



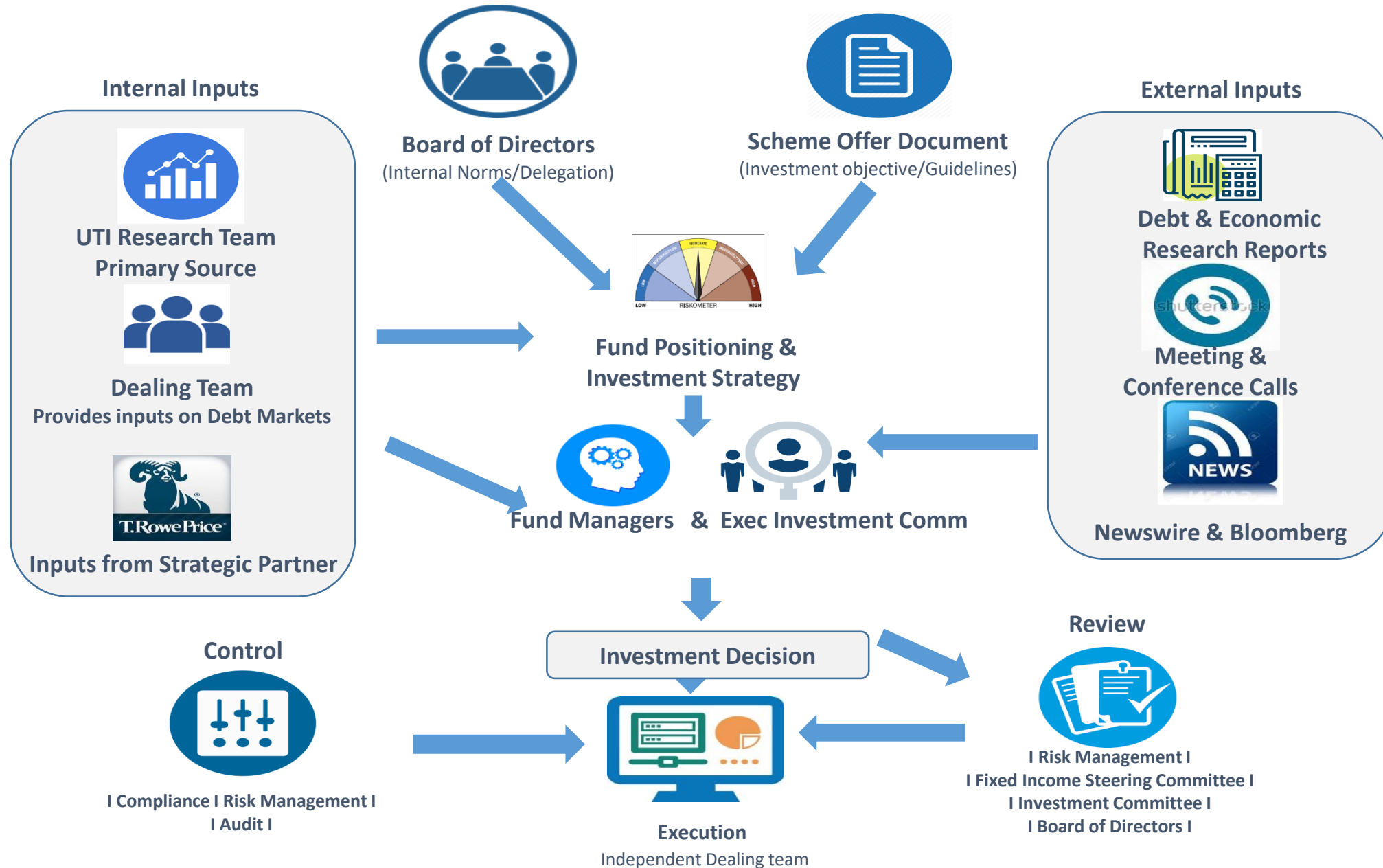
## UTI's Fixed Income Investment Framework

# Presentation Flow

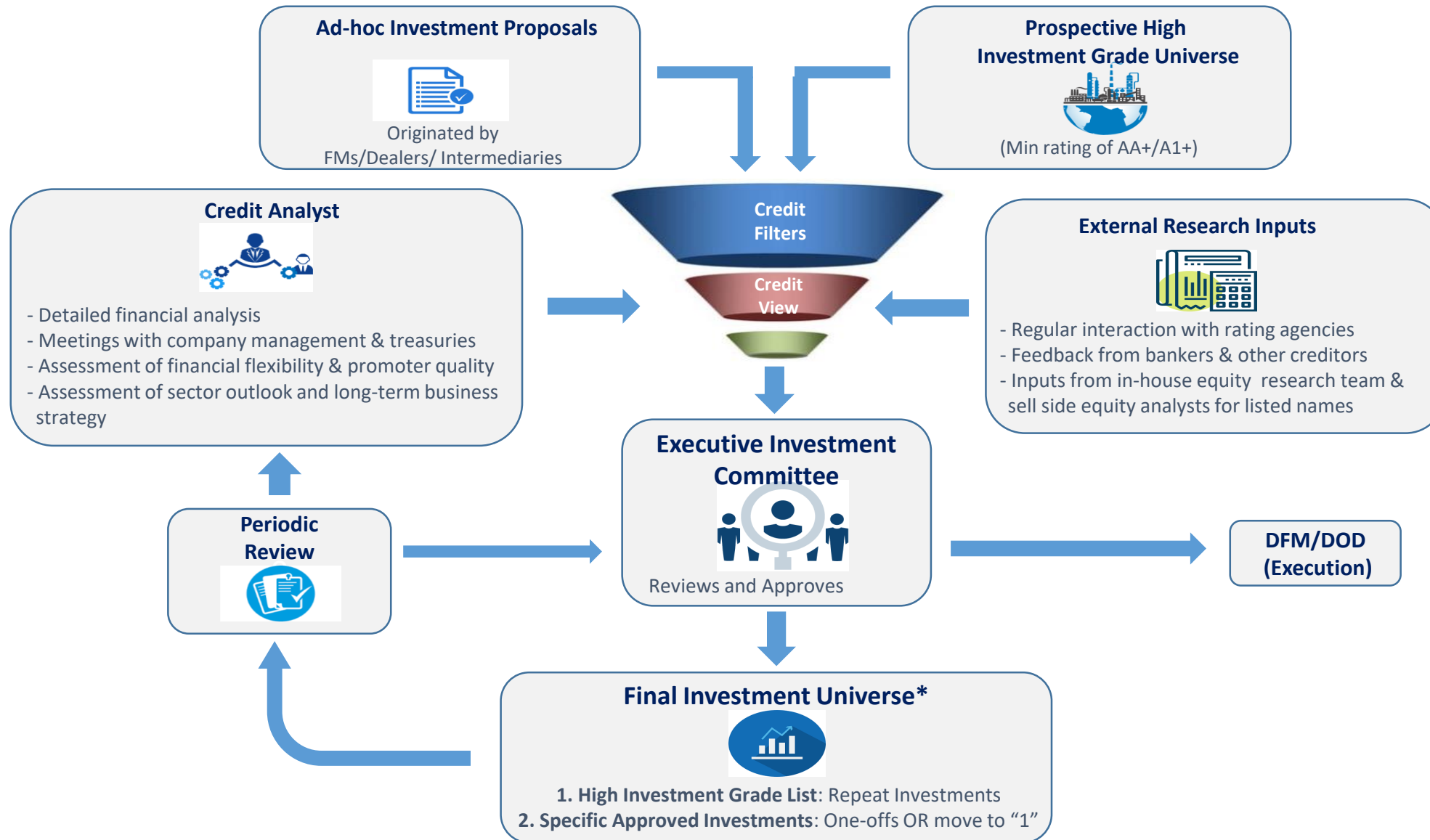
- **Investment & Research Process**
  - Overview
- **GIMS Framework**
  - Gate
  - Investments
  - Monitoring & Surveillance

## ➤ Investment & Research Process - Overview

# Fixed Income Investment Process



# Fixed Income Research Process



\* Final Investment Universe as on Sep 2021 comprised of 232 issuers are approved for Short Term Investments & 94 issuers approved for Long Term Investments

## ➤ GIMS Framework

- Gate
- Investments
- Monitoring & Surveillance

# Enhancements to UTI Fixed Income Investment Process

## Process fine tuned on three fronts – the “GIMS” Framework

- **“Gate” – Research and coverage**
  - Strengthened capabilities
  - Refreshed the credit models and methodologies
- **“Investments” - Funds and FM’s**
  - Fund framework reviewed and tightened
  - Action-To-Be-Taken (ATBT) – Scenarios and actions
  - Risk budgets made central to strategy
  - Strengthen the team
  - Automation for real-time monitoring
- **“Monitoring and Surveillance”**
  - Added a resource
  - Early Warning Signal (EWS) parameters enhanced
  - Manual to Automation for increased efficiency

**“Gate”**



# Gate - What has changed?

Parameter	Erstwhile	Now
<b>Team</b>	2 Credit Analysts	5 Credit Analysts 1 Head of Credit Research
<b>Approach</b>	Reliance on <ul style="list-style-type: none"> <li>• Historical data and trends</li> <li>• Limited Forecasts</li> </ul>	In addition, <ul style="list-style-type: none"> <li>• Forecast driven</li> <li>• Industry cycle rating</li> </ul>
<b>Credit scoring model</b>	<ul style="list-style-type: none"> <li>• Quantitative - 75%</li> <li>• Qualitative - 25%</li> </ul>	<ul style="list-style-type: none"> <li>• Quantitative - 50%</li> <li>• Qualitative - 50%</li> </ul>
<b>Corporate Governance (CG)</b>	Included in the 25% qualitative weightage	In-house CG Scorecard with 25-30 parameters  CG Score of below a certain threshold will not be part of investable universe.
<b>Exposure Reference</b>	Mostly with outstanding net worth & debt	Included reference with peers, AUM movement
<b>Stress testing</b>	Limited to liquidity, debt position	Comprehensive Model of stress testing covering business cycles
<b>Market Intelligence/ Information Source</b>	Limited to Corporate Filings, rating agencies and informal market feedback	Formal framework and continuous monitoring, Expanding to include external feedback from banks/lenders and data aggregators like SaveRisk, Corpository and IlaS.

# Gate - Credit Assessment Parameters

- **Assessment of repayment ability** over investment horizon
- Setting up **issuer limits (Short Term (ST) and Long Term (LT))** linked to **internal credit rating**, to ensure **portfolio granularity**
- **Adequacy of security and covenants** in the term sheet
- **Risk sharing - Market acceptability and participation**

## Short Term Exposures (up to 12 month)

- **Emphasis on liquidity up to 12 months**
- Cash, liquid investments and sanctioned bank lines
- Assessment of quarterly cashflows, especially for longer end of ST exposures
- **ALM stress testing**

## Long Term Exposures (12 months or longer)

- Detailed financial projections over investment horizon
- **Stress testing of projected financials to test 'through-the-cycle' rating**

# “Investments”

# Fund Framework Approach and Product Positioning

- Product positioning is not limited to Rating Buckets but drilled down further into rating wise issuer types and liquidity.
- Incorporate Internal ratings over external ratings for all exposures assessment and analytical purposes.
- Research process - internal ratings are rigorously assessed.
- Short term exposures i.e. Commercial Papers (CPs) & Certificate of Deposits (CDs) mapped to long term ratings of the particular issuer for the investment framework and risk budget.
- Relative positioning of the scheme in each category w.r.t top 10 schemes in the category.
- Monitoring to assess deviations and review action

# “Monitoring & Surveillance”

# Monitoring and surveillance

## Credit :

- Structured approach towards monitoring and surveillance adopted.
- Increased team strength in credit research helped in timely turnarounds. Dedicated and focused daily credit meetings.

## Market & Portfolio :

- Hired a Portfolio Specialist/Analyst with rich experience in CRISIL research
- In addition, the portfolio analyst provide continuous support is provided to FMs, product and sales team.

## Investment Committee :

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head- Fixed Income, Head-Equity and Head-Risk to oversee all risks on a monthly basis.

Coverage	Frequency
Monitoring of key developments in company/sector and any news reports	Daily
Early Warning Signals (EWS)	Daily (Tracking) Monthly (Reporting)
Risk categorization of exposures (Green, Amber, Red)	Quarterly
Credit review of exposures	Quarterly
Industry/Sector review	Quarterly/Half-yearly
Stakeholder (rating agency, peers, etc.) feedback	Continuous review

Coverage	Frequency
MF Portfolio Holding Trends	Monthly
Duration Analysis of Peer Funds	Monthly
CP Rollover Trends /Risks	Monthly
Industry flow analysis	Weekly
AMFI trade data	Weekly
Secondary market trades and valuations	Weekly
Early Warning Indicators	Daily

# Monitoring & Surveillance

Criteria	Monitoring Interval	Actionable	Communication of Analyst Views
Significant Yield Movement	Weekly Basis	Portfolio analyst to send mailer to the Debt Team	Credit analyst to review new information and reassess credit evaluation of the company; Credit note to be circulated in case of a change in Internal credit rating.
Significant movement in share price in a single day	Continuous		
Reduction in lending by other creditors	Monthly		
Trends in Promoter pledge/ invocation, creation and release	Quarterly or data availability frequency		
Significant deterioration in group companies	Quarterly or data availability frequency	Credit analyst/ Fund manager to notify the Debt Team	
Change in Sector Outlook	Based on sector view	Credit analyst to notify the Debt Team	
Rating Outlook Changes	Based on action		
Deviation between management guidance and actual Results	Quarterly		

*EWS alerts are in the process of being automated and in final stage of negotiations with data aggregator for continuous and independent surveillance.*



# Governance Structure

## Risk Management Structure

### Board Risk Management Committee



- Consists of five members of the Board and meets at least twice a year
- Reviews the overall risk management policies and guidelines and implementation thereof
- Undertakes risk management in respect of critical projects or activities

### Equity and Debt Steering Committees



- Equity Steering Committee consists of four members, and Debt Steering Committee consists of two members.
- Reviews funds' performance and strategy reports
- Discusses products strategies and market developments

### Department of Risk Management



- Reviews portfolio risks affecting funds
- Conducts performance attribution of funds vis-à-vis their respective benchmarks and competing funds
- Tracks the adherence of portfolio characteristics to the respective scheme mandates

### Investment Committee



- Consists of four members
- Monthly meeting to review:
  - Performance
  - Top securities transactions
  - Exceptions
  - Establish investment norms or scheme limits

### Investment Teams



- Adherence to investment process
- Experienced and professional team
- In-house research-based approach for investments



# Annexure: Parameters for Evaluation Corporate Governance

Sr. No.	Parameter	Criteria
1	Promoters	Track-record (with lenders/other stakeholders)
		Quality of other businesses and dependence on promoter/company for funds
		Rating/track-record of other business
		Track-record of pledging shares of the Company
		Reputation of promoters (any legal/regulatory disputes)
2	Management	Professional/Promoter family
		Track-record of running this/other businesses
		Resignations/churn in top management
		Succession planning
		Above-average remuneration to management, high shareholding/ESOPs
3	Board of directors	Reputation (any legal/regulatory disputes etc.)
		Size of the board and share of promoter vs. independent directors
		Background of independent directors
		Tenure of independent directors with company (>10 years are not truly independent)
		Segregation of MD and chairperson roles
		Independent director chairing the audit committee
4	Top shareholders	Meeting frequency and attendance track record
		Presence of reputed funds/PEs
5	Auditors	Y-o-Y change in their holding, any sharp sell-off to be investigated
		Quality of the firm and how long it has been associated with company
6	Financial disclosures	Any qualifications either on the company or on its subs (in consol. report)
		Related party transactions
		ICDs or loans to promoter/group companies
		Contingent liabilities
		Hidden interest bearing liabilities (avg. int./borrowings)
		Non-current investments (bonds/shares of unlisted firms, real estate fund etc.)
7	Group Structure	Disputes with Tax authorities/custom duties/regulators
		Transparency/cross holdings
		Frequency of M&A/group restructuring

# Thank You

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