



# UNLOCK THE VAULT OF POTENTIAL OPPORTUNITIES

Introducing the  
**Bandhan Financial Services Fund**

**NFO Opens: 10<sup>th</sup> July, 2023 | NFO Closes: 24<sup>th</sup> July, 2023**



**WHY FINANCIAL SERVICES?**



**WHY NOW?**



**WHY BANDHAN FINANCIAL SERVICES FUND?**





**WHY FINANCIAL  
SERVICES?**





## Financial services sector has a solid track record of wealth creation over the long run

### Historical Trend



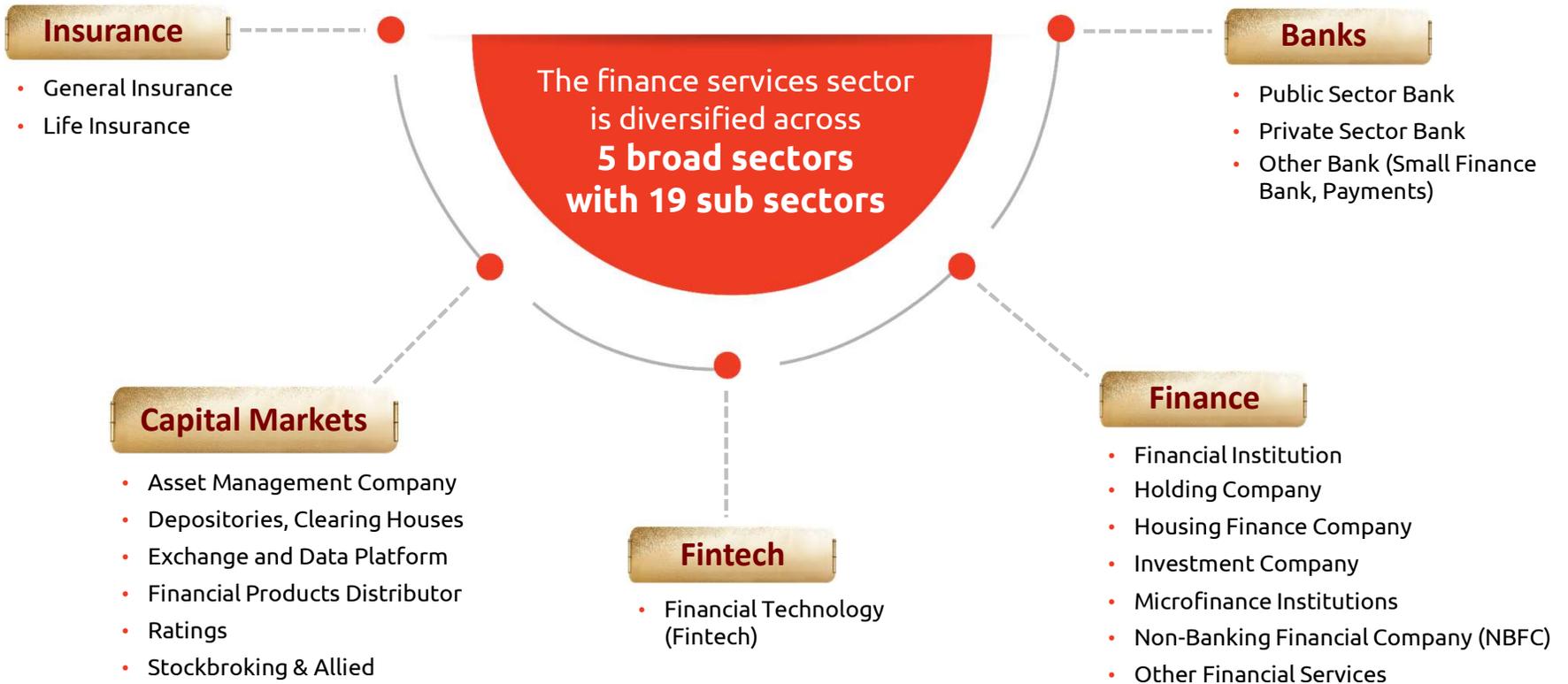
Nifty Financial Services TRI Index has grown at a CAGR of **17.3% (18X)** while Nifty 500 TRI Index has grown at a CAGR of **13.7% (10X)** over the longer term



Source: MFIE, Period considered is from Jan 2005 to May 2023, Past performance may or may not be sustained in the future.  
TRI – Total Return Index, CAGR – Compounded Annual Growth Rate



## Financial services offers a wide spectrum of investment opportunities across segments

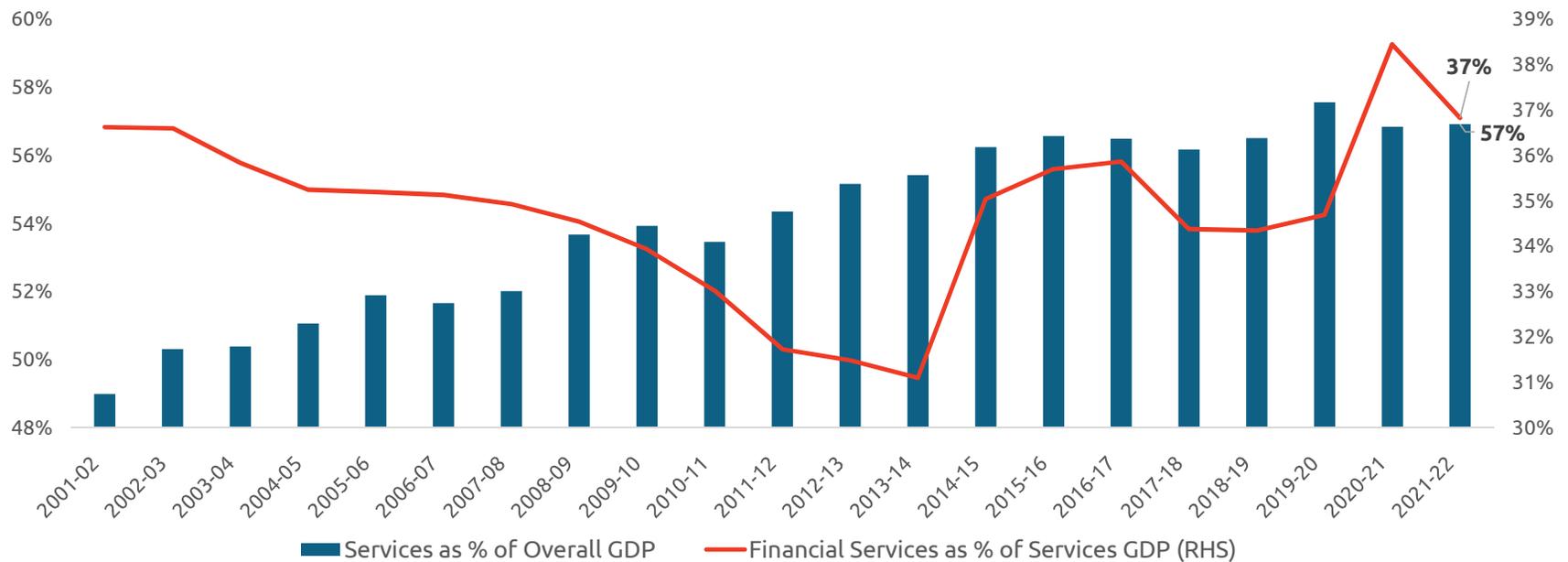


Source: AMFI Industry Classification



## Financial services continues to be the dominant part of the services economy

### Largest contributor to Services GDP

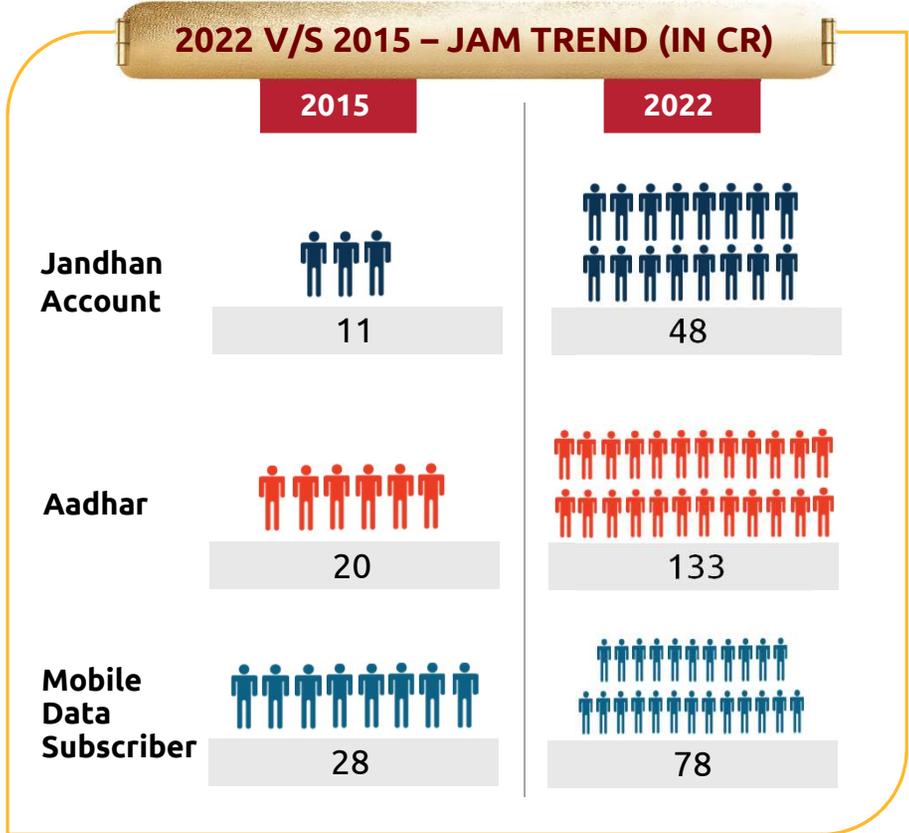
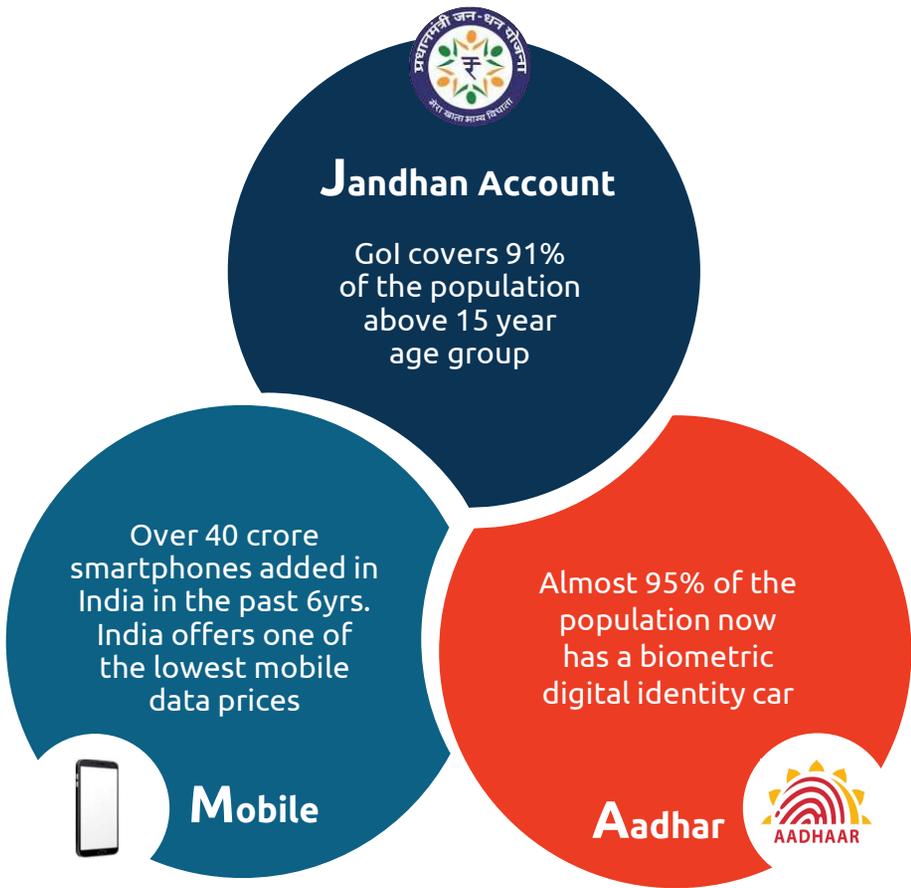


- Services sector contributes more than half of country's GDP
- Financial Services contributes roughly one-third to the services sector



GDP – Gross Domestic Product  
Source: Bloomberg, Past performance may or may not be sustained in the future

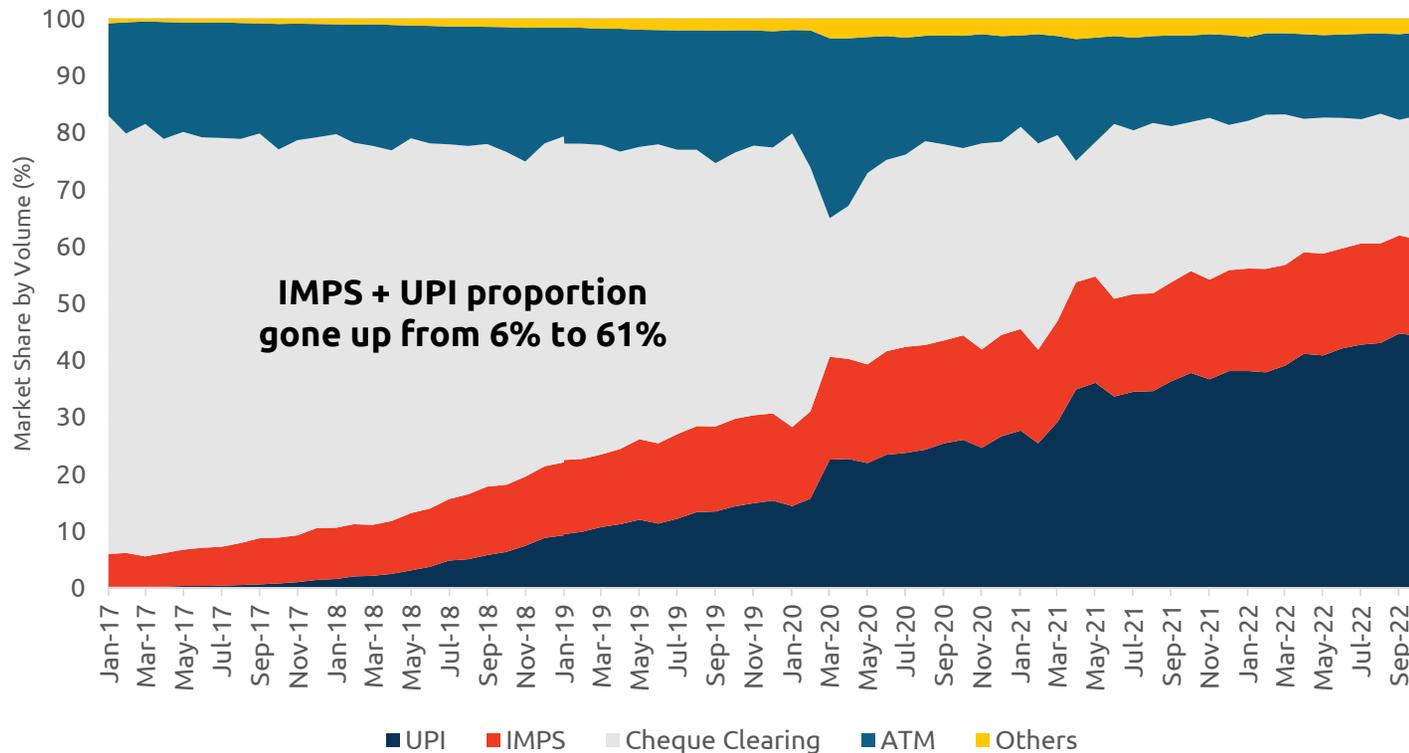
# Financial Inclusion has been a key enabler in recent years - JAM Trinity



Source: uidai, RBI, CLSA; JAM stands for Jan-Dhan, Aadhar & Mobile; Jan Dhan Account – In Crores; Aadhar – Total issued Aadhar (in Crores); Mobile – Crore subscribers  
 Past performance may or may not be sustained in the future



## High level of digital acceptance has reflected in huge change in payment ecosystem



- Digitally enabled population, along with the growing use of digital modes (UPI, IMPS) of payments, are strong enablers for credit penetration
- Provides a strong runway for credit growth



Source: Data as of Nov 30, 2022; NPCI (National Payment Corporation of India), RBI.  
Past performance may or may not be sustained in the future

**WHAT THE  
SECTOR  
OFFERS**





Offers diverse opportunities to invest

Financial services sector universe offers diverse opportunities to invest;

**NOT JUST BANKS!**



Large Profit Pool Share



Diverse Sector



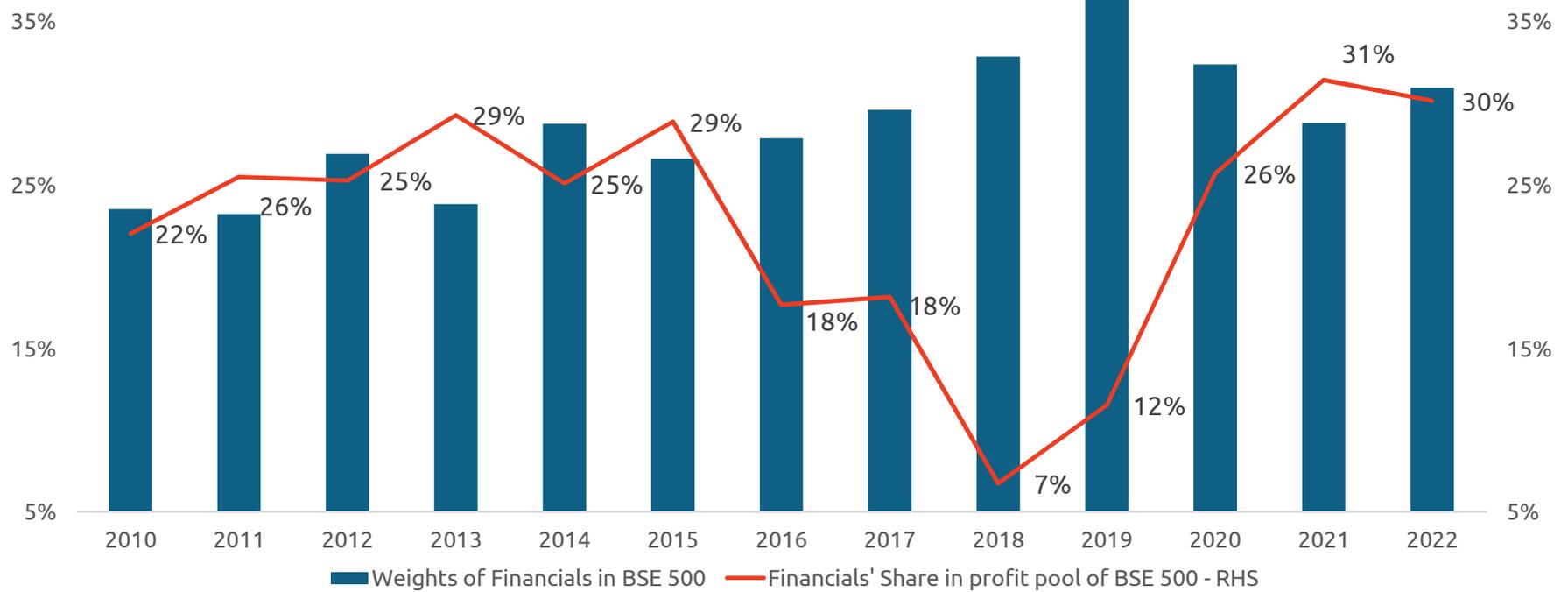
Wider Set of Companies





Financial services remains the single highest contributor to the profit pool of the market

### Financials in S&P BSE 500



Source: Bloomberg, Past performance may or may not be sustained in the future



## Emergence of new investment opportunities in the last decade across segments

The sector offers investment opportunities not just restricted to traditional banks but also to many emerging segments like Small Finance, AMCs, Clearing House, Exchange & Data Platform, HFC/ MFI, Insurance, FinTech etc.

### Financial Services

#### No. of Listed Companies across segment under the financial services sector

		2010	2022
 <b>Banks</b>	Public Sector Bank	10	12
	Private Sector Bank	16	20
	Other Bank (Small Finance Bank, Payments)	0	5
 <b>Capital Markets</b>	Asset Management Company	1	5
	Depositories, Clearing Houses	0	3
	Exchange and Data Platform	0	3
	Financial Products Distributor	0	2
	Ratings	1	2
	Stockbroking & Allied	19	22

#### No. of Listed Companies across segment under the financial services sector

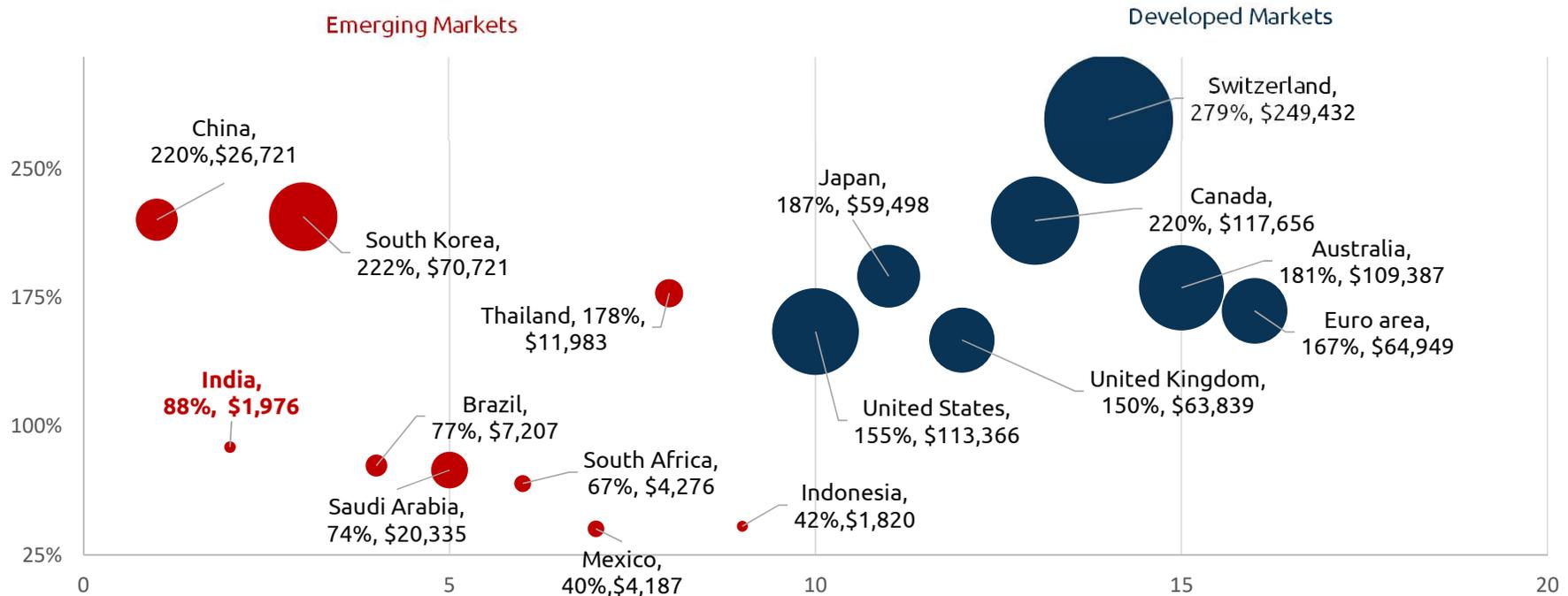
		2010	2022
 <b>Finance</b>	Financial Institution	4	7
	Holding Company	11	11
	Housing Finance Company	5	11
	Investment Company	28	30
	Microfinance Institutions	1	4
 <b>Fintech</b>	Non-Banking Financial Company (NBFC)	34	41
	Other Financial Services	13	14
 <b>Insurance</b>	Financial Technology (Fintech)	2	4
	General Insurance	0	4
	Life Insurance	2	6

Source: AMFI, Data as of Jan, 2023, AMC – Asset Management Company, HFC – Housing Finance Company, MFI – Micro Finance Institutions



## India offers a huge multi year credit growth opportunity

### Credit to GDP Ratio (%), Credit Per Capita (\$)



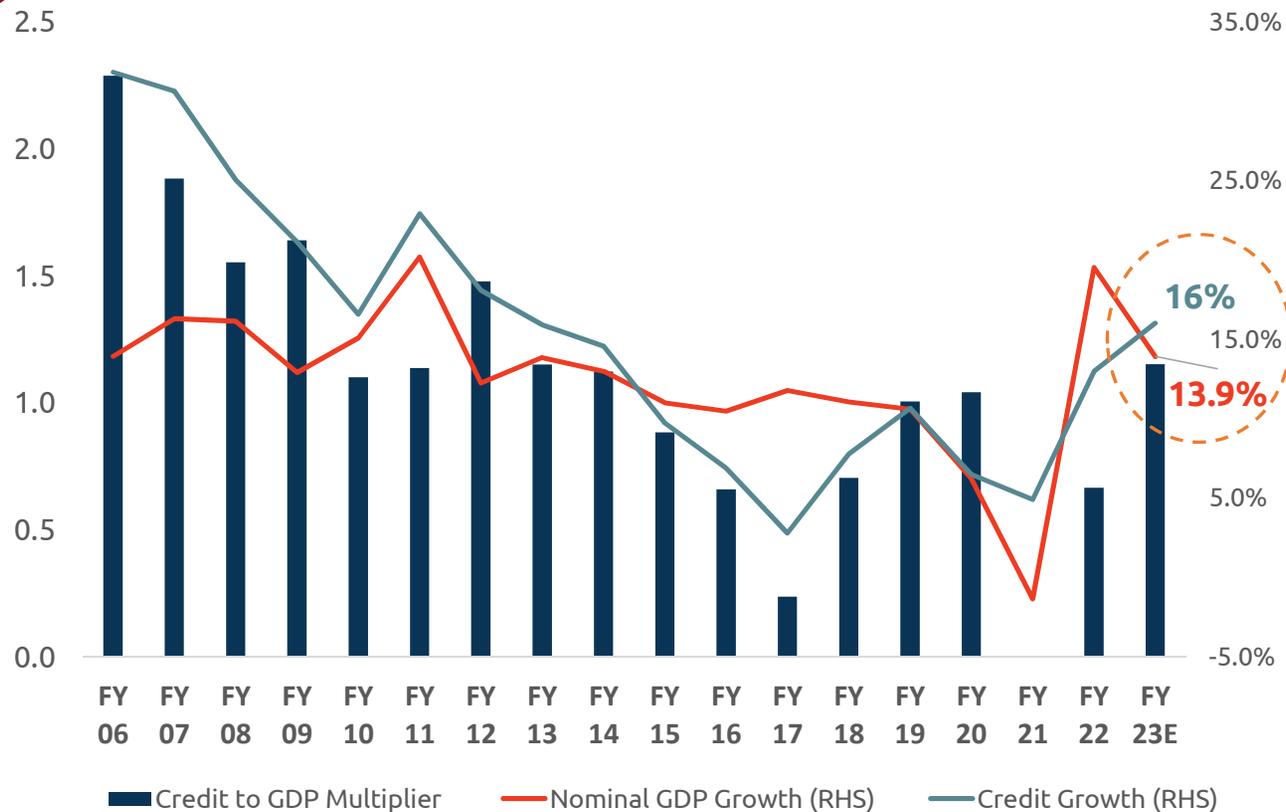
India's credit to GDP at 88% looks lower than other countries but credit per capita is even lower and has a huge room for growth

Source: BIS, UNFPA.org, credit includes credit from all sources to Private non-financial sectors, Size of bubble represent Credit per capita, Data as of June 30, 2022





## GDP growth revival can lead to a healthy credit growth going forward



- Credit growth has been on a downtrend due to a multiplicity of reasons including weaker bank balance sheets
- Strong push on public capex, and with some visible green shoots in private investment activities coupled with recovering GDP growth, Credit growth is gathering pace

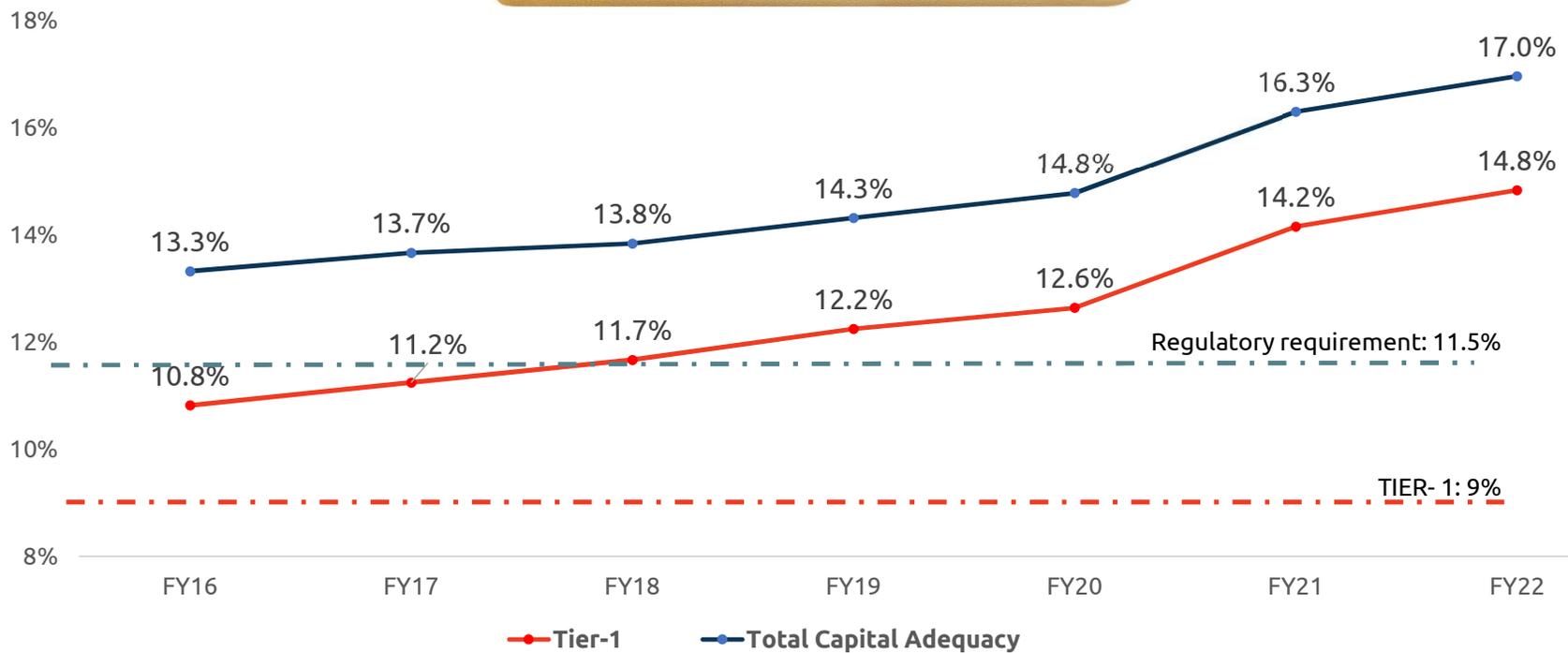


RBI, MoSPI.  
Past performance may or may not be sustained in the future



## Indian banks are in the best of health with regards to capital adequacy

### Indian banks are well capitalized



Capitalized above the regulatory requirement of 11.5% (total CAR) and 9% Tier-1

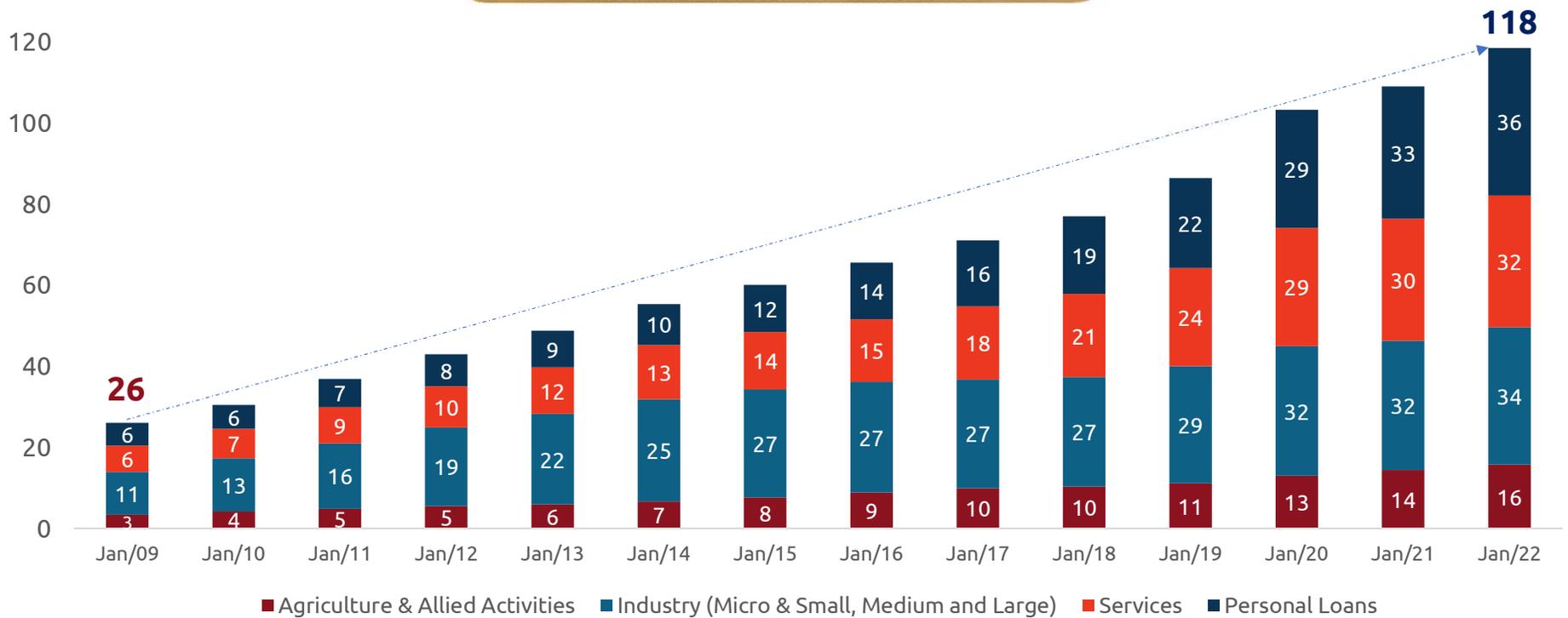


Source: RBI, CAR = Capital Adequacy Ratio, Past performance may or may not be sustained in the future



## Banking Credit has grown at a healthy pace

### Banking Credit Distribution (` Trn)



Grown by more than **4.5X** since 2009, at a CAGR of **13%**

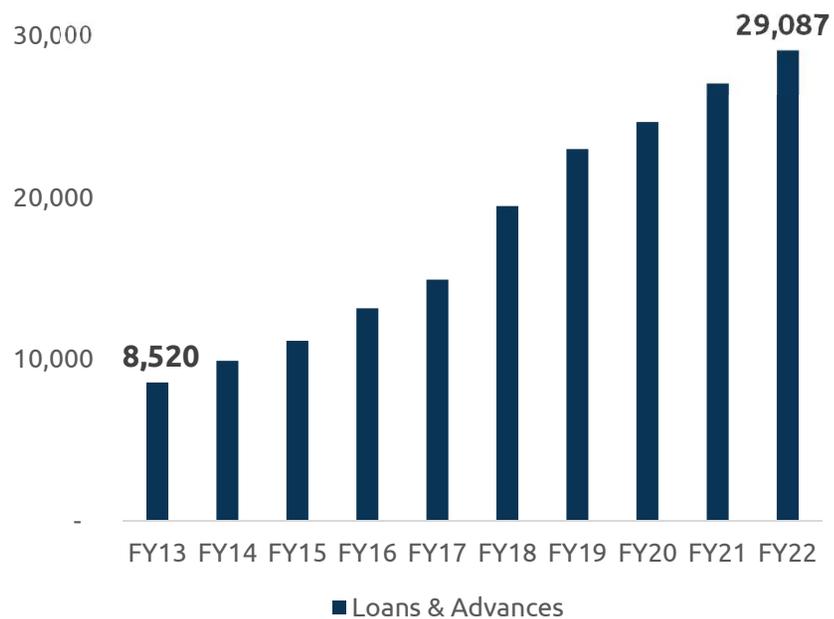


Source: RBI, Data as of March 2022, Past performance may or may not be sustained in the future

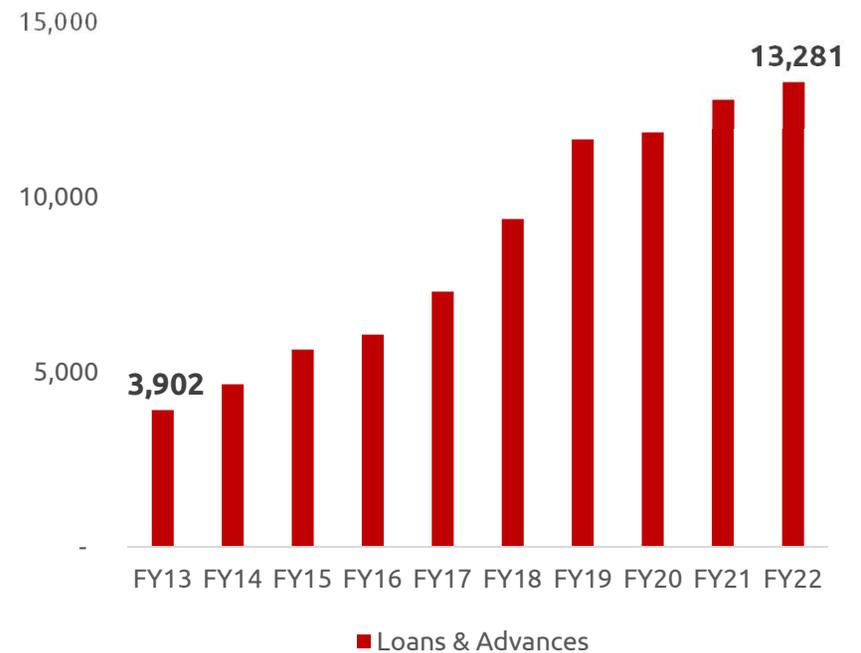


## NBFCs and HFCs have exhibited higher growth

### NBFC Trend (` in Bn)



### Housing Finance Cos - growth AUM (` in Bn)



- Secular Growth in AUM and PAT of NBFCs, at a CAGR of 15%
- With the pickup in demand in housing market, it is likely to gather pace going ahead for HFCs, at a CAGR of 15%

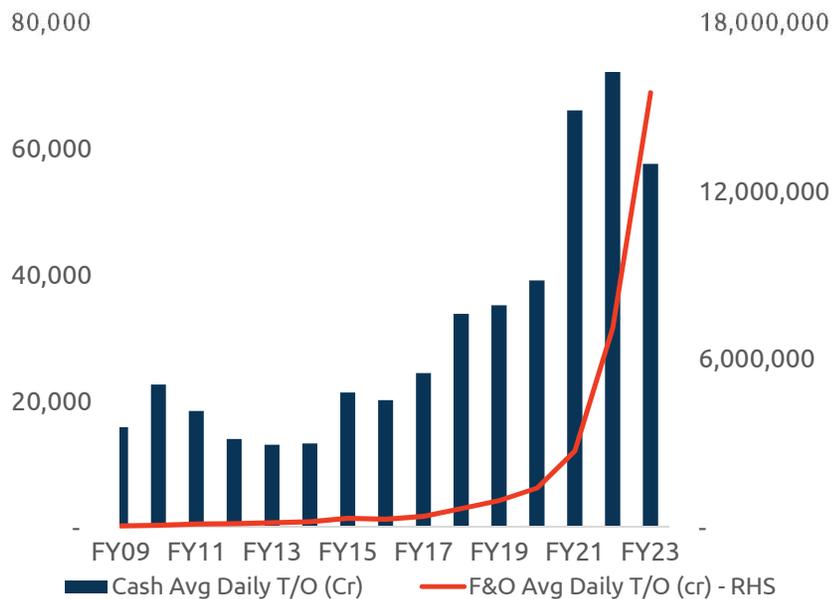
Source: RBI, Past performance may or may not be sustained in the future





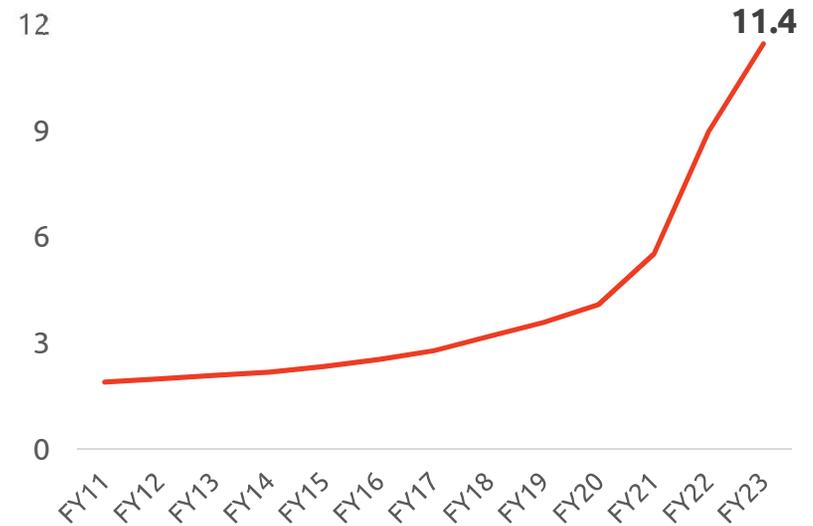
# Exponential growth witnessed in Capital Market segments with increased retail participation

## Robust Capital market activity (₹ in Cr)



Average turnover since FY09 F&O is 341X, Cash is ~4X

## Demat A/c (in Cr)



Demat accounts have increased ~5.5X

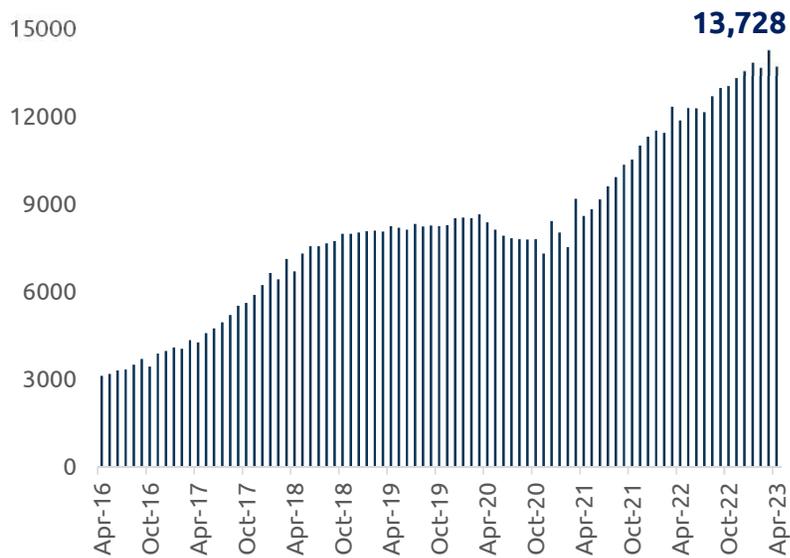


Source: SEBI, Past performance may or may not be sustained in the future



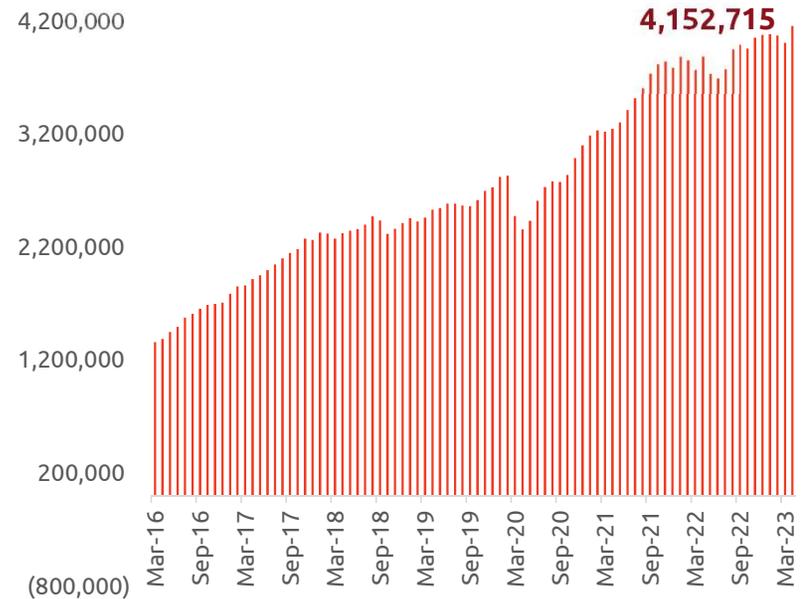
## Mutual Funds are witnessing robust SIP flows and a secular asset growth

### Robust SIP Flows (₹ in Cr)



SIP Contribution increased at 4.4X

### AAUM (₹ in Cr)



AAUM has grown over 3x during the period

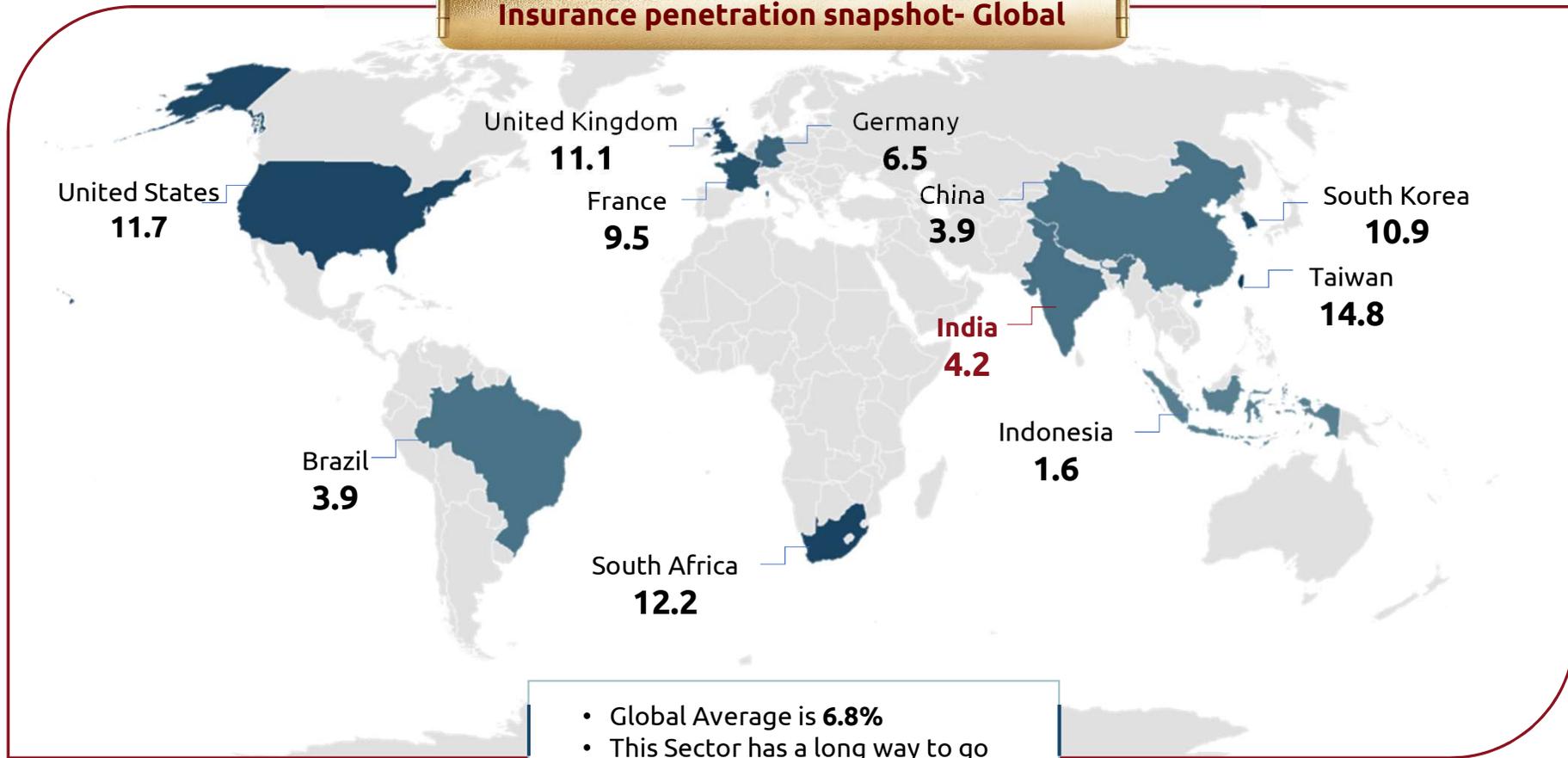
Source: AMFI, Data as of April, 2023, Past performance may or may not be sustained in the future





Insurance sector is underpenetrated and has a long runway for growth

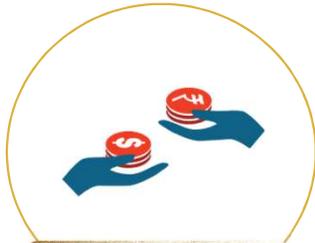
### Insurance penetration snapshot- Global



Source: ibef.org, Statista, Penetration means insurance premium as a % of GDP



## Emergence and Evolution of Fintech players offer dynamic opportunities



### Payments

Emergence of faster cross-border payment solutions



### Lending

Digitization of asset-backed lending



### Wealthtech

Convergence of robo-advisory services with personal finance



### Fintech Infrastructure

Launch of retail/wholesale Central Bank Digital Currency



### Neobanking

Expansion of millennial, MSME-focused neobanks



### Insurtech

Rise of digital platforms for insurance distribution

Enablers of fintech growth are Capitalizing on strong demographics, increasing digital adoption, maturing data ecosystem and product expansion





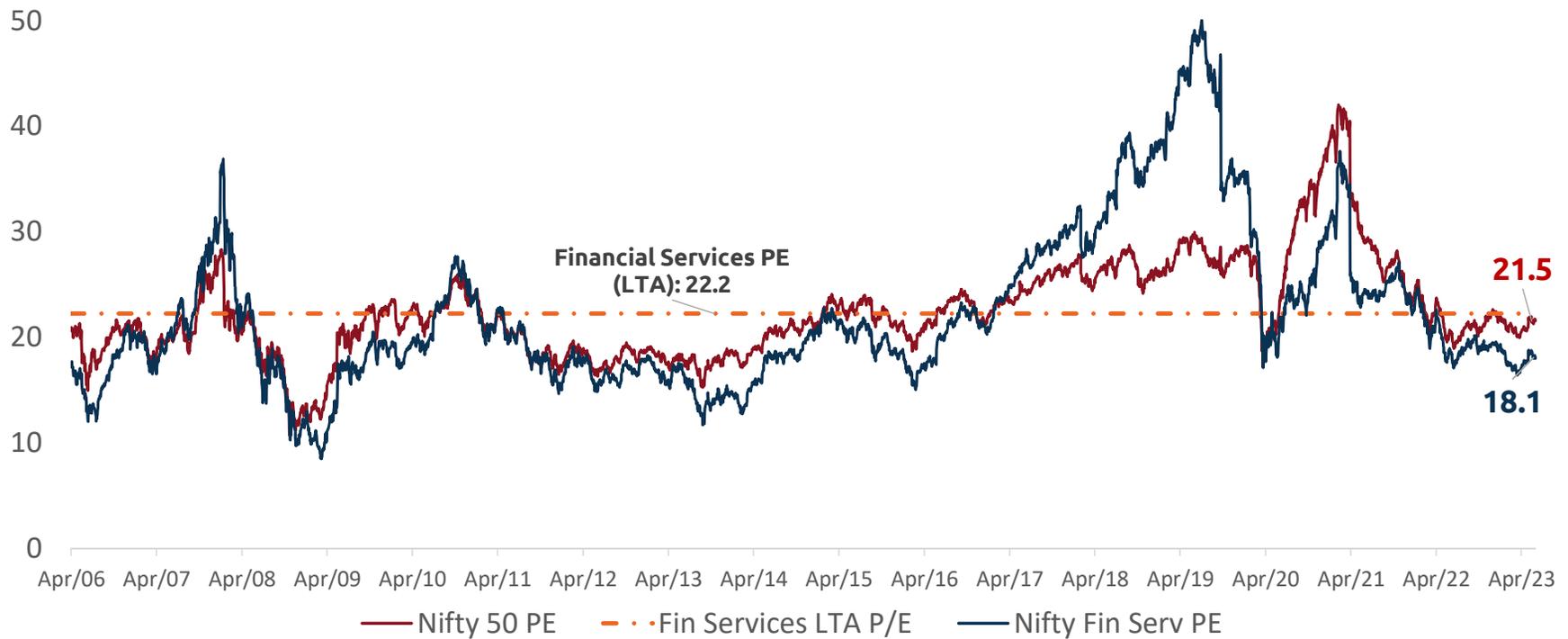
**WHY NOW?**





## Financial services valuation at relatively attractive levels

### P/E of Nifty Financial Services



Source: Nifty Indices, Data as of May, 2023, Past performance may or may not be sustained in the future.  
PE Trailing basis, LTA = Long term average



## Performance over long term

### Nifty Financial Services - Performance

Index	Trailing Returns		
	3 Years	5 Years	10 Years
Nifty Financial Services TRI	27.8%	12.5%	15.1%
Nifty 500 TRI	27.6%	12.3%	14.2%
<b>Standard Deviation</b>			
Nifty Financial Services TRI	21.0%	25.1%	22.7%
Nifty 500 TRI	15.3%	18.6%	16.6%
<b>Returns per unit of Risk</b>			
Nifty Financial Services TRI	1.32	0.50	0.66
Nifty 500 TRI	1.80	0.66	0.85

- The sector has outperformed the broader market (Nifty 500) across time frames
- This may offer relatively attractive entry point for investors



Source: Bloomberg, MFIE, Data as on May, 2023, Past performance may or may not be sustained in the future. Sectors/ Stocks mentioned here should not be construed as a recommendation from Bandhan Mutual Fund



Key driver of returns in the market, outperforming 11 out of the last 17 years

**Performance comparison calendar year wise**

Year	Nifty 500 TRI (%)	Nifty Financial Services TRI (%)	Outperformance (%)	Phase of Outperformance/ (Underperformance) (Cumulative)
2007	62.6	84.9	22.4	36% during the period.
2008	-55.4	-53.6	1.8	
2009	89.3	87.2	-2.1	
2010	15.0	30.8	15.8	
2011	-25.9	-27.5	-1.6	25% during the period.
2012	33.4	54.4	21	
2013	4.6	-6.4	-11	
2014	38.9	58.7	19.8	
2015	0.2	-4.7	-5.0	37% during the period
2016	5.7	6.9	1.2	
2017	37.8	42.8	5.0	
2018	-2.3	11.3	13.7	
2019	9.7	27.0	17.3	<b>-23% , upcycle Opportunities Ahead!</b>
2020	17.1	3.8	-13.4	
2021	30.3	13.5	-16.9	
2022	5.3	11.9	6.6	
2023 YTD	2.4	3.1	0.73	



Source: MFI explorer, data as of May 2023; Past performance may or may not be sustained in the future.



**WHY BANDHAN  
FINANCIAL  
SERVICES FUND?**



## 3-Dimensional Approach for stock selection & portfolio construction



Note: Above mentioned framework is part of the portfolio stock selection approach. The selection however would be evaluated on an ongoing basis



## Risk associated with the Sector



### Macro Risks

Actions of global central banks, recession, war or political upheaval in major economies or in India may adversely affect impact the BFSI sector



### Interest Rate Risks

This sector is highly sensitive to interest rates; and thus, any adverse movements in benchmark interest rates may impact profitability of the companies



### Credit Risks

Most BFSI companies run the risk of financial losses resulting from a borrower's failure to repay a loan; which in turn results cashflow interruption and high provisions



### Regulatory Risk

BFSI is a highly regulated sector; thus, changes in the norms by the regulators can significantly impact the cost-structure and in turn profitability of the companies



### Tech Disruption

Rapidly evolving technology has reduced the entry barriers for new companies leading to heightened competition in the BFSI space.





## Key Takeaways



### Long term growth opportunities in the sector

- Sector has a solid track record and is diversified across **5 broad sectors with 19 sub-sectors**
- **Lower credit penetration** compared to peer economies, with **stronger banks positioning, growing digitization, an opportunity that may pick up**



### Growth and valuation parameters look favorable

- Nifty Financial services Index **valuation at reasonable levels**
- Sector has been the key driver of returns in the market; Outperformed the market over a **10Y and 5Y CAGR** P2P basis and beaten the **Nifty 500, 11 out of the last 17 years**

**Bandhan Financial Services Fund offers an opportunity to invest in sectors across**

**Banks, NBFCs, Capital Market, Insurance and Fintechs**

with a Flexi cap and growth-oriented approach



Source: AMFI, MFIE, Bloomberg. Past performance may or may not be sustained in the future.



## Who is this fund suitable for?

Suitable for allocation in the non-core portfolio for alpha generation



Investors looking to participate in the diversified sector with rapid expansion and potential growth opportunity



Being a sectoral fund, investors need to have relatively higher risk appetite for potentially higher returns



Past performance may or may not be sustained in the future.



## About the Fund Manager



**Sumit Agrawal**  
Fund Manager

Mr. Sumit Agrawal has over 18 years of experience in equity markets and has been associated with Bandhan AMC since October 2016. Sumit has a very strong technical background in equity research, fundamental analysis, business valuation and portfolio management. He has a proven track record of identifying growing business ahead of time and this style has often reflected in the portfolios that he has managed. He is an avid reader and has keen interest in behavioral finance.

Before joining Bandhan AMC, he was associated with Mirae Asset Mutual Fund, ENAM Group and JP Morgan India.

He holds an MBA in Finance from Symbiosis Pune (SCMHRD) and a Bachelor's Degree in Commerce from DAVV University. He has been a charter holder of the CFA Institute (USA). He is also a rank holder Company Secretary. In the past he has been rated amongst the Best Financial Analyst in the Asia Money Polls.



**Manish Gunwani**  
Head - Equities

Mr. Manish Gunwani joined Bandhan AMC in January 2023 for heading the equity fund management for the fund house. He brings rich fund management experience and an excellent track record of wealth creation for investors. Manish's proven expertise and successful track record would help further enhance the equity franchise of the fund house.

He has over 25 years of rich experience, covering the entire gamut of equity research as well as fund management. In his previous assignment, Manish was the Chief Investment Officer - Equities at Nippon India Mutual Fund where he was responsible for equity AUM exceeding Rs 1.2 lakh crores. Under his leadership, equity funds saw broad-based and steady improvement in performance. Before this, he was the Deputy CIO (Equities) at ICICI Prudential AMC, where he was instrumental in scaling up two flagship funds to a cumulative AUM of over Rs. 35,000 crores.

Manish graduated from IIT Madras and has a postgraduate diploma in management from IIM Bangalore.





## Fund Details

### Type of Scheme

**Sector Fund - An open-ended equity scheme investing in Financial Services Sector**

 <b>Investment Objective</b>	The Scheme seeks to generate long-term capital appreciation by investing predominantly in equity and equity related instruments of companies engaged in financial services There is no assurance or guarantee that the objectives of the scheme will be realised.
 <b>Minimum Application Amount</b>	Rs. 1000 and in multiples of Re. 1 thereafter
 <b>Plans/Options</b>	Regular/ Direct Plan: Growth Option and Income Distribution cum capital withdrawal Option^
 <b>Exit Load</b>	If redeemed/switched out within 1 year from the date of allotment - 1% of applicable NAV; If redeemed/switched out after 1 year from the date of allotment – Nil
 <b>Fund Managers</b>	Mr. Sumit Agrawal and Mr. Manish Gunwani (Equity portion); Mr. Harshal Joshi (Debt portion); Ms. Nishita Shah (Overseas investment portion)
 <b>Benchmark</b>	Nifty Financial Services TRI



^the amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. Read Scheme Information Document for more details

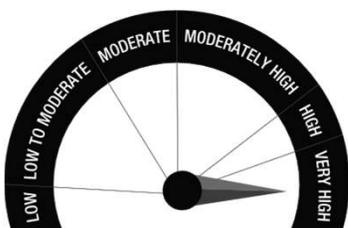


## Disclaimer & Product Label

### Bandhan Financial Services Fund

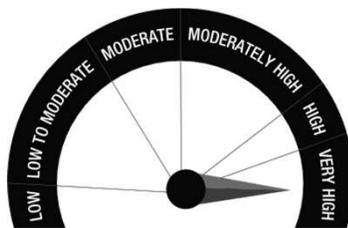
(Sector Fund - An open-ended equity scheme investing in Financial Services Sector)

Benchmark Riskometer



Nifty Financial Services TRI

Scheme Riskometer



Investors understand that their principal will be at Very High risk

This product is suitable for investors who are seeking\*

- To create wealth over a long term
- Investment predominantly in equity and equity related instruments of the companies engaged in the Financial Services sector

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

### MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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**Thank You**

