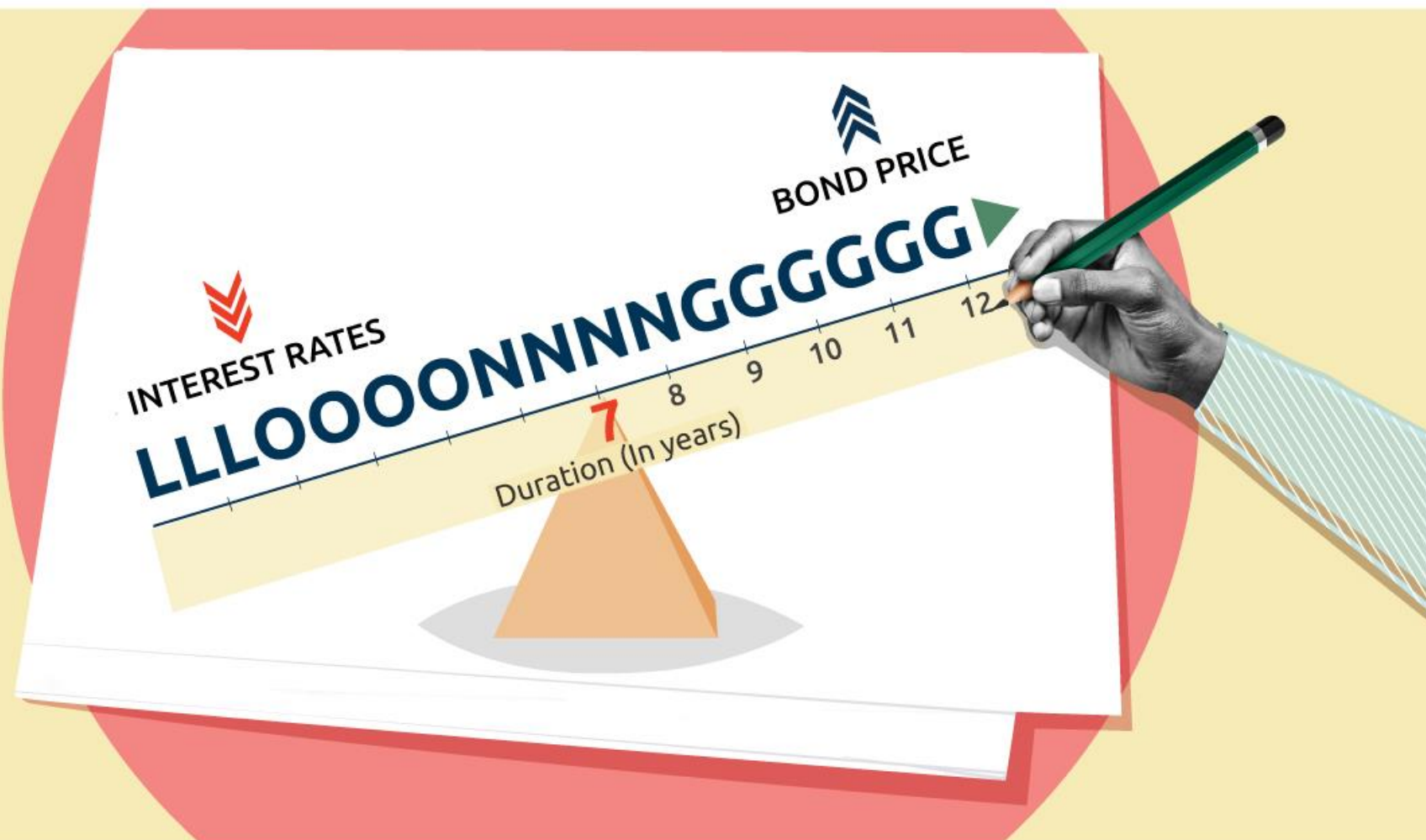


A fund that goes a **Long** way



Introducing

**Bandhan Long
Duration Fund**

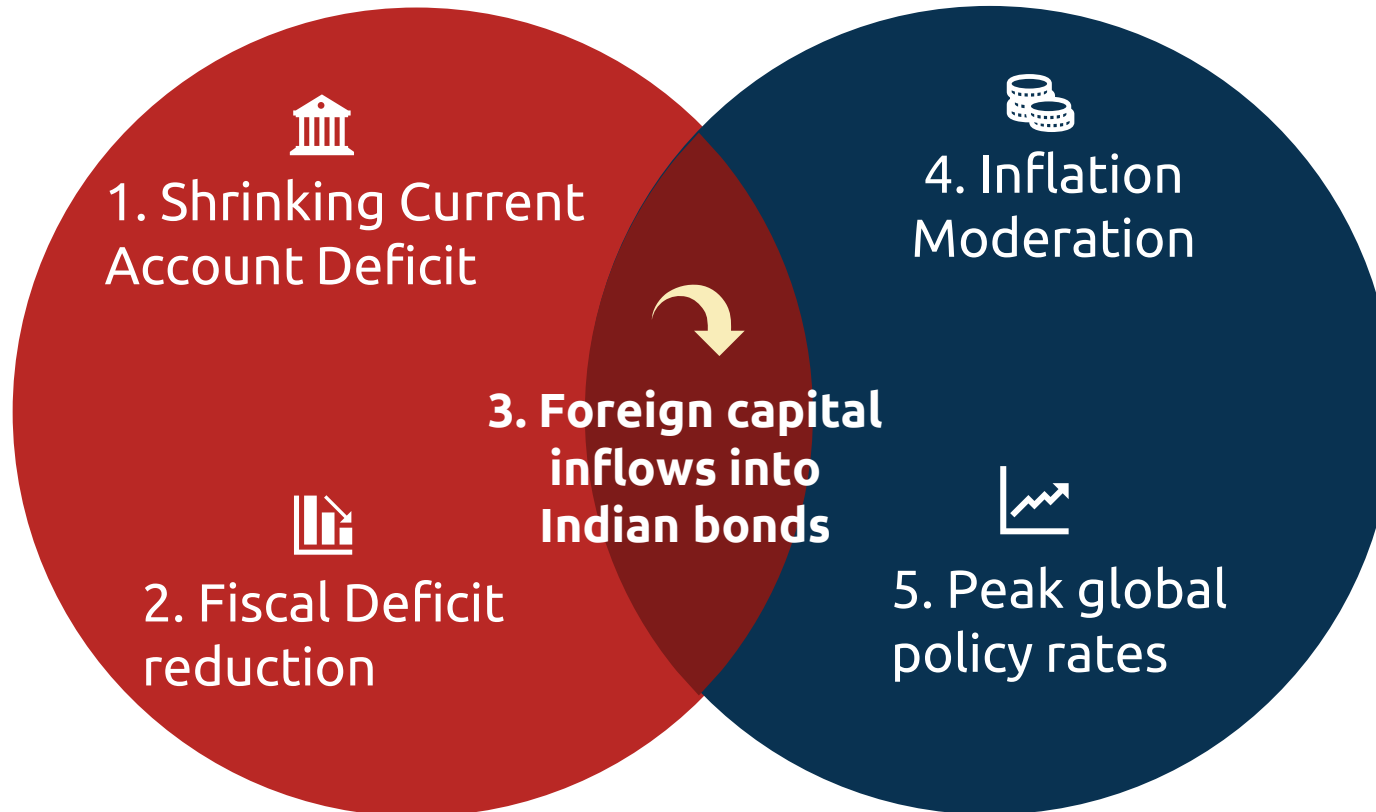
NFO Opens : 5th March 2024

NFO Closes : 18th March 2024

The Time May be Now: Interest Rates Expected to Fall

Positive Outlook for Bonds: Here's Why

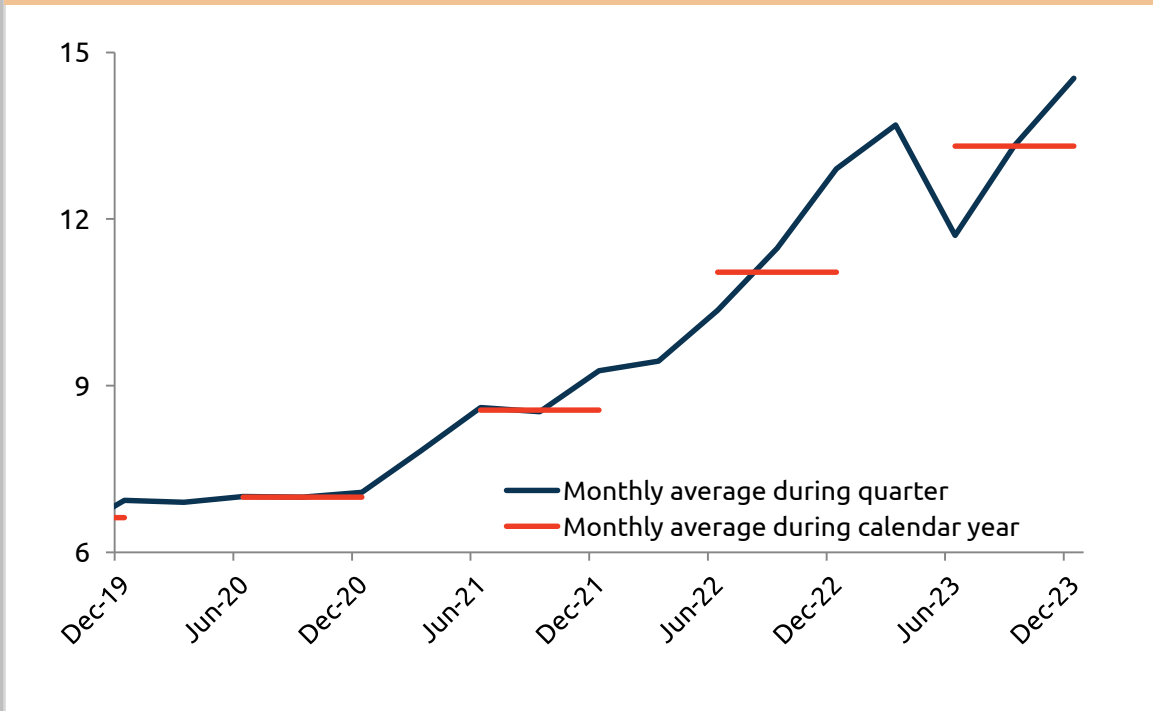
Structural



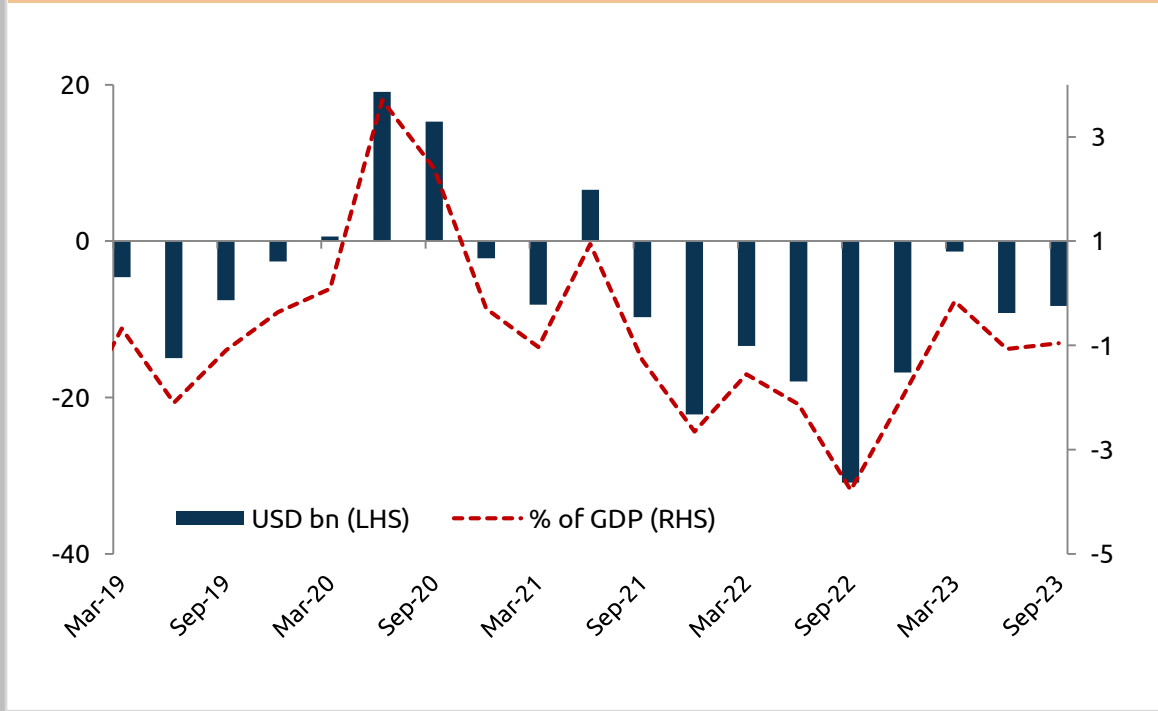
Cyclical

The upward trend in services trade is easing our current account deficit*, which in turn is likely to foster a relatively stable interest rate landscape.

Services trade balance (USD bn)



Current account balance (USD bn)

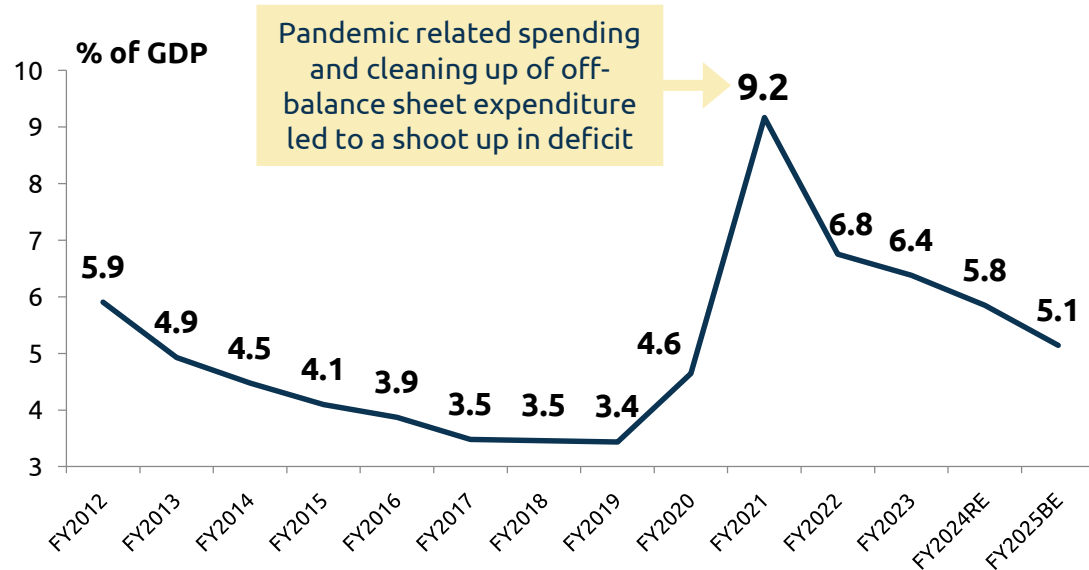


Source: Bloomberg, CEIC, Bandhan MF Research.

*Current Account Deficit occurs when the total value of goods and services a country imports exceeds the total value of goods and services it exports. (Source- Investopedia)

The government's commitment to a 4.5% fiscal deficit target by FY 26 signals a likely decrease in government bond supply, which can be favorable for bonds.

Central government fiscal deficit



Total public sector deficit

% of GDP	Central government fiscal deficit	State government fiscal deficit	Resources of PSEs ex internal resources	Total public sector deficit
FY19	3.4	2.4	2.2	8.0
FY20	4.6	2.6	2.4	9.7
FY21	9.2	4.1	2.0	15.2
FY22	6.9	2.8	1.1	10.7
FY23	6.4	2.8	1.1	10.3
FY24RE	5.8	3.1	0.5	9.5
FY25BE	5.1	3.0	0.5	8.7

Source: India Union Budget, RBI, Bandhan MF Research. Note: 1) State government fiscal deficits for FY24 and FY25 are Bandhan MF estimates 2) Resources of PSEs for FY19 to FY24 are REs and for FY25 is BE, 3) PSE is Public Sector Enterprise
 A fiscal deficit is a shortfall in a government's income compared with its spending. A government that has a fiscal deficit is spending beyond its means and this may translate into need for borrowing

The inclusion of Indian government bonds in major global indexes is likely to attract significant international investment, estimated between USD 23-25 bn in the short term.

FINANCIAL TIMES

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Capital markets + Add to myFT

JPMorgan adds India to pivotal bond index

Inclusion expected to drive billions of dollars of inflows in rupee-denominated debt



India's Inclusion in JP Morgan's Government Bond Index-Emerging Markets (GBI-EM) index is a Welcome Step

INVEST INDIA INITIATIVES OPPORTUNITIES

Source: <https://www.ft.com/content/e9ecf087-cac7-439a-9f42-c9d97c8c7e90>

<https://www.investindia.gov.in/team-india-blogs/indias-inclusion-jp-morgans-government-bond-index-emerging-markets-gbi-em-index>

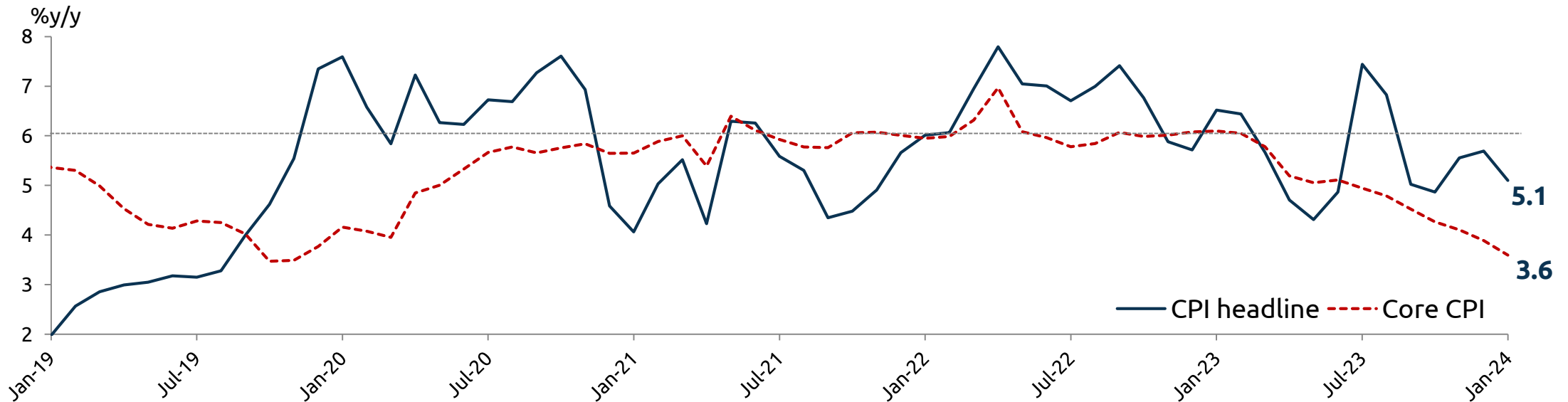
- **Investor Demand and Global Shifts:** Increased investor interest in India's bonds, driven by China's economic downturn and Russia's exclusion from key indexes, alongside India's robust economic indicators.
- **RBI's Strategic Introduction of Bonds:** 2020 marked the RBI's introduction of rupee-denominated bonds with no foreign ownership limits, a key step towards India's inclusion in JPMorgan's index.
- **JPMorgan Index Inclusion:** JPMorgan confirms India's entry into the Emerging Market Global Index from June 28, 2024. India's representation in the index will rise to 10% by March 31, 2025.
- **Prospects in Other Indices:** Possible inclusion in other indices run by JPMorgan (like JADE Global Diversified) and Bloomberg-Barclays Global Aggregate Index.

Introduction of FAR

- The Government of India's **Fully Accessible Route** (FAR) initiative allows **unrestricted** non-resident investment in specific government securities.
- New securities in 5, 10, and 30-year tenors will be eligible for FAR.

Core inflation (excluding food and fuel) is below 4%. The government has been active in managing food supply dynamics effectively.

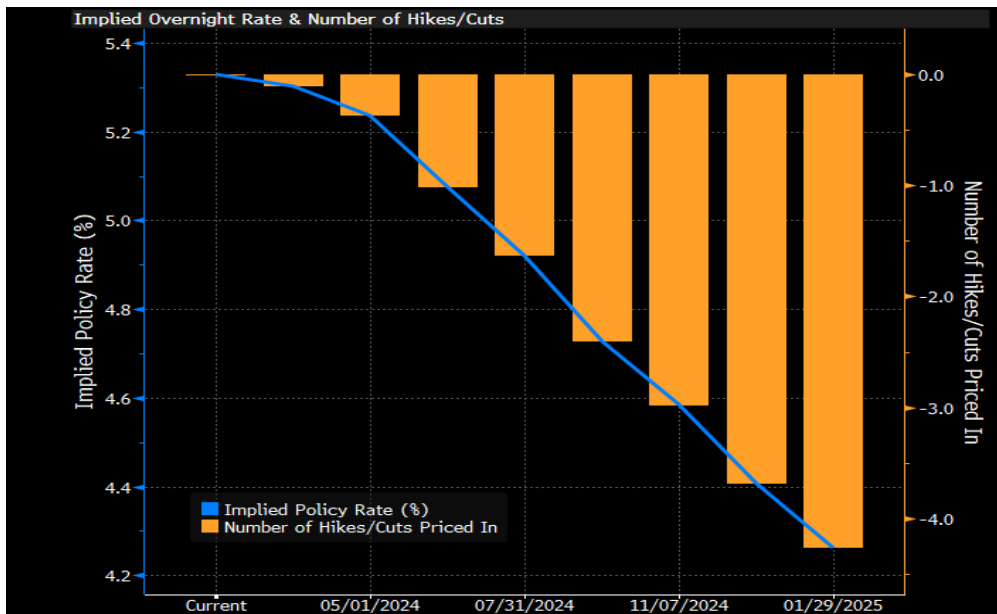
Consumer Price Index



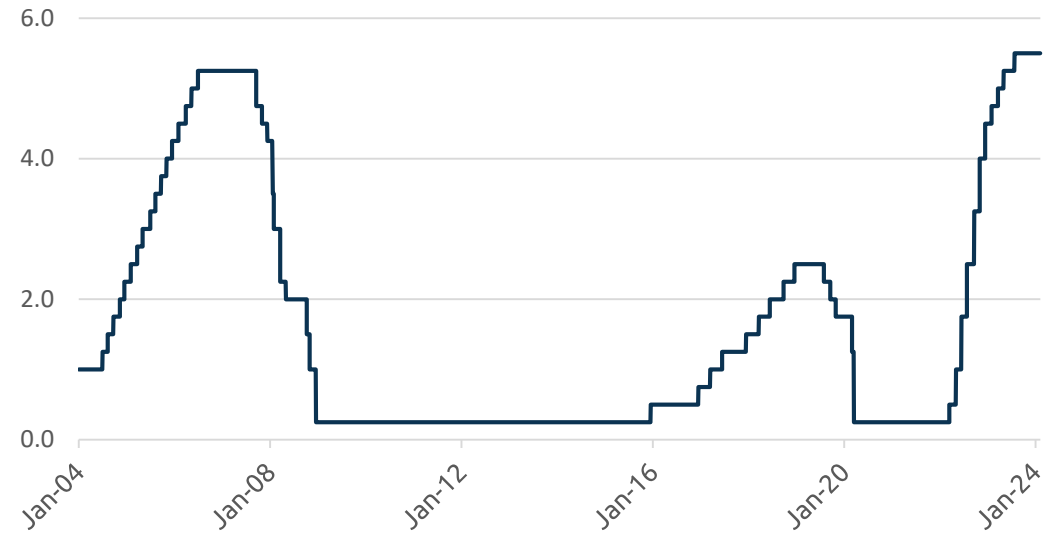
Source: Bloomberg, CEIC, Bandhan MF Research; CPI is Consumer Price Index. While both CPI and WPI measure the change in price of goods/services, they differ importantly in the composition of sets of goods and services, as well as in the types of prices collected for those different goods and services. A wholesale price index (WPI) is an inflation indicator that measures change in the overall price level of goods before they are sold at retail. The Consumer Price Index or CPI measures the overall change in the prices of goods and services that people (urban/rural) typically buy over time.

As global inflation eases, interest rate reductions are expected to begin this year.

Implied Overnight Rate & Number of Hike/Cuts



US Interest Rate (%)



Our Outlook on Bonds



Macro-Economic Positivity: Our bullish view on bonds is fueled by anticipated rate cuts and India's improving macroeconomic landscape.



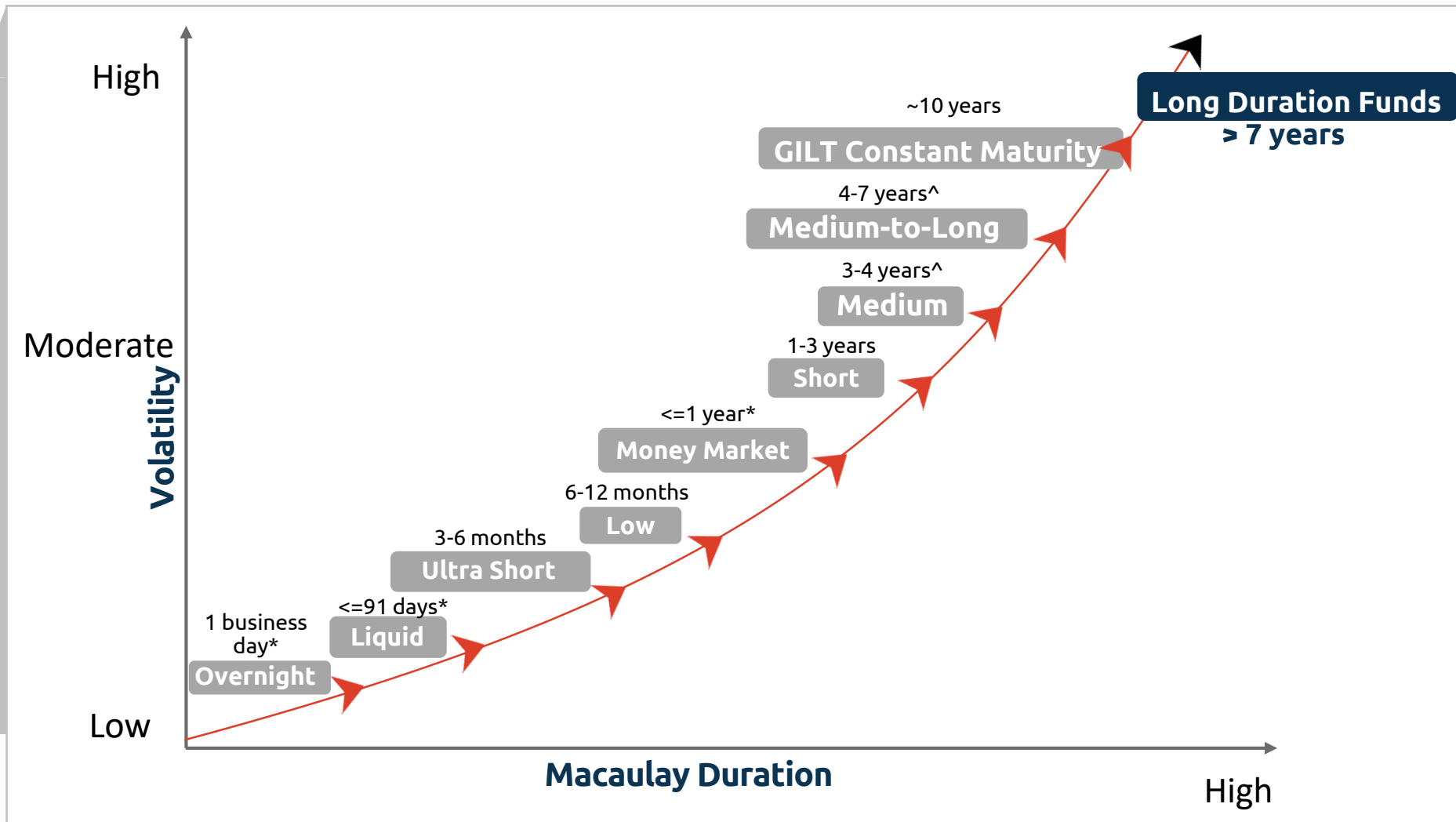
Global Index Impact: The inclusion of Indian bonds in global indexes is expected to boost demand through increased foreign participation.



Interest rates near peak: Given the potential peak in interest rates, investors can consider investing in long-term products now, aiming for gains from future yield declines.

Why Long Duration Fund?

What is a Long Duration Fund?



This fund invests in Debt and Money Market Instruments, maintaining a portfolio Macaulay duration greater than 7 years.

Macaulay duration is the weighted average term to maturity of the cash flows from bonds. In other words, it is the weighted average number of years an investor must maintain a position in the bond until the present value of the bond's cash flows equals the amount paid for the bond.

*Average Maturity

Strategic Timing for Long-Duration

Maturity Maximization: Ideal for investors looking to enhance portfolio maturity now to avoid future reinvestment at potentially lower rates.



Capitalizing on Peak Rates: Ideal for long-term investors comfortable with volatility, aiming to benefit from potential declining rates and narrowing spreads between long-term bonds and repo rates



Tax Efficiency[^]: Long-term investments in Mutual Funds offer the advantage of tax-efficient returns, as funds are not taxed on coupon earnings or capital gains.



[^]As per current taxation

Illustration: Potential for Higher Returns in Declining Rate Scenarios

Extended Duration Advantage: The Long Duration Fund, with its duration exceeding 7 years, positions investors for higher potential returns in a falling interest rate environment.

Yield Dynamics: As yields decrease due to rate cuts or compression in term spreads, the long duration of the fund amplifies mark-to-market (MTM) gains.

Volatility Consideration: It's important to note that while the fund offers high return potential, it also carries the risk of significant MTM losses if yields increase.

Rate Change Simulation

Rate change scenario	-50bps	Unchanged	+50bps
Initial Yield	7.20%		
MTM gain/loss	5.50%	-	-5.50%
Accrual	7.20%	7.20%	7.20%
1 year return	12.70%	7.20%	1.70%
3 year return	8.16%	7.20%	5.58%

Potential for higher upside is paired with a higher downside risk.

Source: Internal. The above table is for illustration purposes only. Impact of expense, reinvestment, etc are not considered. Modified duration considered above is 11. The impact of the rate hike/cut is considered at the end of Year 1.

Why Bandhan Long Duration Fund?

Distinct Advantages of Bandhan Long Duration Fund

Commitment to quality

Predominantly high-quality instrument investments, positioned in PRC-A.*

Diverse Opportunities

Explores opportunities across government and corporate bonds, with a duration that could extend anywhere beyond 7 years.

Robust Track Record

Over 20 years of experience in managing active investment strategies across the yield curve.

**PRC-A are Debt Funds with the Lowest Credit Risk .
PRC indicates the maximum threshold for interest rate and credit risk.
Duration refers to Macaulay duration*

Potential Risks



Fixed Duration

The fund must maintain a minimum 7-year duration, limiting flexibility in adverse conditions.



Higher Volatility

The obligatory long duration inherently brings higher volatility compared to other debt fund categories.

Who Can Invest?

High-Return Seekers with a tolerance for volatility: Investors looking for higher returns in debt funds with a tolerance for greater volatility.



Regular Income Pursuers: Ideal for long-term investors seeking regular income withdrawal through SWP.*



Reinvestment Risk Avoiders: Suited for those looking to increase their portfolio maturity to minimize reinvestment risks, as interest rates are expected to fall.



* Systematic Withdrawal Plan

NFO Details



NFO Dates

**5th March to
18th March 2024**



Fund Manager

Debt portion:
Mr. Gautam Kaul
Overseas portion:
Mr. Sreejith Balasubramanian (Debt)



Benchmark

**NIFTY Long Duration
Debt Index A-III**



Exit Load

NIL



Subscription

Lumpsum purchase:

Rs. 1000/- and in multiples of Re. 1/- thereafter

Additional purchase:

Rs. 1000/- and in multiples of Re. 1/- thereafter



Investment Objective

The scheme seeks to invest in a diversified set of debt and money market securities, such that the Macaulay duration of the Portfolio is greater than 7 years, with the aim of generating optimal returns over long term.

However, there can be no assurance or guarantee that the investment objective of the Scheme will be achieved.

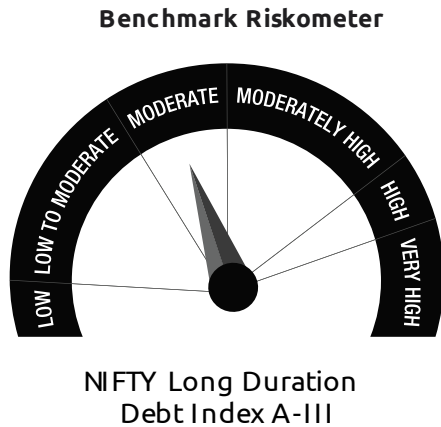
Bandhan Long Duration Fund

(An open ended long term debt scheme investing in instruments such that the Macaulay duration of the portfolio is greater than 7 years with Relatively High Interest Rate Risk and Relatively Low Credit Risk)

This product is suitable for investors who are seeking*:

- To generate wealth over long term.
- Investments in Debt & Money Market securities such that the Macaulay duration of the portfolio is greater than 7 years.

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



(The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made)

Potential Risk Class of the Fund

Interest Rate Risk	Credit 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)

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

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Thank you

