

# Mirae Asset Nifty SDL Jun 2027 Index Fund

(An open-ended target maturity Index Fund investing in the constituents of Nifty SDL Jun 2027 Index. A scheme with relatively high interest rate risk and relatively low credit risk)

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What is target maturity passive debt product ?

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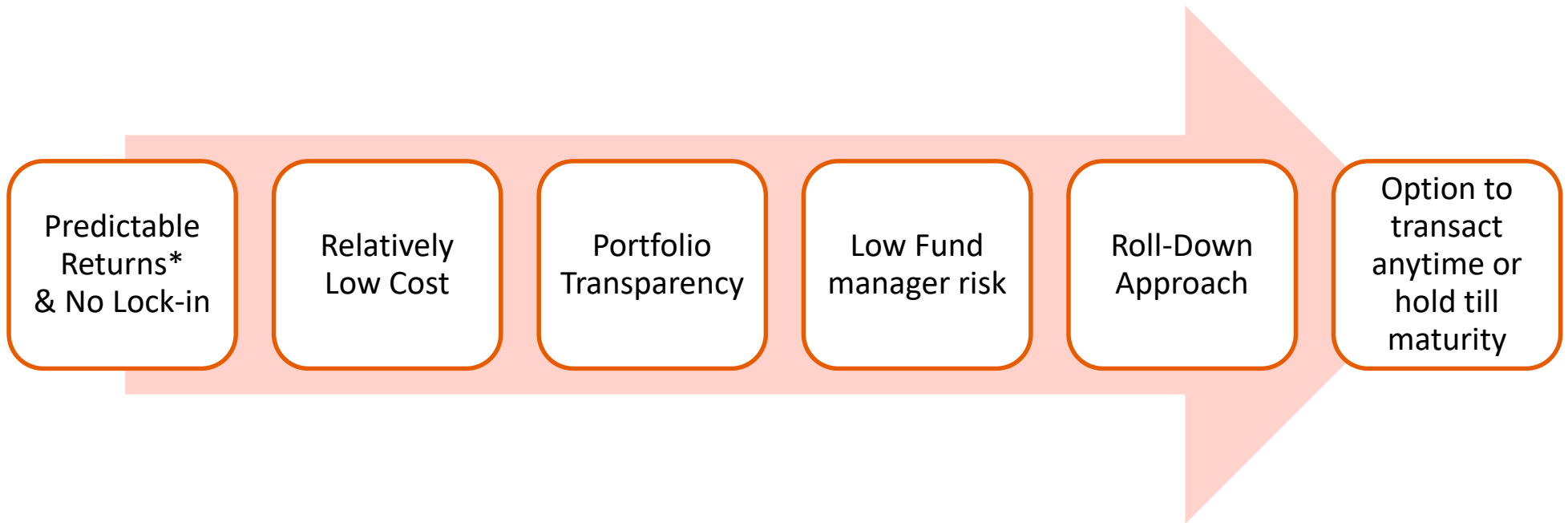
# What is passive debt product ?



Passive debt product like Index funds seeks to track an index and the aim of fund manager is to risk replicate the index in order to generate similar risk and return profile.

# What is target maturity debt product ?

Target Maturity Index Funds are passive investments in debt securities that aims to replicate the composition of the underlying index and have a specified maturity date.



**Target Maturity debt funds differentiates itself from open ended normal mutual funds by having a roll down approach with fixed maturity date making potential returns visible for investor**

*\*Please note the predictability of return doesn't imply guaranteed return or protection of principal. Investments are still subject to credit and market risk. Further, returns will be potentially visible only if the investor continues to hold it till the maturity.*

# Comparison of investment opportunity in fixed income products in India

Features	Target Maturity Fund	Open ended Debt Funds	Bank Deposits	Individual Bonds	Tax Free Bonds	Saving Schemes
Predictability of return*	✓		✓	✓	✓	✓
Liquidity	✓	✓				
Defined Maturity	✓		✓	✓	✓	✓
Tax Efficiency-Indexation	✓	✓		✓		
Accessibility	✓	✓	✓		✓	✓
Lock in			✓		✓	✓
Diversification	✓	✓				

**Target Maturity Funds provides features of several traditional fixed income investments**

*\*Please note the predictability of return doesn't imply guaranteed return or protection of principal. Investment are still subject to credit and market risks. Further, returns will be potentially visible only if the investor continues to hold it till the maturity.*

## Target maturity index funds has relatively higher tax-efficiency

Particular	Traditional Investment	Debt Index Funds SDL - 2027	Tax-Free Bonds
Investment Amount (A)	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000
Return/Yield (Assumed)	5.50%	6.53%	5.00%
No. of Indexation	-	6	-
Assumed Inflation	5%	5%	5%
Value on Maturity (B)	₹ 1,30,696	₹ 1,37,201.75	₹ 1,27,628.16
Indexed Cost (C)	-	₹ 1,34,009.56	-
Taxable Amount (B-C)	₹ 30,696.00	₹ 3,192.18	-
Applicable Tax	₹ 9,208.80*	₹ 638.44**	-
Post Tax Value	₹ 1,21,487.20	₹ 1,36,563.31	₹ 1,27,628.16
Post Tax Return/Yield	3.97%	6.43%	5.00%

**Target Maturity debt products tend to generate relatively higher post tax returns vis-à-vis traditional fixed income investment and tax-free bonds**

Investment horizon is assumed to be 6 Years. Pre tax return/yield are as on 04<sup>th</sup> March 2022, For traditional investment horizon SBI domestic term deposit for non senior citizen up to 2 Cr is used. \*Traditional tax rate investment assumed at the marginal rate of 30%. \*\* Long Term capital gain of 20% applied with indexation benefit

The above computation is merely for illustration purpose and please consult your tax advisor for any investment. SDL : State Development Loans

# Why invest in medium term maturity and State Development Loans (SDLs) ?

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# What are State Development Loans (SDLs) ?

State Development Loans (SDLs) are sovereign securities (bonds) issued by various State Governments to raise funds from the market at market determined rate using auction mechanism.



**Negligible Credit Risk as securities have implicit sovereign guarantee**



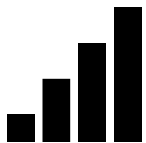
**Carries higher yield than G-sec securities**



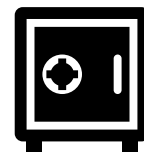
**All the states are treated similar in terms of credit quality and RBI servicing\***



**Interest rate of SDLs are determined by Auction generally held fortnightly**



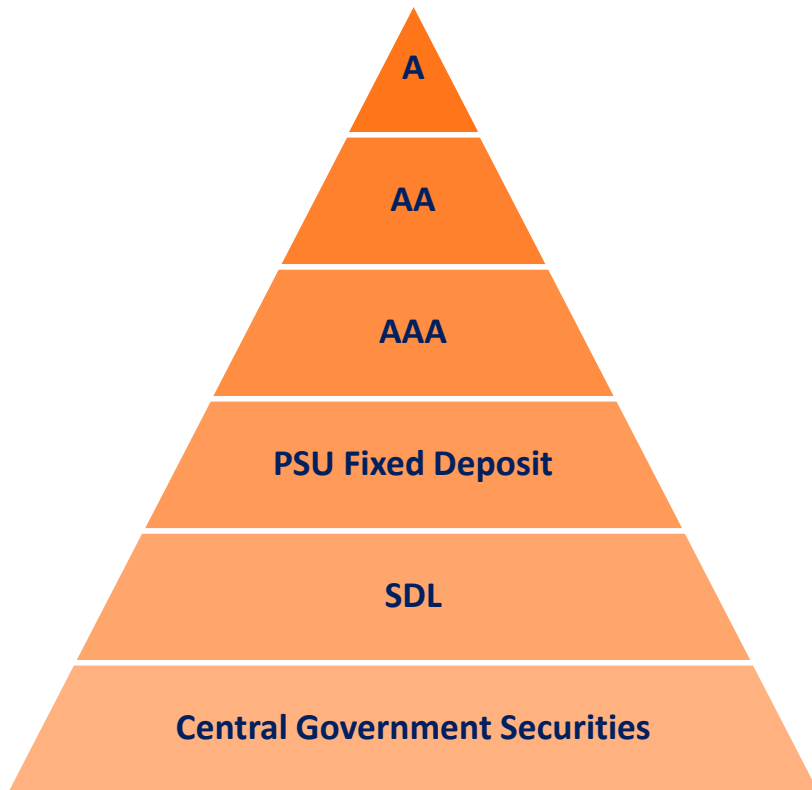
**Over the years liquidity in secondary market for SDL has improved**



**SDLs are eligible for SLR and LAF. Further as per CRAR prudential norms, banks are not required to keep any separate capital for investment in SDL**



# SDLs securities carries relatively lower credit risk



**Credit Safety Pyramid**



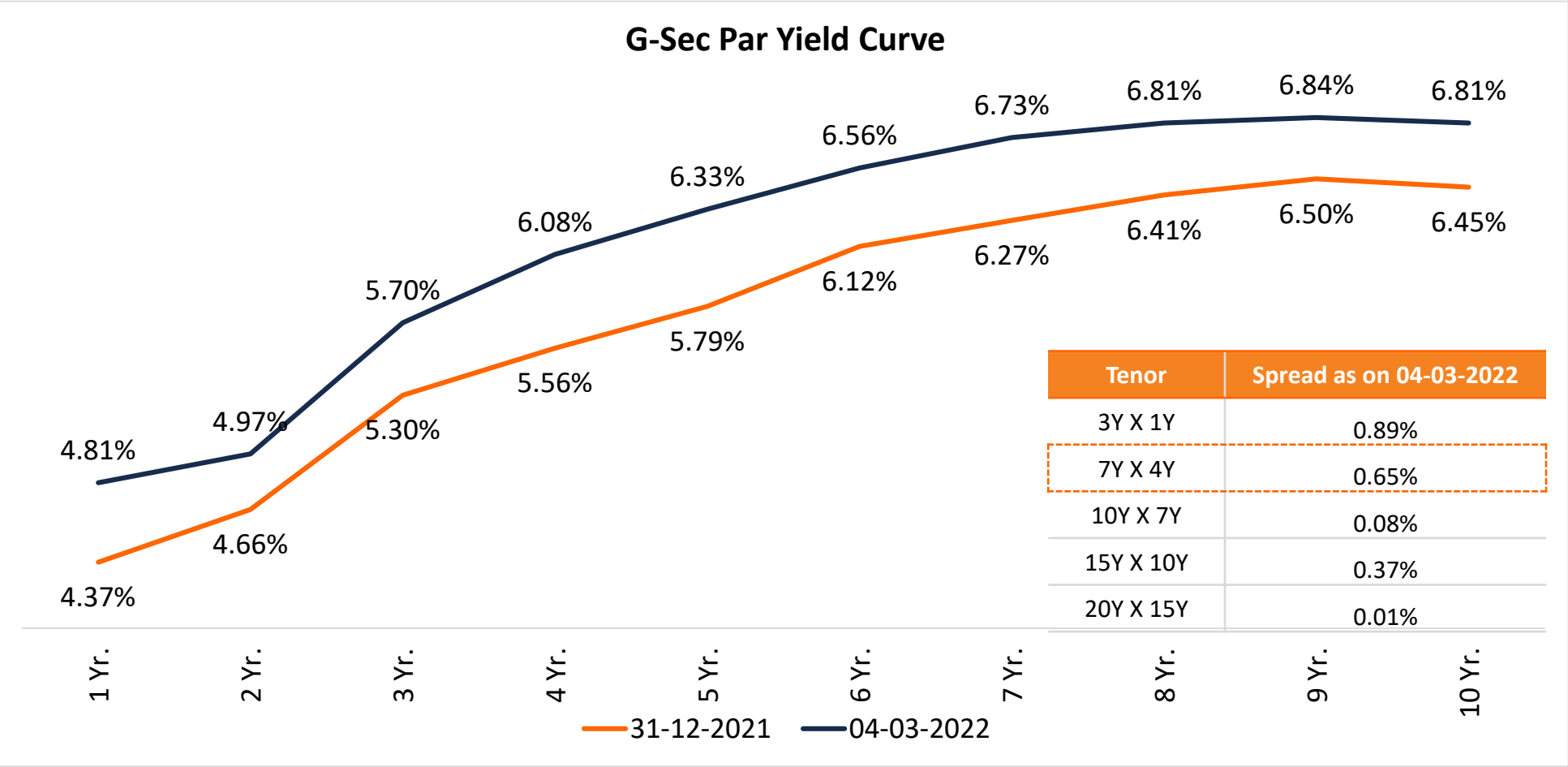
**Corporate bonds generally carry higher credit risk vis-à-vis SDL.**



**Carries implicit sovereign guarantee**

**Among all the fixed investment options available, SDLs and central government dated securities carry the highest credit safety relatively.**

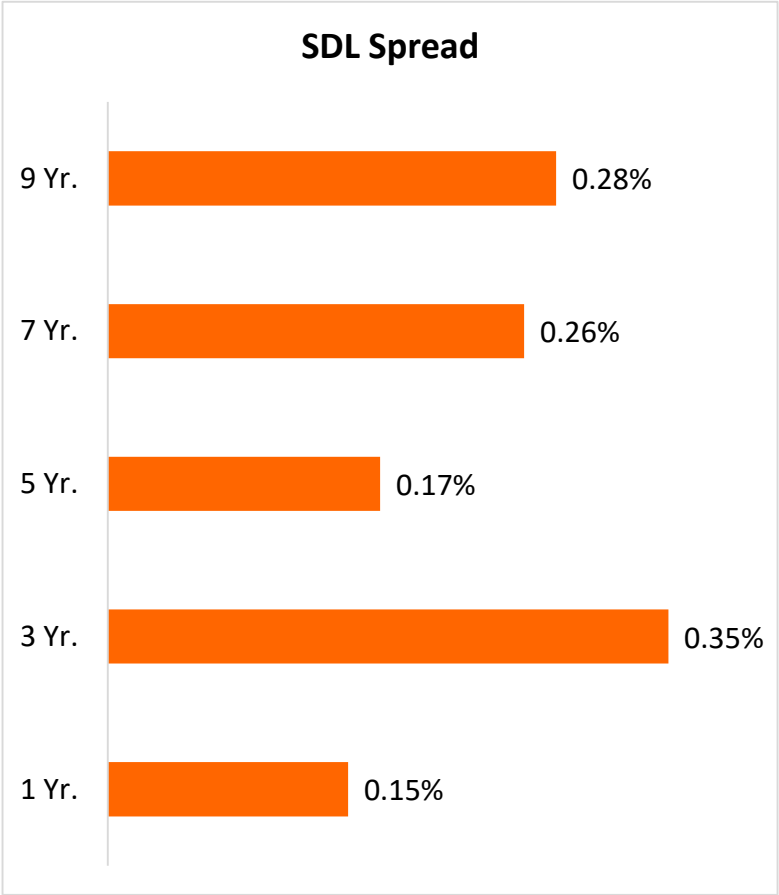
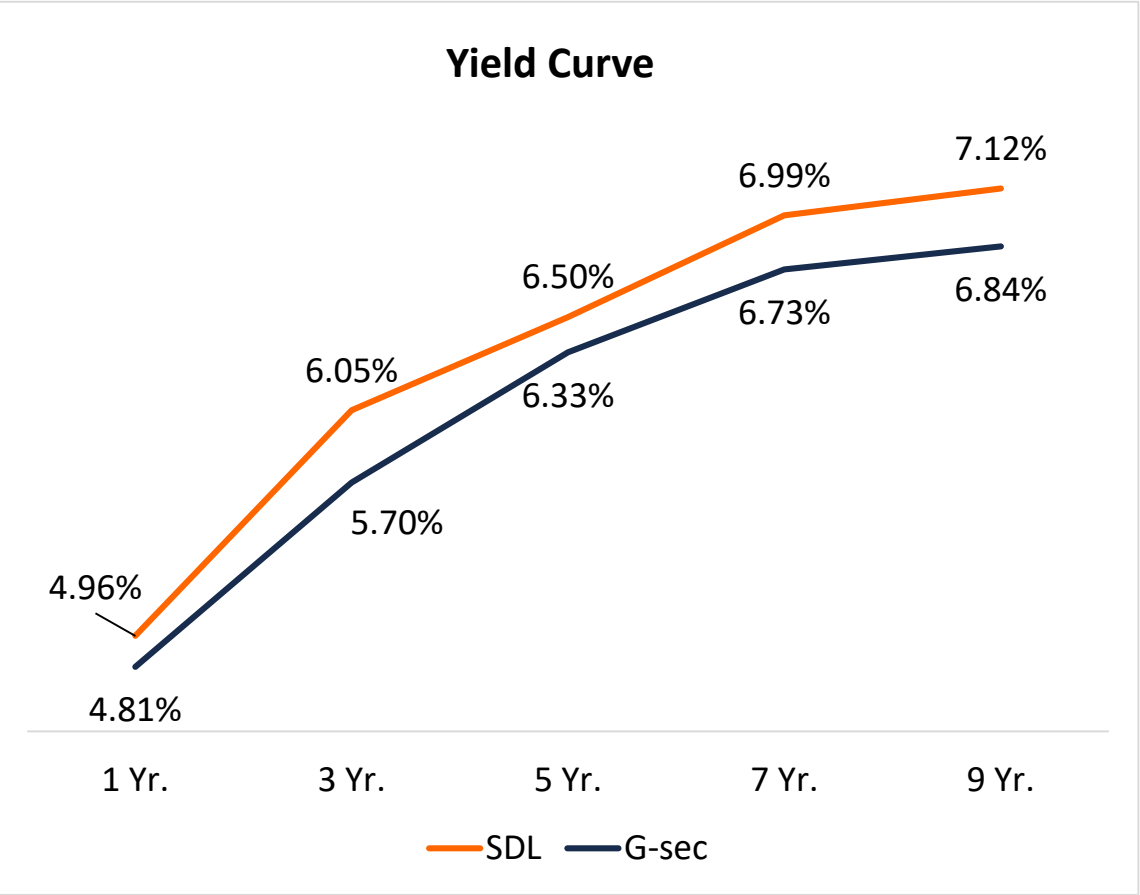
# In medium term ( 5- 6 yr.) yield curve appears to be relatively attractive



**G-Sec Curve appears to be steep in short term and medium term.  
Beyond medium term curve tends to flatten out over the longer investment horizon**

Source: FBIL Valuations, Data as on 31<sup>st</sup> December 2021 & 04<sup>th</sup> March 2022, Yields are based on nodal point denoted by FBIL.  
The Yields mentioned are denoted in semi-annual per annum

# SDLs across curve are offering relatively higher spread over G-Sec across tenure



**With relatively higher spread over G-sec SDL's are offering higher yield over the comparable G-Sec**

Source: FBIL Valuations, Data as on 04<sup>th</sup> March 2022, Yields are based on nodal point denoted by FBIL for G-Sec . In case of SDL maximum yield in the last quarter of respective years to maturity is taken to demonstrated the spread. Please note that yields are denoted semi-annual per annum

## Why equal weighing among SDL securities over short term maturities makes sense ?

Maturity Year	Average YTM	Max YTM	Min YTM	Range for YTM	No. of ISIN
2022	4.20%	4.88%	3.16%	1.7%	210
2023	5.09%	5.32%	4.66%	0.7%	291
2024	5.51%	5.61%	5.39%	0.2%	322
2025	6.07%	6.31%	5.85%	0.5%	349
2026	6.29%	6.45%	6.00%	0.4%	336
2027	6.46%	6.68%	6.30%	0.4%	325
2028	6.90%	7.06%	6.79%	0.3%	327
2029	7.00%	7.22%	6.86%	0.4%	326
2030	7.13%	7.22%	7.02%	0.2%	382
2031	7.13%	7.23%	7.01%	0.2%	269

- For shorter maturities, SDL yield across instruments and issuer differs with relatively wide variation.
- As the maturity increases the yields difference among issuers and instruments relatively reduces resulting in SDL being traded across similar yields for different issuers.
- This makes a good case for having greater number of issuers in portfolio and relatively equal weighing.

**Since SDL yields across instruments and different issuers tends to trade at relatively similar level, an equal weighted portfolio may seem to be a good investment opportunity**

## Mirae Asset Debt Outlook

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- Inflation though elevated but remains in RBI comfort zone. While there are concerns, in the next round of economic expansions may lead to greater pass through of higher input costs by manufacturing sector.
- Banking system liquidity well in surplus mode, however, the expectations are for gradual normalization of liquidity in H1 of 2022.
- Expect a flattening of yield curve with short term rates moving up more than long term rates
- Mid and long term yields gradually moved up over the course of the year owing to stable macroeconomics and US Treasury
- Uptick in longer end may seem to be comparatively lower than mid and short end.
- As the yields have compressed across the curve, short to medium term is the maturity on curve where compression has not been high and hence it remain the recommended spot.
- Attention last month shifted from COVID-19 to escalated geopolitical tensions between Russia and Ukraine. Apart from the human life damage, there are concerns that rising tension could spark global supply chain disruption resulting in rising input costs dampening investor's appetite for emerging market bonds

# Nifty SDL Jun 2027 Index

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## About the index

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Nifty SDL Jun 2027 Index seeks to measure the performance of portfolio of 20 State Development Loans (SDLs) maturing during the twelve month period ending June 15, 2027.

- Twenty (20) states/UTs are selected based on their highest outstanding amount as on January 31, 2022 maturing during the twelve month period ending June 15, 2027
- Each state/UT that is part of the index is given equal weight as on the base date of the index.
- Index will be reviewed and rebalanced at the end of each calendar quarter.
- During the quarterly review if there is an eligible SDL available with a longer maturity of the same state/UT, the existing SDL of that state/UT will be replaced by the available longer maturity SDL
- Proceeds from the maturity of SDL but before the maturity of the index will be re-invested in remaining SDL, followed by T-Bills and finally shall be re-invested in TREPS for subsequent days till the maturity of the index
- The index is computed using the total return methodology including price return and coupon return.

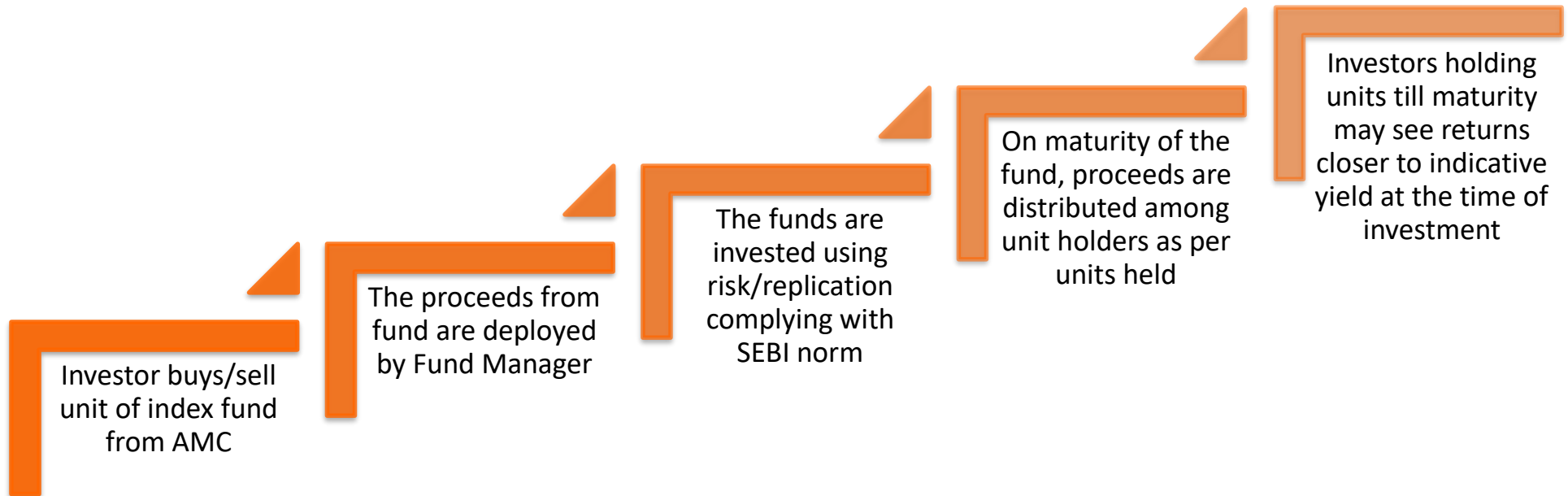
## Nifty SDL Jun 2027 Index – Constituents

Sr. No	ISIN	Issuer Name	Maturity Date	Weight	YTM (as on 04 <sup>th</sup> Mar)
1	IN3320170043	UTTAR PRADESH GOVERNMENT	24-May-27	5.00%	6.49%
2	IN3120170045	TAMIL NADU GOVERNMENT	14-Jun-27	5.00%	6.53%
3	IN2220170020	MAHARASHTRA GOVERNMENT	24-May-27	5.00%	6.50%
4	IN3420160183	WEST BENGAL GOVERNMENT	29-Mar-27	5.00%	6.44%
5	IN1920160125	KARNATAKA GOVERNMENT	29-Mar-27	5.00%	6.46%
6	IN1520170052	GUJARAT GOVERNMENT	14-Jun-27	5.00%	6.55%
7	IN2920170023	RAJASTHAN GOVERNMENT	14-Jun-27	5.00%	6.50%
8	IN1320210025	BIHAR GOVERNMENT	02-Jun-27	5.00%	6.61%
9	IN2120160105	MADHYA PRADESH GOVERNMENT	01-Mar-27	5.00%	6.44%
10	IN2020170030	KERALA GOVERNMENT	14-Jun-27	5.00%	6.55%
11	IN1620170010	HARYANA GOVERNMENT	24-May-27	5.00%	6.54%
12	IN1020180098	ANDHRA PRADESH GOVERNMENT	30-May-27	5.00%	6.53%
13	IN4520190039	TELENGANA GOVERNMENT	12-Jun-27	5.00%	6.55%
14	IN3520160034	CHHATTISGARH GOVERNMENT	15-Mar-27	5.00%	6.45%
15	IN1220170022	ASSAM GOVERNMENT	14-Jun-27	5.00%	6.65%
16	IN2820170057	PUNJAB GOVERNMENT	14-Jun-27	5.00%	6.64%
17	IN3720190013	JHARKHAND GOVERNMENT	12-Jun-27	5.00%	6.50%
18	IN3620170024	UTTARAKHAND GOVERNMENT	14-Jun-27	5.00%	6.63%
19	IN1720170019	HIMACHAL PRADESH GOVERNMENT	24-May-27	5.00%	6.46%
20	IN1820170026	JAMMU AND KASHMIR GOVERNMENT	24-May-27	5.00%	6.62%
		<b>Total</b>		<b>100.00%</b>	<b>6.53%</b>

Source: NSE Indices Limited, Portfolio as on 04<sup>th</sup> March 2022, Yields are denoted in semi-annual per annum. Past performance may or may not sustain in future. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.



## How the fund will work ?



**The Fund will replicate the index using risk/replication strategy in which it will match the duration and other risk parameter as per SEBI guidelines**

## Comparable indices maturing in between June 2026 to June 2027

Name of Nifty Indices	Average YTM	Average Duration	Average Maturity
NIFTY SDL Plus PSU Bond Sep 2026 60:40	6.22%	4.25	3.66
NIFTY PSU Bond Plus SDL Apr 2027 50:50*	6.48%	4.99	4.20
Nifty SDL April 2027 Index	6.39%	4.75	4.05
Nifty SDL Jun 2027 Index	6.53%	-	-
Nifty SDL Apr 2027 Top 12 Equal Weight Index	6.48%	5.07	4.2

**Nifty SDL Jun 2027 Index potentially offers the highest indicative yield among various other similar maturities indices**

# Why invest in Mirae Asset Nifty SDL Jun 2027 Maturity Index Fund ?

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- A fixed maturity index fund which provides portfolio visibility and reasonably predictable returns at maturity at relatively low cost
- Negligible credit risk as fund seeks to invest in only SDL securities with fund manager seeking to replicate the duration risk and yield profile of the index.
- No lock-in like Fixed Maturity Plans (FMP). Investor has the option to subscribe or redeem anytime during the lifecycle of the fund
- Tax efficient compared to traditional investment avenues. LTCG is taxed at 20% post indexation benefit\*
- Potential to avail 6 indexation benefit depending upon the investors holding period
- Relatively attractive yields with SDL securities currently at relatively higher spread over G-Sec in medium term maturities making it relatively attractive with lower credit risk than comparable corporate bonds.

\* Please consult your tax advisor for any taxation impact on your investment

## Scheme Details

Particulars	Mirae Asset Nifty SDL Jun 2027 Index Fund
Allotment Date	March 30 <sup>th</sup> 2022
Type of Scheme	An open ended Target Maturity Index Fund tracking the Nifty SDL June 2027 Index. A relatively high interest rate risk and relatively low credit risk
Benchmark	Nifty SDL June 2027 Index
Plan & Options	Regular Plan and Direct Plan with Growth Option & IDWC Option
Fund Manager	Mr. Mahendra Jajoo
Minimum Additional Amount	Rs. 1,000/- and in multiples of Re. 1/- thereafter.
Taxation	Debt
Exit Load	Nil

THANK YOU



# Disclaimers

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**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.

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**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](http://www.miraeassetmf.co.in)

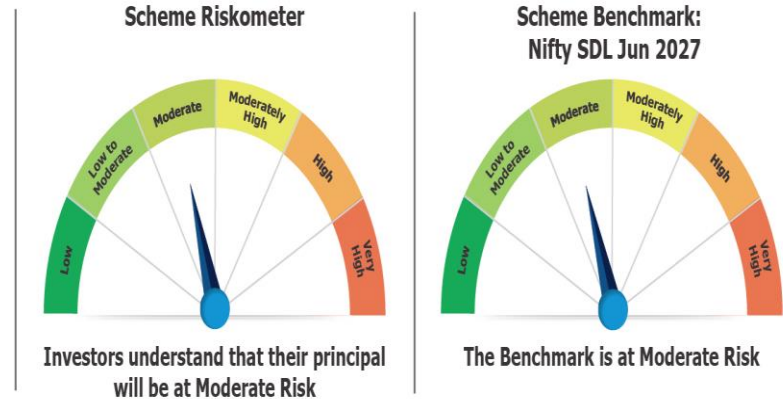
**Please consult your financial advisor before investing**

## PRODUCT LABELLING

Mirae Asset Nifty SDL Jun 2027 Index Fund is suitable for investors who are seeking\*

- Income over long term
- Open ended Target Maturity Index Fund that seeks to track Nifty SDL Jun 2027 Index

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



Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	<b>A-III</b>		

(A scheme with relatively high interest rate risk and relatively low credit risk)