

Baroda Pioneer PSU Bond Fund

(An Open Ended Debt Scheme)

Rated "**Credit Risk Rating mfAAA**"* by ICRA Ltd.

Bonds of Trust



Every investment carries some risk. However, very few of us actually attempt to understand that risk. Given the events witnessed the world over in the last one year, it is important that the investments you make are those that you can trust. Presenting Baroda Pioneer Public Sector Undertaking (PSU) Bond Fund, an open-ended debt scheme that would look to create a portfolio of bonds issued by Public Sector Undertakings (PSU) and Government Securities (G-Sec) of varying yields and maturities. PSU Bonds offer investors high credit quality with limited risk to capital.

What are benefits of investing in a portfolio consisting of PSU Bonds?

PSU Bonds offer investors more than one reason to invest in them.

- **Low Credit Risk** - Most PSU Bonds are rated AAA, which means that the investors have the opportunity to benefit from instruments that offer competitive returns coupled with low to negligible risk of default.
- **Low Liquidity Risk** - PSU Bonds carry low liquidity risk since they are actively traded in the market. This enables portfolio managers to book profits or stop losses at short notices.
- **Stable Rating** - PSUs exhibit strong market position in their

respective sectors with consistent cash flows. This ensures that they have stable long-term ratings, which reflect their underlying strengths.

- **Transparent Accounting Practices** - PSUs follow best accounting practices ensuring that they rarely encounter issues related to corporate governance.
- **Alpha Generators** - A portfolio consisting of PSU Bonds has the flexibility to run duration risks across the spectrum. This enables active trading to generate Alpha in case of a volatile interest rate scenario.

What would be portfolio strategy of the scheme?

- Baroda Pioneer PSU Bond Fund would look to deliver competitive returns for the investors by designing a portfolio that will dynamically track interest rate movements with low credit risk due to its exposure to PSU Bonds.
- Given the current interest rate scenario, the core portfolio would consist of 2 to 3 years PSU Bonds providing good carry yields.
- Duration would be actively managed with exposure to liquid 5 years and 10 years PSU Bonds and Government Securities.
- Liquidity would be enhanced through portfolio allocations to PSU Bank CDs.

Does economic environment in the country support the scheme objective?

- The Indian economy has shown remarkable resilience in the wake of the global financial crisis.
- The easy monetary policy adopted by the government in the wake of the slowdown has had a positive impact on the economy. The GDP grew by 6.1% YOY in Q1FY10 and is expected to close FY10 at about 6.5%.
- The industrial sector has managed to stage a strong recovery with a productivity growth of 10.4% in August. Key sectors like automobiles, retail, etc. have notched impressive numbers on the back of continued local demand.
- With focus, now shifting to infrastructure development and financial sector reforms the trajectory for growth is expected to be much sharper in the coming years.
- Overall, the economy is set for renewed growth with key indicators in place. PSU are expected to benefit from this due to their presence in sectors that are critical to this growth.

What is the asset allocation strategy of the scheme?

- Debt & Debt Related Instruments with daily call / put option of Public Sector Undertakings / Public Financial Institutions & Money Market Instruments issued by Public Sector Undertakings / Public Financial Institutions: 65-100%.
- Treasury Bills / Government Securities created and issued by the Central Government and / or State Government(s) and / or other similar instruments, as may be permitted from time to time, Repo and CBLO: 0-35%.

Scheme Details

Benchmark	CRISIL Composite Bond Fund Index
Options	Growth Dividend a) Monthly Dividend Option (Payout/ Re-Investment) b) Quarterly Dividend Option (Payout/ Re-Investment)
Entry Load	Nil
Exit Load	0.50% if redeemed on or before 90 days
Minimum investment	Rs. 5,000/- and in multiple of Re.1/- thereafter

Know more about Baroda Pioneer Mutual Fund

- Baroda Pioneer Asset Management Company Limited is a joint venture between two large and well-established financial services companies - Bank of Baroda and Pioneer Investments S.p.A. (Visit www.barodapioneer.in for more details).
- Baroda Pioneer Mutual Fund products cater to the unique asset management needs of the Indian investor.
- Baroda Pioneer Mutual Fund manages assets of about Rs. 3,656 crs (as on 31 Oct '09).
- Our Fixed Income investment philosophy involves active management of key drivers like credit outlook, duration, curve positioning and security selection.
- Effective control of risk is an essential element in the management of all Baroda Pioneer products.

*ICRA Ltd. has assigned the credit risk rating of mfAAA to Baroda Pioneer Public Sector Undertaking (PSU) Bond Fund. The rating indicates highest-credit-quality rating assigned by ICRA Ltd. to debt funds. The rated debt fund carries the lowest credit risk, similar to that associated with long-term debt obligations rated in the highest-credit-quality category.

Investment Objective: The investment objective of the PSU Scheme is to generate stable returns with lower risk by investing in Fixed Income instruments of Public Sector Undertakings (PSUs) - banks, financial institutions & companies. Baroda Pioneer Public Sector Undertaking (PSU) Bond Fund is only the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospectus or return. **Statutory Details:** Baroda Pioneer Mutual Fund has been set up as a Trust under the Indian Trust Act, 1882. **Sponsors:** Pioneer Global Asset Management S.p.A. and Bank of Baroda. **Trustees:** Board of Trustees of Baroda Pioneer Mutual Fund. **Investment Manager:** Baroda Pioneer Asset Management Co. Ltd. **Risk Factors:** All Investment in Mutual Fund and securities are subject to market risk and there is no assurance or guarantee that the objective of the Scheme will be achieved. The NAV of the scheme can go up or down depending upon the factors and forces affecting the capital market. Past performance of the scheme, the sponsors or its group affiliates is not indicative of and does not guarantee of future performance of the scheme. The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond their initial contribution of Rs. 10 lacs towards setting up of the Mutual Fund and such other accretions and additions to the corpus.

Please read the Statement of Additional Information (SAI) and Scheme Information Document (SID) carefully before investing. Investor are advised to refer to the details in the Statement of Additional Information and independently refer to his tax advisor.

Contact Points:

Baroda Pioneer Asset Management Company Ltd.

501 Titanium, 5th Floor, Western Express Highway,
Goregaon (E), Mumbai - 400063.

Phone: +91 22 3074 1000 / 4219 7999. Fax: +91 22 3074 1001.

E-mail: info@barodapioneer.in. Website: www.barodapioneer.in

Toll Free No: 1800 419 0911

