

IDFC Dynamic Bond Fund

An Open-ended Income Fund

A Fund investing in Govt Securities and highly liquid Corporate Bonds, actively managing interest rate risk by shifting between long duration bonds and cash.

Fund characteristics

Fund name	IDFC Dynamic Bond Fund(IDFC-DBF)
Nature	Debt
Fund manager	Arjun Parthasarathy
Investment objective	Seek to generate optimal returns with high liquidity by active management of the portfolio; by investing in high quality money market & debt instrument. However there is no assurance that the investment objective of the scheme will be realized.
Investment style	The Scheme seeks to invest in a mix of government securities and highly rated corporate bonds and seeks to generate returns by actively managing the interest rate volatility.
Ideal investment horizon	1 Year or more
Entry load	Nil
Exit load	IDFC-DBF - Plan A & Plan B: Nil. (w.e.f. August 24, 2009)
Options available	Growth, Dividend & Dividend Sweep (w.e.f. 16-Nov-2009).
Minimum investment	Plan A : (Regular Plan) Rs. 5,000 and in amount multiples of Re. 1 Plan B : (Institutional Plan), Rs. 25,00,000 and in multiples Re. 1 (w.e.f. July 6, 2009)
Additional investment amount	Re. 1
SIP (minimum amount)	in Plan A Rs. 1,000
Inception date	25 June 2002

Rating & Rankings



Past performance is no guarantee of future results.
For Methodology of Ranking Please refer Page No. 3.



Interest rates are facing multiple headwinds going forward. The IIP nos for November 2009 at 11.7% has further cemented fears of a rate hike in the policy review scheduled later this month. Inflation is expected to come in at over 7% for the month of December 2009.

The case for rates trending higher are

- ◆ Higher trending inflation expectations
- ◆ Negatives on the fiscal front
- ◆ Monetary policy tightening
- ◆ Growth forecasts revised upwards
- ◆ Pickup in Credit demand on back of higher growth.
- ◆ Size of government borrowing for the next fiscal

The case for rates trending lower are

- ◆ Adequate system liquidity as RBI withdraws its loose monetary policy in a measured manner, bond redemptions, interest payments and portfolio related inflows
- ◆ Low Credit growth hovering around 11.3% y-o-y and 6% y-t-d as against RBI target of 18%
- ◆ Steep yield curve

Government finances are not looking healthy with fiscal deficit touching 76% of budget estimates as of November 2009. Revenues are lagging behind with only 50% of budget being achieved. The government has delayed the 3G auction which is budgeted to bring in Rs 35,000 crores adding on the uncertainty on finances, increased spending of Rs 30000 crores on account of higher oil subsidy. Disinvestments are being pushed through to make up for some of lost revenues but it remains to be seen if government will stick to its scheduled borrowing for the fiscal 2009-10.

Source :Bloomberg

Fund manager's comment

The fund deployed cash at higher levels of yields and will actively manage cash in a ranged interest rate environment. The fund will move dynamically between cash, government bonds and corporate bonds to optimize performance.

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Performance (31 December 2009)

Period	IDFC-DBF Growth Returns	Benchmark Returns
Last 1 year CAGR	-4.14%	3.50%
Last 2 year CAGR	10.90%	6.24%
Last 3 year CAGR	10.47%	6.46%
Last 5 year CAGR	8.53%	5.62%
Since Allotment CAGR	8.17%	5.96%

Inception date: 25 June 2002.

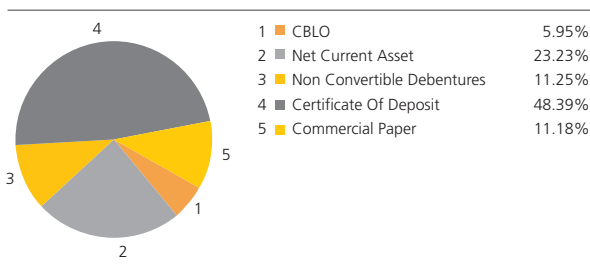
Benchmark : Crisil composite Bond Fund Index (CCBFI)

Past performance may or may not be sustained in future.

Dividend History (31 December 2009) (face value Rs.10/-)

Date	Nav	Freq.	Others	I & H
IDFC-DBF - Plan A				
31-Dec-08	12.0332	Quarterly	0.2853	0.3066
30-Mar-09	10.5857	Quarterly	0.4158	0.4467
30-Jun-09	10.5502	Quarterly	0.4158	0.4467
30-Mar-09	11.1462	Annual	0.8560	0.9197
IDFC-DBF - Plan B				
6-Jul-09	10.2050		0.2853	0.3066

Asset Allocation (31 December 2009)



Average AUM (31 December 2009)

IDFC-DBF	228.73 Crores
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Average Maturity (31 December 2009)

IDFC-DBF	0.57 Years
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Portfolio (31 December 2009)

Name	Rating	% of NAV
CBLO		5.95
CBLO Total		
Oriental Bank of Commerce	P1+	11.19
Canara Bank	PR1+	11.13
IDBI Bank Ltd	A1+	10.97
Andhra Bank Ltd	F1+(IND)	10.64
HDFC Bank Ltd.	PR1+	4.46
Certificate Of Deposit Total		
Hindustan Petroleum Corporation Ltd.	P1+	11.18
Commercial Paper Total		
Housing Development Finance Cor Ltd	AAA	11.25
Non Convertible Debentures Total		
Net Current Asset		
		23.23
Grand Total		100.00

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Risk Factors: Mutual Funds and securities investments are subject to market risks, reinvestment risk, changes in political, economic environment and government policy and there is no assurance or guarantee that the objectives of the Schemes will be achieved. The NAV of the Schemes can go up or down depending on factors and forces affecting the Securities Market including fluctuation in interest rates, trading volumes and reinvestment risk. Past performance of the Sponsor/AMC/Mutual Fund is not necessarily indicative of the future performance of the Schemes and may not necessarily provide a basis for comparison with other investments. IDFC Dynamic Bond Fund (IDFC-DBF) is the name of the Scheme and do not in any manner indicate either the quality of the Scheme, its future prospects or returns. The Sponsor or any of its associates is not responsible or liable for any loss resulting from the operation of the Schemes beyond the corpus of the Trust of Rs.30,000/-.

Terms of Issue & Load Structure: IDFC Dynamic Bond Fund (IDFC-DBF): During the continuous offer the AMC calculates and publishes NAVs and offers for sale and redemption of units of the Scheme on all Business days. There is no entry /exit load for IDFC-DBF-Plan B. There is no entry load for IDFC-DBF-Plan A. Exit Load: IDFC-DBF - Plan A & Plan B: Nil. (w.e.f. August 24, 2009). **Minimum Investment:** Minimum investment amount for application in IDFC DBF-Plan A is Rs.5000. Minimum investment amount for application in IDFC -DBF-Plan B is Rs. 10000000. **Investment Objective** IDFC-DBF is an open ended income scheme seeking to generate optimal returns with high liquidity by active management of the portfolio; by investing in high quality money market & debt instruments. However, there can be no assurance that the investment objective of the scheme will be realized. **Statutory Details:** IDFC Mutual Fund has been set up as a trust by Infrastructure Development Finance Company Limited (IDFC)(liability restricted to corpus of Trust of Rs. 30,000)with IDFC AMC Trustee Company Ltd. the trustee and IDFC Asset Management Company Ltd as the investment manager. Investors in the scheme(s) are not being offered any guaranteed or assured rate of return.

Copy of Scheme Information Document and Key Information Memorandum along with application form for all the schemes may be obtained from the office of IDFC Mutual Fund, One India Bulls Centre, 841, Jupiter Mills Compound, Senapati Bapat Marg,, Elphinstone Road, (West), Mumbai 400 013. Contact 1-800-226622 for details.

For details please read the Scheme Information Document (SID)/ Offer Document (OD)/ Statement of Additional Information (SAI) carefully before investing.

IDFC Dynamic Bond Fund

Methodology of Ranking

Value Research Rating:

Value Research Fund Ratings are a composite measure of historical risk-adjusted returns. In the case of equity and hybrid funds this rating is based on the weighted average monthly returns for the last 3 and 5-year periods. In the case of debt funds this rating is based on the weighted average weekly returns for the last 18 months and 3-year periods and in case of short-term debt funds - weekly returns for the last 18 months. These ratings do not take into consideration any entry or exit load.

Five-stars indicate that a fund is in the top 10% of its category in terms of historical risk-adjusted returns. Four stars indicate that a fund is in the next 22.5%, middle 35% receive three stars, the next 22.5% are assigned two stars while the bottom 10% receive one star. The number of schemes in each category is mentioned along side the categories name. Equity Diversified (142), Equity : Index (17), Equity Tax Planning (23), Hybrid Equity Oriented (25), Hybrid: Monthly Income (32), Debt: Medium-term (40), Gilt: Medium and Long-term (28), Gilt: Short-term (13), Debt: Ultra Short-term (40), Debt: Ultra Short-term Institutional (46), Debt: Short-term (15), Debt: Floating Rate Short-term (15), Debt: Floating Rate Long-term (10), Hybrid: Debt-oriented (16), Debt: Liquid Plus: (24), Debt: Liquid Plus Institutional:(23). These Fund Ratings are as on August 31, 2009.

The Value Research Ratings are published in Monthly Mutual Fund Performance Report and Mutual Fund Insight. The Ratings are subject to change every month. The Rating is based on primary data provided by respective funds, Value Research does not guarantee the accuracy.

ICRA Mutual Fund Awards 2009:

IDFC Dynamic Bond Fund - Plan A has been ranked as a 4 Star Fund in the category of 'Open Ended Debt – Long Term' schemes (25 Schemes) for its 1 year performance till March 31, 2009.

IDFC Dynamic Bond Fund - Plan A has been ranked as a 5 Star Fund in the category of 'Open Ended Debt – Long Term' schemes (20 Schemes) for its 3 year performance till March 31, 2009.

The rank is an outcome of an objective and comparative analysis against various parameters, including: risk adjusted return, fund size, company concentration, portfolio turnover and liquidity. The ranking methodology did not take into account entry and exit loads imposed by the Fund. The ranks are neither a certificate of statutory compliance nor any guarantee on the future performance

Ranking Source & Publisher: ICRA Online Ltd.

ICRA Credit Risk Rating:

IDFC Money Manager Fund - Treasury Plan: "Credit Risk Rating mfAAA" - The Fund carries the lowest credit risk, similar to that associated with long-term debt obligations rated in the highest-credit-quality category.

IDFC Money Manager Fund – Investment Plan: "Credit Risk Rating mfAAA" - The Fund carries the lowest credit risk, similar to that associated with long-term debt obligations rated in the highest-credit-quality category.

IDFC Cash Fund: "Credit Risk Rating mfA1+" - The highest-credit-quality short-term rating assigned by ICRA to debt funds. Debt funds rated in this category carry the lowest credit risk in the short term and are similar to that of fixed income obligations of highest-credit-quality category with maturity of upto one year.

This rating should however, not be construed as an indication of the performance of the Mutual Fund scheme or of volatility in its returns.

Source: ICRA Ltd.

ICRA Credit Risk Rating Methodology:

ICRA's Credit Risk rating is an analytical process characterised by both width and depth, and following on the organisation's extensive knowledge base encompassing almost every sector of the Indian economy, besides the economy itself. Our goal in Credit Risk Rating of debt mutual funds is to provide investors with a simple-to-use measure of credit risk. The Credit Risk Ratings incorporate ICRA's assessment of a debt fund's published investment objectives and policies, its management characteristics, and the creditworthiness of its investment portfolio.

ICRA's analysts obtain and rely on relevant data from public and non-public sources. While this data may vary according to the type and nature of the debt fund, the following information is typically used in the Rating process:

Prospectus and related documents:

-Debt fund portfolio data, including periodic investor reports and public filings.

- Industry surveys, studies, and special reports

- Internal documents describing the Asset Management Company's (AMC's) structure, investment philosophy, decision making process, and performance track record

In addition, ICRA encourages continual dialogue with the AMC's management. ICRA's analysts would normally meet the company representatives for a discussion of the relevant factors in connection with the assignment of an initial Credit Risk Rating, and on a periodic basis thereafter.

ICRA's Credit Matrix provides debt fund managers with investment decision flexibility. The Credit Matrix is a tool used by ICRA to analyse the investment portfolios of debt mutual funds. The analysis involves measuring a portfolio's aggregate credit quality through a review of the credit quality of each underlying debt security. A portfolio's weighted average credit quality is then measured against the appropriate benchmark credit score. Separate benchmark credit scores are used for liquid and bond funds. Short-term debt funds have weighted average portfolio maturities of up to one year and are typically liquid/cash funds. Long-term debt funds, on the other hand, have weighted average maturity of more than one year and are typically bond funds. ICRA benchmarks short-term debt funds including liquid/cash funds against a 12-month benchmark credit score, while long-term debt funds are benchmarked against the long-term benchmark credit score. ICRA generally assigns short-term MF Credit Risk Ratings to short-term/liquid funds, but gives an option to these funds to seek long-term MF Credit Risk Rating. Similarly, ICRA generally assigns long-term MF Credit Risk Ratings to bond funds, but gives an option to these funds with weighted average maturity of less than 12 months to seek short-term MF Credit Risk Ratings.

Morningstar Rating

This Morningstar-sourced information is provided to you by IDFC AMC and is at your own risk. Morningstar is not responsible for any damages or losses arising from any use of this information. Also, this information must not be relied upon without appropriate verification. IDFC AMC informs you as follows: (i) no investment decision should be made in relation to any of the information provided other than on the advice of a professional financial advisor; (ii) past performance is no guarantee of future results; and (iii) the value and income derived from investments can go down as well as up.

The Morningstar fund rating methodology is based on a fund's risk-adjusted return within a given Morningstar category. Morningstar ratings are calculated every month for the 3 year, 5 year and 10 year period. Within each rating period, the top 10% funds receive a five star rating, the next 22.5% earn a four star rating, the next 35% get three stars, the next 22.5% receive two stars, and the bottom 10% get one star. Loads are not considered for the rating purpose. The rating is based on NAV provided by respective funds. Morningstar does not guarantee accuracy of the data.