MONTHLY OUTLOOK

FEBRUARY 2023

Baroda BNP PARIBAS MUTUAL FUND

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

- The **Nifty** Index **declined 2%** in February— third consecutive month of decline.
- global markets corrected. **Hong Kong (-9%), Brazil (-7%) and US Dow Jones (-4%)** lost the most, while **France (+3%), Germany (+2%) and Taiwan (+2%)** gained the most.
- The **US FOMC**, in line with expectations, **hiked** the target range for **the federal funds rate by 25 bps**. In the first week of February, central banks - **US, BoE** and **ECB raised rates by 25 bps**, **50 bps** and **50 bps** respectively, in line with consensus expectations.
- The **RBI MPC hiked the repo rate by 25 bps** and remained concerned about elevated inflation, especially core inflation, while being **optimistic about growth.**
- **December IIP** moderated to **4.3%** compared to 7.4% in November.
- **January exports fell** by **6.6%** (YOY) to US **$32.9 bn**. **January imports fell** by **3.6%** (YOY) to US **$50.7 bn.**
- **GST collections and E-way bills** recorded the **second-best monthly performance** in Jan 2023. **Electricity consumption, Purchasing Managers Index** and **merchandise trade deficit improved sustainably.**
- **Strong earnings growth (YOY)** was seen in **Automobiles, FMCG, Banks, Capital Goods, NBFCs** and **Telecom** while **substantial contraction** was recorded in **Metals & Mining and Cement.**
- **Markets are in consolidation phase** currently with one-year returns at 5%, **outperforming emerging markets**. Globally sentiments likely to remain in check with FED firm on its path to curtail inflation levels at 2%.
- Key to watch: **capex spends**, rural recovery considering worries on rains this year and governments continued thrust on infrastructure spends.

Source: Kotak Securities. Data as on 28th February 2023
FOMC- Federal open market committee BoE- Bank of England ECB: European Central Bank.

Fixed Income Markets Outlook

- ## Global Scenario

  - **US Fed** has **hiked** the rate **by 25 bps**, taking the **fed funds rate to 4.50 - 4.75%** in February meeting, although a few officials favoured raising it by 50 bps. **BoE** also **hiked interest rates by 50 bps**, taking rates to **4%**. **BOJ** is expected to continue with **yield curve control** together with bond buying to support the economic growth as well as Fx stability.
  - **US Inflation** moderated to **6.4%** in January 2023 from 6.5% in December. **UK inflation** fell to **10.1%** in January 2023 from 10.5% in December, below market forecasts of 10.3%. The **CPI in the Europe** was revised slightly higher to **8.6%** YoY in January 2023, well above the European Central Bank's target of 2.0 percent.

- ## Domestic Scenario

  - **CPI** sharply **increased to 6.52%** in Jan 2023, the highest in three months, compared to 5.72% in December, and above market expectations of 5.9%, led by core inflation, food inflation, and unfavourable base effects.
  - **Food inflation** jumped to **5.94%** from 4.19%, **housing** at **4.62%** (vs 4.47%); **fuel and light** came at **10.84%** vs 10.97%.
  - **India's Q3 GDP** for FY23 came in at **4.4% YoY** (Q2: 6.3% YoY), while real GVA slipped to 4.6% YoY (Q2: 5.5% YoY).
  - **Liquidity remained neutral to tight** towards the end of month due to higher GST collection and low government spending and direct & Indirect tax collections lined up.
  - Tight liquidity conditions and supply pressure at the shorter end led by Banks and Corporates across the curve taking the levels higher by almost 20-30 bps making the curve flatter.
  - **India's trade deficit widened to USD 17.75 billion** in January 2023, up from USD 17.42 billion in the same month last year.

Source: Bloomberg, Budget Document, and Internal Research. Data as on 28th February 2023.

MACRO ECONOMIC INDICATORS

Baroda BNP PARIBAS MUTUAL FUND

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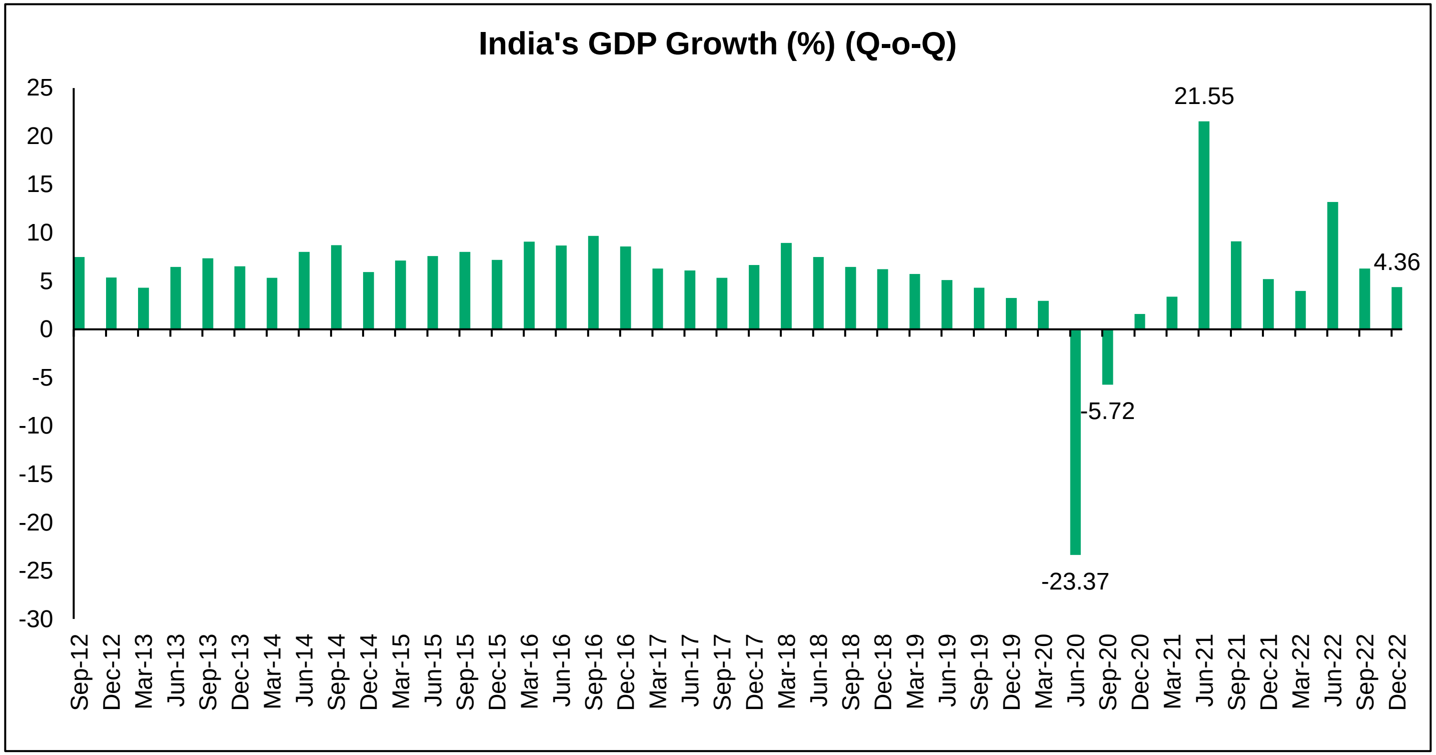
India's GDP on the recovery path



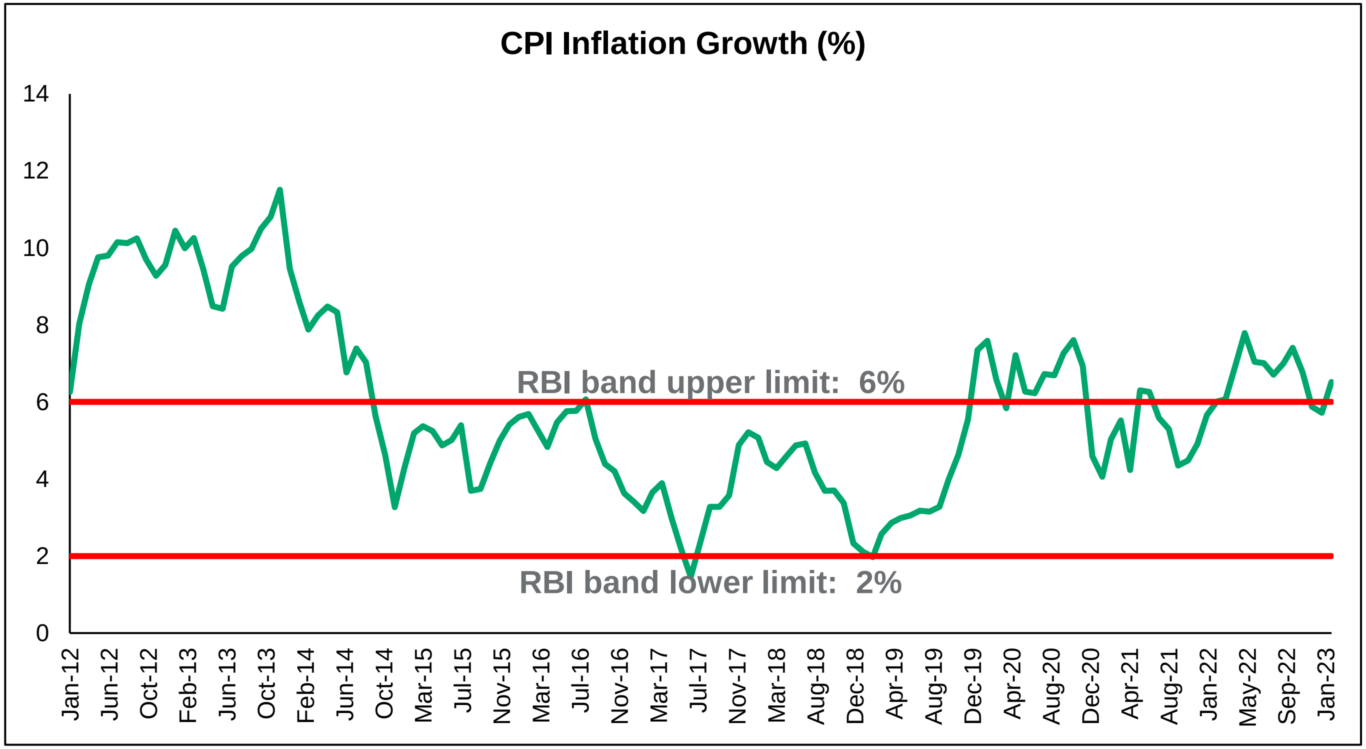
Why this indicator matters?
GDP measures the health of the economy and determines the current economic phase.

What it means for investors?
The GDP growth rates are an important determinant of equity market growth and returns.

- Global rating agency **Moody's** Investor Service **raised India's economic growth forecast to 5.5%** in 2023 from 4.8% pegged earlier, due to higher capital expenditure proposed in the Budget and a sustained economic momentum.
- **Economic Survey** states that the India's nominal GDP is expected to be **$3.5 Trillion** by end-March.
- **IMF** has projected India to be the fastest growing major economy in FY24, retaining the **forecast to be 6.1%** in 2023-24.

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

Consumer Price Index Inflation



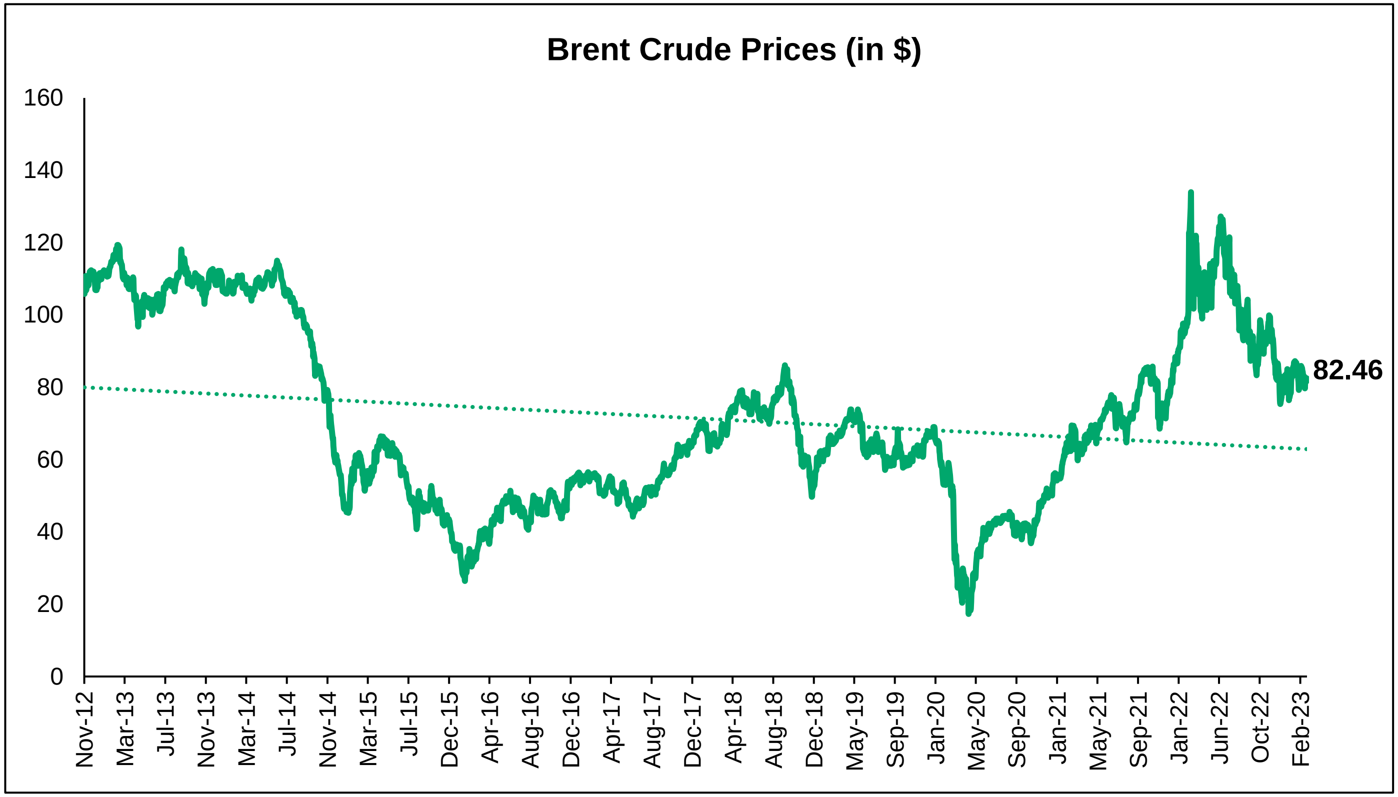
Why this indicator matters?
CPI measures the prices of a basket of goods & services.

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.

- **January inflation (6.52%)** crossed the RBI tolerance range of 2 - 6%.
- According to **International Monetary Fund (IMF),** Inflation in India is expected to be 5% in the next fiscal year 2023-24 and then drop further to 4% in 2024.
- The projected disinflation partly on the assumption of declining international fuel and non-fuel commodity prices due to weaker global demand.
- In its February policy, the **RBI** had projected inflation at 6.5% in 2022-23 and 5.3% in 2023-24.

Source: Bloomberg, The Economic Times. Latest Available Data as of 31st January 2023.

Crude Oil Prices



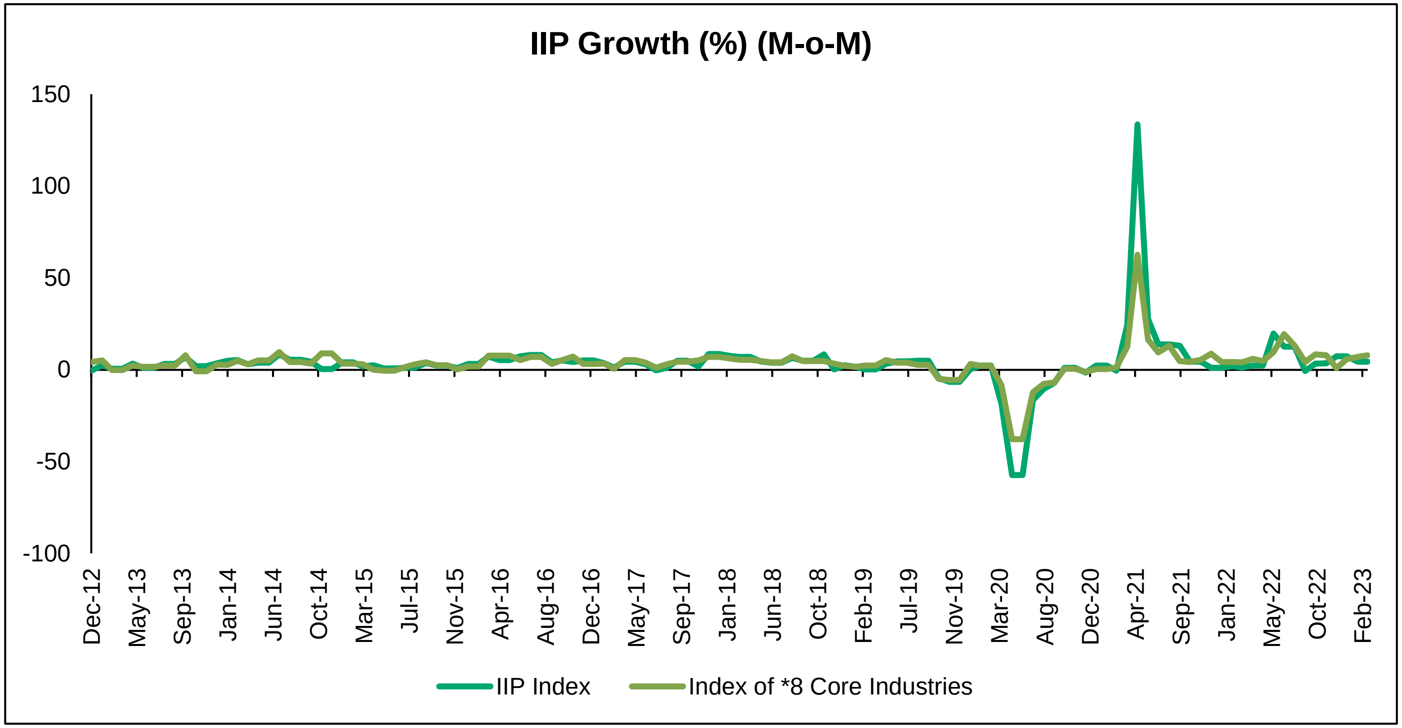
Why this indicator matters?
A rise or fall in crude oil prices affects the prices of various commodities.

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.

- On February 28, 2023, the Brent crude oil price stood at **$82.46 per barrel** – which is one of the most important benchmarks used as a reference for oil and gasoline prices.
- In March 2022, oil prices soared to highs (not seen since 2008) as a result of Russia-Ukraine war. The decrease noted since August reflects market uncertainty over a looming global recession.

Source: Bloomberg, The Economic Times. Data as of 28 February 2023.

Index of Industrial Production (IIP)



- February industrial production **(IIP)** increased by **2.5%** YoY with a favorable base.
- Besides a favorable base, growth was led by increase in mining, manufacturing, and electricity production.

Why this indicator matters?

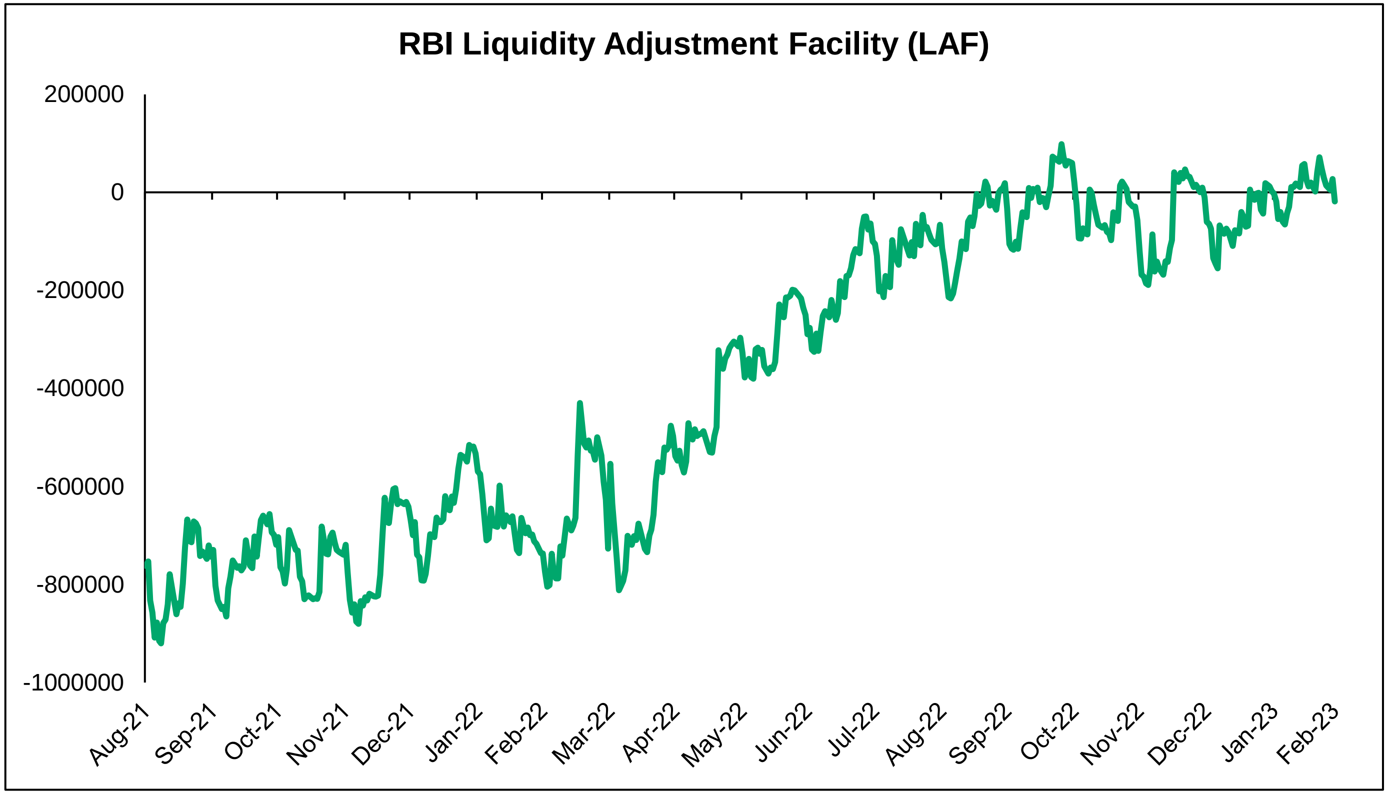
IIP indicates changes in production levels of manufacturing and service industries.

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.

Source: Bloomberg. Data as on 28th February 2023.
***8 core Industries are Natural Gas, Coal, Refinery Products, Crude Oil, Cement, Electricity, Steel, and Fertilizers.**

RBI liquidity status



Why this indicator matters?

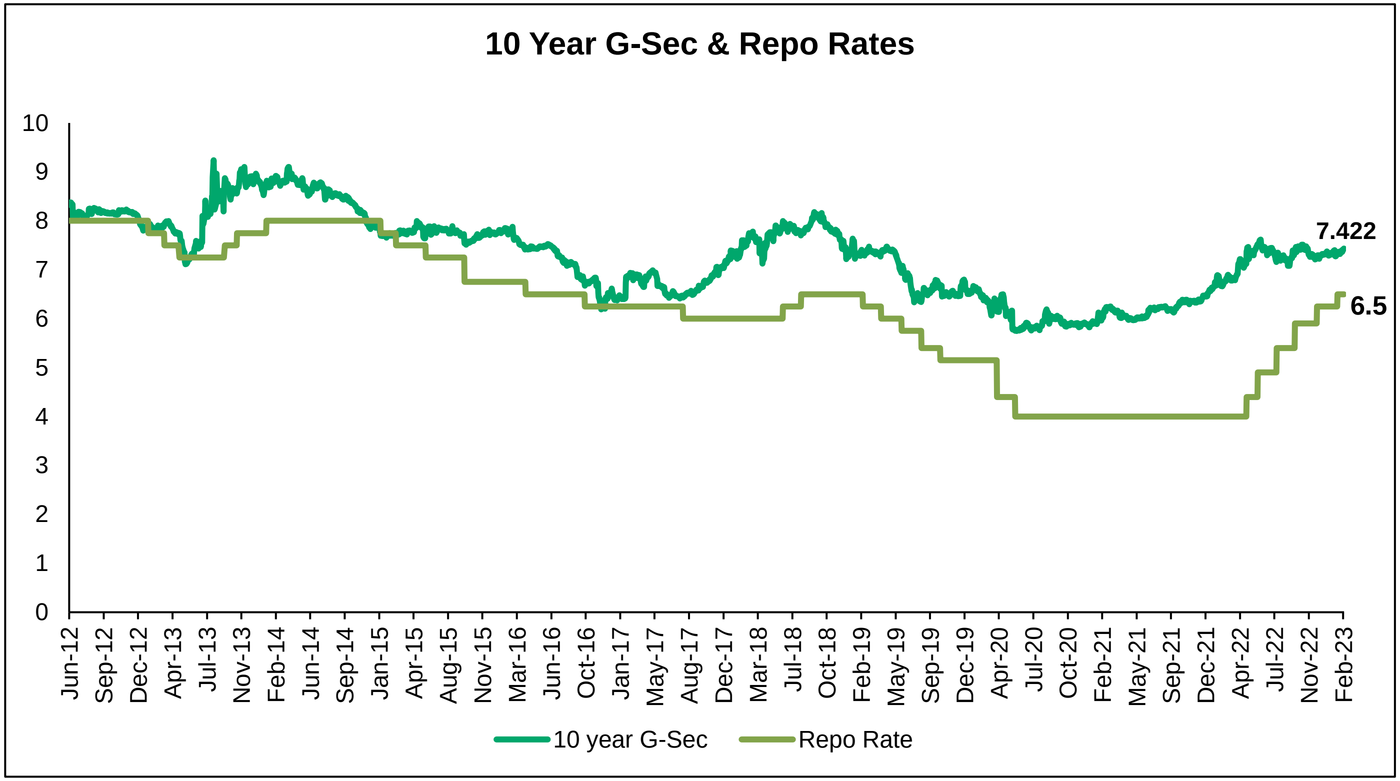
LAF helps RBI manage inflation by increasing or decreasing money supply in the economy.

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

- Liquidity remained **neutral to tight** towards the end of month due to higher GST collection and low government spending and direct & Indirect tax collections lined up.

Source: Bloomberg. Data as on 28 February 2023.

Interest Rates



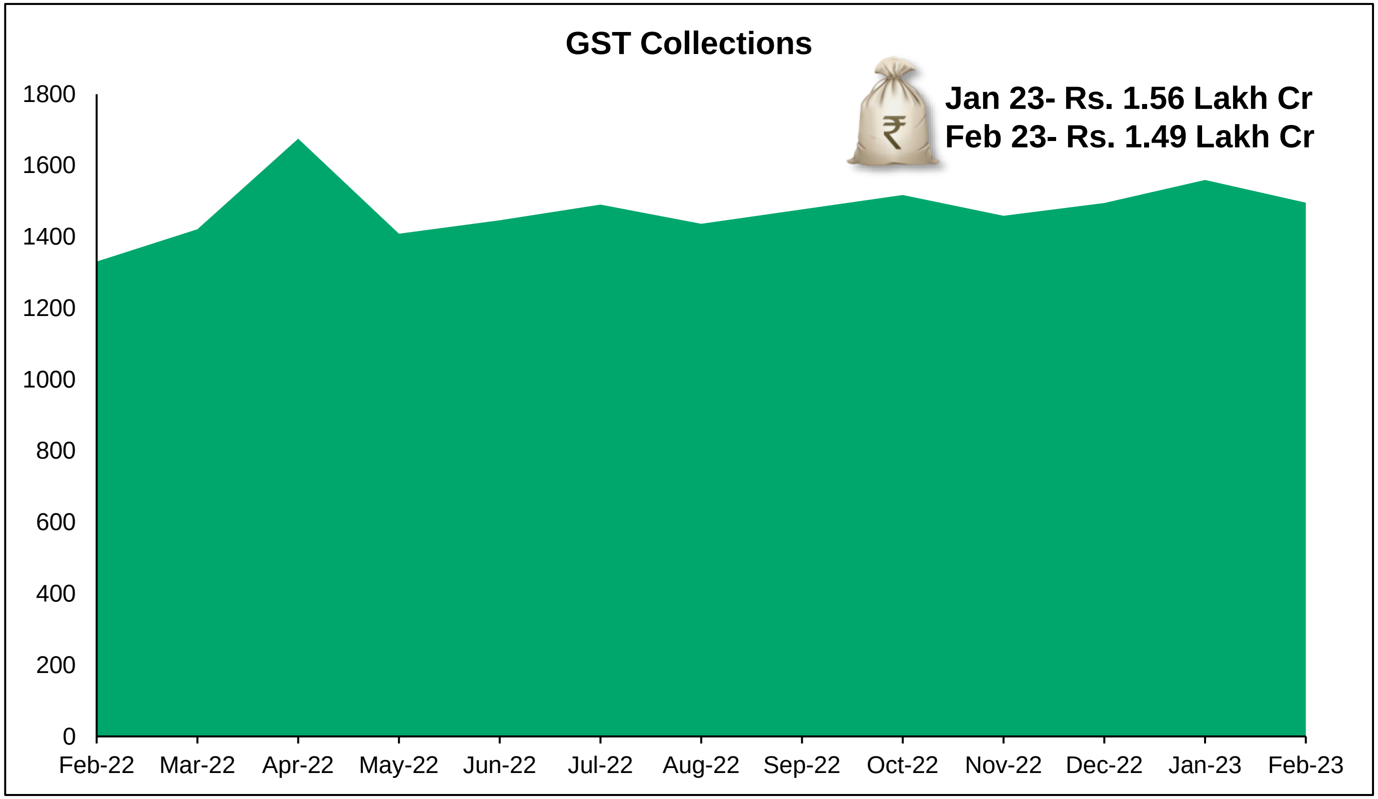
Why this indicator matters?
10-year G-secs are long term government securities whose interest rates are determined by the RBI.

What it means for investors?
The 10-year G-sec rate is considered the benchmark for setting interest rates across tenors and instruments.

- 10 Year G-sec Yield are up by almost 67 bps during the year.
- The **current repo rate** is at **6.50%**
- The spread between G-sec and Repo stands at 93 bps.

Source: Bloomberg. Data as on 28 February 2023.

Monthly GST Collections



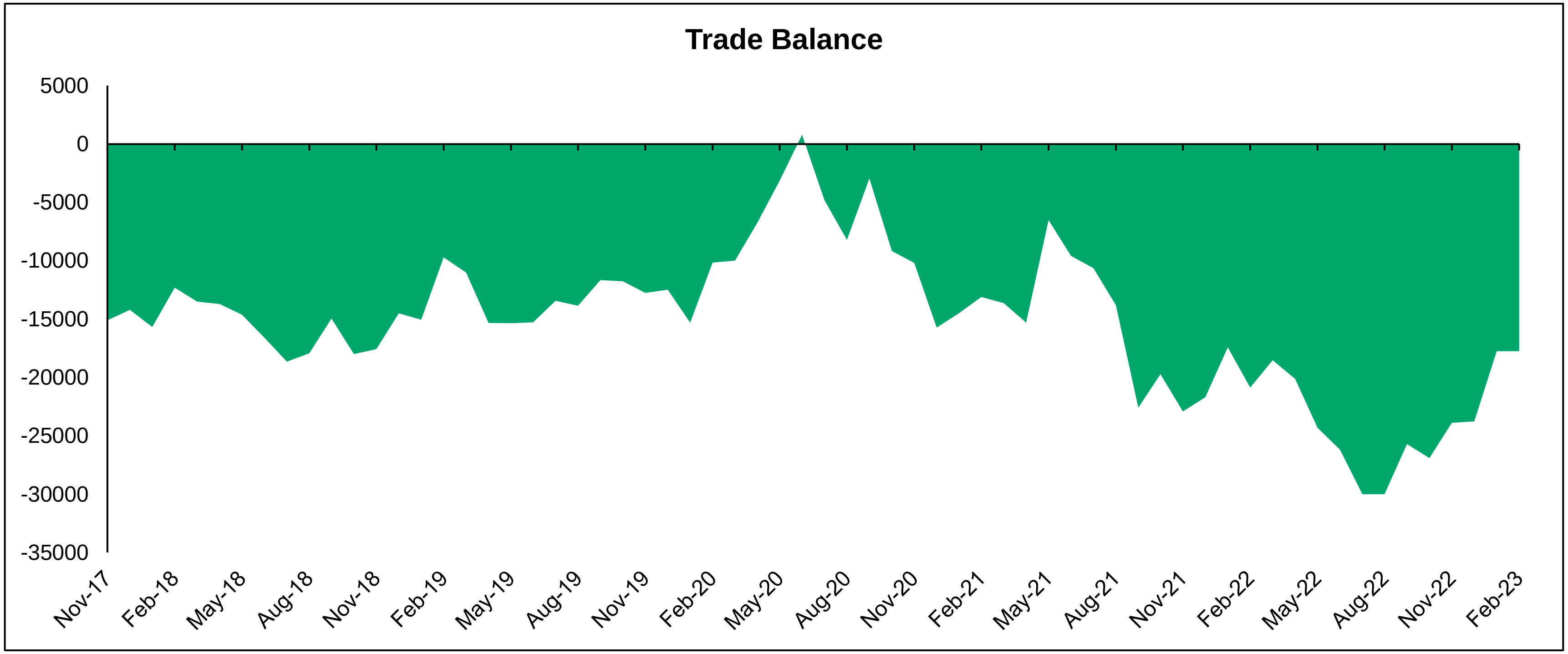
Why this indicator matters?
GST is one of the major sources of revenue for the government.

What it means for investors?
Recovery in GST is considered a good proxy for the revival of state finances and GDP.

- February GST collections showed an increase of 12% Y-o-Y.
- GST Collections continue to be robust with collections being above 14 lakh crores for the 12th straight month. The collections for fiscal year 2022-23 have been significantly higher than the budgetary estimates, providing an important cushion for the Govt's fiscal health.

Source: Bloomberg. Data as of 28 February 2023.

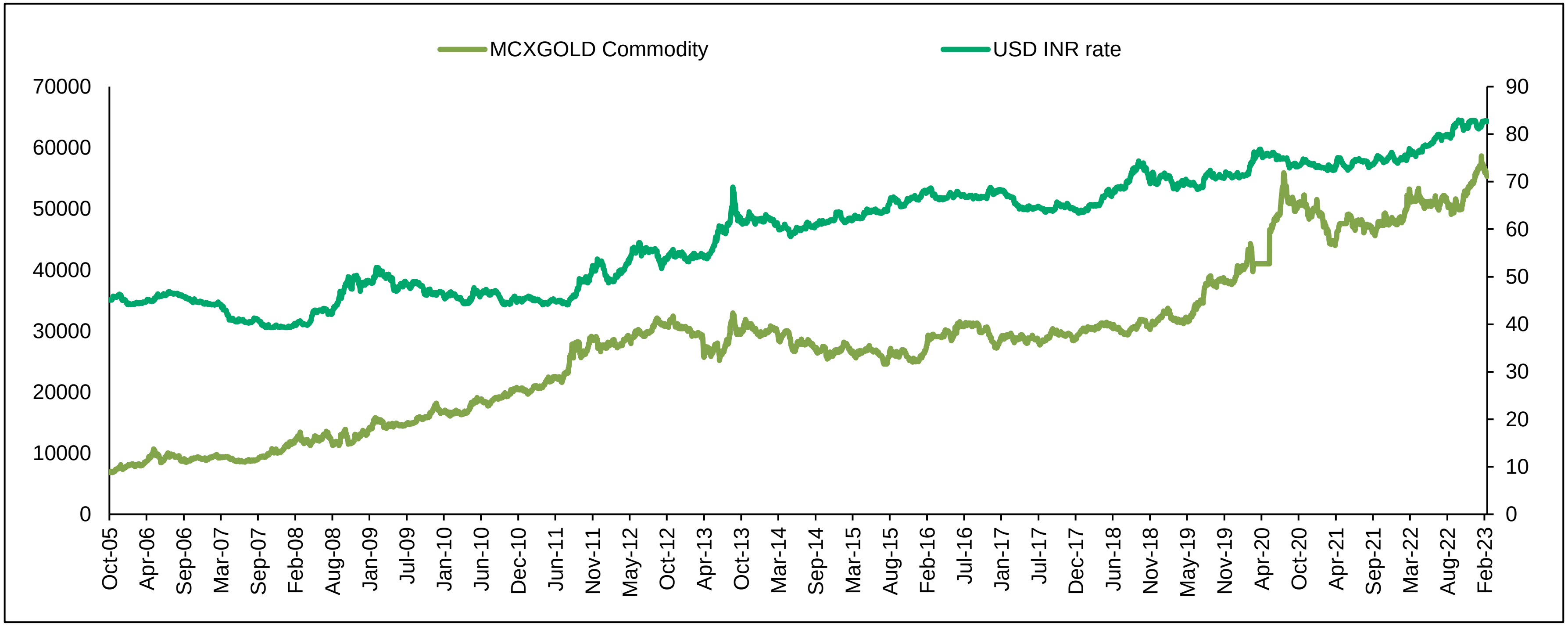
Balance of Trade



- India's trade deficit widened to USD 17.75 billion in January 2023, up from USD 17.42 billion in the same month last year.
- Exports were down 4.6% amid weaker global demand, Meanwhile, imports dropped at a slower 2.4% as purchases of gold tumbled more than 11%.
- The exports were supported by higher software services, and professional and management consulting.

Source: Bloomberg. Data as of 28th February 2023.

USD-INR Movement & Gold prices



- Rupee closed on 82.67 on the last day of Feb’23, rising 9.7% from Feb’22.
- Economic Survey 2022-23 said the domestic unit may remain under pressure on account of plateauing of exports and subsequent widening of the current account deficit.
- Gold also spiked on account of increase in international gold prices.

Source: Economic Survey 2022-23, Bloomberg. Data as of 28 February, 2023

EQUITY AND GLOBAL INDICES

Baroda BNP PARIBAS MUTUAL FUND

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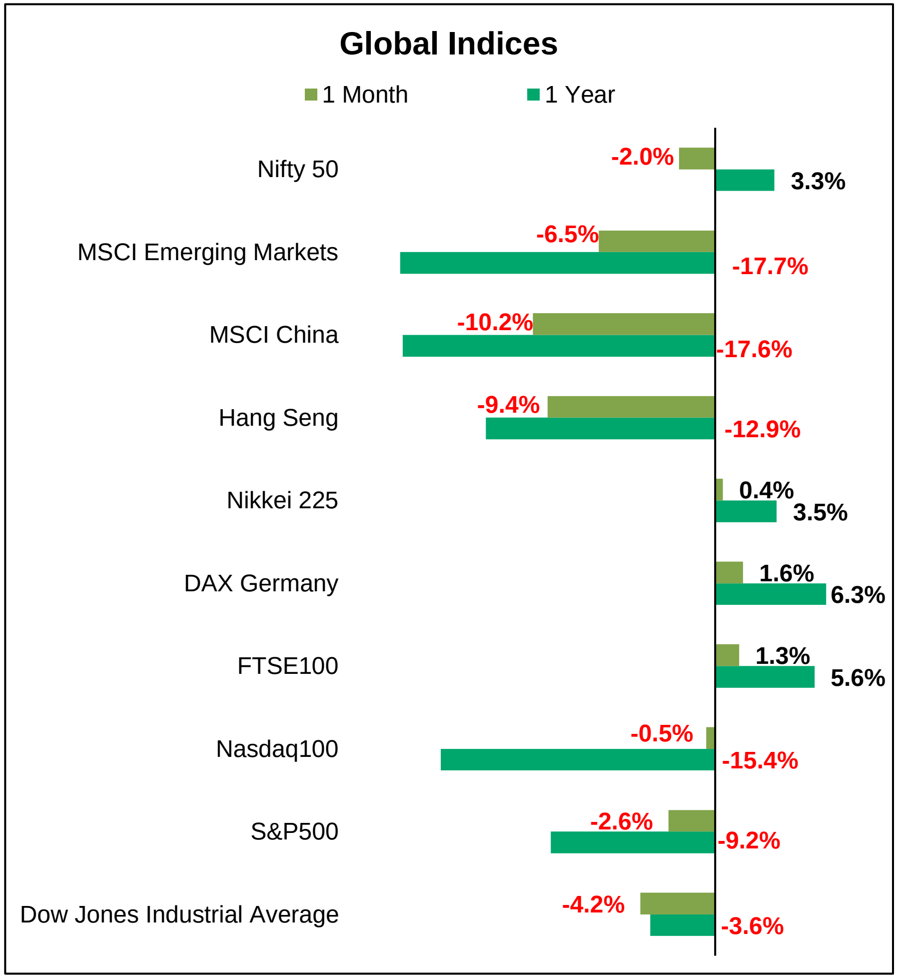
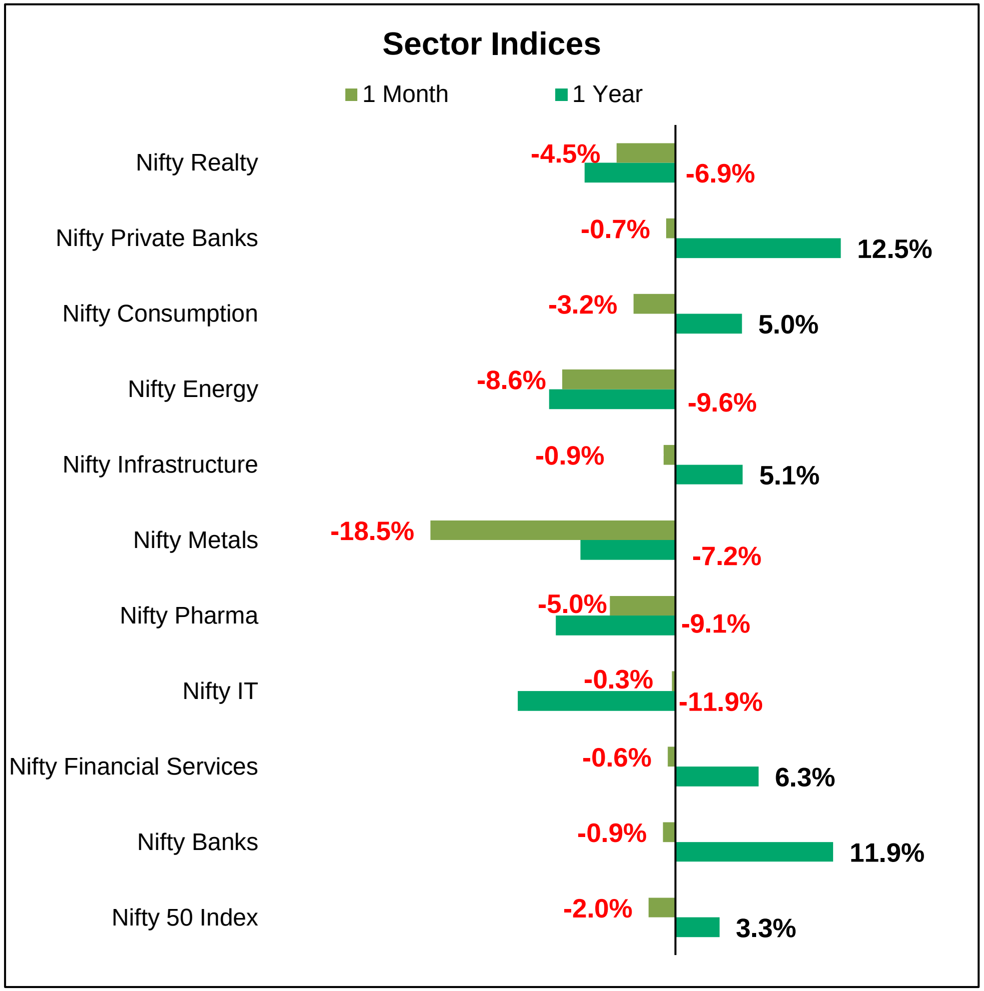
Global Indices



- In February'23, **DAX Germany, FTSE100 and Nikkei 225** were top performers and **every other global indices (except the ones in green)** ended in red for the month.
- The Nifty Index declined 2% in the month of February— third consecutive month of decline. Globally sentiments turned bearish as fears of further rate hikes emanated post strong jobs data, sticky core inflation levels and resilient GDP data in the US.
- Markets are in consolidation phase currently with one-year returns at 5%, outperforming emerging markets. Globally sentiments likely to remain in check with FED firm on its path to curtail inflation levels at 2%.

Source: Bloomberg; Schroders. Data as of 28 February 2023.
Past Performance may or may not be sustained in future.

Equity Indices



- All sector indexes ended the month in negative.
- The bottom performer for the month were **Nifty Metals (-18.5%)**, **Nifty Energy (-8.6%)** and **Nifty Pharma (-5.0%)**
- On 1 year basis, **Banks, Private Banks and Financial services** were highest gainers while **IT, Energy and Pharma** were laggards.

Source: Bloomberg. Data as of 28 February 2023.
Past Performance may or may not be sustained in future.

Sector Positioning of Equity Portfolios

GICS Sectors	BBNPP Large Cap Fund	BBNPP Large & Mid Cap Fund	BBNPP Flexi Cap Fund	BBNPP Multi Cap Fund	BBNPP Mid Cap Fund	BBNPP Focused Fund	BBNPP India Consumption Fund	BBNPP Banking & Financial Services Fund	BBNPP Business Cycle Fund	BBNPP ELSS Fund
Consumer Discretionary	8.7%	8.2%	7.0%	10.0%	15.1%	4.3%	30.0%	0.0%	7.3%	9.8%
Consumer Staples	8.4%	5.0%	11.5%	5.3%	3.1%	4.1%	38.0%	0.0%	13.5%	4.8%
Energy	9.1%	7.2%	8.3%	3.9%	3.7%	7.4%	0.0%	0.0%	10.8%	5.6%
Financials	32.6%	23.8%	28.6%	22.3%	24.2%	31.0%	9.7%	94.9%	28.8%	31.1%
Health Care	3.6%	4.7%	1.2%	10.2%	6.8%	1.2%	0.0%	0.0%	7.5%	4.2%
Industrials	8.9%	10.4%	9.5%	12.5%	16.5%	16.5%	2.8%	0.0%	6.8%	13.2%
Information Technology	14.3%	13.9%	13.6%	10.2%	5.6%	12.2%	0.0%	0.0%	12.0%	11.4%
Materials	4.9%	11.7%	3.7%	12.8%	12.7%	11.8%	5.4%	0.0%	4.4%	7.2%
Real Estate	0.0%	3.9%	3.3%	3.3%	1.0%	0.0%	0.0%	0.0%	1.0%	2.8%
Communication Services	2.0%	2.3%	3.3%	3.2%	1.1%	5.0%	9.2%	0.0%	1.5%	3.1%
Utilities	2.8%	6.3%	3.9%	2.8%	4.5%	3.3%	0.0%	0.0%	2.4%	3.3%
Cash/Debt/ Derivatives	**4.9%**	**2.7%**	**6.0%**	**3.5%**	**5.7%**	**3.4%**	**4.9%**	**5.1%**	**4.1%**	**3.4%**
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 28 February 2023. 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

<table>
<tr>
<td>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.</td>
<td>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.</td>
<td>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.</td>
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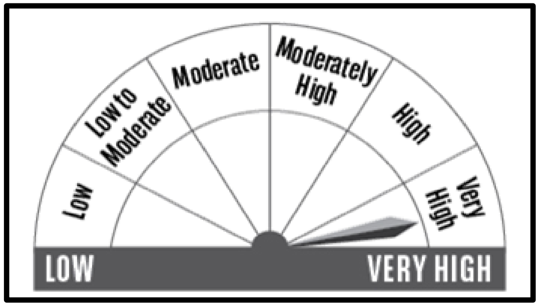
<tr>
<td>Baroda BNP Paribas Multi Cap Fund
(An open-ended equity scheme investing across large cap, midcap and small cap stocks)
This product is suitable for investors who are seeking*:
-Capital appreciation over long term.
- Investments predominantly in equity and equity related instruments.</td>
<td>Baroda 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</td>
<td>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</td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
<td rowspan="2">
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<tr>
<td colspan="2">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.</td>
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*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 28th February 2023.*

Disclaimers

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

THANK YOU