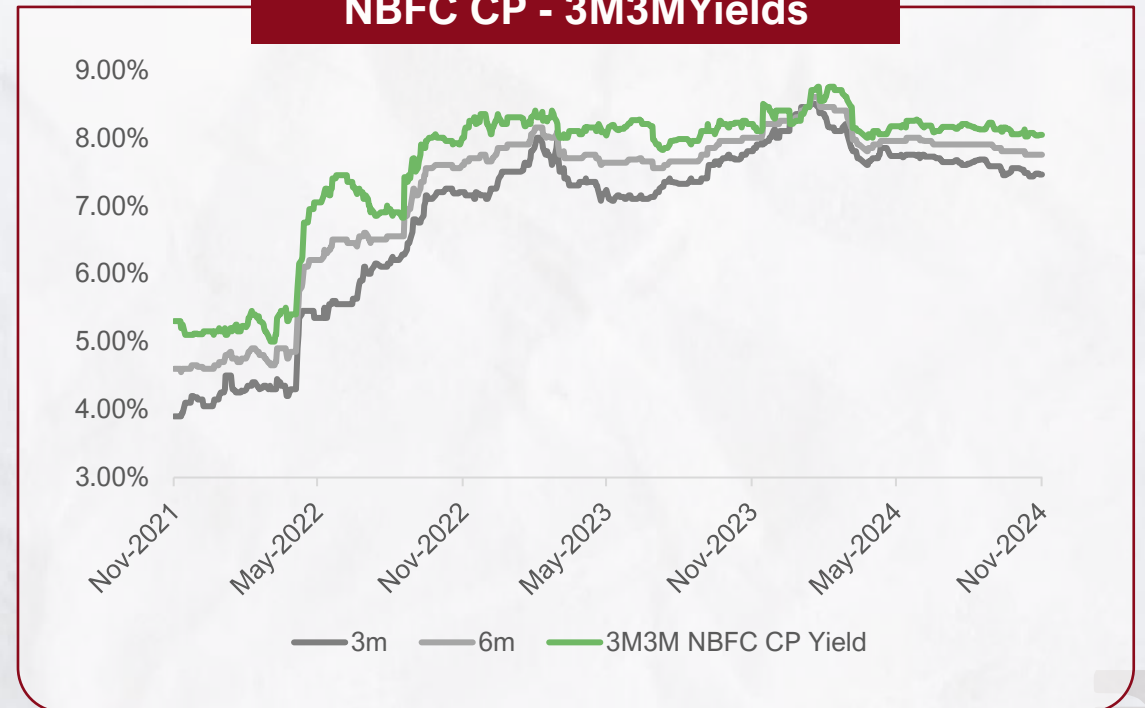


Yield - Roll Down Benefit

CD - 3M3M Yields



NBFC CP - 3M3M Yields



- For papers that are 3m or less to maturity there is a considerable demand driven by liquid funds, creating a 'kink' in the curve
- By deploying the roll down strategy of the index, this fund will be able to monetise this structural divergence. By design the index takes issuances which have just under 6m to maturity on rebalance and exits these issuances when near 3 months to maturity

Source: ABSLAMC Research. 3M3M Yields computed by annualizing the absolute yield differences of 6m and 3m papers across categories.



The Passive Advantage



Introducing

**Aditya Birla Sun Life
CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund**

(An open ended Constant Maturity Index Fund tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index. A relatively low interest rate risk and relatively low credit risk.)



Index Methodology Summary

Overview

100% CP, CD, and Corporate Bonds of AAA-rated issuers

Constant Maturity Index – Perpetual index with fixed reset period

Rebalancing – Quarterly (Jan, Apr, Jul, Oct)

Constituents
Max – 20
Min – 8



Issuers in Financial service sector of AAA rating with Min outstanding – 1500 Crores

Low on duration exposure with residual maturity of 3 to 6 Months

(Issuer) Security level outstanding – 100 Crores, with equal weighting on rebalancing

Up to 20 traded issuers from the universe will be ranked and selected based on liquidity

Please refer to the index disclaimer// *Please refer to the SID for further detailed methodology CRISIL Index Methodology – [Click Here](#)



Index Composition Details (1/2)

Issuer	Sector	Maturity Date	Weightage	YTM	Macaulay Duration (years)
Certificates of Deposits (CDs)					
Canara Bank	Public Sector Bank	28-May-25	5.00%	7.43%	0.49
HDFC Bank Ltd.	Private Sector Bank	16-May-25	5.00%	7.44%	0.46
Punjab National Bank	Public Sector Bank	15-May-25	5.00%	7.44%	0.45
Union Bank Of India	Public Sector Bank	02-Apr-25	5.00%	7.42%	0.34
Bank of Baroda	Public Sector Bank	23-May-25	5.00%	7.42%	0.48
National Bank for Agri & Rural Development	Financial Institution	15-Apr-25	5.00%	7.41%	0.37
Axis Bank Ltd.	Private Sector Bank	19-May-25	5.00%	7.45%	0.47
Kotak Mahindra Bank Ltd.	Private Sector Bank	09-May-25	5.00%	7.41%	0.44
Corporate Bonds					
Power Finance Corporation Ltd.	Financial Institution	22-May-25	5.00%	7.53%	0.47
HDB Financial Services Ltd.	NBFC	30-May-25	5.00%	8.05%	0.48
Tata Capital Ltd.	NBFC	09-May-25	5.00%	7.86%	0.44
LIC Housing Finance Ltd.	Housing Finance Company	29-May-25	5.00%	7.72%	0.39
ICICI Bank Ltd.	Private Sector Bank	31-Mar-25	5.00%	7.50%	0.33
Kotak Mahindra Prime Ltd.	NBFC	20-May-25	5.00%	7.79%	0.47
Rural Electrification Corporation Ltd.	Financial Institution	10-Apr-25	5.00%	7.49%	0.33
Commercial Papers (CPs)					
Export Import Bank Of India	Financial Institution	19-May-25	5.00%	7.42%	0.47
Mahindra & Mahindra Financial Services Ltd.	NBFC	27-May-25	5.00%	7.78%	0.49
ICICI Securities Ltd.	Stockbroking & Allied	25-Mar-25	5.00%	7.58%	0.32
Bajaj Finance Ltd.	NBFC	22-Apr-25	5.00%	7.73%	0.39
Small Industries Development Bank Of India	Financial Institution	28-May-25	5.00%	7.47%	0.49

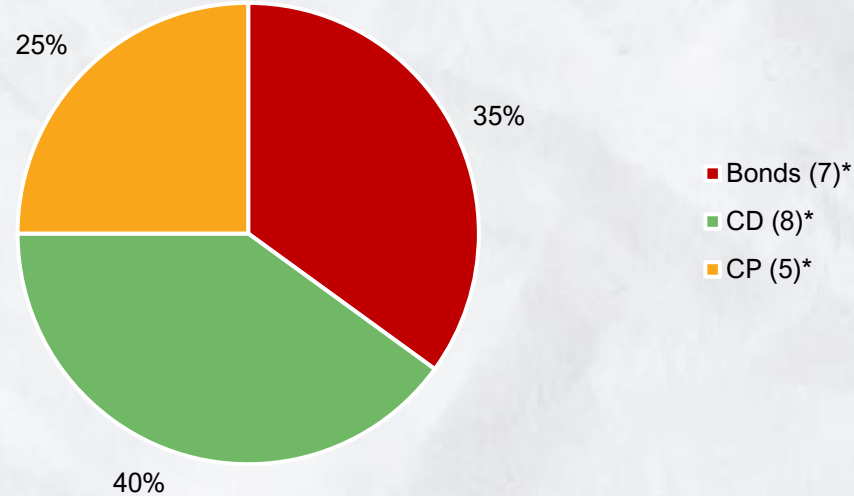
Index Yield	7.57%
Index Macaulay Duration	0.43
Group Max Weight	25%
Group Current Weight	10%
Issuer Max Weight	15%
Issuer Current Weight	5%
Issuers Limits	8-20
Current Issuers	20

Source: CRISIL Indices, Bloomberg | Data as on 29th Nov 2024 | For Index methodology & constituents: [Click Here](#)

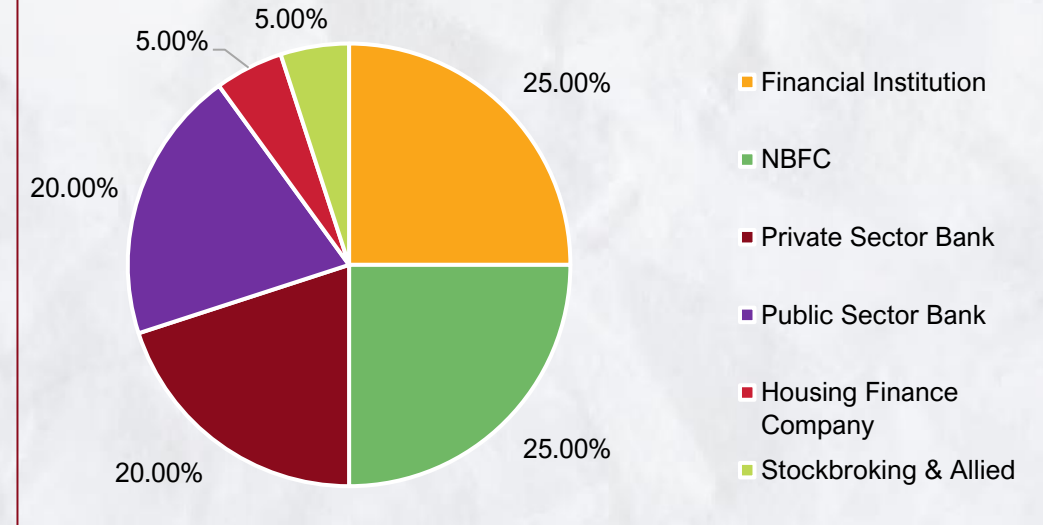


Index Composition Details (2/2)

Issuance Type



Sectors



Observations

- Group exposure capped at 25% by index design, current index composition utilizing 10%
- Max 20 Securities, starts out as equally weighted
- In case of a rating downgrade of any issuer below AAA, the issuer will be excluded within 5 working days and the weight will be distributed across other issuers, subject to caps

Source: CRISIL Indices, Bloomberg | Data as on 29th Nov 2024 | For Index methodology & constituents: [Click Here](#) | *Number in the bracket indicates number of issuances in each category



Key Reasons To Invest

Potential Yield Benefit
from roll down strategy



Rates at elevated
level in current
market scenario



Credit risk limited to AAA
rated securities related to
Financial Services Sector



Liquidity available
during the tenure of
the fund








Short term papers
reducing Interest rate risk





Comparative Overview

	Liquid Active Fund(s)	ABSL CRISIL-IBX Financial Services 3-6 Months Debt Index Fund
 Fund Management	Active management with buy & hold strategy	Passively managed, with roll down - 6 to 3 months, and then reset on rebalance
 Regulatory focus	Compliance with MF Regulation, subject to LCR and sectoral caps	Compliance with MF Regulation, subject to tracking errors*
 Portfolio Selection	Discretionary, the guideline is to limit maturity to 91 days or less	3-6 months tenor across CP, CD and bonds
 Sizing & Rating	Flexibility on size, fund managers can consider non AAA rated securities	Issuer & security level thresholds on outstanding. Rating to uphold AAA(A1+)
 Key product differentiation	Entry / Exit load – Subjective Minimal duration exposure	No entry / exit load 3-6 months duration with yield uptick

*Tracking error is defined as the standard deviation of returns, measured from the benchmark. The same can not be construed as base for non-compliance of the respective fund LCR – Liquidity Coverage Ratio



Scheme Details

Scheme	Aditya Birla Sun Life CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund		
Type of Scheme	An open ended Constant Maturity Index Fund tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index. A relatively low 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 CRISIL-IBX Financial Services 3 to 6 Months Debt 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		
Investment Strategy	The Scheme is a passively managed Index Fund which will devise an investment approach to track the CRISIL-IBX Financial Services 3 to 6 Months Debt Index, subject to tracking error. The Scheme will invest at least 95% of its total assets in the securities comprising the Underlying Index. Accordingly, the Scheme will invest in securities in line with the benchmark index of the Scheme.		
Asset Allocation	Instrument	Allocation (% of total Assets)	
		Minimum	Maximum
	Instruments forming part of the CRISIL-IBX Financial Services 3 to 6 Months Debt Index	95%	100%
Debt, Money Market Instruments and cash and cash equivalent	0%	5%	
Plans Offered	Regular & Direct Plan		
Options Offered	IDCW* (Payout of IDCW) & Growth Options		
Facilities Offered	SIP, STP & SWP		
Minimum Application	Minimum of ₹ 1000 & in multiples of ₹ 1 thereafter		
Benchmark Index	CRISIL-IBX Financial Services 3 to 6 Months Debt Index		
Load	Entry Load: Nil Exit Load: Nil		
Fund Manager	Mr. Harshil Suvarnkar and Mr. Sanjay Pawar		

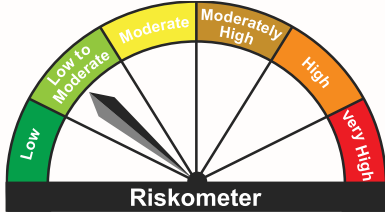
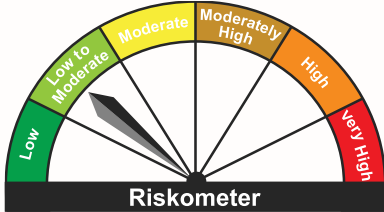
Please refer to the index disclaimer// *Income Distribution cum Capital Withdrawal Option. For more information, please refer the SID & KIM of the Scheme



Aditya Birla Sun Life

CRISIL-IBX Financial Services 3 to 6 months Debt Index Fund

(An open ended Constant Maturity Index Fund tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index. A relatively low interest rate risk and relatively low credit risk.)

This product is suitable for investors who are seeking*:	Scheme Riskometer	Benchmark Risk-o-meter (CRISIL-IBX Financial Services 3 to 6 Months Debt Index)
<ul style="list-style-type: none"> Income through exposure over the shorter term maturity on the yield curve Investment in an open ended Constant Maturity Index Fund that seeks to track CRISIL-IBX Financial Services 3 to 6 Months Debt Index 	 <p>The risk of the scheme is low to moderate</p>	 <p>The risk of the benchmark is low to moderate</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)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

The product labelling and risk-o-meter 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.

Please refer to the index disclaimer// *Please refer to the SID for further detailed methodology



Disclaimers

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

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