

Bajaj Finserv Banking and PSU Fund

An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds with relatively high interest rate risk and moderate credit risk.

NFO from 25th October to 6th November 2023

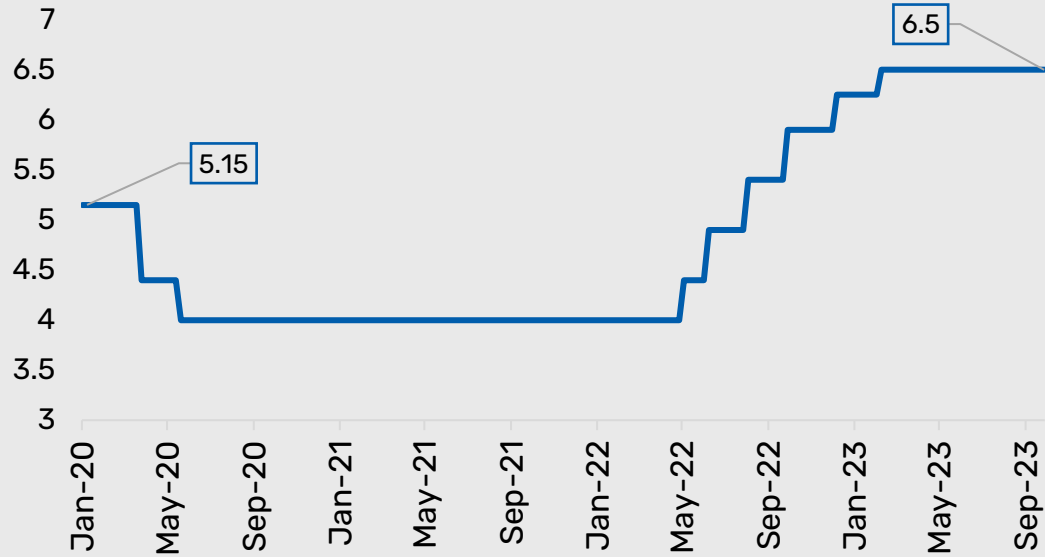


Current Debt Market Outlook

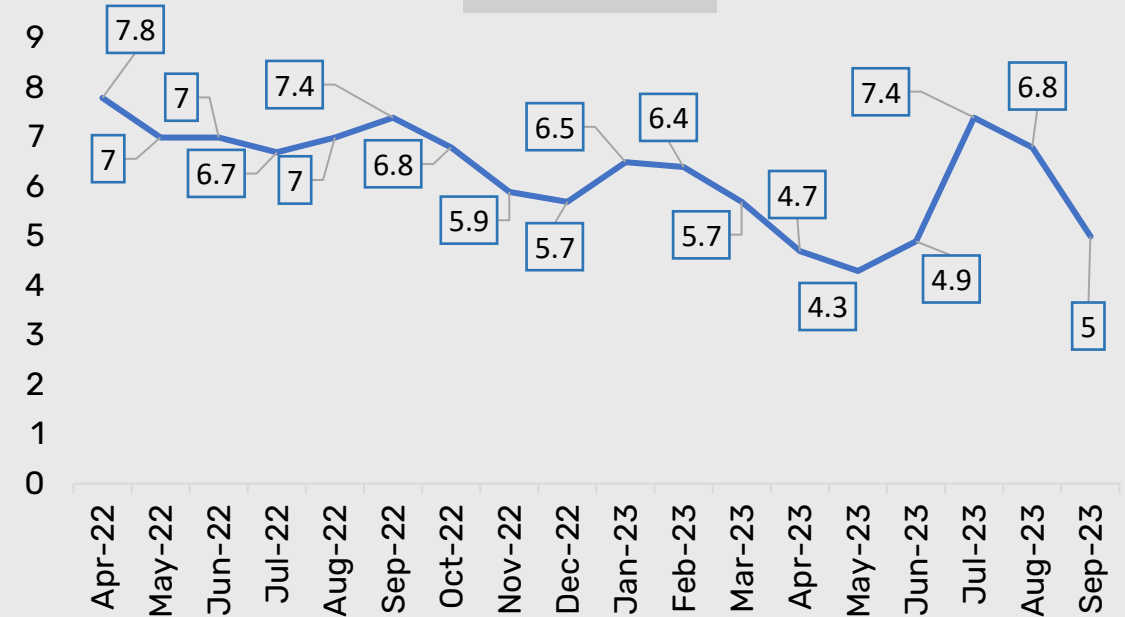


Repo rate and CPI

Repo Rate (%) - All India



Inflation CPI



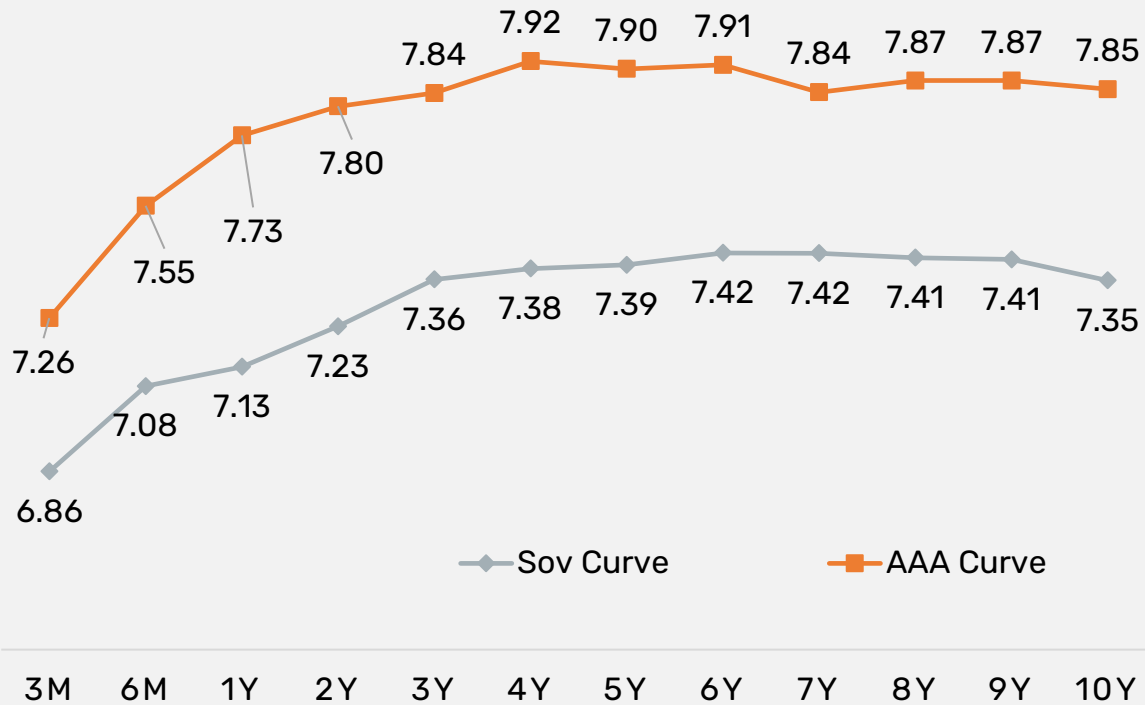
CPI has begun to correct due to a sharp decline in select food items, including vegetable prices and edible oils.



Inflation is on path of Central Bank's target which gives us confidence that we may be approaching the peak of the rate hike cycle.

Present Shape of the Fixed Income Yield Curve

Yield Curve 10th Oct 2023



Source: Bloomberg

Please note that 'Riding the yield curve' is one of several investment approaches, and its performance is not guaranteed. The fund manager retains the prerogative to amend or alter the strategy as required by the regulation.



In the present backdrop, we believe that the interest rate cycle may have peaked globally.



While the oil spike is a cause of concern, we believe that inflation is largely on downward trajectory. We believe that the rates may be approaching the peak.



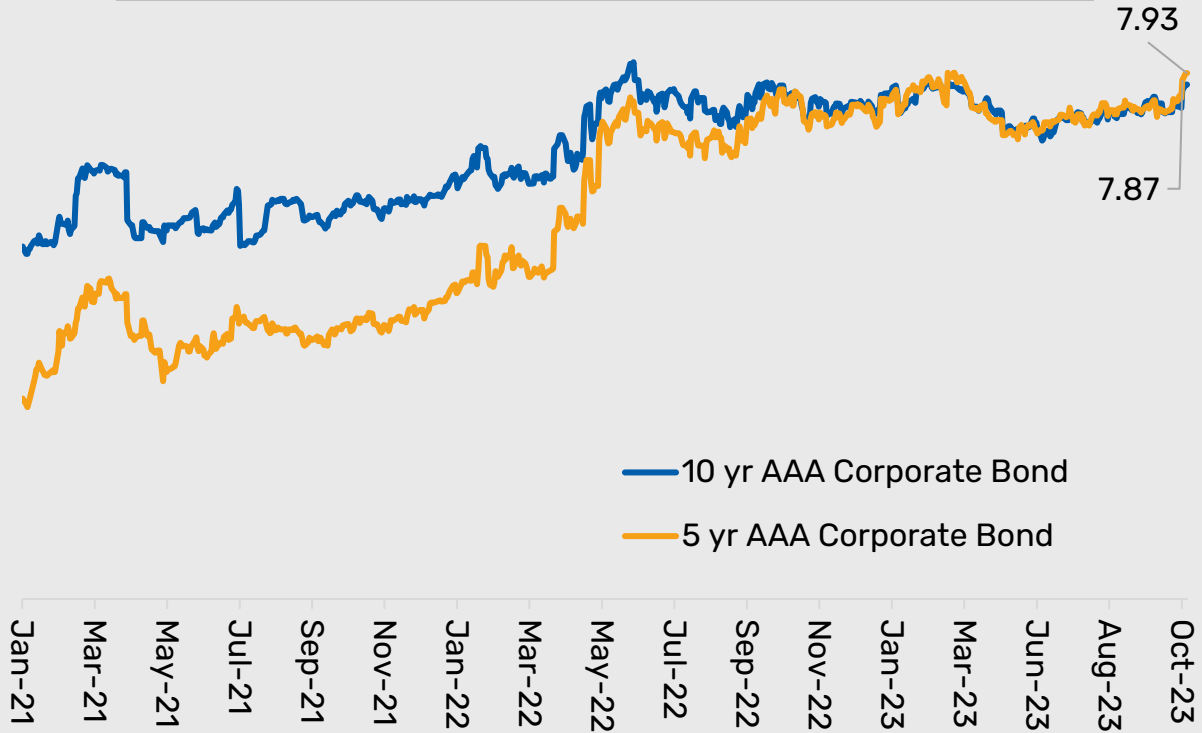
The curve from 2yr to 10yr is largely flattish. This indicates uncertainty in the market with regards to longer duration maturities.



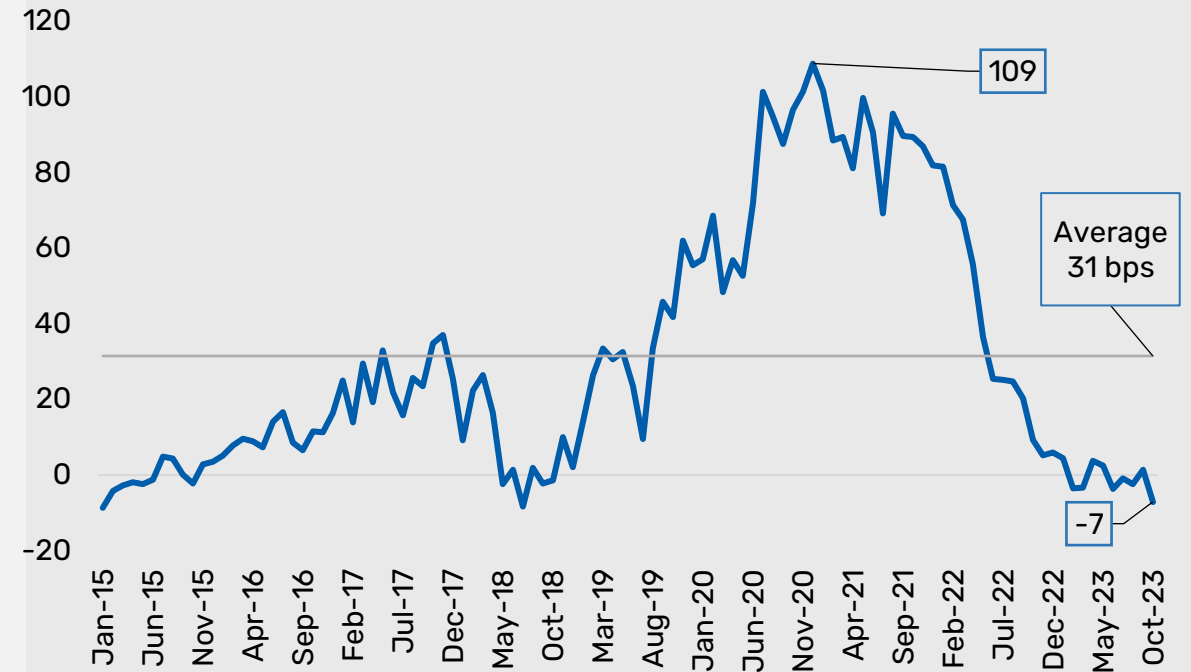
The yields in the 3 to 5 yr. band provides similar or even higher yields than 10yr maturity.

Term Spread between 10 & 5yr Bonds now in Negative

The Yields of 10-Yr & 5-Yr AAA Bond have Now Converged



10-Yr & 5-Yr AAA Bond Spreads in Basis Points



Term spread is the premium which an investor gets for investing in longer dated maturities vis-à-vis the near-term ones.



The term spread is low-to-nil, implying that the investors reward for taking longer term maturity is low vis a vis the 5-Yr maturity .



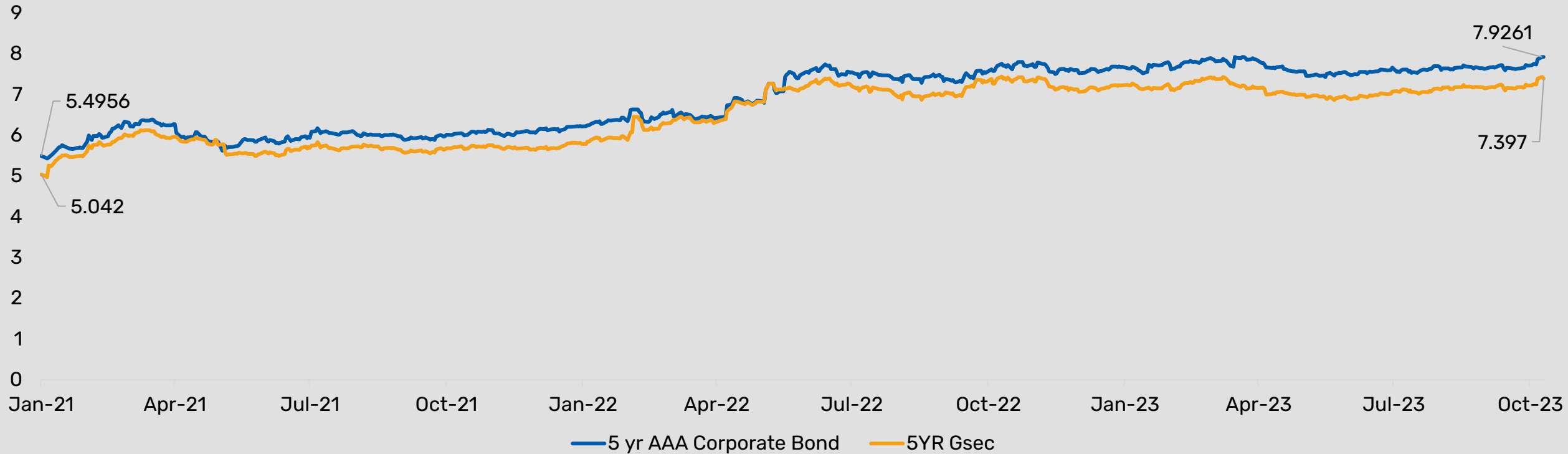
In the current context, the term spreads are virtually non-existent - making 5 year a more attractive option vis-à-vis the longer maturities on risk-reward basis.



This negative spread has been observed only around 16% of times over last 8yrs.

AAA Credit Spread has normalized

- An Opportunity in High Quality Corporate Bonds



The credit spread is the premium one is rewarded for acquiring slightly higher credit risk over the commensurate risk free.



The credit premium which AAA bonds command over the Gsec had dropped around May 22.

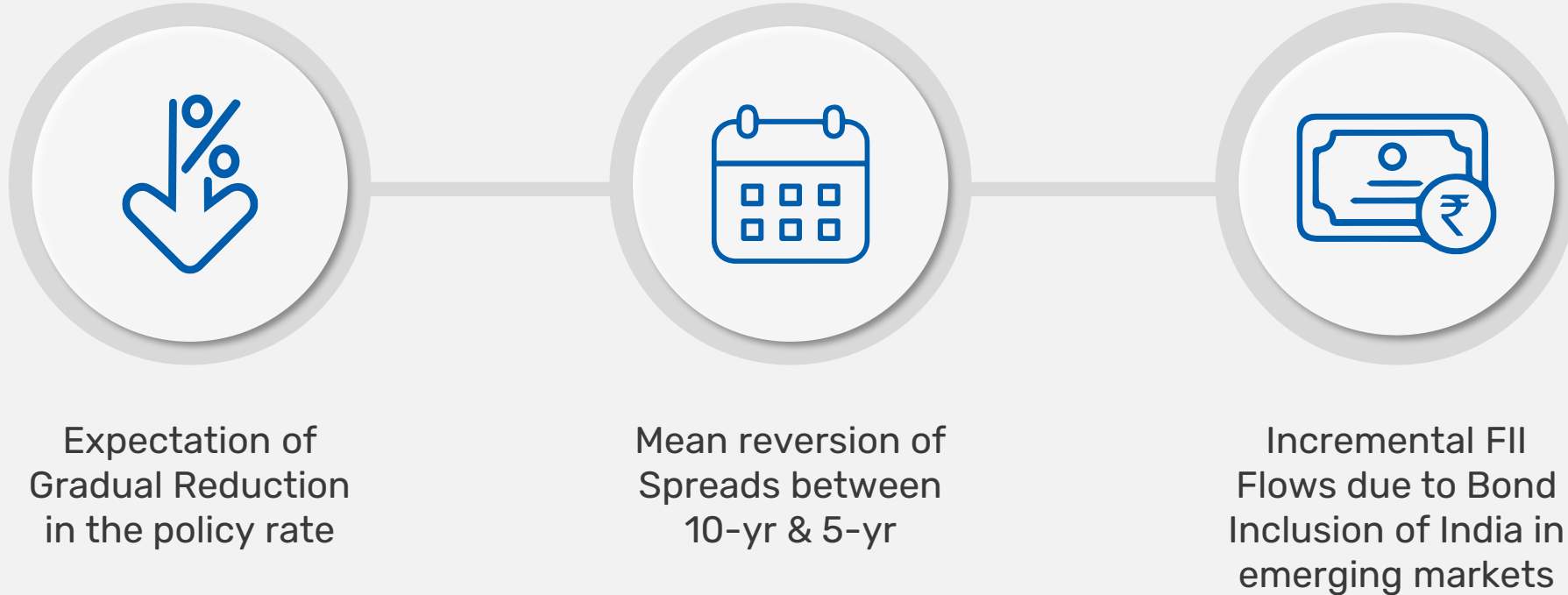


This has now normalized in recent times.



Thus, investors can earn reasonable spread in the corporate bond curve over the Gsec in the present period.

Likely Triggers for Rate Correction in Coming Months

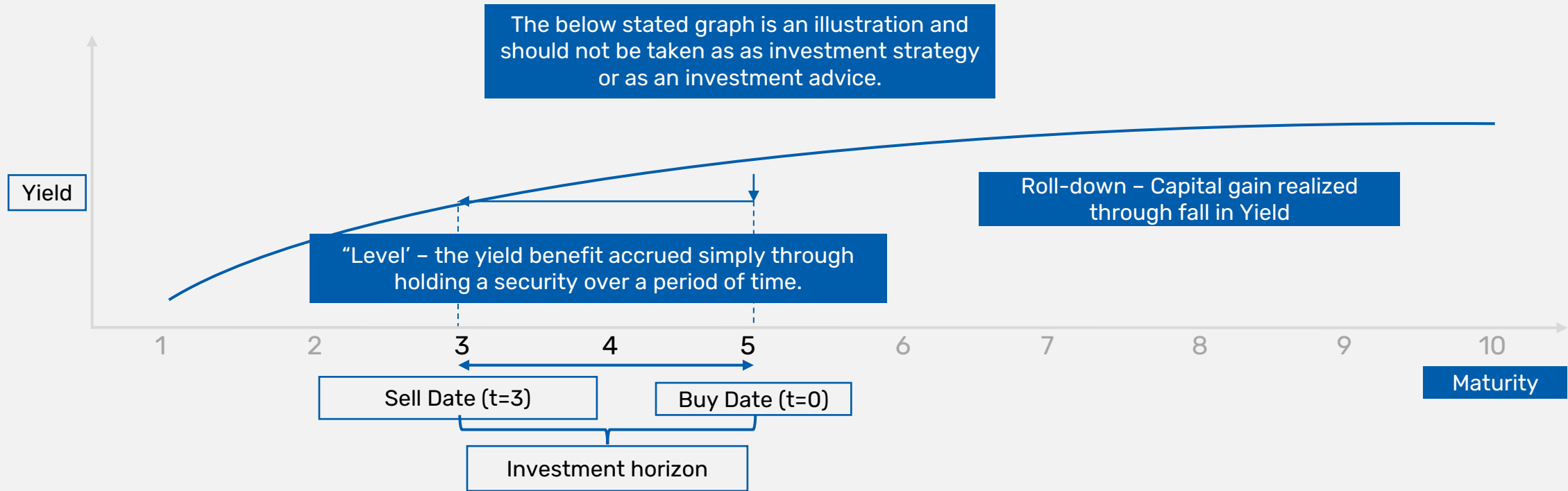


Bajaj Finserv **Banking and PSU Fund Seizing the opportunity**



Riding the Yield Curve: Explained

The below stated graph is an illustration and should not be taken as an investment strategy or as an investment advice.



Riding the yield curve refers to a fixed-income strategy where investors purchase long-term bonds with a maturity date longer than their investment time horizon.



Investors then sell their bonds at the end of their time horizon, profiting from the declining yield that occurs over the life of the bond.



For example, an investor with a 3-Yr investment horizon may buy a 5-Yr bond because it has a higher yield, the investor sells the bond at the 3-Yr date but profits from the higher 5-Yr yield.



If interest rates falls and /or yield curve shape changes to normal from the current flat yield curve shape, then riding the yield curve is considered to be profitable strategy.

Please note that 'Riding the yield curve' is one of several investment approaches, and its performance is not guaranteed. The fund manager retains the prerogative to amend or alter the strategy as required by the regulation. This is subject to change owing to change in market conditions and opportunities available for investments.

What are Banking and PSU Fund?

1 Short term to medium term

The Banking and PSU funds are debt funds that invest in bonds of banks and public sector companies.



3 Better credit quality

These funds have superior credit quality compared to other debt funds and they minimize risk by investing in top-rated debt instruments.



2 Invest in debt fund

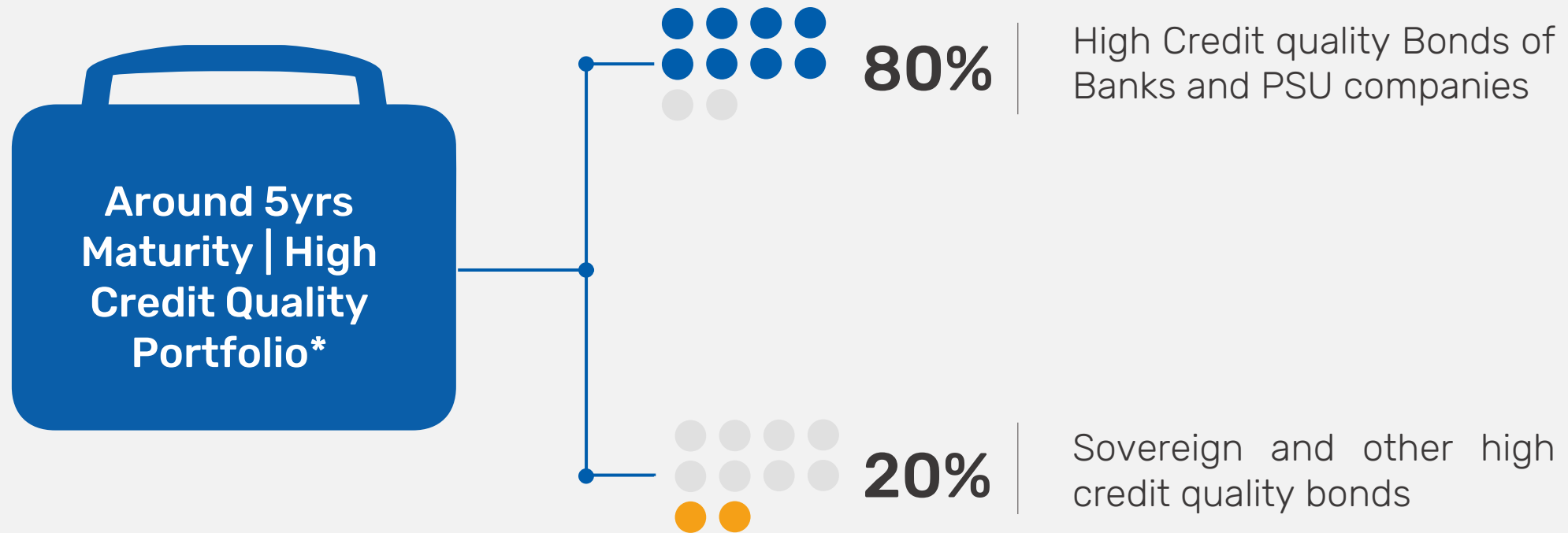
As per SEBI guidelines for mutual funds, Banking and PSU Funds invest at least 80% of their assets in debt instruments issued by banks and public sector undertakings.



4 Optimizes opportunity

Banking and PSU funds maintain an optimum balance between liquidity, safety, and yield.

Where will our scheme invest?



For detailed list of instruments where the fund can invest, please refer to the SID section – “How will the Scheme allocate its assets??”

*This is subject to change in market conditions and opportunities for investments

Introducing Bajaj Finserv Banking & PSU Fund - Your Path to Relatively Stable Wealth Growth!

Why choose us?



We endeavor to invest in high-credit-rated AAA bonds, ensuring your investment's credit quality.



Riding the yield curve from around the 5-year maturity profile, optimizing the performance potential for the unit of risk taken.



Our team brings together years of experience navigating the complex world of fixed income investments.

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Potential MTM Opportunity in AAA Corporate Bond

The following table highlights the scenario analysis of how in case of interest rate change over the coming year, an investor may expect a certain range of performance in 5-year banking and PSU debt.

Scenario Analysis in Case of Change in Rate with a 5-year AAA PSU Corporate Bond Portfolio				
Interest Rate Change in bps during a year	Present YTM (in %)	Modified Duration*	M-T-M Gain (in %)	Gross annualised Gain (%)
100	7.65	3.2	-3.20	4.45
75	7.65	3.2	-2.40	5.25
50	7.65	3.2	-1.60	6.05
25	7.65	3.2	-0.80	6.85
0	7.65	3.2	0.00	7.65
-25	7.65	3.2	0.80	8.45
-50	7.65	3.2	1.60	9.25
-75	7.65	3.2	2.40	10.05
-100	7.65	3.2	3.20	10.85

Note: This table is provided for illustrative purpose to explain the concept of MTM opportunity owing to changes in interest rates.

Why Invest in Bajaj Finserv Banking and PSU Fund now:



Presently, the yield curve shape has largely flattened - indicating uncertainty in the market regarding allocation to the long duration of the curve.



The 5-year yields are presently trading at a higher level than the 10-year duration maturity.



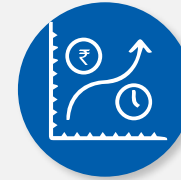
Having said that, we believe that we are likely to see bull steepening in the curve going ahead.



The inclusion of India in the emerging market bond Index, expectation of a rate cut in the medium term, and the mean reversion of yields are some of the likely triggers for the potential bond rally in the market in the future.



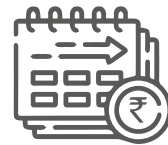
This rally is likely to provide reasonable mark-to-market gains for the investor who holds a medium to long-term investing view.



Even if the investment thesis were not to play out, the markets are presently offering a relatively high yield. Investors can lock-in the present yield levels and hold-to-maturity.

Who should **invest**?

Individuals seeking to construct a foundational debt portfolio for short to medium-term investment Horizon.



Individuals dissatisfied with the performance of traditional fixed-income options.

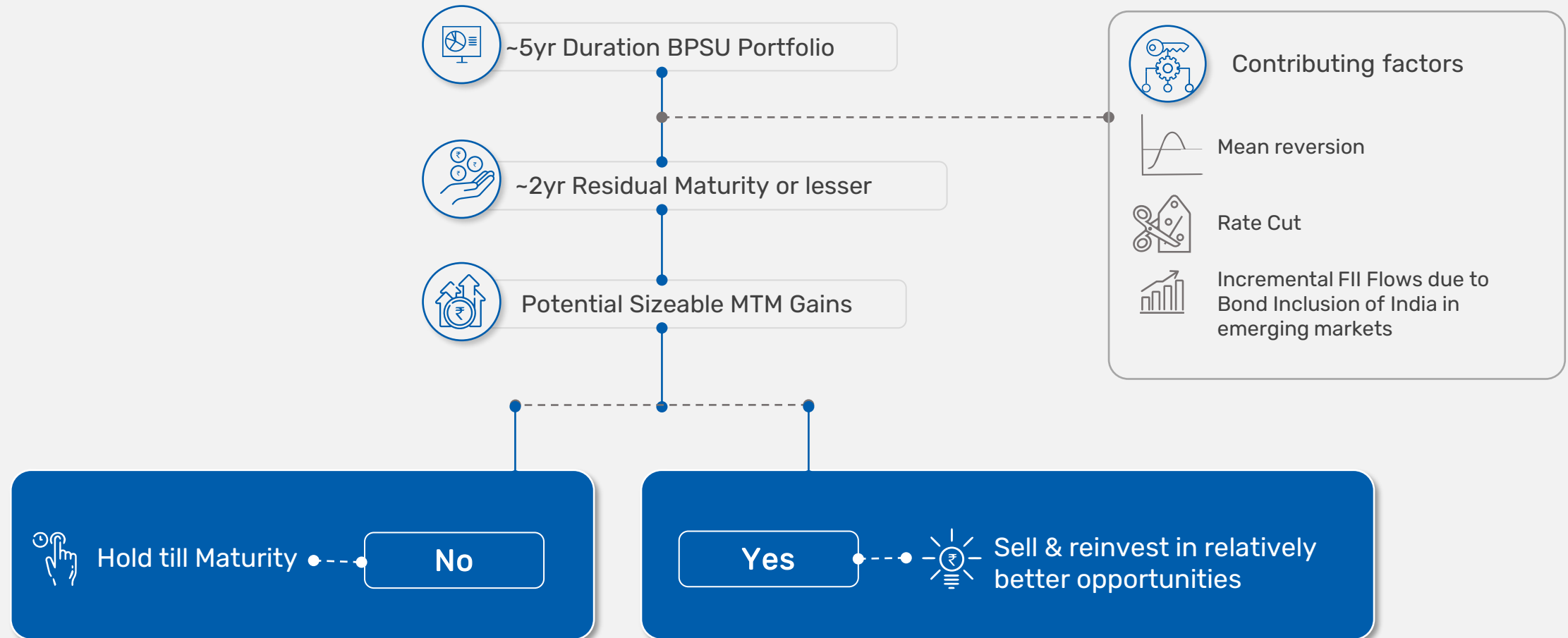
Individuals who want relatively stable investment option for their capital



Investors interested in diversifying their Portfolio across various Debt Investments apart from other traditional Banking products.


**Who should
Invest?**

Bajaj Finserv Banking and PSU Fund Strategy: Keeping all options open



Please note that 'Riding the yield curve' is one of several investment approaches, and its performance is not guaranteed. The fund manager retains the prerogative to amend or alter the strategy as required by the regulation.



- He is an Investment professional with 22 years of experience in investing in the Indian capital markets.
- Previously as Head Investments (Canara Robeco AMC), he was responsible for all Equity Business wherein he oversaw Equity assets of Rs. 400 Bn and advised Robeco funds on their India exposure of Rs. 350 Bn.



Nimesh Chandan
Chief Investment Officer



Siddharth Chaudhary
Senior Fund Manager- Fixed Income



- Siddharth Chaudhary has 16 years of experience in Fixed Income Markets of which 12 years were in MF industry and 4 years in Bank Treasury.
- In his previous role, Siddharth was Head of Fixed Income, Institutional Business at Sundaram AMC, where he was responsible for managing the debt schemes.



Fund Facts

Scheme Name	Bajaj Finserv Banking and PSU Fund
Scheme Category	Banking and PSU Fund
Scheme Type	An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds with relatively high interest rate risk and moderate credit risk.
Scheme Riskometer	Moderate
Scheme Potential Risk Class (PRC)	B-III – A Scheme with relatively high interest rate risk and moderate credit risk.
Benchmark	NIFTY Banking and PSU Debt Index
Fund Manager	Mr. Siddharth Chaudhary and Mr. Nimesh Chandan A dedicated Overseas Fund Manager for investing in overseas debt securities will be onboarded prior to undertaking investments in overseas debt securities.
Investment Objective	To generate income by predominantly investing in debt & money market securities issued by Banks, Public Sector Undertaking (PSUs), Public Financial Institutions (PFI), Municipal Bonds and Reverse repos in such securities, sovereign securities issued by the Central Government and State Governments, and / or any security unconditionally guaranteed by the Govt. of India. There is no assurance that or guarantee that the investment objective of the scheme will be achieved.
Loads	Entry load – Not applicable Exit load – Nil

Potential Risk Class (PRC) (Maximum risk the scheme can take)				
Credit Risk	→	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk	↓			
Relatively Low (Class I)				
Moderate (Class II)				
Relatively High (Class III)			B-III	
B-III-A Scheme with relatively high interest rate risk and moderate credit risk.				

Bajaj Finserv Banking and PSU Fund

An open-ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds with relatively high interest rate risk and moderate credit risk

This product is suitable for investors who are seeking*:

- Income over short to medium term
- Investment primarily in securities issued by Scheduled Commercial Banks (SCBs), Public Sector undertakings (PSUs), Public Financial Institutions (PFIs), Municipal Corporations and such other bodies

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

Riskometer*

Scheme	Benchmark
 <p>RISK-O-METER</p> <p>Investors understand that their principal will be at moderate risk</p>	 <p>RISK-O-METER</p> <p>Nifty Banking and PSU Debt Index</p>

#The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made.

DISCLAIMER

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

THANK YOU