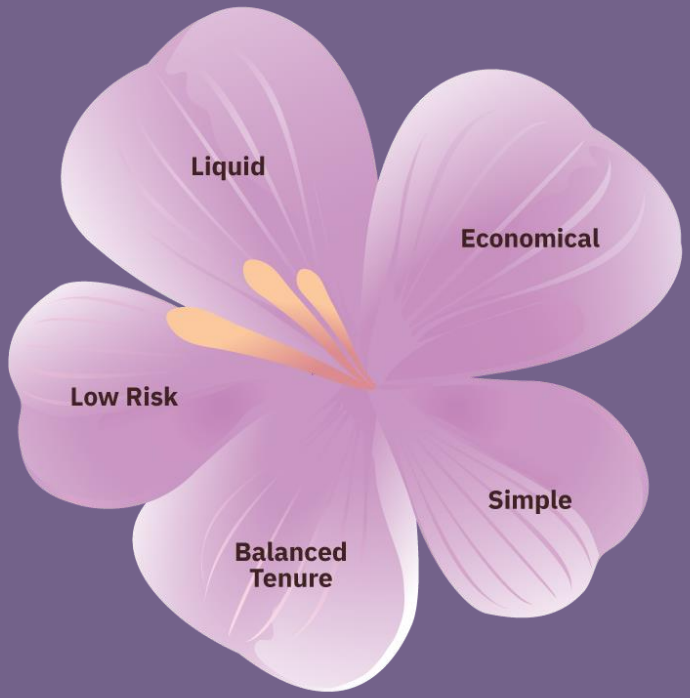
Introducing Motilal Oswal 5 Year G-Sec ETF

5 Benefits for a bright future



- **Low Risk:** Backed by the Government of India
- **Liquid:** Trades like a share on stock exchanges
- **Economical:** It's passively managed
- **Balanced Tenure:** Falls in a sweet spot between short & long duration
- **Simple:** Tracks only one security

NFO

Closes on 04th December, 2020

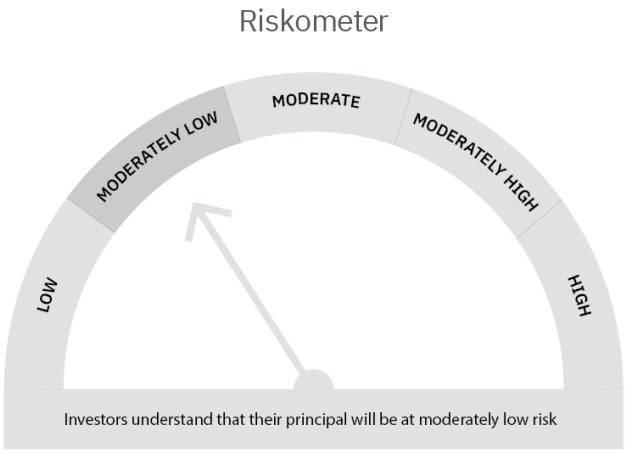
INDEX FUNDS by MOTILAL OSWAL

Product Suitability

This product is suitable for investors who are seeking*

Motilal Oswal 5 Year G-sec ETF

- Return that corresponds to the performance of Nifty 5yr Benchmark G-sec Index subject to tracking error
- Investment in securities of Nifty 5yr Benchmark G-sec Index



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Attributes of different asset classes

Asset Class	Risk	Role
Cash	Least risky	Provides liquidity
Fixed Income	Low to medium	Provides periodic interest income but may have credit risk
Gold	Low to medium	Acts as inflation hedge
Real estate	High	Earns rental income and have potential for capital appreciation but have higher transaction cost and relatively illiquid
Equities	High	Potential to generate inflation beating return but comes with volatility

Finding the right mix of asset class (typically with lower correlation) may help generate better risk adjusted returns

The above list is illustrative and not exhaustive

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Why Fixed Income Securities

Diversification

- Historically fixed income securities have had **lower correlation with equities**
- **Help reduce** portfolio **volatility**

Capital Preservation

- Higher quality fixed income securities are ideal for **capital preservation**
- Although there is still risk to the capital in case the issuer does not make the payment; **sovereign bond are considered to have no credit risk**

Steady Income

- As the name suggests-these securities provide **regular**, predictable **coupon** payments
- Dividends are at the discretion of the company, while coupons are **legally binding**

Preferential Tax Treatments

- Some securities may have preferential tax treatments
- **Bonds** attract STCG as per slab rate(<3yrs) & LTCG at 20%(>3yrs) with **indexation benefit**

The above list is illustrative and not exhaustive

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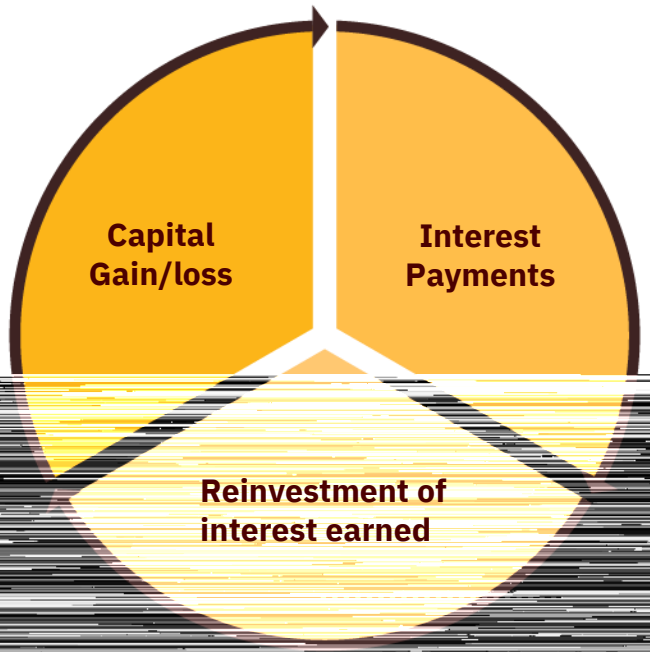
Fixed Income- Risk/Return Sources

Sources of Return



Sources of Risk

- Interest Rate Risk
- Inflation risk
- Liquidity risk
- Credit Risk

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Blending G-sec With Domestic Equities

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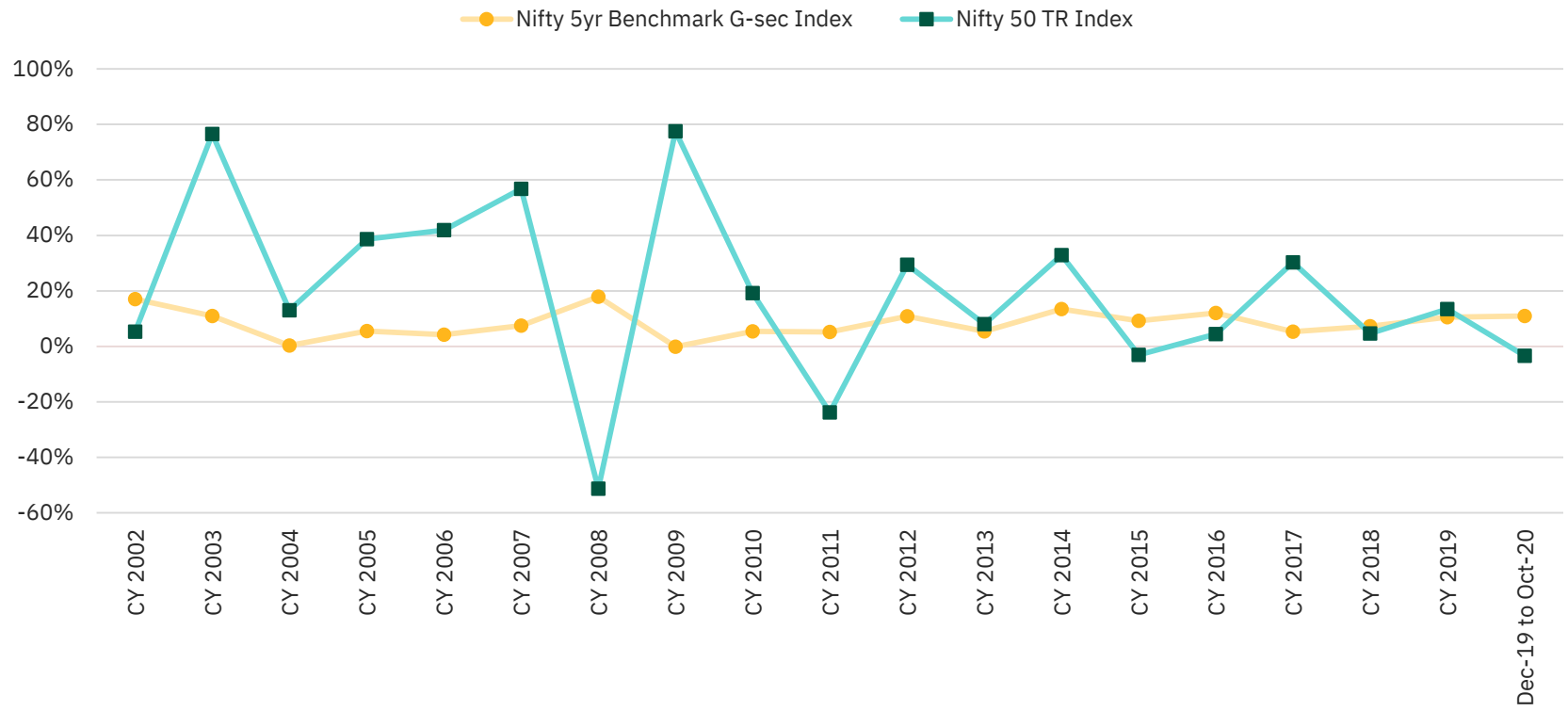
Calendar year return



Bonds experience a lower fluctuation of returns compared to equities

Data Source: www.niftyindices.com. Performance Data from 31-Dec-2001 – 31-Oct-2020; Above analysis shows calendar year returns. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

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Hypothetical Portfolio Allocations

Historically Debt/Bonds (Government Securities) have had **very low correlation of ~14% with domestic equities**, which offers very good diversification opportunity

Following Hypothetical Allocations between G- Sec and Domestic Equities studied:

#	Portfolio Name	Domestic Equity (Nifty 50 TRI)	Debt (Nifty 5 yr G-sec)
1.	Nifty 5 yr G-sec	100%	0
2.	**Nifty 50: Nifty 5 yr G-sec (60:40)**	**60%**	**40%**
3.	**Nifty 50: Nifty 5 yr G-sec (40:60)**	**40%**	**60%**
4.	Nifty 50 TR index	0%	100%

Data Source: www.niftyindices.com. Correlation of daily total returns as of Close of 31-Oct-2005 to 31-Oct-2020. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future.

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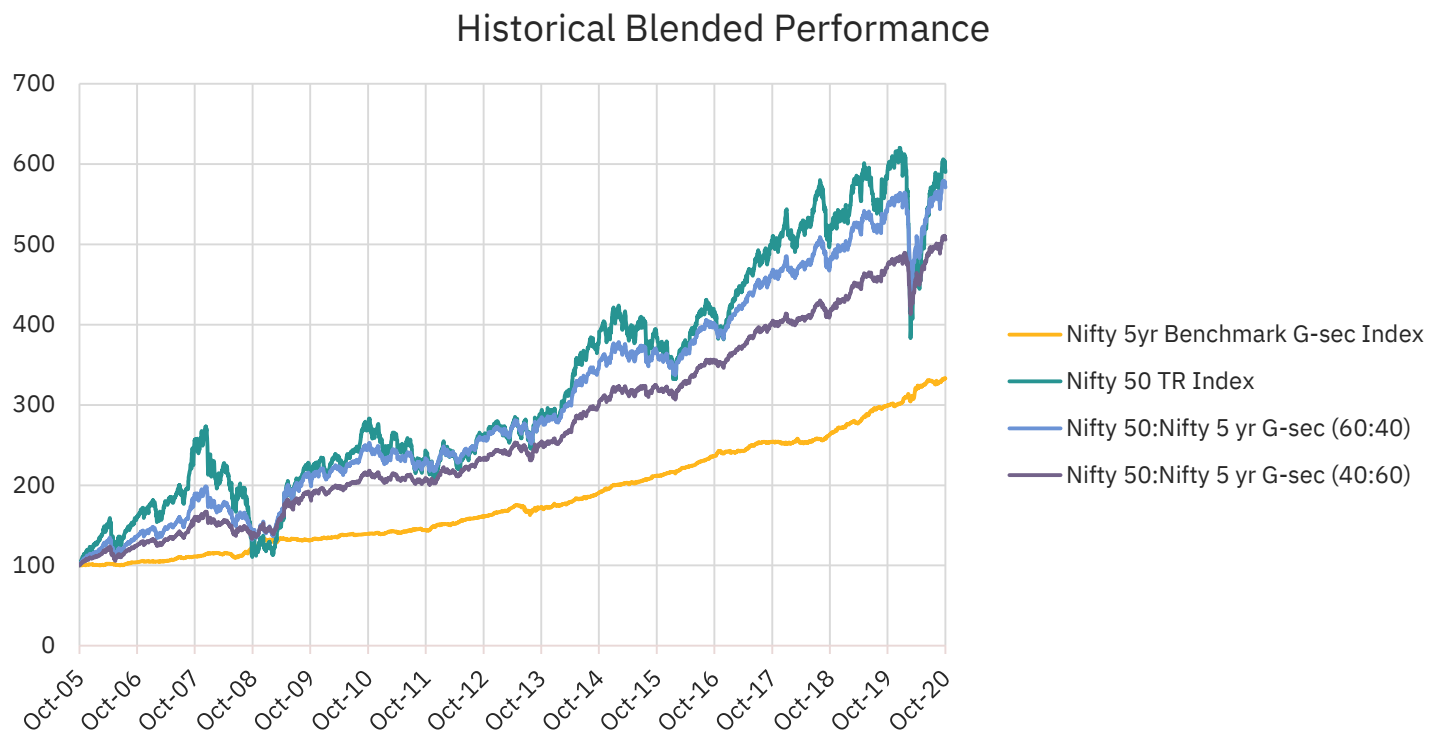
Blending Nifty 5 yr. with domestic equities helps increase portfolio returns

The blended debt-equity portfolio helps reduce volatility and enhances portfolio risk adjusted returns



Data Source: www.niftyindices.com. Performance as of Close of 31-Oct-2005 to 31-Oct-2020. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

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Risk Returns Profile of Indices: Blended Portfolio

	Data Label	1 year	3 year	5 year	7 year	10 year	15 year
Annualised Returns	Nifty 5 yr G-sec Index	11.2%	9.5%	9.5%	9.8%	9.1%	8.4%
	Nifty 50: Nifty 5 yr G-sec (60:40)	4.0%	7.1%	9.4%	10.5%	8.8%	12.3%
	Nifty 50: Nifty 5 yr G-sec (40:60)	6.4%	7.9%	9.5%	10.3%	9.0%	11.4%
	Nifty 50 TR index	-1.0%	5.4%	9.0%	10.5%	8.1%	12.6%
Annualised Volatility	Nifty 5 yr G-sec Index	4.5%	3.5%	3.1%	3.0%	3.4%	3.6%
	Nifty 50: Nifty 5 yr G-sec (60:40)	16.8%	11.8%	10.3%	10.0%	10.4%	13.4%
	Nifty 50: Nifty 5 yr G-sec (40:60)	11.3%	8.0%	7.0%	6.9%	7.2%	9.2%
	Nifty 50 TR index	30.7%	20.9%	18.0%	17.2%	17.5%	22.8%
Risk Adjusted Returns	Nifty 5 yr G-sec Index	2.46	2.69	3.08	3.27	2.69	2.35
	Nifty 50: Nifty 5 yr G-sec (60:40)	0.23	0.60	0.91	1.04	0.85	0.92
	Nifty 50: Nifty 5 yr G-sec (40:60)	0.57	0.99	1.35	1.49	1.25	1.23
	Nifty 50 TR index	-0.03	0.26	0.50	0.61	0.47	0.55

Data Source: Index Values - www.niftyindices.com. Performance as of Close of 31-Oct-2005 to 31-Oct-2020. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

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Returns during stress period

During period of stress, blended portfolio noted relatively lesser drawdowns

Period of stress	Nifty 50 TRI	Nifty 5 yr Benchmark G-sec Index	Nifty 50:Nifty 5 yr G-sec (60:40)	Nifty 50:Nifty 5 yr G-sec (40:60)
Global Financial Crisis (01-Jan-2008 To 27-Feb-2009)	-54.4%	16.4%	-27.0%	-12.8%
Taper Tantrum (01-Jan-2013 To 30-Aug-2013)	-7.2%	1.0%	-3.9%	-2.3%
Yuan Devaluation (03-Aug-2015 To 29-Feb-2016)	-18.0%	5.7%	-8.8%	-4.1%
COVID-19 (19-Feb-2020 To 23-Mar-2020)	-37.1%	-1.7%	-22.6%	-15.6%

Source- www.niftyindices.com. Performance data as on close of 01-Jan-2008 to 31-Oct-2020. Above analysis shows absolute returns. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph/table is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

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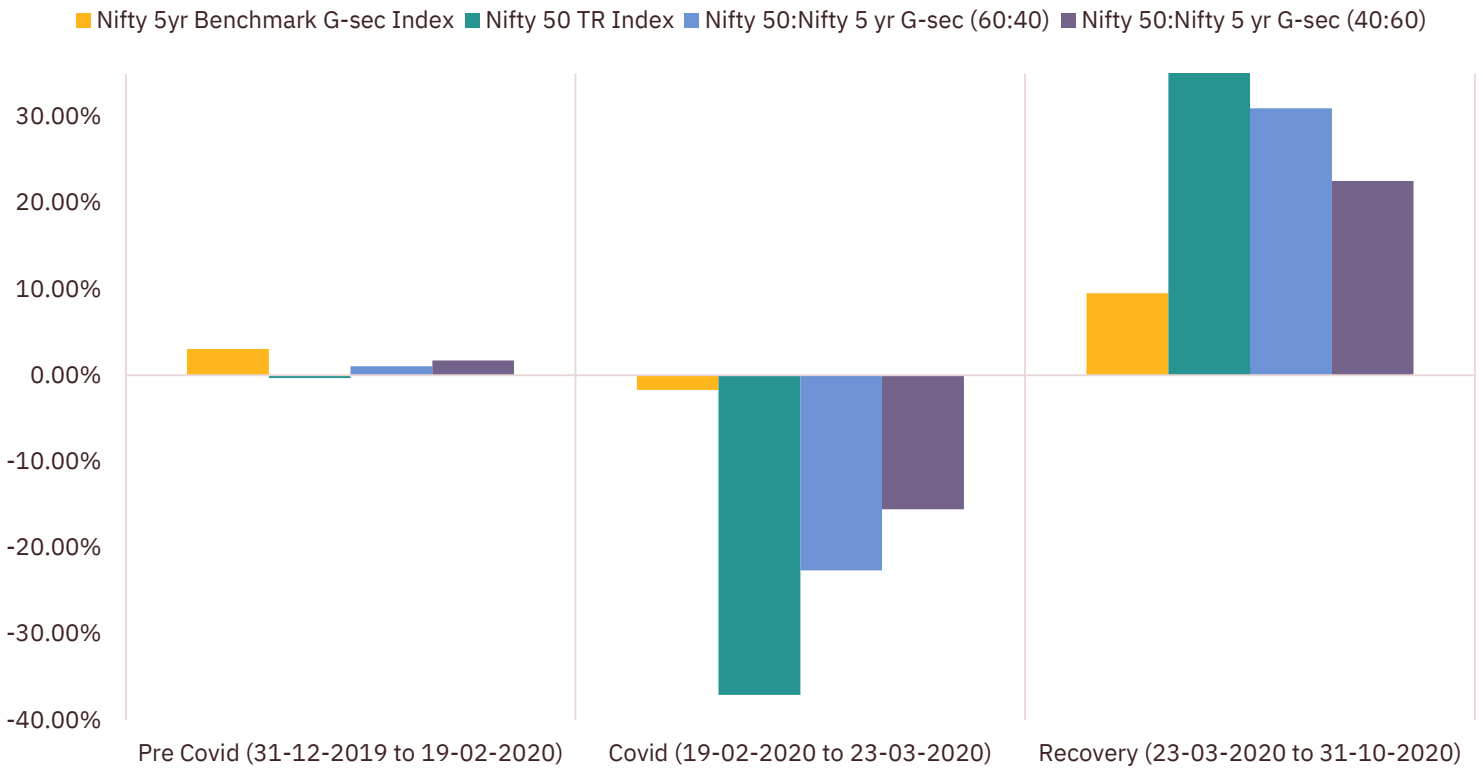
Index Performance During Covid 19 Pandemic

The blended portfolio experienced lesser drawdown as compared to pure equity portfolio



Data Source: Index Values - www.niftyindices.com. Performance as of Close of 31-Dec-2019 to 31-Oct-2020. Performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve. Past performance may or may not be sustained in future. The above table/graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy.

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4 Reasons to Invest in Motilal Oswal 5 Year G-sec ETF

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1

'NO' Default Risk

(G-secs backed by Government of India)

2

Low Cost

(Passively managed hence low cost)

3

Alternative to Fixed Deposits

(No Lock-in, Indexation Benefit, Historical outperformance)

4

Diversification benefit

(Low correlation with equities)

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MOTILAL OSWAL ASSET MANAGEMENT

Key Take Away

1. Motilal Oswal Nifty 5 yr Benchmark G-Sec ETF **offers investors an opportunity to invest in most liquid G-sec** in the 5 year segment

2. With no lock-in, indexation benefit, and historical higher pre & post tax returns over Fixed Deposits, the **Nifty 5 yr. Benchmark G-Sec Index can be good alternative to traditional Fixed Deposits.**

3. Nifty 5 yr. Benchmark G-sec index has **noted outperformance to short duration and long duration G-Sec** in terms of 3 yr. rolling returns and absolute returns

4. Nifty 5 Yr. Benchmark G-Sec with it's **low correlation with equities**, offers diversification opportunity helping investors reduce overall **portfolio volatility**

5. Given the duration of Nifty 5 Yr. Benchmark G-Sec Index, it falls in the **sweet spot between short and long duration G-Sec**

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Passive Investments - The Scheme is not actively managed. Since the Scheme is linked to index, it may be affected by a general decline in the Indian markets relating to its underlying index. The Scheme as per its investment objective invests in Securities which are constituents of its underlying index regardless of their investment merit. The AMC does not attempt to individually select stocks or to take defensive positions in declining markets.

Risks associated with investing in Government of India Securities

- Market Liquidity risk with fixed rate Government of India Securities even though the Government of India Securities market is more liquid compared to other debt instruments, on certain occasions, there could be difficulties in transacting in the market due to extreme volatility leading to constriction in market volumes. Also, the liquidity of the Scheme may suffer in case the relevant guidelines issued by Reserve Bank of India undergo any adverse changes.
- Interest Rate risk associated with Government of India Securities - while Government of India Securities generally carry relatively minimal credit risk since they are issued by the Government of India, they do carry price risk depending upon the general level of interest rates prevailing from time to time. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates decline, the prices of fixed income securities increase. The extent of fall or rise in the prices is a function of the coupon rate, days to maturity and the increase or decrease in the level of interest rates. The price-risk is not unique to Government of India Securities. It exists for all fixed income securities. Therefore, their prices tend to be influenced more by movement in interest rates in the financial system than by changes in the government's credit rating. By contrast, in the case of corporate or institutional fixed income Securities, such as bonds or debentures, prices are influenced by their respective credit standing as well as the general level of interest rates.

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully

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Thank You

" You should have a strategic asset allocation mix that assumes that you don't know what the future is going to hold"

- By *Ray Dalio*

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