Mr. A Balasubramanian
MD & CEO

Dear Investors & Distributors,

Hope each of you and your families are safe and healthy.

Since the pandemic began, most regulators across the world have taken steps to limit its downside impact and also prepare for the future growth path. In India too, the steps taken by the Central Bank has not only led to an increase in liquidity but has also led to a decrease in interest rates quite substantially. As it is known, India in the recent years has struggled to bring down interest rates and ensure monetary policy transmission, especially, passing on the reduction of rates to ultimate borrowers and in fact have lagged behind the curve. This time around, substantial reduction in interest rate along with the introduction of new instruments to inject liquidity such as Long Term Repo Operation (LTRO) has brought down the interest rate to one of the lowest in recent past. RBI has also managed efficiently huge flow of dollars into the country and built huge foreign exchange reserve. Today our foreign exchange reserve stands at an all-time high level. In the last few months, most of the banks have reduced deposit rates and have also simultaneously reduced the lending rates for housing loans. The housing loan rate is as low as 6.8% for borrowers on the back of RBI's move as mentioned earlier. The current RBI Governor Mr. Shaktikanta Das has done a phenomenal job in creating the right impact and bringing back confidence in the lending market. The Government of India has taken many steps in the last 6 months. It has boosted the confidence in the lending system of the country by providing guarantee to the loans extended to MSMEs by making them eligible for the sovereign guarantee. This has not only ensured availability of money for the MSME sector but has also improved the credit flows in the system and therefore increasing the scope for revival. This collective approach and measures by the Government and the RBI are reassuring in the nation's path to economic revival after what was one of the most stringent lockdowns.

While one may wonder why the equity markets have been rising, the power of such measures and huge stimulus is now reflecting in the stock market making investors to look beyond 2020, expecting a V-shaped recovery in 2021. This confidence for a V-shaped recovery is coming on the back of the stimulus exercise that has been undertaken in a matter of just 3 months, something that has never happened in the past. In fact in the 2008-09 crisis the central banks/global policy makers took 12 to 18 months to identify measures and stimulate the economic growth, whereas this time what could have taken 2 years, they have done it in 3 months. In the same way, lockdowns in the wake of Covid-19 have also made people to adopt and adapt to digital way of life and embrace technology, which otherwise would have taken many years. This has also brought about a significant change in outlook. On the same lines, Pharma industry that makes its fortune by making huge investments in R & D activities to discover new medicines, is being encouraged by policymakers to make continuous investments in R & D. The 9 month struggle to handle Covid-19 has resulted in higher importance of pharma industry and drawing the attention of policymakers to build a better health care system for the future.

The interest rates being low, is making people take notice and look for alternatives in this low interest rate regime, and therefore, investments are coming into relatively risky asset classes including equity, gold and in some sense affordable real estate. Coming to mutual funds, the industry has touched ₹ 27,57,944 crores QAAUM for the quarter ended September 2020 and we at ABSLMF closed the quarter at ₹ 2,38,674 cores QAAUM as against ₹ 2,14,592 crores QAAUM in the quarter ending June 2020 (source AMFI). We as a mutual fund house have seen growth in the overall AUM through increased inflows into the fixed income segment of the business, especially in the short duration funds. We have also seen stability returning on the equity asset side of our business with significant improvement in performance. As any other player in the mutual fund industry, we faced some challenges in the year 2019. I must take the opportunity to mention that the last 6-7 months of extra care and effort put by the money management team and other team members at ABSLAMC, have helped in bringing up the investment performance of all our schemes both in fixed income and equity. On the basis of our past learnings, we have managed our suite of offerings staying true to label and aligned strongly to their individual mandates of duration and risk. Maintaining safety and liquidity is our key focus.

We as an organisation have completed 25 years in the Indian Mutual Fund Industry and remain extremely committed to grow the business keeping the interest of our customers at the centre of everything we do. As an AMC, we remain committed to grow the Indian Mutual Fund industry and in doing so play the right role as ABSLMF in carrying out our fiduciary responsibility effectively and providing the right solution to the growing needs of our investors.

We have come out with an NFO this month, the Aditya Birla Sun Life Special Opportunities Fund. Given that the current economic and market situation is itself a special situation, there are many companies that will either get disrupted or rediscover themselves from the shareholders point of view. Our NFO looks for opportunities across sectors and true to the label of the scheme will find investment opportunities. It provides good investment opportunities to investors who have a good long term (above 5 years) investment horizon. I would urge all the investors to read about the scheme or to contact your financial advisors.

Invest rightly and wisely.

Refer to page no 15 for the product labelling of the scheme.