



# Kotak Nifty SDL Apr 2027 Top 12 Equal Weight Index Fund

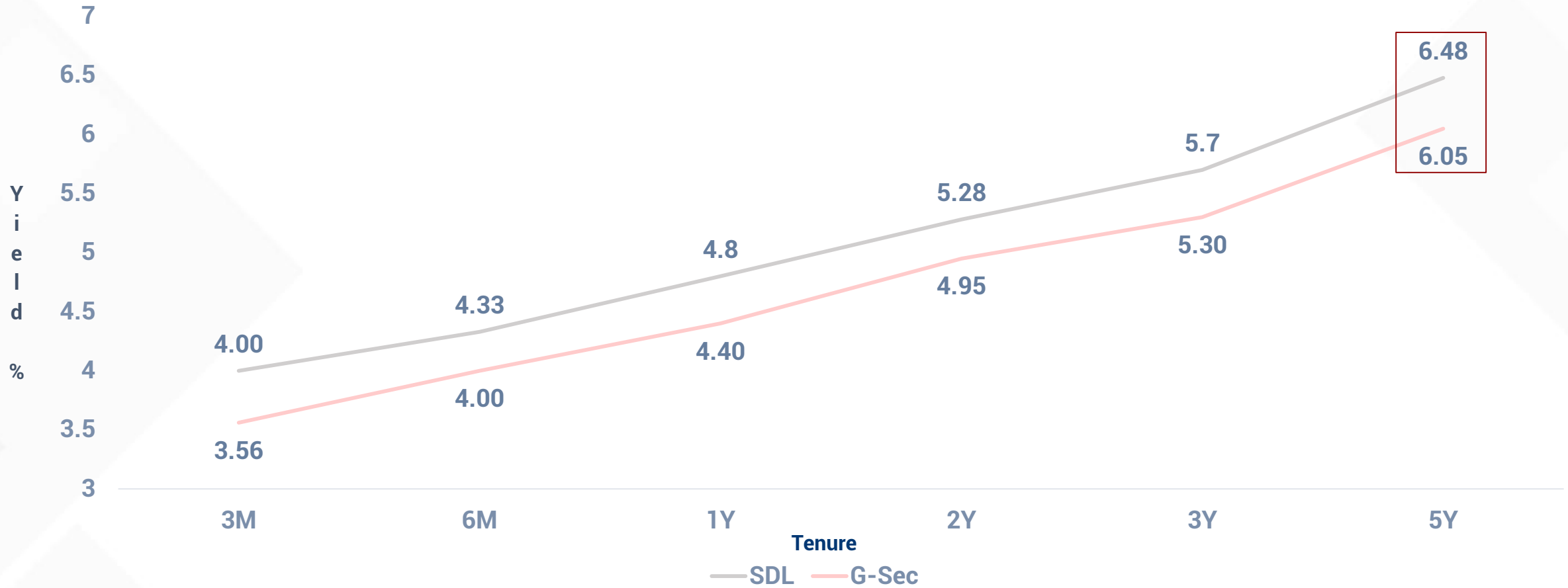
An Open ended Target Maturity Index Fund investing in constituents of Nifty SDL Apr 2027 Top 12 Equal Weight Index.  
A relatively high interest rate risk & relatively low credit risk

NFO Opens on : 4<sup>th</sup> February, 2022  
NFO Closes on : 9<sup>th</sup> February, 2022

- RBI has already begun the normalization through VRRR (Variable rate reverse repo). While the journey is expected to be gradual, market is pricing in multiple rate hikes in later part of the year.
- With incremental VRRR announced by RBI and 14-day VRRR being the main tool for liquidity management, we expect overnight rates to gradually move up in the band of 3.75-4% by end of FY 22.
- Q4 T-bill supply is heavy in 6 months and 12 months. This may mean 6 months and 12 months yields moving higher in Q4.
- In the absence of GSAP (G-Sec Acquisition Programme) and with a combination of OMOs (Open Market Operation) and OT (Operation Twist), 10-year is likely to trade in the band of 6.60-6.90% in near term.
- Indian bond inclusion in global indices has the potential to anchor the long term curve.
- GST data is very encouraging with a collection of INR 1.29 lakh crore in December'21. This bodes well for the fiscal going ahead.
- **4-6 year point of Gilt /SDL seems attractive as its pricing in removal of liquidity and hike in rates. This segment enjoys higher natural demand over supply**
- Inflation (CPI) remains within RBI target range Sustained economic growth
- Sustained economic growth along with Fiscal deficit target at ~6.8% of GDP for FY22
- The 5/10yr segment of SDL offers a good potential for investors patiently invested in funds matching their investment horizon

# Yield Comparison

## Yield Curve



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# About the Debt Index Fund

# Important Details



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**Scheme Name:** Kotak Nifty SDL Apr 2027 Top 12 Equal Weight Index Fund

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**Benchmark:** Nifty SDL Apr 2027 Top 12 Equal Weight Index

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**Fund Manager:** Mr. Abhishek Bisen

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**Minimum Investment (NFO):** Rs. 5,000 and in multiples of Re.1 thereafter

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**Ongoing offer period:** Rs 1,000 and in multiples of Re. 1 thereafter. Purchase and Redemption directly with the Fund House for all investors

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**Exit load:** For redemption / switch-out of units on or before 30 days from the date of allotment: 0.15% of applicable NAV. For redemption / switch-out of units after 30 days from the date of allotment – Nil  
Any exit load charged (net off Goods and Services tax, if any) shall be credited back to the Scheme.

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# What is a Target Maturity Index Fund ?

# Salient Features

**Open-ended structure** – Investors can invest till maturity

**Fixed Maturity Date** – At maturity investors get back proceeds along with returns

**Known Universe** – Replication of Publicly available Debt Index

Debt Index Single issuer **weights capped at 15%** as per circular & rating is defined

Investment in **Diversified** portfolio

# Sensitivity Scenario Analysis of Yield Movement

The below table illustrates the sensitivity of mark to market (MTM) gain / loss + %yield accrued during the holding period of the underlying debt index to increase or decrease in interest rates.

Changes of yields in benchmark (in bps)	Period of Investment		
	1 Year (%)	3 Year (%)	5 Year (%)
-75	9.07	6.87	6.40
-50	8.17	6.71	6.40
-25	7.28	6.56	6.40
25	5.53	6.25	6.40
50	4.66	6.09	6.40
75	3.81	5.94	6.40

Source – Kotak MF Research, Data as on – 24<sup>th</sup> Jan, 2022

YTM is assumed as 6.40% as on 24<sup>th</sup> Jan, 2022

The scenarios are based on changes in interest rates and theoretical movements in bond yields. Past performance may or may not be sustained in future. Yields given above is based on the market data as on date given above. This should not be taken as an indication of the returns that maybe generated by the fund and the securities bought by the fund may or may not be held till their respective maturities.



# Illustration of Indexation Benefit

	5 Year Traditional Savings Schemes	Debt Index Fund
Investment Amount (INR)	1,00,000	1,00,000
Rate of Return (%) (Assumed)	7%^	7%^
Value at Maturity (INR)	140,255	140,255
Interest/Gains for Maturity Period (Rs)	40,255	40,255
Indexation Available	No	Yes
Taxable returns / Gain (Rs.)	40,255	12,627
Tax Liability (Rs)	12,077	2,525
Total Maturity Value after Tax	128,179	137,730
Effective Post Tax Return (CAGR)	5.09%	6.61%

**Indexation helps in reducing the long term capital gain by using the cost of inflation index, lowering the taxable income.**

*\*Tax Rate considered 30% exclusive of applicable surcharges & cess. \*\* Tax as per LTCG income tax provisions exclusive of applicable surcharges & cess. This computation is for resident individual investors. Cost inflation index assumed at 5% p.a. Fund related expenses ignore for this illustration. Investors are advised to consult their tax advisors for taxation related matters. To be used for illustration purposes only. Actual tax implications may differ basis prevailing tax laws.*

*Disclaimer: The above comparison & rate of returns have been given for the purpose of the general information & illustration only. Investments in mutual funds should not be construed as a guarantee of any minimum returns. The information set out is neither a complete disclosure of every material fact of the Income-tax Act, 1961 nor does constitute tax or legal advice. Investors should be aware that the fiscal rules/tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of the individual nature of the tax consequences, each investor is advised to consult his/her own professional tax advisor. Investors alone shall be fully responsible/liable for any decision taken on the basis of this document. Source: Income Tax Department, Government of India*

# Debt Index Funds vs Other options

Parameters	Debt Index Fund	Fixed Term Deposits	Open ended Debt funds
Liquidity	✓		✓
Tax efficiency- Indexation	✓		✓
Diversification	✓		✓
Visibility of returns	✓	✓	
Defined Maturity	✓	✓	

# Who Should Invest?

Investors seeking:

**Low Cost**  
(Lower expense ratio being a  
Passively managed fund)

**Higher Safety**  
(SDLs follow close on the heels of  
the Central Government issued  
Gilts)

**Fixed Income**  
(Fixed maturity with stable returns)

**Tax Efficiency**  
(The fund provides indexation  
benefit with lower taxation)

## **FIXED MATURITY**

SDL maturing not beyond its maturity date

## **PORTFOLIO AGGREGATES BROADLY IN LINE WITH INDEX**

Expected to have an aggregate weighted Modified Duration, Average maturity, Credit ratings, YTM predominantly in line with the underlying Index

## **LIQUIDITY MANAGEMENT**

A portion of its portfolio may also be invested in Debt & Money Market Securities maturing on or before the maturity date of the Scheme, Repo in government securities and TREPS to manage liquidity requirement

- **SDLs component: SDLs issued by top 12 states/UTs** will be held till maturity unless sold for meeting redemptions/rebalancing
- **Each state/UT is given equal weight** as on the base date of the index
- **Index rebalancing and reconstitution**
  - Index will be reviewed **at the end of each calendar quarter** to ensure that weights are capped at 15% and in case due to price drift there is a breach of 15% in any state/UT, excess weight will be redistributed proportionally
  - The index would use buy and hold strategy wherein the **SDLs selected would be held till their maturities**

## Top 12 SDLs | Equal Weight | YTM : 6.53%

ISSUER	WEIGHT
UTTAR PRADESH GOVERNMENT	8.33%
ANDHRA PRADESH GOVERNMENT	8.33%
TAMIL NADU GOVERNMENT	8.33%
GUJARAT GOVERNMENT	8.33%
KERALA GOVERNMENT	8.33%
RAJASTHAN GOVERNMENT	8.33%
WEST BENGAL GOVERNMENT	8.33%
KARNATAKA GOVERNMENT	8.33%
HARYANA GOVERNMENT	8.33%
BIHAR GOVERNMENT	8.33%
MADHYA PRADESH GOVERNMENT	8.33%
MAHARASHTRA GOVERNMENT	8.33%

(Issuers mentioned above are for illustrative purposes only. This should not be treated as a recommendation to trade in securities issued by the above mentioned issuers.)  
YTM as on 19<sup>th</sup> Jan'22. Index constituents are as on 31<sup>st</sup> Dec'21

# Riskometer

## Kotak Nifty SDL Apr 2027 Top 12 Equal Weight Index Fund

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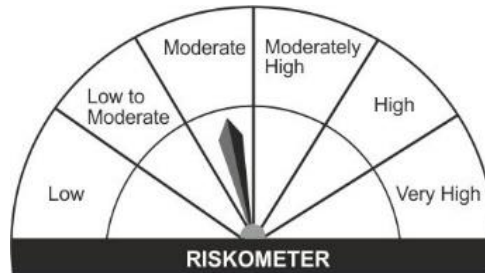
This product is suitable for investors who are seeking\*

- Income over Target Maturity Period
- An open ended Target Maturity Index Fund tracking Nifty SDL Apr 2027 Top 12 Equal Weight Index



Investors understand that their principal will be at Moderate Risk

**Fund**



Investors understand that their principal will be at Moderate Risk

**Benchmark**

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

**Potential Risk Class Matrix**

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

The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or underlying index and the same may vary post NFO when actual investments are made

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# Thank You

Stay Safe , Stay Healthy and Stay Invested



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