

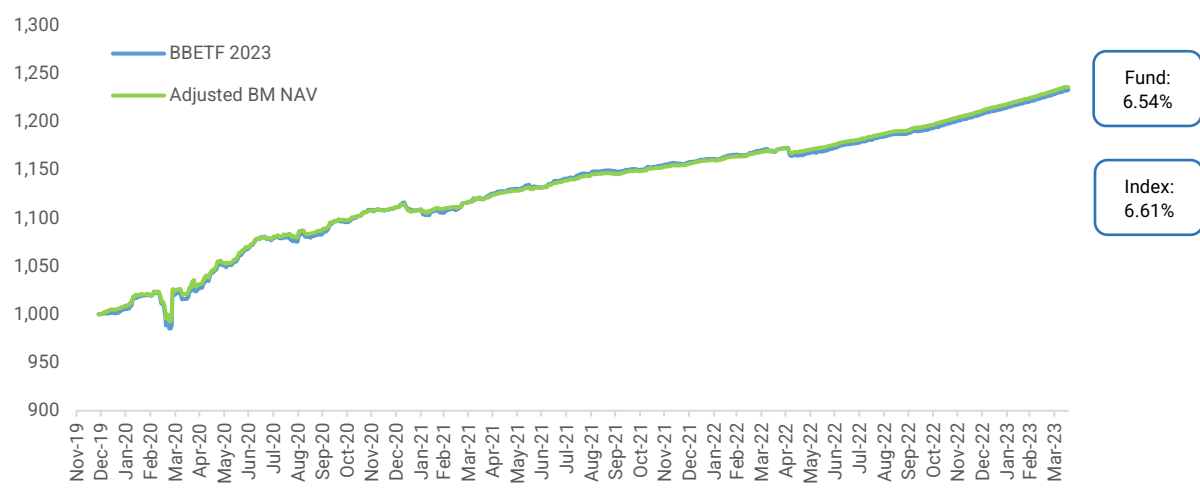
At the Finishing Line

April 2023

On April 17, 2023, the inaugural target maturity bond index fund of India reached maturity. The BHARAT Bond ETF - April 2023, which inaugurated a new class of debt mutual funds, completed its journey of just over three years since its inception. In this message, we assess the performance of this first-of-its-kind target maturity fund from all angles, which could establish some precedent for other comparable funds at maturity.

Performance against the index

Like any other passive index funds, the primary mandate for the scheme was to track the returns of its underlying index NIFTY BHARAT Bond Index - April 2023. As of March 31, 2023, BHARAT Bond ETF – April 2023 has given 6.54% annualised yield since inception as against 6.61% for its underlying benchmark. It will be useful to see the NAV movement of BHARAT Bond ETF – April 2023 alongside its benchmark to understand how well the scheme has delivered on its mandate.



Visibility of Returns

Target Maturity Funds are distinguished by their ability to offer return visibility, as they are designed to provide returns close to the Yield to Maturity (YTM) at which investors had invested, subject to tracking error and tracking difference, and provided that investors remain invested until maturity. The table presented below shows the actual returns realized by investors who invested in BHARAT Bond ETF - April 2023 at various intervals and held their investments until maturity, as compared to the YTM at the time of investment.

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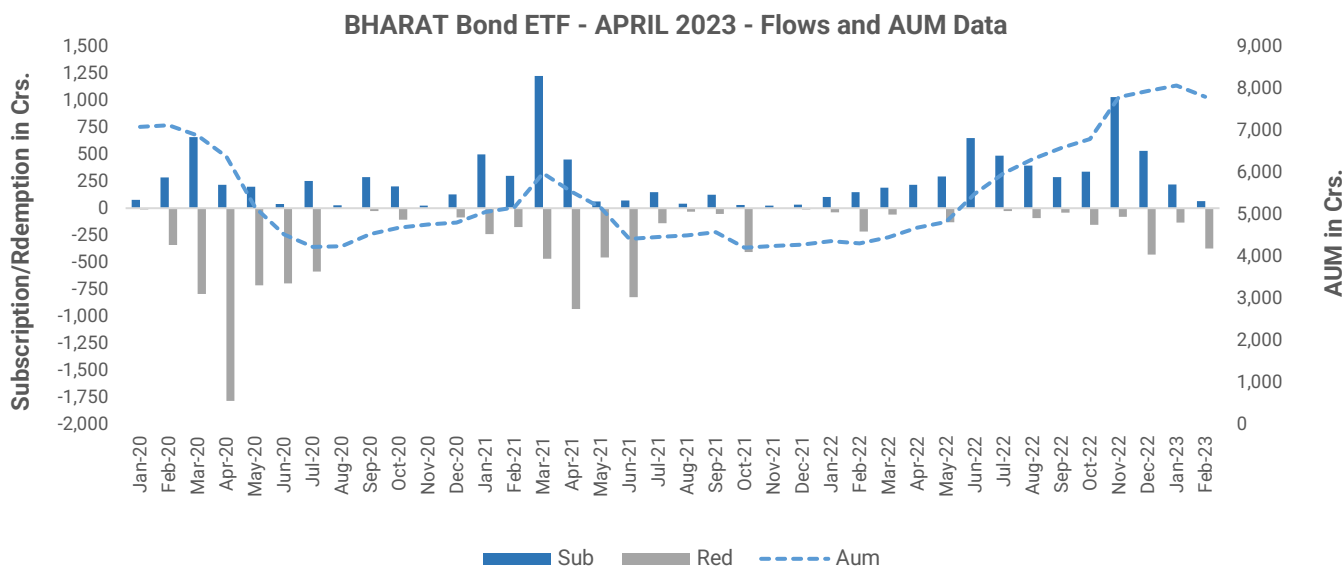
Date	Scheme YTM	NAV Returns till maturity	Index YTM	Index Returns till maturity	Tracking Difference
Allotment	*NA	6.54%	6.80%	6.61%	-0.07%
PF Deployment#	6.69%	6.58%	6.73%	6.55%	0.03%
Jan-20	6.75%	6.55%	6.67%	6.51%	0.04%
Apr-20	6.43%	6.34%	6.40%	6.28%	0.06%
Jul-20	4.99%	5.02%	4.80%	5.06%	-0.04%
Oct-20	4.86%	4.91%	4.58%	4.94%	-0.03%
Jan-21	4.87%	4.95%	4.63%	5.03%	-0.07%
Apr-21	4.68%	4.77%	4.47%	4.95%	-0.18%
Jul-21	4.53%	4.65%	4.29%	4.89%	-0.24%
Oct-21	4.78%	4.91%	4.46%	5.14%	-0.23%
Jan-22	4.94%	5.07%	4.61%	5.36%	-0.29%

Note: * YTM on allotment day not available as portfolio was yet to be constructed. Annualized YTM as of the end of the indicated month; NAV and index returns are as of April 17, 2023, since each month end mentioned; Returns are compounded for >1Y and annualized for <1Y; Source: NSE, Internal; Past performance may or may not be sustained in the future. # Portfolio deployment was completed on 21st Jan 2020.

It is pertinent to observe here that the returns are slightly lower to the corresponding YTM in the initial reference period till April 2020, while they are slightly higher than the YTM for all other periods between April 2020 till Jan 2022. This is due to the fact that the initial coupon reinvestments had happened in a lower yield environment in the aftermath of Covid while the recent coupon reinvestments had occurred in a higher yield environment when the interest rates were rising. However, it is important to note that the scheme's tracking difference against the benchmark index has been very low under most circumstances.

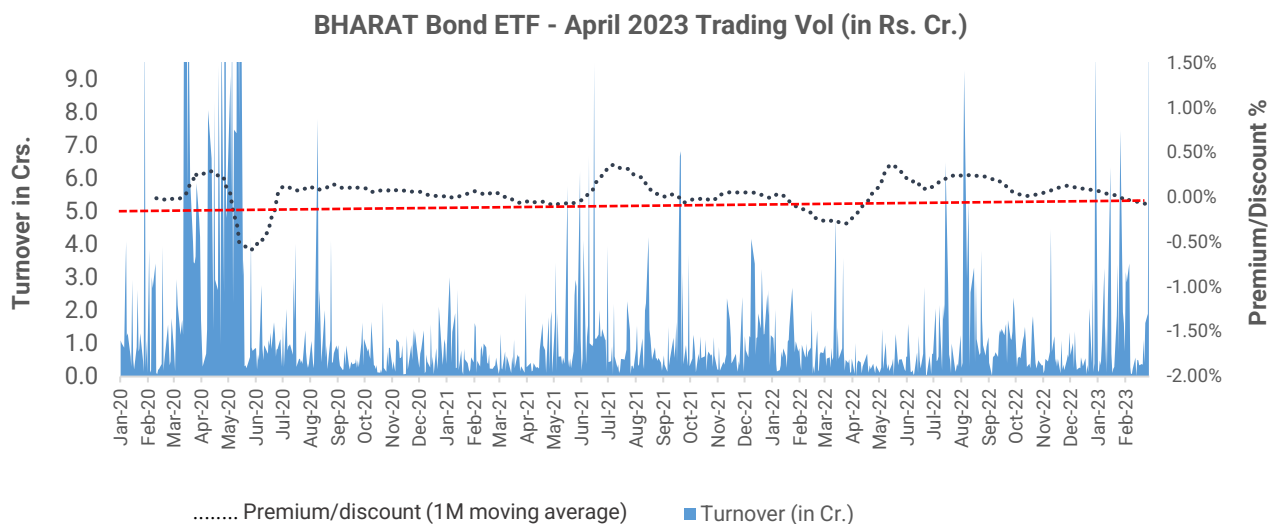
Aum and Flows

The chart below illustrates the monthly growth in scheme assets, as well as subscription and redemption activity. Due to its open-ended nature, BHARAT Bond ETF - April 2023 has witnessed a significant turnover of assets. Since its inception, the total turnover of inflows and outflows has reached INR 21,043 crores. Nevertheless, the scheme has maintained a low tracking difference against the benchmark, and occasionally even a positive one. The fund manager accomplished this by utilizing portfolio optimization techniques to mitigate any adverse effects on existing investors caused by the flows.



Liquidity

BHARAT Bond ETF – April 2023 maintained a reasonable liquidity on the exchange with an average premium of +/-0.17 bps and aggregate trading volume of more than 1,000 crores since its inception with an average daily volume of 1.35 crores.



Source: NSE, Internal

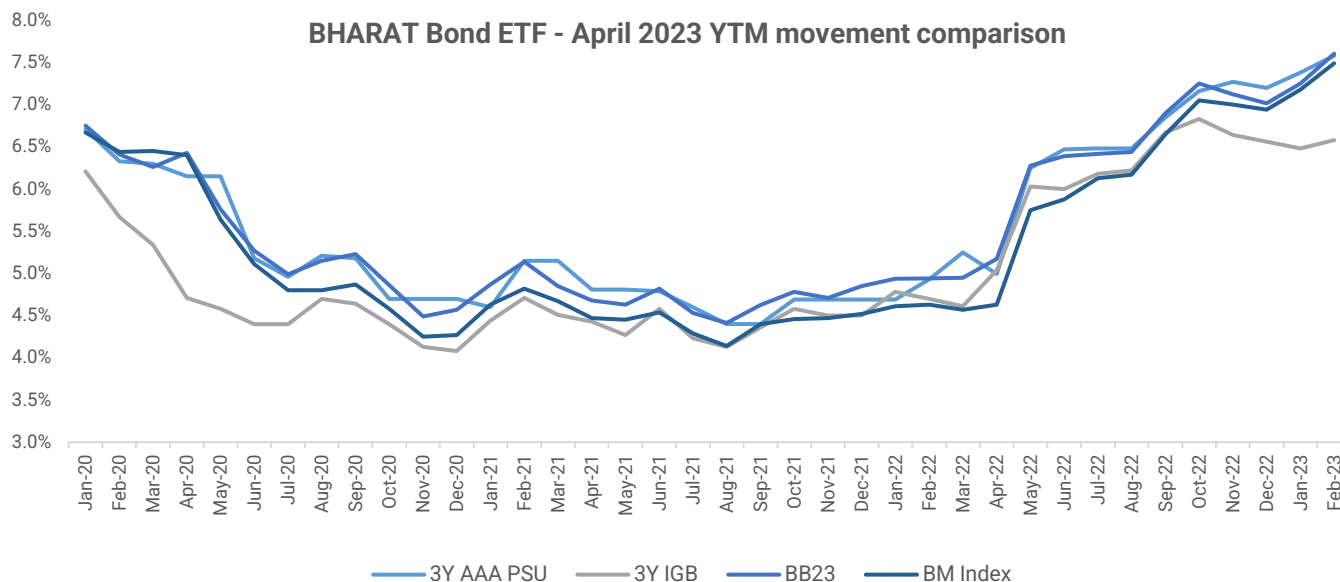
YTM Movement

We have also done an analysis of the YTM movement of BHARAT Bond ETF – April 2023 during its tenure alongside the underlying index, a comparable India Government Bond (IGB) and a AAA PSU Bond with similar

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maturities. The following chart shows that these YTM movements exhibited similar trajectory which reveals that the risk replication of the fund against its BM and peers have been ably managed.



Source: NSE, AIMIN, Internal. NABARD Bond considered as a proxy for 3 yr. AAA PSU yields.

All things considered, BHARAT Bond ETF – April 2023 has delivered good experience for investors and most importantly with low tracking difference. The performance also displays that there is fair amount of visibility of returns while investing in target maturity funds. The outcome of this maiden BHARAT Bond ETF should therefore encourage prospective investors to participate in target maturity funds with more confidence.

Fund Performance as on March 31, 2023

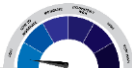

Period	BHARAT Bond ETF -April 2023		Benchmark (NIFTY BHARAT Bond Index – April 2023)		Additional Benchmark (CRISIL 10Y Gilt Index)	
	Returns*	Value of Rs. 10,000 Invested	Returns*	Value of Rs. 10,000 Invested	Returns*	Value of Rs. 10,000 Invested
Last 1 Year	5.01%	10,501	5.46%	10,546	3.43%	10,343
Last 3 Years	6.29%	12,008	6.33%	12,023	2.70%	10,831
Since Inception	6.53%	12,291	6.62%	12,325	4.00%	11,366

Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

1. The scheme did not offer any plans.
2. The scheme was managed by Dhawal Dalal (managing this fund from December 26, 2019) and Rahul Dedhia (managing this fund from November 23, 2021). For name of the other schemes currently managed by the Fund Managers, and for SEBI prescribed standard format for disclosure of Portfolio YTM for Debt Schemes please refer to the latest factsheet [here](#).

BHARAT Bond ETF – April 2023

(An open-ended Target Maturity Exchange Traded Bond Fund predominately investing in constituents of Nifty BHARAT Bond Index - April 2023. A moderate interest rate risk and relatively low credit risk.)

The product is suitable for investors who are seeking	Scheme Riskometer	Benchmark Riskometer (NIFTY BHARAT Bond Index April 2023)	Potential Risk Class Matrix			
<ul style="list-style-type: none"> Income over the target maturity period. An open-ended Target Maturity Exchange Traded Bond Fund that seeks to track the returns provided by NIFTY Bharat Bond Index - April 2023. 			Credit Risk	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them	Investors understand that their principal will be at low to moderate risk		Interest Rate Risk	Relatively Low (Class I)	Moderate (Class II)	Relatively High (Class III)
			Relatively Low (Class I)	A II		
			Moderate (Class II)			
			Relatively High (Class III)			

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