

# Canara Robeco Banking and PSU Debt Fund

An open-ended debt scheme predominantly investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. Relatively high interest rate risk and moderate credit risk

December 2022

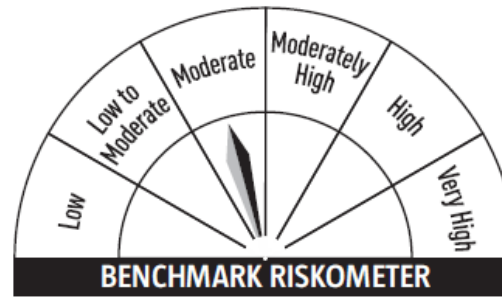
# Canara Robeco Banking and PSU Debt Fund

This product is suitable for investors who are seeking\*

- Income/Capital appreciation over short to medium term
- Investment in debt and money market instruments issued by Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds



Investors understand that their principal will be at Moderate Risk



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**POTENTIAL RISK CLASS (PRC) MATRIX\***  
Relatively High Interest Rate Risk and Moderate Credit Risk

Potential Risk Class			
Credit Risk	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk			
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

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

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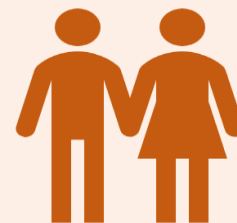
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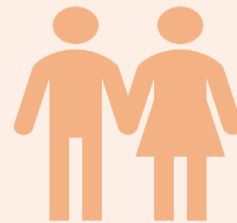
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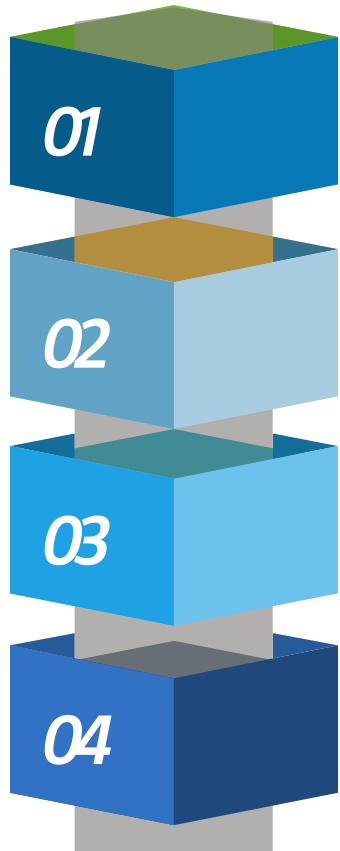
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# Fixed Income Market Report Card



01 RBI Focus on Inflation Control while keeping growth in mind

02 Bond Yields to stabilize

03 Economic Recovery

04 External Situation – CAD and Currency

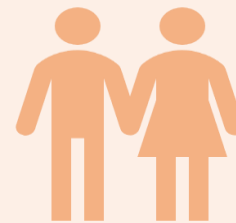
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# Canara Robeco AMC – Core Expertise in Investment Management

- **India's second oldest asset manager**, in existence **since 1993**, tied into the JV since September 2007
- Assets under Management of **INR 57,415 crore** for the month ended September 2022
- **Strong lineage of over 200 years** with parents committed to grow business

**115** years of Canara Bank's expertise with knowledge and distribution strength

**90** years of rich experience of Robeco pure research-driven asset management with rigorous risk management

# Canara Robeco Fixed Income - Investment Philosophy

## Safety - Most Important Filter In An Investment Decision

- ✓ Minimize credit risk
  - Majority of Investment in above AA/A1+ rated assets
- ✓ Independent credit research
  - Due diligence to evaluate a borrower's ability and willingness to repay the debt on time
  - Emphasis on strong parentage
- ✓ De-risk the portfolio on downgrades
- ✓ Strict adherence to regulatory limits and controlled through Bloomberg system on real time basis

## Liquidity - Core to our Investment Philosophy

- ✓ Asset-liability match and stress test

## Return - Aim to maximize returns by following a Disciplined Investment Process



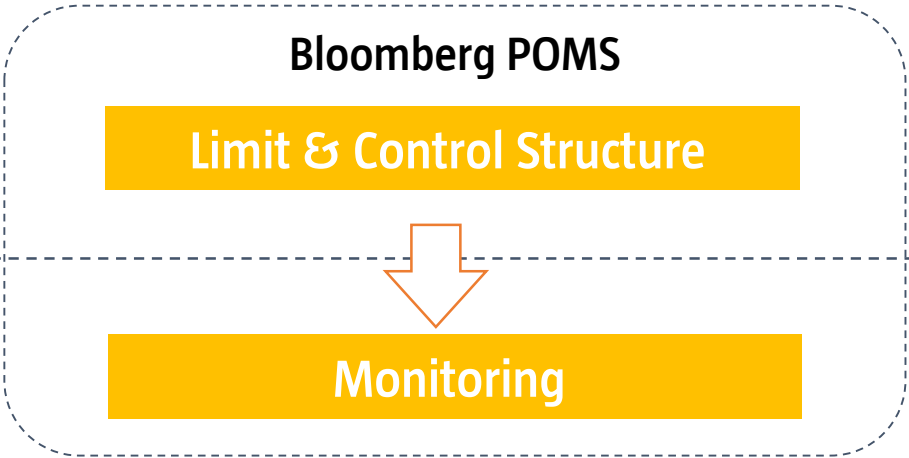


# Risk Officer responsible for ongoing Risk Management

- Dedicated Risk Management Team

**Risk Management Committee**

- Risk profiling of portfolios
- Limit on active bets
- Sector exposure Limit
- Tracking error
- Ratio VaR
- Limit on illiquid investments
- Instrument exposure Limits
- Risk rules embedded in front office system
- Weekly reports generation & circulation
- Liquidity profile of portfolios
- Exception reporting RMC



- RMC is updated with changes in the regulatory / investment environment
- Limit & Control Structures reviewed, modifications / additions made as required

**Review**

**Final Portfolio**

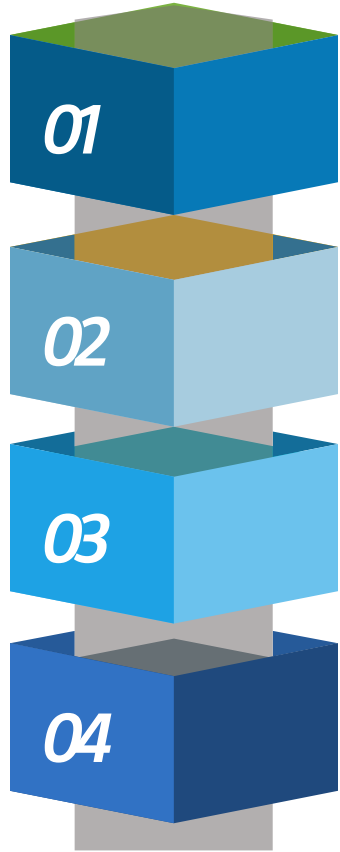
Risk Process Flow

# Proactive Credit Risk Management



It is to be noted that as a Fund House, Canara Robeco AMC did not have any exposure to the issuers at the time of their default during the credit crisis period of 2018-2020.

# Stringent Risk Management – Key to superior risk adjusted return across interest rate cycles



**Risk control** process to manage risks through tools such as **issuer/sector limits, Liquidity tracking, managing portfolio concentration** and **Weighted average maturity** to ensure that the portfolio liquidity is maintained.

Maintaining a **conservative portfolio** through exposure to **high credit quality issuers** with **low credit risk profile**.

**Optimal Diversification among sectors** to achieve **consistency in returns**.

Given our **expertise** in managing debt portfolios with **high credit quality papers** and with **low credit risk**, we plan for a **New Fund Offer** in the **Banking & PSU Category**.

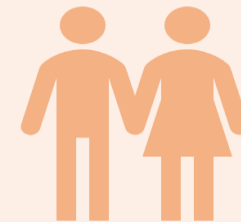
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Presenting :

# Canara Robeco Banking and PSU Debt Fund

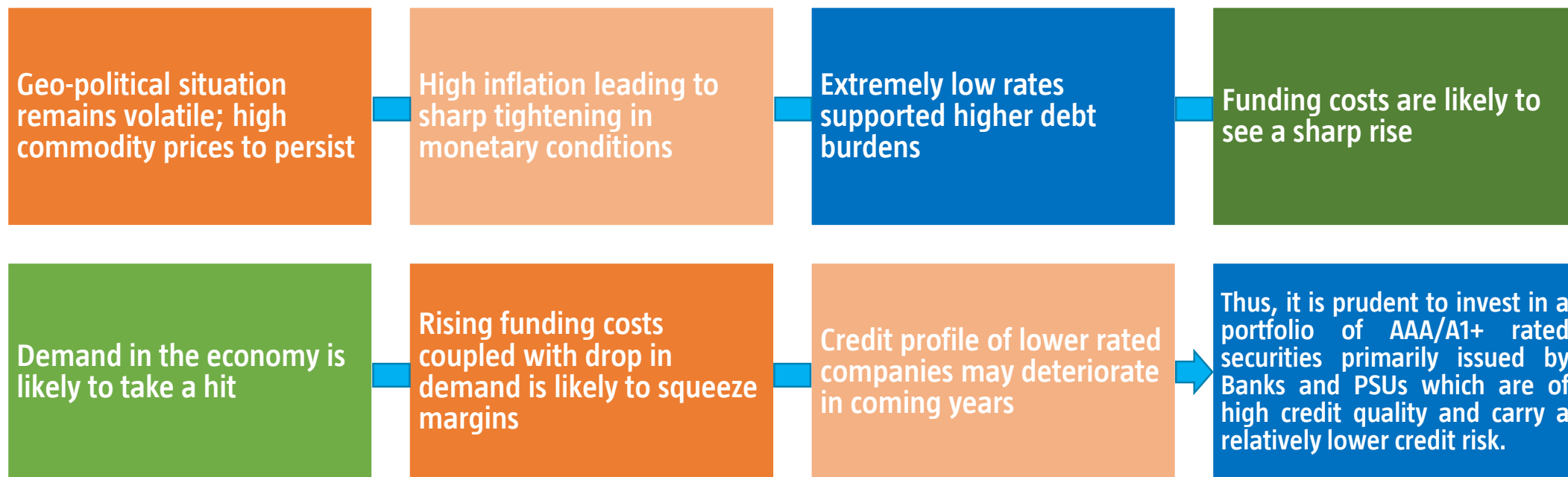
(An open-ended debt scheme predominantly investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. Relatively high interest rate risk and moderate credit risk)

**CANARA ROBECO**  
Mutual Fund

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



# Why invest in a Banking & PSU themed debt fund?



Note: The opinions expressed on this slide are the fund management views of Canara Robeco Asset Management regarding the Current economic situation. The view of the Fund Managers should not be construed as investment advice. Investors should consult their financial advisers if in doubt about whether an investment recommendation is suitable for them.

# Is the Time Right?



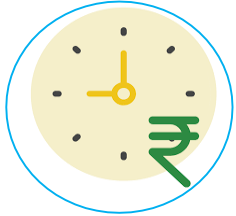
- ✓ Last 2 rate hike cycles were short lasting for 6-12 months.
- ✓ Markets discounts rate hikes before they happen.
- ✓ Current move - Has market already discounted more?



# Canara Robeco Banking and PSU Debt Fund



The fund seeks to generate **optimal returns** by investing in debt & money market instruments issued primarily by **banks, public financial institutions (PFIs), public sector undertakings (PSUs) and municipal bonds**.



An **actively managed fund** that aims to **manage duration** and **capture opportunities** in the interest rate cycle and mispricing on the yield curve.



Canara Robeco Banking and PSU Debt Fund intends to maintain **high credit quality and liquidity** in the portfolio.



The fund aims to invest **~80% of the portfolio** in bonds & money market instruments issued by **Banks, PSUs & Public Financial Institutions and Municipal Bonds** and remaining **~20% in G-Secs/SDLs and other AAA or equivalent debt/ money market securities**.



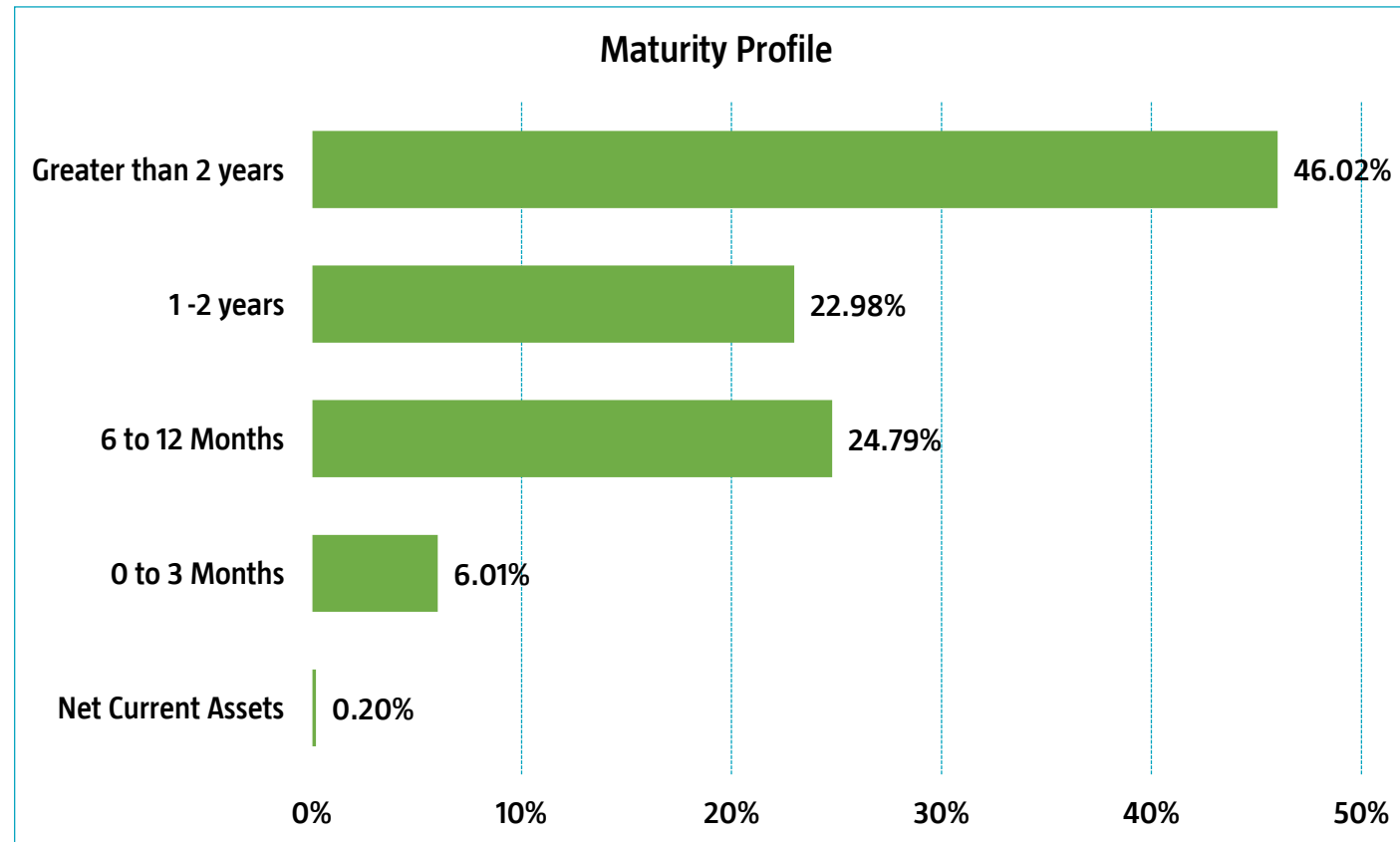
# How the Fund will Invest?

Instruments	Indicative Asset Allocation (% of total assets)		Risk Profile
	Minimum	Maximum	High/Medium/Low
Debt and Money Market Instruments issued by Banks, Public Financial Institutions (PFIs), Public Sector Undertakings (PSUs) and Municipal Bonds	80%	100%	Low to Medium
Debt (including securities issued by Central and State Governments) and Money Market Instruments issued by entities other than Banks, PFIs, PSUs and Municipal Bonds	0%	20%	Low to Medium
Units issued by REITs and InvITs	80%	100%	Medium to High

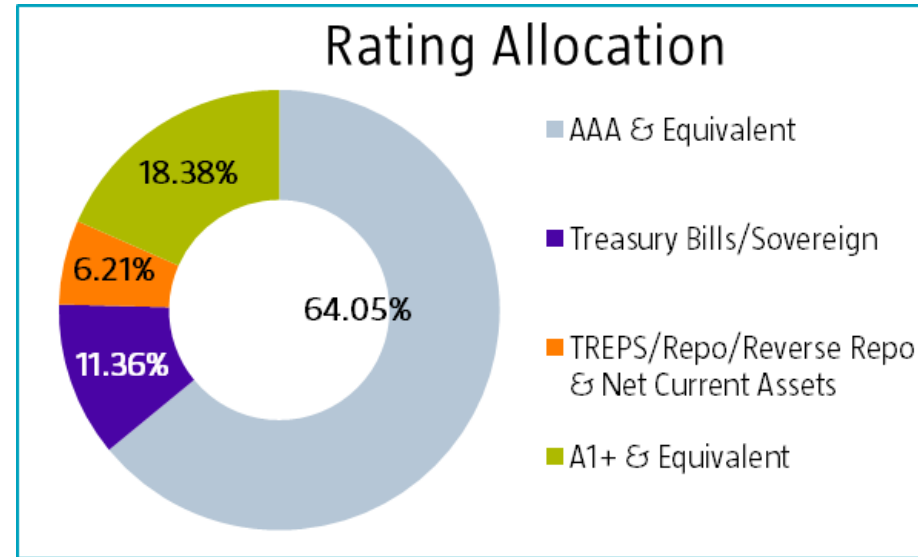
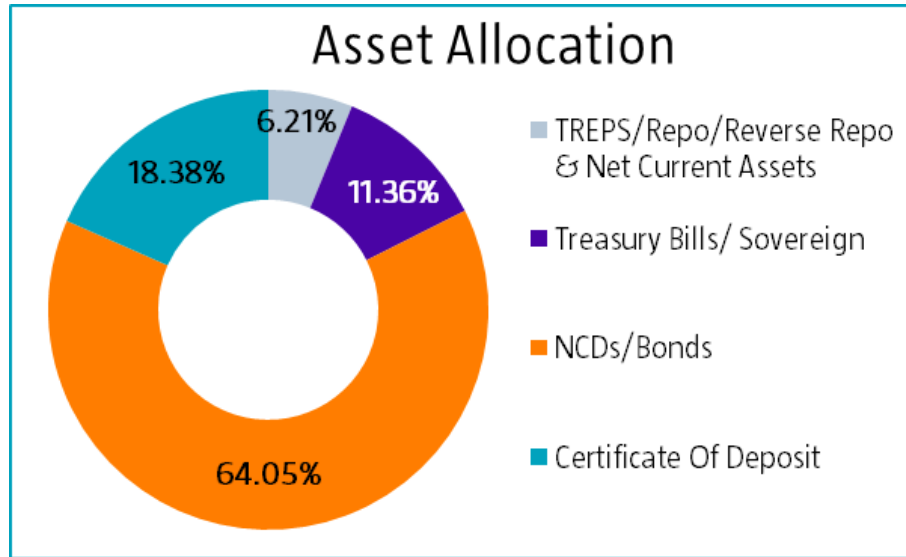
The risks associated with issuances by Banks and PSUs are lower due to:

- ✓ Comprehensive Regulatory framework for Banks by the Reserve Bank of India.
- ✓ Government Ownership in case of PSUs/PFIs.

# Portfolio Analysis



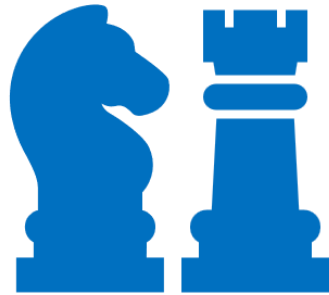
# Portfolio Analysis



# Why Invest in Canara Robeco Banking & PSU Debt Fund?



CR AMC is **India's second oldest asset manager**, in existence **since 1993**, tied into the JV since September 2007



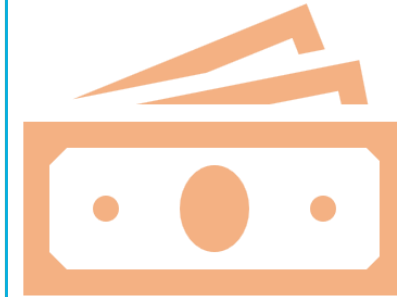
Canara Robeco Banking & PSU Debt Fund would focus on a portfolio primarily of **"AAA rated bonds issued by Banks and PSU"**.



The Fund would be a **"High Credit Quality"** portfolio; thus, providing a higher liquidity benefit.



Fund would invest in **"High Grade Assets"** that are either government – backed entities or systemically important private banks/entities. This potentially provides lower credit risk.



The Fund would be an **"Actively Managed Fund"** that aims to capture opportunities in the interest rate cycle and mispricing on the yield curve.

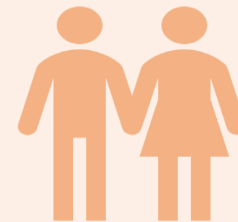
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# Who should Invest in this fund?

Investors who wish to take exposure towards bonds issued by Banks, Public Sector Undertakings and other government backed securities

Investors with a medium-term investment horizon of 2-3 years

Investors having relatively low to medium risk appetite looking to invest in high credit quality bonds with good liquidity

Investors seeking to gain from accrual and duration calls by investing in short to medium term maturity bonds



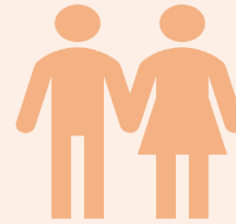
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# Fund Summary:

Type	An open-ended debt scheme predominantly investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. Relatively high interest rate risk and moderate credit risk.				
Investment Objective	To generate income and/or capital appreciation through a portfolio of high-quality debt and money market instruments issued by entities such as Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds. However, there is no assurance that the objective of the fund will be realized.				
Inception Date	22-August-2022				
Asset Allocation	Types of Instruments		Indicative allocation (% of total assets)		Risk Profile
			Minimum	Maximum	
	Debt and Money Market Instruments issued by Banks, Public Financial Institutions (PFIs), Public Sector Undertakings (PSUs) and Municipal Bonds		80%	100%	Low to Medium
	Debt (including securities issued by Central and State Governments) and Money Market Instruments issued by entities other than Banks, PFIs, PSUs and Municipal Bonds		0%	20%	Low to Medium
Units issued by REITs and InvITs		80%	100%	Medium to High	
Plans & Options	Regular Plan & Direct Plan (a) Growth (b) Income Distribution cum capital withdrawal option: - Reinvestment of Income Distribution cum capital withdrawal option - Payout of Income Distribution cum Capital Withdrawal Option				
Fund Size	Rs. 394.84 Crs (As on 30 <sup>th</sup> Dec'22)				
Load Structure	Entry Load: Nil Exit Load: Nil				
Benchmark	CRISIL Banking and PSU Debt Index				
Fund Manager	Mr. Avnish Jain				



# Disclaimer

The information used towards formulating the outlook have been obtained from sources published by third parties. While such publications are believed to be reliable, however, neither the AMC, its officers, the trustees, the Fund nor any of their affiliates or representatives assume any responsibility for the accuracy of such information. CRMF, its sponsors, its trustees, CRAMC, its employees, officer, directors, etc. assume no financial liability whatsoever to the user of this document. Mutual Fund Investments are subject to market risk. Investors are requested to read the Scheme related documents carefully before investing.

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