

An excellent opportunity  
to secure long term wealth

Roll down of Long-Term Debt  
With Indexation Benefit for Tax Efficiency





Scheme attributes as on April 30,2020

YTM	~6.95%
Average Maturity	25.51 years
Modified Duration	11.53 years

## Nippon India Nivesh Lakshya Fund

- Roll-down long term pure debt
- Aim to have visibility on returns



Portfolio as on April 30,2020

Issuer	Rating	% of Assets
Government of India	SOV	98.57
Cash & Other Receivables	-	1.43

**Nippon India Nivesh Lakshya Fund**

An open-ended debt scheme by Nippon India Mutual Fund

## Features at a glance



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# Nippon India Nivesh Lakshya Fund

NAV as on Apr 30, 2020: Rs.13.0038

PARTICULARS	CAGR %			
	1 year	3 years	5 years	Since Inception
Nippon India Nivesh Lakshya Fund	17.96 %	NA	NA	15.53 %
B: CRISIL Long Term Debt Index	16.51 %	NA	NA	12.72 %
AB: CRISIL 10 Yr Gilt Index	15.17 %	NA	NA	12.88 %
Value of Rs.10,000 Invested				
Nippon India Nivesh Lakshya Fund	11,801	NA	NA	13,004
B: CRISIL Long Term Debt Index	11,656	NA	NA	12,433
AB: CRISIL 10 Yr Gilt Index	11,521	NA	NA	12,466
Inception Date: Jul 6, 2018				
Fund Manager : Prashant Pimple & Hardik Shah (wef 1 <sup>st</sup> Feb, 2020)				

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## Downward Global Trends in Interest Rates

Country	10 Year Government Security Yield		
	2000	2020	Drop in Yield
US	6.50%	0.66%	-90%
S. Korea	8%	1.46%	-82%
Germany	5.50%	-0.49%	-109%
China	7.50%	2.50%	-67%
India	11%	6.04%	-45%



Capture India's current high yields before they come down

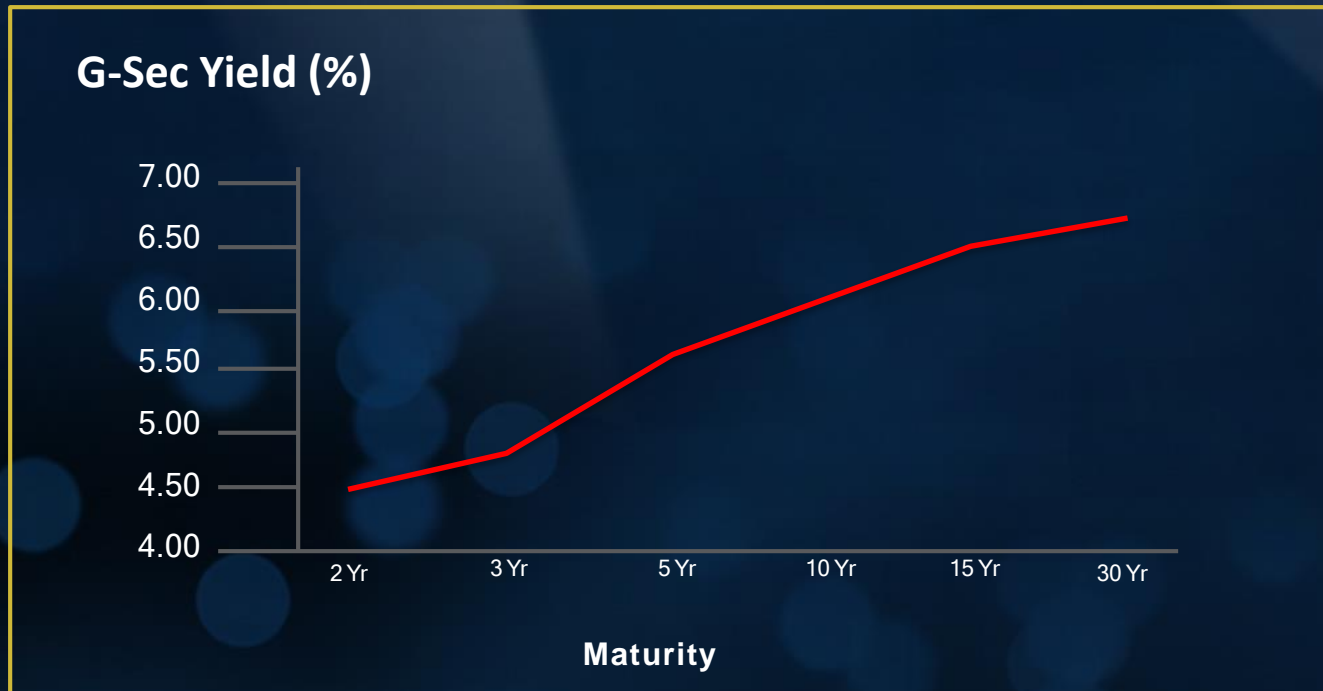
There is always an uncertainty about the long-term investment returns due to re-investment risk  
Also returns may be sub-optimal as the interest rates fall

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## Current Market Opportunity

Long term bond yields (For Example: 30 yr. G-Sec yield @6.73%) are trading at 220-270 bps over the repo rate currently, thereby providing attractive carry opportunity



**Current G-Sec Yield (%)**

2 Yr	4.52
3 Yr	4.75
5 Yr	5.55
10 Yr	6.04
15 Yr	6.52
30 Yr	6.73

Source: Bloomberg, CRISIL, ICRA  
Yields (semi-annual) as on 20<sup>th</sup> May 2020

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## Comparison of Nippon India Nivesh Lakshya Fund with Similar Mutual Fund Products

### Constant Maturity Funds

These funds invest into securities having the same maturity and hence would always maintain the same maturity and are sensitive to interest rate movements

### Gilt Funds

These funds invest into a diversified set of G-Secs, having various maturities. Duration may keep varying. Hence, they may not offer visibility of returns and are sensitive to interest rate movement

### Nivesh Lakshya Fund

Nivesh Lakshya Fund would be reducing maturity as investments will be held till maturity

### Nivesh Lakshya Fund

Nivesh Lakshya Fund is a roll-down product, which offers visibility of returns

Ideal Product for accumulating certain corpus over the long term or setting up an annuity

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## A superior alternative to traditional debt investment products:

Parameters	Long Term FD	Nippon India Nivesh Lakshya Fund
Yield	5.70%	~6.42%*
Post-Tax Yield	3.99%	5.80 - 6.00%*
Investment Horizon	Max 10 years	5 - 25 years
Liquidity	High (penalty charged on early withdrawal)	Very high (redeemed at prevailing NAV)
Credit Quality / Safety	Depends on the issuer's rating	Highest Safety (Sovereign)
Tax Efficiency	Low (Taxed at income tax rate)	High (Indexation benefit available)

\* Post expense (Regular Plan) | Note: 30% tax rate assumed for calculating post tax yield of FD

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## A superior alternative to traditional debt investment products:

Parameters	Tax Free Bond	Nippon India Nivesh Lakshya Fund
Yield	5.30 - 5.60%	~6.42%*
Post-Tax Yield	5.30 - 5.60%	5.80 - 6.00%*
Investment Horizon	Issued for 10,15 & 20 years No new issuances after 2016	5 - 25 years
Liquidity	Low (Listed on exchanges)	Very high (redeemed at prevailing NAV)
Credit Quality / Safety	Depends on the issuer's rating	Highest Safety (Sovereign)
Tax Efficiency	Very High	High (Indexation benefit available)

\* Post expense (Regular Plan)

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## A superior alternative to traditional debt investment products:

Parameters	RBI Bonds	Nippon India Nivesh Lakshya Fund
Yield	7.75%	~6.42%*
Post-Tax Yield	5.42%	5.80 - 6.00%*
Investment Horizon	7 years	5 - 25 years
Liquidity	Low. Cannot be sold in the secondary market (premature encashment allowed for 60 years +with conditions)	Very high (redeemed at prevailing NAV)
Credit Quality / Safety	Highest Safety (Sovereign)	Highest Safety (Sovereign)
Tax Efficiency	Low (Taxed at income tax rate)	High (Indexation benefit available)

\* Post expense (Regular Plan) | Note: 30% tax rate assumed for calculating post tax yield of RBI bonds

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# A Superior substitute to Real Estate Investment

As per RBI, 50-60% of investors' financial wealth tends to remain in physical assets such as real estate – both residential and commercial

However, the sector has become unattractive in recent times as yields have come down

## Real Estate

- Lower yields
  - Commercial Rental Yields ~ 6-7%
  - Residential Rental Yields ~1-2%
- Maintenance Cost
- Illiquid
- Income Taxable

## Nippon India Nivesh Lashya Fund

- Higher & Visible returns
- Easy Liquidity
- Tax Efficient
- No Credit Risk

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## Scenario 1: Falling interest rate

Scenario analysis showing returns generated by Nippon India Nivesh Lakshya Fund in different market scenarios for Rs 1 Cr invested for 23 years at current YTM



Yield to Maturity % (YTM)				
Withdrawal Done	If Interest Rates were to fall to 5%			
	Scenario 1: Falling interest rate			
	Amount withdrawn @6%p.a. (Rs.6 Lakh)	Investment Value after 23 years	Total Investment Value	XIRR
Immediate	1.41	1.23	2.64	6.74%
After 3 years	1.23	1.78	3.01	6.44%
After 5 years	1.11	2.09	3.20	6.32%
After 10 years	0.81	2.75	3.56	6.15%
After 15 years	0.51	3.26	3.77	6.07%

## Scenario 2: Stable interest rate

Scenario analysis showing returns generated by Nippon India Nivesh Lakshya Fund in different market scenarios for Rs 1 Cr invested for 23 years at current YTM



Yield to Maturity % (YTM)				
Withdrawal Done	If Interest Rates were to stay stable at around 7%			
	Scenario 2: Stable interest rate			
	Amount withdrawn @6%p.a. (Rs.6 Lakh)	Investment Value after 23 years	Total Investment Value	XIRR
Immediate	1.41	1.35	2.76	6.95%
After 3 years	1.23	2.15	3.38	6.98%
After 5 years	1.11	2.61	3.72	7.00%
After 10 years	0.81	3.50	4.31	7.01%
After 15 years	0.51	4.13	4.64	7.02%

## Scenario 3: Rising interest rate

Scenario analysis showing returns generated by Nippon India Nivesh Lakshya Fund in different market scenarios for Rs 1 Cr invested for 23 years at current YTM



Yield to Maturity % (YTM)				
Withdrawal Done	If Interest Rates were to rise to 9%			
	Scenario 3: Rising interest rate			
	Amount withdrawn @6%p.a. (Rs.6 Lakh)	Investment Value after 23 years	Total Investment Value	XIRR
Immediate	1.41	1.51	2.92	7.23%
After 3 years	1.23	2.69	3.92	7.66%
After 5 years	1.11	3.35	4.46	7.82%
After 10 years	0.81	4.56	5.37	8.01%
After 15 years	0.51	5.34	5.85	8.08%

# What is this ideal for?

- Preservation of wealth
- Leaving a legacy
- Asset allocation



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## Why invest in Nippon India Nivesh Lakshya Fund?

Certainty/ Visibility of Returns,  
if investments held till maturity

Long-term locking in  
of prevailing interest rates

Insulation from future reduction of  
interest rates

Flexibility to withdraw investments  
anytime, at prevailing market prices

Tax efficiency due to Indexation  
Benefit

Regular cash flows through  
Systematic Withdrawal Plan (SWP)



Thank You

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