

Bank on the
Growth Accelerator

ITI Banking and Financial Services Fund

(An Open Ended Equity Scheme Investing In Banking and Financial Services)

NFO period : 15th November 2021 - 29th November 2021

GDP

NBFCs

Banks

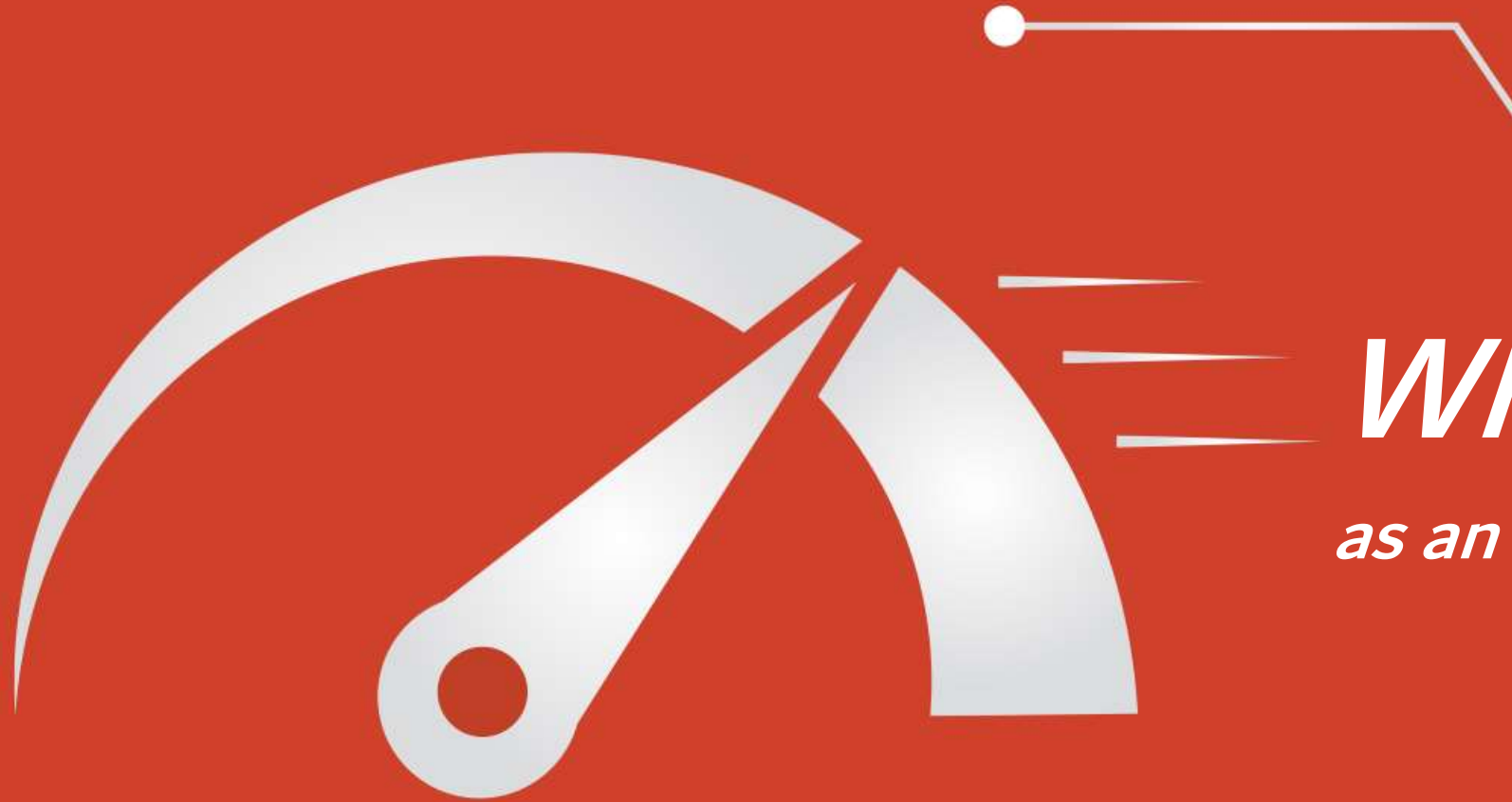
Insurance

TOTAL 14852.2 km

A 862.2 B 1436.9

8.2 AVG L/100 km

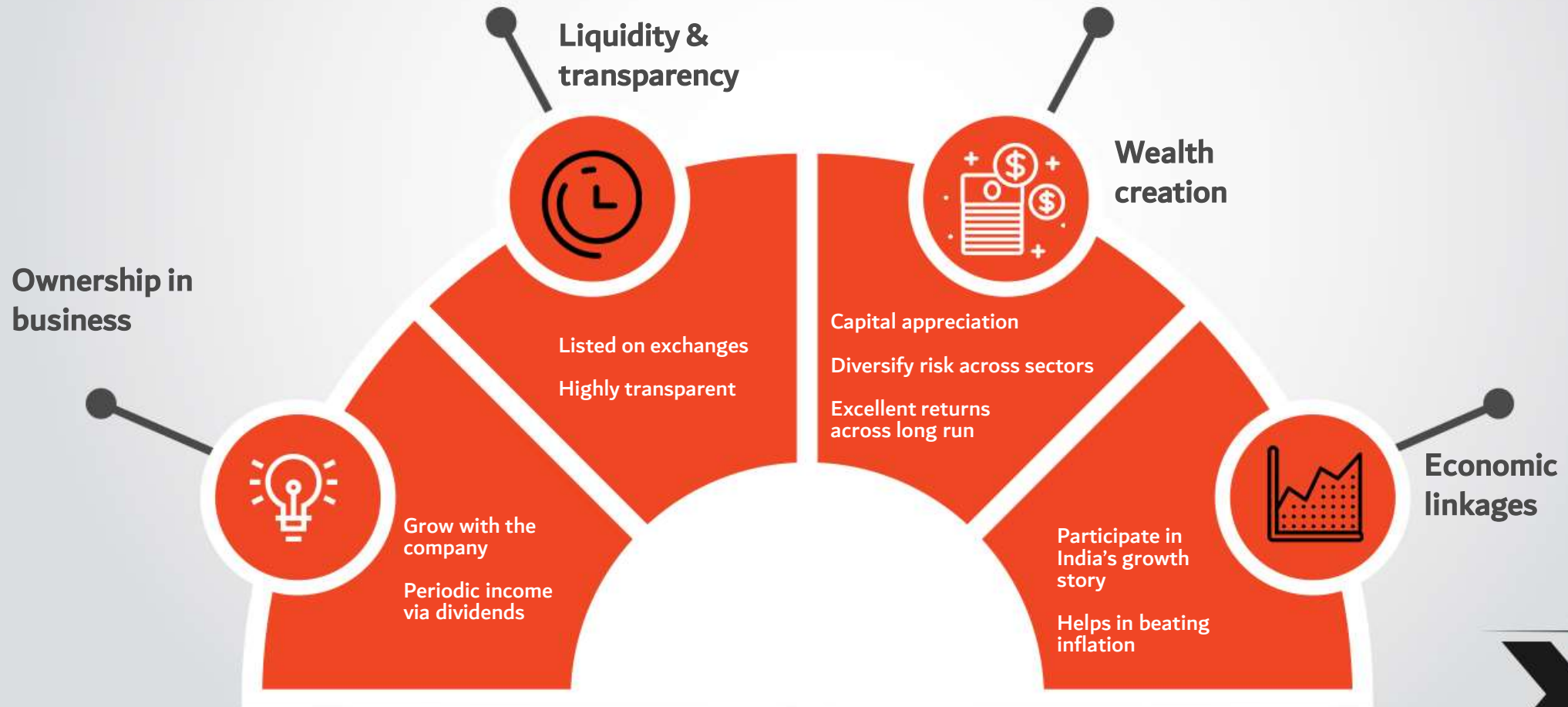
100%



*Why equity
as an asset class?*

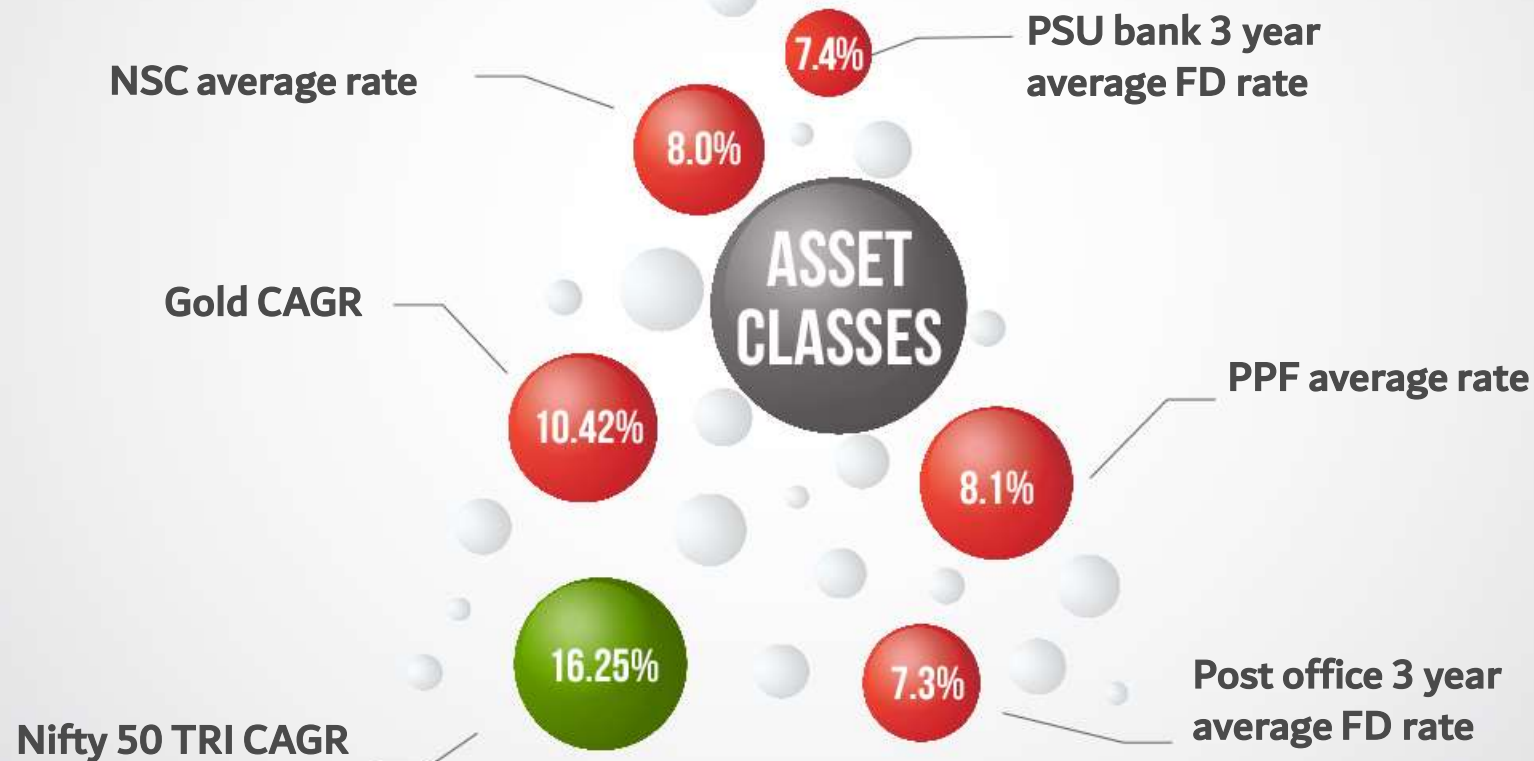


Why equity as an asset class?





A comparison across asset classes

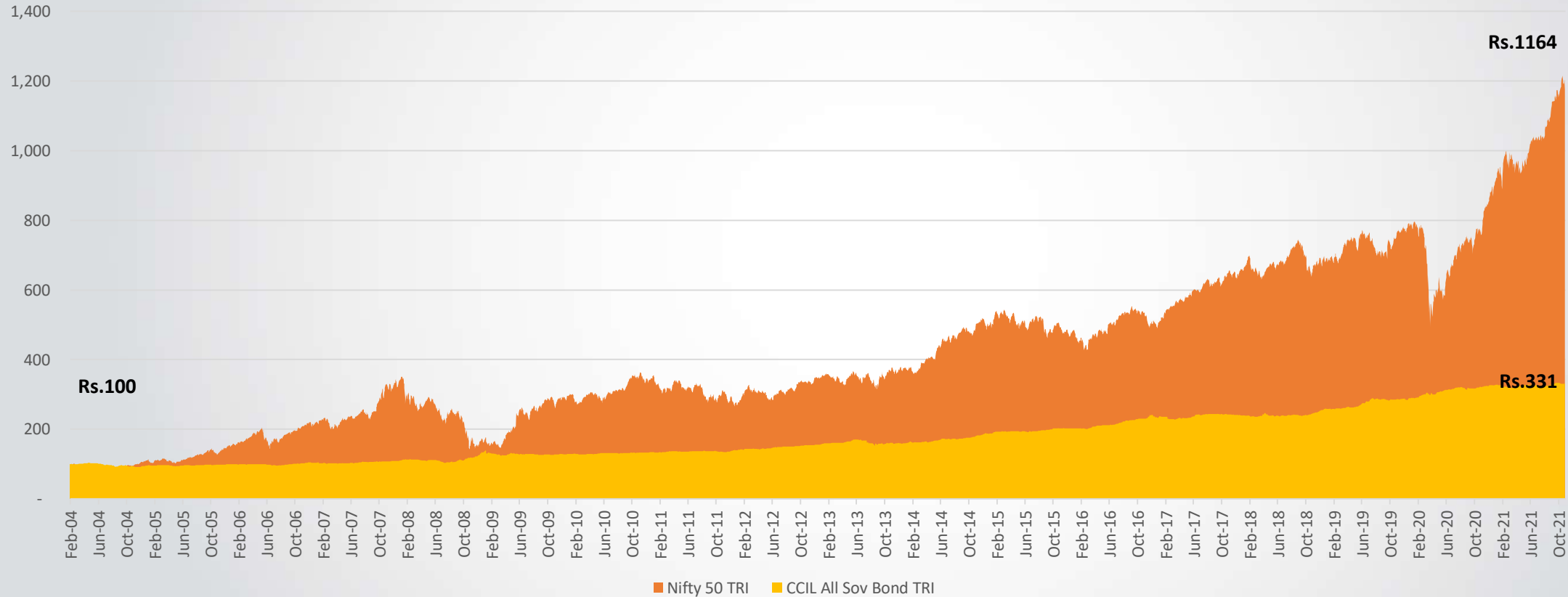


Source- For NSC, PPF and Post Office rates <http://www.nsiindia.gov.in/> PSU bank FD Rates-PSU bank website gold prices are LEMA AM fixed and Nifty data-Bloomberg interest rates taken as simple annual average from 2008 till 2021 and returns are in CAGR for the same period (2008-2021) past performance may or may not be sustainable in future. Investments in mutual funds should not be construed as a guarantee of any minimum returns. There is no capital protection guarantee or assurance of any return. Kindly consult your financial advisor before investing.





Equities have outperformed fixed income over long period of time



Source - Niftyindices.com for Nifty 50 TRI and ccilindia.com for CCIL All Sovereign Bond Index TRI
Data period Apr 2004 to Oct 2021. The graph shows how Rs 100 invested on 1-Jan-2004 in both these indices have grown as on 29-Oct-2021, past performance may or may not be sustainable in future. Investments in mutual funds should not be construed as a guarantee of any minimum returns. There is no capital protection guarantee or assurance of any return. Kindly consult your financial advisor before investing.





Difference between volatility & risk



Volatility

Sharp movement in stock prices in the near term can be caused due to systemic events or sentiments surrounding the country, sector or the company itself.



02



Risk

Potential downside because of deterioration in fundamentals, business environment, management quality and sectoral dynamics resulting in loss of invested capital



Volatility is a friend of a smart investor and gives opportunities to buy at attractive price points. Befriending volatility and reducing the risk of loss of capital is key in Investing.





*Is it the
right time
to invest?*



Current economic scenario





Presenting
***ITI Banking
and Financial
Services Fund***



Indian Banking and Financial Services Sector Overview



New trends and new business models offer attractive investment opportunities in the sector

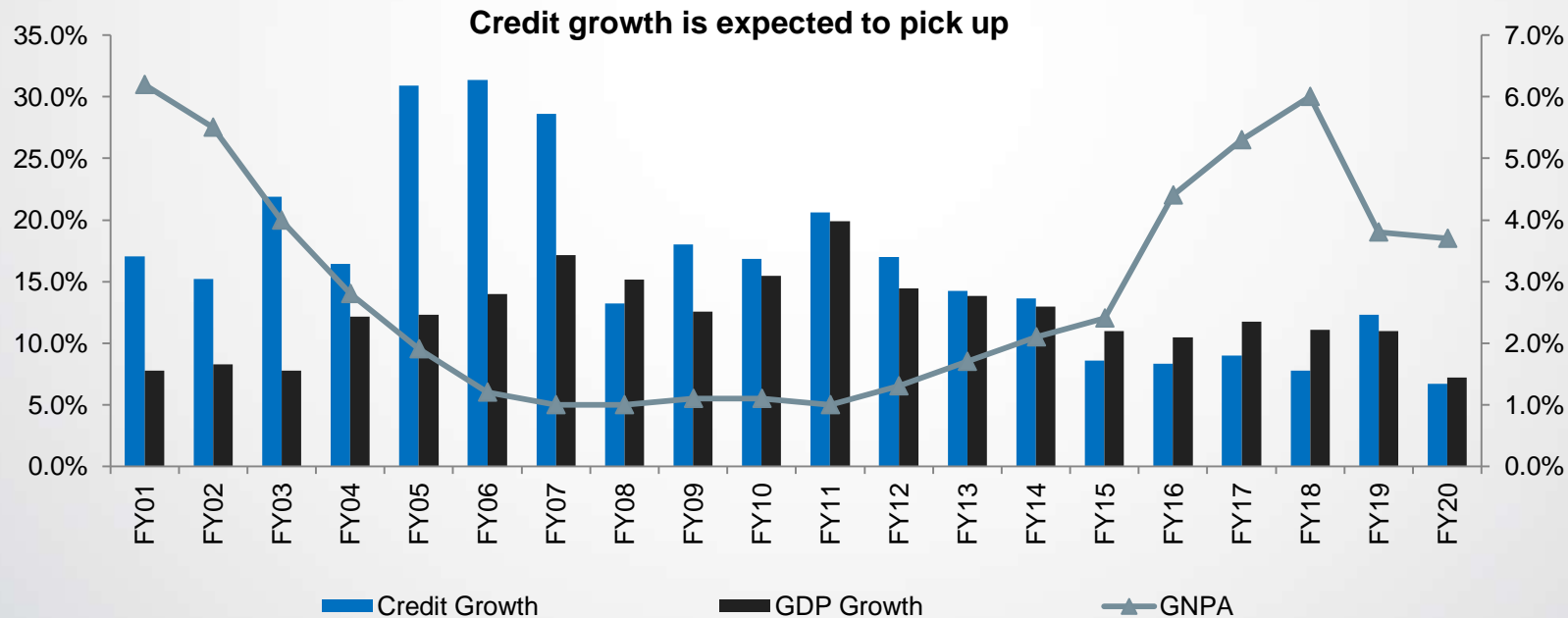




New Opportunities along with the Structural Growth Opportunities



Credit Growth has slowed down significantly to a multi decadal low in FY20 owing to lingering asset stress and Covid led woes. However, NPAs peaked in FY18, banks are well capitalized and corporate sector has deleveraged. This is an ideal backdrop for start of a multi year strong credit growth cycle.

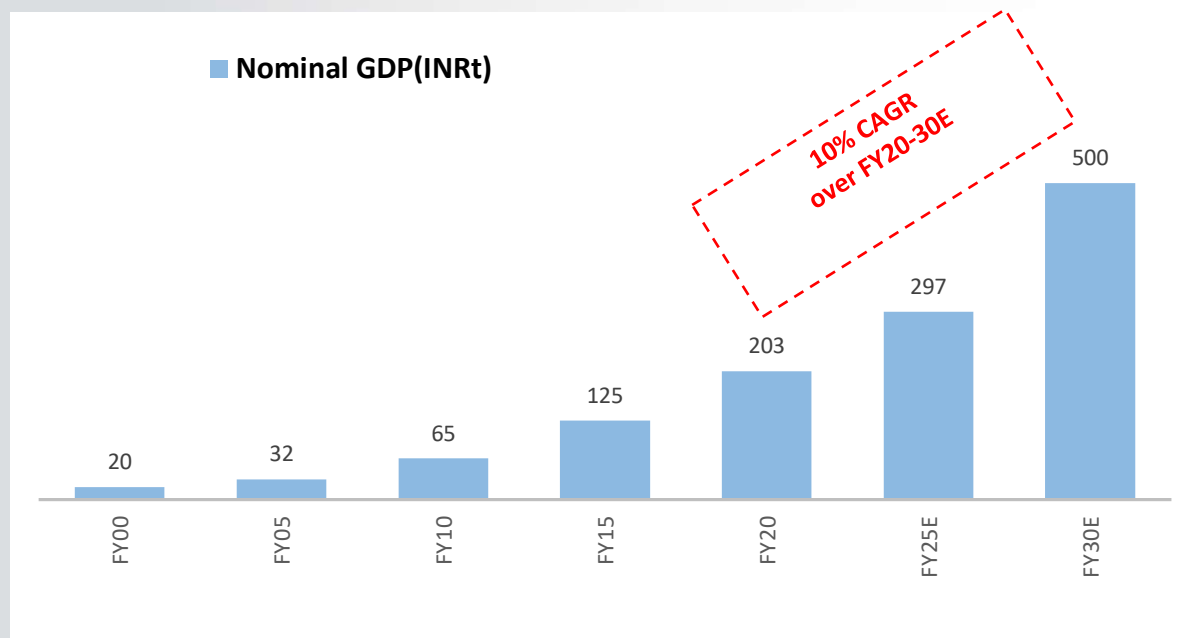




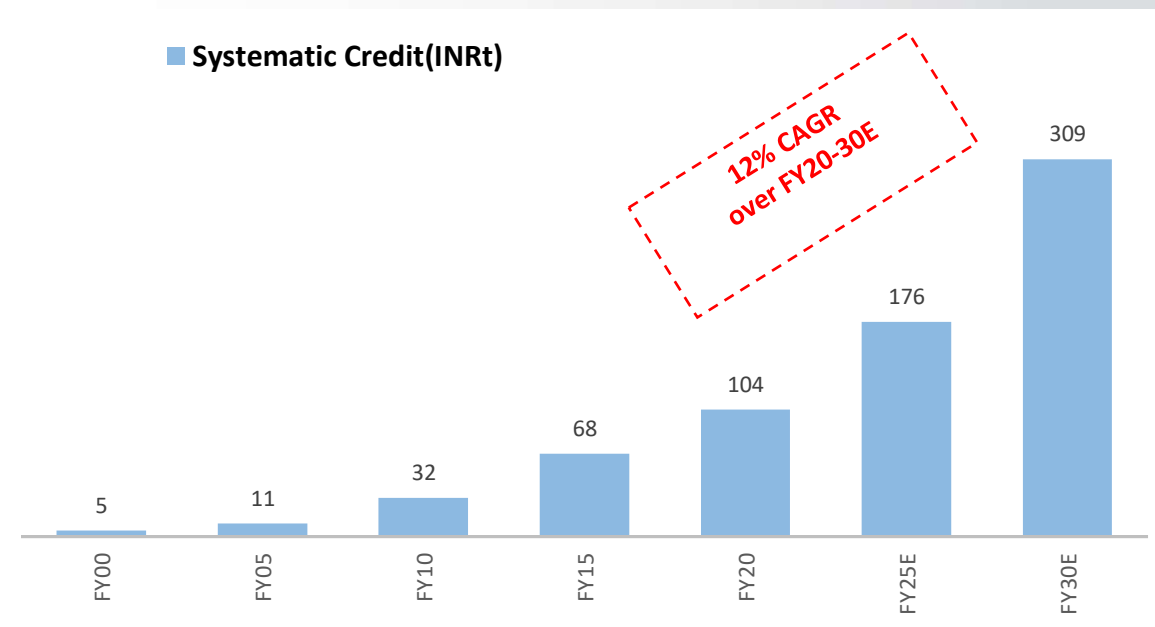
New Opportunities along with the Structural Growth Opportunities



Nominal GDP to grow by ~10% over FY20-30E



Expected Systematic Credit to grow by ~12% over FY20-30E



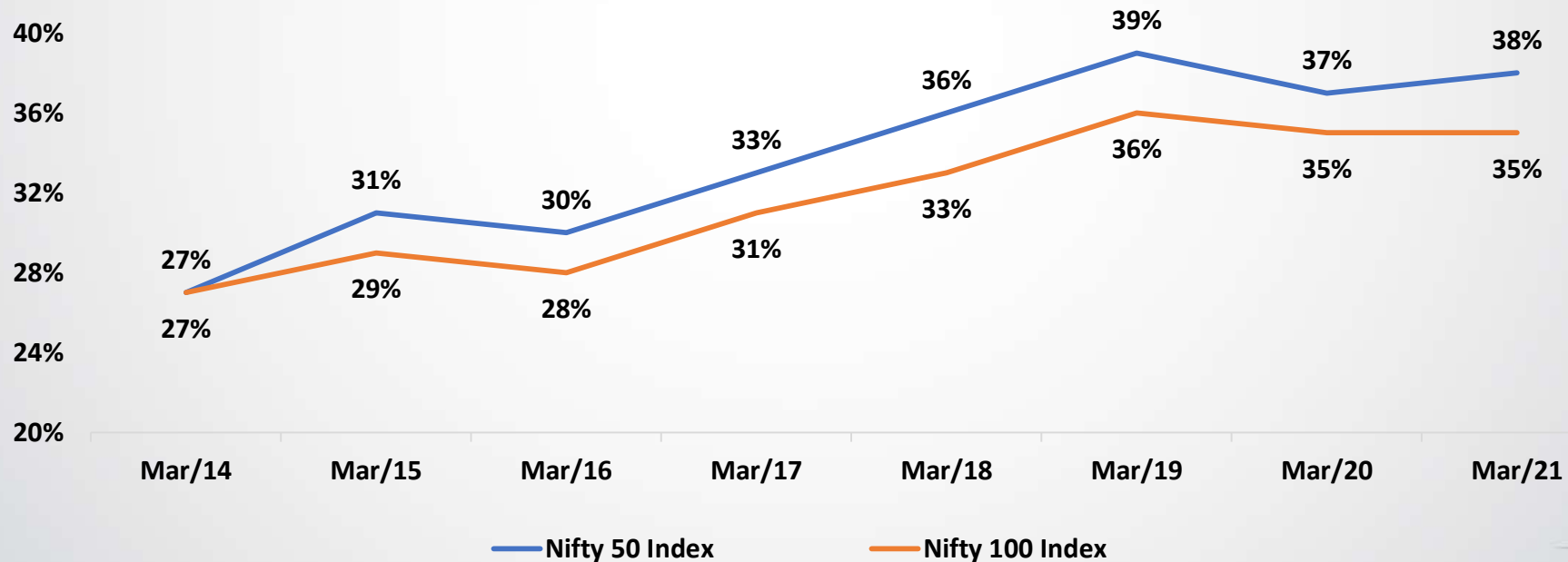


Nifty 50 is skewed towards financials



Financial sector's weight in both NIFTY-50 and NIFTY-100 Indices is increased by ~11% over the last 7 years. During this period, the EPS growth of both the NIFTY BANK and NIFTYFIN Indices was higher than the NIFTY-50 EPS growth.

Y-O-Y Weights of Financials

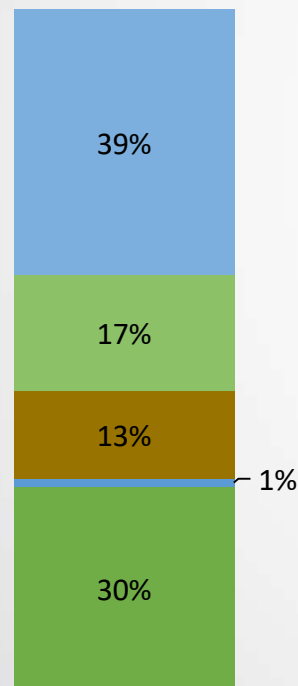




Besides share of Non Lending Entities is on the rise



Total market cap (2012): ~ INR 11000 bn

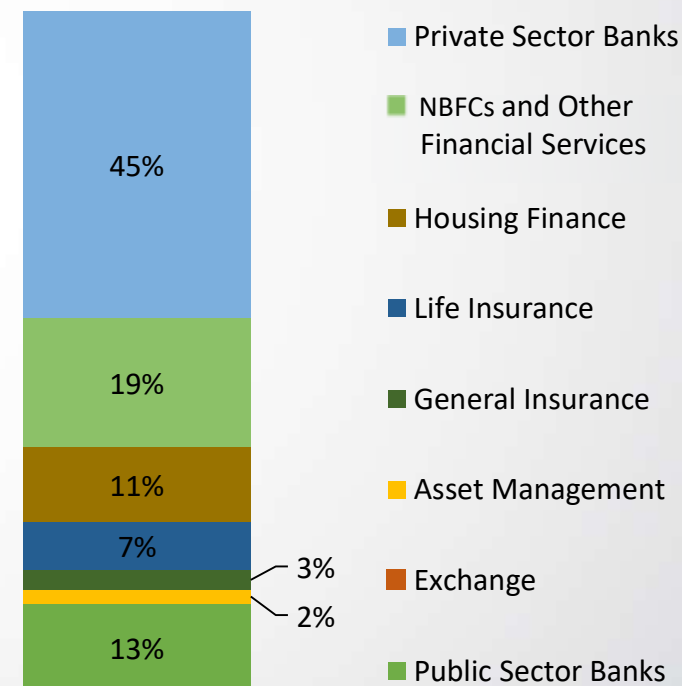


2012

Insurance segment which was <1% of the market in 2012, is now 10% of the market

Public sector banks losing share of the market cap to all other segments.

Total market cap (2021): ~ INR 41000bn



2021

- Private Sector Banks
- NBFCs and Other Financial Services
- Housing Finance
- Life Insurance
- General Insurance
- Asset Management
- Exchange
- Public Sector Banks

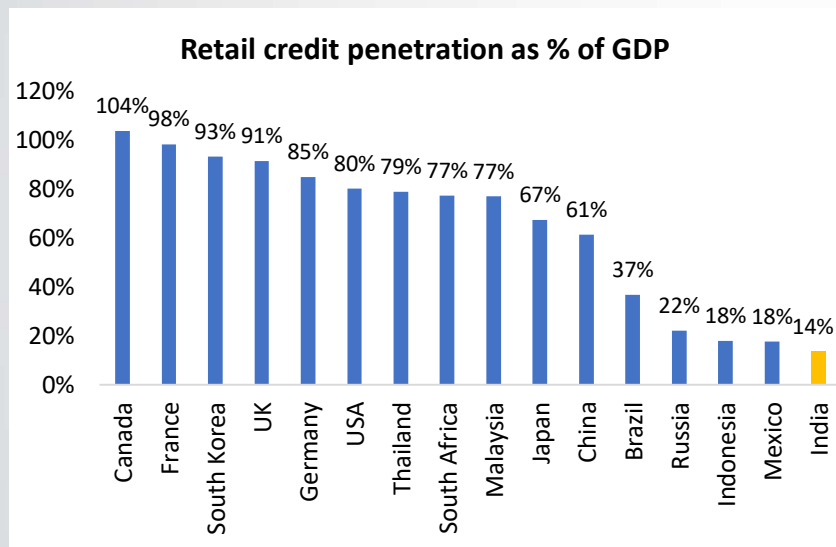




Banking Golden days are ahead



India's credit to GDP is low at 53.5% as of FY21, retail loans are substantially underpenetrated in India even if we compare with emerging economies.



% of GDP	FY16	FY17	FY18	FY19	FY20	FY21
Mortgage	5.4%	5.7%	5.8%	6.1%	6.6%	7.5%
Credit card	0.3%	0.3%	0.4%	0.5%	0.5%	0.6%
Vehicle	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%
Corporate	31.0%	29.8%	28.3%	27.8%	27.0%	28.4%
Total	37.8%	36.9%	35.6%	35.5%	35.2%	37.7%

India has a network of 121 private, public, foreign & regional rural banks having assets worth USD 2.5 Trillion, along with a huge network of 210,000 ATMs spread across the country.

With greater awareness and increased reach and favorable policy measures, the Indian banking sector will see increased penetration and the banking business is all set to enter into its golden days.





Key growth drivers



Growing Demand

Supported by demographics, India's working population and per capita income is on the rise. This rising income leads to higher demand of financial services across income bands



Financial Inclusion

According to the World Bank in 2018, India accounted for 55% of new bank accounts opened globally. Even the remote village population is likely to have extensive access to financial services



Digitization

In the past, digitization has led to massive growth in sectors like communication. Post Covid-19, financial services sector is undergoing widespread digitization at an accelerated pace



Policy Support

Measures like approval of 100% FDI in insurance intermediaries, increased FDI limit in the insurance sector from 49% to 74% in the 2021-22 Union Budget, the Insolvency and bankruptcy Code 2016, Jan Dhan – Aadhar – Mobile linkage should encourage investment in the sector and promote financial inclusion Establishment of the International Financial Services Centres Authority (Banking) Regulations 2020, should promote ease of doing business in IFSC and help the sector reach its potential.





Banks at the cusp of recovery



With low credit growth currently and slippages having peaked in FY18, we appear to be at the bottom of the cycle, with a strong possibility of earnings improvement for banks

Year	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
NIMs	3.08%	3.04%	2.86%	2.58%	2.62%	2.54%	2.91%	2.90%	2.79%	2.70%	2.64%	2.58%	2.51%	2.50%	2.70%	2.81%	2.85%
RoA	1.01%	1.01%	1.05%	1.12%	1.13%	1.05%	1.10%	1.08%	1.04%	0.81%	0.81%	0.40%	0.36%	-0.15%	-0.09%	0.15%	0.30%
RoE	15.7%	14.8%	15.5%	16.0%	15.4%	14.3%	15.0%	14.6%	13.8%	10.7%	10.4%	3.6%	4.2%	-2.8%	-1.9%	0.8%	3.6%
PCR%	65%	65%	62%	58%	55%	58%	60%	58%	51%	50%	48%	42%	47%	48%	59%	59%	67%



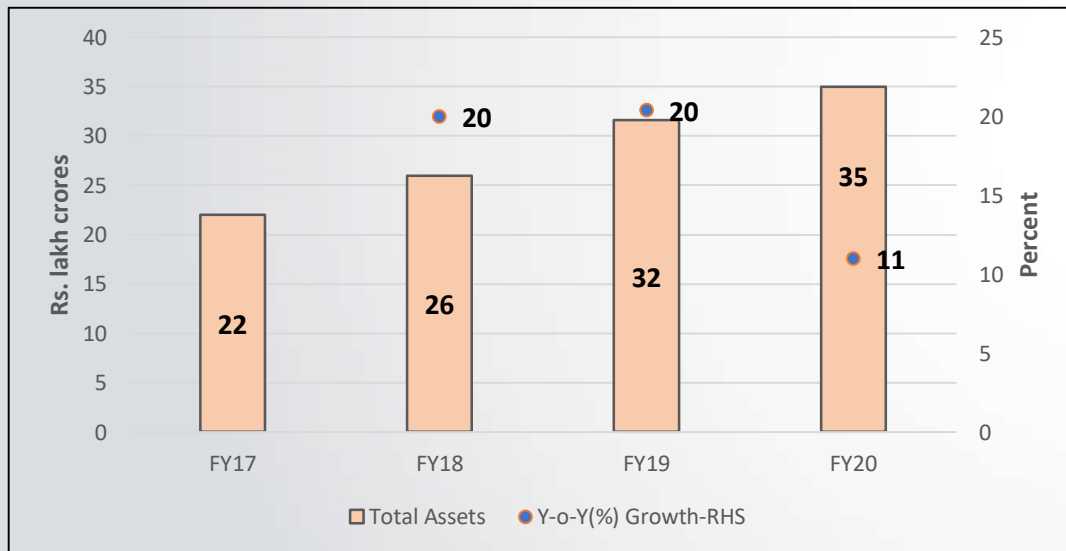


NBFCs looking ahead



NBFCs have come a long way in terms of their scale and diversity of operations.

Size & Growth of NBFC sector (Deposit taking and NDSI)



Profitability of NBFC Sector (Deposit Taking and NDSI)

Profitability Parameters	Mar-17	Mar-18	Mar-19	Mar-20
Net Profit (Rs. Crore)	31,923	42,434	17,460	41,257
Annualised RoA (%)	1.5	1.6	0.6	1.2
Annualised RoE (%)	6.3	6.8	2.4	5.1

They now play a critical role in financial intermediation and promote inclusive growth by providing last-mile access of financial services to meet the diversified financial needs of less-banked customers.

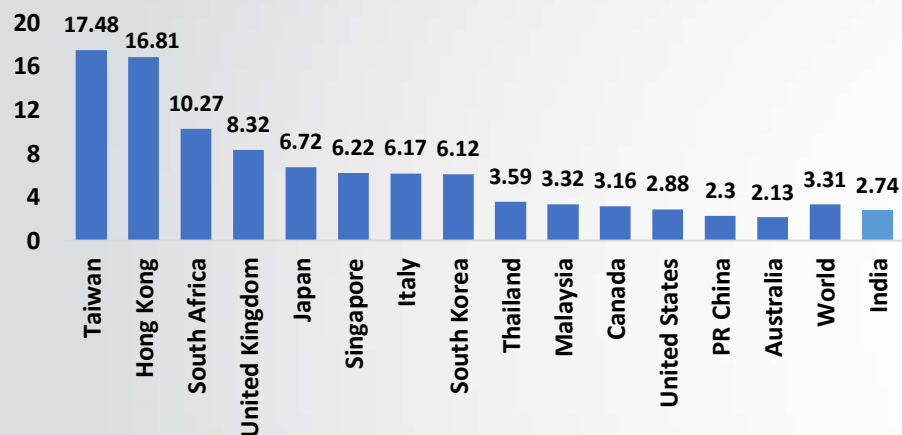




Insurance rapid growth on the horizon

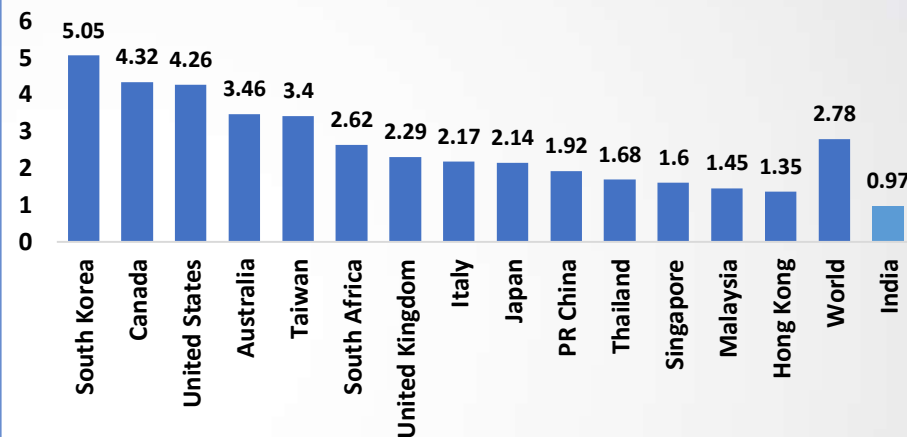


Life Insurance Penetration % of GDP



- Industry NBP grew at a CAGR of 19% over the last 19 years.
- The next decade would rely on specialized products, where only life insurers can sell to drive premium growth and profitability (protection and annuity).
- Protection penetration in India is at 7% as compared to 12% for China and 44% for Singapore.

General Insurance Penetration % of GDP



- General Insurance Industry in India has grown at a CAGR of 15% over last 18 years. Motor and Health are the largest segment contributing 38% and 27% respectively, of overall GDPI.
- Penetration in India remains low at 0.9% vs (1.8 for Brazil and 1.9 for China) average of 2.8% for rest of the world.
- Public insurers has been losing market share rapidly 38% as on Nov'19 vs. 51% in FY14, amid capital crunch.



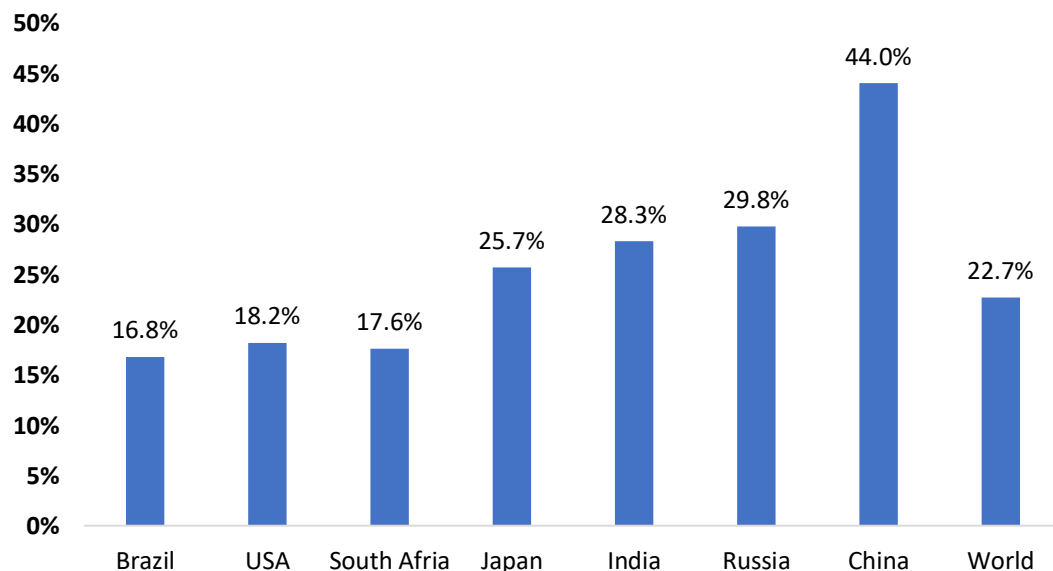


Other financial services enter a new era

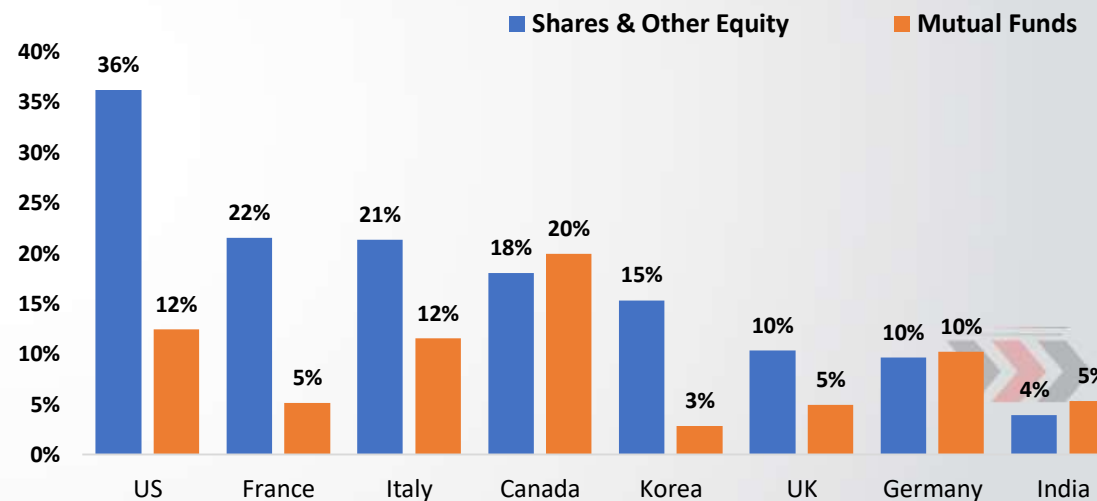


Over the last five years, retail participation in the capital market has grown significantly.

Household savings as % of GDP



% of Households' financial savings



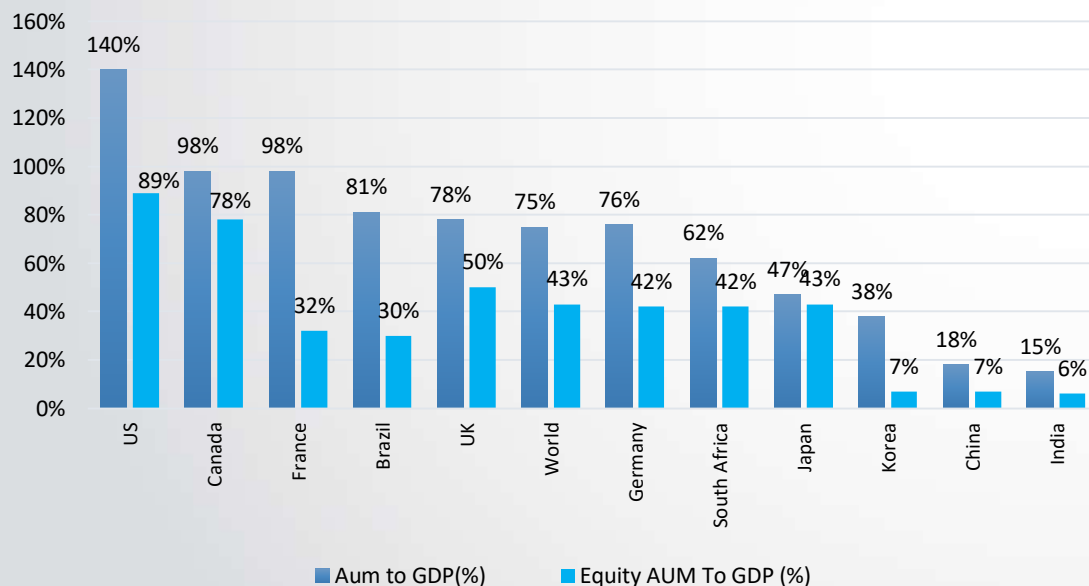


Other financial services enter a new era

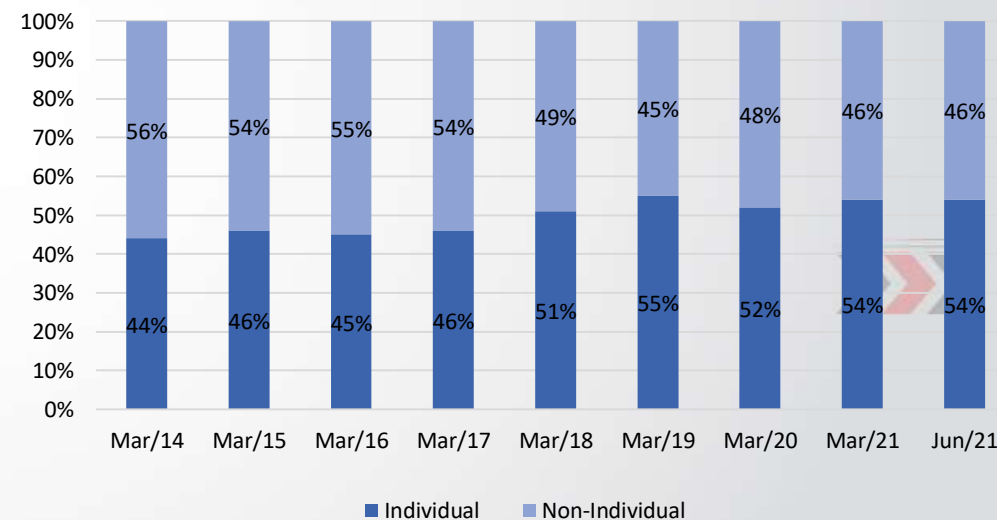


Increased retail participation in the capital market has led the tremendous growth of allied sectors like Mutual Funds, Broking Firms, Depositories, and other Fintech companies. Even after this rapid growth, the current penetration level is low, which indicates huge future potential.

Mutual Fund Penetration comparison across countries



MAAUM mix by investors profile(%)



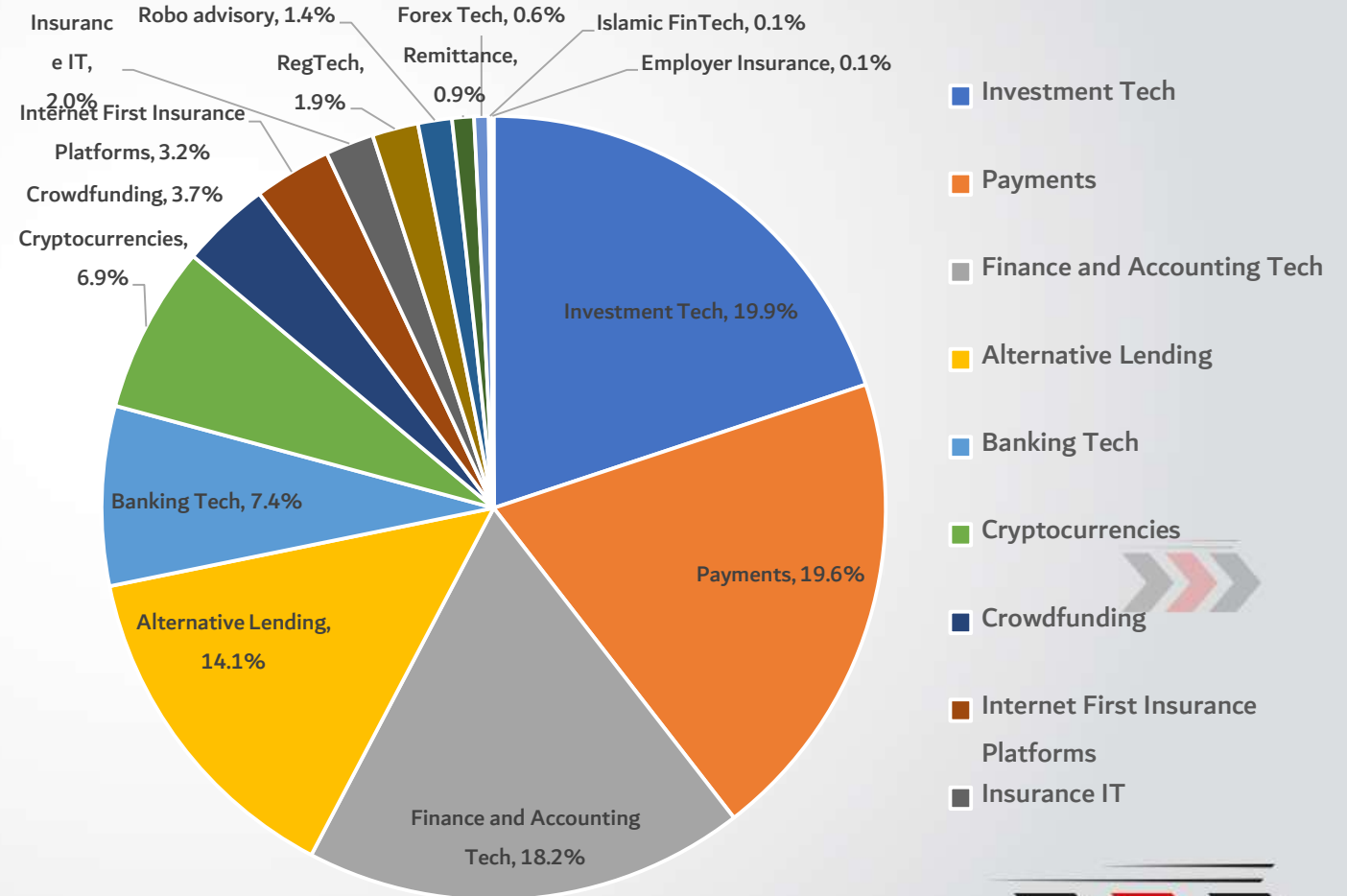


Booming Fintech



Mushrooming of close to 4680 Indian Fintech companies, Neo-banks, cryptocurrency, and a whole gamut of business models indicate that the Indian financial eco-system is on the cusp of a digital transformation.

Cross function moves where payment Fin-tech companies want to be lenders and the way lenders want to be Fin-tech, makes it apparent that Fin-tech would become an inherent part of the financial eco-system

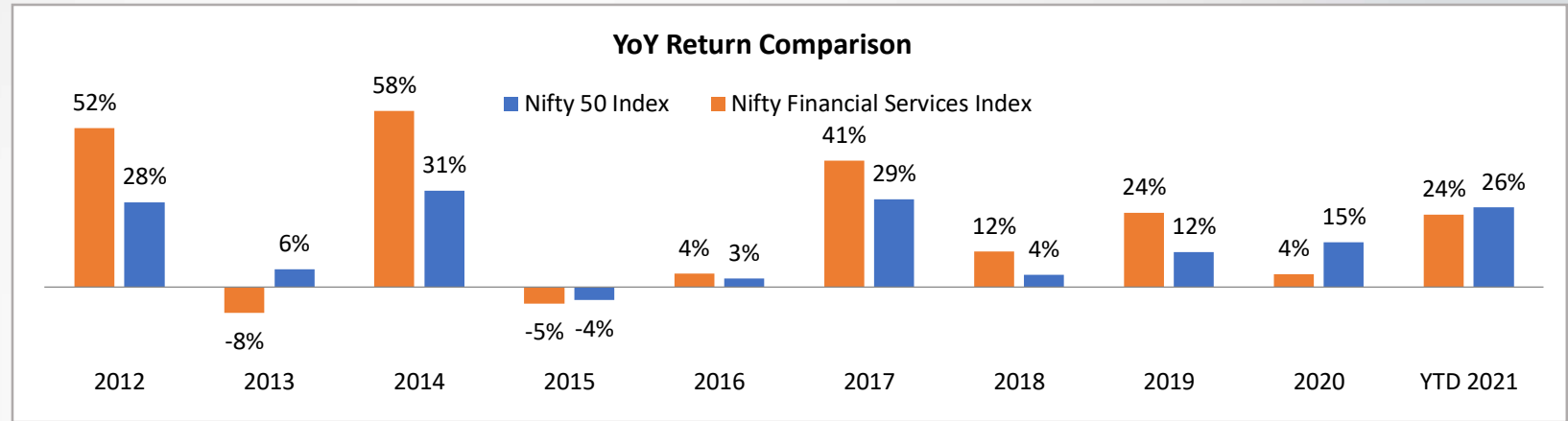




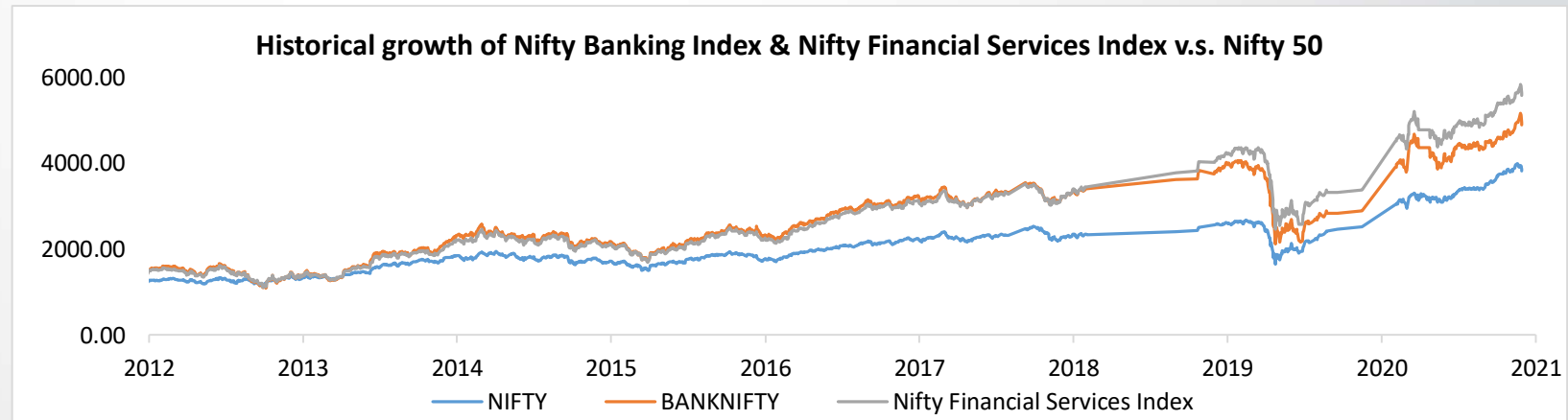
Proof of the pudding

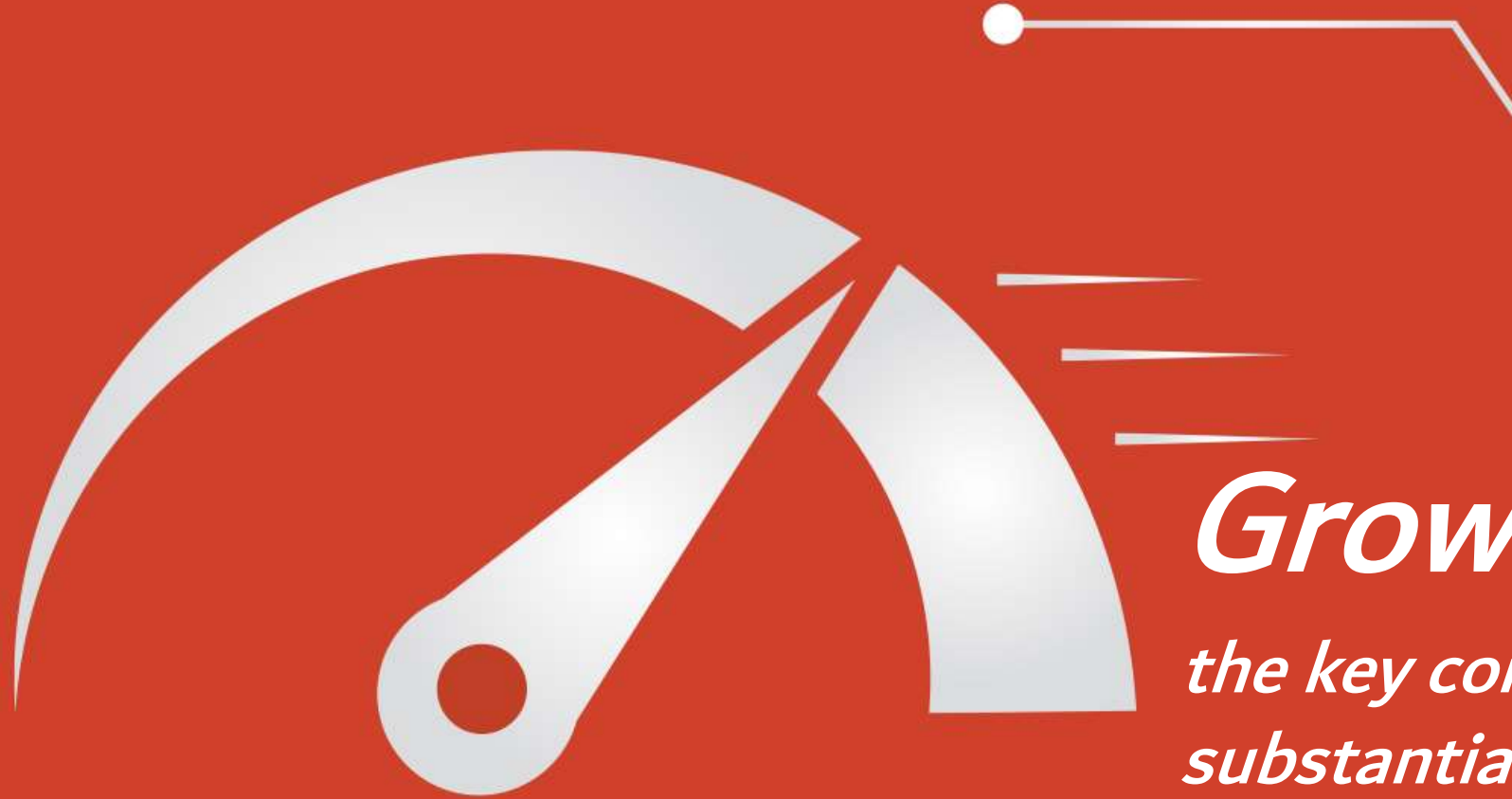


✓ **Banking and financials have been beating the broad market returns over the years.**



✓ **With strong growth drivers, financials are likely to continue to deliver superior performance in the future too**





***Growth stories** of
the key companies that
substantiate our thesis in
numbers*

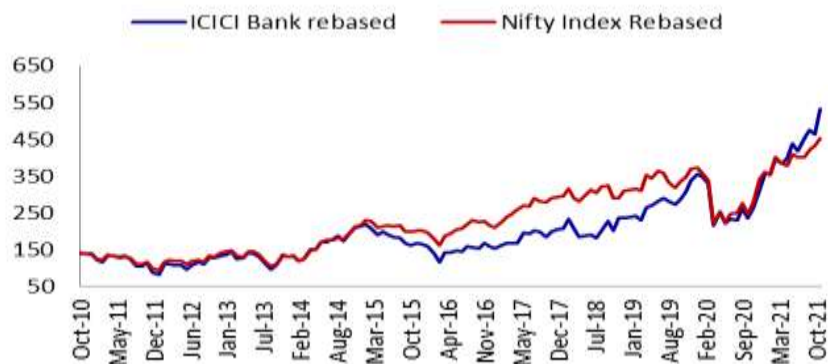


Case Study 1- ICICI Bank



❖ SECTOR: BFSI

- The company is a leading private sector bank . It faced corporate asset quality pain due to which its stock price corrected ~48% during 25th January '2015 to 14th February' 2016
- During FY19 with appointment of new CEO, ICICI Bank decided to strengthen balance sheet by adequately providing for stress, thus in FY19 RoE dipped to 3.4% post which bank is on a recovery path and delivered close to 12% RoE for FY21.
- Subsequent to the crisis being resolved, the company over FY19-21 reported 107% profit CAGR as compared to -26% CAGR over FY15-19. It outperformed the Bank Nifty index by >45% from the low in Nov 2019 to Oct 2021 . Valuations expanded from a P/B of 1x P/B in Feb'16 (preceding 10 year average was ~1.9x) to ~2.1x in Oct'21;



10 year CAGR – FY11-21	%
Market capitalisation	17.9
Diluted BVPS	8.2
ROE - FY21	12

Source – Bloomberg, AceEquity. Past performance may or may not be sustained in the future. Sector(s) / Stock(s)/Issuers(s) mentioned above are for the purpose of illustration and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). Relative performance data from 1 April 2010 to 29 Oct 2021. Diluted EPS CAGR and market capitalisation CAGR from FY11 to FY21.



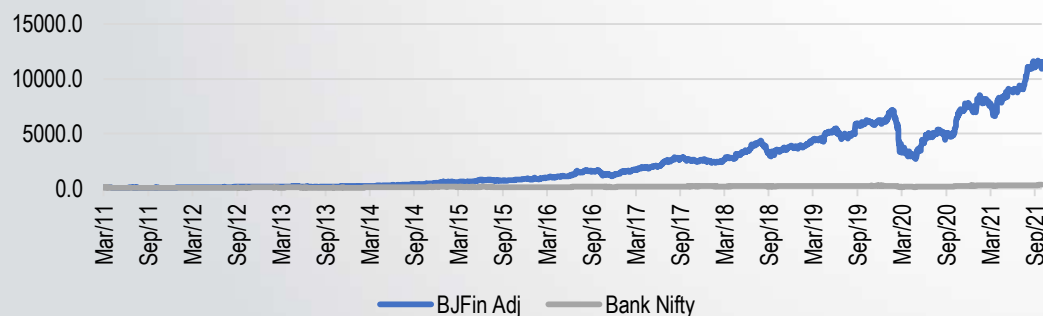


Case Study 2 - Bajaj Finance



❖ SECTOR: BFSI

- Over the past decade (FY11-21) Bajaj Finance (BAF) has grown its loan book at a CAGR of 35% and PAT at a CAGR of 33% with an average RoE of 20%. During this period credit growth in the Indian banking sector has been only 10% p.a.
- BAF has transformed itself from being largely a captive vehicle financier to India's most diversified NBFC which now offers over 40 lending products and has established housing finance and broking subsidiaries. BAF's success has been underpinned not just by its unique use of technology but also by access to low cost of funding courtesy its Bajaj group parentage. While business transformation 1.0 over the past decade has resulted in BAF building a customer franchise of ~50 million customers
- Bajaj Finance is India's largest consumer durable financier and finances more than 70% of all consumer durables financed in India.



10 year CAGR -11-21	%
Market capitalisation	62
Diluted BVPS	32
ROE - FY21	12.8



Source – Bloomberg, AceEquity. Past performance may or may not be sustained in the future. Sector(s) / Stock(s)/Issuers(s) mentioned above are for the purpose of illustration and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). Relative performance data from 1 April 2010 to 29 Oct 2021. Diluted EPS CAGR and market capitalisation CAGR from FY11 to FY21





Case Study 3 - Aavas



❖ SECTOR: BFSI

- Affordable housing in the Indian context evokes vistas of vast growth opportunities, stable asset quality courtesy secured lending, pricing power lead by tough to cater segment, relatively easier access of funding and frugal capital consumption all translating into an attractive business proposition.
- FY14-19 loan book grew at a CAGR of 71% with an average credit cost during this period of below 30 bps, with 50bps expansion in NIM, and stable RoA upwards of 3% on consistent basis.
- During FY18-21 it's PAT grew at a CAGR of 46%, though expansion in loan book was only of 32% but RoA expanded by 90 bps to 3.3%



10 year CAGR -	%
Market capitalisation (IPO-FY21)	59.9
Diluted BVPS (FY13-21)	40
ROE - FY21	39.7

Source – Bloomberg, AceEquity. Past performance may or may not be sustained in the future. Sector(s) / Stock(s)/Issuers(s) mentioned above are for the purpose of illustration and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). Relative performance data from 1 April 2010 to 29 Oct 2021. Diluted EPS CAGR and market capitalisation CAGR from FY11 to FY21.





Case Study 4 - SBI – Corporate Bank in a cap-ex up cycle

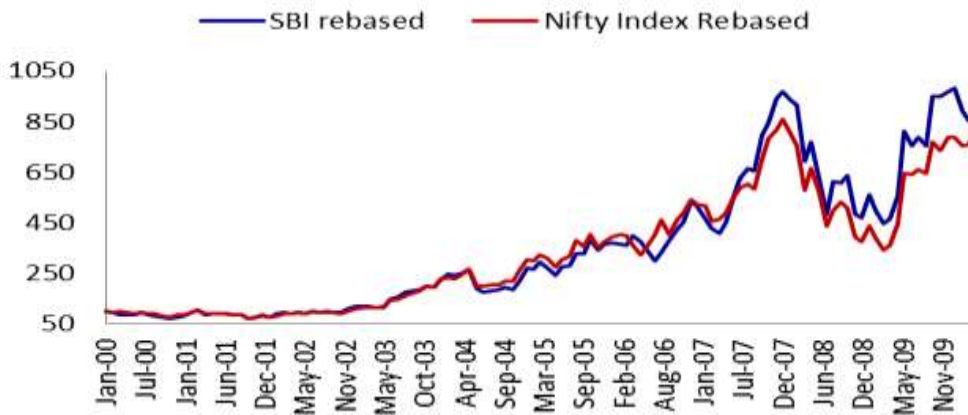


❖ SECTOR: BFSI

FY00-10 was the period marked by strong capex cycle in India, thus corporate banks like SBI reported strong profitability mainly due to:

- Robust loan growth- during FY00-10 average loan book growth for SBI was 17.5%, the pick up in loan growth led to drastic reduction in opex from 2.7% in FY00 to 2% in FY08.
- Drastic fall in net slippages-during FY03-10, SBI's net slippages were consistently below 1% resulting in average credit cost of 119 bps vs 233 bps during previous decade.
- Treasury gains, which on an average led to 30 bps of positive delta on PPOP RoA during FY00-10.

SBI during this period saw re-rating in multiple from below book in FY00 to 1.76x P/B in FY10, in FY00 SBI was trading below book value due to impact of Asian Financial crisis on corporate asset quality.



10 year CAGR – FY00-10	%
Market capitalisation	28.7
Diluted BVPS	16.6
ROE – FY10	17.2%

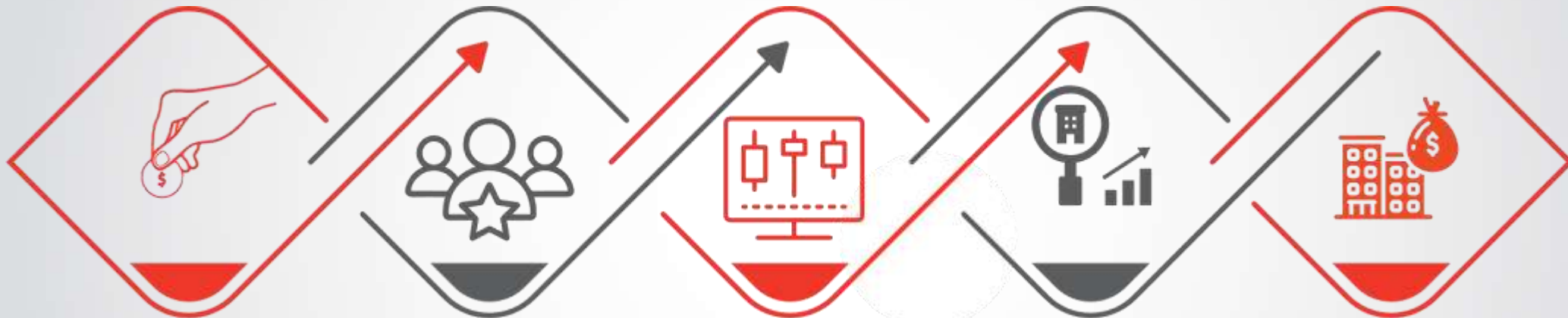


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ITI Banking and Financial Services Fund ***Positioned to benefit from the strong growth trajectory***



A flexicap strategy that aims to invest in stocks across market caps which have strong growth

Allocation to both lending and non-lending sub segments of the sector

A focused portfolio of 20-30 stocks that includes market leaders, fast growers and turnaround stories aiming to yield optimum returns

Will have exposure to Banks, NBFCs, Insurance, AMCs, Brokers and other Capital Market Businesses

Benchmark & Market Cap agnostic strategy with strong bottom up stock picking



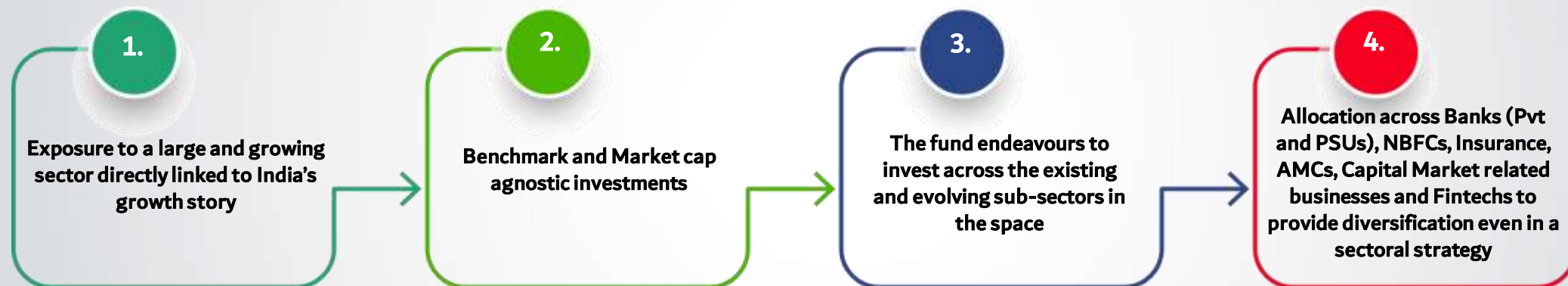


Advantage

ITI Banking and Financial Services Fund



Choose this fund if you wish to get benefit from,





Who should invest?



Who wants to participate in the India long term growth story

Who aims at higher alpha creation and have high risk appetite

Who has a long term investment horizon of more than 5 years

Who wants to participate in the growth of Banking and Financial Services Sector which fuels the economy

Who believes in the growth prospects of the banking & financial services sector and also able to see the cyclical upturn coming in favour of the sector after a long gap.





Our equity investment process



Bottom up stock selection

- Growth drivers
- Assessment of business quality
- Cost drivers
- Promoters pedigree
- Governance filters

Top down sector allocation

- Emerging themes
- Expected tailwinds
- Macro economic orientation

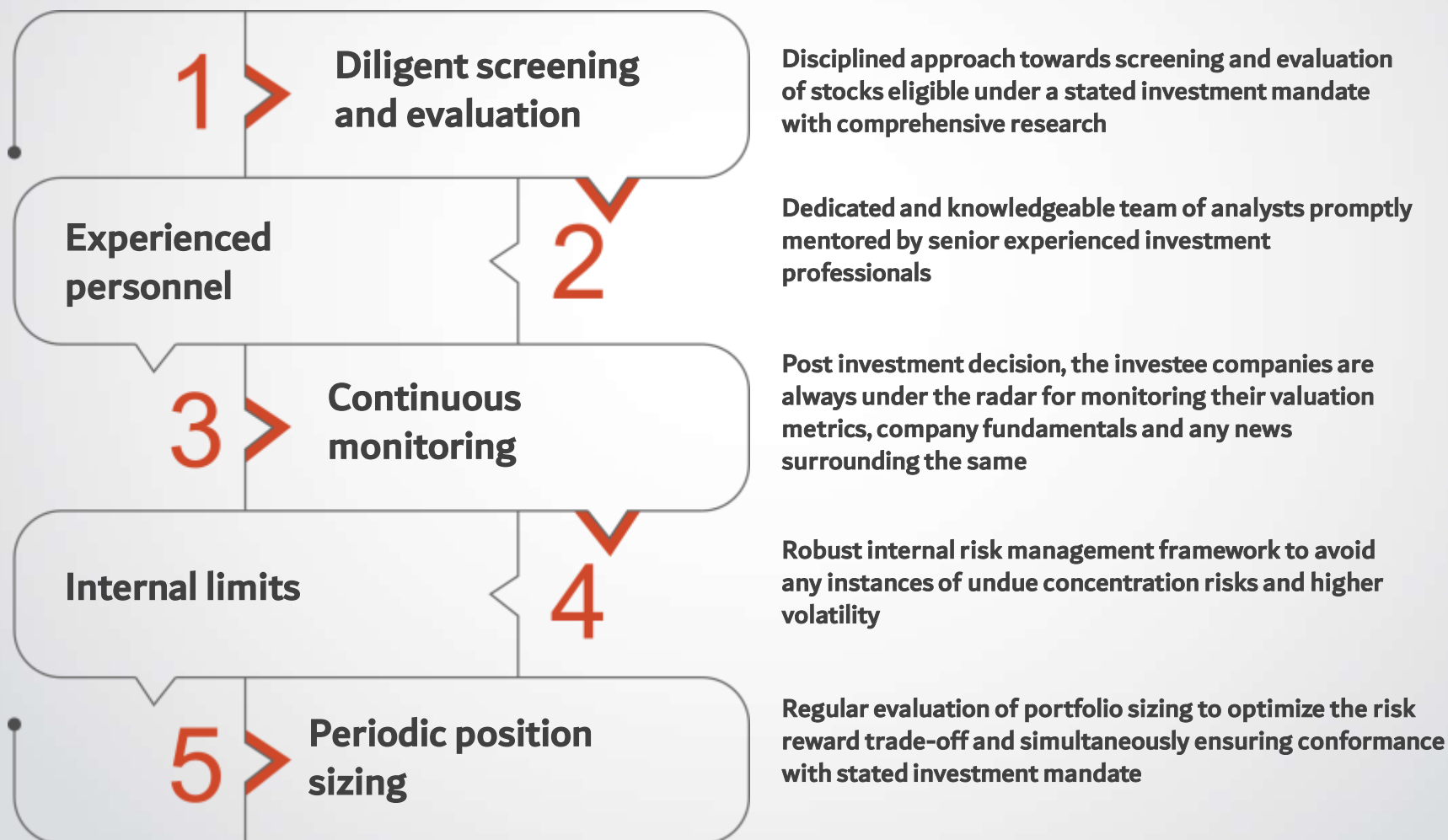
Eligible portfolio universe

- Assessment of Intrinsic value & margin of safety
- Adherence to SQL investment philosophy





Our investment approach & risk management





Our equity investment philosophy



S

Margin of Safety

- Margin of safety is the fair value of the business minus the current share price.
- Buying stocks with good safety margin is critical for an excellent investment experience.
- This helps in creating good long term wealth.

Q

Quality of the Business

- Quality of the business is of great significance while investing.
- Quality companies with strong competitive advantages have been long term wealth creators.
- We would like to invest in stocks that we understand well, good industry structure, strong business moats, excellent managements, have growth ambitions and strong balance sheets.

L

Low Leverage

- High leverage significantly reduces a business's ability to withstand economic downturns & business cycle challenges.
- Low leverage companies are generally cash rich and can support growth organically.
- Such companies are able to invest and grow their business and create wealth for investors.





What do we look for in a company



- **Market share gainers**
- **Niche market positions**
- **Beneficiaries of Govt policies on financial inclusion, digitization, JAM (Jan Dhan Aadhar Mobile) etc.**
- **Companies facing macro or micro headwinds that can reverse**
- **Businesses focusing on restructuring / repositioning / modernization**
- **Plays on rural economy**
- **Emerging sectors with high growth potential like depositories, fintech, asset management companies, etc**
- **Consistent growth, scalable business models and good RoAs but trading at attractive valuations**
- **Sound track record and good managements**





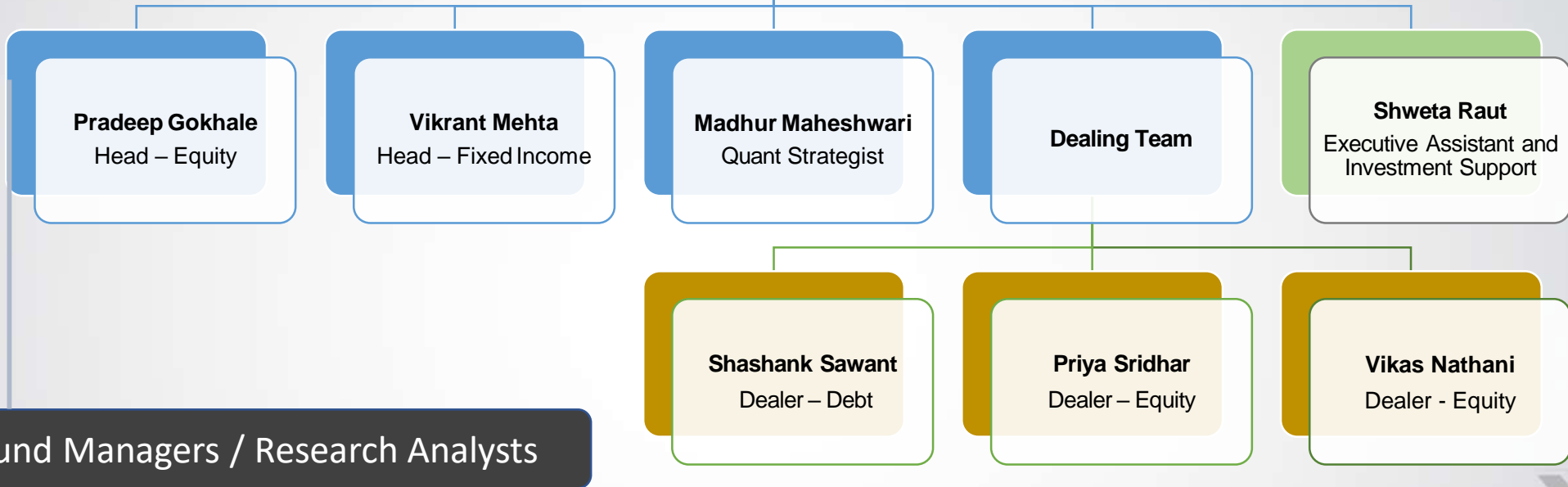
Investment style is 'GARP'
***Growth At
Reasonable
Price***



Investment team



GEORGE HEBER JOSEPH
CEO & CIO



Fund Managers / Research Analysts

Rohan Korde
Fund Manager
FMCG, Consumer Durables, Auto

Pratibh Agarwal
Fund Manager and Sr. Research Analyst
Industrials, Construction, Real-Estate, Power, Transportation

Bhavesh Jain
Research Analyst
Pharma, Healthcare, Agri & Chemicals

Sahil Doshi
Research Analyst
Retail, Non-Lending Financials, Media, Telecom, Services and Textiles

Hetal Gada
Research Analyst
Cement, Metals and Oil & Gas

Ayushi Garodia
Research Analyst
Banking and Financial Services





Key product features



Name	ITI Banking and Financial Services Fund
Type of Scheme	An open ended equity scheme investing in Banking and Financial Services
Investment objective	The investment objective of the scheme is to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related securities of companies engaged in banking and financial services. However, there can be no assurance that the investment objective of the scheme would be achieved
NFO Opens	November 15, 2021
NFO Closes	November 29, 2021
Scheme reopens for continuous sale and repurchase on or before	December 13, 2021
Benchmark	Nifty Financial Services Total Return Index
Fund Manager and Co-Fund Manager	Mr. Pradeep Gokhale and Mr. Pratibh Agarwal
Exit Load	- 1% if redeemed or switched out on or before completion of 12 months from the date of allotment of units; - Nil, if redeemed or switched out after completion of 12 months from the date of allotment of units. Inter scheme Switch: At the applicable exit loads in the respective schemes. For more details on Load Structure, please refer paragraph "Load Structure"
Scheme Plans & Options	Both Direct and Regular Plan(s) offers two Options, viz., (i) Growth Option; and (ii) Income Distribution cum Capital Withdrawal (IDCW) Option (with Payout of Income Distribution cum capital withdrawal option and Reinvestment of Income Distribution cum capital withdrawal option)
Minimum application amount	Rs. 5,000/- and in multiples of Rs. 1/- thereafter
Minimum additional application amount (for subsequent investments under an existing folio)	Rs. 1,000/- and in multiples of Rs. 1/- thereafter

This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- Investments in equity and equity related securities of companies engaged in banking and financial services

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





Riskometer and Disclaimers



www.itiamc.com

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