

BARODA BNP PARIBAS FLOATER FUND

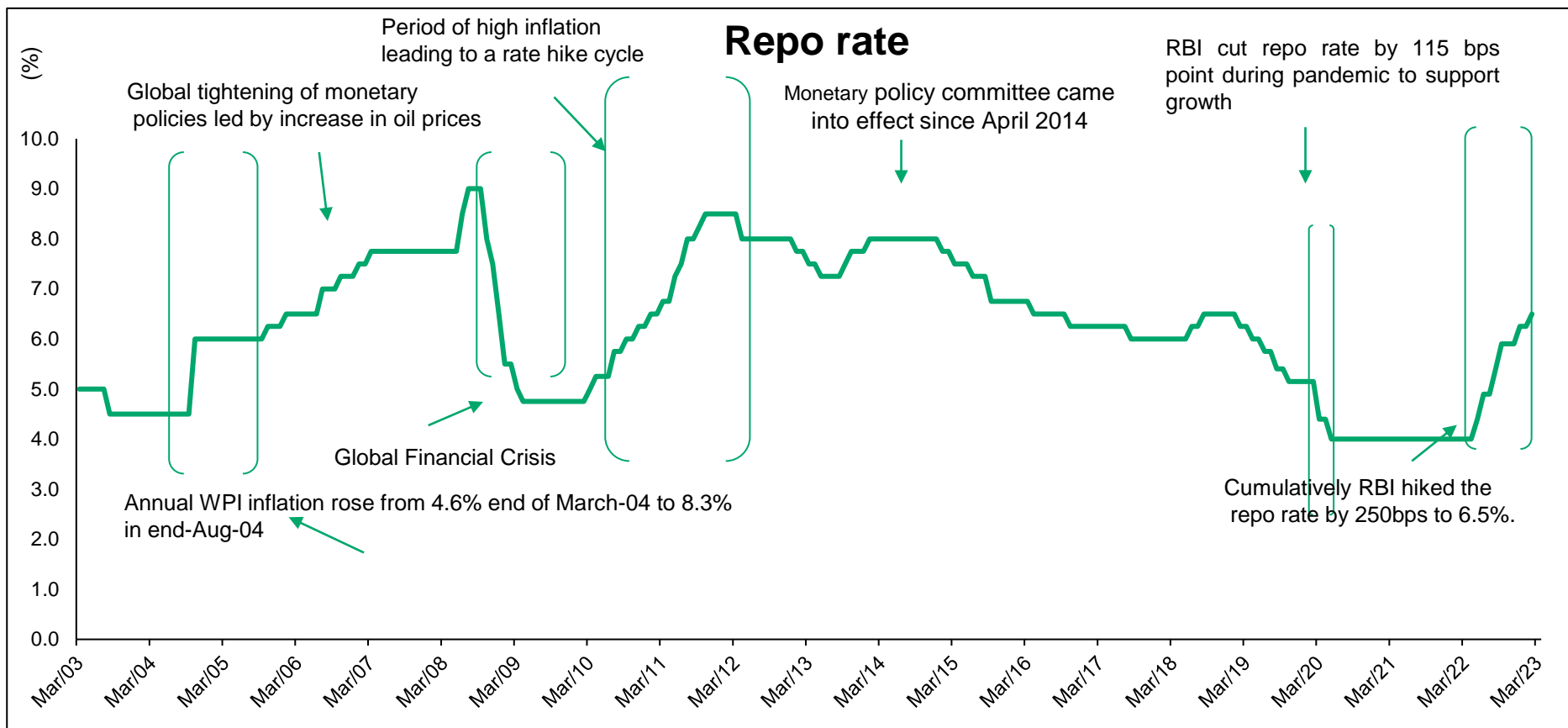
(An open-ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk)



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.

Interest Rates Move in Cycles..



- Policy rates changes in response to evolving Macro situation and are difficult to forecast

Source: RBI. Data as on March 2023.

Rate Changes Lead to Volatility in Fixed Rate Bonds

Year	10-yr G-Sec Yield	CRISIL 10 year Gilt Index 1 year Returns
Dec-22	7.32%	0.46%
Dec-21	6.45%	1.35%
Dec-20	5.86%	9.26%
Dec-19	6.55%	10.46%
Dec-18	7.37%	6.03%
Dec-17	7.32%	-0.05%

Source: Bloomberg, Data as on March 31, 2023. GIND10YR Index for Yields and CRISIL 10 year Gilt Index for Returns.

*Past performance may or may not sustain in the future.

Floating Rate Bonds are an All Season Product



Designed with an aim to work in any storm.



An all-weather fund is a fund that tends to perform reasonably well during both favorable and unfavorable economic and market conditions.

All weather portfolios have relatively lower volatility and potentially, a higher risk adjusted return and smaller drawdowns.

All-weather funds typically have flexible investment strategies and utilize alternative techniques in order to deliver market related returns in all market environment

As They Deliver Market Returns with Low Volatility

	Interest Rates		Comment
	Rising	Falling	
Fixed Rate Bonds			
Coupon	Flat	Flat	Remains at historical level
Market Price	Fall	Rise	High volatility
Floating Rate Bonds			
Coupon	Rise	Fall	Reflects market returns
Market Price	Flat	Flat	Low Volatility

Floating Rate bonds: Recent Experience

Prices*	5 th April 2021	31 st March 2023	% Change
GOI FRB 2033 6M T-bill+ 122 BPS	INR 99.80	INR 99.90	0.10%
8.24 GOI 2033	INR 112.90	INR 106.70	-5.49%

- In last 2 years, 10-year fixed rate bond has fallen by almost 5.5% whereas Floating Rate Bonds is almost unchanged.
- Attractive coupon reset in line with rising rates helped FRB investors

Source: RBI, Bloomberg. Data as of 31 March 2023. GOI FRB: Government of India Floating Rate Bond. *Clean Price. **Past Performance may or may not sustain in future.**

FLOATING RATE DEBT INSTRUMENTS



Baroda
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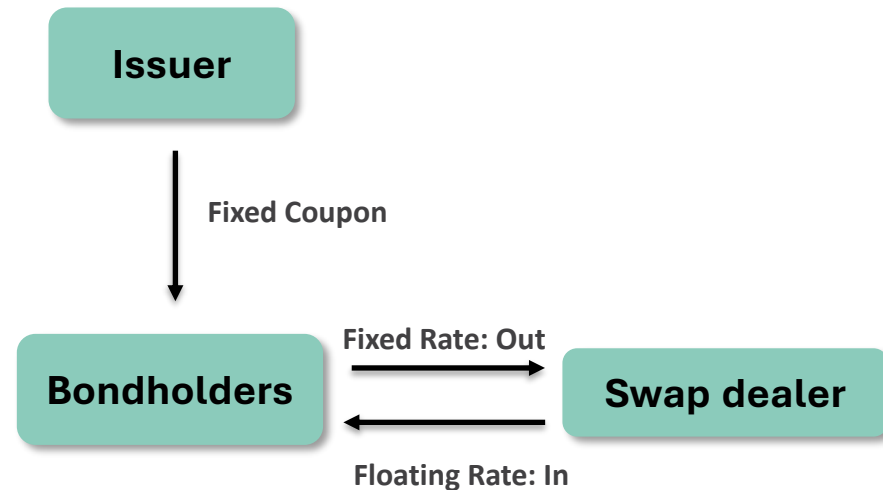
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Types of Floating Rate Bonds: Illustration

Natural Floating Rate Bonds
e.g. GOI Floater instruments



Synthetic Floating Rate Bonds
e.g. Interest Rate Swaps (IRS)



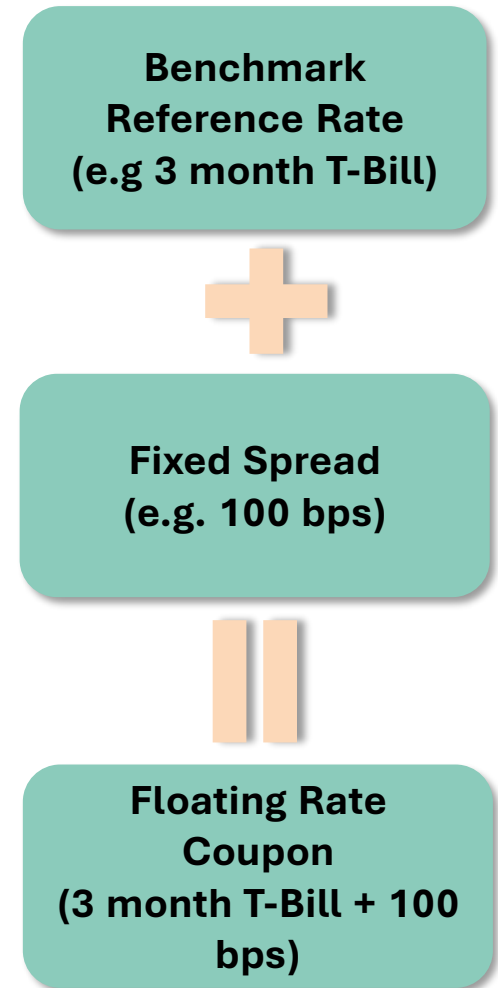
Under Synthetic Floating Rate Bonds, fixed rate exposure can be converted into floating rate structure by swapping with a third party, who will pay the scheme a periodic market linked payout in exchange for a fixed payout.

The above representation is for illustration purpose only.

Floating Rate Bonds

Natural Floating Rate Bonds

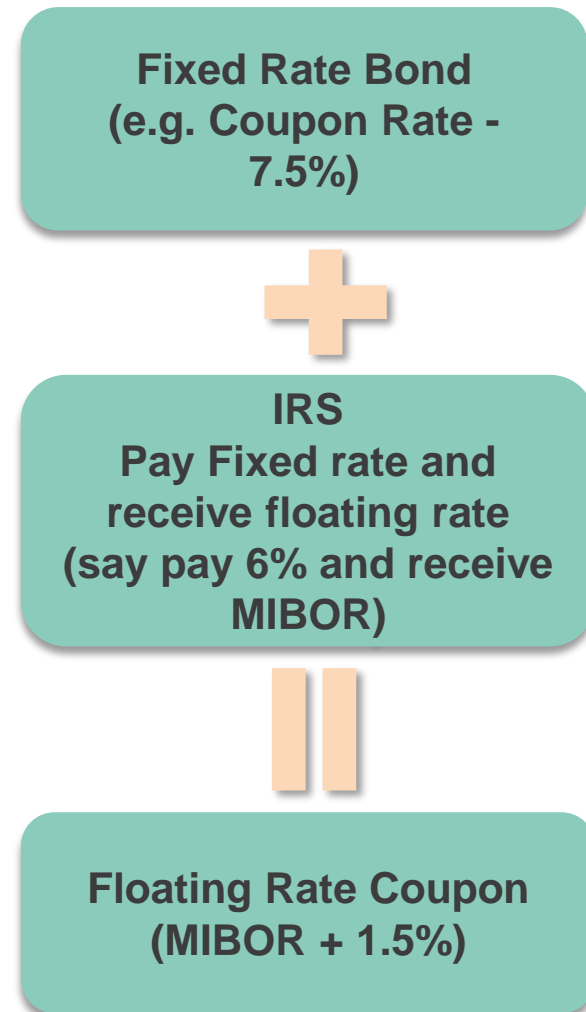
- Floating rate bonds are a type of debt securities that pay a coupon linked to a benchmark rate like the Repo rate, Bank MCLR, FBIL Overnight MIBOR, T-Bill, etc.
- These benchmark rates chosen are widely used rates that are sensitive to changes in the debt market conditions and reflect the current market conditions accurately.
- The coupon resets over a pre-determined frequency (mostly 6 months) to factor in the changes in interest rates.



T-Bill: Treasury Bill, MCLR- Marginal Cost of Funds Based on Lending rates, FBIL- Financial Benchmark India Ltd., MIBOR- Mumbai Inter Bank Offered Rate

Swaps: Synthetic Floating Rate Instruments

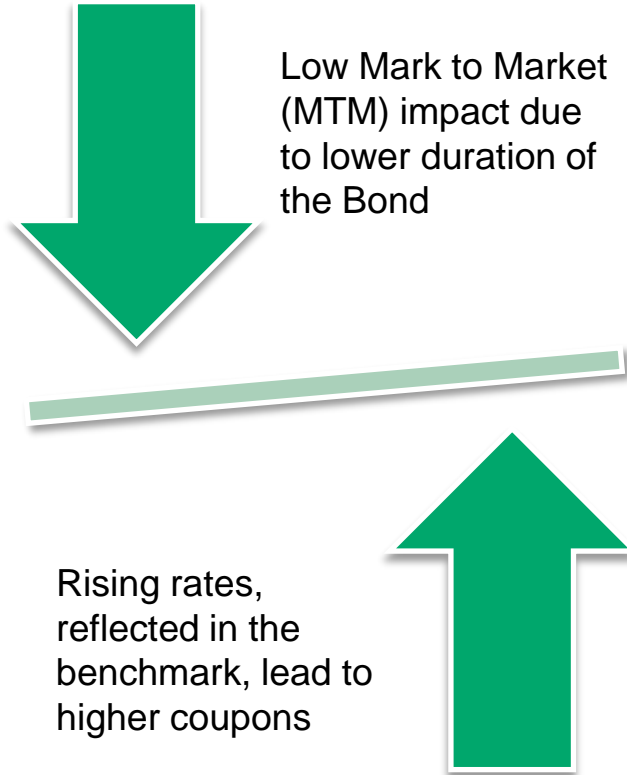
- Floating rate instruments can also be created synthetically using a combination of fixed rate bonds with interest rate swaps (IRS)
- An IRS is a derivative that can convert a fixed rate exposure to a floating rate exposure – reducing the interest rate risks of the fixed rate bond.
- The IRS also enables the portfolio to efficiently align its floating rate exposure to the current interest rate outlook.



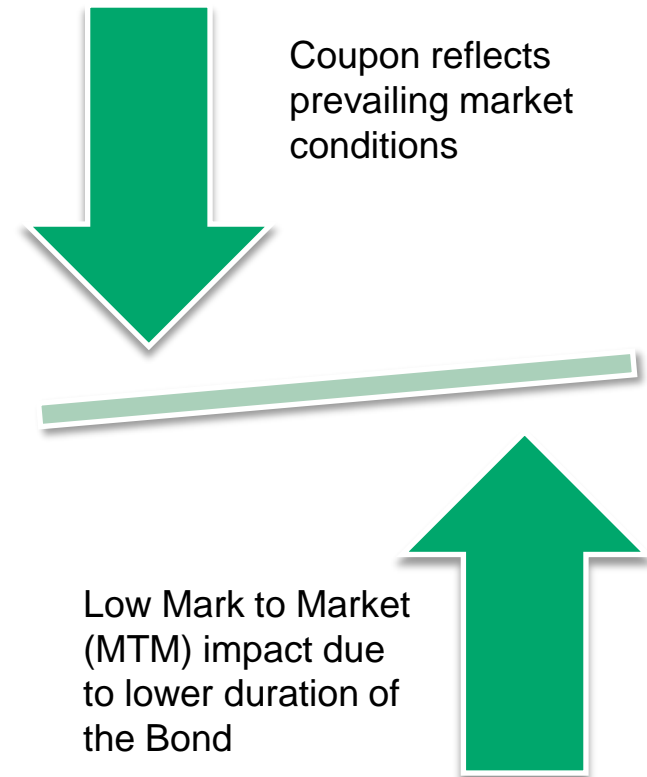
MIBOR- Mumbai Inter Bank Offered Rate

Impact of Interest Rate Changes on Floating Rate Bonds

Rising Interest Rates

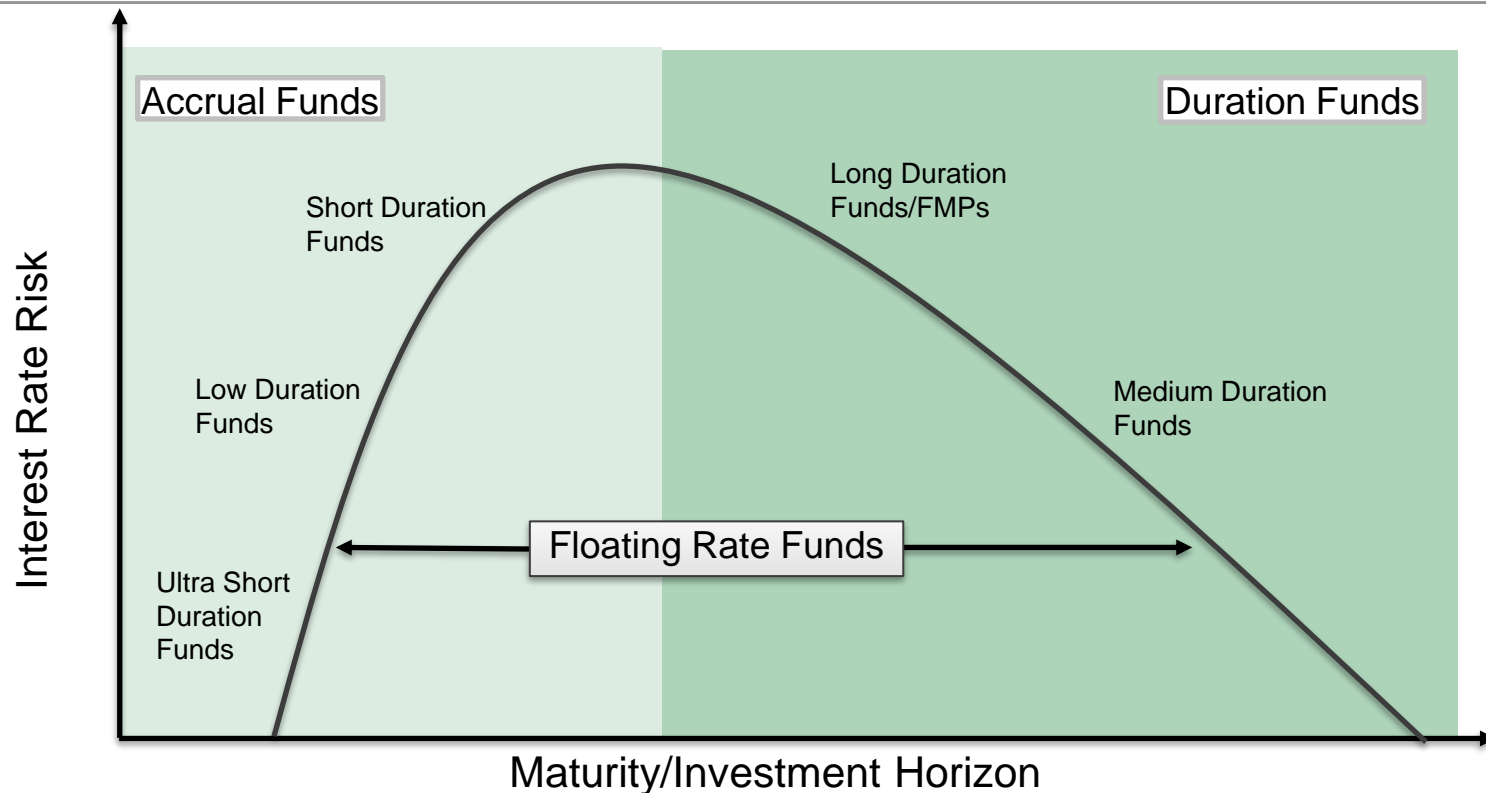


Falling Interest Rates



For a Floating Rate Bond, the maturity refers to the time left until the date of maturity. However, duration of such a bond is the time remaining till the next coupon reset date/payment date. For e.g., for a FRB with 6 monthly reset date, the duration would be 6 months or lower at any given point of time.

Different Interest Rate Scenarios



- Floating Rate Funds have the flexibility to invest across maturity spectrum and does not have any Macaulay Duration limits.
- Floating Rate Funds can take longer duration portfolio and hedge the interest rate risk,
 - Which could lead to enhanced yields with lower net duration risk,
 - However, an adverse interest rate movement may lead to mark to market loss.

Accrual Funds tend to derive predominant returns from yields while Duration Funds generate predominant returns from capital appreciation from long duration exposure in a falling interest rate scenario. Accruals tend to be more suitable in a rising interest rate scenario due to their low component of duration returns and vice versa.

WHY NOW?

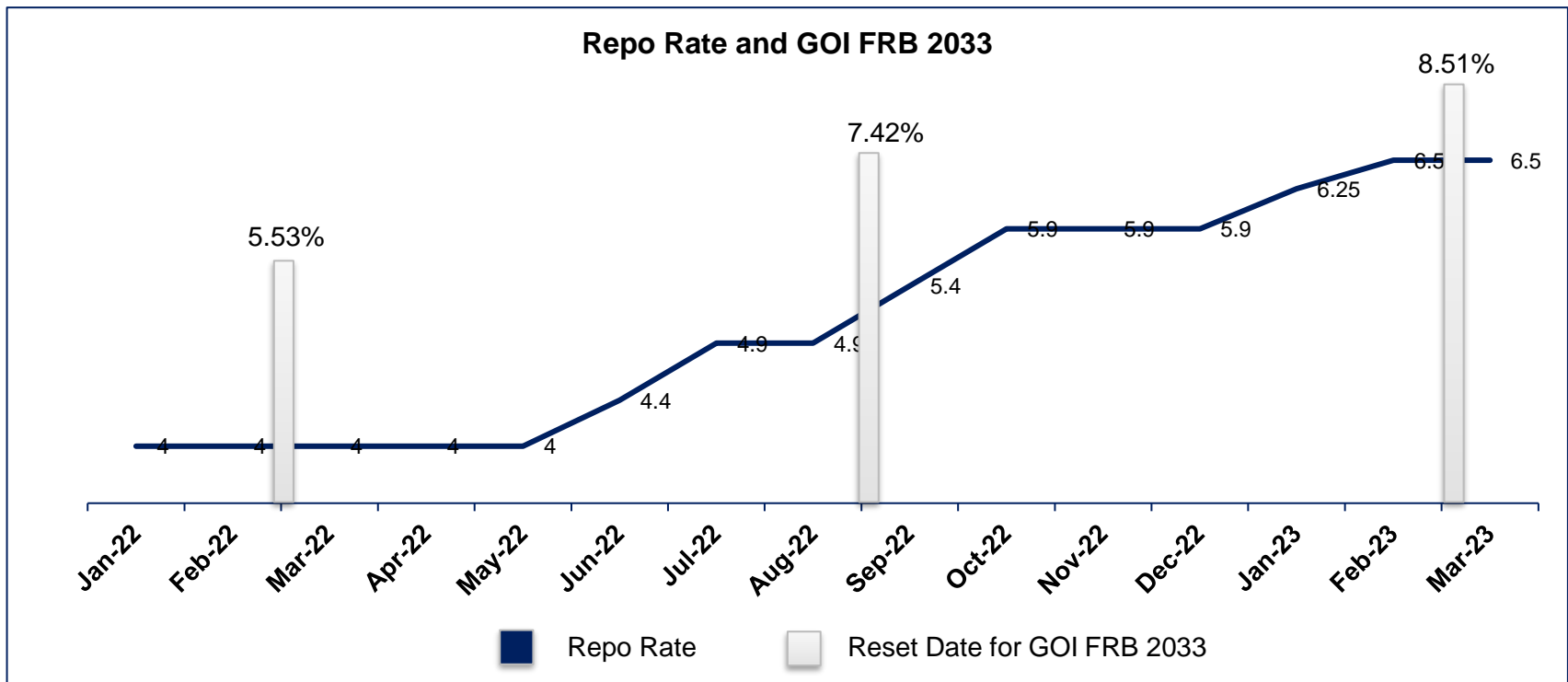


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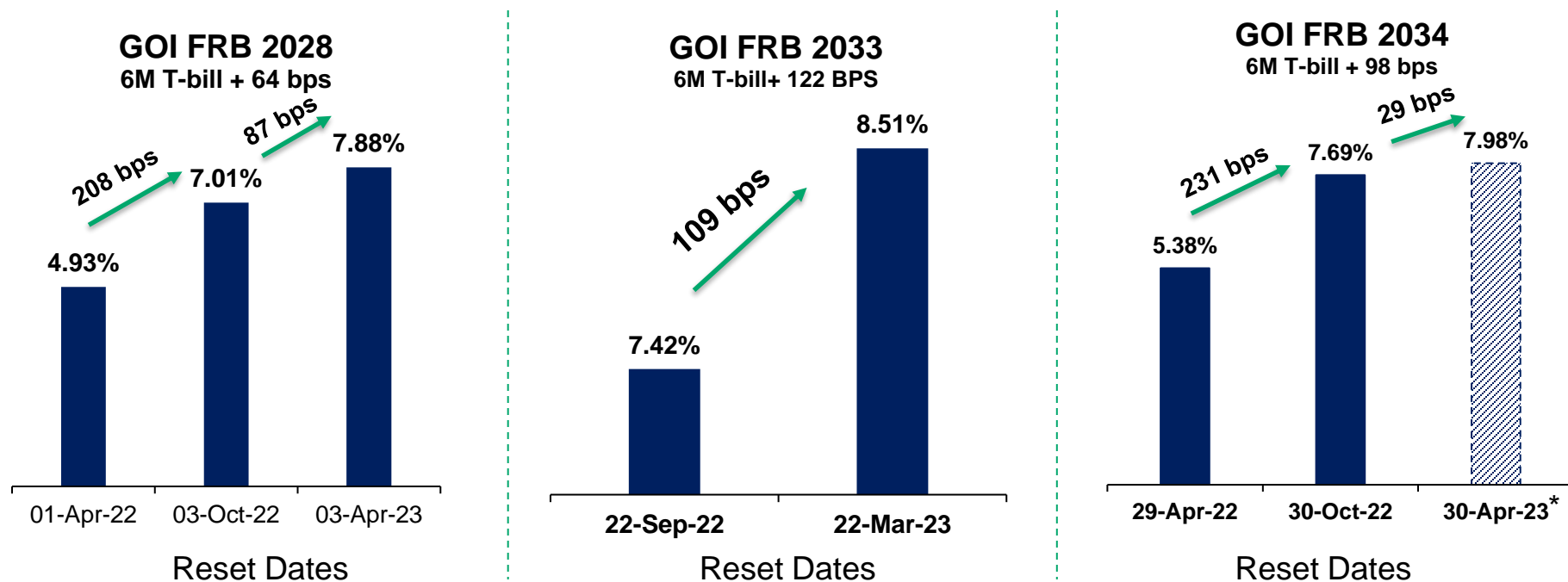
FRBs have Reflected the Rising Rates, with a Lag



- Policy rate were raised sharply and frequently over last few quarters
- Since FRB coupon reset is half-yearly, the coupons have lagged the policy rate changes with a time lag upto six months

Source: RBI, Bloomberg. Data as on 31 March 2023. GOI FRB: Government of India Floating Rate Bond. **Past Performance may or may not sustain in future.**

GOI FRB Coupon are now set at very attractive levels...



- The GOI FRB's coupon has reset positively and substantially due to sharp rise in the short-term yields.
- Expectations of high interest rates staying for an extended period ensures attractive YTM accruals
- We believe that higher accruals and lower supply of FRBs, are likely to drive future price performance of FRBs.

Auction cut off as on April 03, 2022, for GOI FRB 2028, March 22, 2023, for GOI FRB 2033, and Oct 30, 2022, for GOI FRB 2034.

*Estimated yield based on past spread.

Source: RBI. GOI FRB: Government of India Floating Rate Bond. YTM- Yield to Maturity. **Past Performance may or may not sustain in future.**

Attractive Yield v/s Other Alternatives

YTM as on	Overnight Rate	3 month T-bill	6 month T-bill	10Y G-sec
31-March-23	7.05%	6.88%	7.10%	7.31%

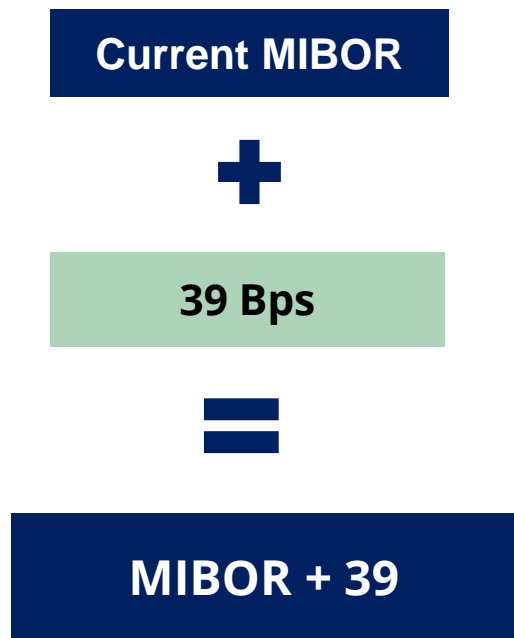
YTM of the FRB	GOI FRB 2028 6M T-bill + 64 bps	GOI FRB 2033 6M T-bill+ 122 bps	GOI FRB 2034 6M T-bill + 98 bps
31-March-23	8.18%	8.48%	8.50%

FRBs currently offer attractive accruals coupled with re-set every 6 months with lower volatility.

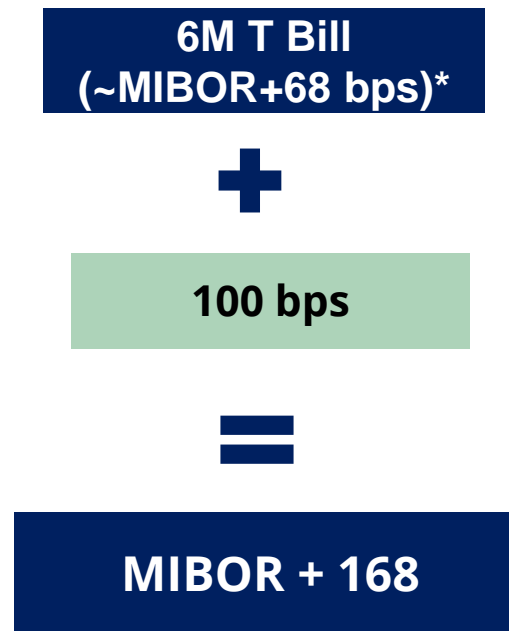
Data as on March 31, 2023. Source: CRISIL Research, Bloomberg, RBI. GOI FRB: Government of India Floating Rate Bond. **Past Performance may or may not sustain in future.**

FRBs v/s Low Duration Index

Last 12m performance of CRISIL Low Duration Fund BI Index



Present Coupon of Floating Rate Bonds[^]



(* Last 12m average)

As compared to Low Duration Index returns equalizing to MIBOR + 39 bps, the current G-sec floater is offering approx. MIBOR + 168 bps.

Source: Bloomberg & Internal Research. Data as on 28 March 2023. ^FRB for GOI FRB 2034. The above illustration is for information purposes only. **Past performance is not an indication of future performance.**

FRBs: No Fresh Supply Creates Potential for Capital Gains

- Due to relatively high coupons of FRBs, Government has cancelled all auctions of FRBs from Aug 2022 and there is no fresh supply envisaged for H1, FY23-24.
- There is a significant demand of FRB from banks for ALM.
- High coupon and no fresh supply augurs well for holders of FRBs

Auction Date	Security Name	Auction Value (INR Cr.)	Weighted Average Yield
1-Jul-2022	GOI FRB 2028	4000 (Devolved Rs. 972 Cr)	6.89%
15-Jul-2022	GOI FRB 2028	4000 (Devolved Rs. 2,950 Cr)	6.89%
29-July-2022	GOI FRB 2028	4000 (Devolved Rs. 1,739 Cr)	7.02%
12-Aug-2022	GOI FRB 2028	4000 (Cancelled)	--
26-Aug-2022	GOI FRB 2028	4000 (Cancelled)	--
9-Sep-2022	GOI FRB 2028	4000 (Cancelled)	--
23-Sep-2022	GOI FRB 2028	4000 (Cancelled)	--

Data as on March 31, 2023. Source: CRISIL Research, RBI. GOI FRB: Government of India Floating Rate Bond. ALM: Asset-Liability Management. Past Performance may or may not sustain in future.

BARODA BNP PARIBAS FLOATER FUND

RIDE THE INTEREST RATE CYCLE



Together for more

Allocation Strategy

Floating Rate Debt Instruments

(Including Fixed Rate Debt Instruments swapped for floating rate returns)

65% to
100%



Debt & Money Market Instruments

0% to
35%



REITs and INVITs

0% to
10%



For complete details on asset allocation and investment strategy, kindly refer the Scheme Information Document (SID) available on our website (www.barodabnpparibasmf.in).

Investment Approach

Floating Rate Bonds

- Diversify across benchmarks and issuers to capture rate movements across various tenors
- Reduced negative impact of rising interest rates

Fixed Rate Bonds

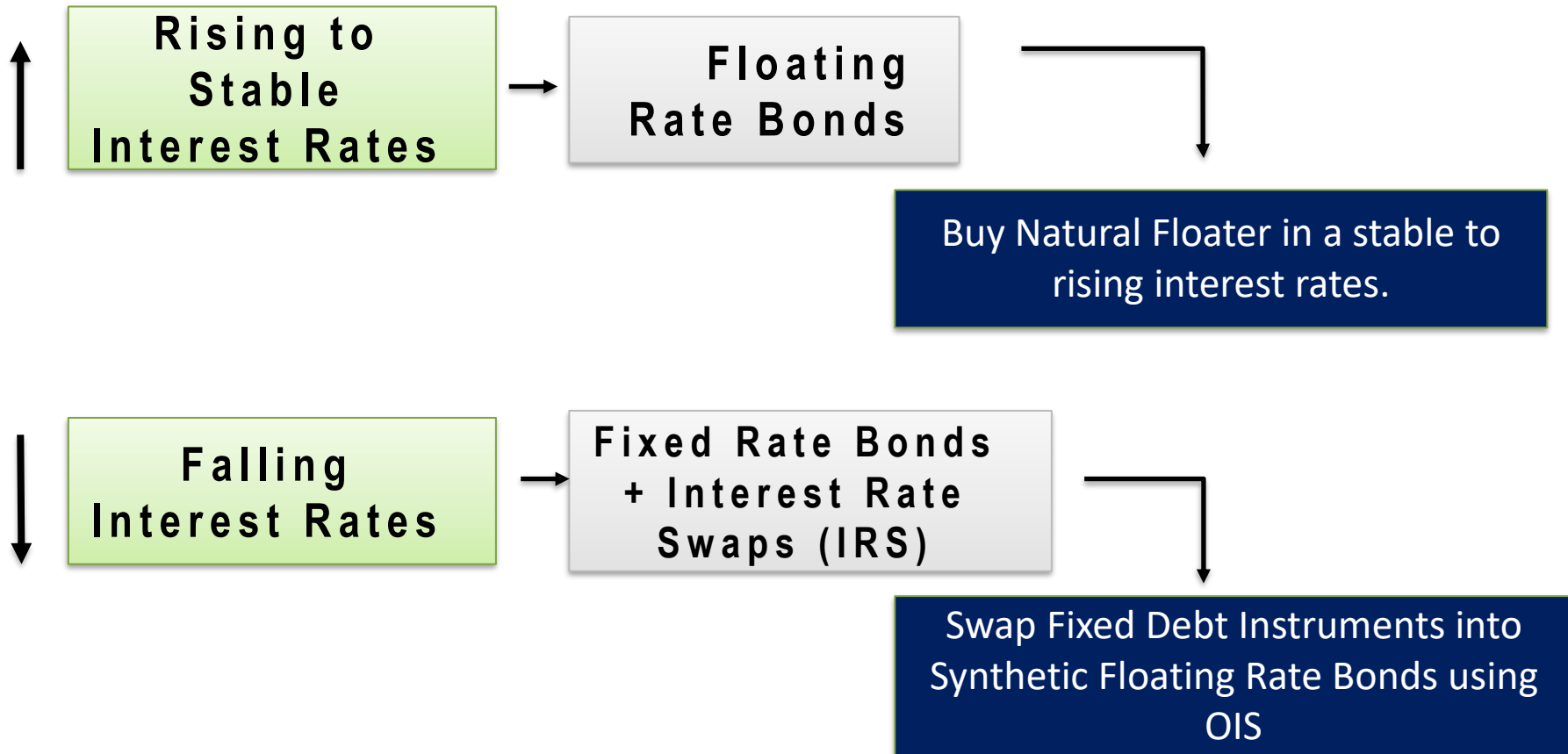
- Manage liquidity and duration of the portfolio
- Suitable in a falling interest rate scenario

Interest Rate Swaps (IRS)

- Convert Fixed to floater to implement tactical interest rate and spread views
- Used to hedge portfolio in any interest rate scenario

The investment strategy of the Scheme is subject to changes as per fund manager's view within the provisions and limitations of Scheme Information Document (SID). For further details on asset allocation, investment strategy and risk factors of the Scheme, please refer to SID available on our website (www.barodabnpparibasmf.in).

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Benefits

LOWER VOLATILITY

Bonds held till maturity will have a relatively lower volatility and lesser MTM impact

CRAFTED PORTFOLIO

Active Fund Management

RISK ADJUSTED REWARDS

Attempts to offer better risk adjusted returns

RISING RATE ENVIRONMENT

Helps to navigate the rising rates and offers good investment opportunity to gain from a rising rate environment

LOWER INTEREST RATE RISK

With interest rates reset in a pre-determined frequency, the interest rate sensitivity of the bonds are lower compared to fixed rate bonds

RELATIVELY STABLE RETURN

Aims to generate income/capital appreciation through investment in-

1. Natural Floaters
2. Synthetic Floaters
3. Short Maturity Instruments

There is no assured/ guaranteed returns being offered by the AMC. The performance of the scheme shall also depend on various factors including the investment strategy of the scheme.

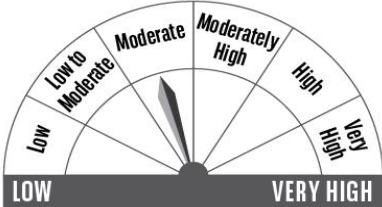
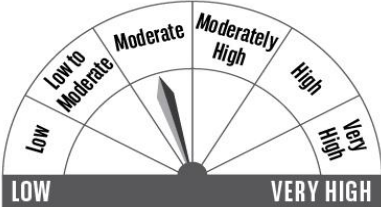
Fund Facts

Scheme Name	Baroda BNP Paribas Floater Fund																		
Category	Floater Fund																		
Type of the Scheme:	An open-ended debt scheme predominantly investing in floating rate instruments. A relatively High Interest Rate Risk and Moderate Credit Risk.																		
NFO Period	April 10, 2023 – April 24, 2023																		
Investment Objective:	The primary objective of the scheme is to generate regular income through investment in a portfolio comprising predominantly of floating rate instruments and fixed rate instruments swapped for floating rate returns. The Scheme may also invest a portion of its net assets in fixed rate debt and money market instruments. However, there can be no assurance that the investment objectives of the Scheme will be realized. The Scheme does not guarantee/indicate any returns.																		
Benchmark:	CRISIL Low Duration Debt Index																		
Fund Manager:	Mayank Prakash (Total Experience: 15 years) & Prashant Pimple (Total Experience: 16 years)																		
Asset Allocation:	<table border="1"> <thead> <tr> <th>Type of Instrument</th> <th>Minimum (% of Net Assets)</th> <th>Maximum (% of Net Assets)</th> <th>Risk Profile</th> </tr> </thead> <tbody> <tr> <td>Floating Rate Debt Instruments (including Fixed Rate Debt Instruments swapped for floating rate returns)</td> <td>65</td> <td>100</td> <td>High</td> </tr> <tr> <td>Debt & Money Market instruments</td> <td>0</td> <td>35</td> <td>Low to Medium</td> </tr> <tr> <td>Units issued by REITs & INvITs</td> <td>0</td> <td>10</td> <td>Very High</td> </tr> </tbody> </table>	Type of Instrument	Minimum (% of Net Assets)	Maximum (% of Net Assets)	Risk Profile	Floating Rate Debt Instruments (including Fixed Rate Debt Instruments swapped for floating rate returns)	65	100	High	Debt & Money Market instruments	0	35	Low to Medium	Units issued by REITs & INvITs	0	10	Very High		
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For complete details on asset allocation, please refer to SID available on our website (www.barodabnpparibasmf.in).																			
Load Structure:	Entry Load: NA. Exit Load: Nil.																		
Options:	<p>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 and reinvestment facilities.</p> <p><i>*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.</i></p>																		
Minimum Application Amount:	<p>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.</p>																		

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"> Regular income over short term investment horizon. To invest predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives) 	 <p>Investors understand that their principal will be at Moderate Risk.</p>	 <p>Benchmark (CRISIL Low Duration Debt Index) riskometer is at Moderate Risk.</p>
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. ^^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 Floater Fund		
Credit Risk (Max) →		Relatively Low: Class A (CRV \geq 12)	Moderate: Class B (CRV \geq 10)	Relatively High: Class C (CRV $<$ 10)
Interest Rate Risk (Max) ↓				
Relatively low Class I (MD \leq 1 year)				
Moderate Class II (MD \leq 3 year)				
Relatively High Class III (Any MD)			B-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)

Disclaimers

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THANK YOU