In fixed-income, Corporate bonds deliver the best returns

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Out and out outperformers

- **MTM index performance, as on December 31, 2014**
  - CRISIL AA Long-Term Bond Index generated the best returns in 10 years
  - SDL Index returned the most in the last 3 and 5 years
  - CRISIL 10-year Gilt Index had the weakest performance
- **On a daily rolling-return basis since March 2002, CRISIL AA Long-Term Bond Index has outperformed peers over 3-, 5- and 10-year holding periods**
- **HTM index performance, as on December 31, 2014**
  - AA corporate bond indices yielded the most for HTM investors across 3, 5 and 10 years
- **Best in class risk-return ratio**
  - Corporate bonds had the least volatile returns
  - CRISIL's default rates are nil for AAA-rated bonds, and less than 1% for AA-rated bonds
  - Corporate bonds are, however, illiquid, but that's the case with all long-term, fixed-income assets

Delivers highest marked-to-market returns …

Annualised returns as on December 31, 2014			
Indices	**3-year**	**5-year**	**10-year**
CRISIL 10 Year Gilt Index	7.85%	5.68%	5.93%
CRISIL Gilt Index	9.80%	8.11%	7.28%
SDL Index*	11.42%	9.51%	N.A.
CRISIL AAA Long-Term Bond Index	10.29%	9.10%	8.77%
CRISIL AA Long-Term Bond Index	10.95%	9.48%	8.96%

**Inception April 2008*

- **Corporate bonds have outperformed peers in 10 years**
  - CRISIL AA Long-Term Bond Index have given the highest returns
  - Both CRISIL AAA Long-Term Bond Index and CRISIL AA Long-Term Bond Index generated alpha higher than 200 bps over CRISIL 10-Year Gilt Index
- **SDL Index generated the highest returns across 3 and 5 years**
  - This is, however, an aberration because SDL yields had dropped sharply in the latter part of 2014 as the prices of G-Secs rallied following a sharp drop in inflation
  - SDLs have also seen increased investor interest
- **CRISIL 10-Year Gilt Index was a laggard**
  - CRISIL Gilt Index has outperformed CRISIL 10-Year Gilt Index across timeframes, delivering alpha of over 130 bps

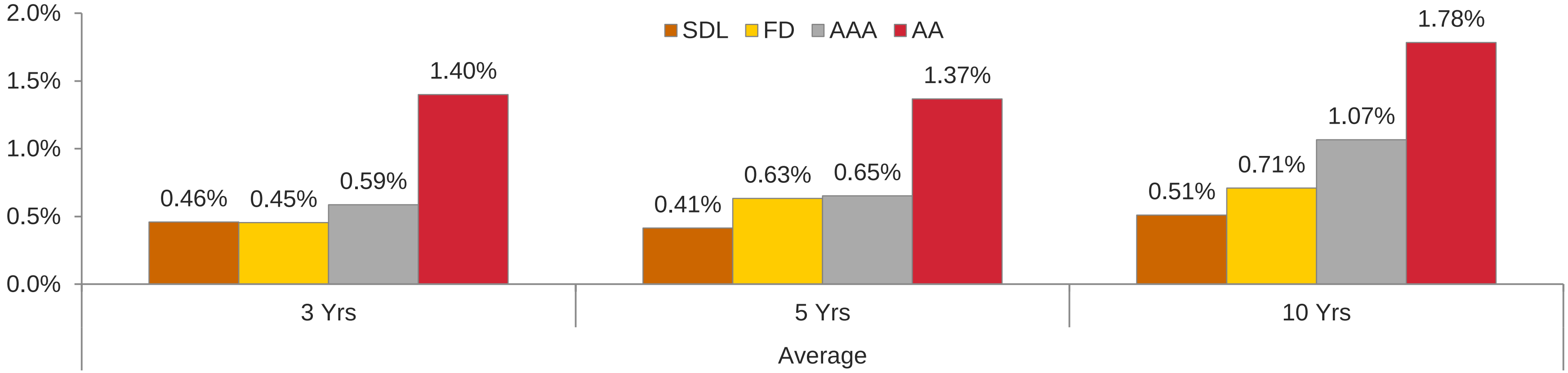
… and also on a daily-rolling basis

Rolling returns from March 2002			
Indices	**3-year**	**5-year**	**10-year**
CRISIL 10 Year Gilt Index	5.21%	5.42%	5.17%
CRISIL Gilt Index	6.38%	6.46%	6.36%
SDL Index*	7.79%	7.83%	N.A.
CRISIL AAA Long Term Bond Index	7.91%	8.17%	7.86%
CRISIL AA Long Term Bond Index	8.22%	8.34%	8.20%

**Inception April 2008*

- **In terms of daily-rolling returns, corporate bond indices triumphed across 3-, 5- and 10-year holding periods**
  - This clearly shows consistency in the superior performance of corporate bonds compared with other long-term, fixed-income assets
  - CRISIL AA Long-Term Bond Index returned the most across timeframes
- **CRISIL 10-Year Gilt Index posted the lowest returns**

Spreads consistently wider than SDLs



Security	Minimum			Maximum		
	3-year spreads	5-year spreads	10-year spreads	3-year spreads	5-year spreads	10-year spreads
SDL	0.31%	0.06%	0.06%	0.66%	0.66%	1.37%
Fixed Deposits	0.27%	0.27%	-0.84%	0.62%	0.97%	3.41%
AAA corporate bond	0.48%	0.48%	0.48%	0.71%	0.90%	3.29%
AA corporate bond	1.30%	1.18%	1.18%	1.52%	1.52%	4.10%

- **In the last 3, 5 and 10 years, corporate bonds offered spreads over G-Secs that were wider than SDLs**
  - AA-rated corporate bonds had the widest spreads
  - Spreads widened the most across fixed-income assets during the 2008 liquidity crisis

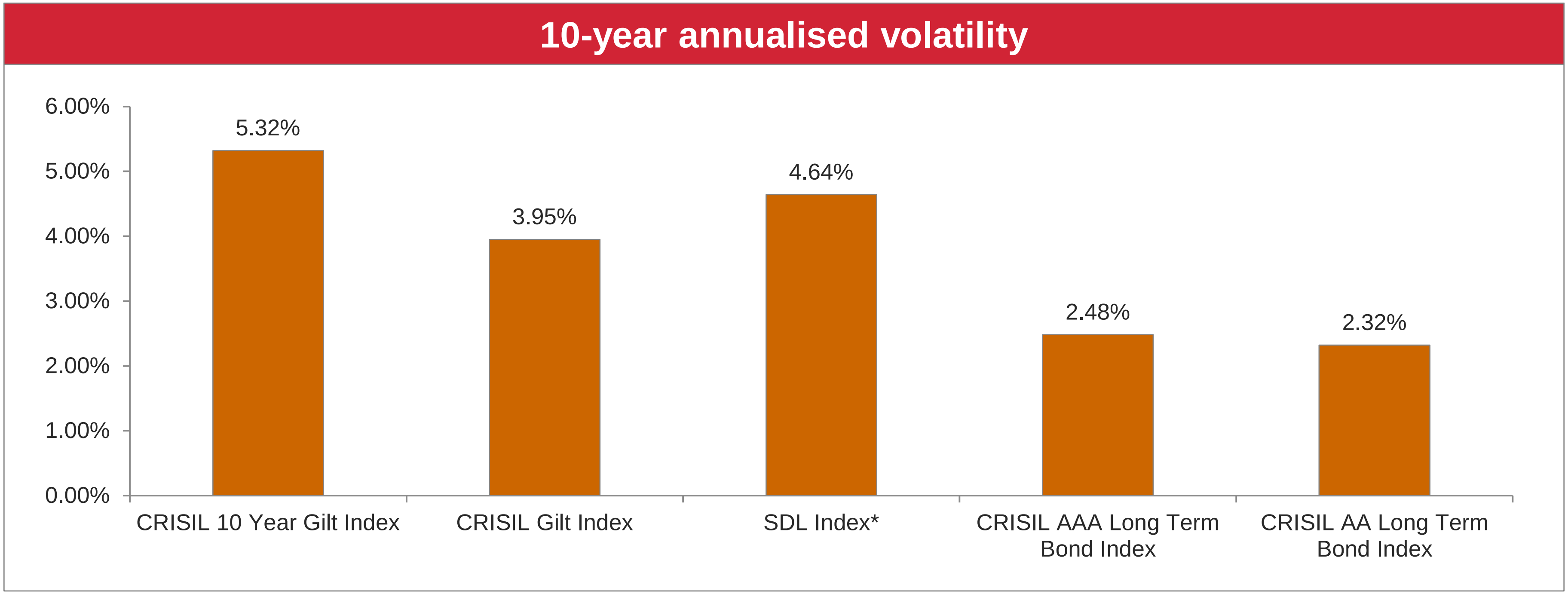
Highest yields for HTM investors

Security#	3-year returns	5-year returns	10-year returns
Government security	8.56%	8.38%	7.80%
SDL	9.06%	8.71%	N.A.
AAA corporate bond	9.17%	9.09%	8.90%
AA corporate bond	9.90%	9.72%	9.62%
Fixed deposits^	9.28%	8.65%	7.81%

10-year maturities
^SBI 10-year FD rates sourced from the website; rate is reset on Jan 1 every year

- **Corporate bonds provided the highest yields across timeframes for held-to-maturity investors**
  - AA-rated corporate bonds returned the most to HTM investors just the way it did on an MTM basis

Were the least volatile



Based on 5 year period ending 31st December 2014

- **CRISIL 10-Year Gilt Index was the most volatile, followed by the SDL Index**
  - Higher trading activity in G-Secs leads to higher volatility in the segment
- **Corporate bonds were the least volatile**
  - Corporate bonds are the slowest to react to policy changes, thereby showing subdued volatility

G-Secs most liquid, SDLs least

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Security	Turnover ratio*
G-Secs	0.73%
SDLs	0.03%
Corporate bonds	0.26%

* Turnover ratio: Daily trading volume/outstanding debt (as of Sept 2014)

- **Debt markets are largely illiquid in India**
  - On a relative basis, G-Secs are the most liquid debt assets, while corporate bonds fare better than SDLs
    - SDLs have historically been HTM investments, made primarily by banks, insurers and provident/pension funds
- **It is, however, important to note that globally, too, debt markets are illiquid**
  - Turnover ratio for even developed markets such as the United States is 0.18% for G-Secs and 0.05% for corporate bonds

Nil-to-very-low default history

CRISIL's average cumulative default rates for long-term ratings (1988-2013)				
Rating	**Issuer months**	**1-year**	**2-year**	**3-year**
CRISIL AAA	14,164	0.00%	0.00%	0.00%
CRISIL AA	30,341	0.03%	0.33%	0.92%

- **No CRISIL AAA-rated instrument has ever defaulted**
  - Default rates for CRISIL AA-rated instruments are also lower than 1%, highlighting the low credit risk that exists within a portfolio of AAA and AA-rated corporate bonds
- **Both CRISIL AAA and AA issuances have demonstrated very high stability in ratings**

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CRISIL Indices

CRISIL Indices

Credit Indices

- CRISIL AAA and AA Indices
- Long Term Bond Index
- Short Term Bond Index

Gilt Indices

- Composite Gilt
- Long and Short Term Indices
- CRISIL Short Term Gilt Index
- 10 Year Gilt Index
- Inflation Indexed Government Securities Index

Money Market Indices

- CD and CP indices
  - 2 months
  - 3 months
  - 6 months
  - 1year
- T-Bill Indices
  - 91 days
  - 182 days
  - 364 day s

Hybrid Indices

- Balanced Fund Index
- MIP Blended Fund Index
- Debt Hybrid 75+25 Fund Index
- Debt Hybrid 60+40 Fund Index

Composite Indices

- Composite Bond Fund Index
- Short Term Bond Fund Index
- Liquid Fund Index
- Composite T-Bill Index
- Composite CD Index
- Composite CP Index

Dollar Indices

- Composite Bond Fund Dollar Index
- Short Term Bond Fund Dollar Index
- Liquid Fund Dollar Index
- 91 day T-Bill Dollar Index
- 1 Year T-Bill Dollar Index
- 10 Year Gilt Dollar Index
- Gilt Dollar Index