MIRAE ASSET
Mutual Fund

Debt Market Review and Outlook

Long Duration Funds

December 2021

Summary

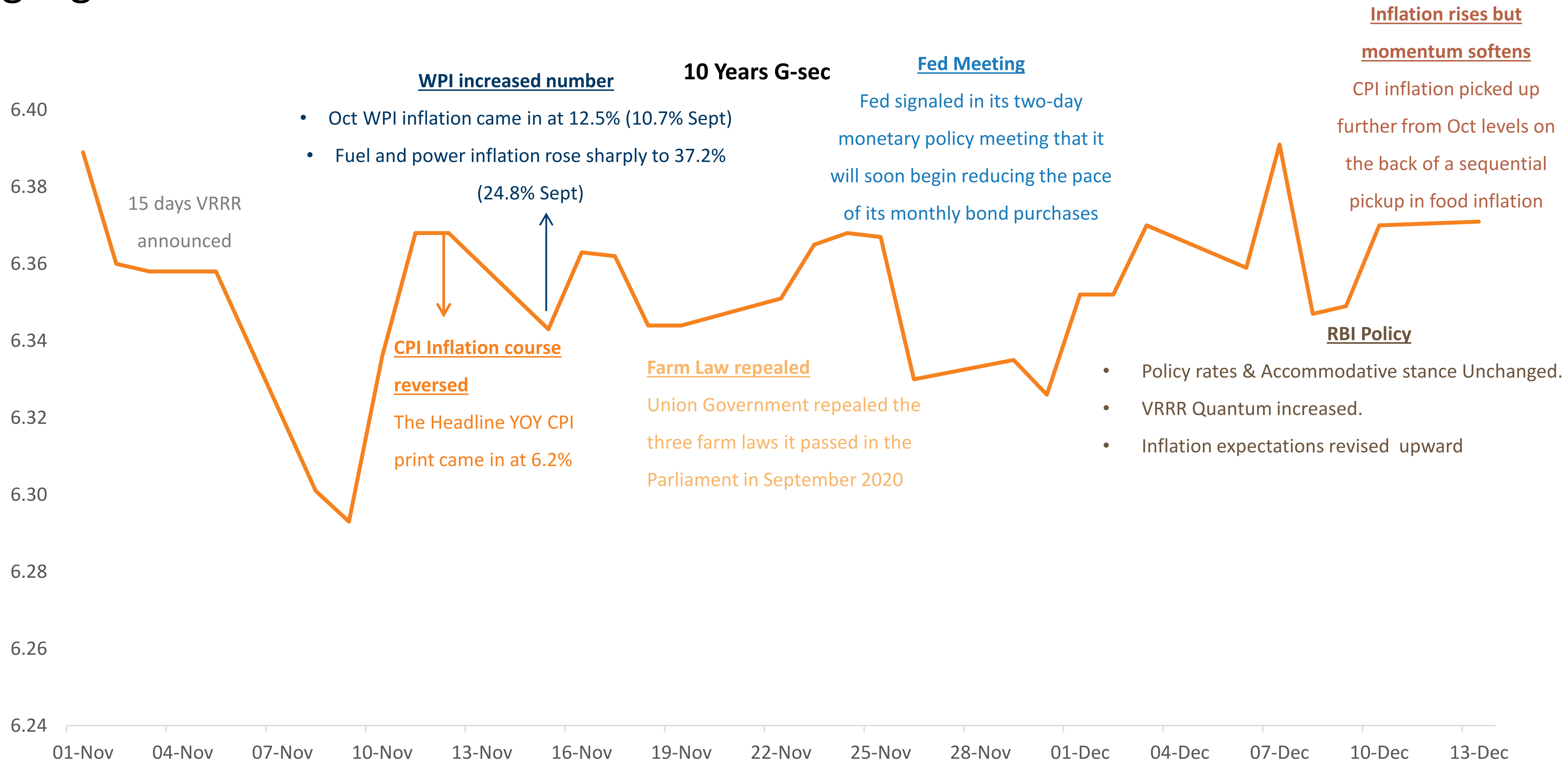
I. Global Market Update

II. Indian Economy Update

III. Debt Outlook

IV. Fund Update

Highlights of the Month



Source: Bloomberg, Kotak Research, and Investing.com, As on 8th Dec 2021. CPI – Consumer Price Index | WPI – Wholesale Price Index| VRRR – Variable Reverse Repo Rate | WPI – Wholesale Price Index

Global Outlook

Central Bank Policy	Fed tapering schedule announced - $15 bn/m starting this month Global central banks are gradually moving towards tapering Inflationary pressure visible globally
Geo-political Scenario	China-Taiwan issue in limelight Oil politics: US & its allies presses reserve release OPEC+ might revoke adding more production
Growth Outlook and Covid-19	After an accelerated re-opening led spike, skepticism on sustainable growth resurface A fresh global wave recently strengthened New strain raising alarm – South East Asia still showing large no. of cases Incoming data is mixed

Good **Neutral** **Bad**

Source: Bloomberg and Internal as on 9th Dec, 2021

Domestic Outlook

GDP Growth	Underlying factors provide optimism for continued recovery RBI retained growth projection @ 9.5% Investment and consumption led the drive in 2QFY22 GDP growth to 8.4% YoY
Fiscal	Strong fiscal recovery led by revenue collections Air India & LIC divestment provides optimism Fiscal deficit of the country in the first seven months stood at just 36.3% of FY22 BE
Crude Oil	To tackle rising crude oil prices in light of limited supply from OPEC+, US, China, India, Japan, and Korea decided to increase oil supply by releasing their strategic reserves. Brent crude spot price declined to USD69.8/bbl to end Nov 21 from USD83.9/bbl a month back. Even after fall in prices, crude oil is risk for high inflation.
Currency	Rupee is broadly at the same level as early-October to end Nov at INR74.8/USD but elevated in Dec to end at INR 75.79/USD
Credit Growth	Last Month credit growth reached highest since Apr’20 with retail credit o/s now more than the industry credit o/s
Inflation	CPI inflation is projected at 5.3% for FY22; 5.1% in Q3, 5.7% in Q4FY22
Liquidity	Banking system liquidity well in surplus mode, however, RBI’s liquidity normalization measures beginning to reflect in the market rates

Source: Bloomberg and Internal as on 9th Dec, 2021

Outlook

WHAT TO EXPECT

Flattening of the Yield Curve

- Policy normalization the only way ahead

- Improved macro variables to cap upside in the long term rates

- Hardening of the short term rates led by the liquidity normalization measures.

- Yield curve may flatten with Short Term rates moving up more than the Long Term rates

SUPPORTED BY

Supportive domestic fundamentals

- Inflation for now

- Fiscal Prudence

Orderly evolution of yield curve

- Liquidity normalization by the RBI

- lattening of the yields curve as it remains very steep

-

RISKS TO THE OUTLOOK

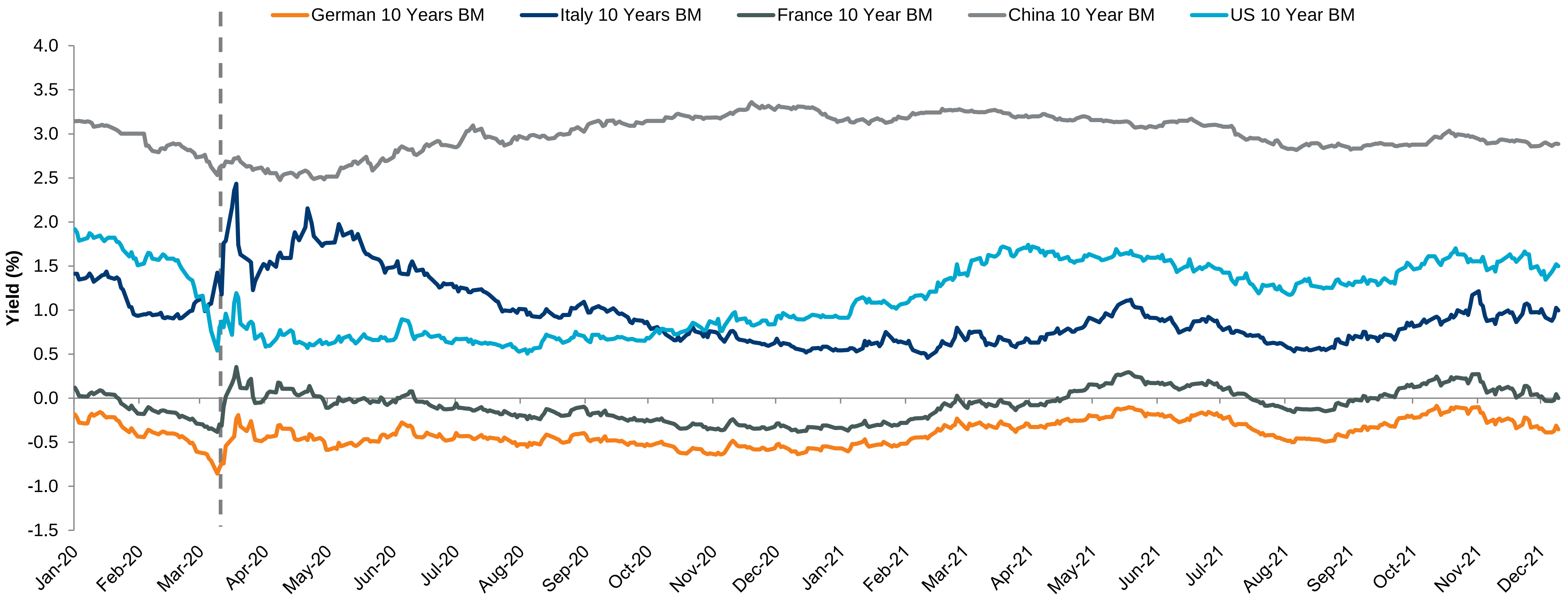
- Global inflationary theme playing out

Prompting Central Banks to change stance

- Equity markets seem to have absorbed tapering news well.

Global Market Update

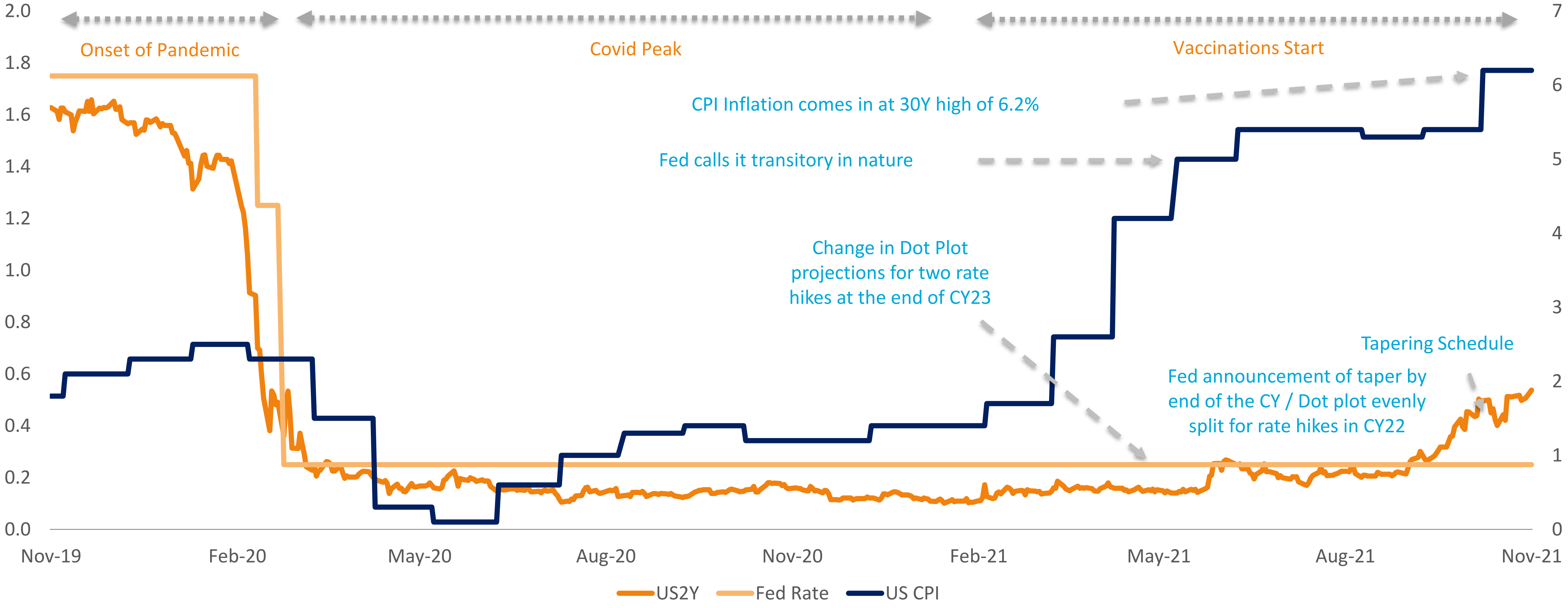
Global Central Bank changing reaction



- Markets is concerned on growth due to expectations of tightening by central banks.
- Many central banks raised the repo rate
- Yield curves towards flattening, causing long term real rates to bounce back from multi year lows.

Source: Bloomberg as on 8th Dec 2021. BM – Benchmark, FED - Federal Reserve

US Federal Reserve's Taper underway



- In Fed meeting there was readiness among the members to increase the pace of tapering to allow some room for the Fed to tighten rates sooner.
- Consumer prices in the U.S. rose at the fastest annual pace since 1982, keeping pressure on the Federal Reserve to quicken the pace of tightening policy.

Source: Bloomberg as on 30th Nov 2021.

Skeptical Growth Outlook

	Real GDP	Oct 21 Projection		July 21 Projection		March 21 Projection	
Counties/Region	2020	2021P	2022P	2021P	2022P	2021P	2022P
Eurozone	-6.3	5.0	4.3	4.6	4.3	4.4	3.8
Developed Market	-4.5	5.2	4.5	5.6	4.4	5.1	3.6
US	-3.4	6.0	5.2	7.0	4.9	6.4	3.5
Emerging Market	-2.1	6.4	5.1	6.3	5.2	6.7	5.0
China	2.3	8.0	5.6	8.1	5.7	8.4	5.6
India	-7.3	9.5	8.5	9.5	8.5	12.5	6.9
Global	-3.1	5.9	4.9	6.0	4.9	6.0	4.4

- Above data reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics.
- Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome.

Source: IMF, World Economic Outlook Update, 29th Oct 2021. India data is FY Data

Global Economic Data

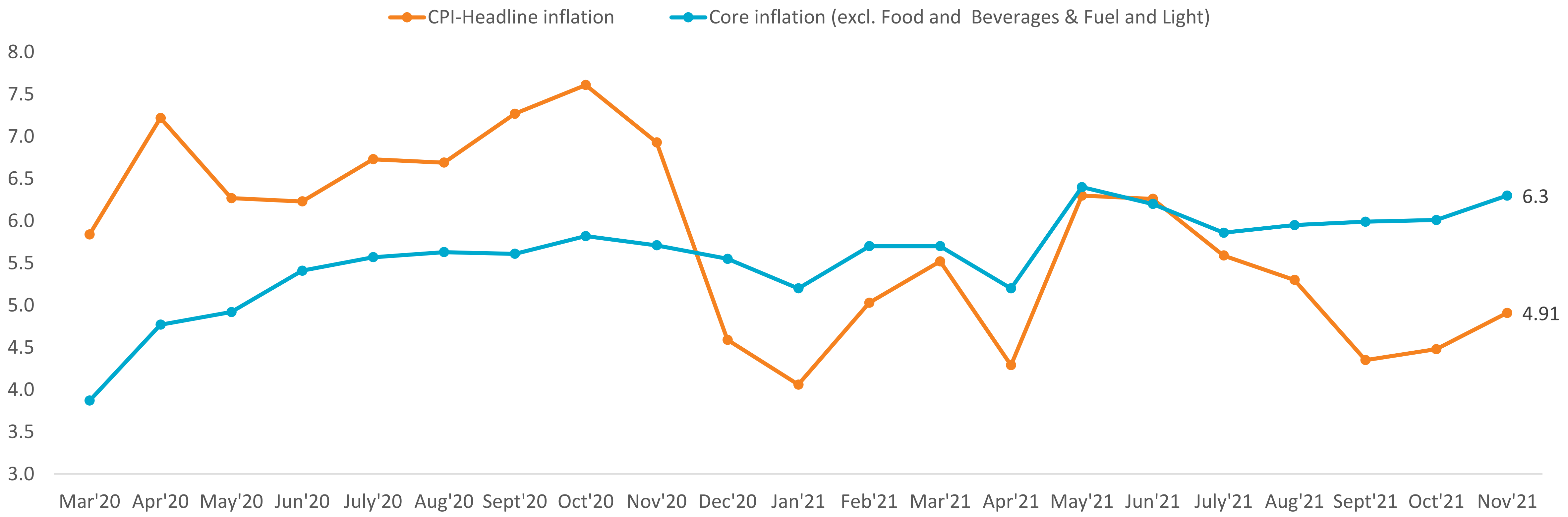
	Nov-21			Oct- 21		
	PMI	Unemployment	CPI (YoY)	PMI	Unemployment	CPI (YoY)
Eurozone	58.4	7.3%	4.9%	58.5	7.4%	4.1%
US	58.3	4.6%	6.2%	59.2	4.8%	5.4%
China	50.1	4.9%	1.5%	49.2	4.9%	0.7%

- CPI has gone up globally reflecting pandemic-related supply-demand mismatches and higher commodity prices compared to their low base from a year ago

Source: Investing.com 8th Dec, 2021. CPI - Consumer Price Index, PMI - Purchasing Managers' Index

Indian Economy update

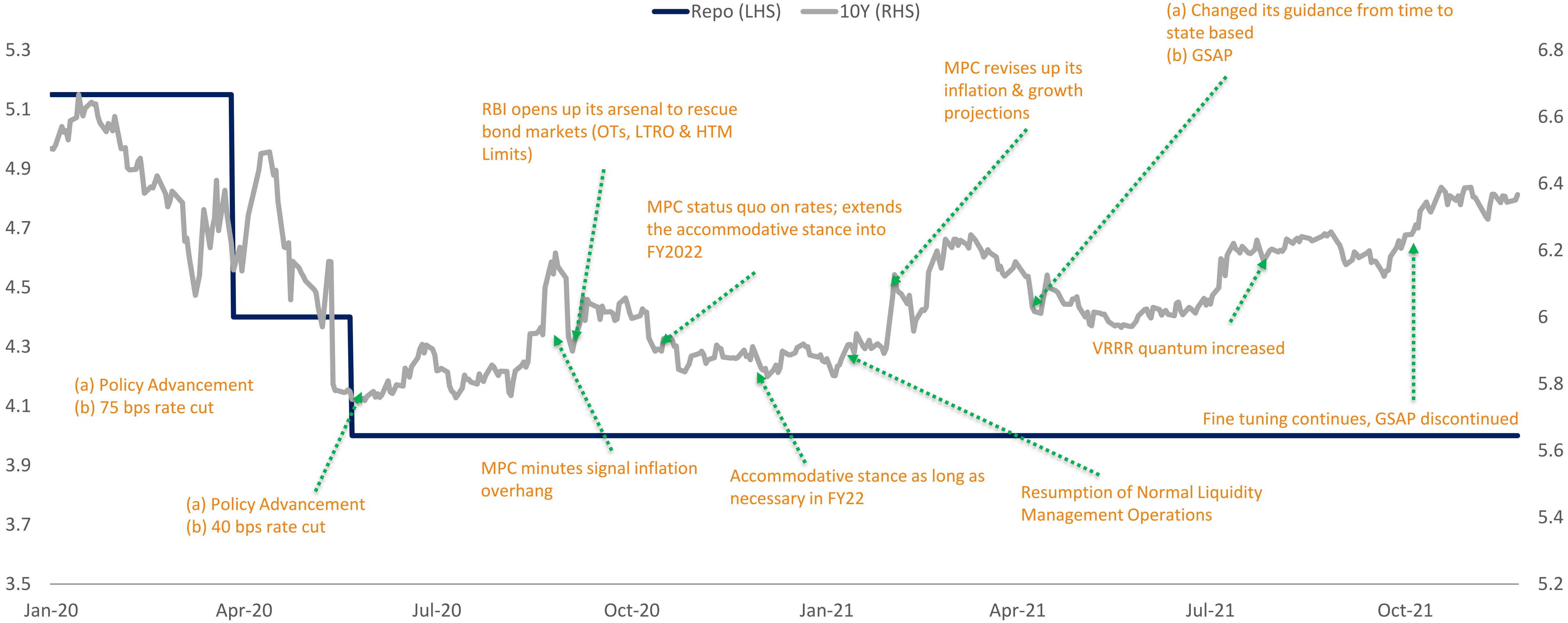
Inflation pressures persist



- CPI inflation rose to 4.91% in Nov’21 (4.48% Oct’21). The highest contributions came from categories like Food and Beverages, Miscellaneous and Fuel.
- However, core inflation remains sticky at around 6% levels (for the 7th consecutive month)
- Upside risks remain on account of (i) ongoing energy crisis, (ii) supply side disruptions/pending price hikes & (iii) adverse base effects in the next few months
- Inflation projection for FY 22 at 5.3% remain well within the target band of 4-6%.

Source: RBI and Kotak Research, as on 13th Dec, 2021

RBI's liquidity normalization measures in place



- RBI in its monetary policy increased the quantum of VRRR
- The main operation of 14-day VRRRs will continue to be complemented by longer term VRRRs, the size and maturities of which will be decided on the basis of continuous assessment of the evolving liquidity conditions.

Source: Bloomberg as on 30th Nov 2021.

Market Update

	30-Nov-21	29-Oct-21
1 Year G-Sec	4.26%	4.11%
3Years G-sec	5.08%	5.12%
5 Years G-sec	5.65%	5.76%
7 Years G-sec	6.09%	6.21%
10 Years G-sec	6.33%	6.39%
1 Year AAA	4.78%	4.40%
3 Years AAA	5.64%	5.54%
5 Years AAA	6.07%	6.14%
7 Years AAA	6.54%	6.57%
10 Years AAA	6.94%	7.00%

During the Month in mid to long term yield curve, Spreads between CB and G-sec improved with yields of both moving up due to broader market expectation of reverse repo rate hike which informally got build in yield curve.

But RBI kept the key policy rates unchanged while some segment of market was expecting a technical adjustment by a hike in reverse repo rate.

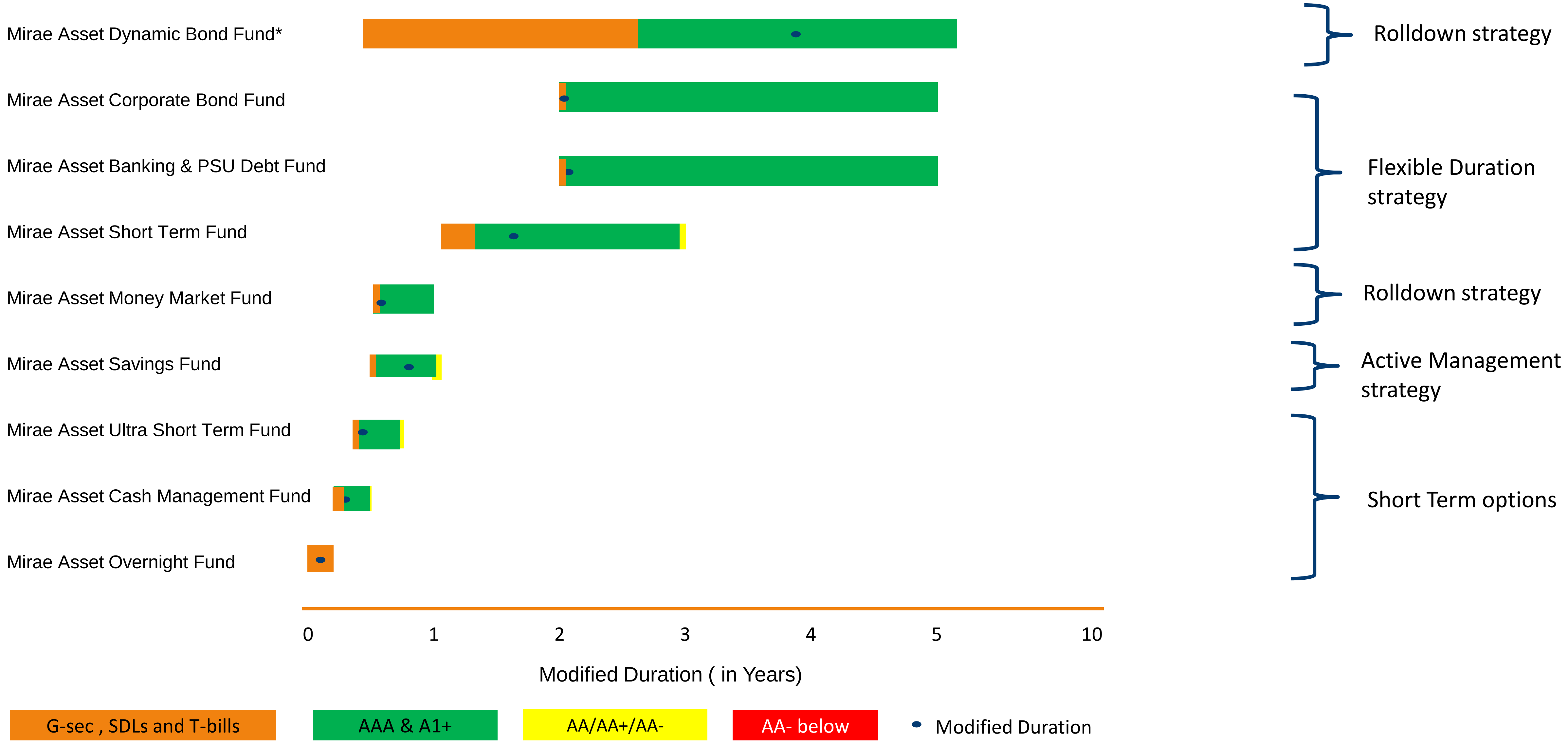
Post policy, longer tenure reacted positive, the 10Y benchmark moved down by 4bps to 6.35% absorbing in optimistic view on inflation and MPC accommodative stance.

Inflation projection within the target band provides the window to continue to provide support to a still nascent economic recovery.

Source: Bloomberg as on 30th Nov 2021. Past Performance may or may not be sustained in future.

Debt Funds strategy

Fund Positioning



Source: Internal, as on 30th Nov 2021. This is the current investment framework which may change in future without prior notice

Investment Approach –Debt Process

MACRO FUNDAMENTALS

- Interest rate outlook
- Credit Outlook

VALUATION

- Diversification & Concentration limits
- Liquidity
- Relative value

SENTIMENTS

- When to Buy? –

  Market positioning

TOP DOWN APPROACH

- Uniform Market outlook across all funds

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

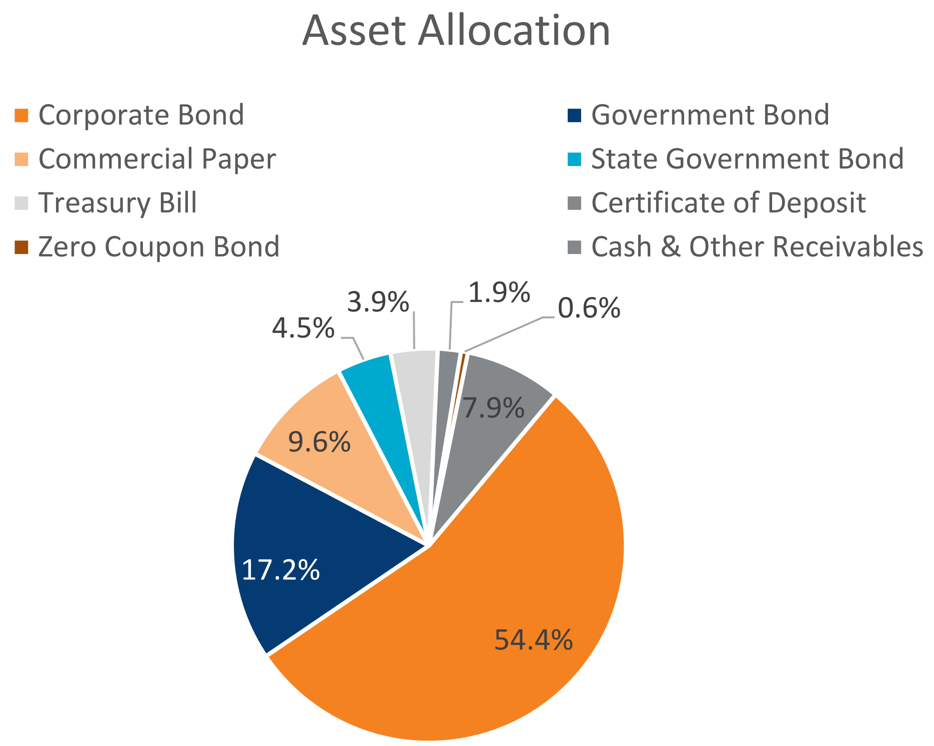
Business risk scoring based on “out of 5” scoring of each of the 6 parameters

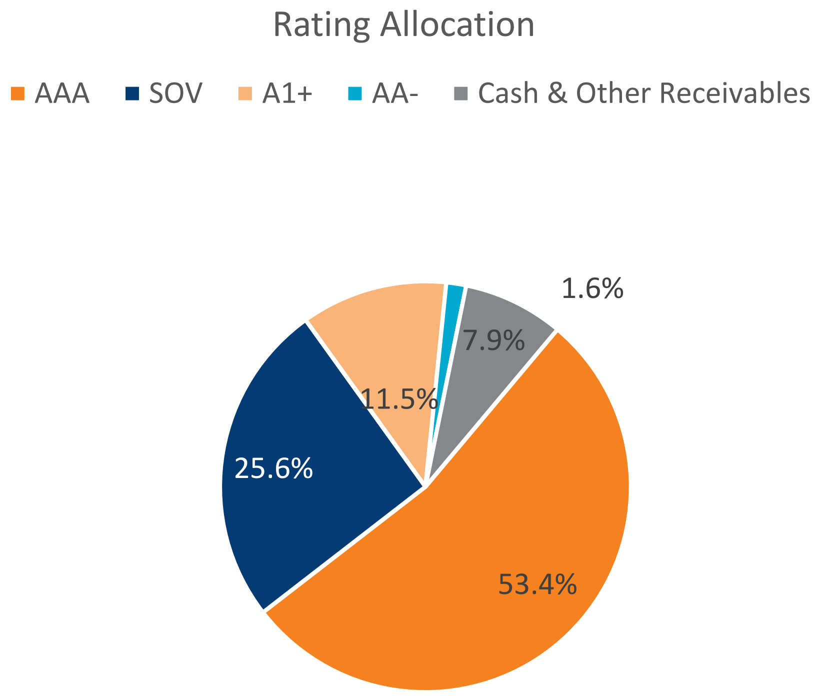
- Strategic Direction
- Financial Philosophy
- Conservatism
- Track Record
- Succession Planning
- Control System

Mirae Asset Short Term Fund (MASTF)

(An open-ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years (please refer to page no. 31 of the SID). A relatively high interest rate risk and relatively high credit risk.)

Portfolio Attributes





- Fund increased exposure in CP and T-bills by reducing cash, it have also added exposure to 3+ g-sec to take advantage of flattening yield curve scenario.
- In order to improve YTM in a steep yield curve scenario, fund may look for appropriate opportunity to add in mid segment AAA bonds/G-sec, more so when expectations may be of a flattening of yield curve which is likely till liquidity from the system gets squeezed off by RBI and long yields remain supported.
- Attractive spread assets like State Development loan and liquid Corporate Bonds seems to be the asset class fund may look to invest in.

Source: ACEMF as on 30th Nov , 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Portfolio Attributes

Maturity spreads			
	Nov-21	Oct-21	Change (bps)
0-6 M	23.79	27.58	-379
6M- 1 Y	11.92	3.65	827
1Y - 2Y	26.81	34.83	-802
2Y – 3Y	13.35	19.17	-582
3+ Years	24.13	14.77	936
Total	100	100	

Debt ratio		
	Nov-21	Oct-21
YTM	4.82%	4.70%
Average Maturity	1.87 Years	1.61 Years
Modified Duration	1.64 Years	1.42 Years
Macaulay Duration	1.72 Years	1.49 Years

- As can be seen yield curve from 1-3 years is up by 10-25 bps across the yield curve; fund have exited partly in that segment of corporate bond as widening may continue further.
- Fund has addition of ~10% in 3Y+ g-sec component as a steep and flattening yield curve provides higher carry and some stability
- Fund will continue its approach of investing at shorter end to benefit from rise in yield.

Source: ACEMF as on 30th Nov , 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Why Invest now in MASTF?

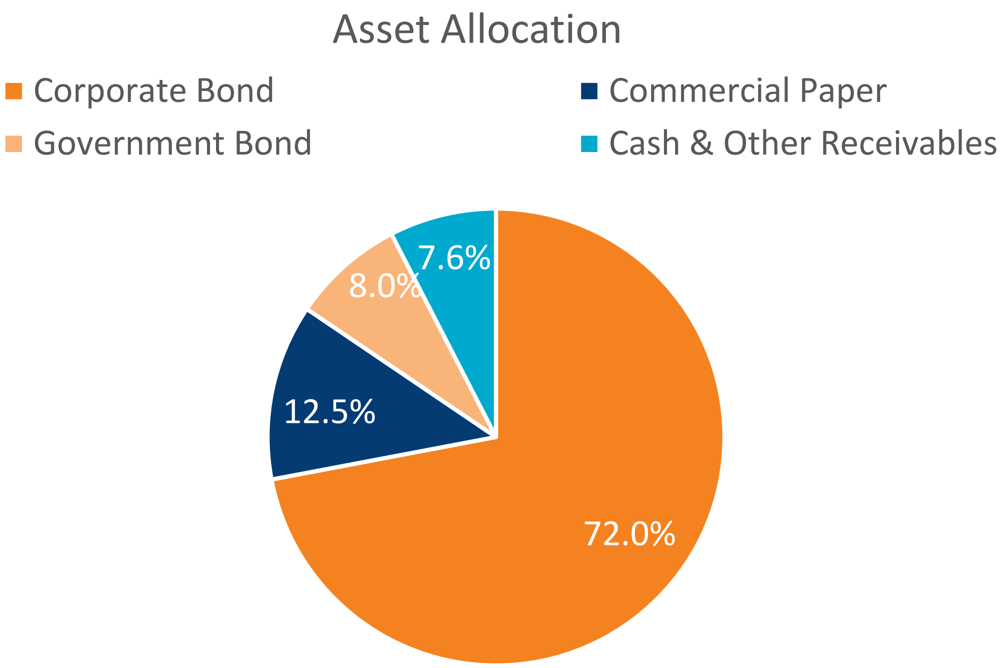
- With expectation of yield curve flattening, short term rates expected to go up and long term are generally volatile, medium term are sweet spot having combination of expected range bound yields and less volatility.
- Fund will continue its approach of investing at shorter end to benefit from rise in yield.

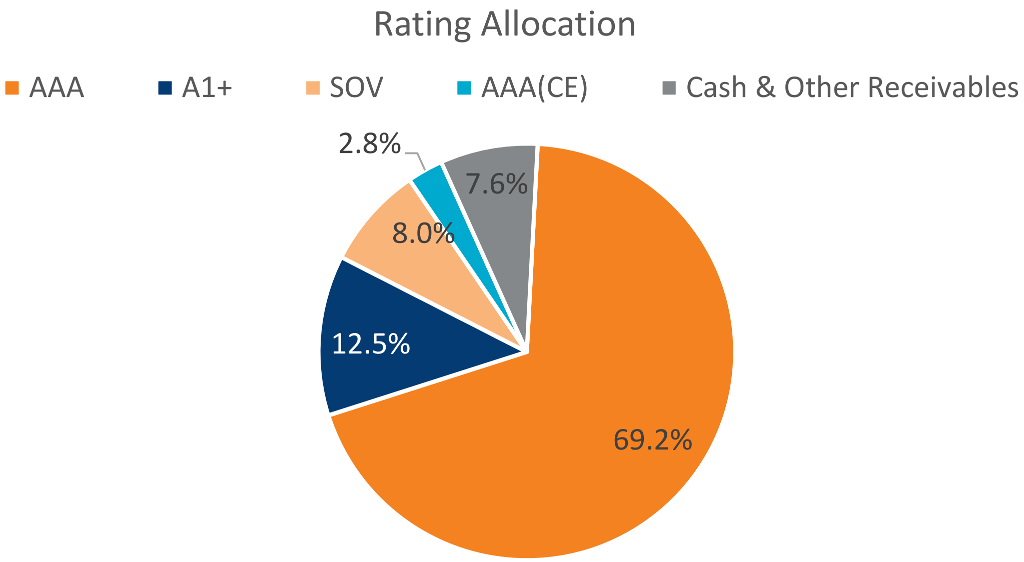
Source: ACEMF as on 8th Dec, 2021. Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Mirae Asset Banking and PSU Debt Fund (MABPDF)

(An open ended debt scheme predominantly investing in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds. A relatively high interest rate risk and moderate credit risk.)

Portfolio Attributes





- Fund will continue its approach of investing at shorter end money market commercial papers / bonds to benefit from rise in yield by reducing exposure in 2-3 years corporate bonds.
- Attractive spread assets like State Development loan and liquid PSU Bonds seems to be the asset class fund may look to invest in.

Source: ACEMF as on 30th Nov, 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Portfolio Attributes

Maturity spreads			
	Nov-21	Oct-21	Change (bps)
0-6 M	20.04	20.16	-12
6M- 1 Y			
1Y - 2Y	43.23	36.14	709
2Y – 3Y	9.73	18.13	-840
3+ Years	27	25.57	143
Total	100	100	

Debt ratio		
	Nov-21	Oct-21
YTM	4.85%	4.86%
Average Maturity	2.32 Years	2.34 Years
Modified Duration	1.95 Years	1.98 Years
Macaulay Duration	2.06 Years	2.10 Years

- Fund have reduced allocation in 2 - 3 years papers and remain majorly invested in short end of yield curve. It has also reduced cash component by investing in short tenure commercial papers and below five-year G-sec.
- Fund maintained duration of around 1.5-.2.25 years. YTM of the fund remained same broadly on MoM basis. Fund remained in Q1 for the month as we have benefitted from our positioning of G-sec in lieu of flattening yield curve scenario.

Source: ACEMF as on 30th Nov, 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Why Invest now in MABPDF?

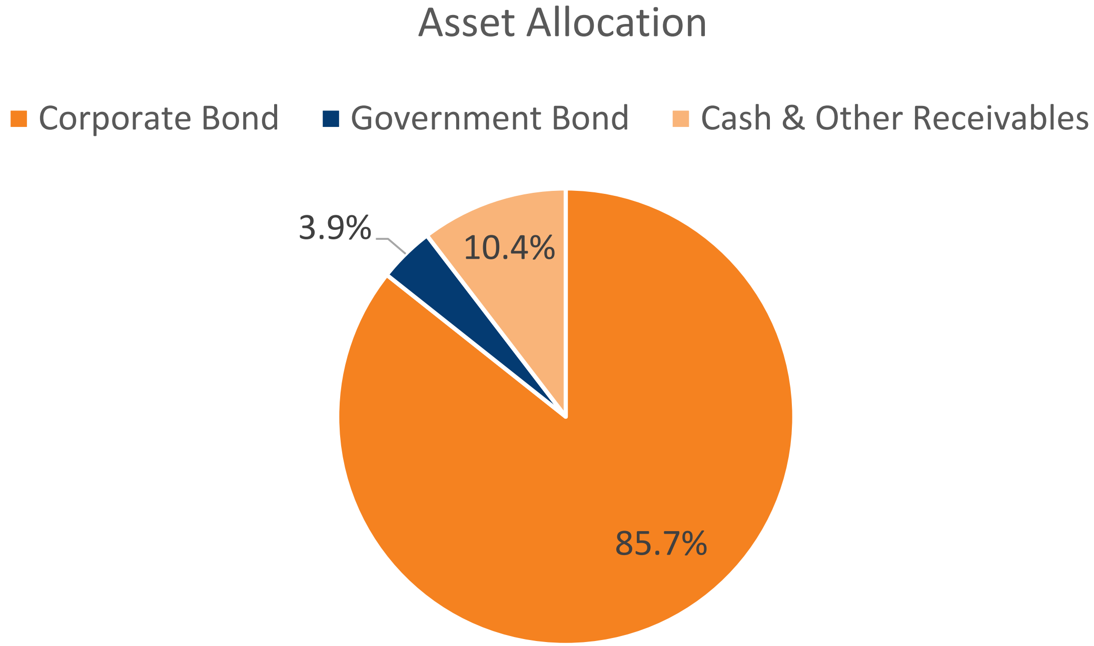
- In addition, looming risk of new Variant of corona virus, fund would be balancing duration and YTM of the portfolio by investing in PSU bonds/G-sec of mid to long segment., more so when expectations may be of a flattening of yield curve which is likely till liquidity from the system gets squeezed off by RBI and long yields remain supported.
- With expectation of yield curve flattening, short term rates expected to go up and long term are generally volatile, medium term are sweet spot having combination of expected range bound yields and less volatility.

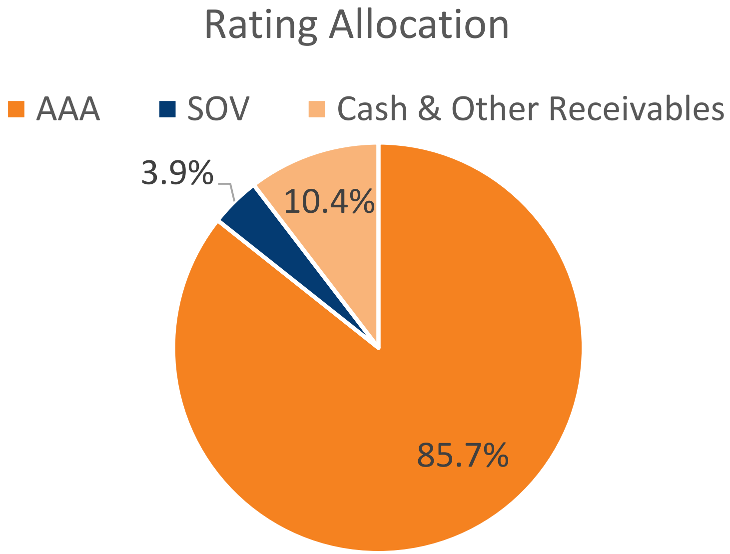
Source: ACEMF as on 30th Nov, 2021. Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Mirae Asset Corporate Bond Fund

(An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively high credit risk.)

Portfolio Attributes





Maturity spreads

	Oct-21	Oct-21	Change (bps)
Upto 12 Months	26.31	17.63	868
1 to 3 Years	57.68	66.67	-899
3 to 5 Years	16.01	15.71	30
Above 5 Years	-	-	-
Total	100	100	

It has reduced its allocation in above 1 -3 years papers and increased allocation less than 12 Months maturity.

Debt ratio

	Nov-21	Oct-21
YTM	4.93%	4.96%
Average Maturity	1.90 Years	2.05 Years
Modified Duration	1.66 Years	1.80 Years
Macaulay Duration	1.75 Years	1.90 Years

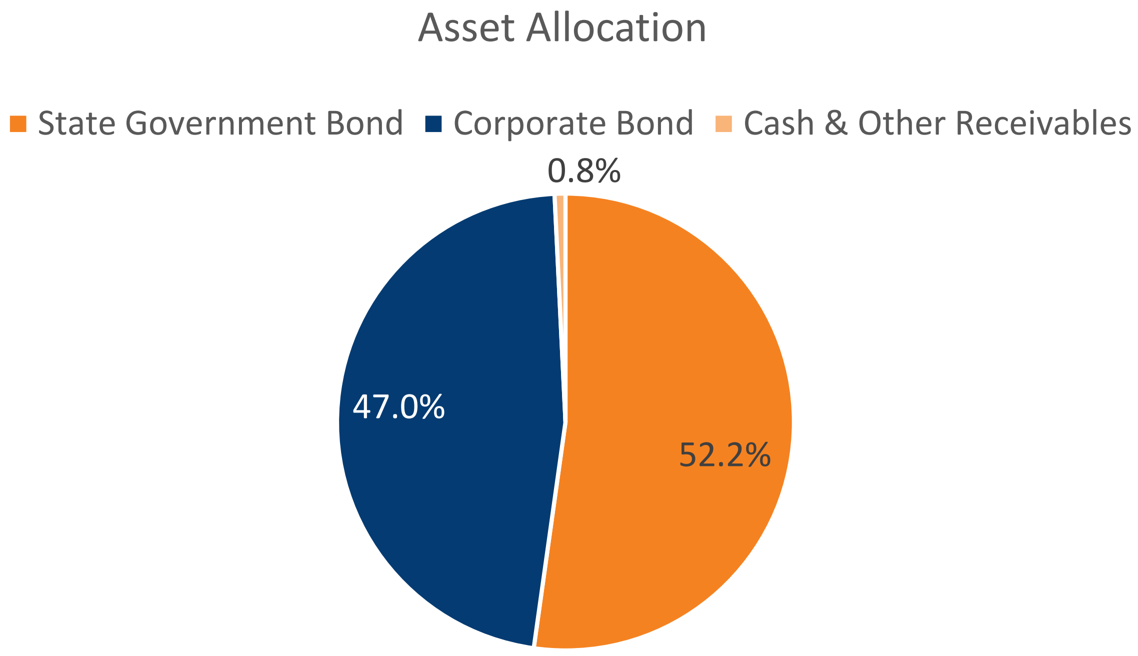
Fund will continue its approach of investing at shorter end money market commercial papers / bonds to benefit from rise in yield by reducing exposure in 2-3 years corporate bonds

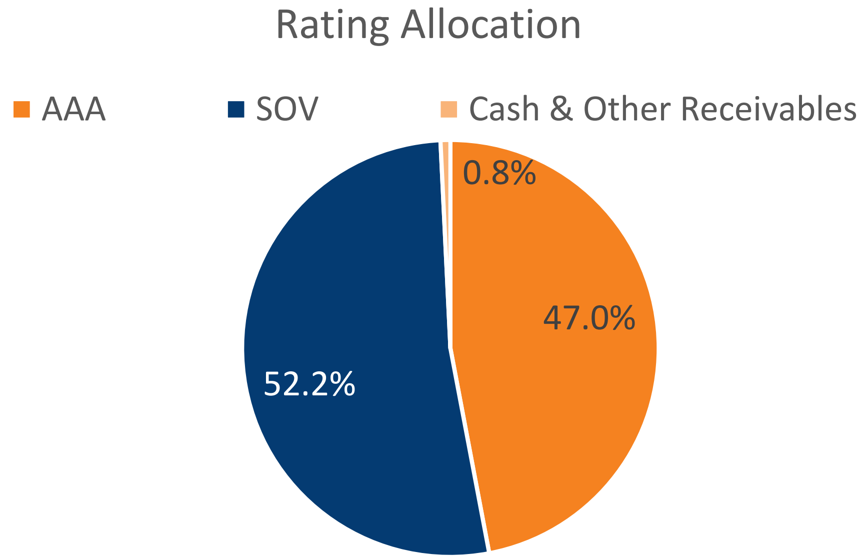
Source: ACEMF as on 30th Nov, 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ . Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

Mirae Asset Dynamic Bond Fund

(An Open-ended dynamic debt scheme investing across duration. A relatively high interest rate risk and relatively high credit risk.)

Portfolio Attributes





Debt ratio	
	Nov-21
YTM	6.14%
Average Maturity	5.29 Yrs
Modified Duration	4.13 Yrs
Macaulay Duration	4.39 Yrs

- Fund is following roll down strategy by investing in SDL and AAA PSU.
- Investing in accrual roll down strategy at the time when yields have risen, may potentially lead to capital appreciation due to roll down effect of the yield curve

Source: ACEMF as on 30th Nov, 2021. For complete portfolio, please visit https://www.miraeassetmf.co.in/ . Investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document.

PRODUCT LABELLING

Mirae Asset Short Term Fund is suitable for investors who are seeking*

- Optimal returns over short term
- Investment in an actively managed diversified portfolio of debt and money market instruments including REITs & InvITs

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

Scheme Riskometer

Investors understand that their principal will be at Low to Moderate Risk

Scheme Benchmark: CRISIL Short Term Bond Fund Index

Benchmark Riskometer

The Benchmark is at Moderate Risk

Potential Risk Class Matrix (PRC)

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

PRODUCT LABELLING

Mirae Asset Banking and PSU Debt Fund is suitable for investors who are seeking*

- Income over short to medium term
- To generate income / capital appreciation through predominantly investing in debt and money market instruments issued by Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds

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

Scheme Riskometer

Investors understand that their principal will be at Moderate Risk

Scheme Benchmark: NIFTY Banking and PSU Debt Index

Benchmark Riskometer

The Benchmark is at Moderate Risk

Potential Risk Class Matrix (PRC)

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

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.

Scheme Riskometer

Investors understand that their principal will be at Low to Moderate Risk

Scheme Benchmark: NIFTY Corporate Bond Index

Benchmark Riskometer

The Benchmark is at Moderate Risk

Potential Risk Class Matrix (PRC)

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

PRODUCT LABELLING

Mirae Asset Dynamic Bond Fund is suitable for investors who are seeking*

- Optimal returns over short to medium term
- To generate optimal returns through active management of a portfolio of debt and money market instruments

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

Scheme Riskometer

Investors understand that their principal will be at Moderate Risk

Scheme Benchmark: CRISIL Composite Bond Fund Index

Benchmark Riskometer

The Benchmark is at Moderate Risk

Potential Risk Class Matrix (PRC)

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

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.

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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

Please consult your financial advisor or mutual fund distributor before investing