

Baroda BNP Paribas

NIFTY SDL December 2028 Index Fund

(An open-ended Target Maturity Index Fund replicating / tracking the NIFTY SDL December 2028 Index.)
A Relatively High Interest Rate Risk and Relatively Low Credit Risk.







NFO period : **14th - 21st Mar 2023**

STATE DEVELOPMENT LOANS (SDL)





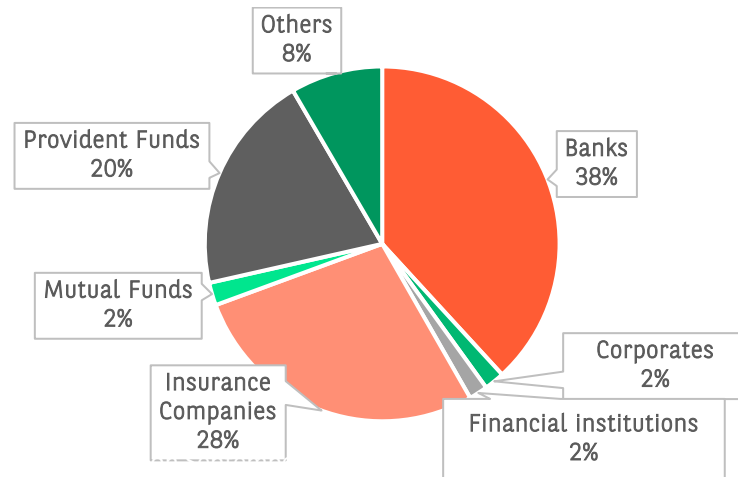
SDL: An Introduction

Issuers	Interest and Principal Payment	Statutory Support	Yields	Credit Quality	Risk Mitigation
 <p>State Governments</p>	 <p>Like G-Secs, at half yearly intervals. Paid by the RBI from a state's allocation of central government funds</p>	 <p>Eligible for SLR Eligible for collateral under RBI's Liquidity Adjustment Facility (LAF)</p>	 <p>Provide attractive yields vis-à-vis G-Secs for buy and hold investors</p>	 <p>Sovereign/Government bond. Assigned Zero Risk weight for Commercial Banks on account of Sovereign status</p>	 <p>Holding securities till maturity could be a strategy through which one could avoid market risk</p>



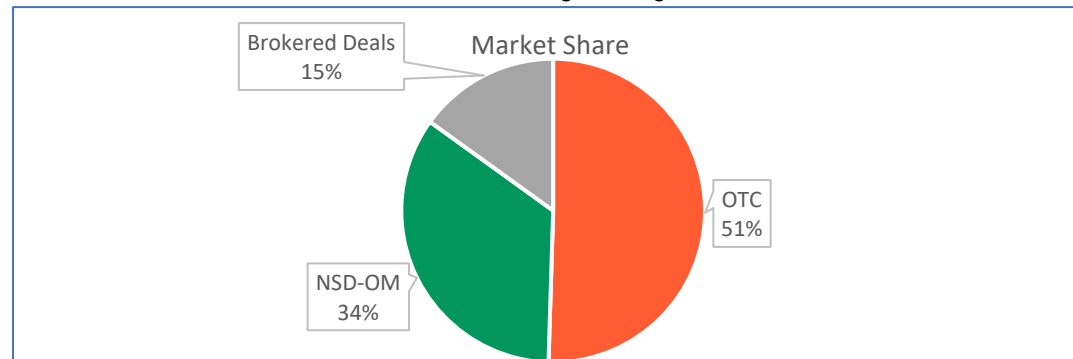
Ample Issuances & Diversified Investor Base

Holding Pattern of Outstanding SDLs – Share (%)



Source: RBI. Data as on September 2022.

Market Share of Platform



Source: CCIL India. Data as of Jan 31, 2023

Period	Total SDL Trading	
	No. of Trades	Face Value (INR Crore)
Jan-23	2,772	40,485



Investor base is well diversified among domestic institutions



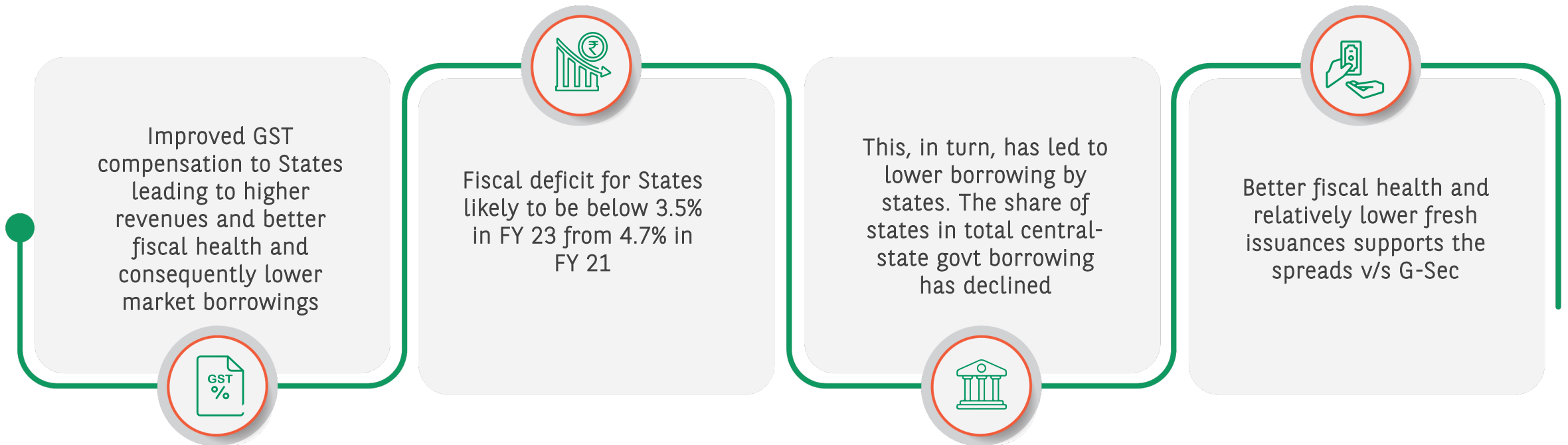
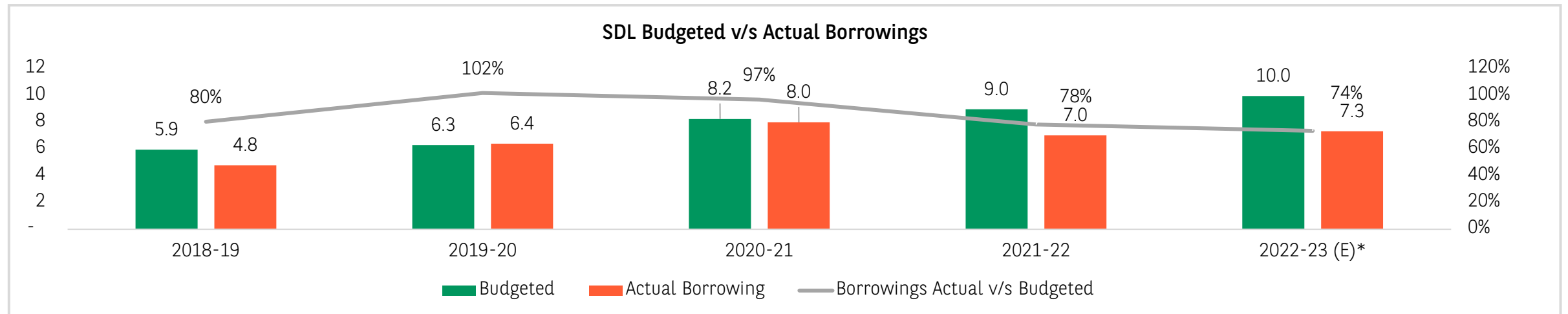
Outstanding SDL issuances have increased over the years as States approach the capital markets for their borrowings

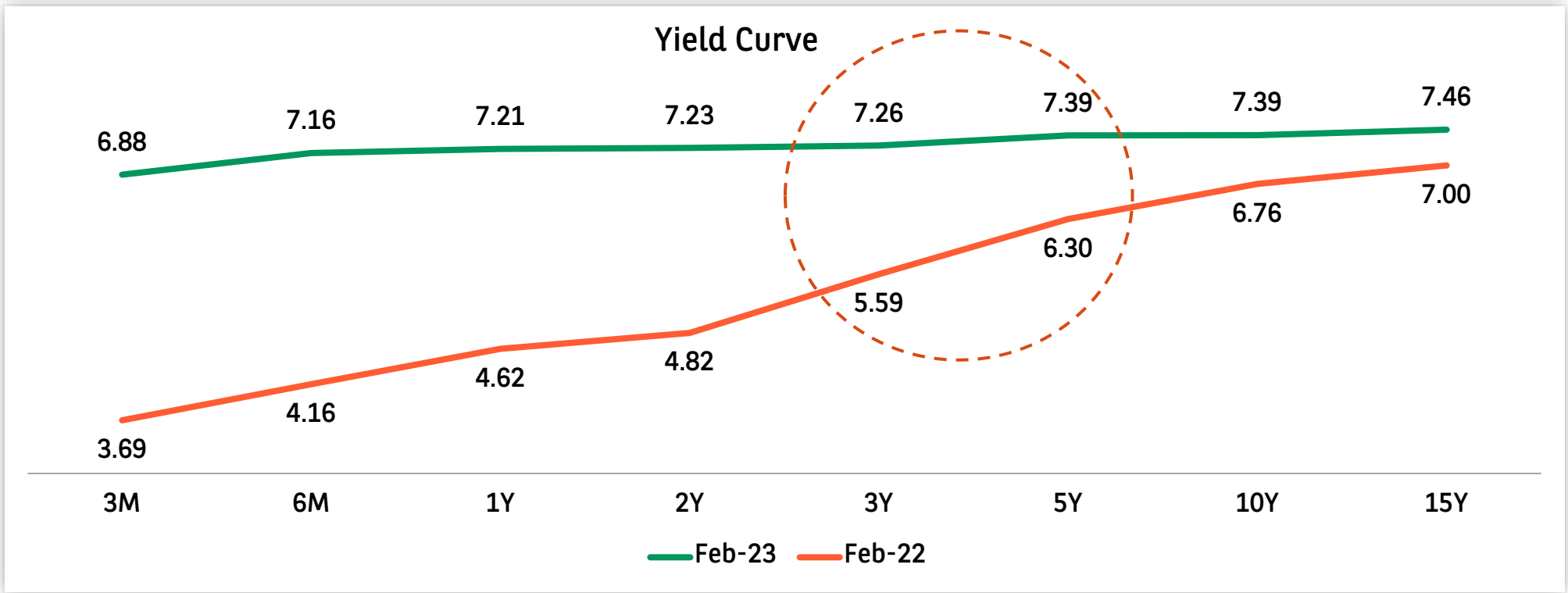


The Secondary market has been witnessing good trading activity and most of it is need based liquidity



Improving Fiscal Health of States



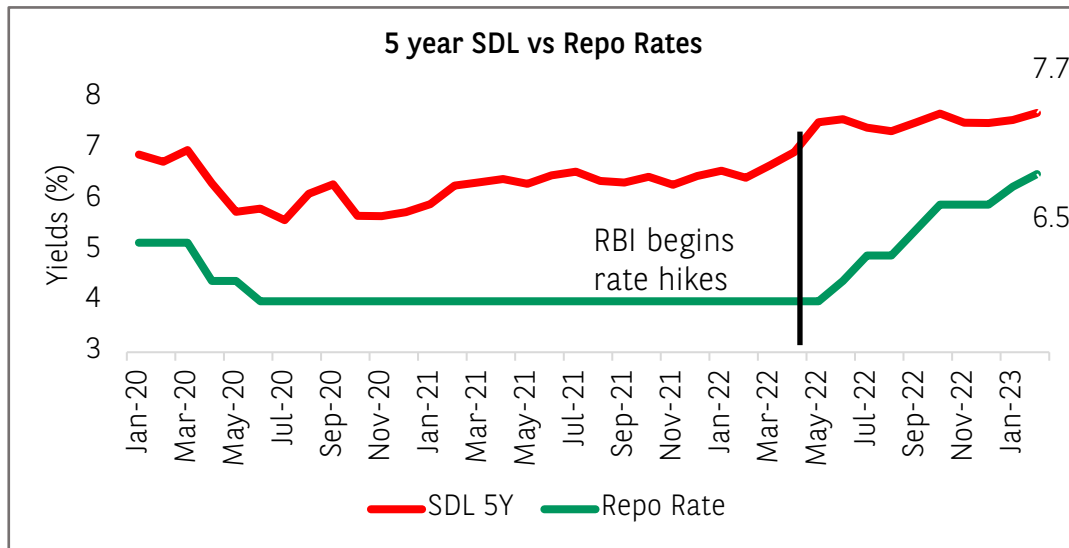


Yields remain flat beyond the 5 year period allowing one to lock in that yield at a relatively lower risk than long term debt via a target maturity fund of 5 years

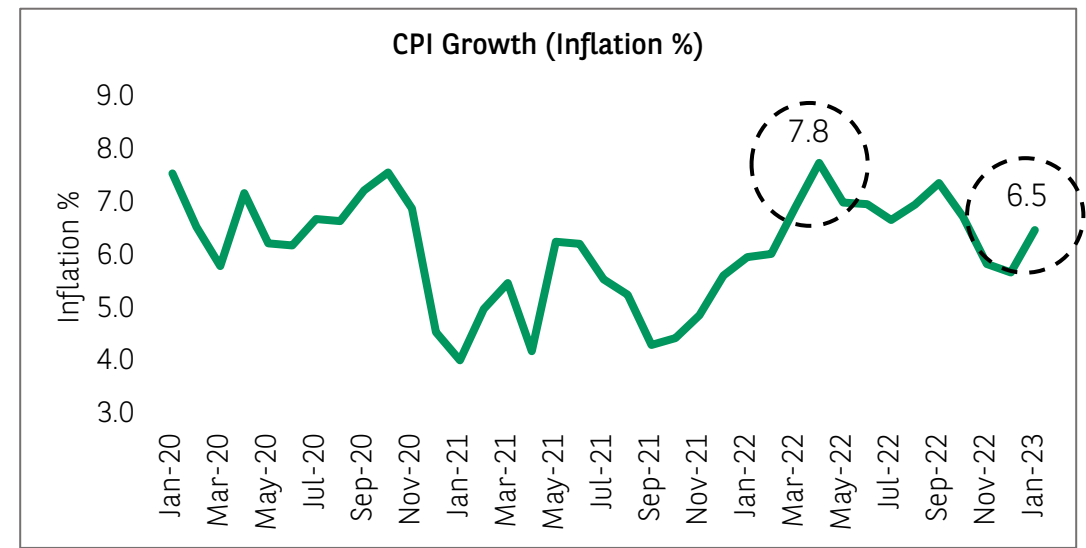


SDL yield near highest levels in last 3 years - A good time to invest at elevated yields

5 year SDLs and Repo Rates



CPI Inflation Growth (%)



Current 5 year SDL yields are at highest level in last three years



As inflation appears past the peak, G-Sec and SDL yields have stabilized.



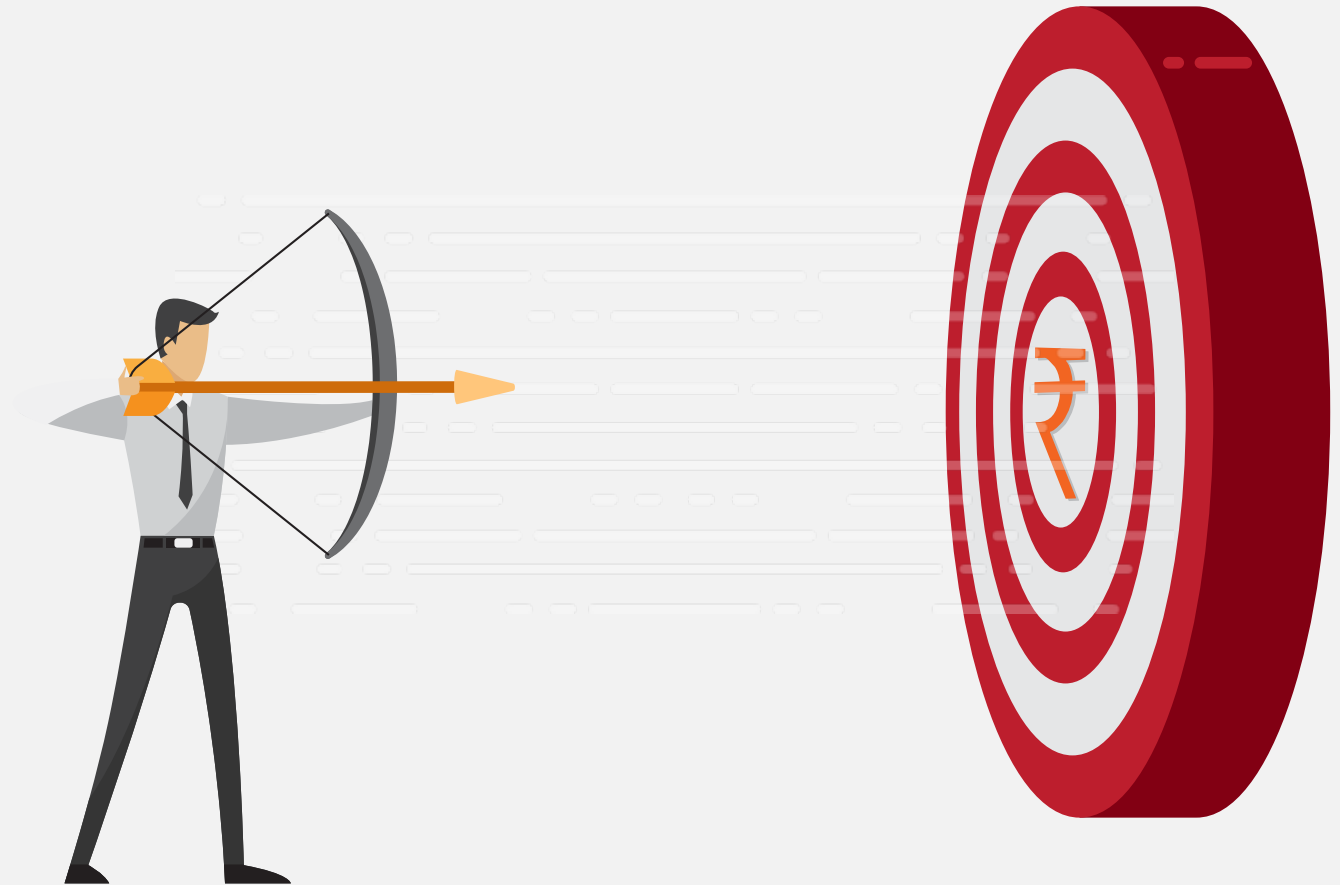
We believe the current yields discount any further policy rate hikes. Since June-22, Repo rate has been hiked by 190 bps, but SDL yields have remained steady.



In addition to attractive coupon, investors can potentially gain from bond price appreciation as well, in case rates were to fall in late 2023/early 2024

TARGET MATURITY FUNDS

Target Oriented Investing





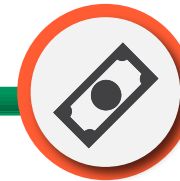
Target Maturity Funds



Target maturity funds are passive debt mutual fund schemes, tracking an underlying bond index.



Unlike other open ended mutual fund schemes, target maturity mutual funds have defined maturity dates.



On the maturity date, investors holding units of target maturity funds are expected to get the principal amount along with capital appreciation.

Some features



Transparency



No lock in period



Exposure to Sovereign and PSU papers



Benefits of Target Maturity Funds



Lower credit risk

These funds have lower credit risk vis-à-vis other asset classes



Relatively predictable returns

Returns would be similar to the net portfolio yield at the time of investment when the investments are held to maturity



Tax benefits

Investors can avail of applicable indexation benefits for investments that are held for the long term



No lock in

There's no lock in period. Investments can be redeemed any time, subject to exit loads



Transparency

Target maturity funds replicate indexes - that disclose their constituents as well as methodology on a regular basis



Lower expense ratio

Since these are passive funds, they tend to have a lower TER than comparable active funds



Exposure to sovereign rated papers*

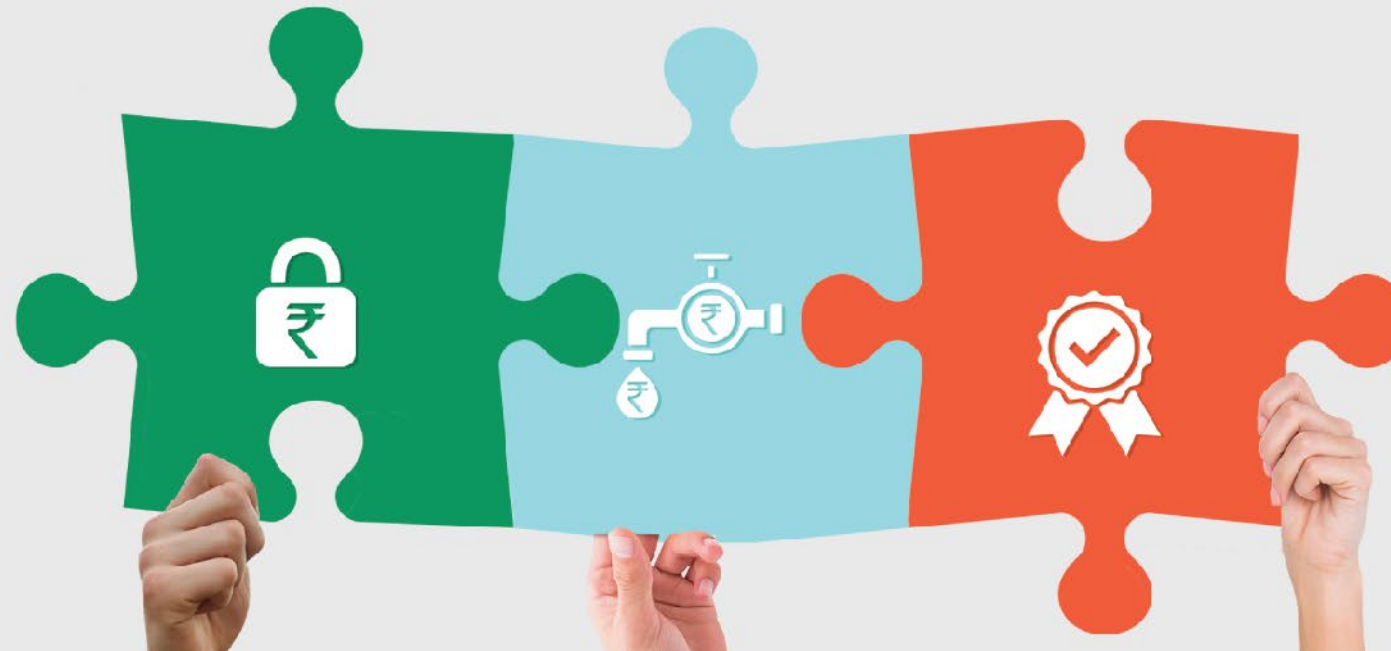
The fund tracks an index of SDLs - which are sovereign securities

Introducing

Baroda BNP Paribas

NIFTY SDL December 2028 index Fund

Invest in the Trio of
Fixed Maturity, Easy Liquidity & High Quality





Investment strategy

The scheme is a target maturity index fund tracking the Nifty SDL December 2028 Index. The Scheme will be passively managed employing an investment strategy that tracks the performance of the underlying index*



Benchmark Index

Nifty SDL Dec 2028 Index seeks to measure the performance of portfolio of 13 State Development Loans (SDLs) maturing during the twelve-month period ending December 29, 2028.



Methodology of the Index

The index is in compliance with the Norms for Debt Exchange Traded Funds (ETFs) / Index Funds announced by SEBI vide circular no. SEBI/HO/IMD/DOF2/P/CIR/2022/69 dated May 23, 2022.

*Subject to tracking error

For further details on asset allocation, investment strategy and risk factors of the Scheme please refer to SID available on our website (www.barodabnp-paribas-mutual-fund.in). Investment strategy stated above may change from time to time and shall be in accordance with the investment objective and strategy stated in the SID of the scheme.



Security selection



- 13 States/UTs are selected based on highest outstanding amount as on July 18, 2022, maturing during the twelve-month period ending Dec 29, 2028.
- For every state/UT, most recently issued SDL maturing during the twelve-month period ending Dec 29, 2028, is selected

Weight assignment



- Each state/UT that is part of the index is given equal weight as on the base date of the index.
- Subsequently, the security level weights may drift due to price movement and will not get reset.

Index rebalancing



- On a semi-annual basis, index will be screened for compliance with the Norms for Debt Exchange Traded Funds (ETFs)/Index Funds.



Index Constituents

Nifty SDL December 2028 Index



Sr. No.	Issuer Name	Maturity Date	Yield To Maturity (YTM) (Annualized)
1	Andhra Pradesh Government	2-Dec-28	7.80%
2	Bihar Government	4-Aug-28	7.77%
3	Gujarat Government	26-Dec-28	7.74%
4	Haryana Government	1-Jun-28	7.76%
5	Karnataka Government	17-Mar-28	7.75%
6	Kerala Government	3-Mar-28	7.78%
7	Madhya Pradesh Government	5-Dec-28	7.75%
8	Maharashtra Government	25-Nov-28	7.75%
9	Punjab Government	10-Mar-28	7.76%
10	Rajasthan Government	26-Dec-28	7.76%
11	Tamil Nadu Government	30-Oct-28	7.75%
12	Uttar Pradesh Government	26-Dec-28	7.76%
13	West Bengal Government	11-Aug-28	7.76%

YTM as on February 28, 2023 (Annualised) : 7.76%



Why 2026 SDL?

	28/02/2022	28/02/2023	Change	Spread over Repo
Repo rate	4.00%	6.50%	2.50%	-
1-year T bill	4.52%	7.30%	2.78%	0.80%
5-year SDL	6.48%	7.67%	1.19%	1.17%
10-year SDL	7.12%	7.70%	0.58%	1.20%



Short-end of the curve 1-5 year was worst affected by the rate hikes during the year, hence presents most attractive opportunity to invest



5 year segment offers yields similar to 10-year segment, with significantly less volatility






5 year segment also aligns well from tax-efficiency perspective. Investments till March 31, 2023 and held beyond April 01, 2028 will qualify for 6 indexations



Indexation Benefits

Comparison between Traditional Investment, Tax Free Bonds and Target Maturity Fund

	 Traditional investment	 Target Maturity Fund	 Tax Free Bond
Investment Amount	100,000	100,000	100,000
Rate of return (%)	7.76%	7.76%	5.50%
Holding period (in years)	5.8	5.8	5.8
Indexation (%)	NA	5%	NA
Value on Maturity	153,724	153,724	136,076
Indexed Cost	100,000	134,010	100,000
Taxable Amount	53,724	19,715	NA
Applicable tax rate*	30%	20%	NA
Applicable tax amount	16,117	3,943	NA
Post Tax Value	137,607	149,781	136,076
Net post tax return	5.71%	7.27%	5.50%

Source: NSE indices *Traditional Investment taxed at 30% and Target Maturity Fund taxed at 20% post indexation exclusive of applicable surcharges & cess. Rate of return for traditional investment is assumed to be same as the yield of the Benchmark Index. Rate of return for Target Maturity Fund is the yield of the index as on February 28, 2023, and does not include scheme expenses, impact cost, etc. (Source: NSE Index methodology document). Rate of indexation is assumed to be 5%. Rate of tax-free bonds is the average yield of tax-free bonds traded on NSE. Investors are advised to consult their tax advisors for taxation related matters. To be used for illustrative purposes only illustration to explain the concept of indexations and its benefits and actual dates and figures would vary. Actual tax implications may differ basis prevailing tax laws. The Scheme is not providing any assured or guaranteed returns, neither forecasting any returns. This is not an indicative yield as well of the product. Traditional Saving Schemes such as Fixed Deposits and Target Maturity Funds are not comparable. The comparison is limited to tax efficiency, which is subject to changes in prevailing tax laws. Investments in FDs are insured by Deposit Insurance and Credit Guarantee Corporation (DICGC) upto a maximum of Rs. 1,00,000 (Rupees one lakh) for both principal and interest amount. Past Performance may or may not be sustained in future.



Who is it suitable for?



Investors looking for predictable income*



Investors whose investment horizon matches with the maturity date of the fund



Investors with moderate risk appetite



Fund Facts

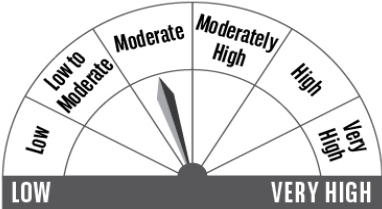

Scheme Name	Baroda BNP Paribas Nifty SDL December 2028 Index Fund															
Type of the Scheme:	An open-ended Target Maturity Index Fund replicating / tracking the NIFTY SDL December 2028 Index. A relatively High Interest Rate Risk and Relatively Low Credit Risk.															
NFO Period	March 14, 2023, to March 21, 2023															
Investment Objective:	The investment objective of the scheme is to provide investment returns closely corresponding to the total returns of the securities as represented by the Nifty SDL December 2028 Index before expenses, subject to tracking errors, fees and expenses. However, there can be no assurance that the investment objectives of the Scheme will be realized. The Scheme does not guarantee/indicate any returns.															
Underlying Index:	NIFTY SDL December 2028 Index															
Fund Manager:	Mayank Prakash (Total Experience: 14 years)															
Asset Allocation:	<table><tr><th>Type of Instrument</th><th>Minimum (% of Net Assets)</th><th>Maximum (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Debt Instruments comprising of Nifty SDL December 2028 Index</td><td>95</td><td>100</td><td>High</td></tr><tr><td>Money Market instruments</td><td>0</td><td>5</td><td>Low to Medium</td></tr></table>				Type of Instrument	Minimum (% of Net Assets)	Maximum (% of Net Assets)	Risk Profile	Debt Instruments comprising of Nifty SDL December 2028 Index	95	100	High	Money Market instruments	0	5	Low to Medium
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	Debt Instruments comprising of Nifty SDL December 2028 Index	95	100	High												
	Money Market instruments	0	5	Low to Medium												
	During normal circumstances, the Scheme’s exposure to money market instruments will be in line with the asset allocation table. However, in case of maturity of instruments in the Scheme portfolio, the reinvestment will be in line with the index methodology. The cumulative gross exposure to instruments forming part of the Index, debt and money market instruments, units of liquid and debt mutual fund schemes and such other securities/assets as may be permitted by SEBI from time to time subject to approval will not exceed 100% of the net assets of the scheme. The Scheme will not invest in equity and equity related securities and Foreign Securities including ADR/GDR. The Scheme will not indulge in short selling and securities lending and borrowing. For complete details on asset allocation, please refer to SID available on our website (www.barodabnpparibasmf.in)															
Load Structure:	Entry Load: Nil. Exit Load: Nil.															
Options:	The scheme will have two Plans: Regular and Direct. Each Plan offers Growth Option and Income Distribution cum Capital Withdrawal (IDCW) Option*. The IDCW option offers payout of Income Distribution cum Capital withdrawal option. *Amounts under IDCW option can be distributed out of investors capital (equalization reserve), which is part of sale price that represents realised gains. However, investors are requested to note that the amount of distribution under IDCW Option is not guaranteed and subject to availability of distributable surplus.															
Minimum Application Amount:	Lumpsum investment: Rs. 5,000 and in multiples of Re. 1 thereafter. SIP: (i) Daily, Weekly, Monthly SIP: Rs. 500/- and in multiples of Re. 1/- thereafter; (ii) Quarterly SIP: Rs. 1500/- and in multiples of Re. 1/- thereafter.															



Risk Factors

Trading volumes and settlement periods may restrict liquidity in debt investments. Investment in Debt is subject to price, credit, and interest rate risk. The NAV of the Scheme may be affected, inter alia, by changes in the market conditions, interest rates, trading volumes, settlement periods and transfer procedures. The NAV may also be subjected to risk associated with tracking error. **Past performance may or may not be sustained in future.**

Please refer to Scheme Information Document available on our website (www.barodabnpparibasmf.in) for detailed Risk Factors, assets allocation, investment strategy etc.

This product is suitable for investors who are seeking*:	Riskometer for the Scheme^^	Benchmark (Tier 1) Riskometer^^
<ul style="list-style-type: none">Income for the target maturity period.An open ended target maturity fund seeking to track the Nifty SDL December 2028 Index.	 <p>Investors understand that their principal will be at Moderate Risk.</p>	 <p>Benchmark (NIFTY SDL December 2028 Index) riskometer at Moderate Risk</p>
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p> <p>^^the riskometer assigned is based on internal assessment of the scheme characteristics and the same may vary post NFO when actual investments are made.</p>		



Potential Risk Class (PRC) Matrix

Potential Risk Class (PRC) Matrix*

	Baroda BNP Paribas Nifty SDL December 2028 Index Fund		
Credit Risk (Max) →	Relatively Low: Class A (CRV >= 12)	Moderate: Class B (CRV >= 10)	Relatively High: Class C (CRV <10)
Interest Rate Risk (Max) ↓			
Relatively low Class I (MD<=1 year)			
Moderate Class II (MD<=3 year)			
Relatively High Class III (Any MD)	A-III		

MD=Macaulay Duration, CRV=Credit Risk Value
*The PRC matrix denotes the maximum risk that the respective Scheme can take i.e., maximum interest rate risk (measured by MD of the Scheme) and maximum credit risk (measured by CRV of the Scheme)



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THANK YOU

