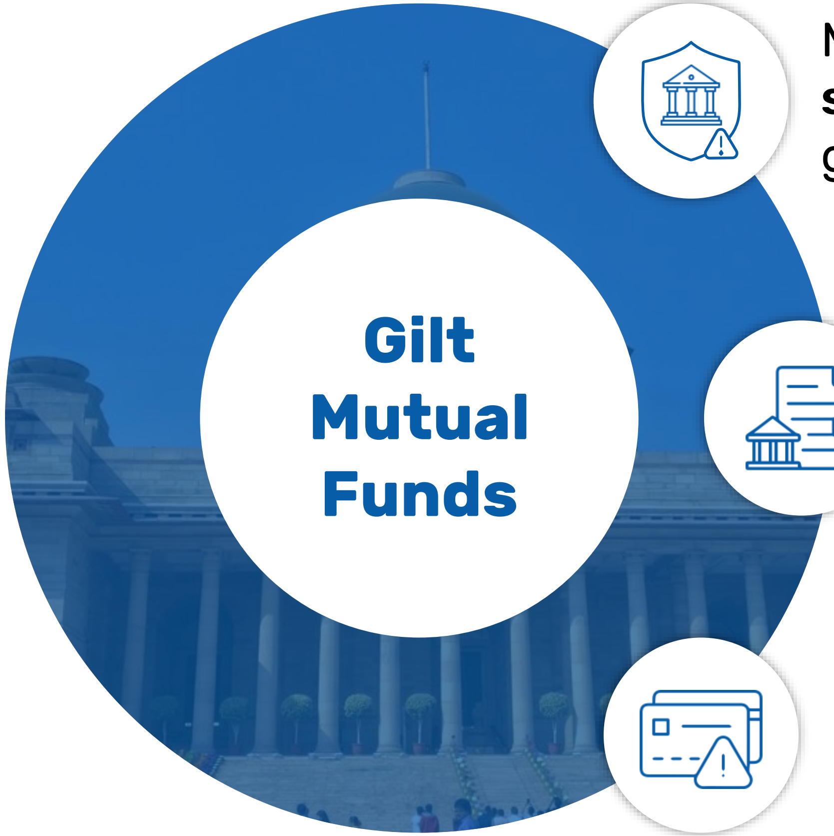
Bajaj Finserv Gilt Fund

(An open ended debt scheme investing in government securities across maturity with relatively high interest rate risk and relatively low credit risk)

What are Gilt Mutual Funds?



Mutual funds that invest exclusively in **government securities of varying maturities** issued by the Indian government.

These funds are considered relatively stable because they **invest in government bonds**, which are backed by the government.

Ideal for conservative investors looking for **actively managed funds without taking on credit risk.**

Advantages of Gilt Funds

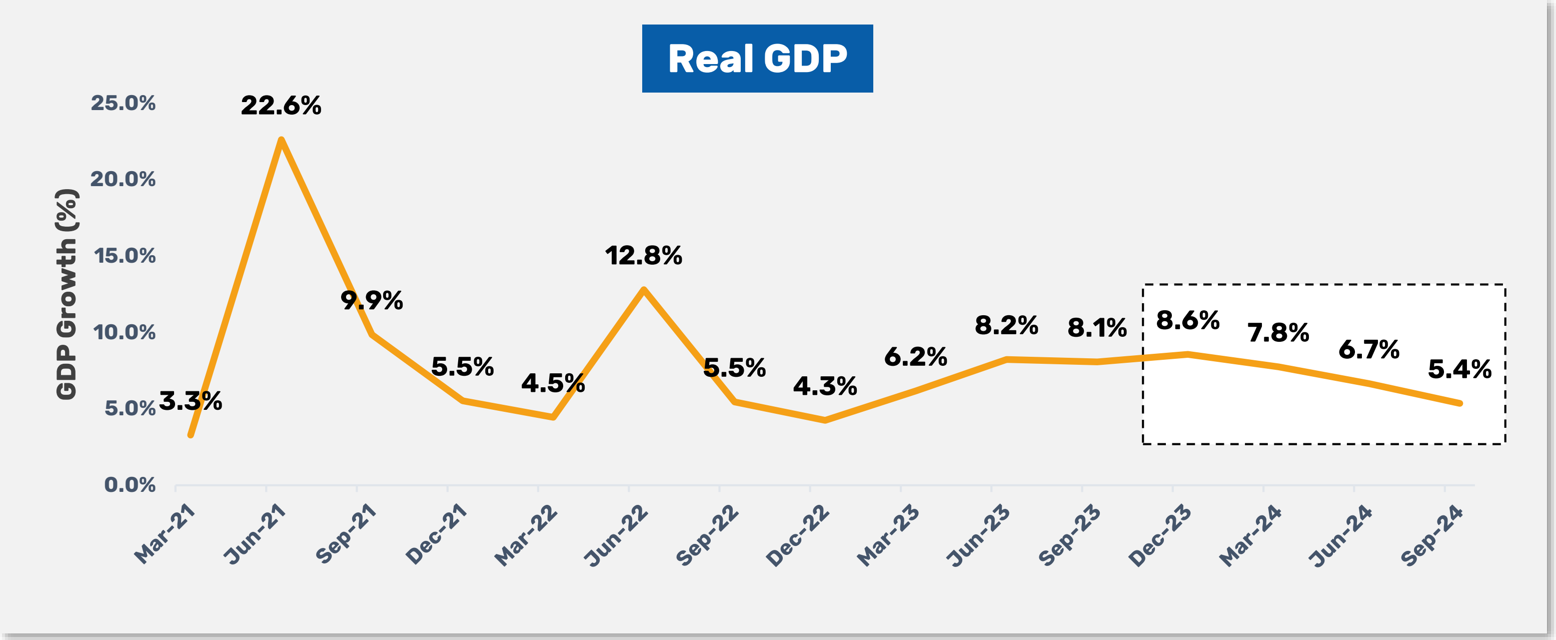
Invests in government securities, ensuring a **high credit safety** and serving as a **benchmark for stability**.

Capital gain during declining interest rate cycles, as central banks often adopt monetary easing measures to stimulate growth.

Provides **high liquidity**, supported by an active and well-established secondary market for government securities.

Delivers **relatively steady returns**, particularly appealing in times of economic uncertainty and volatility.

GDP Growth Estimates: Rate cut becomes vital for growth



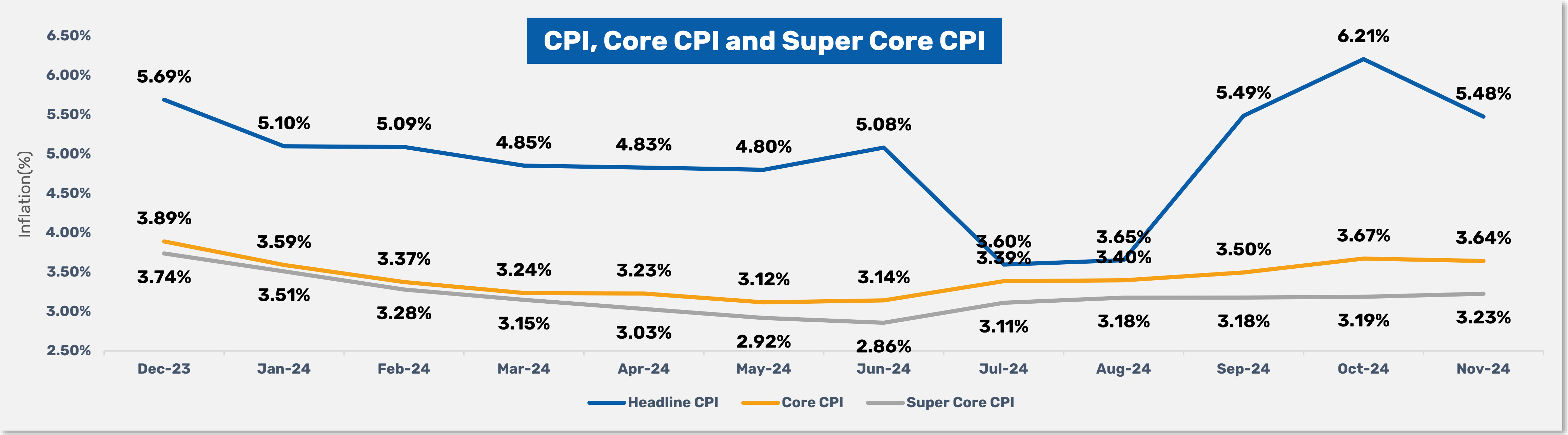
RBI Real GDP growth estimates		
Date	**GDP Estimates**	**Change**
Q3FY25	6.8% from 7.4%	Lowered
Q4FY25	7.2% from 7.4%	Lowered
FY 25	6.6% from 7.2%	Lowered
Q1FY26	6.9% from 7.3%	Lowered
Q2FY26	7.30%	New Estimates

RBI has revised growth target for FY 25 down to 6.6%. This assumes Q3 at 6.8% and Q4 at 7.2%, which are still steep targets, considering weak government spending and slowdown in sectors like manufacturing and mining.

In the coming quarters, as growth slack becomes more apparent, policy priorities are expected to be shifted from controlling inflation to supporting growth.

Source: MOSPI, RBI | GDP – Gross Domestic Product

Headline Inflation Moderates, Core Inflation within RBI target



Headline inflation moderated to 5.48% in November 2024, with food inflation declining by 0.6% m-o-m and core inflation easing to 3.6% y-o-y, staying below 4%.

Falling fuel and light prices, supported by declines in LPG (-10.15% y-o-y) and softer electricity costs, contributed to the easing inflationary pressures.

With core and super core inflation remaining well below 4% mark, it would provide RBI comfort and needed headroom to provide rate cuts.

Source: RBI | RBI – Reserve Bank of India, CPI – Consumer

Break up of Inflation Data

CPI Break-up	Weightage	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Fuel and Light	6.84%	-4.02%	-3.67%	-3.61%	-5.48%	-5.25%	-1.34%	-1.67%	-1.83%
Pan, Tobacco, Intoxicants	2.38%	2.99%	3.03%	3.08%	3.02%	2.71%	2.51%	2.50%	2.35%
Clothing and Footwear	6.53%	2.85%	2.74%	2.73%	2.67%	2.72%	2.71%	2.70%	2.75%
Housing	10.07%	2.68%	2.56%	2.69%	2.68%	2.66%	2.72%	2.81%	2.87%
Miscellaneous	28.31%	3.54%	3.41%	3.41%	3.84%	3.89%	4.05%	4.32%	4.26%
Food and Beverages	45.86%	7.87%	7.87%	8.36%	5.06%	5.30%	8.36%	9.69%	8.20%

Food and beverages inflation moderated to 8.20% in November 2024, down from 9.69% in October, driven by a 4.5% m-o-m decline in vegetable prices. Upcoming rabi crop should be supportive of vegetable prices.

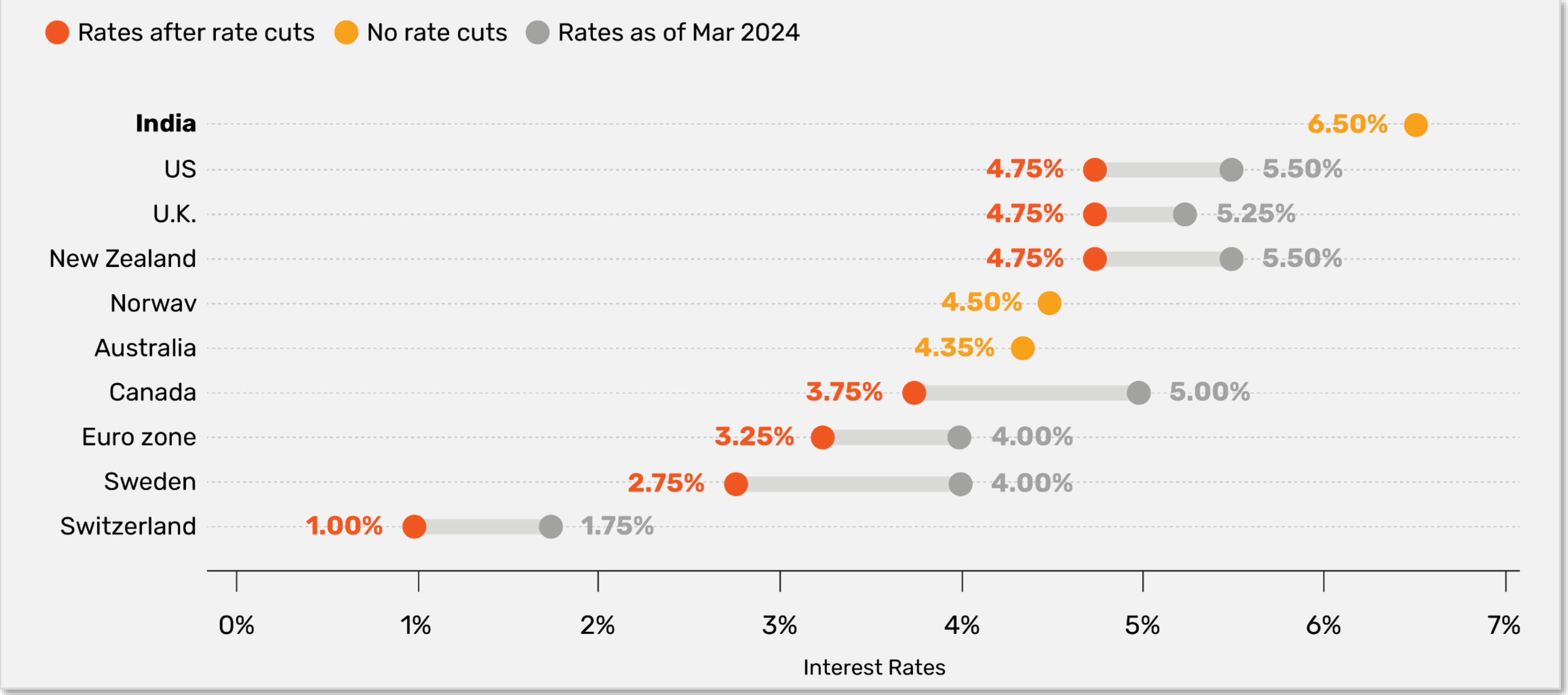
Oil and fats inflation surged to 13.2%, up from 9.5% in October.

Housing inflation remained stable at 2.87% in November, well within RBI’s 4% target. Fuel and light inflation continued its deflationary trend, easing from -4.02% in April to -1.83% in November, providing overall relief.

Miscellaneous inflation, reflecting services and discretionary spending, was at 4.26% in November, close to RBI's target of 4%.

Source: RBI

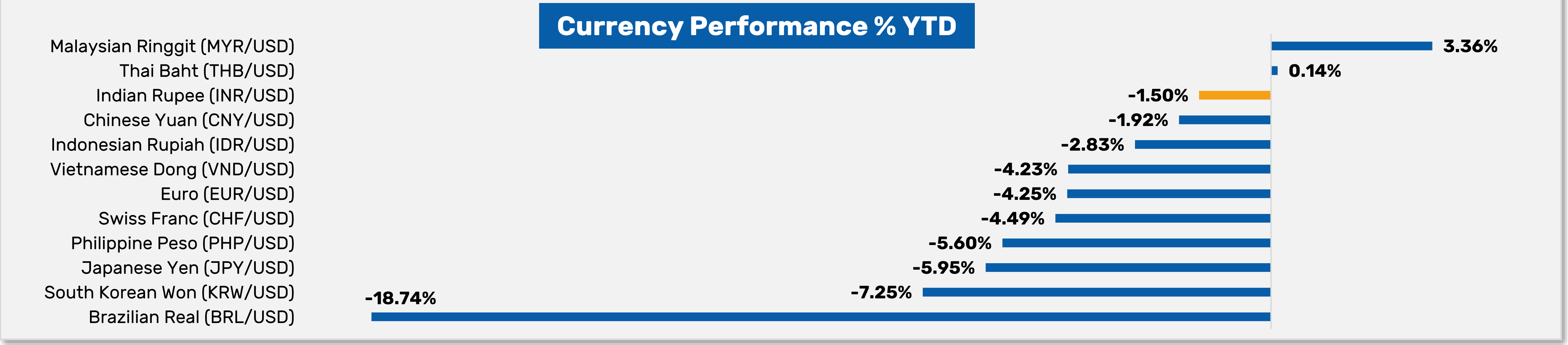
Policy rate actions across the world



Central banks worldwide are cutting interest rates in response to stabilizing inflation data, amid concerns about global growth slack.

Source: LSEG

INR one of the best performer in Emerging Markets



India, the fastest-growing emerging market with tamed inflation and well-managed external accounts, has ensured that the INR remains stable without significant depreciation.

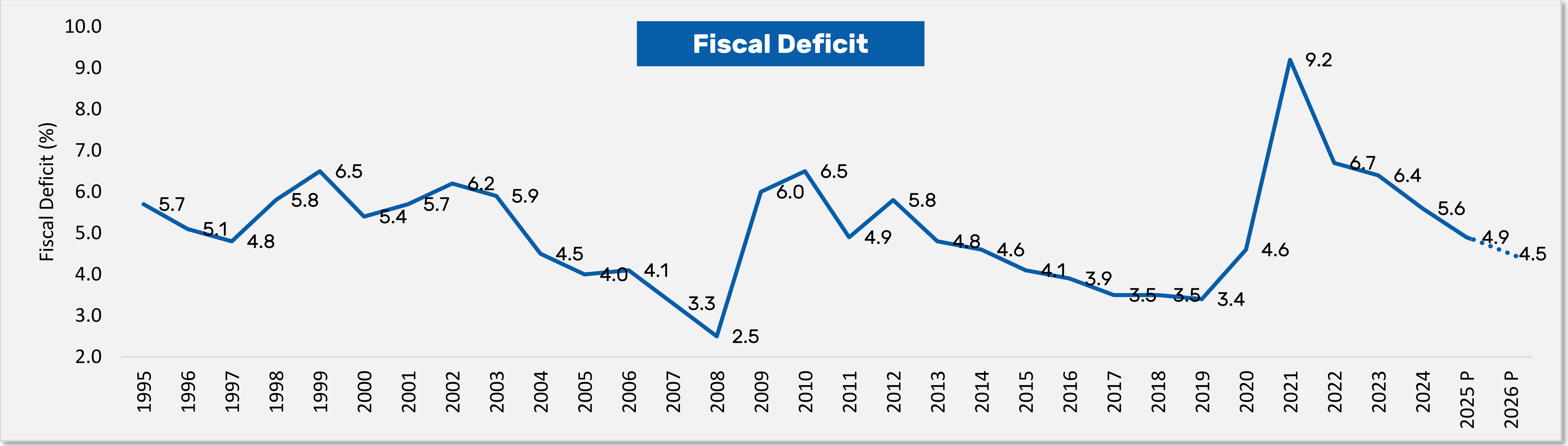
RBI has aggressively intervened in both spot and non-deliverable forward markets to control currency depreciation.

The rupee's 1.5% depreciation against the US dollar in 2024 was modest compared to the sharp declines seen in major Asian currencies like the Japanese Yen and South Korean Won, reflecting its resilience amidst global uncertainties.

However, the strength of US dollar persists on the back of rising treasury yields and strong demand from importers

Source: Bloomberg

Fiscal Deficit reducing

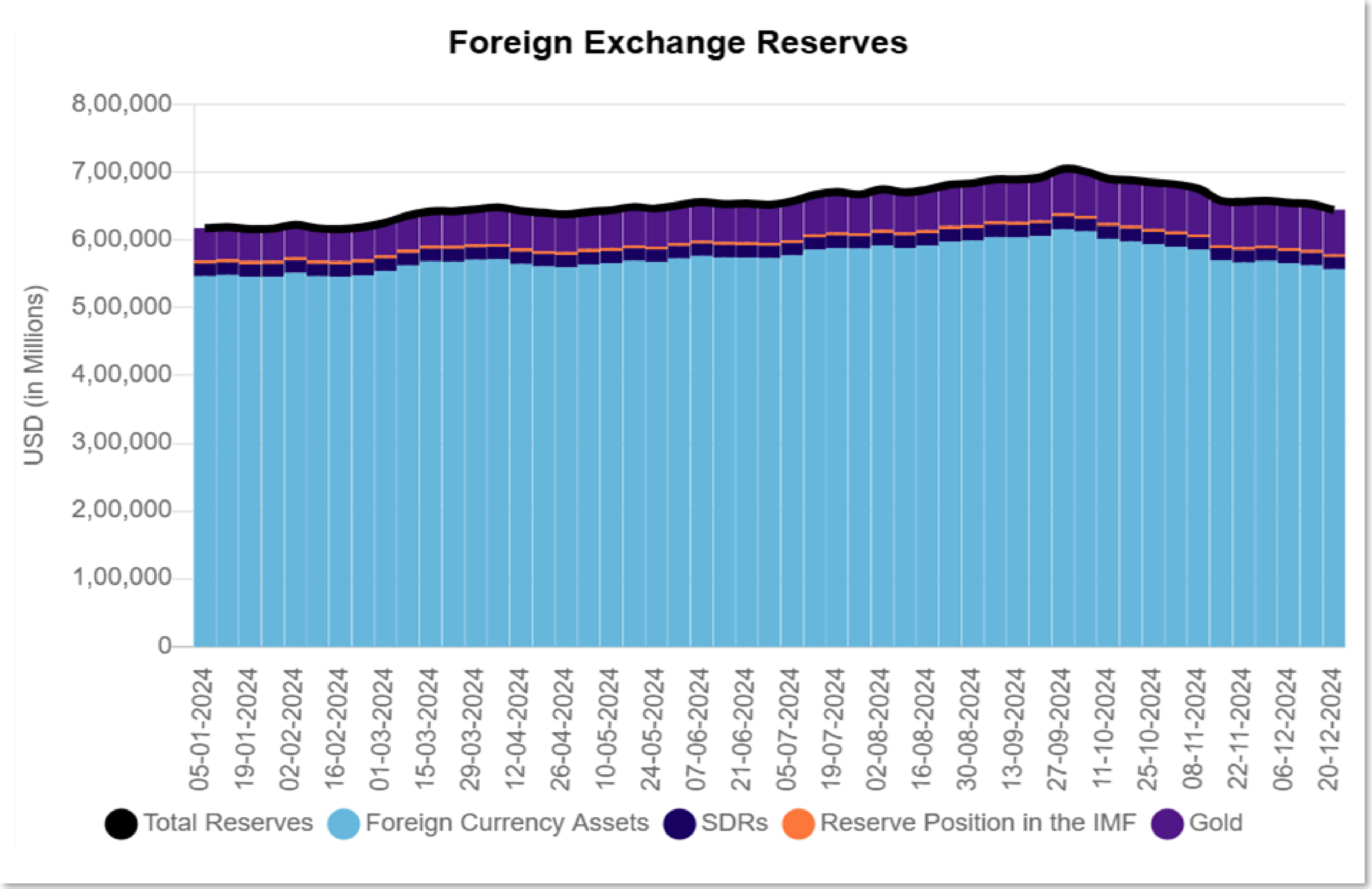


The government remains committed to reducing the fiscal deficit to below 4.5% of GDP by FY26, maintaining a focus on fiscal consolidation to strengthen macroeconomic stability and ensure financial resilience.

Effective measures to improve public spending quality to strike a balance between fiscal prudence and inclusive growth, safeguarding economic fundamentals against global uncertainties.

Source: Bloomberg P – Projected, GDP – Gross Domestic Product

India's forex reserves cover 11 months of imports



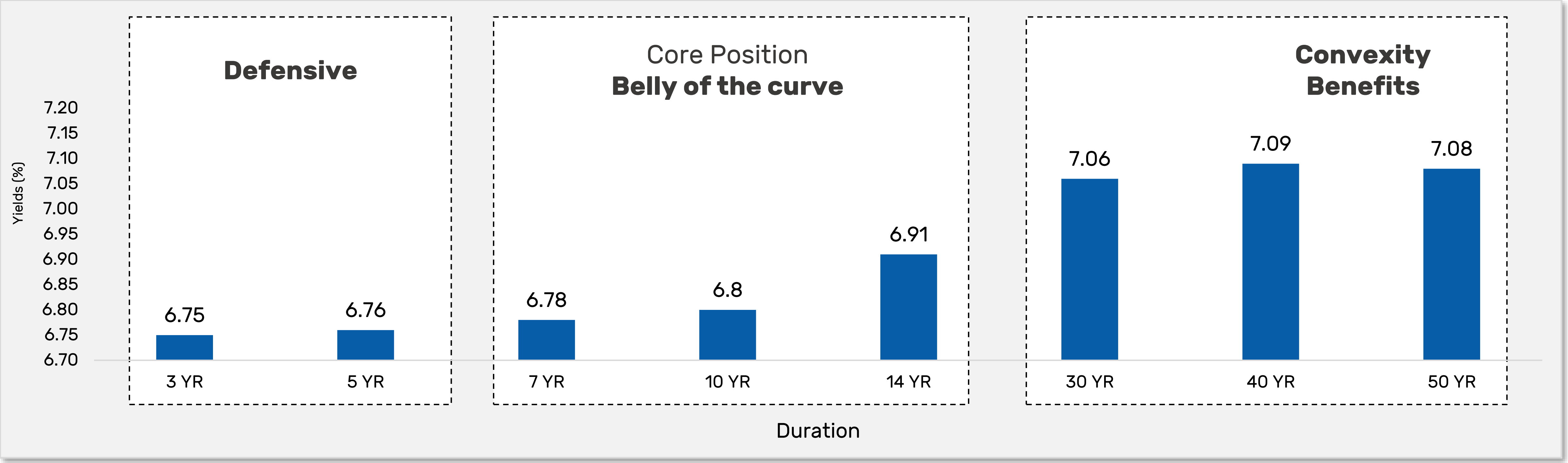
India's robust foreign exchange reserves, currently at

~$652 billion

(as on Dec 20, 2024) acts as a buffer against external shocks, ensuring currency stability, mitigating the risk of sharp rupee depreciation. This too provides cushion for RBI to deliver rate cuts.

Source: RBI

Benchmark G-Sec Annual Yields



Defensive (3Y, 5Y)

Short-duration bonds offering stability, lower volatility, and consistent returns amid rate changes.

Core Position (7Y, 10Y, 14Y)

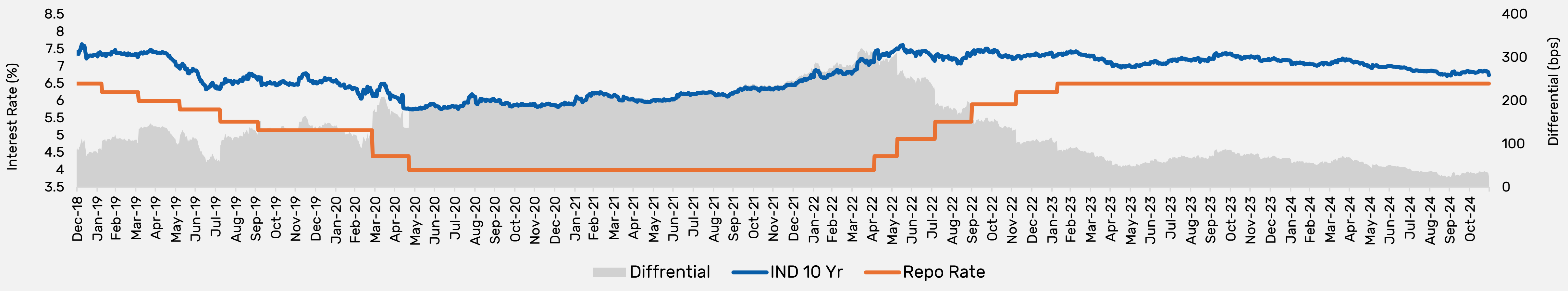
Medium-duration bonds targeting balanced yield and risk, anchoring the portfolio's performance.

Convexity Benefits (30, 40Y, 50Y)

Bonds with higher convexity can help cushion the impact of interest rate changes, providing a more balanced risk profile.

Source: Bloomberg

Term Premium (10 Yr vs Repo): Current and Previous rate cut cycle



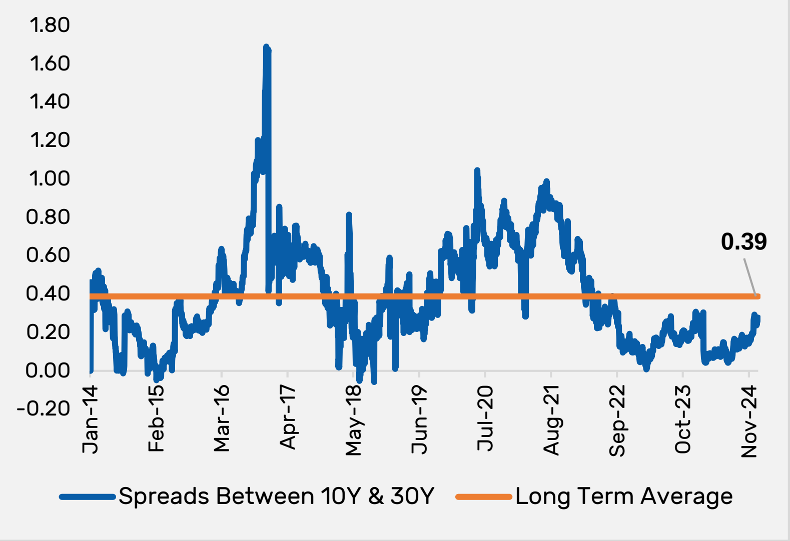
The 10-year G-Sec yield and repo rate differential has narrowed from ~60 bps (May-July 2024) to ~24 bps (November 2024), signaling potential rate cuts

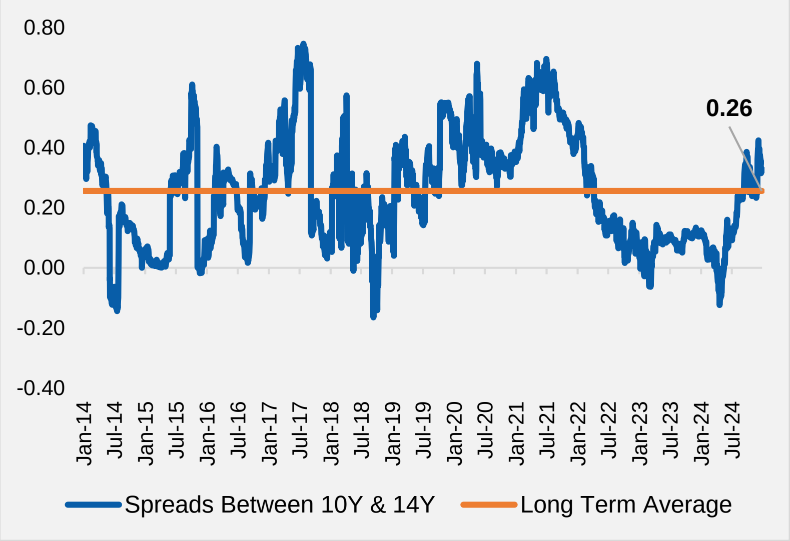
Global yield trends, foreign investment flows, and domestic fiscal policy influenced G-Sec yield movements and investor sentiment during the previous rate cut cycle.

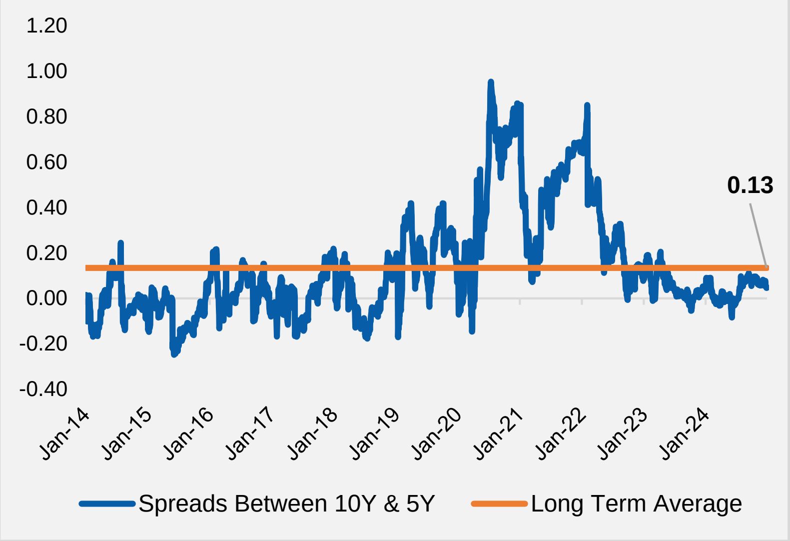
10-Year G-Sec yields tend to follow rate cuts, with term premiums initially widening but stabilizing over time as inflation expectations are anchored, creating an opportunity for capital appreciation.

Source: Bloomberg   Bps – Basis Points

How the Gsec spreads move







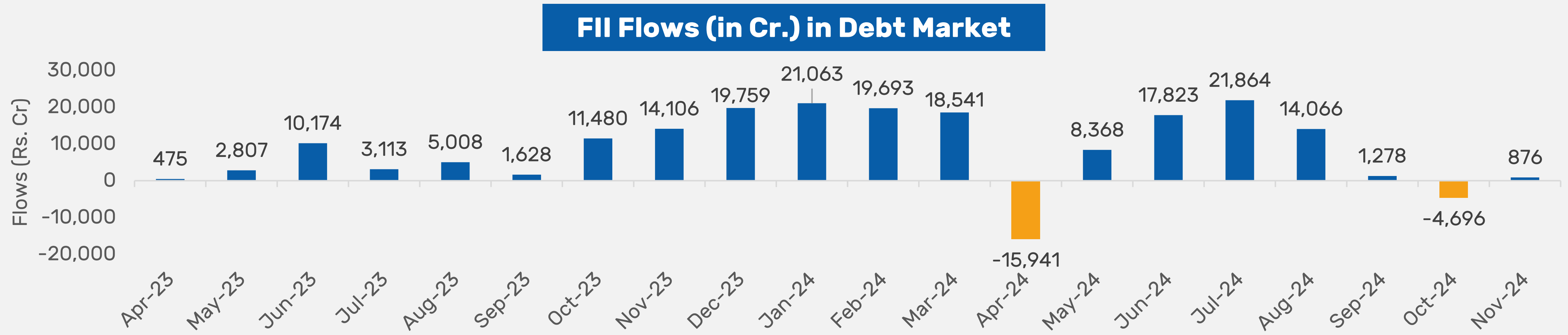
The 10-year vs. 5-year spread narrows moderately during rate cuts, reflecting the higher sensitivity of 5-year yields compared to 10-year yields. This dynamic underscores the mid-curve's transitional role in the yield spectrum.

10-Year vs. 14-Year Spread: The spread compresses as 14-year yields exhibit moderate sensitivity, reflecting a gradual curve steepening.

10-Year vs. 30-Year Spread: The spread narrows significantly during rate cuts, driven by long bond yields anchoring around lower term premia.

Source: Bloomberg

Positive FII flows in Debt: Markets driven by Global Index Inclusion



The inclusion of Indian bonds in global indices like JPMorgan's and the upcoming FTSE Russell index is set to drive foreign inflows. This will provide sustained passive support and enhancing the liquidity and attractiveness of the Indian debt market.

Index-driven inflows of approximately $18 billion this year, combined with expectations of further additions, are poised to lower yields on the benchmark 10-year bond.

Global index inclusions, coupled with anticipated rate cuts and strong domestic demand from pension and insurance funds, position Indian bonds for continued resilience and robust performance

Source: NSDL

Bond Inclusion Flows

Indian government securities are being included in several major global debt indices, enhancing their appeal to international investors. Notable inclusions are:

JPMorgan Government Bond Index-Emerging Markets (GBI-EM):}

India's phased inclusion began in June 2024, with a 1% weight increase each month, aiming for a 10% weight by March 2025.

Bloomberg's Emerging Market Local Currency Government Index:

India's inclusion is scheduled for January 2025, further integrating its bonds into global markets. S&P Global

FTSE Russell's Emerging Markets Government Bond Index (EMGBI):

India is set to join in 2025, with an anticipated weight of 9.35%, following a three-year watch period Reuters

Index Name	Expected Inflows	Inclusion Timeline
JPMorgan GBI-EM	~$25 billion	June 2024 - March 2025
Bloomberg Emerging Market Local Currency	~$5 billion	January 2025 onwards
FTSE Russell EMGBI	~$4 billion	2025 (specific schedule TBD)

Global index inclusions, coupled with anticipated rate cuts and strong domestic demand from pension and insurance funds, position Indian bonds for continued resilience and robust performance

Source: Bloomberg & News Articles

Factors to look ahead for

Positives

- **Positive demand-supply dynamics**
- **Accommodative monetary policy stance**, with rate cuts expected to begin
- **Proactive liquidity measures** anticipated by RBI
- **Improving domestic growth outlook**, supported by accommodative policies
- **Falling global growth and policy rate cuts** in major economies, creating favorable conditions
- **Stable crude oil prices**, aiding macroeconomic stability
- **Moderating inflation**, with deceleration expected in food prices
- **Well-managed external risks or accounts**
- **Positive demand-supply dynamics**

Negatives

- Fewer rate cuts by FED in FY 26 from 4 to 2
- INR/USD Volatility

Introducing

Bajaj Finserv Gilt Fund

(An open ended debt scheme investing in government securities across maturity with relatively high interest rate risk and relatively low credit risk)

Why invest in Bajaj Finserv Gilt Fund?

Benefit from downward rate movements
Potential to enhance portfolio returns as interest rates decline.

Actively managed fund: Professionally managed to navigate interest rate cycles and optimize portfolio outcomes.

No credit risk: Invests solely in G-Secs, backed by the Government of India.

Liquid portfolio holdings: G-Secs ensure high tradability and portfolio liquidity.

Diversification benefit for a well balanced portfolio in times of market volatility

Fixed Income Investment Philosophy

Credit Quality

Return of Capital is more important than Return on Capital.

Ensure that the borrower can pay back the debt on time and in full.

Important covenants are in place to obtain cover for individual securities in transaction agreements.

Liquidity

Place sound internal liquidity management tools for schemes.

The stress test to be carried out internally regularly.

Well-diversified portfolio.

Fixed Income Investment Philosophy

Interest rate risk management

Focus on interest rate risk management utilising fundamental and analytical capabilities to identify opportunities.

Returns

Optimum risk-adjusted returns to be the key focus area.

About Bajaj Finserv Gilt Fund

Scheme Name Bajaj Finserv Gilt Fund	
Scheme Category Gilt Fund	
Scheme Type An open ended debt scheme investing in government securities across maturity with relatively high interest rate risk and relatively low credit risk	
Scheme Riskometer Moderate	
Scheme Potential Risk Class (PRC) A-III – A Scheme with Relatively High interest rate risk and Relatively Low credit risk.	
Benchmark CRISIL Dynamic Gilt Index	
Fund Manager Mr. Siddharth Chaudhary and Mr. Nimesh Chandan	
Investment Objective The objective of the Scheme is to generate credit risk-free returns through investments in sovereign securities issued by the Central Government and/or State Government(s) and/or any security unconditionally guaranteed by the Government of India, and/or reverse repos in such securities as per applicable RBI Regulations and Guidelines. The Scheme may also be investing in Reverse repo, Triparty repo on Government securities or treasury bills and/or other similar instruments as may be notified from time to time. However, there is no assurance that the investment objective of the Scheme will be achieved.	

Bajaj Finserv Gilt Fund

(An open ended debt scheme investing in government securities across maturity with relatively high interest rate risk and relatively low credit risk)

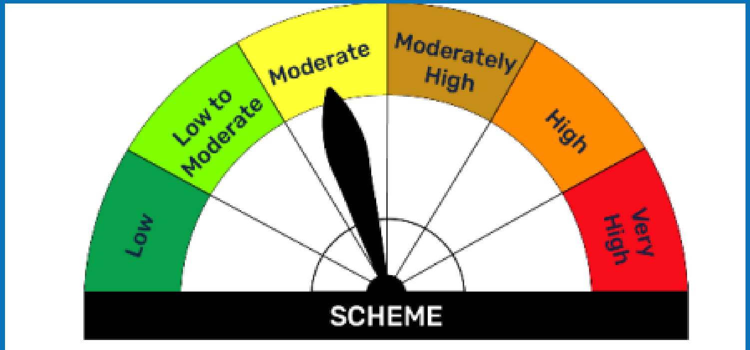
This product is suitable for investors who are seeking*:

- Credit risk free returns over medium to long term
- investments mainly in government securities of various maturities

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

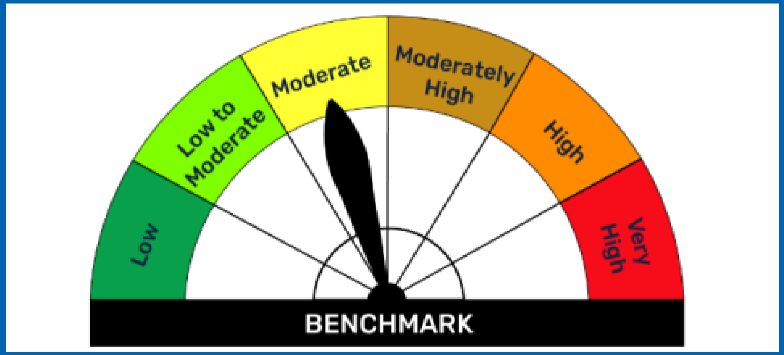
RISKOMETER #

SCHEME



The risk of the scheme is Moderate

BENCHMARK



The risk of the benchmark i.e. CRISIL Dynamic Gilt Index is Moderate

PRC

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

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

THANK YOU