FIXED INCOME 101

WHAT IS AVERAGE MATURITY?

BAJAJ MUTUAL FUND

ONE PORTFOLIO. MANY MATURITY DATES.

A debt fund holds securities that mature at different times. Some may mature next year; others may continue for several years. How do we describe the portfolio in one number?

AVERAGE MATURITY

The **weighted average** time remaining until the securities in a debt fund mature. Larger holdings have a greater influence on the result.

LET US BUILD A SIMPLE PORTFOLIO

Imagine a portfolio of three bonds. Each bond has a different weight and time left to maturity.

BOND	PORTFOLIO WEIGHT	YEARS LEFT	WEIGHT x YEARS
A	50%	1	0.50
B	30%	3	0.90
C	20%	5	1.00
TOTAL	100%		2.40 years

THE CALCULATION

(50% x 1) + (30% x 3) + (20% x 5) = 2.4 years



The 50% holding in Bond A has more influence than the 20% holding in Bond C. The result is a **portfolio average**; it does not mean every bond matures in 2.4 years.

WHY WEIGHT MATTERS

A bigger allocation to longer-maturity bonds will generally increase the average maturity, all else being equal.

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SHORTER OR LONGER? HERE IS THE BROAD IDEA

SHORTER

More weight in securities maturing sooner

SOONER — LATER

LONGER

More weight in securities maturing later

SOONER — LATER

Longer-maturity bonds are generally more sensitive to yield movements, all else equal. But average maturity is a **clue**, not a direct measure of price sensitivity.

THREE RELATED NUMBERS, THREE DIFFERENT QUESTIONS

AVERAGE MATURITY

When do the holdings mature, on average?

MACAULAY DURATION

When are cash flows received, on a present-value-weighted basis?

MODIFIED DURATION

How sensitive is price to a change in yield?

HOW TO USE IT IN A FACTSHEET

01 COMPARE

Compare funds with similar mandates; look at how maturity has changed over time.

02 ADD CONTEXT

Read modified duration, portfolio yield and credit quality alongside maturity.

03 MATCH YOUR NEEDS

Consider your investment horizon and comfort with possible price fluctuations.

WHAT IT DOES NOT TELL YOU

It is not a guaranteed holding period or return. A fund can buy and sell securities, so its average maturity changes. It does not reveal credit or liquidity risk on its own.

KEY TAKEAWAY

Average maturity shows the portfolio timeline. Use modified duration to assess rate sensitivity.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.