

MONTHLY OUTLOOK

DECEMBER 2022



Together for more

The word 'more' does not imply more returns or assurance of scheme performance. It refers to the additional value provided by the joint venture, as compared to Baroda AMC and BNP Paribas AMC individually.

Equity Markets Outlook

- Nifty 50 index corrected by 3% during the month. large cap indices underperformed both small and mid-cap indices.
- Interest rate hikes by global central banks continue to influence market sentiments during the month. While pace of rate hike at 50bps by US FED was lower, an increase in terminal rate to 5.1% impacted market sentiments negatively.
- Domestic economic indicators remain robust. The consumer price index cooled to an 11-month low of 5.9% in November versus 6.8% in October.
- The Index of Industrial Production (IIP) declined 4% in October, led by a contraction in manufacturing and consumer goods.
- Fiscal situation though is a bit concerning. Central govts fiscal deficit for Apr-Nov'22 is now at 58.9% of budget estimate i.e., a growth of 41% YoY compared to FY22.
- Global slow down continue to weigh on market fundamentals. India economy though is standing tall with lower inflation, likely better growth and resurgence of manufacturing led by shift out of China and Europe by global companies.
- We remain cautiously optimistic. Continue to remain positive on financials, industrial/ capex themes, consumer discretionary segment across our funds.

Sources: : Kotak & B&K. Data as on 30 December 2022.

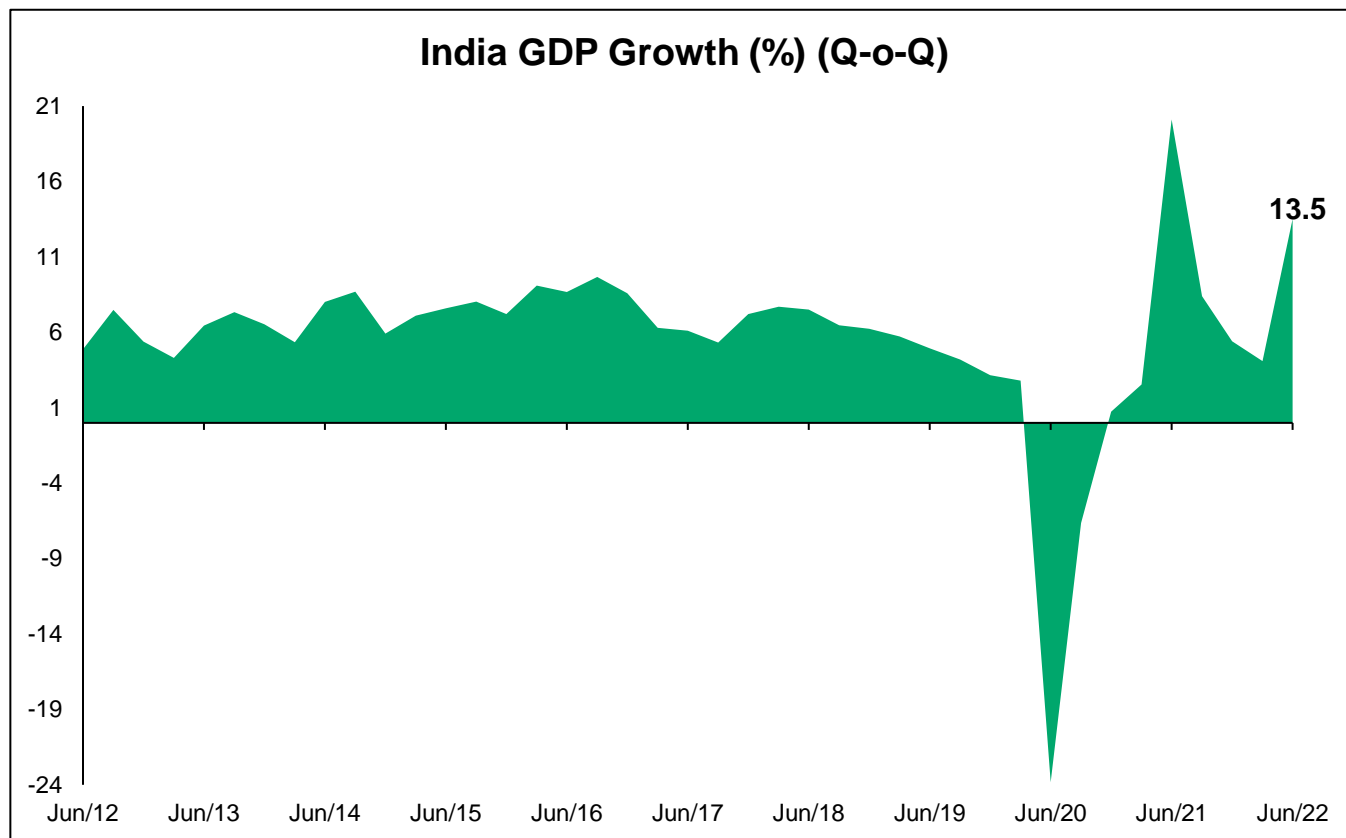
Fixed Income Markets Outlook

- Geo-politics seems to be settling but can't rule out last impact between Russia /Ukraine conflict.
- China re-opening seems to be the biggest play in terms of economic growth as well as supply side issues.
- Domestically, growth at 5.50-6.00% for the next financial year, seems healthy looking at global scenario.
- The Union budget holds the key for asset market and its future move.
- Debt market is pricing in a FY 2024 central govt. gross borrowing in excess of last year's number of 14.51 lac crs.
- We intend to maintain lower to medium duration across our funds.
- We remain comfortable at the shorter end of the curve.
- Money market curve is pricing in much higher terminal rate
- Risk adjusted; shorter end of curve provides a good carry with YTM between 7.55-7.75%
- We believe a better entry point in higher duration is still not in sight from current levels and better cues after the union budget is expected to emerge somewhere between February and March 2023.

Source: Bloomberg & Internal Research. Data as on 30 December 2022.

MACRO ECONOMIC INDICATORS

India's GDP on the recovery path



Why this indicator matters?

GDP measures the health of the economy and determines the current economic phase

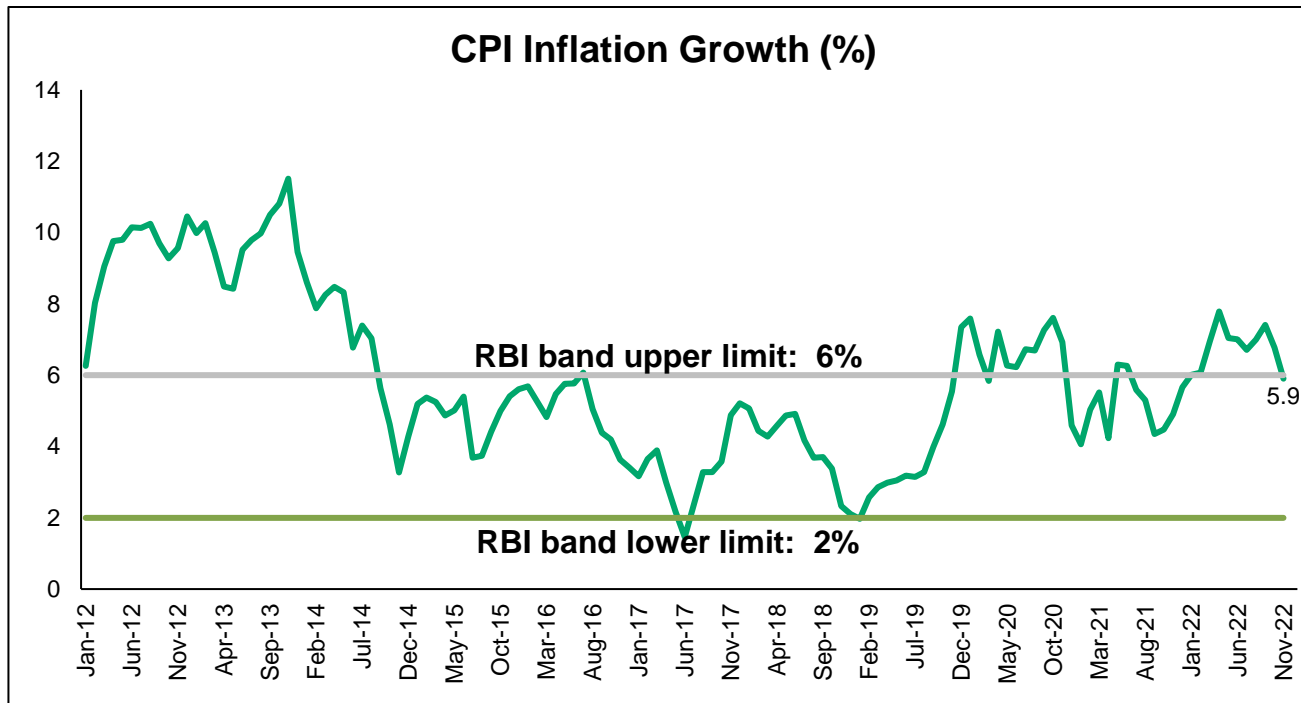
What it means for investors?

The GDP growth rates are an important determinant of equity market growth and returns

- At \$3.46 trillion, the Indian GDP has surpassed that of the UK, to become the fifth largest economy.
- IMF has decreased India's GDP growth rate forecast for FY23 to 6.8%

Source: Bloomberg. Data as on 30th June 2022

Consumer Price Index Inflation



- November inflation (5.88%) falls within the RBI tolerance range of 2-6%. The fall in the inflation can be attributed to easing food inflation where the Consumer Food Price Index (CFPI) eased to 4.67% from 7.01% in October.
- The November core inflation (CPI excluding food, fuel, pan, and tobacco) remained steady at 6.4%.

Why this indicator matters?

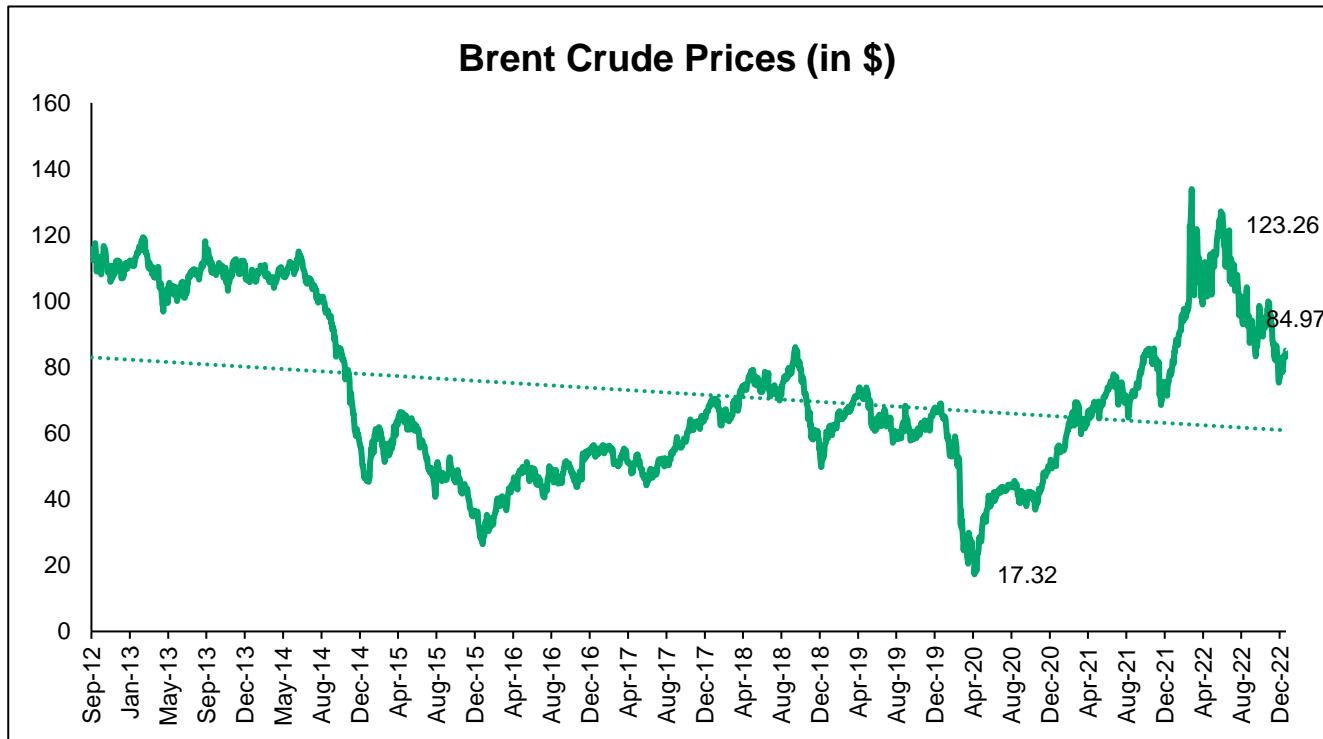
CPI measures the prices of a basket of goods & services.

What it means for investors?

CPI inflation, colloquially, indicates the rate of price rise in the consumption basket of consumers. It can have significant impact on investors' savings and investment value.

Source: Bloomberg. Latest Available Data as of 30th December, 2022

Crude Oil Prices



- Crude oil prices fell by 2% in the month of December'22.
- Oil prices fell in response to slowdown worries in the two largest oil consuming nations – US and China.

Source: Bloomberg. Data as of 30th December 2022

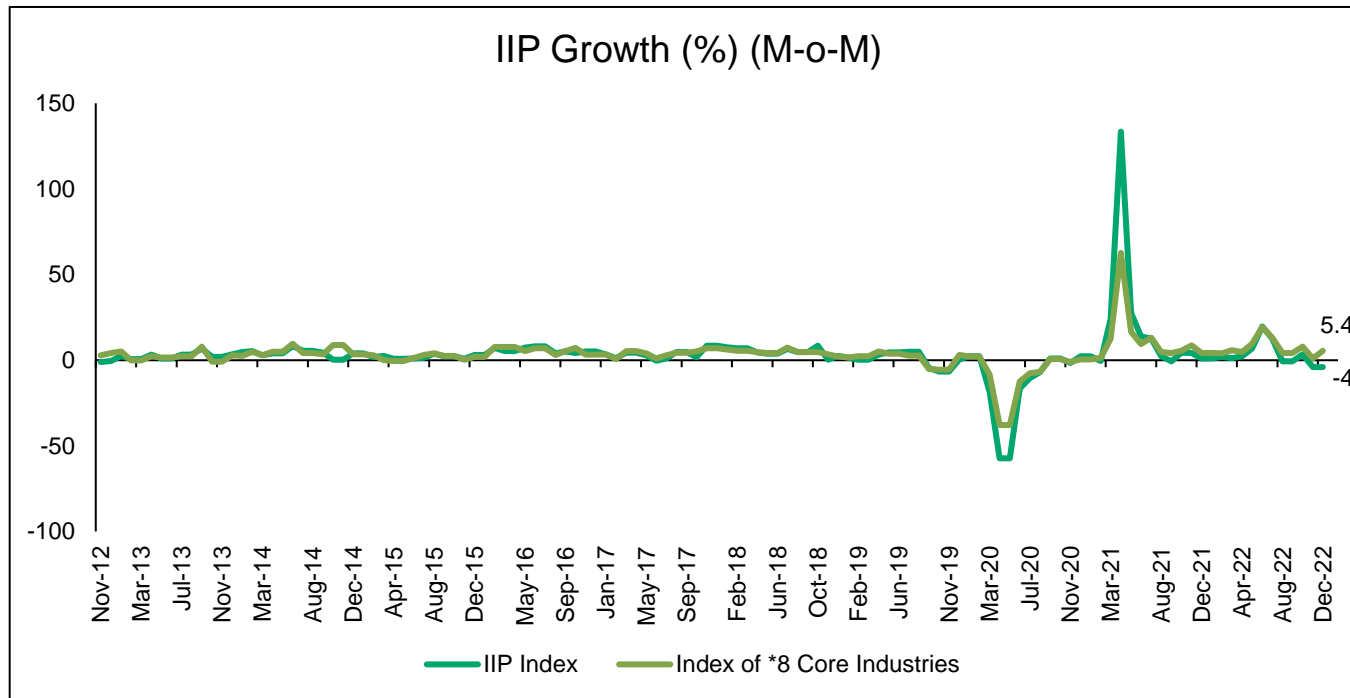
Why this indicator matters?

A rise or fall in crude oil prices affects the prices of various commodities.

What it means for investors?

Oil prices may have an impact on economy's current account deficit. Oil also impacts the input prices of commodities, impacting profitability of companies.

Index of Industrial Production (IIP)



- September industrial production (IIP) increased by 3.1% YoY with a favorable base.
- On a sectoral basis, all components exhibited growth led by electricity production growing by 11.6%, mining activity by 4.6%, and manufacturing by 1.8%.

Source: Bloomberg. Data as on 30th December 2022.

*8 core Industries are Natural Gas, Coal, Refinery Products, Crude Oil, Cement, Electricity, Steel, and Fertilizers.

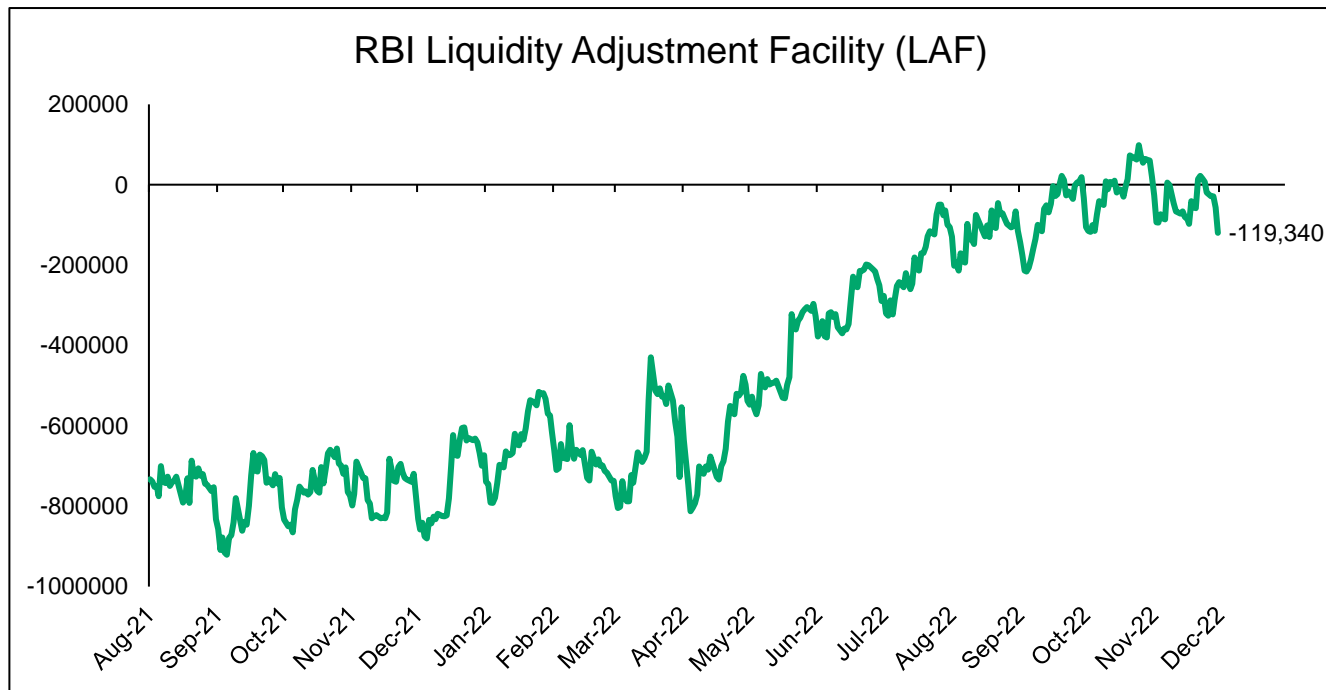
Why this indicator matters?

IIP indicates changes in production levels of manufacturing and service industries.

What it means for investors?

IIP is considered a lead indicator when it comes to corporate earnings as higher IIP tends to translate into higher earnings and revenues.

RBI liquidity status



- The net LAF is inching towards the positive territory, indicating an easing of liquidity in the banking system.
- The surplus liquidity has been decreasing, likely due to RBI's intervention and pick-up in credit growth pick-up.

Why this indicator matters?

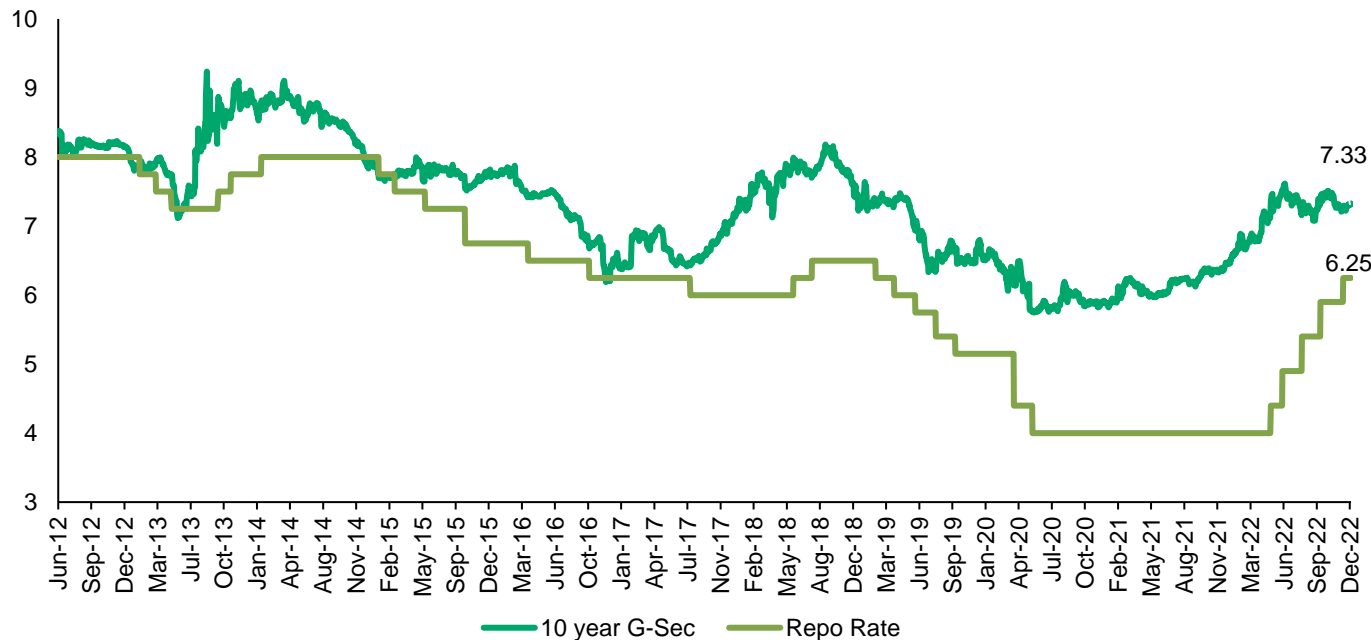
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

LAF brings stability to the economy by helping banks borrow money from RBI through repo or loan money to RBI through reverse repo.

Source: Bloomberg. Data as on 30th December 2022

Interest Rates

10 Year G-Sec & Repo Rates



- 10 Year G-sec Yield are up by almost 87 bps during the year
- The current repo rate at 6.5% is at 48 month high.
- The spread between G-sec and Repo stands at 108 bps.

Source: Bloomberg. Data as on 30th December 2022

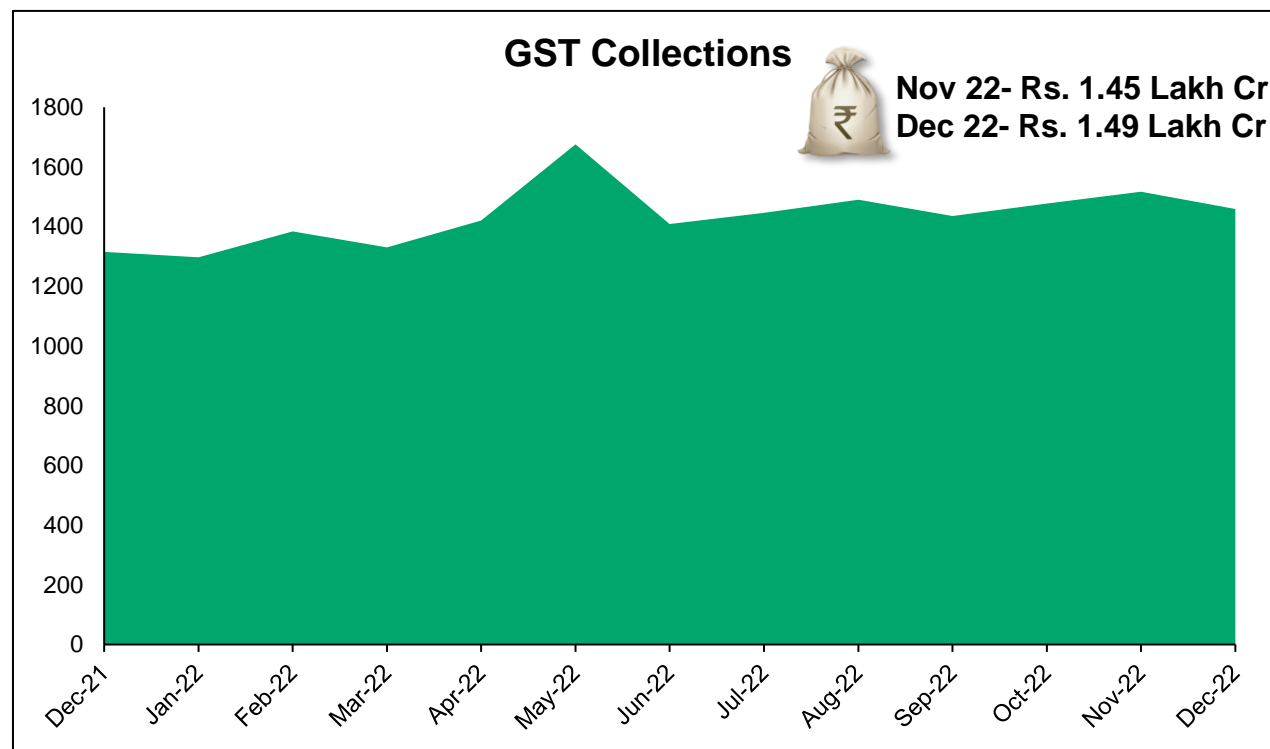
Why this indicator matters?

10-year G-secs are long term government securities whose interest rates are determined by the RBI.

What it means for investors?

The 10-year G-sec rate is considered the benchmark for setting interest rates across tenors and instruments

Monthly GST Collections



Why this indicator matters?

GST is one of the major sources of revenue for the government.

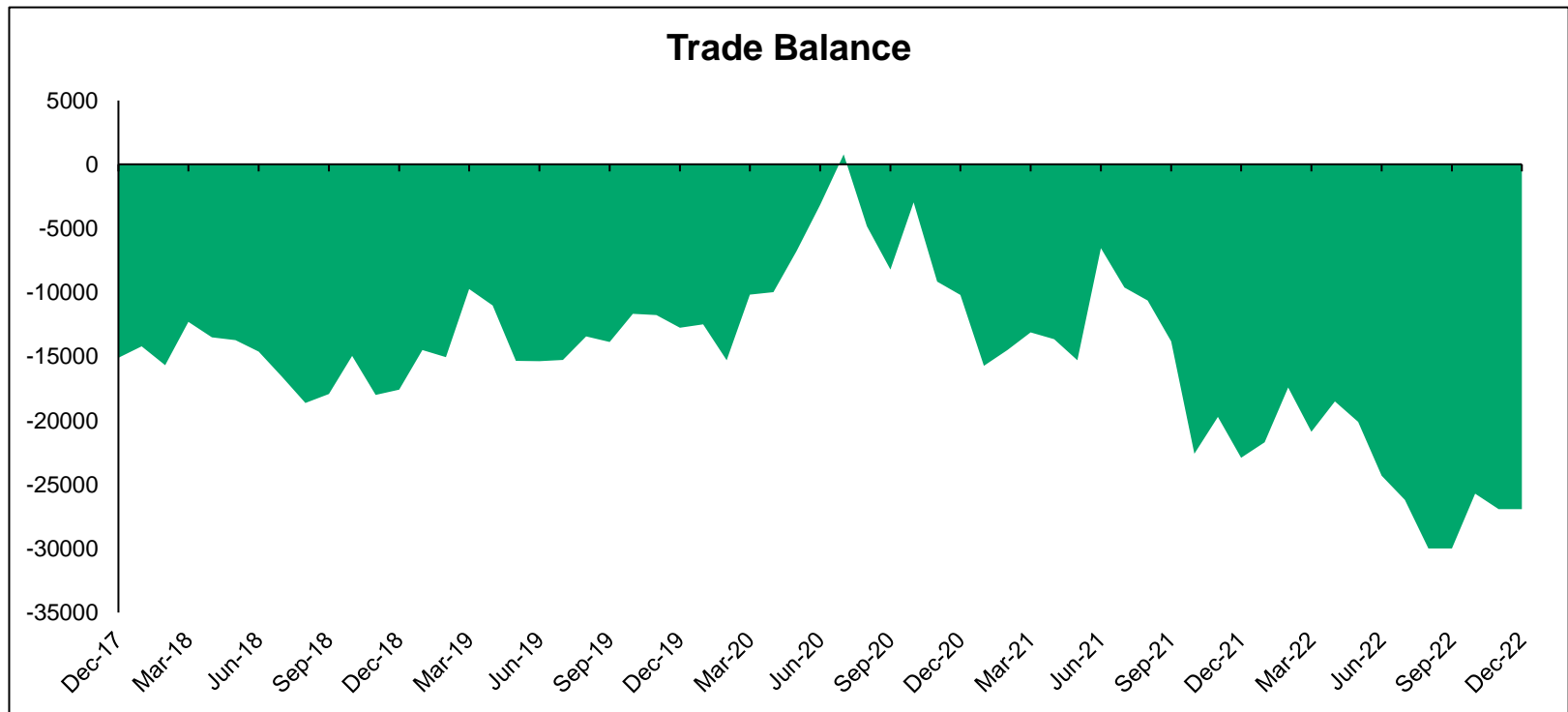
What it means for investors?

Recovery in GST is considered a good proxy for the revival of state finances and GDP.

- December GST collections showed an increase of 15% Y-o-Y; besides being above 1.4 lakh crores for the 10th month in a row.

Source: Bloomberg. Data as of 30th December 2022

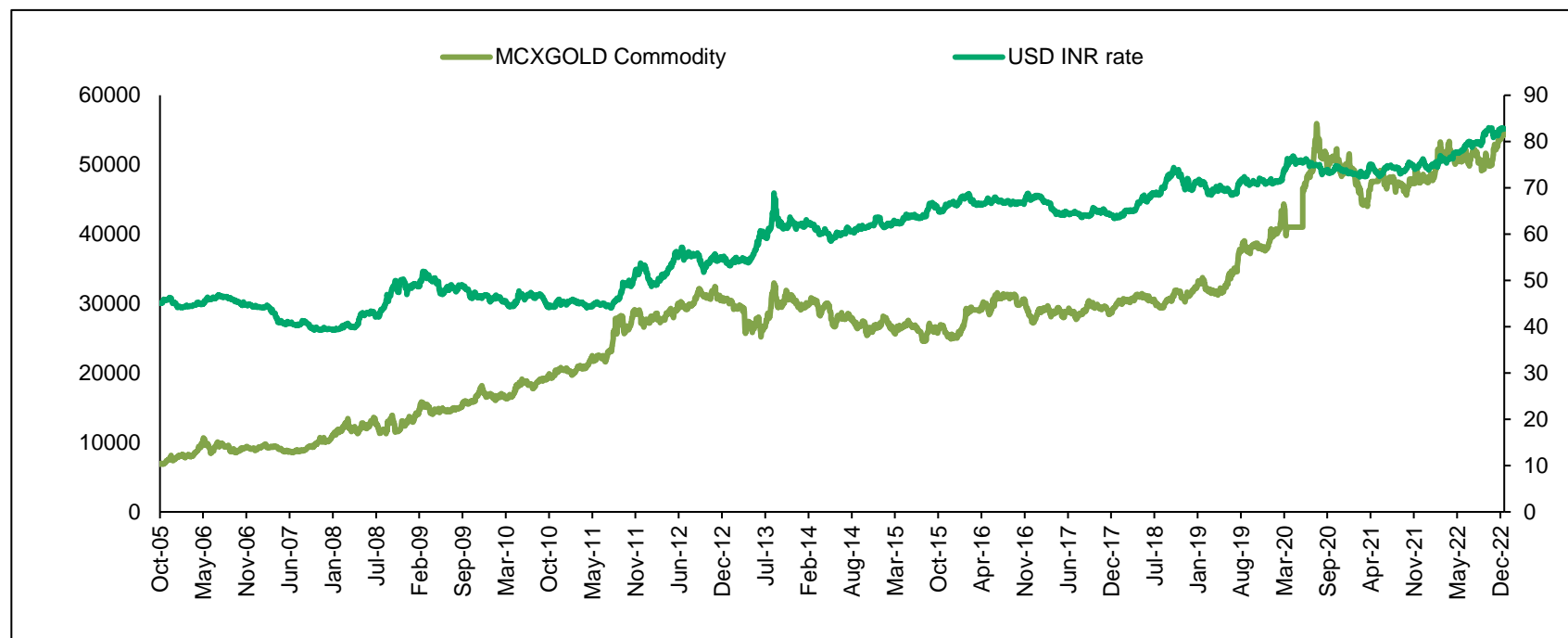
Balance of Trade



- The trade deficit contracted in the month of December to \$24 Billion.
- Exports increased 1.9% while imports were down by 5.3%

Source: Bloomberg. Data as of 30th December, 2022

USD-INR Movement & Gold prices

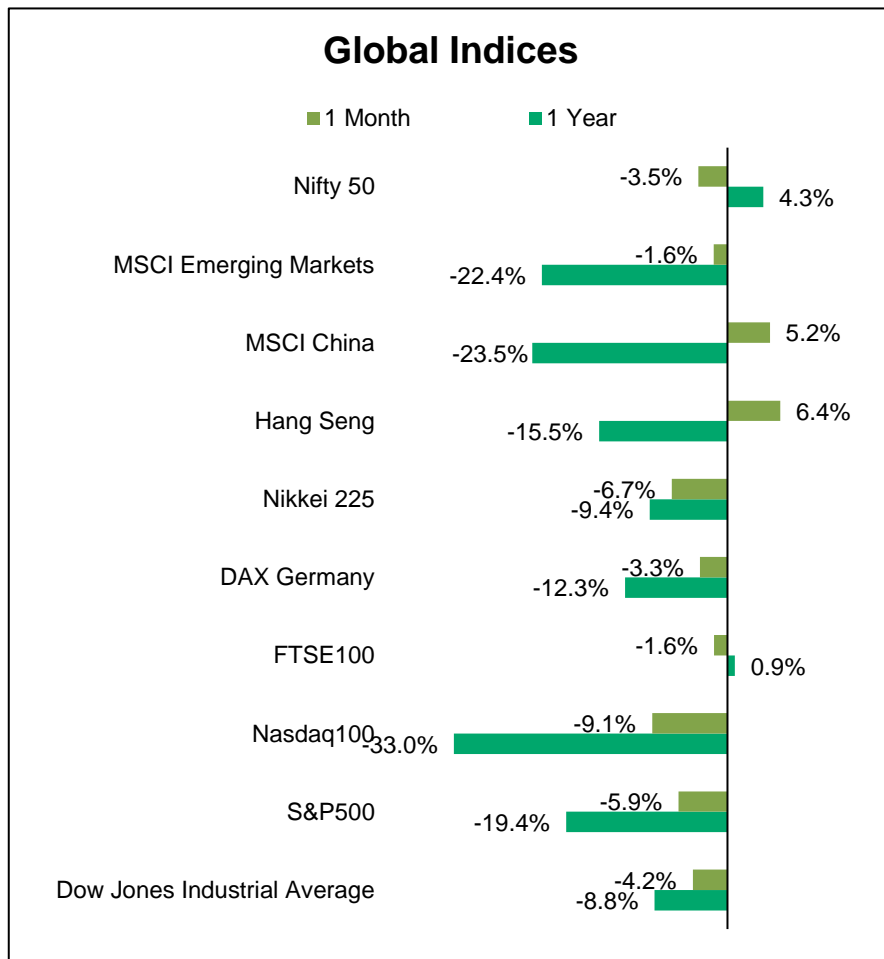


- Rupee closed on 82.74 on the last day of Dec'22, with a fall of 11% from Dec'21.
- The factors that contributed the most to Rupee's downfall were the rise in crude oil prices; aggressive rate hikes by the US Federal Reserve in order to bring down inflation to 2%; and FIIs pulling out money
- Gold also spiked on account of global slowdown and rising covid cases in China.

Source: Bloomberg. Data as of 30th December, 2022

EQUITY AND SECTOR INDICES

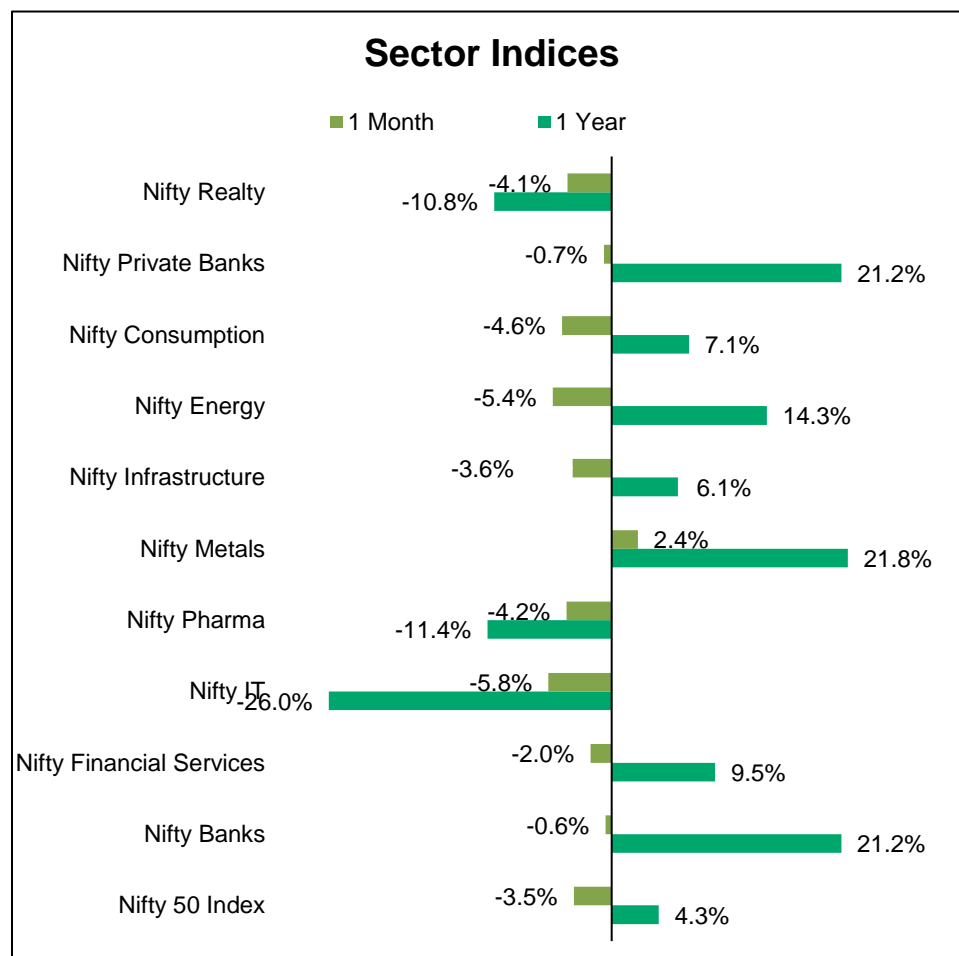
Global Indices



Source: Bloomberg; Schroders. Data as of 30th December 2022.
Past Performance may or may not be sustained in future.

- In December'22, MSCI China and Hang Seng were top performers.
- While Nifty 50 Index was down by (-) 3.5%, it underperformed in both emerging markets. Compared to global peers, India's Nifty performance was somewhere in the middle.
- The continuing Russia-Ukraine conflict and its impact on Europe into the winters, future rate hike trajectory from key central banks (FOMC, ECB etc) and the ability of China to contain the contagion in its property markets could be the key risks for markets near term.

Equity Indices



- All sector indexes ended the month in negative.
- Nifty Metals (2.4%) was the only Index to end in green during the month. The bottom performer were Nifty IT (-5.8%), Nifty Pharma (-4.2%) and Nifty Realty (-4.1%).
- On 1 year basis, Metals, Banks and Private Banks were highest gainers while IT, Realty and Pharma were laggards.

Source: Bloomberg. Data as of 30th December 2022
Past Performance may or may not be sustained in future.

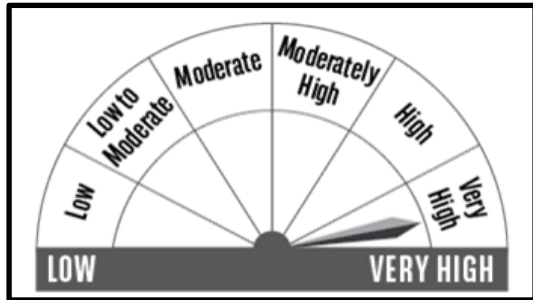
Sector Positioning of Equity Portfolios

GICS Sectors	Baroda BNP Paribas Large Cap Fund	Baroda BNP Paribas Large & Mid Cap Fund	Baroda BNP Paribas Flexi Cap Fund	Baroda BNP Paribas Multi Cap Fund	Baroda BNP Paribas Mid Cap Fund	Baroda BNP Paribas Focused Fund	Baroda BNP Paribas India Consumption Fund	Baroda BNP Paribas Banking & Financial Services Fund	Baroda BNP Paribas Business Cycle Fund	Baroda BNP Paribas ELSS Fund
Consumer Discretionary	7.2%	9.3%	6.8%	13.5%	17.9%	8.0%	30.1%	0.0%	7.8%	10.6%
Consumer Staples	7.8%	4.6%	13.0%	3.4%	4.0%	2.3%	38.2%	0.0%	11.2%	4.8%
Energy	9.4%	4.7%	7.1%	5.3%	3.4%	5.3%	0.0%	0.0%	10.4%	4.4%
Financials	35.1%	33.1%	32.4%	24.7%	22.7%	37.7%	11.1%	95.5%	33.7%	35.3%
Health Care	2.9%	6.0%	1.5%	10.3%	7.9%	0.0%	0.0%	1.2%	8.7%	5.4%
Industrials	9.4%	7.7%	8.5%	12.5%	16.2%	14.1%	3.6%	0.0%	6.2%	11.4%
Information Technology	13.6%	9.8%	10.0%	9.5%	3.6%	8.7%	0.0%	0.0%	11.8%	8.9%
Materials	5.5%	11.9%	4.8%	7.2%	10.5%	10.8%	5.8%	0.0%	3.0%	6.2%
Real Estate	0.0%	3.4%	4.4%	3.6%	2.8%	0.0%	0.0%	0.0%	1.1%	2.7%
Communication Services	2.9%	2.2%	3.3%	5.1%	1.4%	3.0%	9.8%	0.0%	1.4%	4.6%
Utilities	2.1%	4.0%	4.6%	1.7%	5.5%	6.8%	0.0%	0.0%	2.1%	2.8%
Cash/Debt/ Derivatives	4.2%	3.4%	3.6%	3.3%	4.2%	3.3%	1.4%	3.3%	2.5%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Top 5 sectors with largest holdings. Excluding cash/debt/derivatives										

Source: Internal. Data as of 30th December 2022. Sector classification as per GICS (Global Industry Classification Standard) sectors.

'Past Performance may or may not be sustained in future. The sector(s)/stock(s) mentioned in this document do not constitute any recommendation of the same and Baroda BNP Paribas Mutual Fund may or may not have any future position in these sector(s)/stock(s).

Product Labeling

<p>Baroda BNP Paribas Large Cap Fund (An Open-ended Equity Scheme predominantly investing in large cap stocks) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investments in diversified and actively managed portfolio of equity and equity related securities with bias to large cap companies.</p>	<p>Baroda BNP Paribas Large & Mid Cap Fund (An open-ended Equity scheme investing in both large cap and mid cap stocks) This product is suitable for investors who are seeking*: - Capital appreciation over long term. - Investment predominantly in equity and equity related instruments of large and midcap stocks.</p>	<p>Baroda BNP Paribas Mid Cap Fund (An Open-ended Equity Scheme predominantly investing in mid cap stocks) This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investments in companies in mid capitalization segment.</p>
<p>Baroda BNP Paribas Multi Cap Fund (An open-ended equity scheme investing across large cap, midcap and small cap stocks) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investments predominantly in equity and equity related instruments.</p>	<p>Baroda BNP Paribas ELSS Fund (An Open-ended Equity Linked Saving Scheme with a statutory lock in of 3 years and tax benefit) This product is suitable for investors who are seeking*: -Wealth Creation in long term. -Investments in diversified and actively managed portfolio of equity and equity related securities across market capitalization along with income tax rebate</p>	<p>Baroda BNP Paribas Business Cycle Fund (An open-ended equity scheme following the Business Cycles theme) This product is suitable for investors who are seeking*: -Long term wealth creation. -Investment predominantly in equity & equity related securities, including equity derivatives in Indian markets with focus on riding business cycles through dynamic allocation between various sectors & stocks at different stages of business cycles in the economy</p>
<p>Baroda BNP Paribas Focused Fund [An Open-ended Equity Scheme investing in maximum 25 stocks across market capitalization (i.e., multi cap stocks)] This product is suitable for investors who are seeking*: - Wealth Creation in long term. - Investment primarily in equity and equity-related securities of upto 25 companies and the rest in debt securities & money market instruments.</p>	<p>Baroda BNP Paribas Banking and Financial Services Fund (An open-ended equity scheme investing in the Banking and Financial Services sector) This product is suitable for investors who are seeking*: -Capital appreciation over long term. - Investment predominantly in equity and equity related securities of companies engaged in the Banking & Financial Services Sector.</p>	
<p>Baroda BNP Paribas India Consumption Fund (An open-ended equity scheme following consumption theme) This product is suitable for investors who are seeking*: -Wealth creation in long term. -Investment primarily in equity and equity-related securities and the rest in debt securities & money market instruments to generate capital appreciation and provide long-term growth opportunities by investing in companies expected to benefit by providing products and services to the growing consumption needs of Indian consumers.</p>		

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Investors understand that their principal will be at VERY HIGH RISK. Data as on 30th December 2022

Disclaimers

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully. It should not be construed as an investment advice.



THANK YOU