

# Introducing Motilal Oswal 5 Year G-Sec FoF

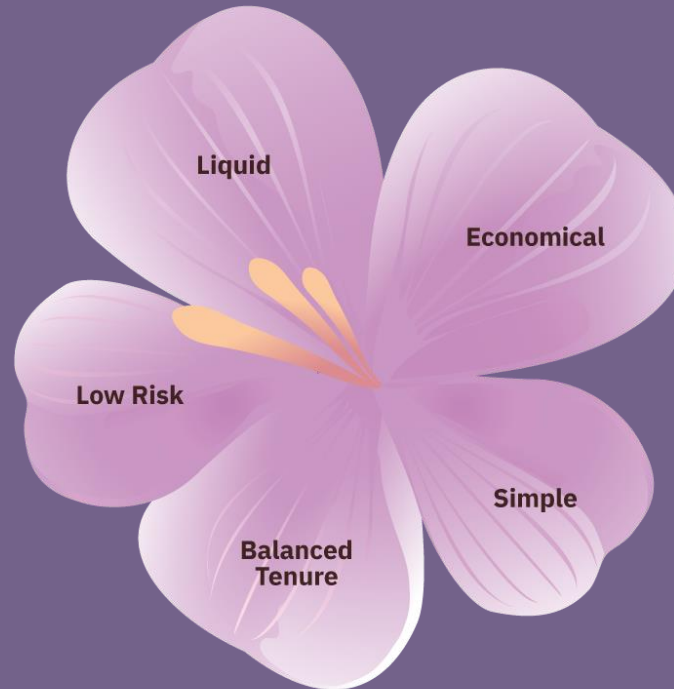
(An open ended fund of funds scheme investing in units of Motilal Oswal 5 Year G-Sec ETF)

## 5 Benefits for a bright future

31<sup>st</sup> August, 2021

NFO Opens : September 24, 2021

NFO Closes : September 30, 2021



- **Low Risk:** Exposure to Government backed securities
- **Economical:** Invests into low cost passive fund
- **Liquid:** Underlying G-Sec is one of the most liquid security
- **Balanced Tenure:** Falls in a sweet spot between short & long duration
- **Simple:** Easy access to Govt Debt Security

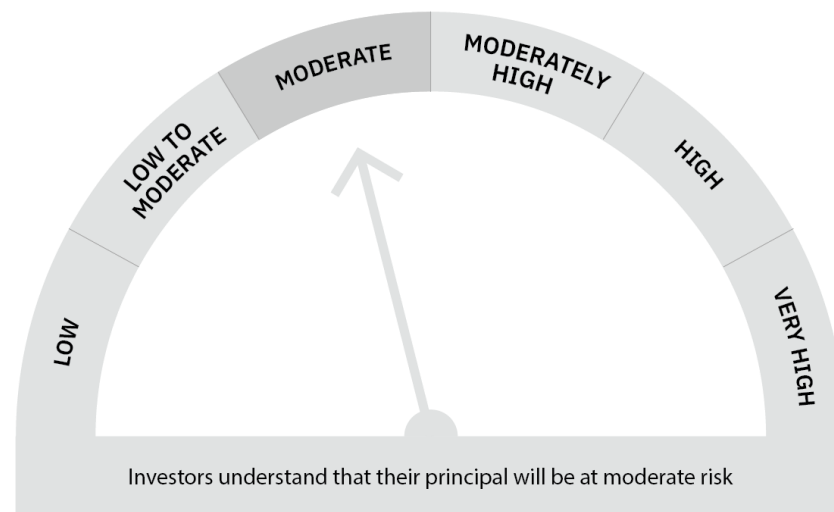
# Product Suitability

This product is suitable for investors who are seeking\*

## Motilal Oswal 5 Year G-sec FoF

- Long term capital appreciation
- Return that corresponds generally to the performance of the Scheme, Motilal Oswal 5 Year G-Sec ETF through investment in units of Motilal Oswal 5 Year G-Sec ETF.

Riskometer



\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

*Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the underlying schemes in which the fund of fund scheme makes investment.*

# 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*

# 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**



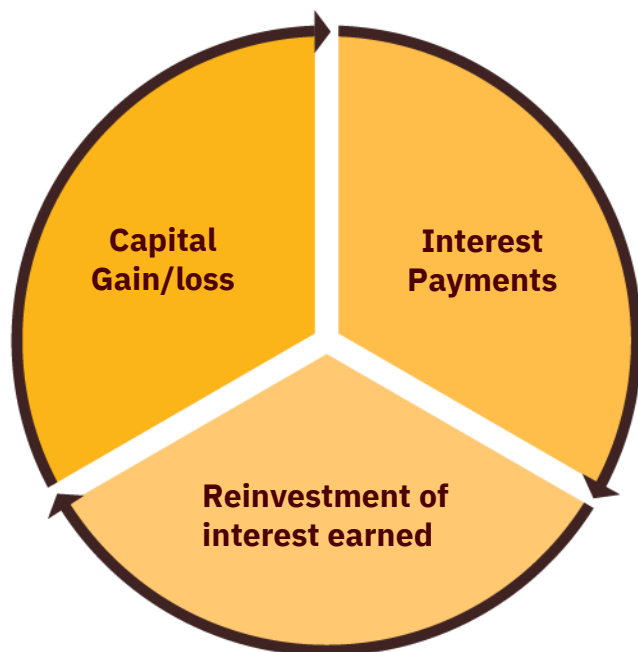
## Preferential Tax Treatments

- 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*

# Fixed Income- risk/return sources

## Sources of Return



## Sources of Risk

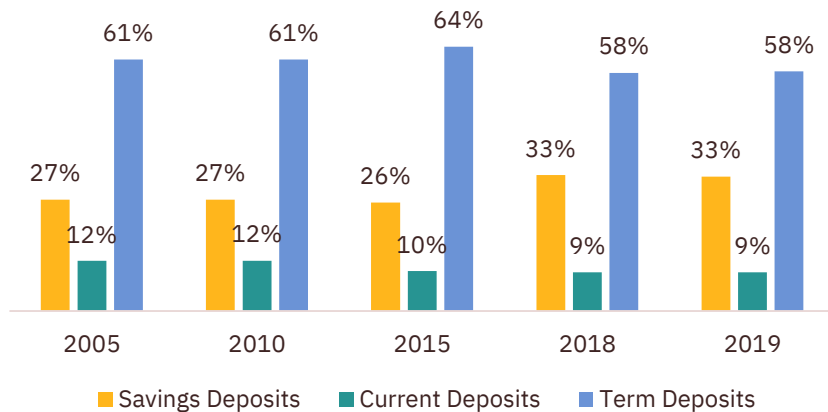


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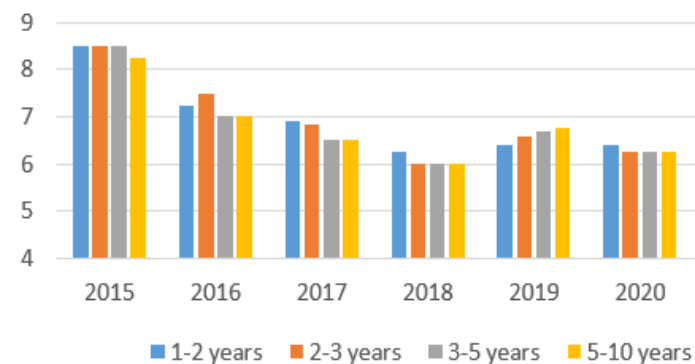
# Fixed Deposits have been losing lustre over the last 5 years

- Fixed Deposits (term deposits) has lost its share to Savings Deposits from the peak of 64% in 2015 to 58% in 2019; the trend is expected to continue due to prevailing low interest rate for fixed deposits environment.
- Shift in preference may be attributed to narrowing spread between Savings deposits and Fixed deposits, consumption preference<sup>1</sup> and availability of wider investment avenues
- Falling interest rates<sup>2</sup> on fixed deposits have prompted the investor to explore different avenues

Share in total deposits<sup>3</sup>



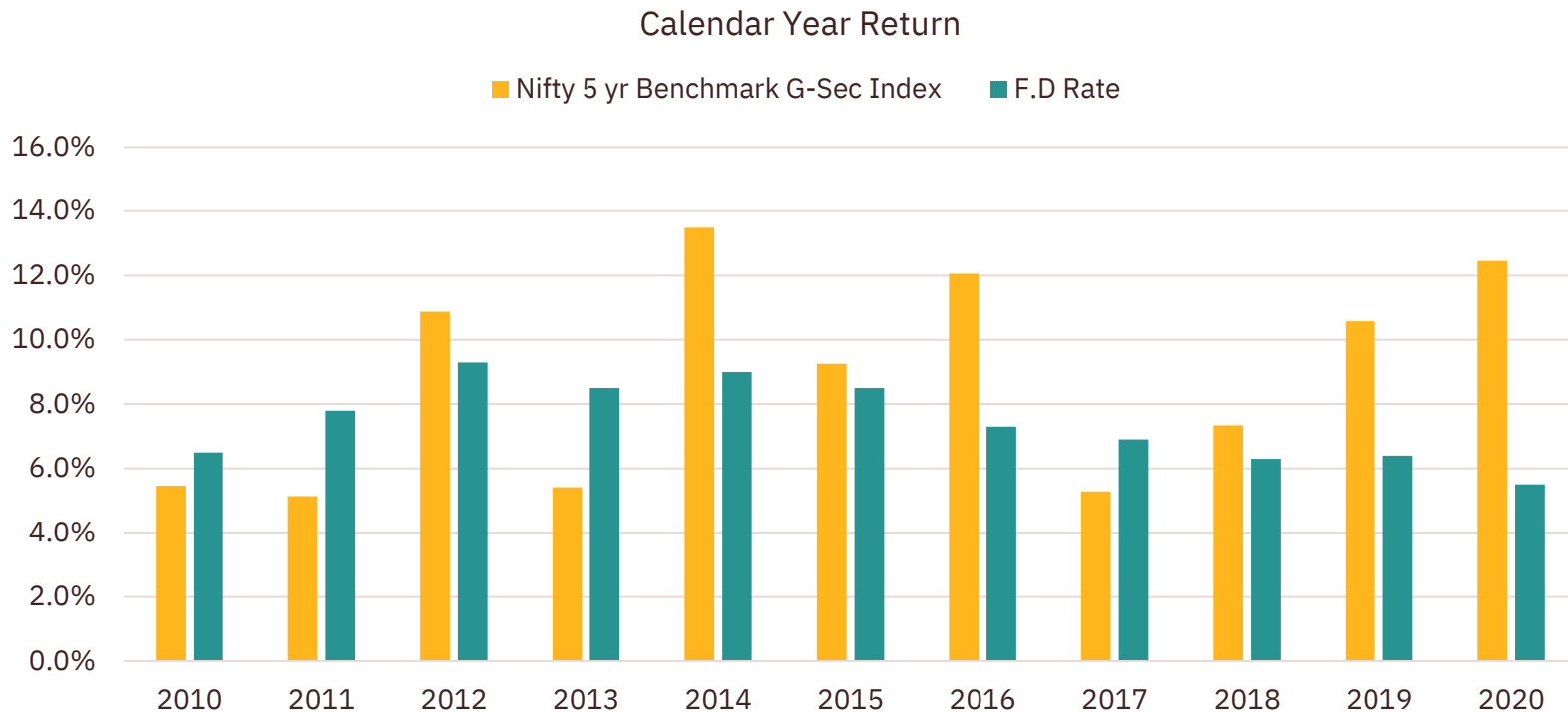
Fixed Deposit Rates<sup>2</sup>



Source – 1 - World Economic Forum, 2 – SBI- Data as 31-Dec-2020. 3 - The data book State of India- 2020 Data as on March 2019, [www.Indiadatahub.com](http://www.Indiadatahub.com). Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future

# Illustrative calendar year returns: Fixed Deposits and Nifty 5 yr. G-sec Index

**5 Yr. G-Sec noted higher calendar year returns in comparison to Fixed Deposits**



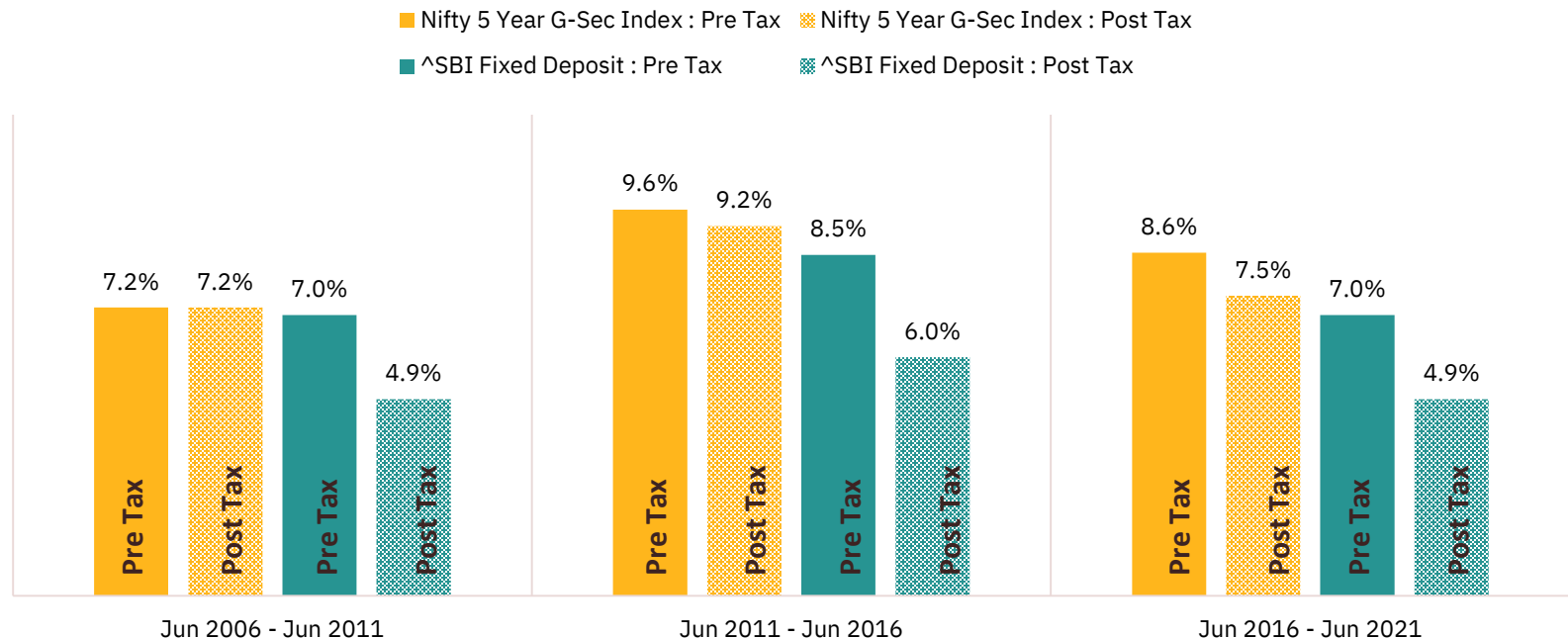
Source: [Historical Fixed Deposit Rates - www.sbi.co.in](http://www.sbi.co.in), [www.niftyindices.com](http://www.niftyindices.com). Fixed deposit rates are represented by SBI F.D rates for 1-2yr tenor. Performance as of Close of 31-Dec-2009 to 31-Dec-2020. Performance results may have inherent limitations 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. It should not be used for development or implementation of any investment strategy.

# Illustration: Indexation benefit makes G-Sec relatively attractive over Fixed Deposit

We compared pre & post tax CAGR of Fixed Deposits & Nifty 5 Year Benchmark G-Sec Index over three blocks of '5-year' periods.

**Nifty 5 yr Benchmark G-sec index has noted higher pre and post tax returns.**

Pre Tax & Post Tax performance



Source- [Historical Fixed Deposit Rates - www.sbi.co.in](http://www.sbi.co.in), Nifty 5 Yr Benchmark G-Sec Index - [www.niftyindices.com](http://www.niftyindices.com). Data from Jun 30, 2006 to Jun 30, 2021. ^Interest rate of SBI term deposits maturing between 5-10 years. Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.



# Illustrative comparison of Fixed income instruments

	PPF	NSC	Bank FD	Debt funds
Returns	7.10%	6.80%	5.40%	*6.17%
Safety	Very Safe	Very Safe	Safe	Market Linked
Tax Benefit	Deduction under Sec 80 C	Deduction under Sec 80 C for both Principal/ Reinvestment of interest	-	-
Taxability of income	Fully tax free	Interest fully taxable	Interest fully taxable	Gains fully taxable before 3 years and at 20% after that (with indexation benefit)
Lock-in	15 years but partial withdrawals allowed	Can't be foreclosed but loans available against them	Can be closed anytime but may entail a fee/penalty	Can be closed anytime

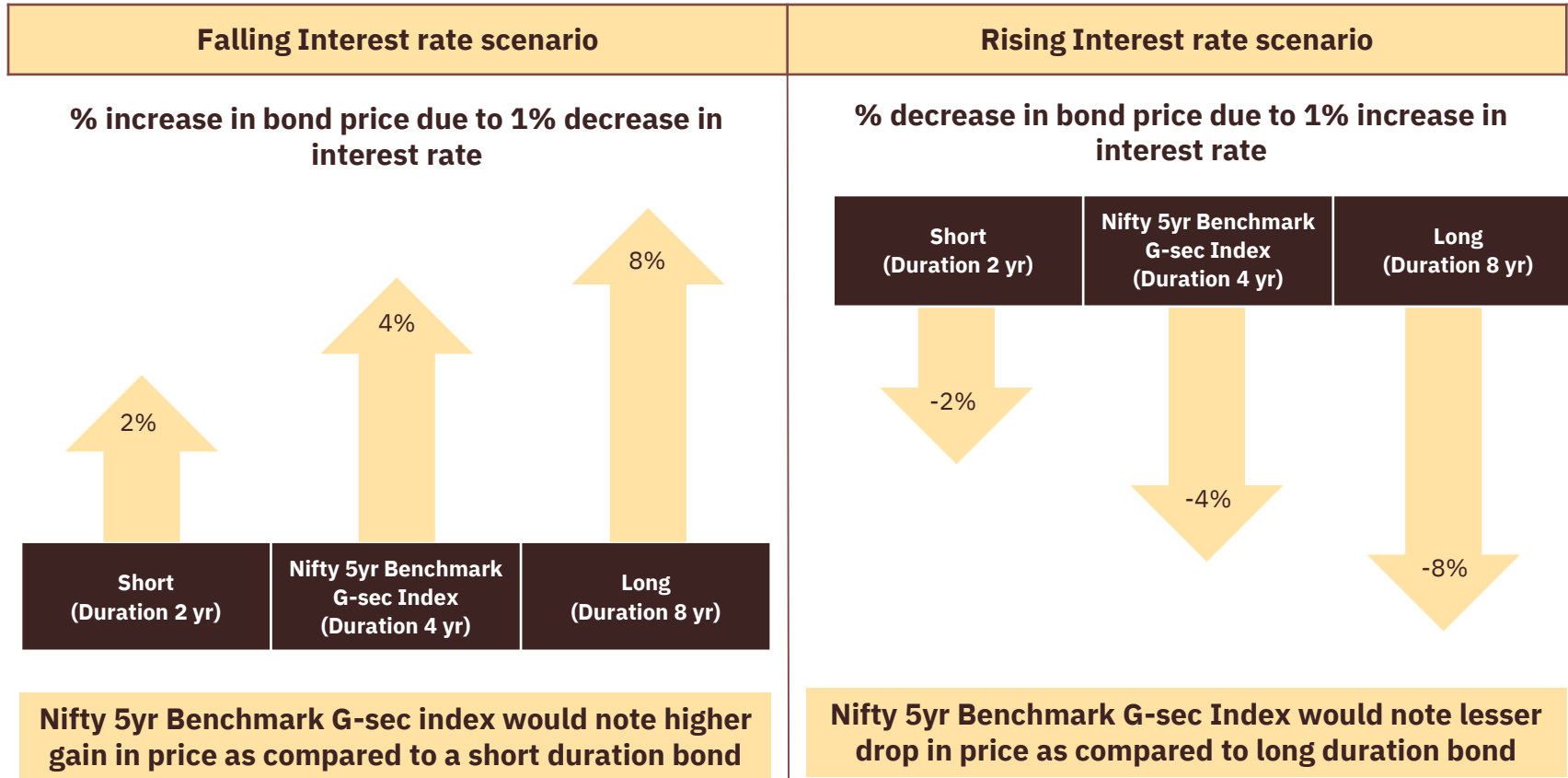
Source- SBI , indiapost.gov.in, ACEMF. Data as on 31-Aug-2021. Bank FD represented by Interest rate on SBI term deposits maturing between 5-10 years \*Simple Avg. of 5-CAGR of medium to long duration and long duration funds have been considered. Hypothetical performance results may have inherent limitations and . no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.

# Pros and Cons of Fixed Income Instruments

Instrument	Pros	Cons
<b>Fixed Deposits</b>	<ul style="list-style-type: none"> <li>• No market related risk</li> <li>• Overdraft facility against FD</li> <li>• Capital protection</li> </ul>	<ul style="list-style-type: none"> <li>• Banking system struggling with poor asset quality and governance issues</li> <li>• Perception of F.D being 'safe' taken hit after few private/co-operative banks placed under corrective actions</li> <li>• No scope for capital gain/loss</li> </ul>
<b>Corporate Bonds</b>	<ul style="list-style-type: none"> <li>• Higher return</li> <li>• Potential for capital gain/loss</li> </ul>	<ul style="list-style-type: none"> <li>• Potential default by reputed issuers</li> <li>• Weakening interest serviceability of the borrowers- especially after pandemic</li> <li>• Poor secondary market liquidity</li> </ul>
<b>G-sec</b>	<ul style="list-style-type: none"> <li>• Practically 'Nil' credit risk</li> <li>• Possibility of capital gain/loss</li> <li>• Good secondary market liquidity</li> </ul>	<ul style="list-style-type: none"> <li>• Does not earn illiquidity and credit risk premium</li> </ul>

*The above list is illustrative and not exhaustive*

# Sweet spot between short and long duration bond



For purpose of illustration the modified duration has been assumed as follows-Short Duration funds- 2yrs, Nifty 5yr - 4yrs and for long duration- 8yrs.Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future

# Performance comparison with active debt schemes

Fund Category	Avg. Regular plan TER	Median Return			
		1 Year	3 Years	5 Years	10 Years
Banking and PSU Fund	0.69	5.4	8.7	7.7	8.3
Corporate Bond	0.70	5.6	8.4	7.6	8.3
Credit Risk Fund	1.54	7.7	4.6	5.6	7.8
Dynamic Bond	1.29	5.0	8.0	6.4	8.1
Floating Rate	0.74	6.2	7.8	7.5	8.3
Gilt Fund with 10 year constant duration	0.54	5.6	11.2	9.1	9.7
Short & Mid Term	1.20	5.0	9.4	7.3	8.6
Low Duration	0.81	4.3	6.3	6.5	7.7
Short Duration	1.04	4.9	7.4	7.0	7.9
Medium Duration	1.41	6.8	5.9	6.1	7.9
Medium to Long Duration	1.63	4.6	8.3	6.5	8.0
Long Duration	1.26	3.1	10.5	7.5	8.4
<b>Nifty 5yr Benchmark G-sec Index</b>	<b>*N.A.</b>	<b>5.5</b>	<b>10.2</b>	<b>8.3</b>	<b>9</b>

**Historically Nifty 5yr Benchmark G-sec Index has noted outperformance over most of the categories in terms of median returns**

Data Source: [www.niftyindices.com](http://www.niftyindices.com), ACE MF. Total expense ratio as of close of 31-July-2021. Performance as of Close of 31-Aug-2021. \*Nifty 5yr Benchmark G-sec Index Has NA TER as it is an index. Performance results may have 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. It should not be used for development or implementation of any investment strategy.

# Performance comparison of top 5 active debt schemes across each category

Fund Category	Avg. Regular Plan TER	Median Return			
		1 Year	3 Years	5 Years	10 Years
Banking and PSU Fund	0.69	5.8	9.1	8.0	8.5
Corporate Bond	0.70	6.4	9.3	7.9	8.9
Credit Risk Fund	1.54	14.3	7.5	7.2	8.3
Dynamic Bond	1.29	8.0	9.6	7.9	9.0
Floating Rate	0.74	6.3	7.8	7.5	8.3
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<b>Nifty 5yr Benchmark G-sec Index</b>	<b>*N.A.</b>	<b>5.5</b>	<b>10.2</b>	<b>8.3</b>	<b>9</b>

**In a longer period, Nifty 5yr Benchmark G-sec Index has matched the performance of top 5 active debt funds in all categories in terms of median returns**

Data Source: [www.niftyindices.com](http://www.niftyindices.com), ACE MF. Total expense ratio as of close of 31-July-2021. Performance as of Close of 31-Aug-2021. \*Nifty 5yr Benchmark G-sec Index Has NA TER as it is an index. Performance results may have 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. It should not be used for development or implementation of any investment strategy.

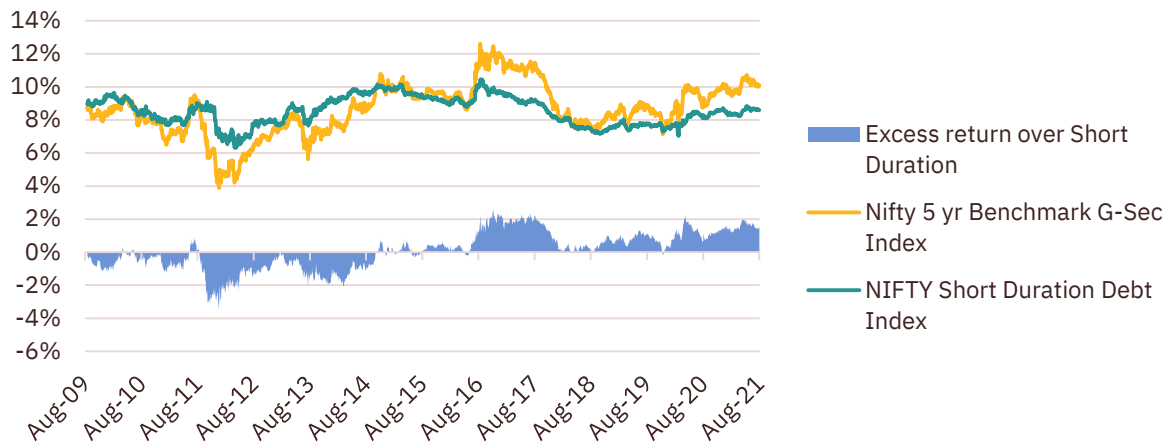
# Indices used for comparative analysis

Index Name	Composition					Duration (in yrs.)	Yield	Approx. No of securities	Replication
	G-sec	AAA rated bonds	AA Category bonds (AA+/AA/AA-)	CP	CD				
Nifty Short Duration Debt Index	✓	✓	✓	✓	✓	1.65	4.85%	~150	Difficult
<b>Nifty 5yr Benchmark G-sec Index</b>	✓	✗	✗	✗	✗	<b>4.04</b>	<b>5.65%</b>	<b>1</b>	<b>Easy</b>
Nifty 10yr Benchmark G-sec Index	✓	✗	✗	✗	✗	7.48	6.22%	1	Easy
Nifty Long Duration Debt Index	✓	✓	✓	✗	✗	7.86	6.82%	~120	Difficult

- Nifty Short Duration Debt Index and Nifty Long Duration Debt Index have **Corporate bonds/CP/CD** as underlying
- In the Indian Debt market context, these securities are relatively illiquid and hence carry **illiquidity premium**
- Also these instruments carry some premium for the inherent **credit risk** they carry
- **G-sec are very liquid and also do not carry credit risk**

Data Source: [www.niftyindices.com](http://www.niftyindices.com). Data as on 31-Aug-2021. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy.

# 3yr rolling return comparison short duration debt index



The Nifty Short Duration Debt Index has approx. **~150 securities** that are a combination of **G-Sec, Corporate Bonds, CP and CD**.

Nifty 5yr Benchmark G-sec Index has **noted outperformance** to Nifty Short Duration Debt Index for **~55%** of times.

3 Year Rolling Returns	Nifty 5yr Benchmark G-sec Index	NIFTY Short Duration Debt Index
Average	8.6%	8.5%
Median	8.6%	8.6%
Min	3.9%	6.3%
Max	12.6%	10.5%
Total Observations (# Days)	2,947	2,947
% Observations with Negative Returns	-	-
% Observations with returns > 5%	97.1%	100%

Data Source: [www.niftyindices.com](http://www.niftyindices.com), AMFI; 250 trading days in a year assumed to calculate rolling returns. Chart using daily 3 year rolling returns. Performance as of Close of Aug 31, 2006 – Aug 31, 2021; Performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.

# 3yr rolling return comparison with long duration debt



The Nifty Long Duration Debt Index has approx. **~120 securities** that are a combination of **G-Sec, Corporate Bonds, CP and CD**.

Nifty 5yr Benchmark G-sec Index has **noted outperformance** to Nifty Short Duration Debt Index for **~66%** of times.

3 Year Rolling Returns	Nifty 5yr Benchmark G-sec Index	NIFTY Long Duration Debt Index
Average	8.6%	8.4%
Median	8.6%	8.0%
Min	3.9%	2.2%
Max	12.6%	14.5%
Total Observations (# Days)	2,947	2,947
% Observations with Negative Returns	-	-
% Observations with returns > 5%	97.1%	97.6%

Data Source: [www.niftyindices.com](http://www.niftyindices.com), AMFI; 250 trading days in a year assumed to calculate rolling returns. Chart using daily 3 year rolling returns. Performance as of Close of Aug 31, 2006 – Aug 31, 2021; Performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.



# 3yr Rolling Return comparison with 10yr G-sec



Nifty 5yr Benchmark G-sec Index has **noted outperformance** to Nifty 10yr Benchmark G-sec Index for **~93%** of times.

3 Year Rolling Returns	Nifty 5yr Benchmark G-sec Index	NIFTY 10yr Benchmark G-sec Index
Average	8.6%	6.6%
Median	8.6%	6.5%
Min	3.9%	-1.7%
Max	12.6%	13.0%
Total Observations (# Days)	2,947	2,948
% Observations with Negative Returns	-	0.8%
% Observations with returns > 5%	97.1%	81.0%

Data Source: [www.niftyindices.com](http://www.niftyindices.com), AMFI; 250 trading days in a year assumed to calculate rolling returns. Chart using daily 3 year rolling returns. Performance as of Close of Aug 31, 2021 – Aug 31, 2006; Performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.

# Feature comparison

Particulars	Motilal Oswal 5yr G-sec Fund of Fund	Corporate Bond Fixed Maturity Plan
<b>No of securities</b>	1	Multiple
<b>Replication</b>	Easy	Relatively difficult
<b>Risk</b>	Moderate	Moderate
<b>Credit risk</b>	Practically 'Risk Free'	Relatively safe
<b>Return Predictability</b>	No	Yes, only if held till maturity
<b>Liquidity</b>	Liquid	Liquid
<b>Tax efficiency- Indexation benefit</b>	Yes	Yes
<b>Low Cost</b>	Yes	Yes
<b>Fixed Maturity</b>	No	Yes
<b>Maturity</b>	Constant maturity	Defined Maturity
<b>Fund deployment</b>	Very quick	Relatively slower

*The above list is illustrative and not exhaustive. Data as of 31-Aug-2021. Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the underlying schemes in which the fund of fund scheme makes investment.*

# About Motilal Oswal 5 Year G-sec Fund of Fund

# Scheme Details



## Investment Objective:

The investment objective of the scheme is to seek returns by investing in units of Motilal Oswal 5 Year G-Sec ETF. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.

## Fund Info:

- **Type of Scheme** - An open ended fund of funds scheme investing in units of Motilal Oswal 5 Year G-Sec ETF
- **Category** - Fund of Fund
- **Benchmark** – Nifty 5 yr Benchmark G-sec Index
- **Entry Load:** NIL
- **Exit Load:** 1%- If redeemed on or before 15 days from the date of allotment. Nil- If redeemed after 15 days from the date of allotment.
- **Plans:** Regular and Direct
- **Continuous offer:** Minimum Application Amount : INR 500/-and in multiples of INR 1/-thereafter
- **Fund Manager** – Mr. Abhiroop Mukherjee - 14 years of experience in fund management and product development
- **Indicative Total Expense Ratio\*** – Direct Plan – 0.03% , Regular Plan – 0.10%
- **Underlying Fund Info** - Please visit <https://www.mostshares.com/products/motilal-oswal-Gsec> for detailed information

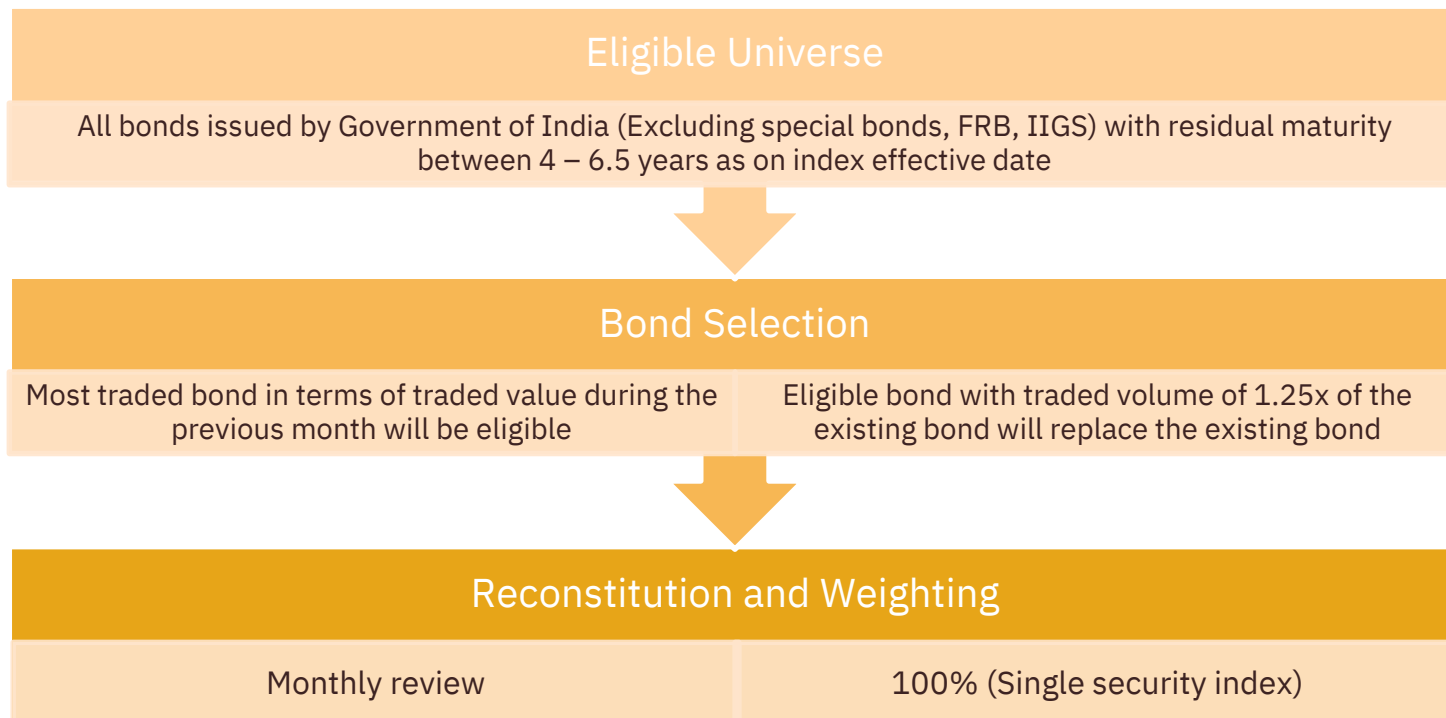
*\*Investors are requested to note that they will be bearing the recurring expenses of the fund of funds (FoF) scheme, in addition to the expenses of underlying schemes in which the fund of funds scheme makes investments. The indicative TER of underlying schemes for Motilal Oswal 5 Year G-Sec ETF is 0.18%*

Source: MOAMC, as of 31-Aug-2021; \*For exact basket size as of date in INR please reach out to Motilal Oswal Asset Management Company or your financial advisor

# About: Nifty 5 yr Benchmark G-sec Index

**Index Objective:** The 'Nifty 5 yr Benchmark G-Sec Index' is a single bond index that measures the performance of the most liquid Government of India bond in the 5 year maturity segment

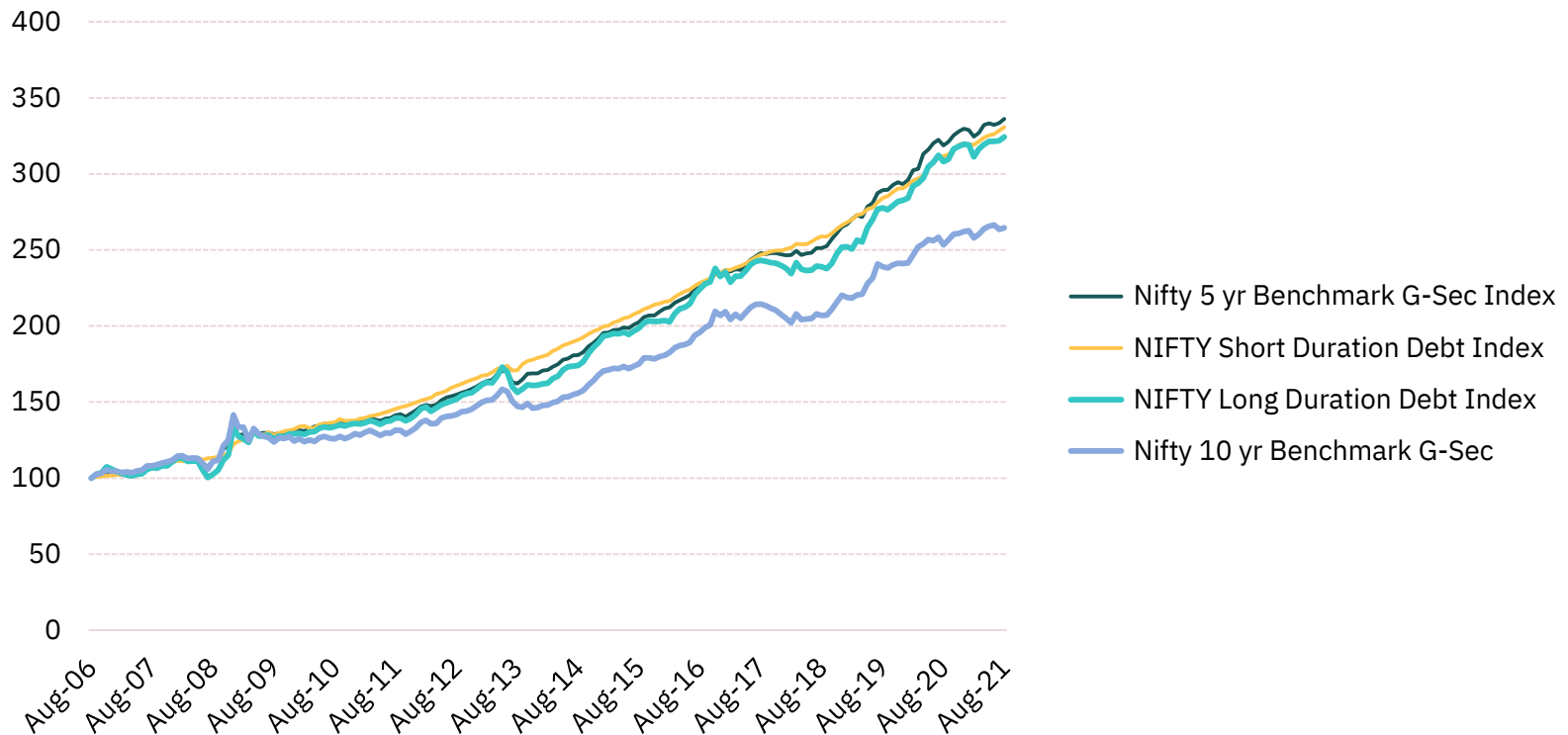
## Index Methodology Snapshot:



Source: [www.niftyindices.com/](http://www.niftyindices.com/), data as of Aug 31, 2021; for detailed index methodology kindly visit [www.niftyindices.com/](http://www.niftyindices.com/)

# Historical index performance

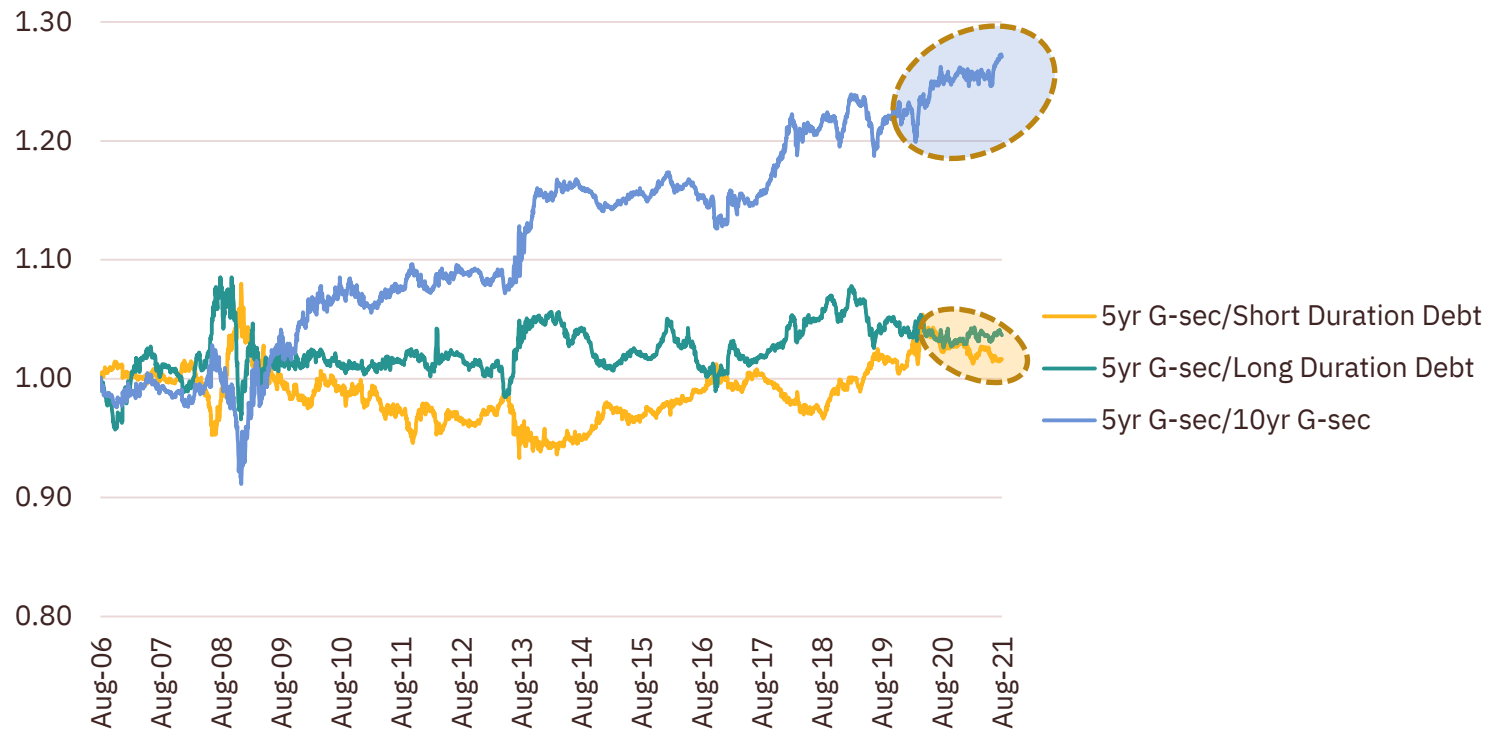
Nifty 5 yr. Benchmark G-sec index has delivered superior returns over indices with longer tenor. It has also noted competitive returns in comparison to the Nifty Short Duration Debt Index



Data Source: [www.niftyindices.com](http://www.niftyindices.com), AMFI; Performance Data from 31-Aug-2006 – 31-Aug-2021; Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future

# Index ratio (relative performance)

The upward sloping line indicates that the 5 Yr G-Sec has outperformed, while a downward sloping line indicates underperformance



Data Source- [www.niftyindices.com](http://www.niftyindices.com), AMFI; Performance Data from 31-Aug-2006 – 31-Aug-2021. 5yr G-sec is represented by Nifty 5yr Benchmark G-sec Index, 10yr G-sec by Nifty 10yr Benchmark G-sec Index, Short Duration Debt by Nifty Short Duration Debt Index, and Long Duration Debt is represented by Nifty Long Duration Debt Index. Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future

# Risk-Return payoff

	Period	Nifty 5yr Benchmark G-sec Index	Nifty 10 yr Benchmark G-Sec Index	NIFTY Short Duration Debt Index	NIFTY Long Duration Debt Index
Annualised Returns	1 year	5.5%	4.4%	6.1%	5.3%
	3 year	10.2%	8.5%	8.5%	10.7%
	5 year	8.3%	6.2%	7.7%	7.6%
	7 year	9.3%	7.8%	8.2%	9.3%
	10 year	9.0%	7.2%	8.6%	8.8%
	15 year	8.4%	6.7%	8.3%	8.2%
Annualised Volatility	1 year	2.7%	3.3%	0.9%	2.8%
	3 year	3.4%	4.7%	1.7%	4.2%
	5 year	3.1%	4.9%	1.5%	4.2%
	7 year	2.9%	4.5%	1.5%	3.9%
	10 year	3.4%	5.3%	1.6%	4.4%
	15 year	3.6%	6.0%	2.2%	5.1%
Risk Adjusted Returns	1 year	2.072	1.362	6.497	1.867
	3 year	2.977	1.825	5.097	2.520
	5 year	2.638	1.255	5.141	1.830
	7 year	3.177	1.746	5.579	2.408
	10 year	2.671	1.362	5.429	2.010
	15 year	2.363	1.123	3.826	1.597

Data Source: [www.niftyindices.com](http://www.niftyindices.com), AMFI; All performance data in INR. Performance Data 31-Aug-2006 – 31-Aug-2021; Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.



# Index SIP Returns: Nifty 5 yr Benchmark G-sec Index



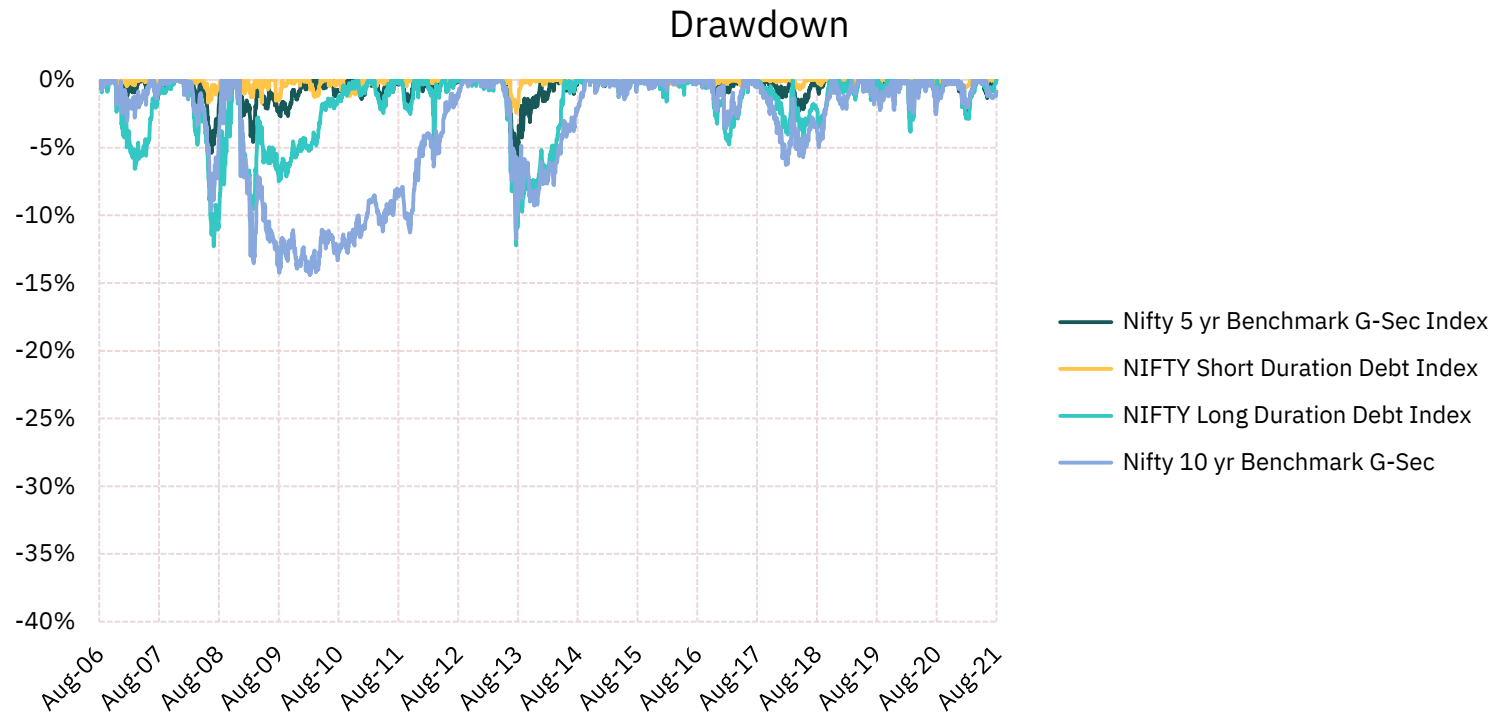
Nifty 5 yr Benchmark G-sec Index	1 Year	3 Year	5 Year	7 Year	10 Year
<b>SIP Returns</b>	4.6%	8.1%	8.4%	8.6%	8.9%
<b>Amount Invested</b>	1,20,000	3,60,000	6,00,000	8,40,000	12,00,000
<b>Market Value</b>	1,22,985	4,06,989	7,40,570	11,39,575	18,97,880

**Data as of close of August 31, 2021. For SIP returns, monthly investment of INR 10,000/- invested on the first business day of every month has been considered. Performance is calculated using Total Return Index, with zero cost/expenses. Past performance may or may not be sustained in the future.**

Data Source: [www.niftyindices.com](http://www.niftyindices.com). All performance data in INR. Data as on 01-Sep-2011 – 31-Aug-2021; Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above is for illustration purpose only. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. The SIP amount, tenure of SIP, expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. The above are not scheme SIP returns, but simulation of index SIP returns. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future

# Drawdown

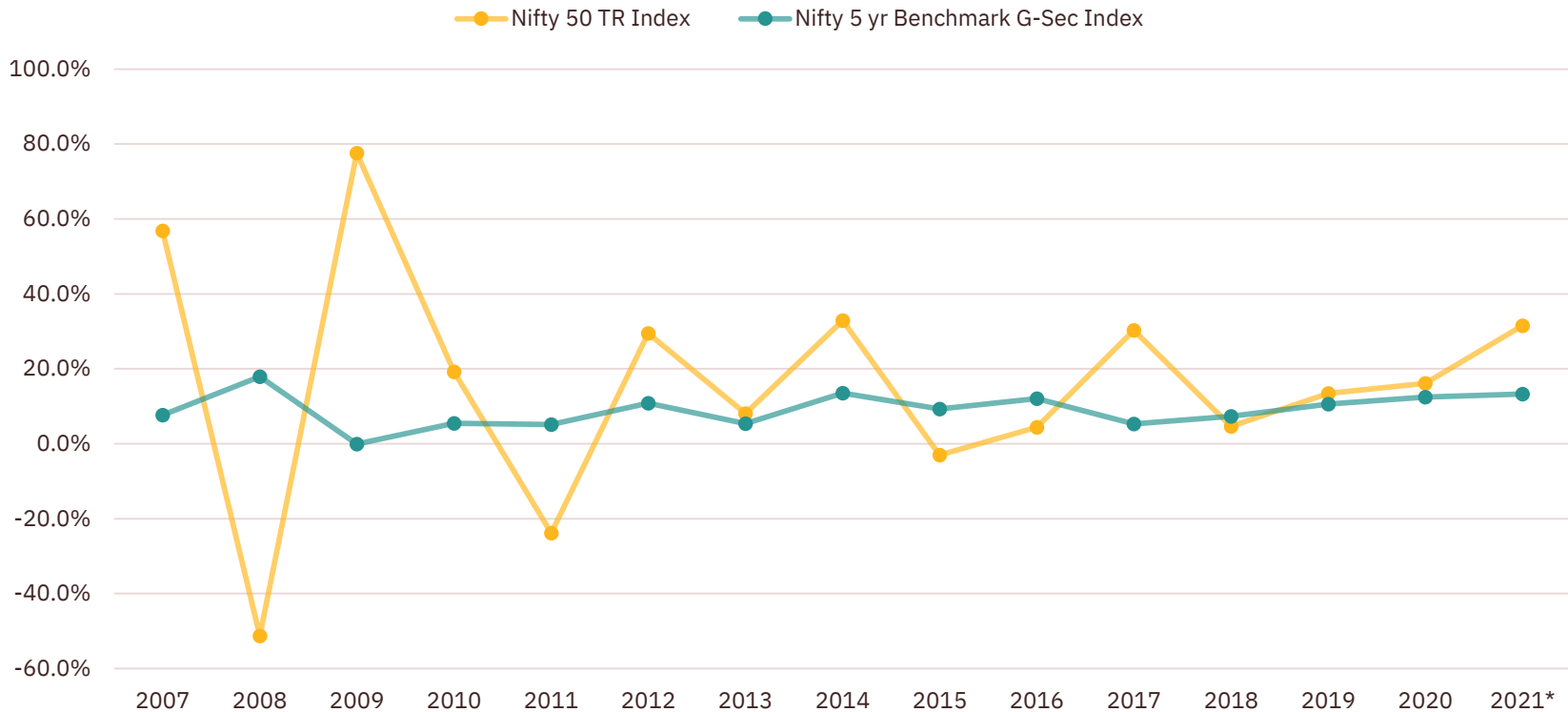
Nifty 5 yr Benchmark G-sec has experienced **lower drawdowns** compared to indices except Nifty Short Duration Debt Index.



Data Source: [www.niftyindices.com](http://www.niftyindices.com)\_AMFI. Performance Data as of 31-Aug-2006 – 31-Aug-2021; Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future

# – Blending G-sec With Domestic Equities

# Calendar year return



## Bonds experience a lower fluctuation of returns compared to equities

Data Source: [www.niftyindices.com](http://www.niftyindices.com). Performance Data from 31-Dec-2006 – 30-June-2021; \* refers 31-Dec-2020 – 30-Jun-2021. Above analysis shows calendar year returns. Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above table/graph is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.

# Hypothetical portfolio allocations

Historically Debt/Bonds (Government Securities) have had **very low correlation of ~13% with domestic equities**, which offers very good diversification opportunity

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

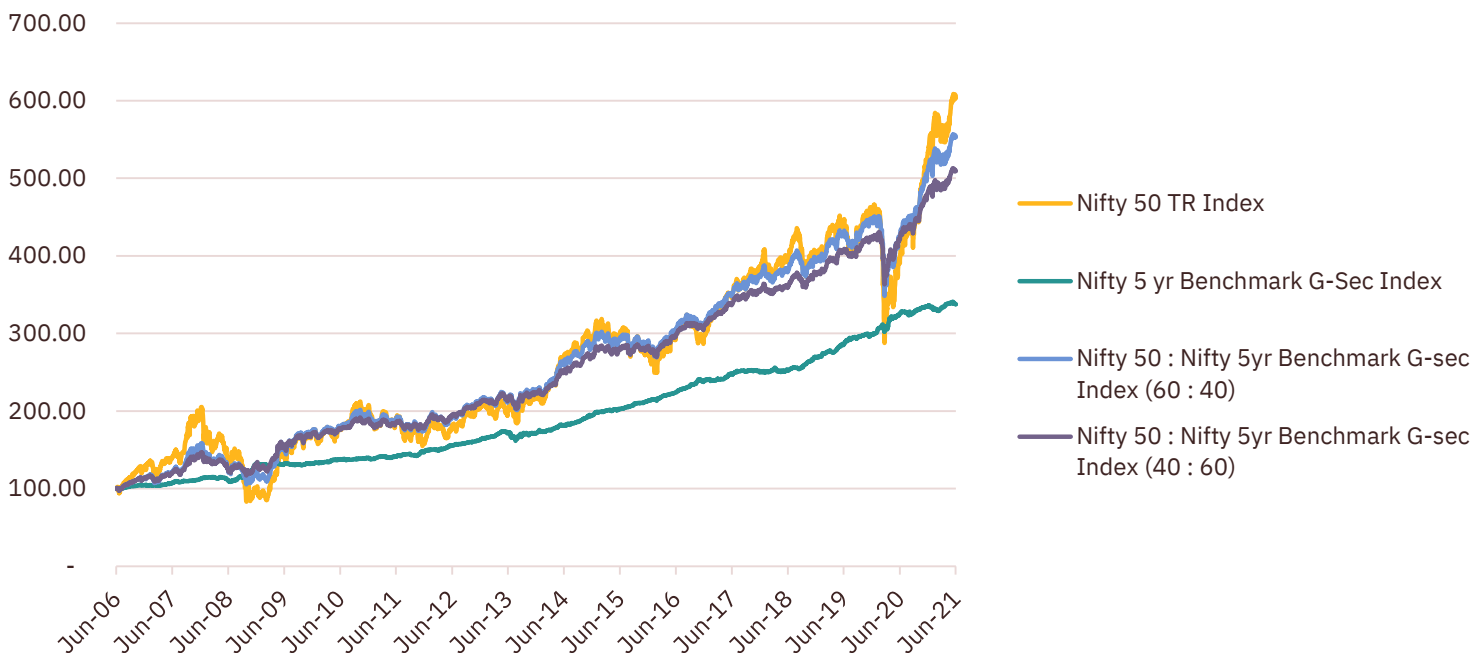
#	Portfolio Name	Domestic Equity (Nifty 50 TRI)	Debt (Nifty 5 yr G-sec )
1.	Nifty 5 yr G-sec	100%	0
2.	<b>Nifty 50: Nifty 5 yr G-sec (60:40)</b>	<b>60%</b>	<b>40%</b>
3.	<b>Nifty 50: Nifty 5 yr G-sec (40:60)</b>	<b>40%</b>	<b>60%</b>
4.	Nifty 50 TR index	0%	100%

Data Source: MOAMC Research, [www.niftyindices.com](http://www.niftyindices.com). Correlation of daily total returns as of Close of 30-Jun-2006 to 30-Jun-2021. Performance results may have 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.

# 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

Historical Blended Performance



Data Source: MOAMC Research, [www.niftyindices.com](http://www.niftyindices.com). Performance as of Close of 30-Jun-2006 to 30-Jun-2021. Performance results may have 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. It should not be used for development or implementation of any investment strategy.

# 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	3.8%	10.2%	8.6%	9.3%	9.1%	8.5%
	Nifty 50: Nifty 5 yr G-sec (60:40)	31.0%	13.1%	12.6%	11.2%	11.2%	12.1%
	Nifty 50: Nifty 5 yr G-sec (40:60)	21.0%	12.2%	11.3%	10.6%	10.6%	11.5%
	Nifty 50 TR index	54.6%	15.0%	15.1%	12.3%	12.2%	12.7%
Annualised Volatility	Nifty 5 yr G-sec Index	2.7%	3.4%	3.1%	2.9%	3.4%	3.6%
	Nifty 50: Nifty 5 yr G-sec (60:40)	10.0%	12.4%	10.5%	10.2%	10.3%	13.0%
	Nifty 50: Nifty 5 yr G-sec (40:60)	6.8%	8.3%	7.1%	7.0%	7.2%	9.0%
	Nifty 50 TR index	16.8%	21.9%	18.2%	17.5%	17.5%	22.3%
Risk Adjusted Returns	Nifty 5 yr G-sec Index	1.381	2.987	2.731	3.156	2.676	2.372
	Nifty 50: Nifty 5 yr G-sec (60:40)	3.106	1.062	1.205	1.102	1.085	0.932
	Nifty 50: Nifty 5 yr G-sec (40:60)	3.102	1.461	1.590	1.524	1.475	1.272
	Nifty 50 TR index	3.252	0.687	0.828	0.703	0.695	0.570

Data Source: MOAMC Research, Index Values - [www.niftyindices.com](http://www.niftyindices.com). Performance as of Close of 30-Jun-2006 to 30-Jun-2021. Performance results may have 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. It should not be used for development or implementation of any investment strategy.

# 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)
<b>Global Financial Crisis</b> (01-Jan-2008 To 27-Feb-2009)	-54.4%	16.4%	-27.0%	-12.8%
<b>Taper Tantrum</b> (01-Jan-2013 To 30-Aug-2013)	-7.2%	1.0%	-3.9%	-2.3%
<b>Yuan Devaluation</b> (03-Aug-2015 To 29-Feb-2016)	-18.0%	5.7%	-8.8%	-4.1%
<b>COVID-19</b> (19-Feb-2020 To 23-Mar-2020)	-37.1%	-1.7%	-22.6%	-15.6%

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

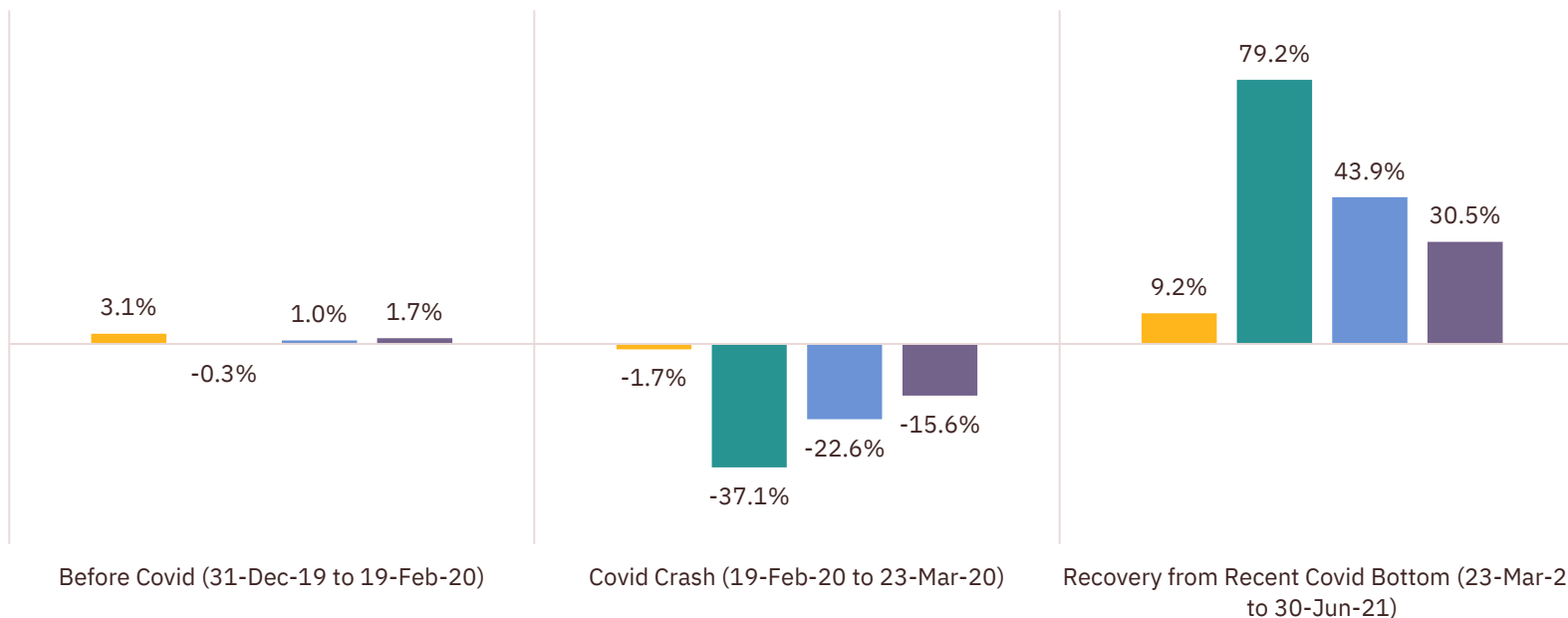


# Index performance- Covid 19 pandemic

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

## Recent Performance- During COVID 19 Pandemic

■ Nifty 5 yr Benchmark G-Sec Index      ■ Nifty 50 TR Index  
■ Nifty 50 : Nifty 5yr Benchmark G-sec Index (60 : 40)    ■ Nifty 50 : Nifty 5yr Benchmark G-sec Index (40 : 60)



Data Source: MOAMC Research, Index Values - [www.niftyindices.com](http://www.niftyindices.com). Performance as of Close of 31-Dec-2019 to 30-Jun-2021. Performance results may have 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. It should not be used for development or implementation of any investment strategy.

# 4 reasons to invest in Motilal Oswal 5 Year G-sec FoF

**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)

*Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the underlying schemes in which the fund of fund scheme makes investment.*

# Key Take Away



1. Motilal Oswal Nifty 5 yr Benchmark G-Sec FoF **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.** Nifty 5 Yr. Benchmark G-Sec with it's **low correlation with equities**, offers diversification opportunity helping investors reduce overall **portfolio volatility**
3. Given the duration of Nifty 5 Yr. Benchmark G-Sec Index, it falls in the **sweet spot between short and long duration G-Sec**

*Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the underlying schemes in which the fund of fund scheme makes investment.*

# - Annexure

# — Simulated impact of yield movement

## Assumptions -

- There is new bond issued at the end of every year with a maturity of 5 year
- It is assumed that the bond is purchased at auction and it is issued at par (coupon=YTM)
- The coupon on the newly issued bond would be equal to the yield on the outgoing old bond as on that day. The coupon is paid out semi annually
- Yield rise/fall if any happens only semi annually
- **Starting yield assumed to be 5%**

**The above stated assumptions are critical to the simulations, any changes in the above assumption may possibly change the results**

# Simulated impact of yield movement

## Rising yield scenario

Exhibit 1	Performance of 5yr bond subject to 10bps yield rise every 6m			
	6m	1y	2y	3y
Yield	<b>5.10%</b>	<b>5.20%</b>	<b>5.40%</b>	<b>5.60%</b>
Simulated performance	2.10%	4.28%	4.38%	4.48%

Exhibit 2	Performance of 5yr bond subject to 25bps yield rise every 6m			
	6m	1y	2y	3y
Yield	<b>5.25%</b>	<b>5.50%</b>	<b>6.00%</b>	<b>6.50%</b>
Simulated performance	1.51%	3.21%	3.47%	3.72%

## Falling yield scenario

Exhibit 1	Performance of 5yr bond subject to 10bps yield decrease every 6m			
	6m	1y	2y	3y
Yield	<b>4.90%</b>	<b>4.80%</b>	<b>4.60%</b>	<b>4.40%</b>
Simulated performance	2.90%	5.73%	5.63%	5.53%

Exhibit 2	Performance of 5yr bond subject to 25bps yield decrease every 6m			
	6m	1y	2y	3y
Yield	<b>4.75%</b>	<b>4.50%</b>	<b>4.00%</b>	<b>3.50%</b>
Simulated performance	3.50%	6.83%	6.59%	6.35%

Source- MOAMC research. Hypothetical performance results may have inherent limitations and no representation is being made that any investor will, or is likely to achieve the performance similar to that shown. The illustration is used to explain the concept and is for illustration purpose only. It should not be used for development or implementation of any investment strategy. Past performance may or may not be sustained in future.

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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.

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- 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.

Investors may please note that they will be bearing the recurring expenses of the Scheme in addition to the expenses of the underlying schemes in which the fund of fund scheme makes investment

## 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*

## **Contact Us -**

Speak: +91-22 40548002 | 8108622222

Write: [mfservice@motilaloswal.com](mailto:mfservice@motilaloswal.com)

Visit: [www.motilaloswalmf.com](http://www.motilaloswalmf.com)

