DHFL Pramerica Low Duration Fund

(An Open Ended Income Scheme)

Why invest in DHFL Pramerica Low Duration Fund?

DHFL Pramerica Low Duration Fund is a fund that seeks to generate regular income by investing primarily in investment grade debt and money market instruments.

Investment Strategy

- The Scheme shall seek opportunities in the rapidly increasing use of debt markets by corporates across the credit spectrum.
- The Fund focuses on enhancing the portfolio returns by identifying optimal credit opportunities in the market.
- The Scheme may assume moderately higher credit risk as compared to a Scheme investing predominantly in AAA bonds/sovereign securities.

Portfolio Characteristics*

- The fund focuses on adding value through credit identification, while strict portfolio discipline and actively managed mark to market holdings help in moderating the return volatility.
- The fund also actively seeks to identify mispriced securities in the shorter tenor space (residual maturity of 12 months), primarily in corporate bonds / CPs.
- Portfolio invested in debt and money market securities across the credit spectrum.

Portfolio Positioning*

- Combination of a CP mix and attractive credit spreads in the non AAA/A1+ rated securities translates into higher portfolio yield for the fund.
- The fund would maintain a weighted average portfolio maturity in the range of 6 to 12 months.

Who should invest?

DHFL Pramerica Low Duration Fund is ideal for investors seeking to invest in a portfolio of debt and money market instruments for an investment horizon of 6 to 12 months.

Inflation

The month of November witnessed the slow down effects in a few sectors arising from the ongoing demonetization. Consumption was impacted starting the second half of the month as a result of currency shortages with the public. Food articles particularly perishables saw a significant price softening which was also reflected in the CPI numbers.

The November CPI print was the first one after demonetization started. The CPI reading surprised with a sharp fall to 3.6% from 4.2% in the previous month. Core inflation also declined marginally from 4.9% to 4.8% in the month.

Rates

RBI at the December policy decided against cutting the key policy rates given their expectation of only a transient slowdown arising from demonetization. The RBI commentary also referred to global uncertainty and risks from rising bond yields in the US, higher oil prices and some return of inflation globally.

Post the policy, money market rates inched higher as markets had priced in a rate cut at the policy. Short term rates moved higher by 25-30 bps immediately post the policy announcement. Bond yields and G secs yields also moved higher by 35-45 bps.

Fund Manager's View

Inflation in the near term is expected to remain soft in the aftermath of demonetization which could have led to some demand compression. Nevertheless, the pace of re-monetization and easing of cash withdrawal caps would have an impact on both demand revival as also system level liquidity.

Commodities in the meanwhile also appear to have reversed their falling trajectories, led by oil. The December agreement reached by both OPEC and non OPEC nations would be effective starting January and has been responsible in pushing up oil prices in December to a multi-quarter high. Other commodities such as steel, coal, coking coal, zinc and aluminum have also witnessed price rises in the last few months.

While hardening in commodities could be an early indicator of a demand and global growth revival, India would keenly watch commodity prices given its status as a oil importer. Post USD 60/ barrel, domestic inflation could start to witness some impact especially if prices stay higher and for longer.

For CY 2016, FPIs were net sellers in Indian fixed income, pulling out INR 304 bio (approx. USD 4.5 bio). Amidst some of these uncertainties, the INR has remained rather resilient especially viewed against the peer group EM currencies. The falling spreads between the G Sec and UST (10 years) to almost 400 bps from over 550 bps in the last 12-24 months could also have been one factor influencing policy rate decisions locally, especially given the large sized FPI outflows in debt in the last few months.

We expect the local yield curve to steepen as improved liquidity leads to softening in yields at the short end. Given the changed yield environment, our preference is hence more at the mid range of the yield curve. We would advise investors to consider / stay invested in duration products with average maturity ranging from 3-7 years. Investors preferring lesser volatility are advised to stay at the short / mid segment of the curve through the selection of products with average maturities between 1-3 years.

*These are based on the fund manager's current outlook and are subject to change.

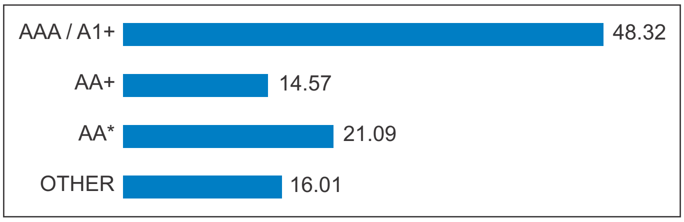
Portfolio Details (as on December 30, 2016)

Portfolio (Top Ten Holdings)

Issuer	% to Net Assets	Rating
CG Power Solutions Limited	10.87	Privately Rated$
Dewan Housing Finance Corporation Limited	8.98	CARE AAA
Vedanta Limited	8.12	CRISIL AA-
Edelweiss Commodities Services Limited	6.97	CRISIL A1+
Adani Ports And Special Economic Zone Ltd.	5.09	ICRA AA+
Reliance Inceptum Pvt Ltd##	5.03	BRICK AA+ (SO)
Janalakshmi Financial Services Pvt Ltd	4.83	ICRA A+
Aspire Home Finance Corporation Ltd	4.75	CRISIL A+
KEC International Limited	4.67	IND A1+
Nirchem Cement Ltd@	4.46	AA

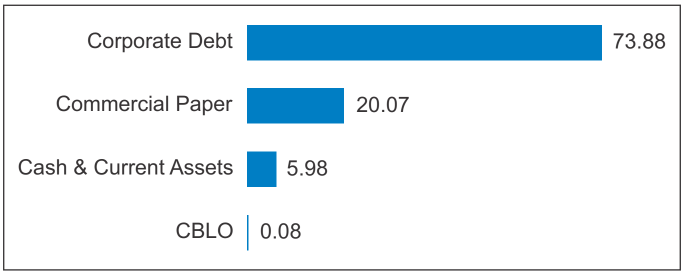
@ Wholly owned by Nirma
$ Rated by SEBI Registered Agency

Credit Quality Profile (% AUM)



* AA include securities rated as AA and AA-

Asset Allocation (% AUM)



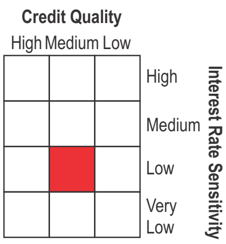
Portfolio Yield (%)	**8.70%**
Modified Duration (years)	**0.79**
Avg. Portfolio Maturity (years)	**0.97**

Asset Allocation

Instruments	Indicative allocations (% of total Assets) Min	Indicative allocations (% of total Assets) Max	Risk Profile High/Medium/Low
Debt and money market instruments with maturity upto 1 year	80%	100%	Low to Medium
Debt instruments with maturity above 1 year	0%	20%	Low to Medium

Please refer to the Scheme Information Document for more details on asset allocation.

Investment Style Box



Key Features

Benchmark index:
CRISIL Liquid Fund Index

Exit load:
Nil

Fund Manager:
Mr. Kumaresh Ramakrishnan

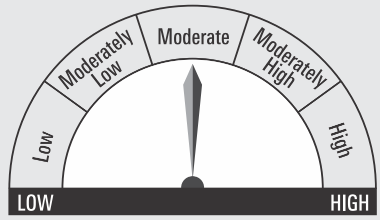
Riskometer

This product is suitable for investors who are seeking*:

- Income over the short term
- Investment in debt and money market instruments
- Degree of risk – **MODERATE.**

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

Riskometer



Investors understand that their principal will be at moderate risk

The views of the Fund Manager should not be construed as an advice and investors must make their own investment decisions regarding suitability of the funds based on their specific investment objectives and financial positions and using such independent advisors as they believe necessary. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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