

Bank of India

M u t u a l F u n d

Bank of India Multi Cap Fund

(An open ended equity scheme investing across large cap, mid cap, small cap stocks)

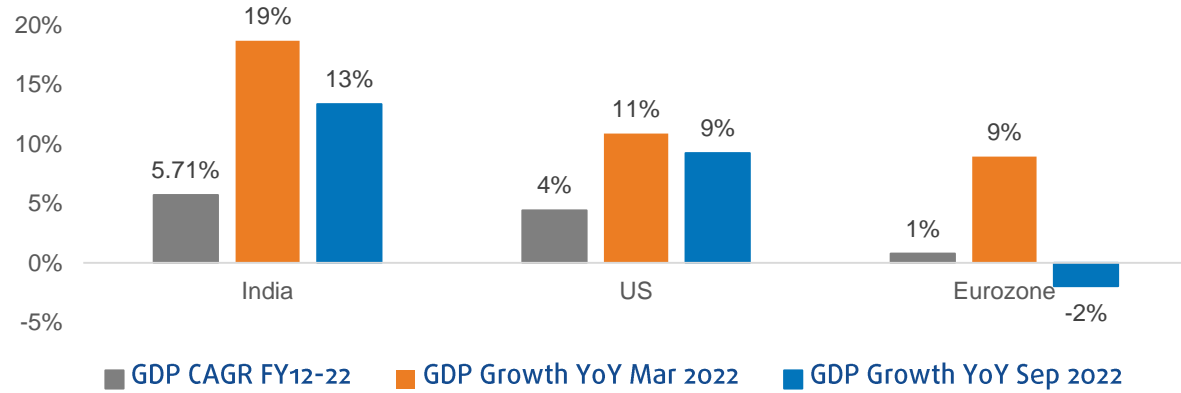
NFO Opens: 10th February 2023 | NFO Closes: 24th February 2023

- 1. How is India positioned?**
- 2. Why to invest in Multi Cap Fund?**
- 3. Is now the right time to invest?**
- 4. Why to invest in Bank of India Multi Cap Fund?**
- 5. Case Study**
- 6. Investment Approach**

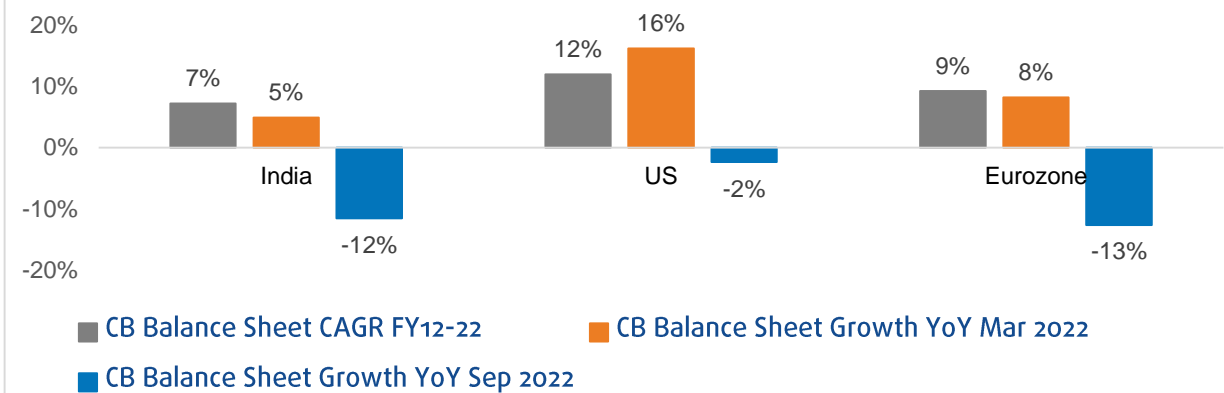
How is India positioned?

India continues to outshine

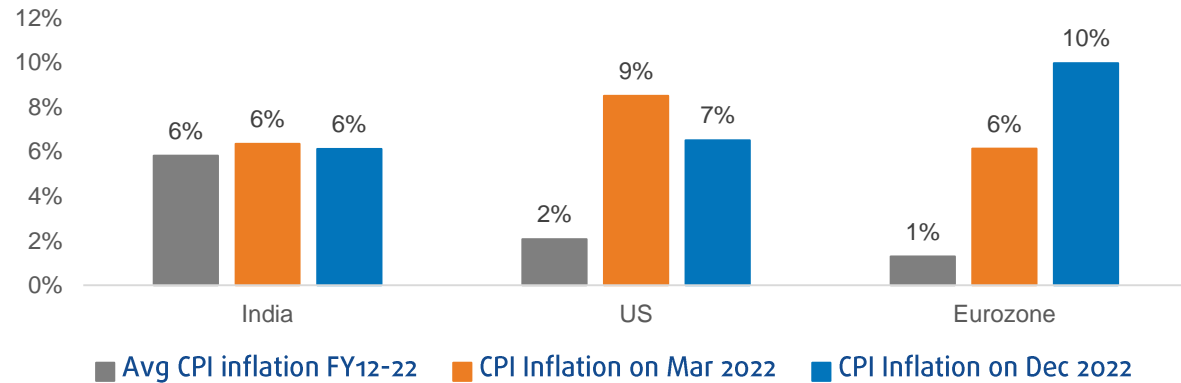
India's GDP growth continues to outperform many global majors



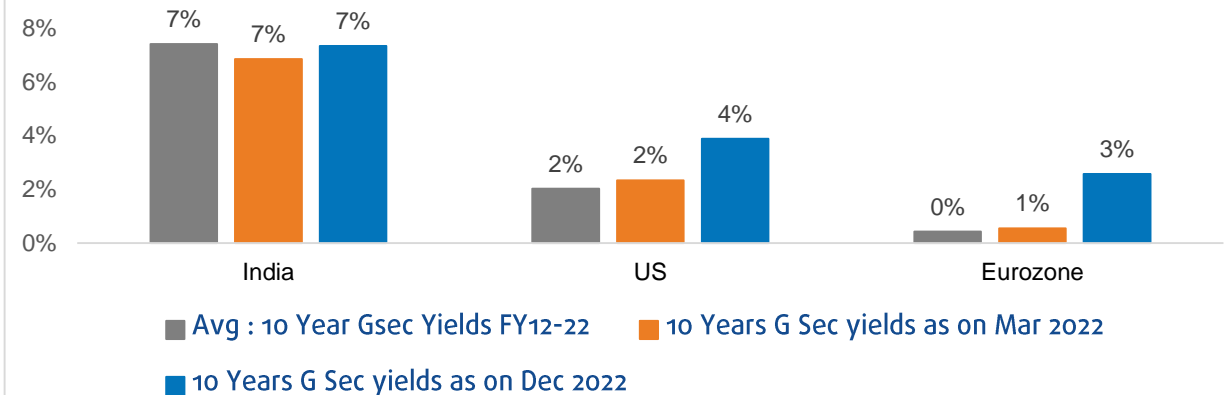
India's prudent balance sheet management continues



India's CPI inflation has been under control

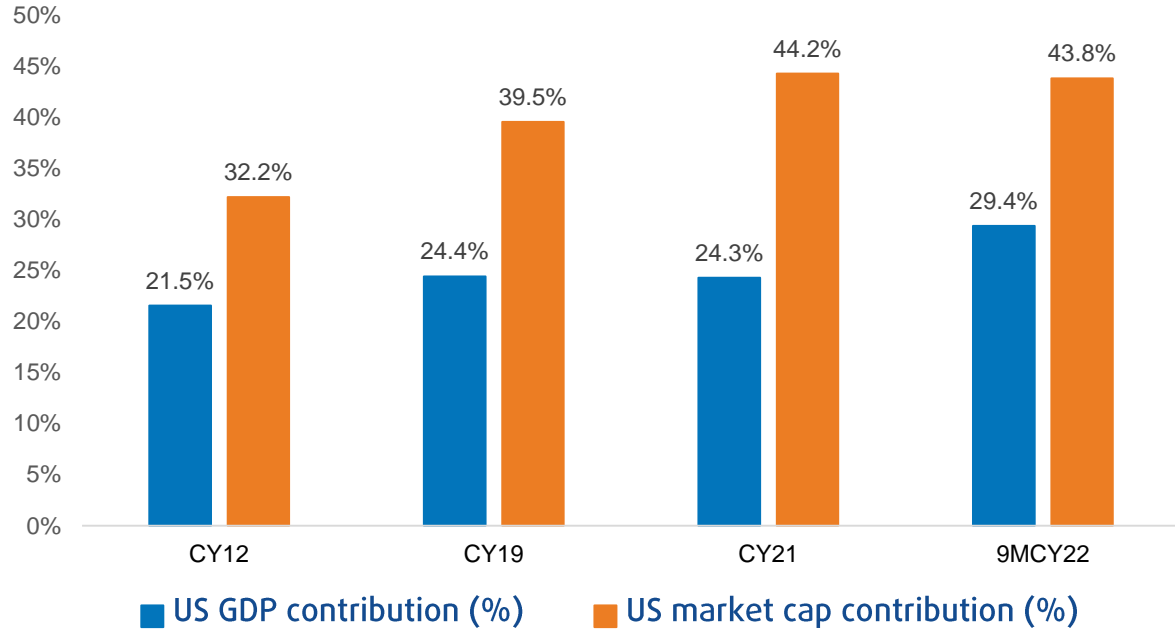


India has lived through high yield environment

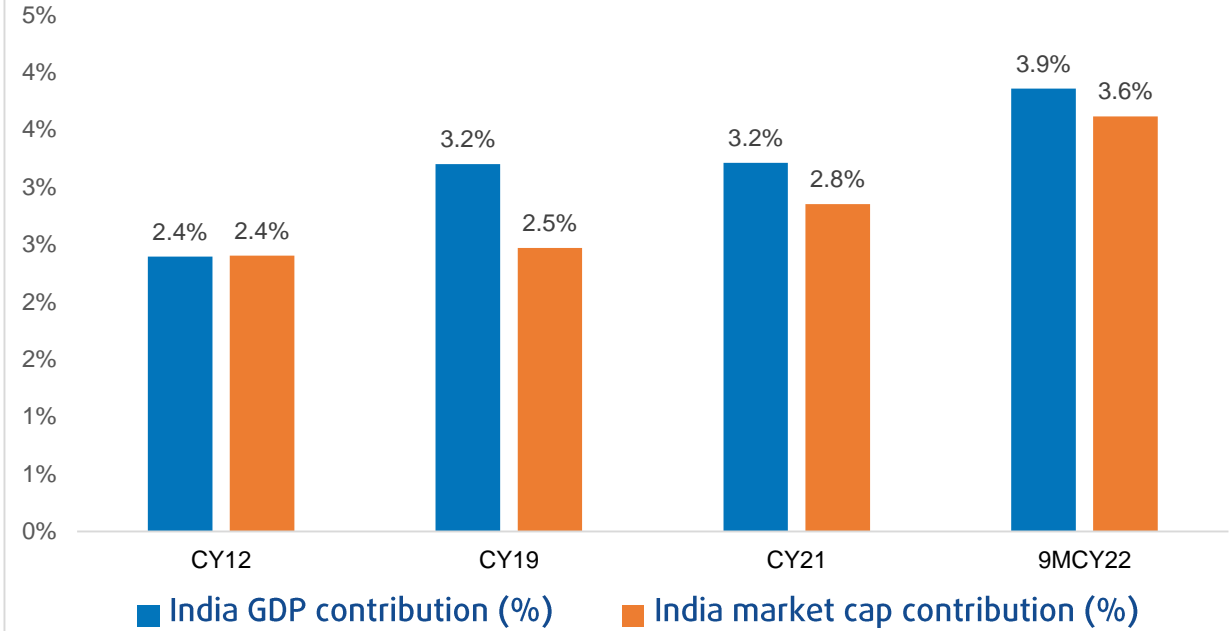


India's salience to world economy marching ahead

US contribution to global GDP and market capitalisation

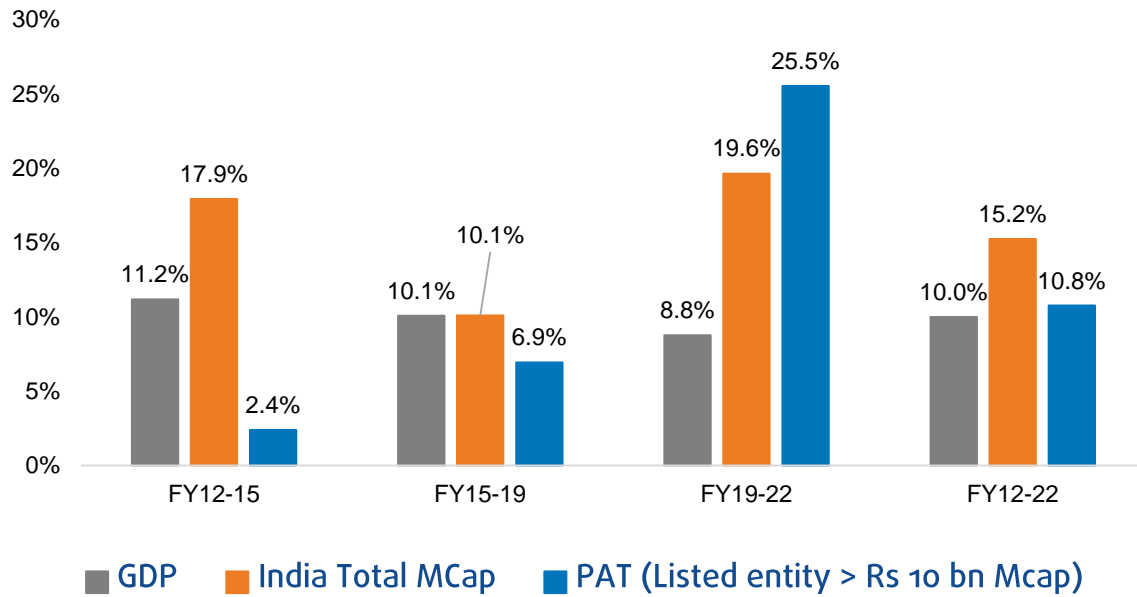


India's contribution to global GDP and market capitalisation

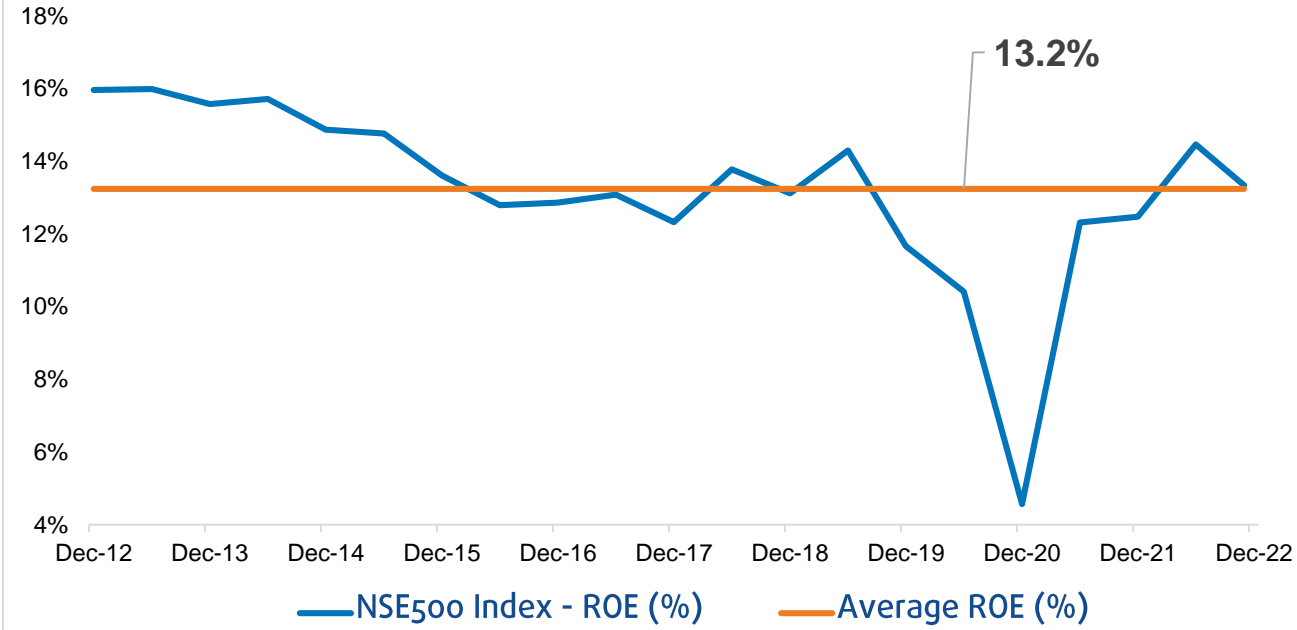


Earnings acceleration with improvement in ROE

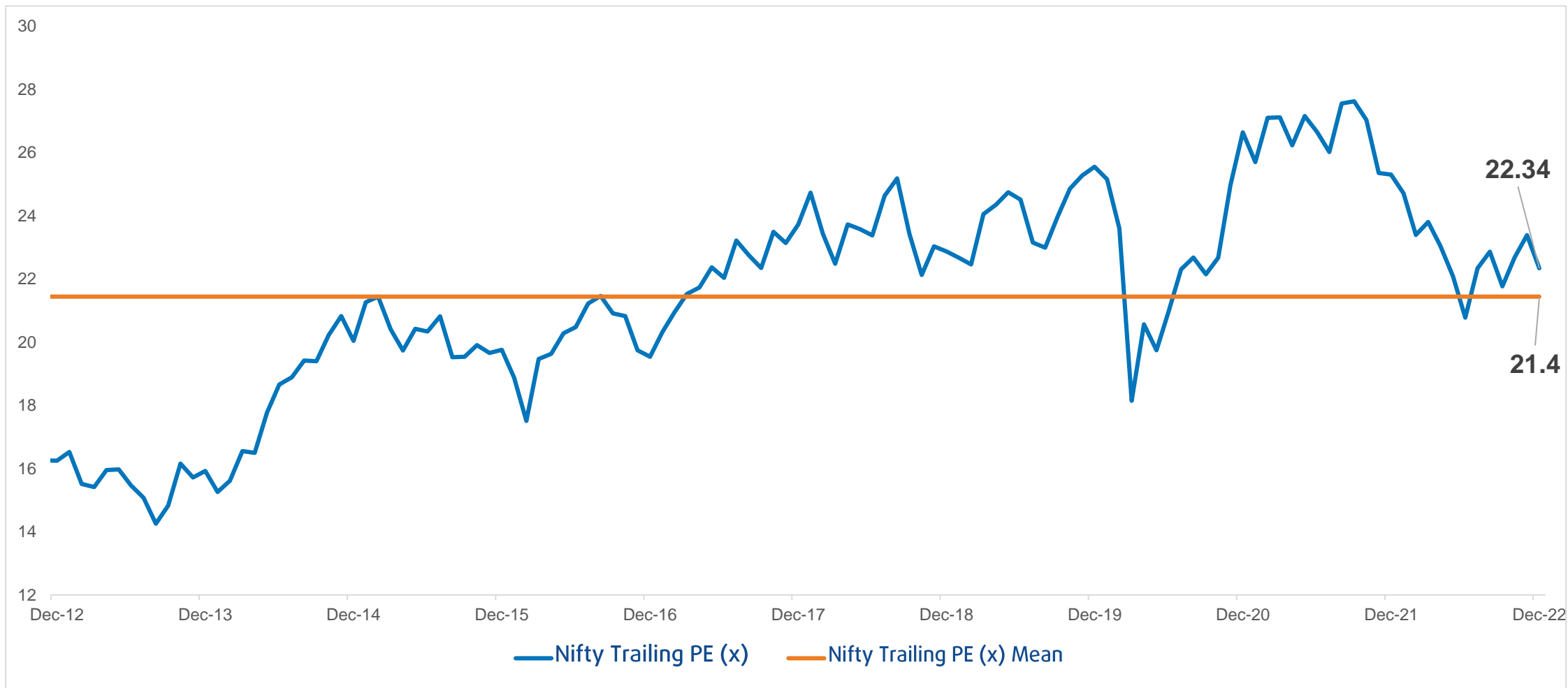
CAGR : India's earning growth has accelerated



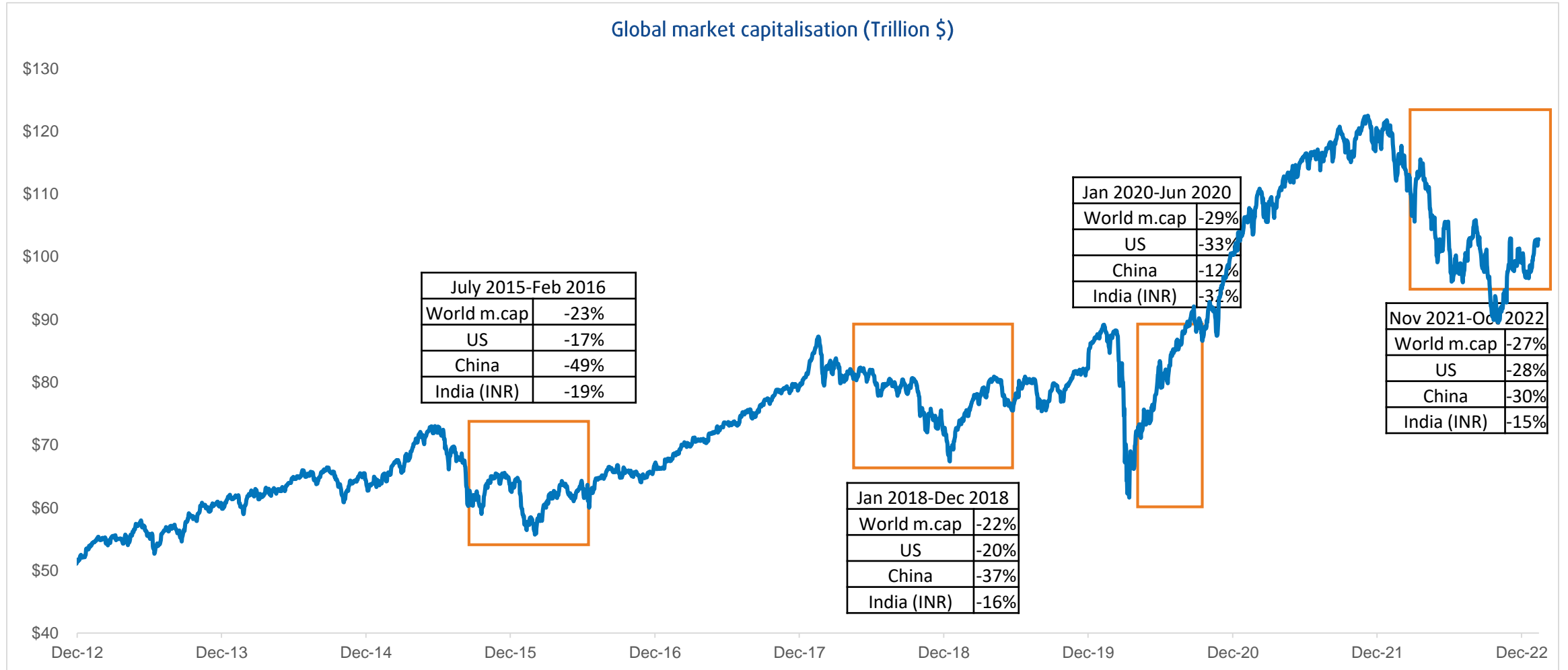
Nifty 500 ROE (%)



Nifty trailing PE valuations are closer to 10 years mean



Global market drawdowns



Source: Bloomberg, All Indices in \$ except India in INR

Which fund to invest – large cap, mid cap or small cap?

Which sector, theme to invest?

Which style to prefer – value or growth?

Which approach is better – top down or bottom up?



Why to invest in Multi Cap Fund?

Predicting market outcomes for outperformance has been challenging

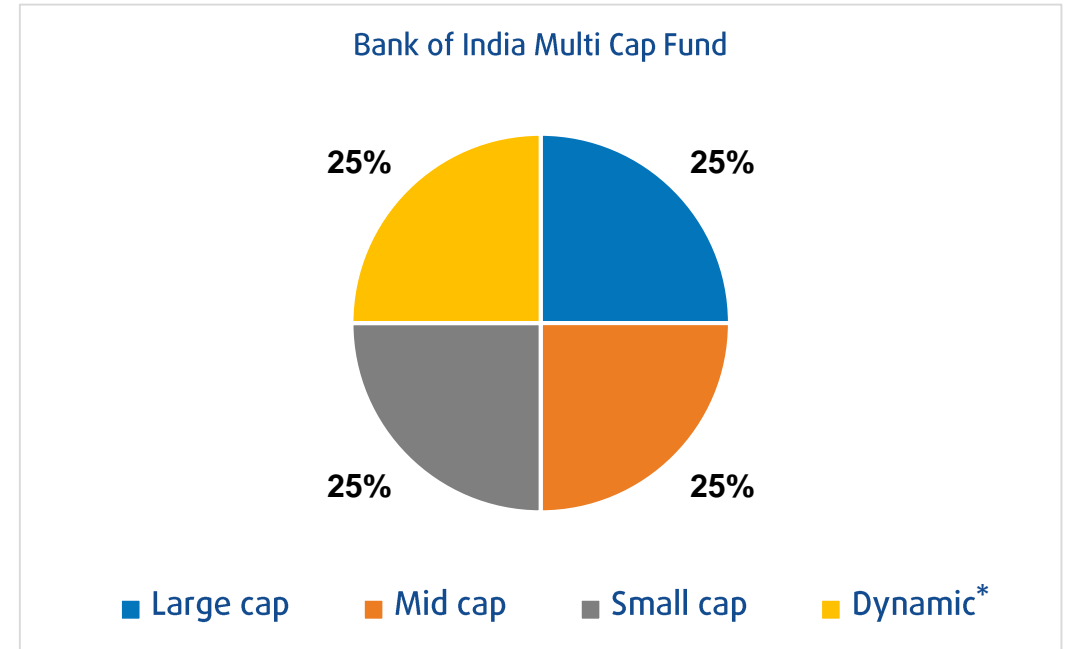
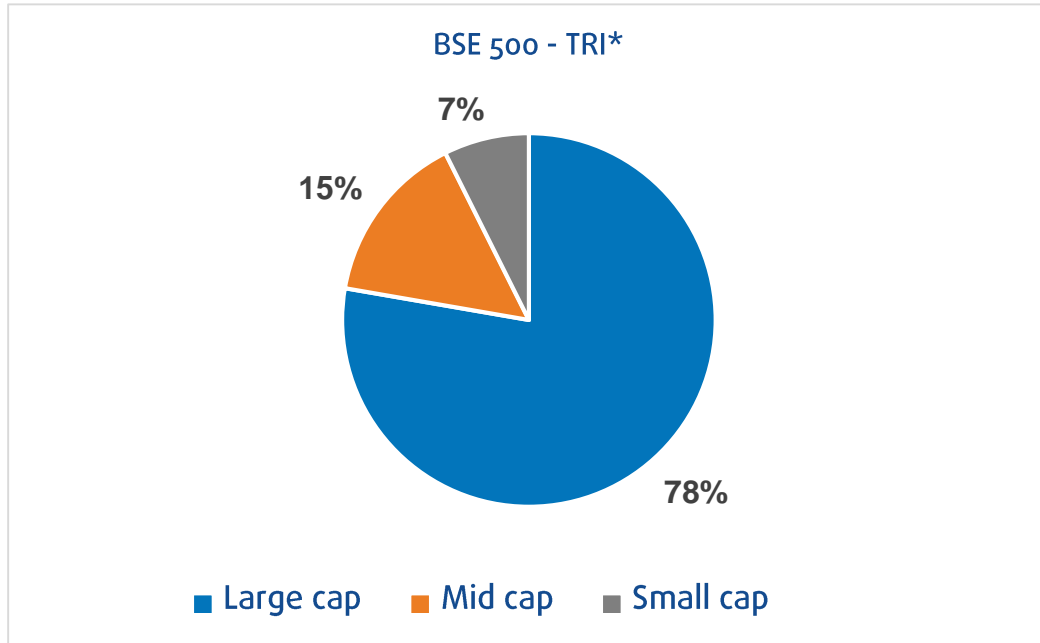
	NIFTY 100 - TRI	Nifty Midcap 150 - TRI	Nifty Smallcap 250 - TRI
Dec-08	-53.1%	-64.9%	-68.6%
Dec-09	84.9%	113.9%	117.4%
Dec-10	19.3%	20.1%	17.6%
Dec-11	-24.9%	-31.0%	-35.1%
Dec-12	32.5%	46.7%	40.4%
Dec-13	7.9%	-1.3%	-6.4%
Dec-14	34.9%	62.7%	71.7%
Dec-15	-1.3%	9.7%	11.3%
Dec-16	5.0%	6.5%	1.4%
Dec-17	32.9%	55.7%	58.5%
Dec-18	2.6%	-12.6%	-26.1%
Dec-19	11.8%	0.6%	-7.3%
Dec-20	16.1%	25.6%	26.5%
Dec-21	26.4%	48.2%	63.3%
Dec-22	4.9%	3.9%	-2.6%
CAGR	14.1%	19.9%	19.0%

- Different market cap biased index outperform at different point in time
- Diversification approach helps to overcome challenge to predict index specific outcomes

- Lowest relative returns amongst the three indices
- Highest relative returns amongst the three indices
- Not outperforming or underperforming amongst the three indices

How to address diversification?

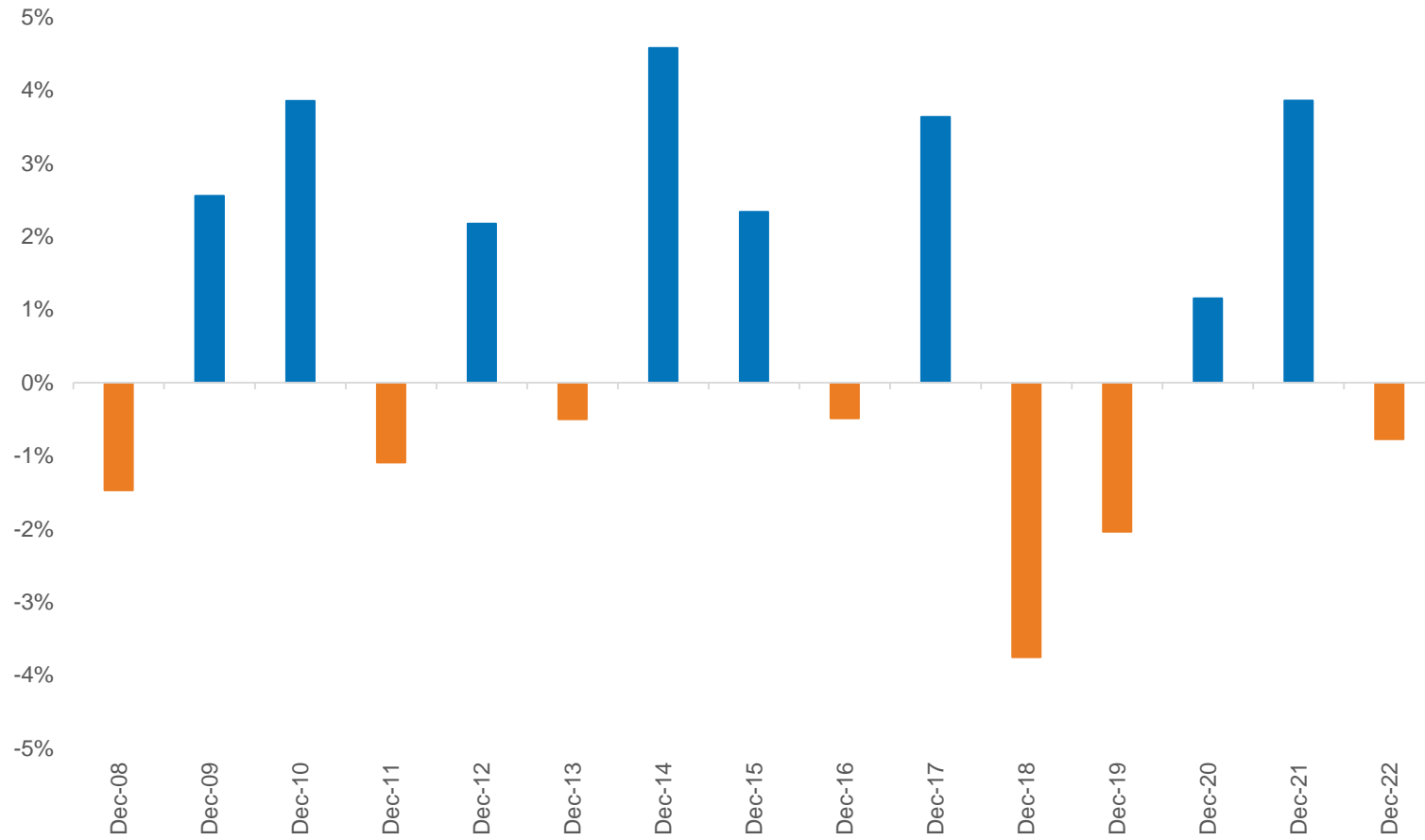
Is BSE 500 answer to diversification?



- Even highly diversified index like BSE 500 is highly skewed towards large cap.
- Multi Cap category mandates minimum 25% allocation each in Large, mid and small cap.
- Multi Cap offers balanced product with optimum blend of different market cap serving objective of returns and diversification.

Managing Volatility

Nifty 500 (50:25:25)TRI out/ underperformance to Nifty 500 Index

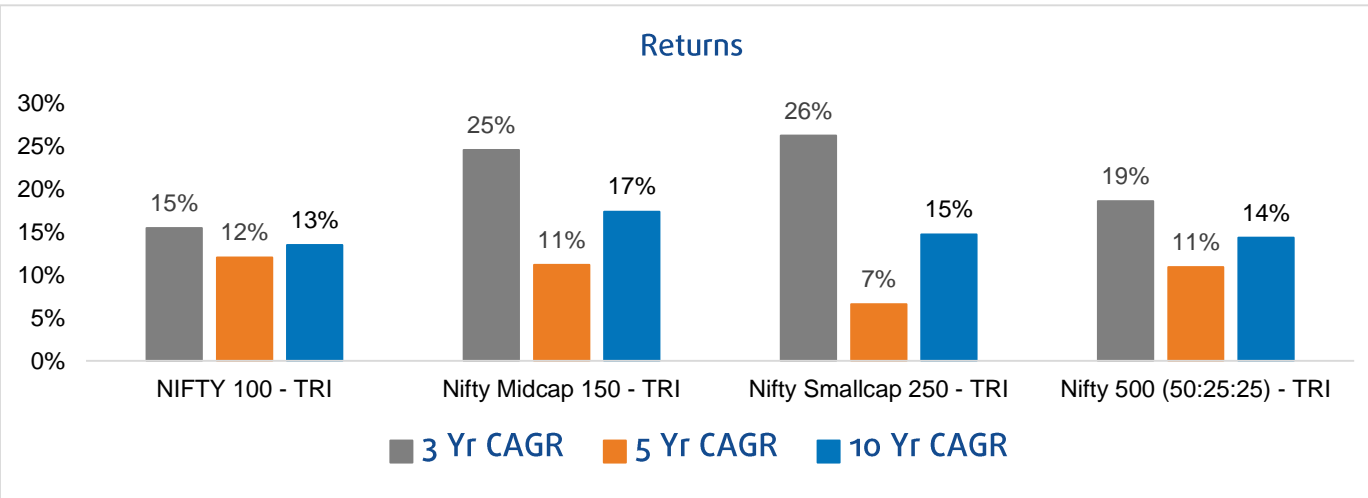


Duration: 2008 – 2022

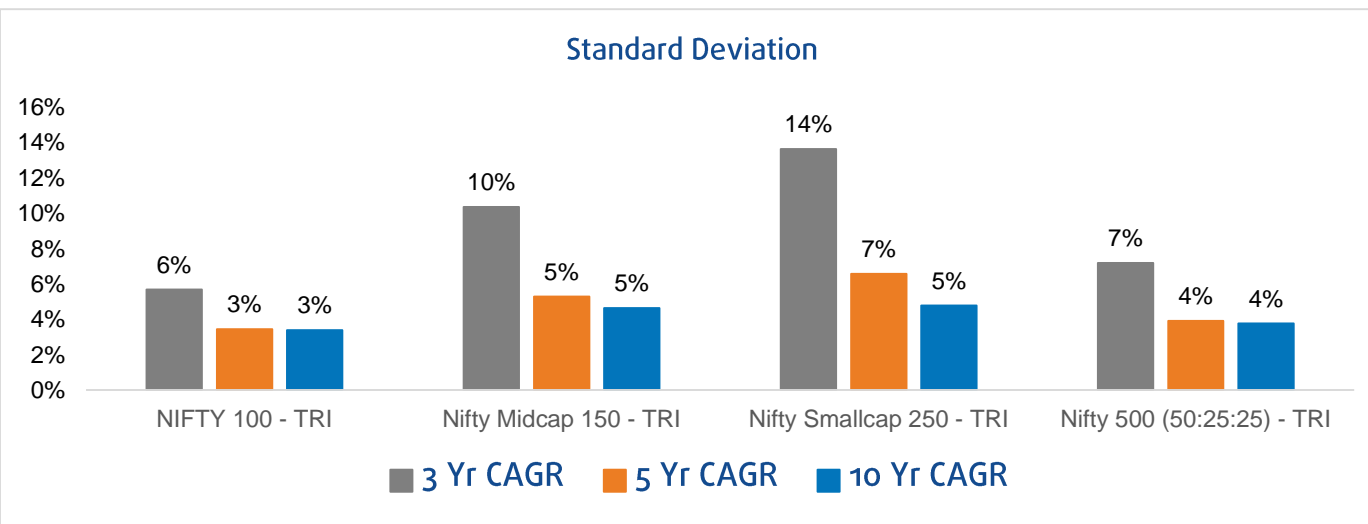
15 years CAGR Out/under performance over benchmark	0.8%
Peak Out performance	4.6%
Peak Under performance	-3.8%
Out performance count	8
Under performance count	7

- Nifty 500 (50:25:25) TRI has outperformed underlying Nifty 500 TRI over long period data
- Diversification aids to reduce the drawdowns intensity

Better Returns with relatively lower volatility



Multi Cap category aims to optimize returns potential of mid and small cap while minimizing volatility through exposure to large cap.

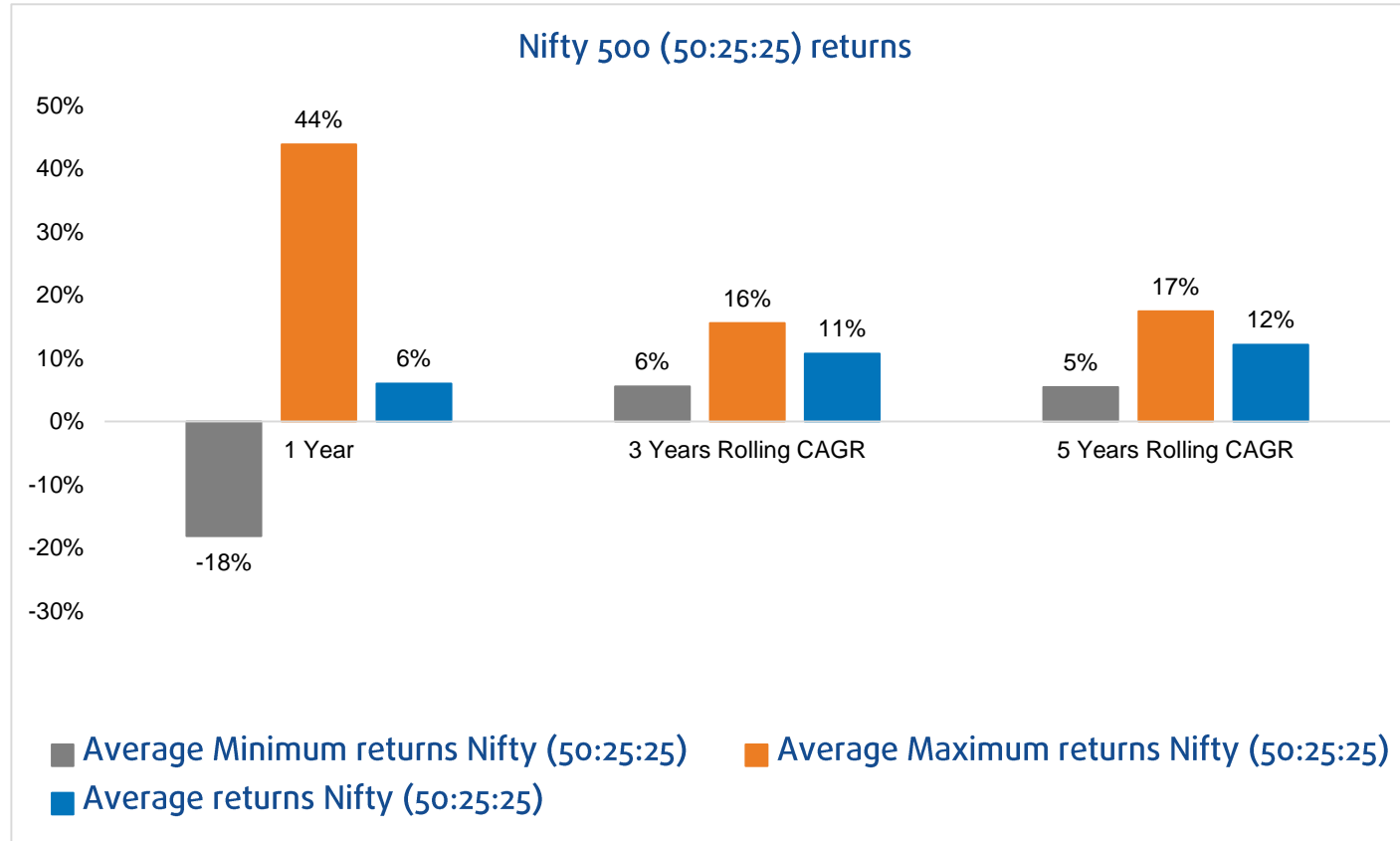


As the investment duration increases the volatility keeps coming down.

Is now the right time to invest?

Why Now?

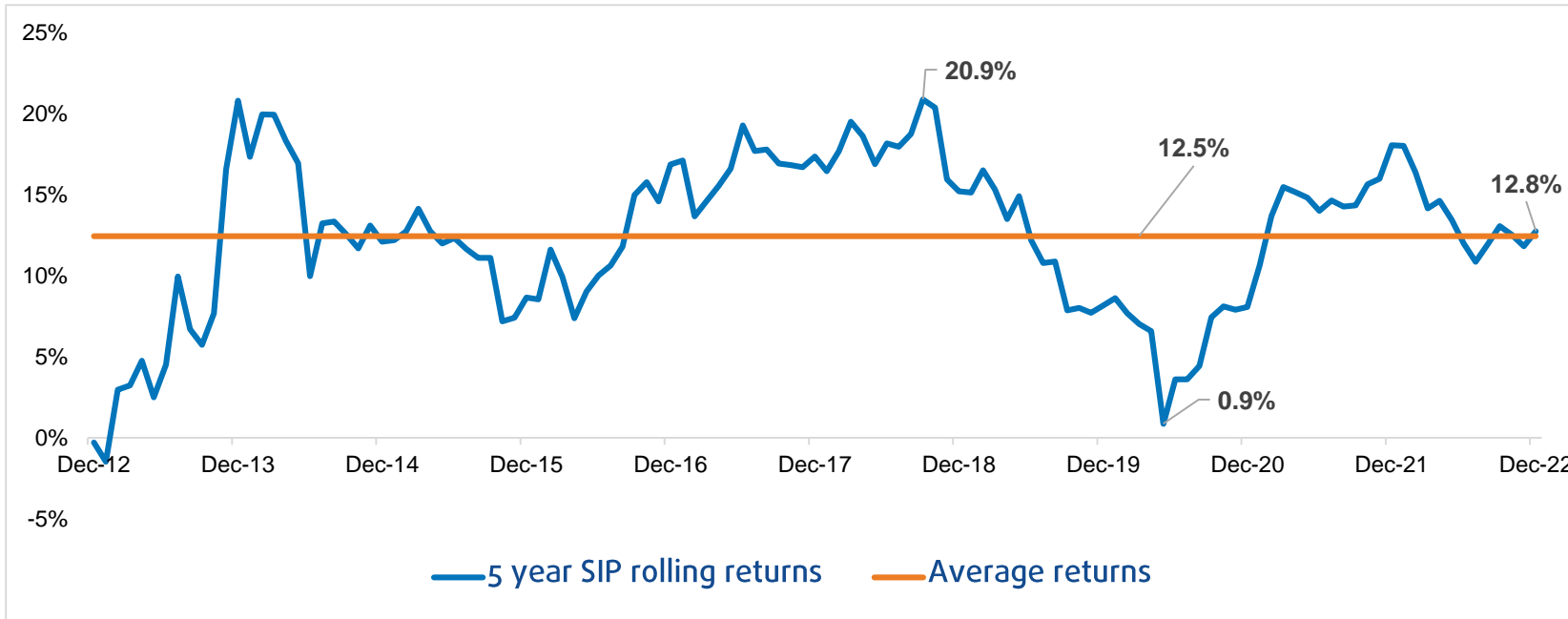
If lumpsum investments were made at peak of every year between 2012 - 2022



- The average rolling returns generated on 3 years and 5 years CAGR basis have been attractive all along.
- Drawdowns negative in near term but long term positive.

Why Now?

Nifty 500 (50:25:25) 5 years SIP investment between 2007 - 2022



■ Maximum returns: 20.9%

■ Minimum returns: -1.5%

■ Average returns: 12.5%

- The average rolling returns for 5 years SIP has helped generate superior returns and navigate volatility.
- Entire tenure has witnessed only two sharp drawdowns with near zero returns for a brief period of time.

Why invest in Bank of India Multi Cap Fund?

Fund Features



Invests in high conviction ideas with blend of top-down and bottom-up approach (*Bottom up - High conviction ideas, Top-down - Overlay of economic cycle and market cycle*)



Sector agnostic
(*Wide representation of ideas across sector*)

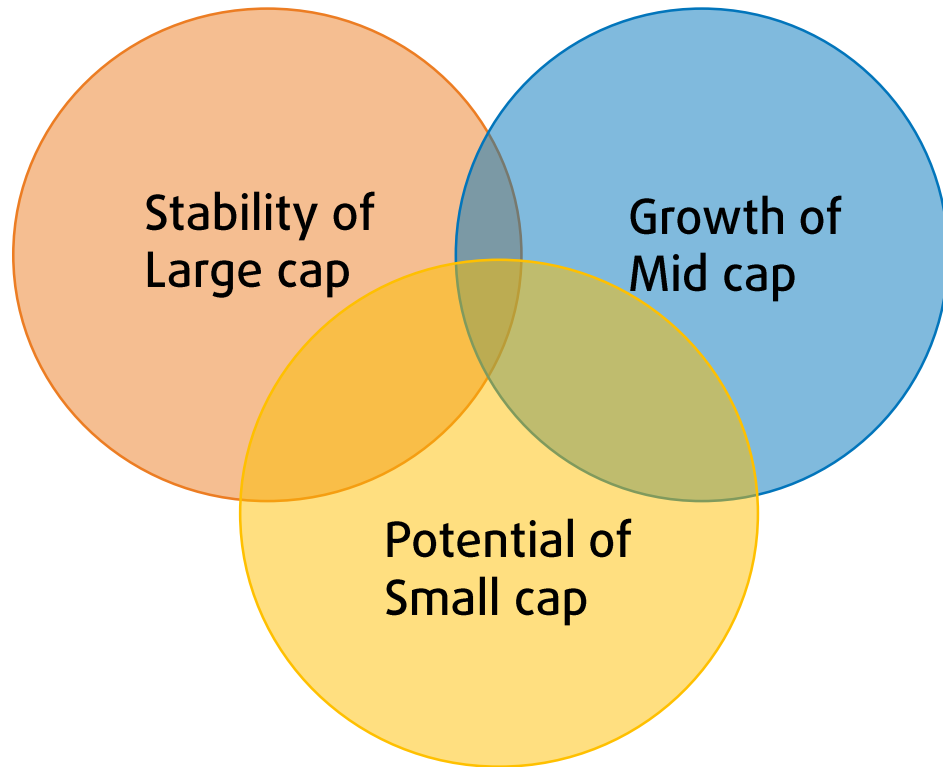


Style agnostic
(*Optimum blend of ideas from structural and cyclical business*)



Stay invested to capture the lifecycle of the company
(*Flexibility to stay invested throughout the journey, from small cap to large cap*)

Best of 3 market capitalization



Large cap: (1st -100th by market capitalization)
Business in mature phase, stable ROE & cash flow

Mid cap: (101st -250th by market capitalization)
Business in growth phase, improving return ratio

Small cap: (251st onwards by market capitalization)
Niche business with potential large opportunities, scalable business model

Advantages

- ✓ Best of 3: Large cap, Mid cap, Small cap
- ✓ Investing minimum 25% each in large cap, mid cap & small cap
- ✓ Portfolio creation through blend of top-down and bottom up approach
- ✓ Leverage on structural and cyclical opportunities
- ✓ Ability to navigate different market cycles/conditions
- ✓ Relatively better risk adjusted returns compared to single cap biased funds

Asset Allocation Framework

Allocation Limits[#]

*Equity 75% to 100%
Large cap 25% to 50%,
Midcap 25% to 50%,
Small cap 25% to 50%

Debt & Money Market 0% to 25%
REITs & INVITs 0% to 10%

Sector under/overweight
position limited to maximum
10% overweight to benchmark

Stock under/overweight position
limited to maximum 5%
overweight to benchmark

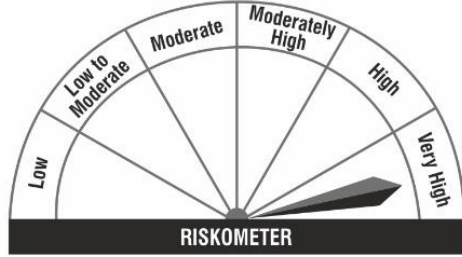
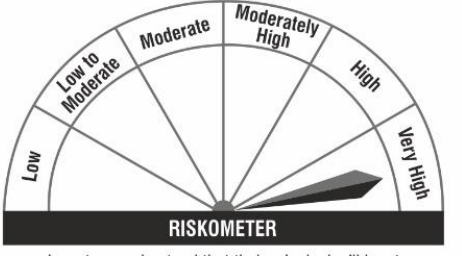
Bank of India Multi Cap Fund

Investment Objective:

The investment objective of the scheme is to generate long term capital appreciation by investing in equity and equity-related securities across various market capitalisation. However, there can be no assurance that the investment objectives of the Scheme will be realized.

Type	An open ended equity scheme investing across large cap, mid cap, small cap stocks
Benchmark	S&P BSE 500 Total Return Index
Fund Manager	Mr. Nitin Gosar
Plan & Options	Direct & Regular Plan Growth Option, IDCW Option (Reinvestment of IDCW & payout of IDCW facility)
Exit Load	<ul style="list-style-type: none">• For redemption/switch out upto 10% of the initial units allotted -within 1 year from the date of allotment: "NIL"• Any redemption/switch out - in excess of the above mentioned limit would be subject to an exit load of 1%, if the units are redeemed/switched out within 1 year from the date of allotment of units.• If the units are redeemed/switched out after 1 year from the date of allotment of units : "Nil"

Risk-o-meter

<p>Bank of India Multi Cap Fund (An open ended equity scheme investing across large cap, mid cap, small cap stocks)</p>	<p>Scheme Riskometer#</p>	<p>First Tier Benchmark Riskometer :- S&P BSE 500 Total Return Index</p>
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • Long term capital appreciation • Investments in equity and equity related instruments across large cap, mid cap, small cap stocks 	 <p>Investors understand that their principal will be at very high risk.</p>	 <p>Benchmark riskometer is at very high risk.</p>

*Investors should consult their financial advisor if they are not clear about the suitability of the product.

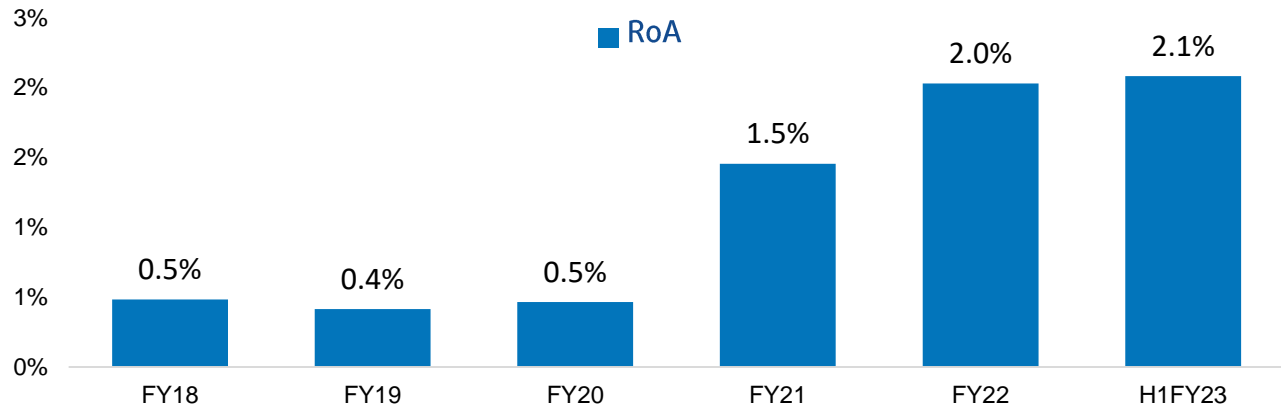
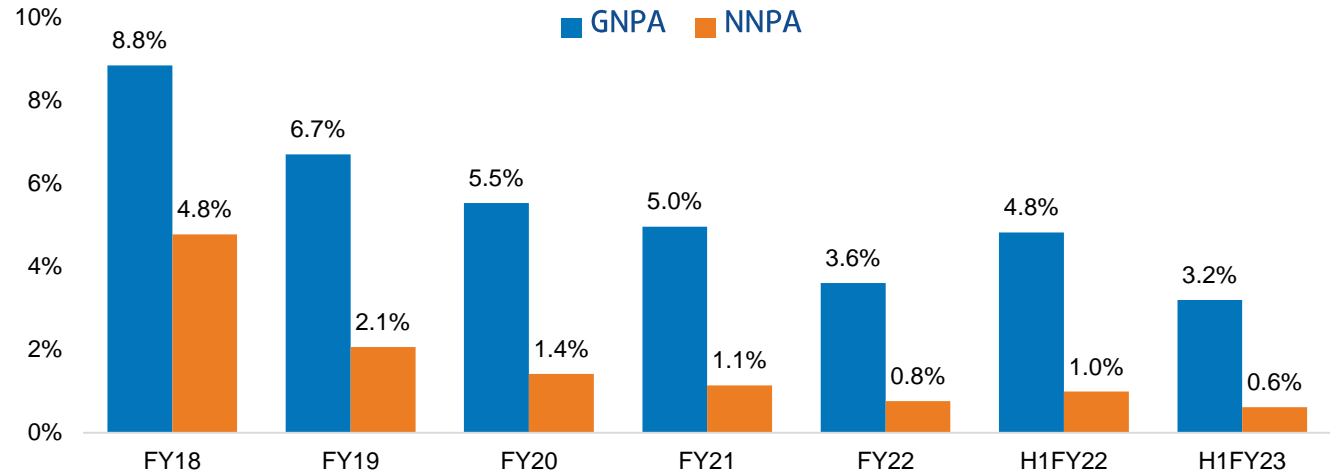
#It may be noted that the scheme risk-o-meter specified above is based on the internal assessment of scheme characteristics and may vary post NFO, when the actual investments are made. The same shall be updated in accordance with the provisions of SEBI circular dated October 5, 2020 on Product labeling in mutual fund schemes on ongoing basis.

SEBI Categorization

1. Large Cap: 1st -100th company in terms of full market capitalization.
2. Mid Cap: 101st -250th company in terms of full market capitalization.
3. Small Cap: 251st company onwards in terms of full market capitalization.

Case Study

Case 1



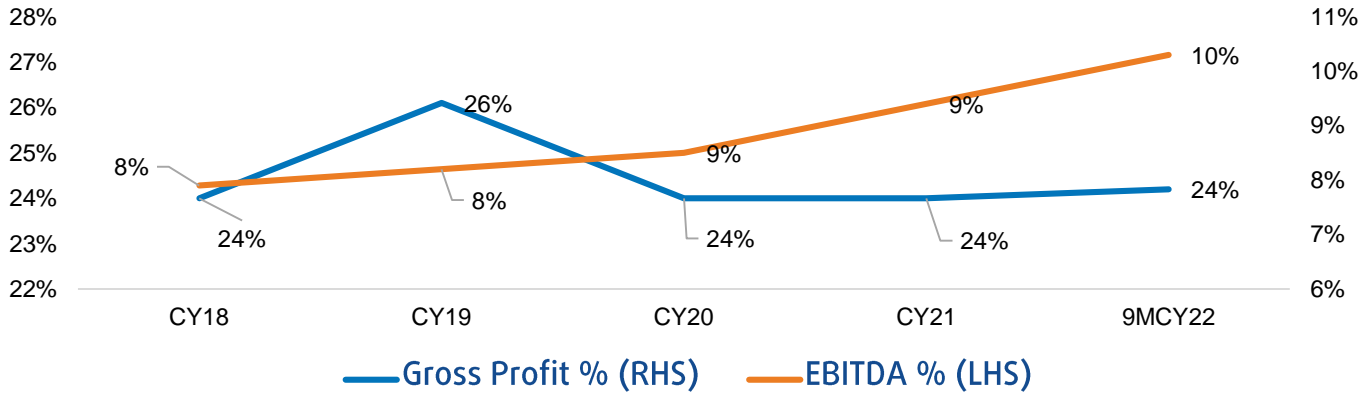
Large Cap - Banks

- One of the largest private bank. Strong retail franchise.
- Challenges of NPA dealt firmly with adequate provision coverage ratio.
- Strong liability franchise couple with improving yields led by retail book resulted in high NIMs.
- Cost controls, superior loan growth boosting operating leverage and RoA expansion.

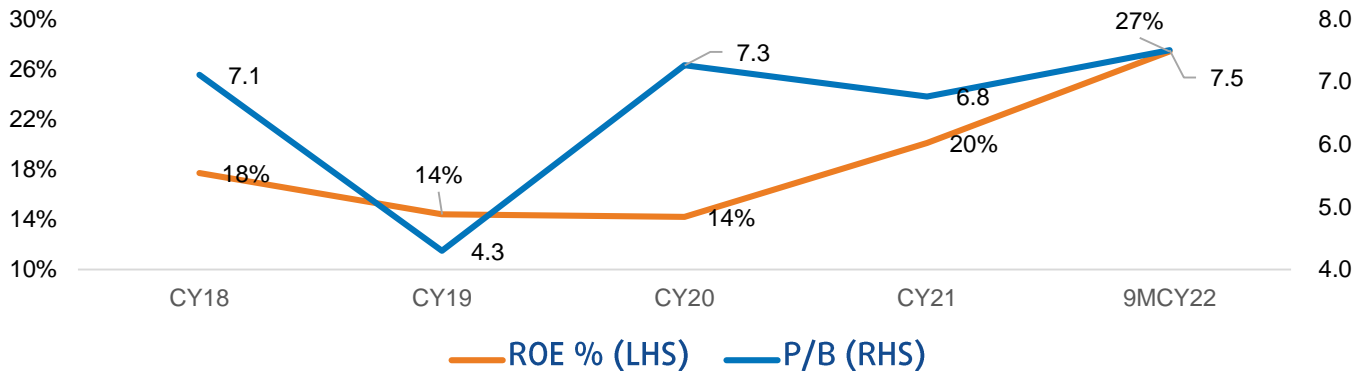
GNPA: Gross non-performing asset | NNPA: Net non-performing asset | ROA: Return on assets | NIM: Net Interest Margin

Case 2

Cost optimisation driving operating leverage



Re-rating driven by ROE improvement

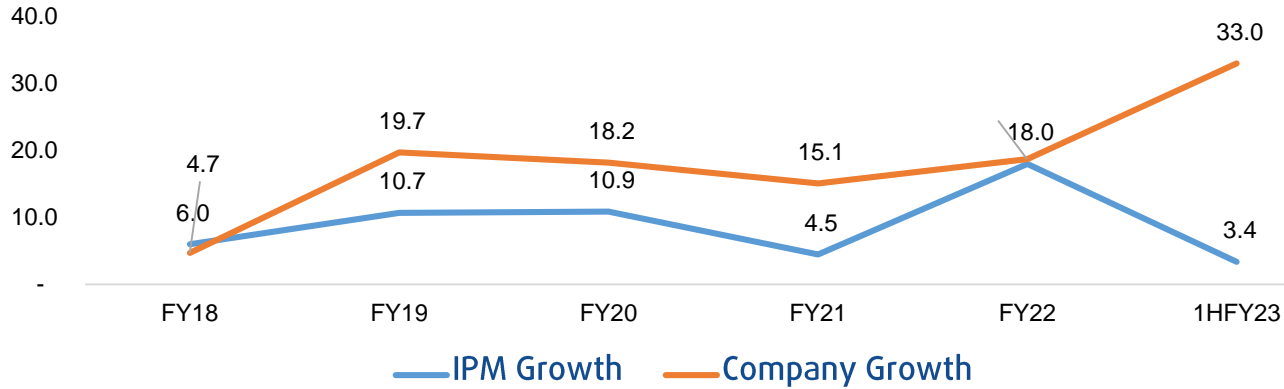


Mid Cap - Auto & auto ancillary

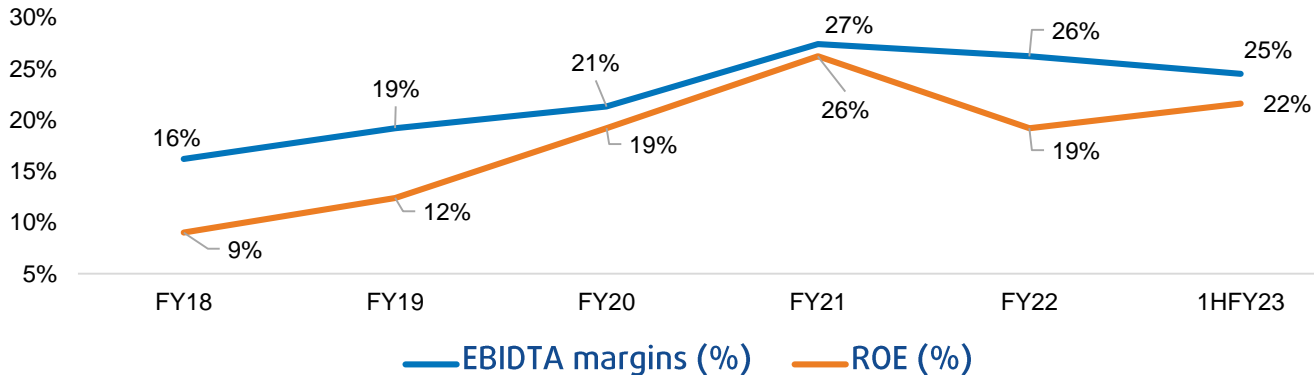
- One of the largest auto OEM, well positioned in domestic 2 wheeler market with market share close to 16%.
- Continuous deployment of capital in enhancing technological capabilities and new launches.
- Lack of new launches, technology intensive and high fixed cost nature of operations impacted earnings in early phase of business cycle
- Scale up in operations, gaining market share, operating leverage and cost cutting strategy led improvement in returns ratios and re-rating.

Case 3

Growth outperforming industry rate



Operating leverage, ROE improvement



Small Cap - Pharma

- Niche domestic pharmaceutical company
- Professional team inducted. Growth ahead of industry led by organic and inorganic route.
- Continuous increase in market share led by new products, expansion in coverage and prescriber base.
- Scope for operating leverage, high cash flow, continuous redeployment of capital, improving return on capital.

Who should Invest?



Suitable to invest in opportunities available across market cap (large, mid and small)



Suitable for new investors, investor looking for single product solution for equity investment



Optimising returns while minimising volatility



Investment horizon 5 years and above

Portfolio Construction

Defined allocation to large cap, mid cap & small cap

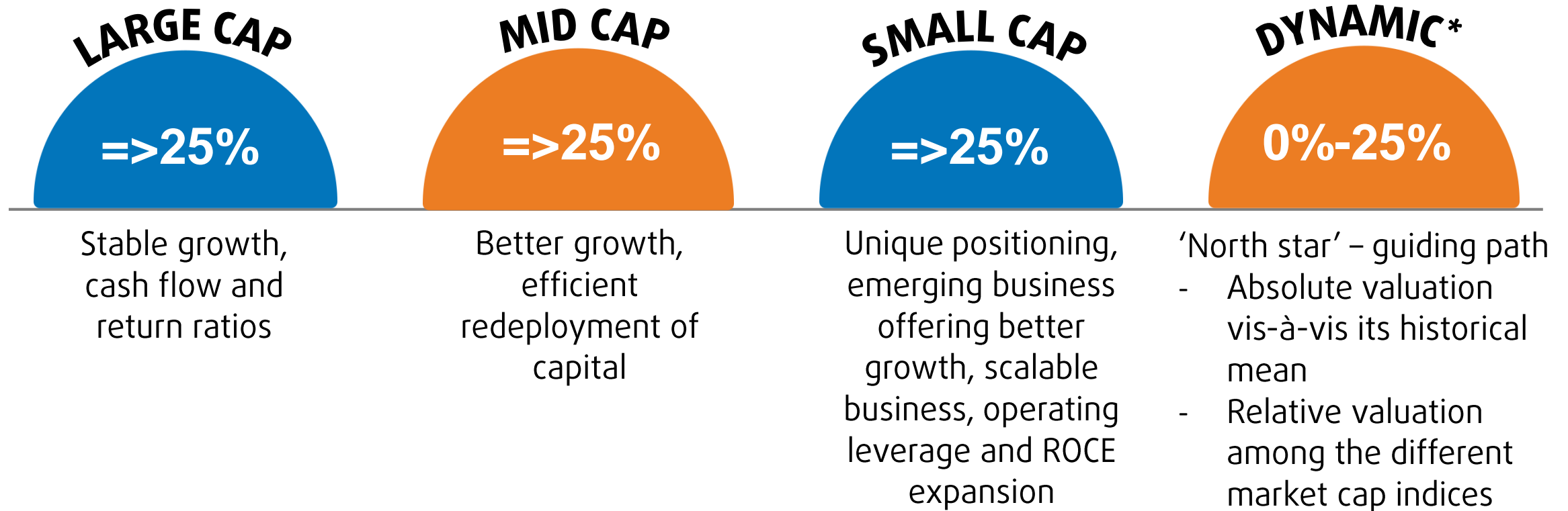
Blend of bottom-up and top-down

High conviction ideas across market cap

Sector agnostic

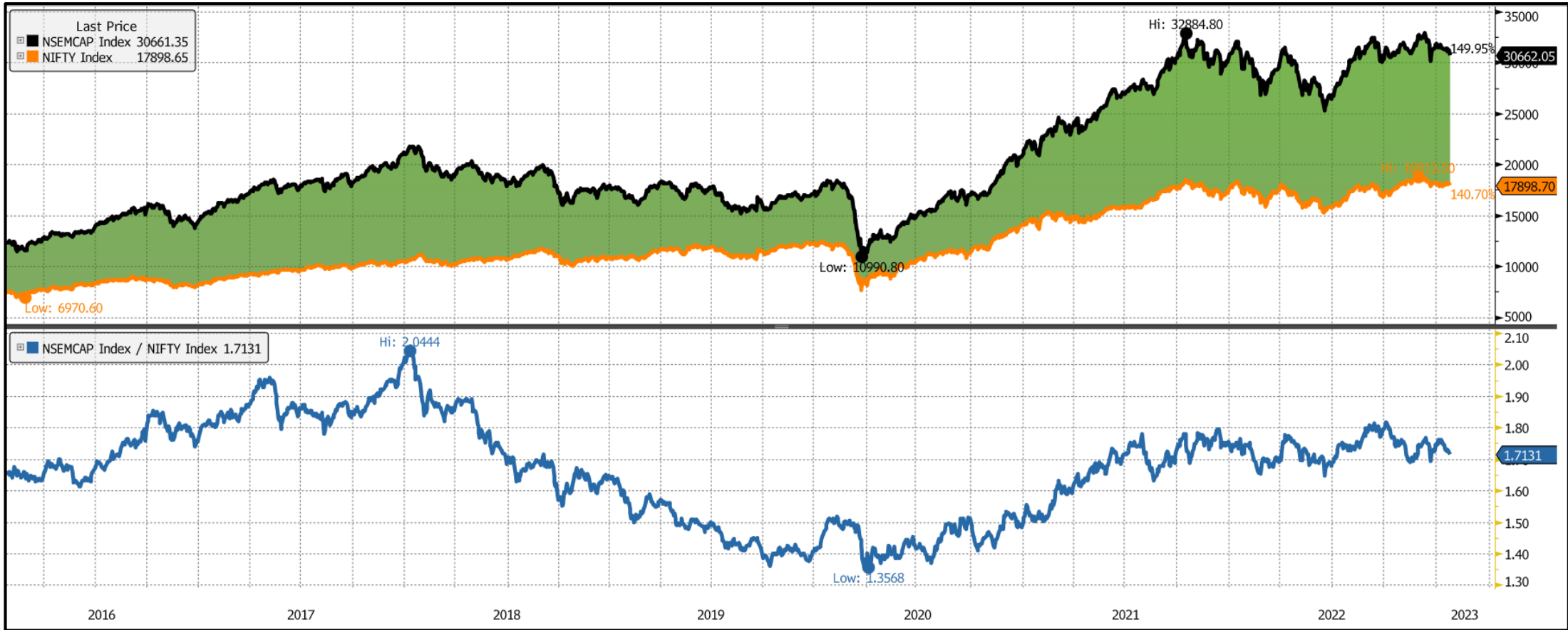
Style agnostic – optimum blend of Structural and Cyclical business

Multi Cap Allocation Strategy



'North star' – guiding path

- Absolute valuation vis-à-vis its historical mean
- Relative valuation among the different market cap indices



Investment Approach

Our Investment Philosophy

Progress is cumulative in science and engineering, but cyclical in finance.*

Thoroughly guarded investment process and framework may help generate better returns over long term and avoid big drawdowns.

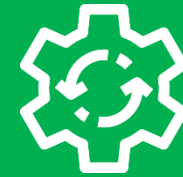
The three pillars of our Investment approach



Robust



Review



Repetitive

Defining Investment universe

Investment Universe: Upwards of INR 750 cr market cap : ~1100 companies
(Periodic review – growth, capital efficiency, cash flows, leverage, dilution)

Fund house universe: 224 companies
(Research framework, Top down and bottom up approach)

Portfolio construction: 30-60 companies
(high conviction ideas, scheme mandate, risk framework)

Our Assessment Framework



Business assessments

- Business life cycle
- Competitive advantage
- Reinvestment opportunities



Management assessments

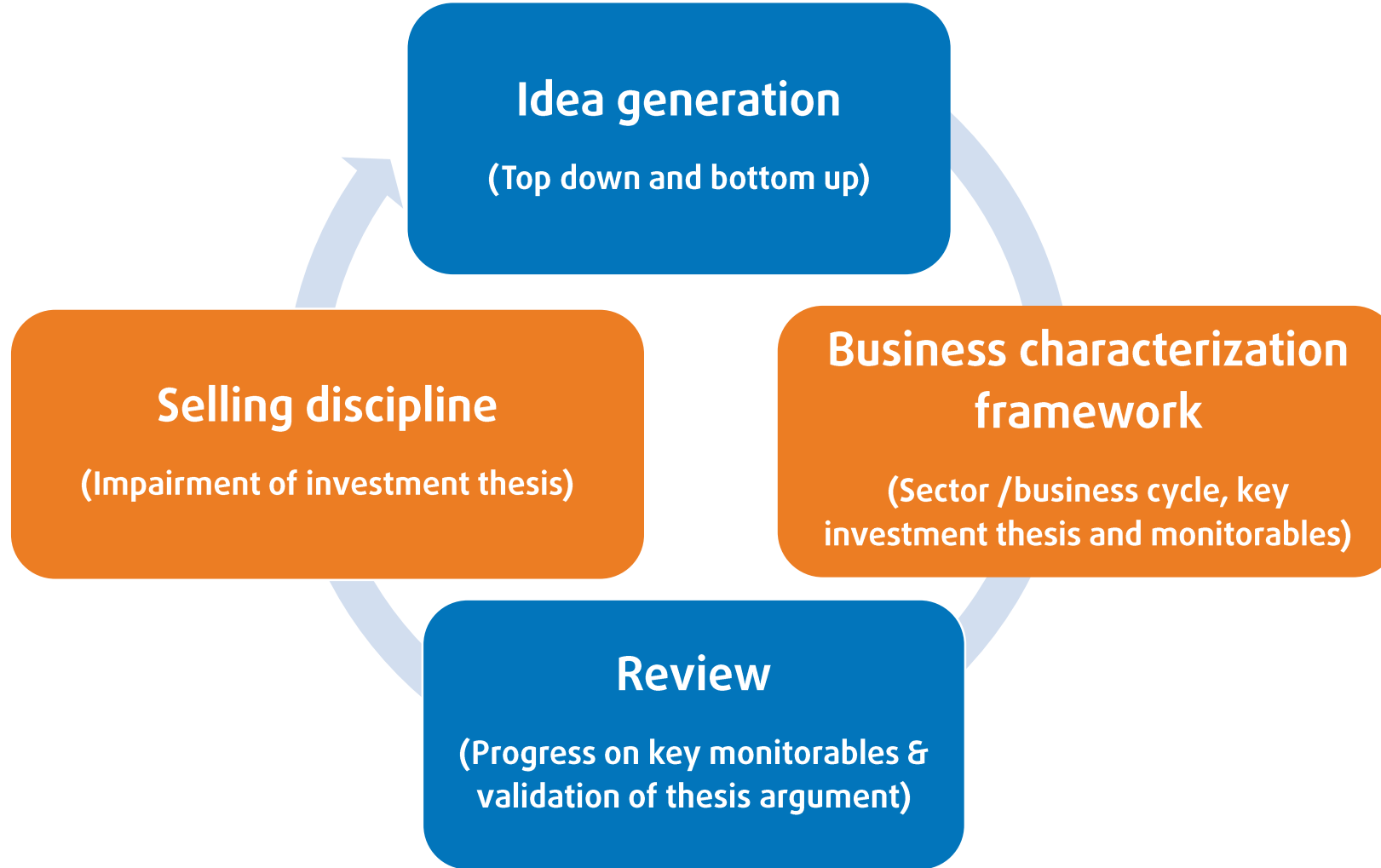
- Fortify competitive advantage, growth
- Execution
- Disclosures, related party transaction, integrity towards stakeholders



Financial assessments

- Earnings quality, longevity of growth
- Capital intensity, cash flow generation capability
- Capital allocation and capital efficiency

Fund House Investment Universe: Evaluation Process



Idea Generation

High frequency data – economy data, sector data

Financials screeners and quant model

3 input streams: In-house research, external research and channel checks

Review investment universe – (Growth, capital efficiency, valuation)

Business Attributes Evaluation Framework*

The framework helps us to monitor companies on the basis of core strength and business cycle:
Overlay Growth gradient, Cash flow generation and Capital intensity.

Compounders

Challengers

Emerging Companies

Cyclicals

Turnaround

Intrinsic Value

Business Attributes Evaluation Framework

	Compounders	Challengers	Emerging companies	Turnaround	Cyclicals	Intrinsic value
Attributes	Quality, Stable growth	Quality, High growth	Disruptor, early adopter	Poorly managed. Scope to improve	Outcomes aligned to industry cycle	Value unlocking
Business cycle	Mature	Growing/mature	Early stage/inflection	Growth revival	Demand-supply mismatch	Mature/Decline
Advantage	Proven moats, Limited competition	Right to win	Evolving	Cost,leverage rectification	Cost leadership	Asset value > Market cap
Growth	Similar to Industry growth, GDP	Ahead of industry, GDP	Non linear	Faster than operating cost	Industry tailwind	Low growth
Earnings quality	Stable margins	Stable margins/operating leverage	Scalability, operating leverage	Operating, financial leverage	Operating leverage	Low growth
Return ratio	Industry benchmark	Stable/Improving	Volatile/Improving	ROE switch	Oscillates during business cycle	Lower than cost of capital
Cash flows	High/Stable	Growing	Volatile	Improving	Leverage to deleverage	Higher than earnings growth
Reinvestment	Limited/High dividend payouts	Opportunity/Low dividend payout	Aggressive	Leverage constrain/dilution	Lumpy	Low/Nil

Review

Validation of investment thesis through channel checks, competition/customer feedback

Comprehensive financial review

Investment universe review

Investment committee

Independent Auditors

Risk Assessments During Portfolio Construction

Benchmark ideas – overweight and underweight discipline

Optimum mix of benchmark names and alpha ideas

Asset allocation – adherence to SID limits*

Sector allocation – overweight and underweight discipline

Concentration – adherence to SID limits*

*Subject to Regulations, and keeping in view market conditions, market opportunities and political and economic factors, the asset allocation pattern may change from time to time. The Fund Manager may alter the asset allocation for a short term period on defensive considerations as per SEBI Circular No. SEBI/HO/IMD/DF2/CIR/ P/2021/024 dated March 4, 2021.

Selling Discipline

Impairment of investment thesis

Deterioration in corporate governance standards

New ideas superior to replace the existing ideas

Valuation re-rating materially ahead of intrinsic value resulting in unfavorable risk-reward

Disclaimer

This presentation is for information purpose only and is not intended to be any investment advice. Please make independent research/ obtain professional help before taking any decision of investment. Bank of India Investment Managers Private Limited (formerly BOI Star Investment Managers Private Limited) (formerly BOI AXA Investment Managers Private Limited) (AMC) makes no representation as to the quality, liquidity or market perception of any securities/ issuer/ borrower, if described in the report above, nor does it provide any guarantee whatsoever. Information and material used in this report are believed to be from reliable sources. However, AMC does not warrant the accuracy, reasonableness and/or completeness of any information. AMC does not undertake to update any information or material in this presentation. Decisions taken by you based on the information provided in this report are to your own account and risk. AMC and any of its officers, directors and employees shall not be liable for any loss or damage of any nature, as also any loss or profit in any way arising from the use of this material in any manner. This presentation, or any part of it, should not be duplicated, or contents altered/ modified, in whole or in part in any form and or re-distributed without AMC's prior written consent.

