Mirae Asset Corporate Bond Fund

An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

What are Corporate Bond Funds?

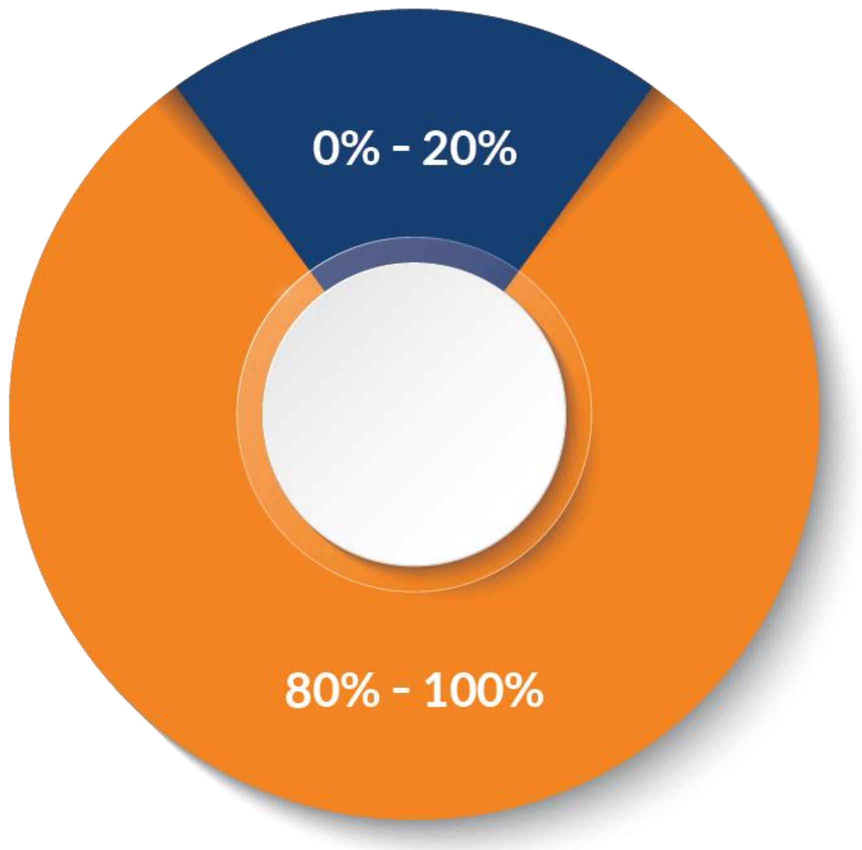
MIRAE ASSET
Mutual Fund

What are Corporate Bond Funds ?

- Corporate Bond Funds are fixed income funds which invest mainly in highly rated bonds.
- As per the SEBI mandate, they need to invest at least 80% of their assets in AA+ and above rated corporate bonds.
- Credit risk of these funds is relatively lower compared to other debt funds and these funds also have better liquidity.

Asset allocation

- Corporate Bonds rated AA+ and above
- Others including Debt and Money market instruments, cash and REITs



Why Corporate Bond Funds ?

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Mutual Fund

Why Invest in Corporate Bond Fund?

High Credit Quality	Invest minimum of 80% in AA+ and higher rated papers
High Liquidity	AAA and AA+ instruments remain as most traded and highly liquid segment
Better Risk Adjusted Returns	Potential to provide better Risk Adjusted returns compared to other debt categories
Taxation	Investing for a holding period of more than 3 years, gives an edge over conventional fixed income products due to indexation benefits

High on Credit Quality – Low downgrade rate

Rating Category	CRISIL AAA	CRISIL AA	CRISIL A	CRISIL BBB	CRISIL BB	CRISIL B	CRISIL C	CRISIL D
CRISIL AAA	98.78%	1.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CRISIL AA	1.38%	96.11%	2.37%	0.12%	0.00%	0.00%	0.00%	0.02%
CRISIL A	0.02%	2.84%	92.39%	4.32%	0.19%	0.03%	0.03%	0.18%
CRISIL BBB	0.00%	0.05%	2.58%	90.82%	5.47%	0.19%	0.07%	0.82%
CRISIL BB	0.00%	0.00%	0.01%	3.91%	88.44%	3.85%	0.25%	3.55%
CRISIL B	0.00%	0.00%	0.00%	0.04%	8.13%	83.08%	0.46%	8.28%
CRISIL C	0.00%	0.00%	0.01%	0.00%	1.43%	19.65%	58.30%	20.62%

- Only 1.22% of CRISIL– rated AAA papers have moved down highlighting the stability of top rated papers.

Source: CRISIL Default study 2020
Average 1-year transition rates for long-term ratings for the past 10 financial years.

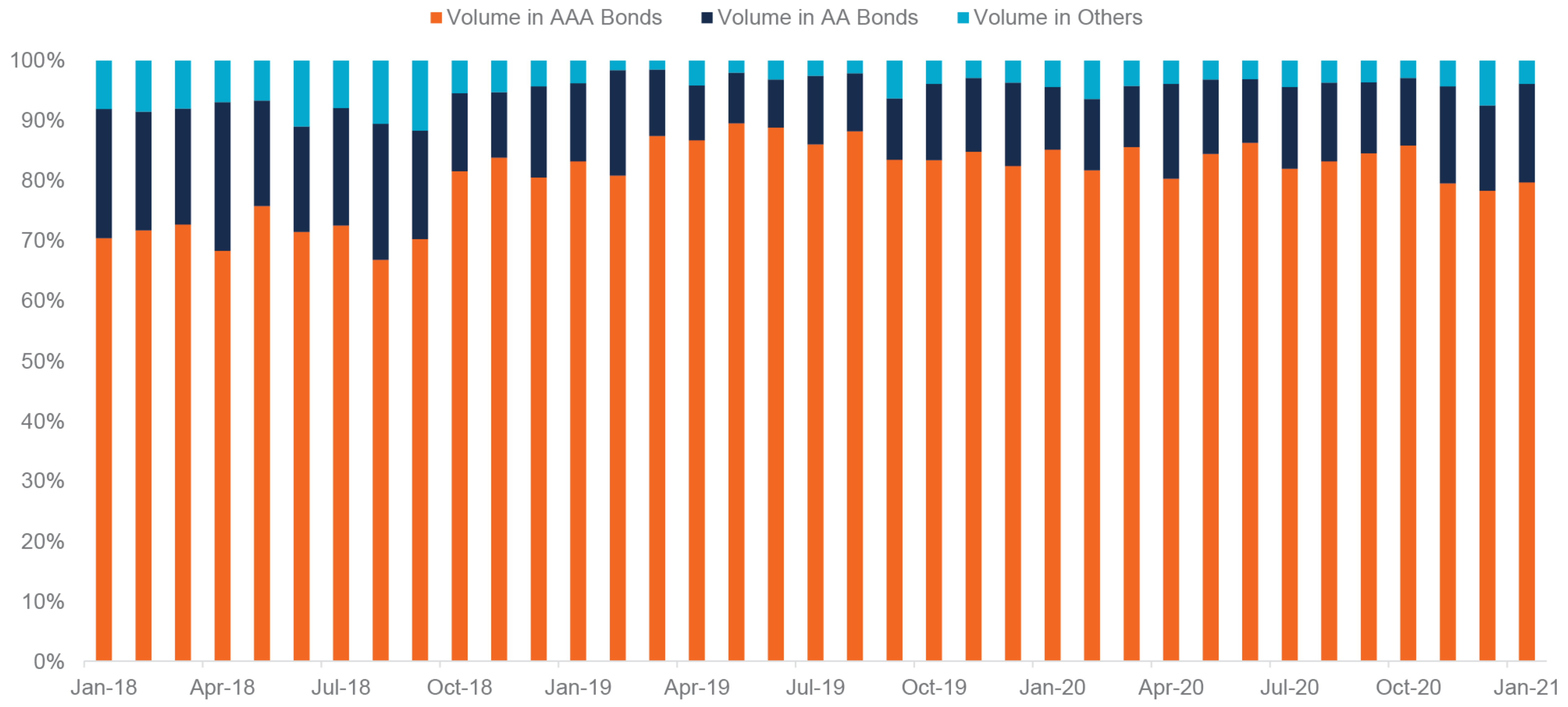
High on Credit Quality – Low default rate

Rating Category	1- year default rate	2-year cumulative default rate	3-year cumulative default rate
CRISIL AAA	0.01%	0.03%	0.04%
CRISIL AA	0.08%	0.22%	0.31%
CRISIL A	0.21%	0.90%	1.76%
CRISIL BBB	0.78%	2.02%	3.55%
CRISIL BB	3.07%	6.27%	9.22%
CRISIL B	6.65%	12.70%	17.37%
CRISIL C	17.50%	28.55%	35.89%

- Only a miniscule percentage of default in the AAA papers, while it increases as one moves down the credit rating spectrum

Source: CRISIL, Average default Rates for long-term instruments: April 2009 to March 2020

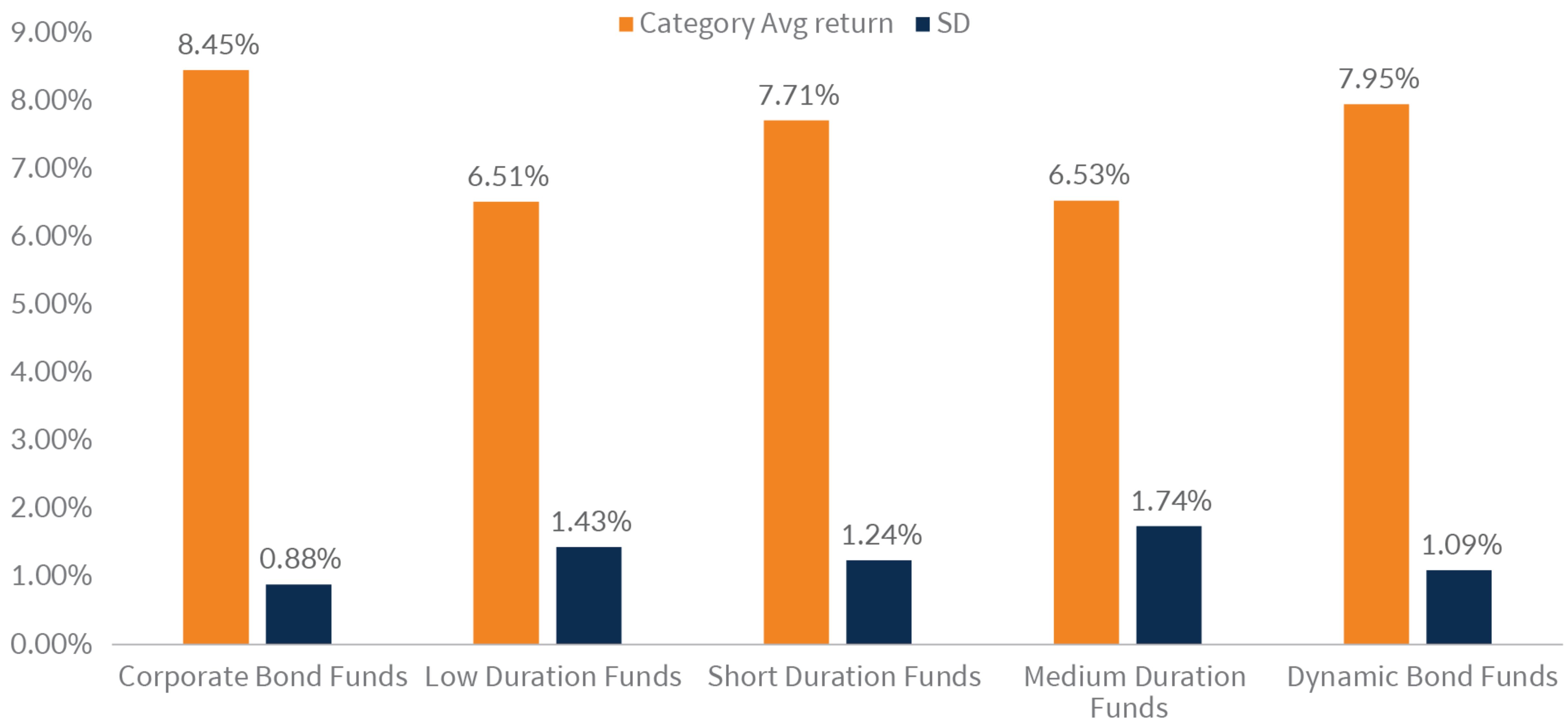
High Liquidity



- On an average more than 90% of corporate bond traded are of AAA/AA rating, showing that it is the most liquid segment in corporate bond.

Source: Edelweiss Research as on Jan 20, 2021

Better Risk Adjusted Returns



- Corporate Bond fund category have given highest return and lowest standard deviation among above categories

Note: Above returns are of category for three years as on 31st Jan 2021.

Source: Advisorkhoj Research, as on 31st Jan 2021. Past performance may or may not be sustained in the future. The performance provided above pertains to the category of fund and does not in any manner constitute performance of any individual scheme of Mirae Asset Mutual Fund. There is no guarantee or assurance of returns/income generation/capital protection in any scheme of the Fund.

Rolling Return Performance

3 Year – 1 day Rolling Return

Annualized return	% of times
More than 6%	100%
More than 7.5%	88%
More than 8%	70%

5 Year – 1 day Rolling Return

Annualized return	% of times
More than 6%	100%
More than 7.5%	100%
More than 8%	99%

Note: Above returns are of Nifty Corporate Bond Index for the period of 10 years. The performance provided above pertains to the Index and does not in any manner constitute performance of any individual scheme of Mirae Asset Mutual Fund. There is no guarantee or assurance of returns/income generation/capital protection in any scheme of the Fund.

Source: AMFI portal and internal analysis, data from 1st Jan, 2011 to 1st Feb 2021. Past Performance may or may not sustain in future

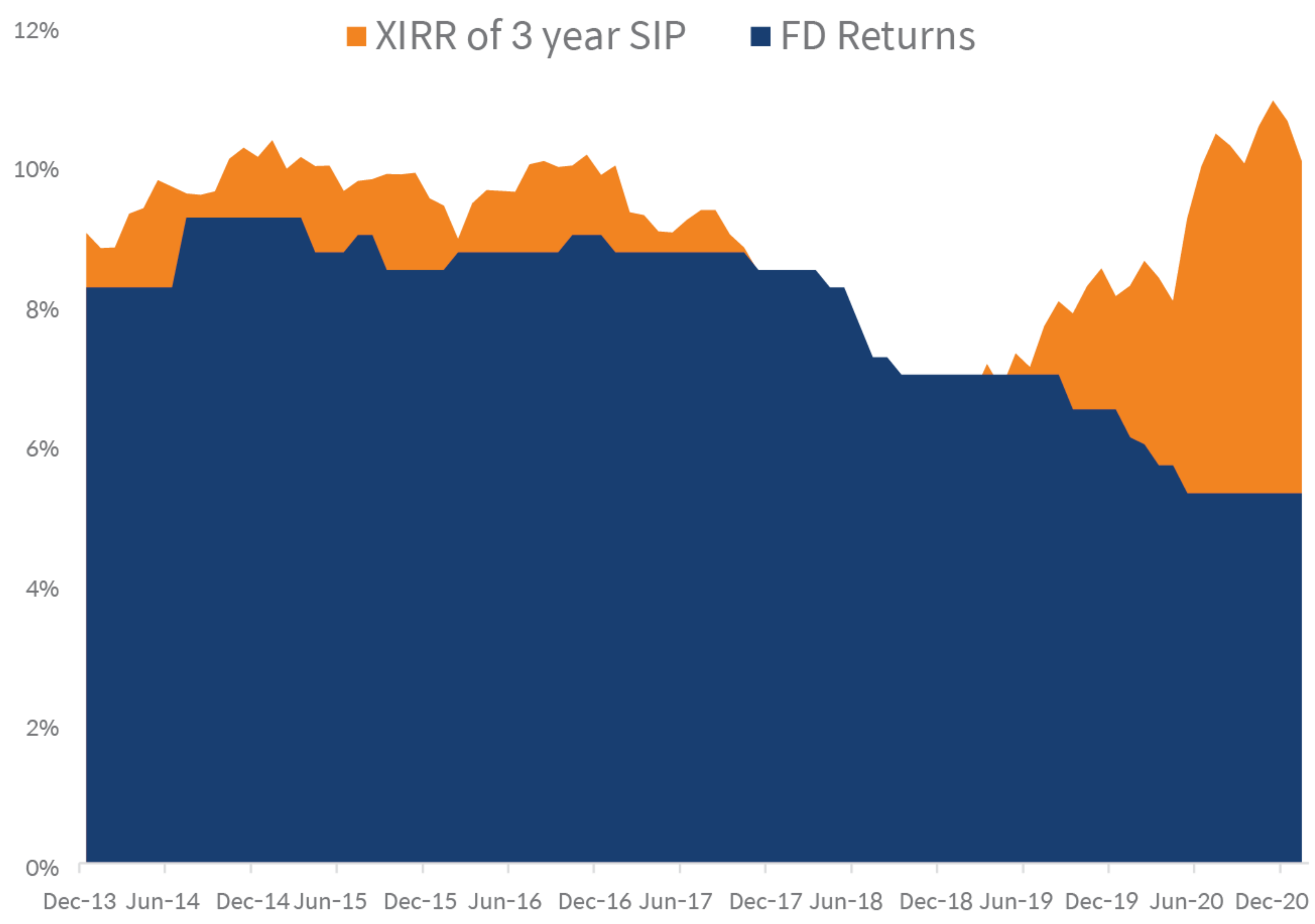
Indexation Benefit

	Traditional Investment	Corporate Bond Fund
Investment	1,00,000	1,00,000
Investment Date	01-04-2020	01-04-2020
Maturity Date	31-03-2024	31-03-2024
Taxation of maturity proceeds	Income Tax Rate	20% after indexation
Assumed rate of return	6%	6%
Investment Tenure (yrs)	4.0	4.0
Number of indexation periods	N/A	4
Maturity Amount	1,26,248	1,26,248
Indexed cost of acquisition	N/A	1,16,986
Taxable income / capital gains	26,248	9,262
Tax	8,189	1,926
Post Tax Income	1,18,058	1,24,321

- Investing for a holding period of more than 3 years, gives an edge over conventional fixed income products due to indexation benefits

Note: Above is for illustration purpose

Corporate Bond Fund vs Traditional investments



Product	3 Years Avg return for last 7 years
Nifty Corporate Bond Index – SIP	8.89%
Nifty Corporate Bond Index – Lumpsum	8.87%
FD (Fixed Deposit)	7.85%
PPF (Public Provident Fund)	8.33%

Note: FD and PPF returns are from Jan 2011 to Dec 20

Source: AMFI portal and internal analysis, as on 31st Jan 2021.
XIRR data for Nifty Corporate Bond Index and FD data is for SBI bank and PPF data is from freefincal.com . Past Performance may or may not sustain in future

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An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

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Mutual Fund

Investment Strategy

INSTRUMENT PROFILE

Investment shall primarily be made in the AAA /AA+ corporate bonds along with some exposure to G-Sec and T-bills

DURATION MANAGEMENT

Investment across the yield curve but target Modified Duration will be within range of 2-5 years

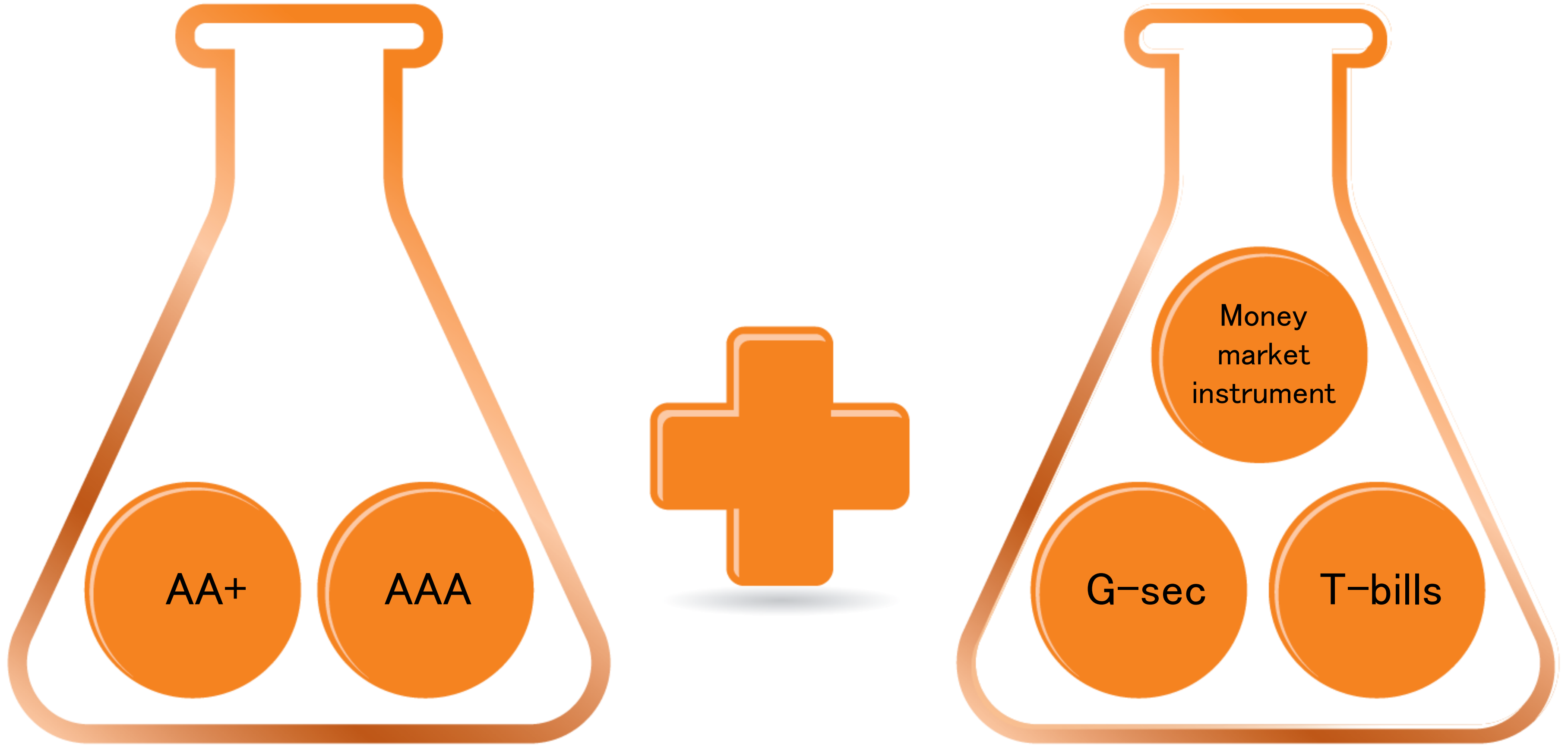
RISK MANAGEMENT

Robust risk management process

ACTIVE MANAGEMENT

Active Portfolio management based on flexible interest rate strategy.

Portfolio construction



80% – 100%

0% – 20%

- Fund endeavour to have diversified portfolio of top rated AAA or AA+ Corporate bonds
- Investment in Government Securities and Treasury Bills
- Fund does not prefer investing in lower rated papers (AA and below) and perpetual bonds at the moment

Note: Above mentioned current investment strategy is based on the prevailing market conditions and is subject to change within the limits of the SID basis the fund manager's view.

Sources of Returns

Source of Return

Accrual Income

Earning interest income primarily from coupon

Capital Appreciation

By taking Duration call and tactical allocation in G-sec

Yield spread compression

By taking advantage of spreads in 2 to 5 years segment. Currently, it is offering attractive spreads

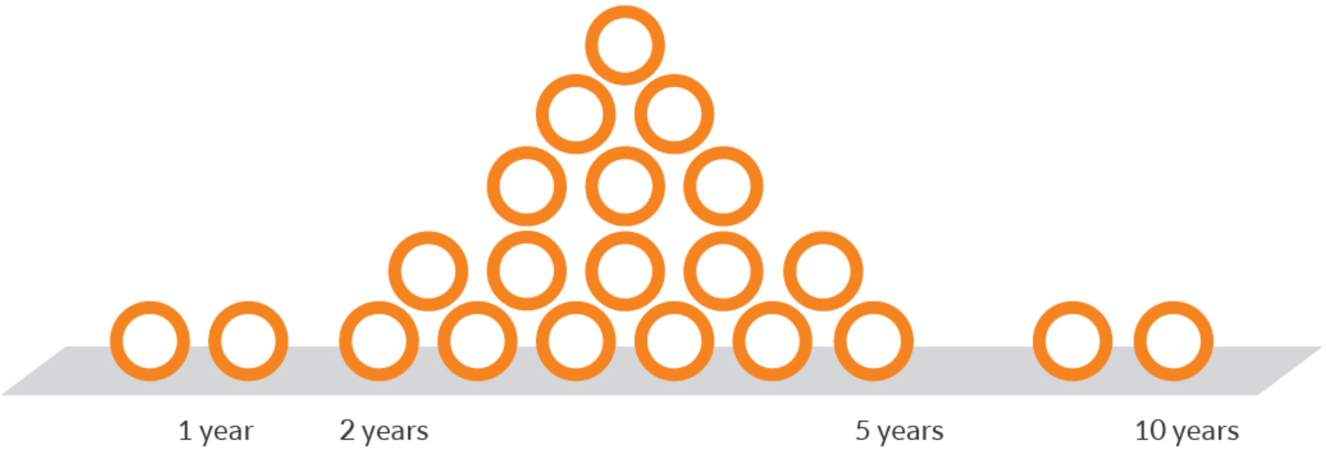
Fund will use mix of all three income generation techniques based on market scenario and opportunity.

There is no guarantee or assurance of returns/income generation/capital protection in any scheme of the Fund.

Flexible Interest Rate Strategy

Macroeconomic Factors				Duration Strategy	
Global		Domestic			
Positive	+	Positive	=	Aggressive	
Neutral /Positive	+	Neutral /Positive	=	Moderate	
Neutral/ Negative	+	Neutral/ Negative	=	Cautious	
Neutral/Positive	+	Neutral/ Negative	=	Cautious	Current Strategy
Negative	+	Positive	=	Moderate/ Cautious	
Positive	+	Negative	=	Defensive	
Negative	+	Negative	=	Protective	

- Fund will rebalance its portfolio following the changes in interest rate outlook.
- Modified Duration of the fund is likely to be 2-5 years



Note: Above mentioned current investment strategy is based on the prevailing market conditions and is subject to change within the limits of the SID basis the fund manager's view.

Investment Approach – Credit Assessment Process

Well researched credit universe

Based on the financial and business risk

Wider prospect

Equal focus on big picture and qualitative aspects & not just the financials

Internal limits for diversification

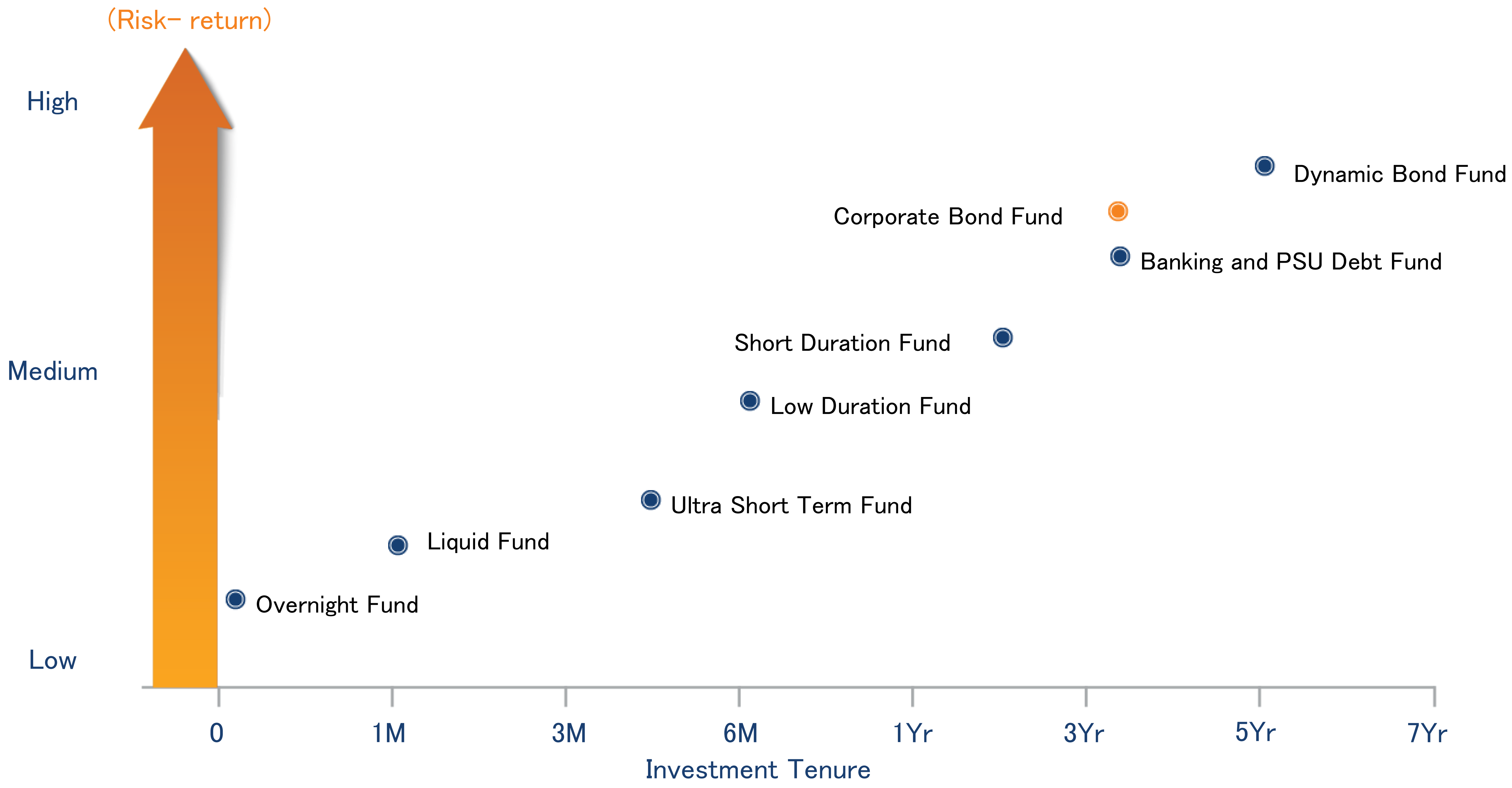
Internal module to avoid concentration risk

- Mirae Asset due to its strong credit process was not exposed to most stressed asset cases.

List of companies that faced stress	
Vodafone idea Ltd	IL&FS group
Yes bank	Simplex infrastructure
Amtek Auto Ltd	Religare Group
Sintex Group	IDBI Bank
Jana small finance Bank	CCD Group
Anil Ambani Group	Altico Capital

Source: Bloomberg News, Data from Aug 2018 to Jan 2021

Fund Positioning



Note: The risk and return spectrum shown above is for broadly explaining the risk-return spectrum of schemes of debt category. The actual risk and returns for the schemes mentioned in each of the categories above may or may not be in line with the risk-return curve shown above.

Portfolio Approach

- Modified Duration will be between 2 to 5 Years
- Fund will not invest below AA+ papers
- Fund will follow active management strategy based on interest rate view
- Fund will prefer Government Securities over SGL due to better liquidity and credit profile
- Fund will not prefer investing in Perpetual Bonds

Note: Above mentioned current investment strategy is based on the prevailing market conditions and is subject to change within the limits of the SID basis the fund manager's view.

About the Fund

Fund Manager:
Mr. Mahendra Jajoo

Minimum Investment Amount:
` 5,000/- and in multiples of ` 1/- thereafter.

Type of scheme:
An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds

Exit Load:
Nil.

SIP:
Monthly and Quarterly: `1000/- (multiples Of ` 1/- thereafter), minimum 5 installments.

Benchmark Index:
NIFTY Corporate Bond Index

Goal:
Regular Income

Ideal Investment Horizon:
3+ Years

Risk Profile:
Moderate

Why Corporate Bond Funds Now?

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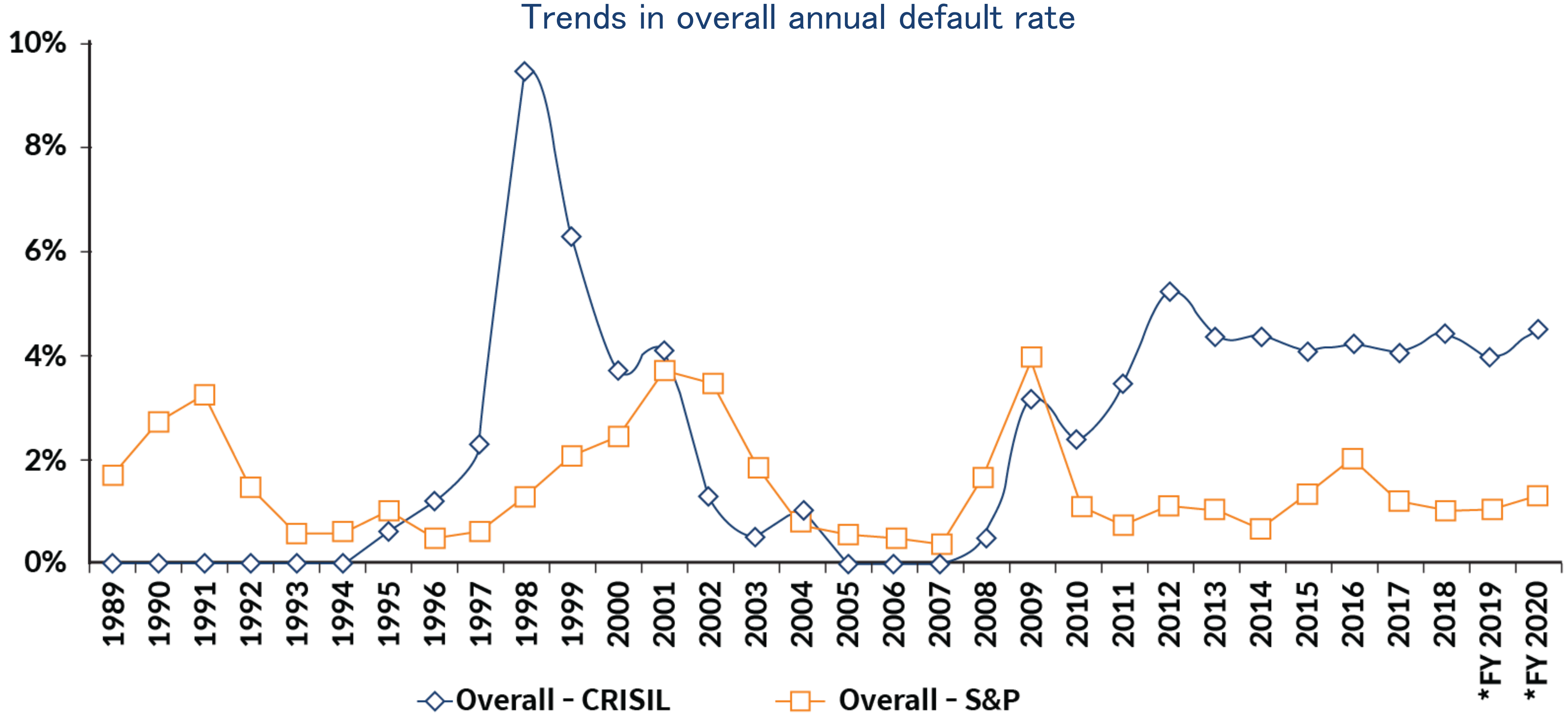
Current credit scenario favoring high quality papers

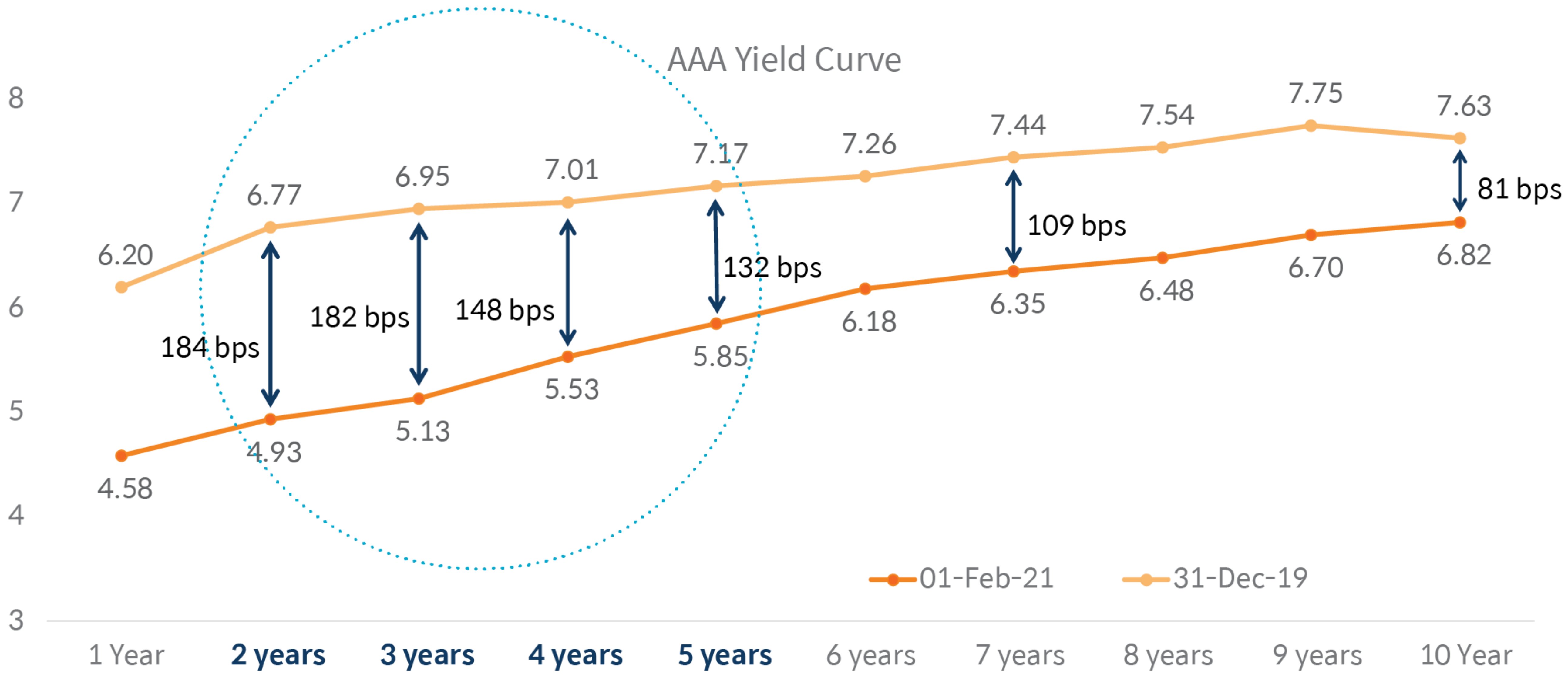
Period	Crisil Credit Ratio (in times)
FY19	1.73
H1FY20	1.21
H2FY20	0.77
H1FY21	0.54



- CRISIL's credit ratio (number of companies upgraded to those downgraded), for H1FY21 printed at 0.54, the lowest in more than a decade.
- Debt servicing and credit risk may continue to remain a concern.

source: CRISIL, as on 31st Dec, 2020

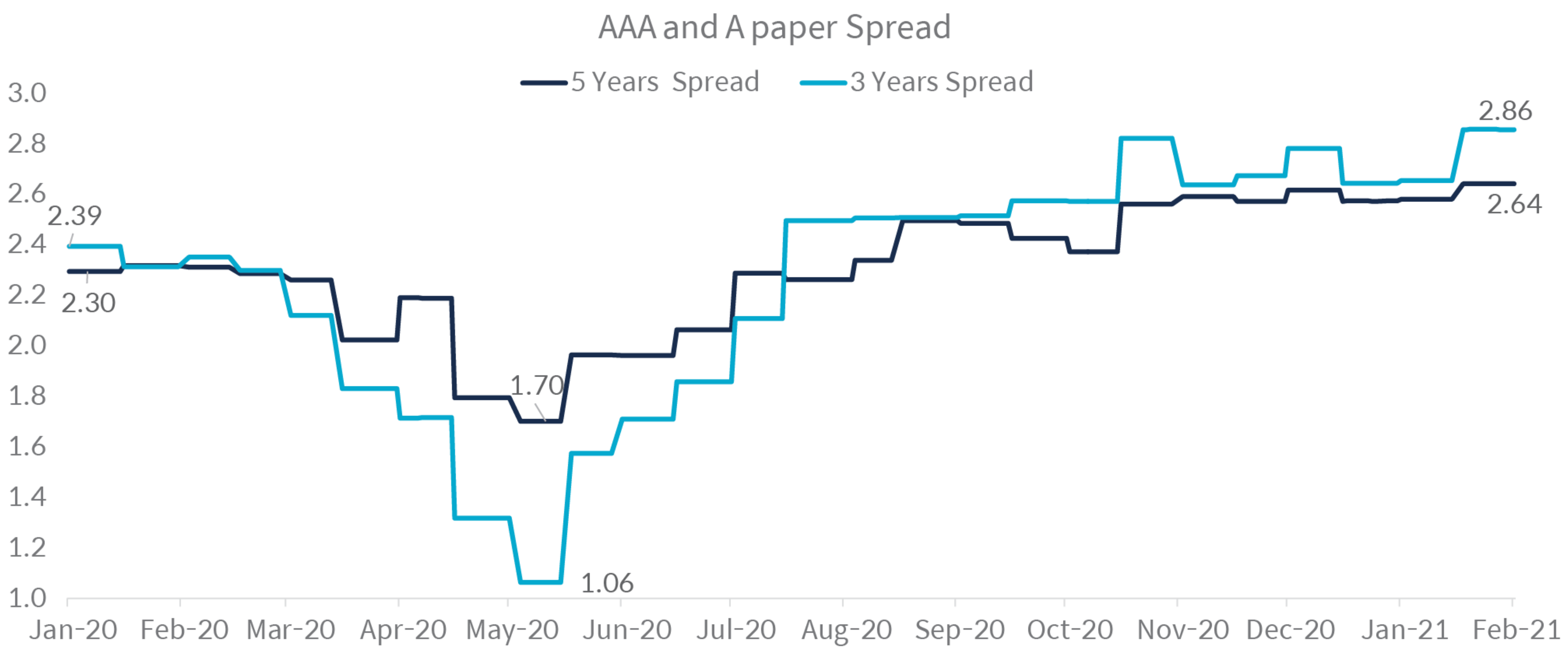
Steepened yield curve



- The AAA bond yield curve has steepened during the year. Credit spreads are tightening and current yields present attractive investment opportunities in the AAA bond segment.

Source: Bloomberg, 1st Feb 2021

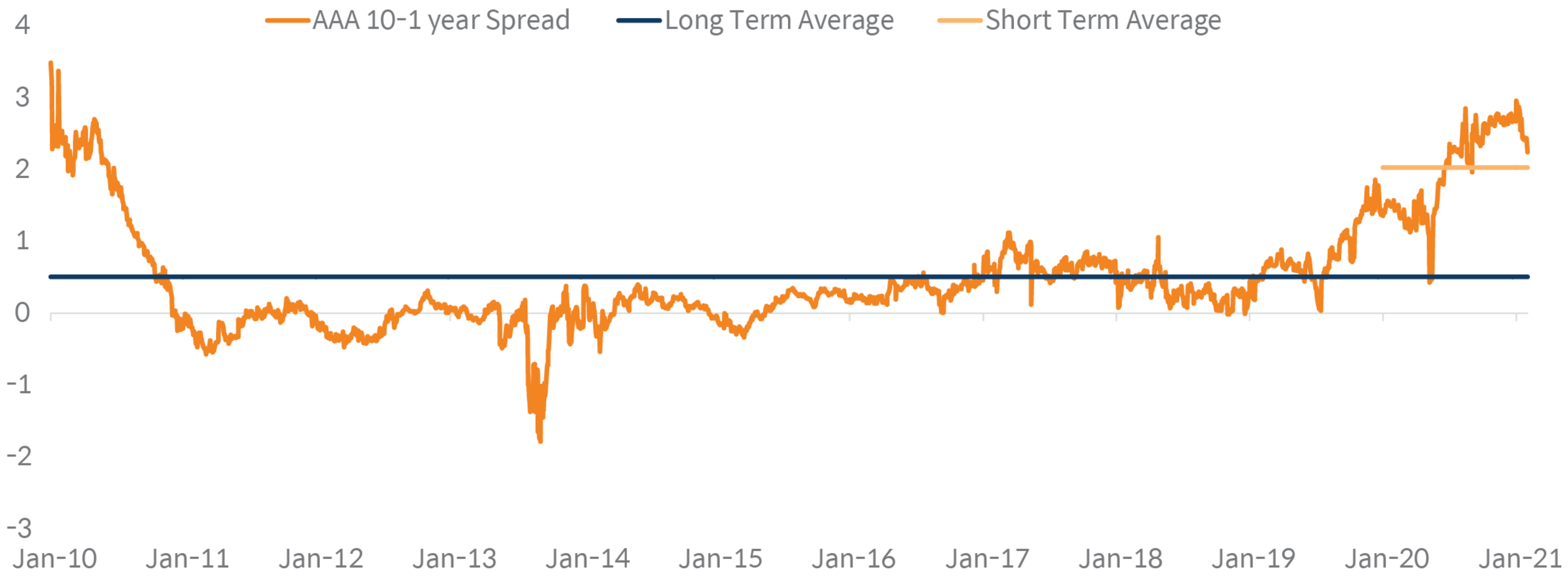
Widened Spread



- Spreads have widened between high and low rated bonds as investors are moving towards safer zone.

Source: Bloomberg, 1st Feb 2021

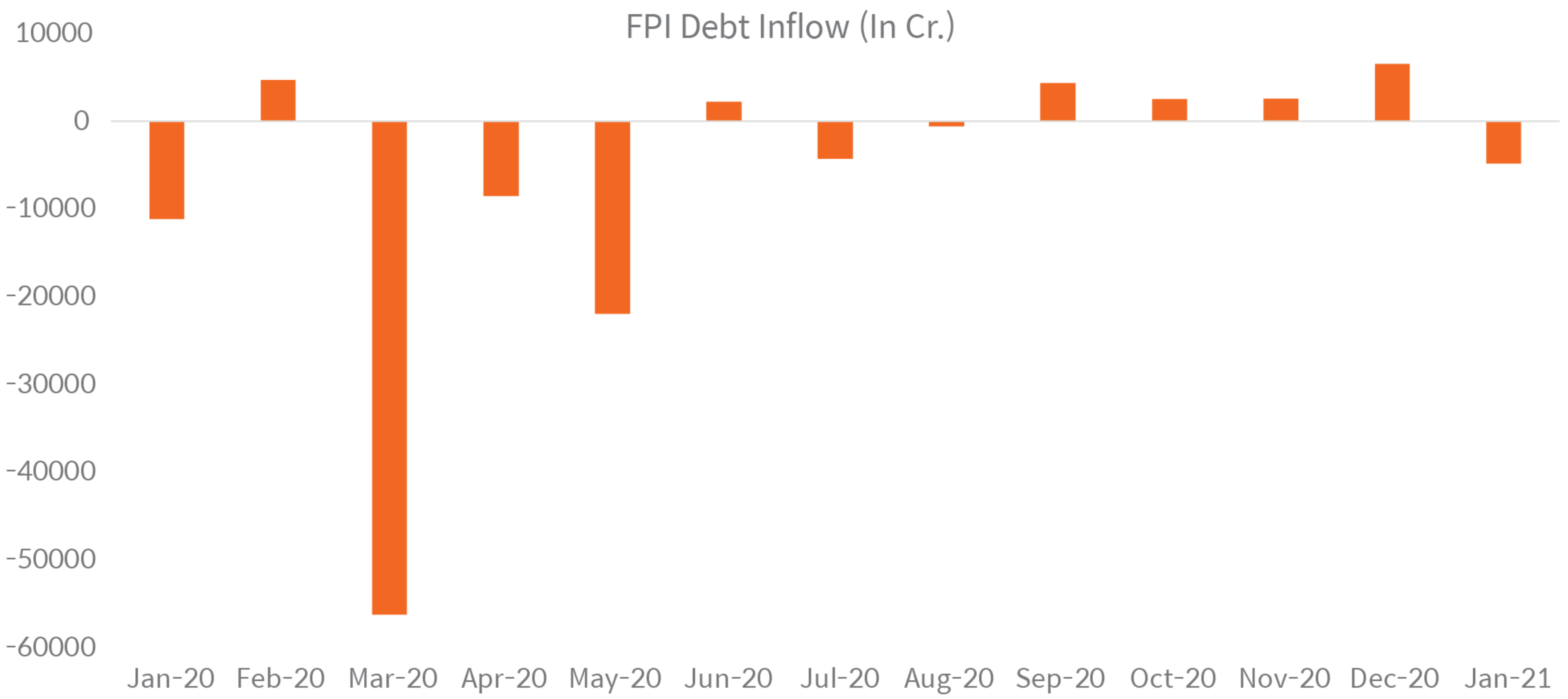
Long Term and Short term Spreads



- Short term average yields are above their long term average. This indicates that spreads are still attractive to take advantage.

Source: Bloomberg, 1st Feb 2021

Improved FPIs flows



- FPI flows are improving reflecting the confidence in Indian Debt market.

Source: NSDL, Jan 2021

Now may be a good time to Invest

We expect the central bank to return to the policy normalization stance as growth returns. However, given the large expected borrowing of government (gross borrowing of 12.06 lakh crores against an average of 7.0-7.5 lakh crores pre-pandemic), RBI is likely to take steps to keep the rates stable.
The macro economic environment is stable with inflation dropping and growth returning which should put less pressure on RBI and keep the focus on growth.

In the month of March, usually bonds yields spike due to year end and advance tax obligation of corporates. It will create a window of opportunity to buy at higher yield

Government has been taking many steps to deepen the corporate bond market and to create a permanent institutional framework which will boost and develop corporate bond market. This is very positive for the long term structural trends for corporate bonds as we will continue to see more issuers coming to the market

Benefit of improving rating prospects for high quality corporates in an improving economy and likely widening of spreads with higher credit pick up in coming months

Post liquidity absorption action by RBI, yields have inched up in last one – one and half month. This has led to widening of spread.

Mirae Asset Debt Investment Process

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Investment Approach –Debt Process

TOP DOWN APPROACH

- Economy to industry and then individual papers

MACRO FUNDAMENTALS

- Interest rate outlook
- Credit Outlook

SENTIMENTS

- When to Buy? –

  Market positioning

VALUATION

- Diversification & Concentration limits
- Liquidity
- Risk Parameters
- Portfolio Tenure

Investment Approach – Interest Rate outlook

DOMESTIC FACTORS

- Inflation
- Liquidity
- GDP growth
- Fiscal Deficit
- Credit Growth
- Crude Oil
- Currency

GLOBAL

- Central Bank policy
- Growth Outlook
- Geo-political scenario

Investment Approach – Internal Credit Rating Model

Financial Risk

Financial risk measured using a set of ratios focusing on profitability,
liquidity & debt protection capabilities

- Minimal Risk
- Modest Risk
- Intermediate Risk
- Aggressive Risk
- High Risk

Business Risk

Business risk scoring based on "out of 5" scoring of each of the 6 parameters

- Strategic Direction
- Financial Philosophy
- Conservatism
- Track Record
- Succession Planning
- Control System

Product Label and Disclaimer

Statutory Details: Trustee: Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

The information contained in this document is compiled from third party and publically available sources and is included for general information purposes only. There can be no assurance and guarantee on the yields. Views expressed by the Fund Manager cannot be construed to be a decision to invest. The statements contained herein are based on current views and involve known and unknown risks and uncertainties. Whilst Mirae Asset Investment Managers (India) Private Limited (the AMC) shall have no responsibility/liability whatsoever for the accuracy or any use or reliance thereof of such information. The AMC, its associate or sponsors or group companies, its Directors or employees accepts no liability for any loss or damage of any kind resulting out of the use of this document. The recipient(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein. Any reliance on the accuracy or use of such information shall be done only after consultation to the financial consultant to understand the specific legal, tax or financial implications.

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

For further information about other schemes (product labelling and performance of the fund) please visit the website of the AMC: www.miraeassetmf.co.in

Please consult your financial advisor before investing

PRODUCT LABELLING

Mirae Asset Corporate Bond Fund is suitable for investor who are seeking:*

- To generate income over Medium to long term
- Investments predominantly in high quality corporate bonds

*Investors should consult their financial advisers, if they are not clear about the suitability of the product.

Riskometer

Investors understand that their principal will be at Moderate Risk

THANK YOU

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