Groww
MUTUAL FUND

Groww Gilt Fund

(An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk)

NFO PERIOD: 23 APR - 07 MAY '25

What are gilt funds?

Gilt funds are open-ended debt schemes that invest a minimum of 80% of their total assets in government securities across maturities.

Investments are made in sovereign-rated instruments (government securities) thereby minimizing the credit risk in the portfolio.

Benefits of gilt funds:

- Sovereign quality portfolio
- High liquidity
- Helps in portfolio diversification
- Minimal credit risk

Why consider

Gilt Funds

Now

Lowering of interest rates expected in short to medium term

01 Strengthening the fiscal framework resulting in lower risk premium required

- Improved CAD
- Lower currency volatility
- Lower debt to GDP

02 Lower inflation

- Lower energy prices reducing manufacturing, transportation and service delivery costs
- Weakening Yuan driving lower input prices
- Lower domestic inflation due to lower core inflation

03 Economic slowdown resulting in expected easing of monetary policy

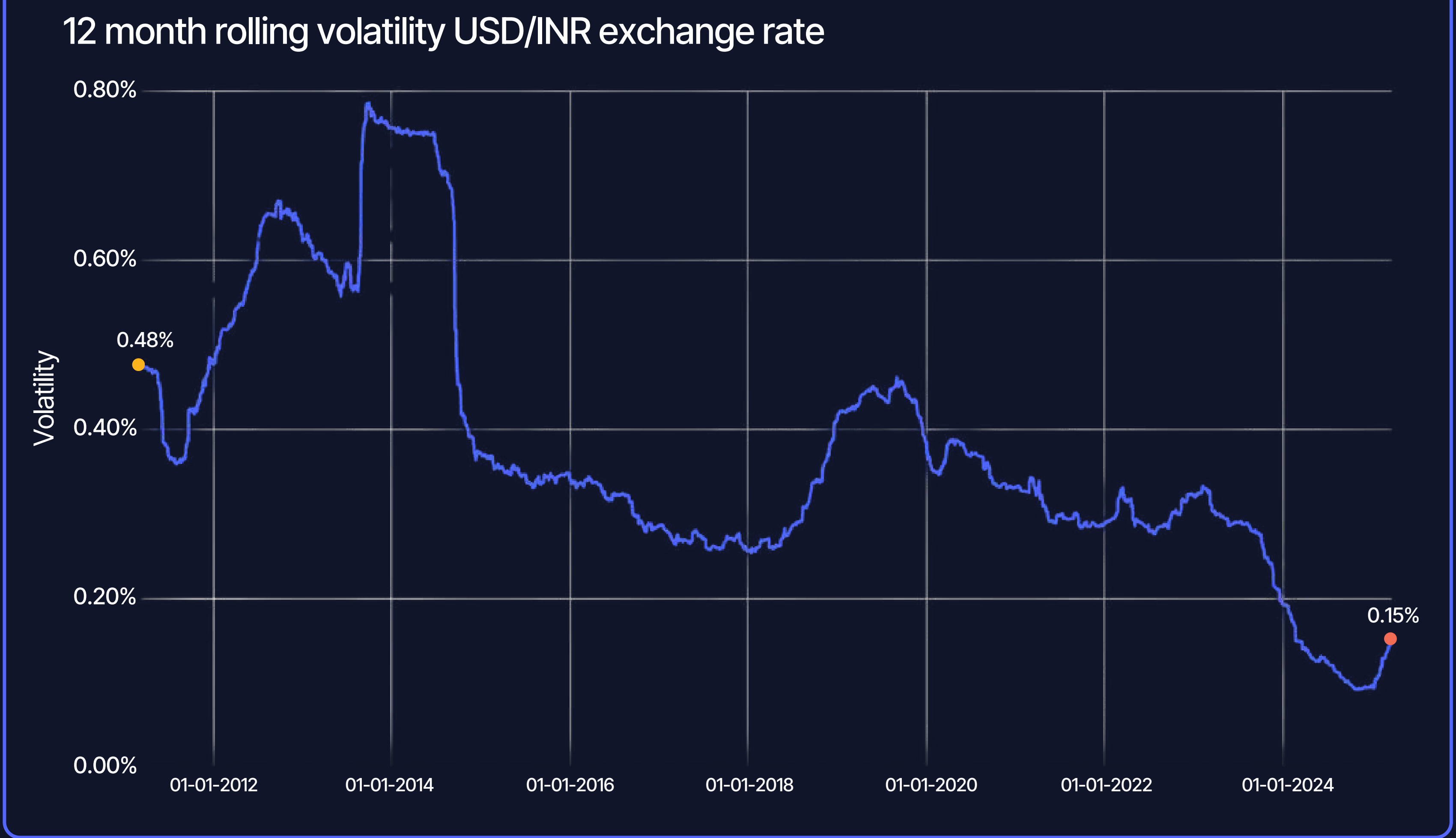
04 FII Debt flows impacting demand supply dynamics for fixed income securities

Strengthening the fiscal framework resulting in lower risk premium required

Strengthening fiscal framework : Structural shifts may result in an improved Current Account Deficit

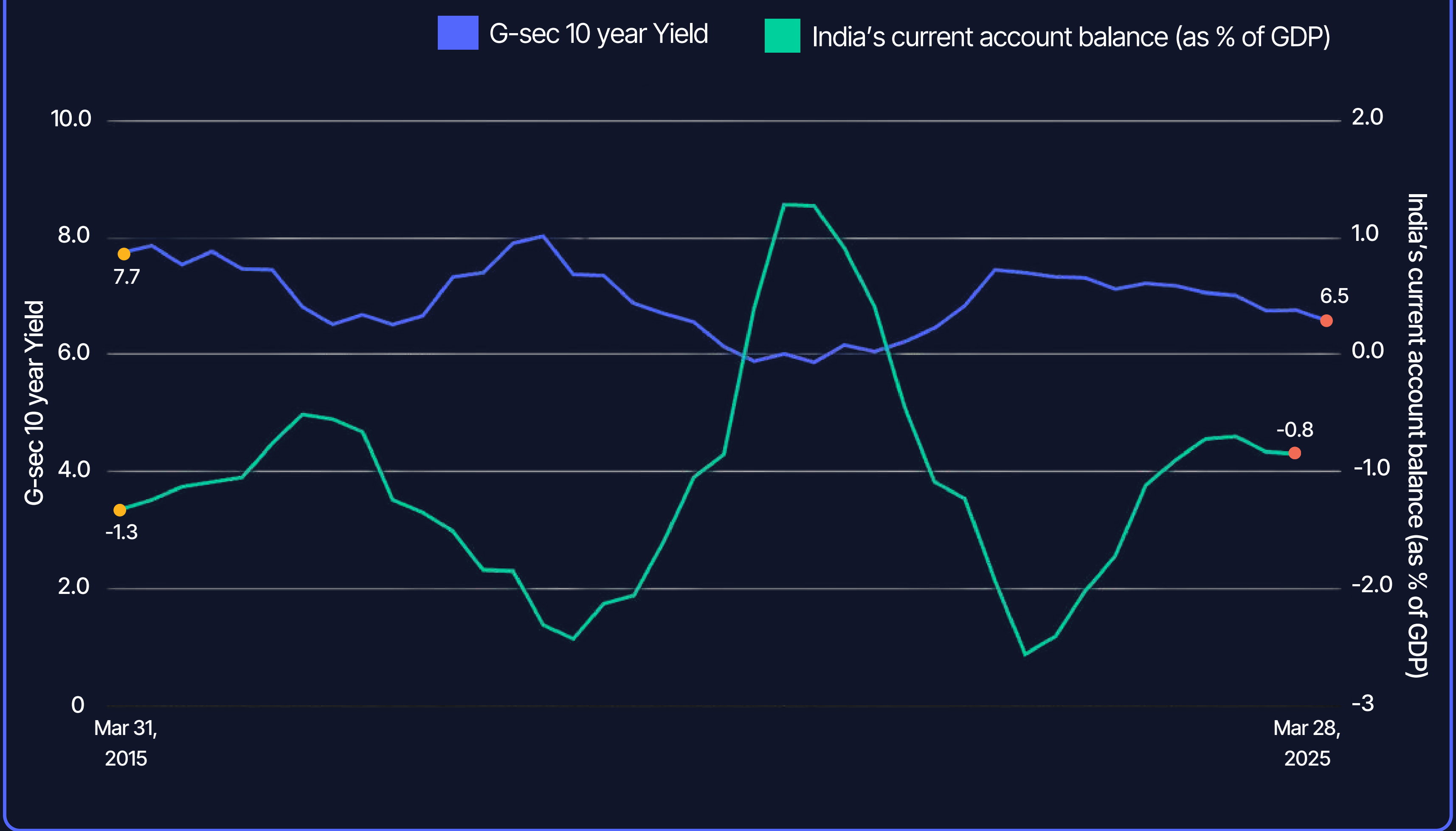
Impact of improving CAD on interest rates - Reduced Risk Premium for investment in Indian Govt securities leading to:

A Lower currency volatility



Source: Bloomberg, data as on March 24, 2025

B Relatively better credit quality for G-sec bonds



Source: Bloomberg, data as on March 24, 2025

Past performance may or may not be sustained in future and its not a guarantee of any future returns. Please consult your financial advisor before investing.

Why is CAD improving in India?

Services Trade Balance: Driven particularly by IT and business services exports that have created a strong services trade surplus

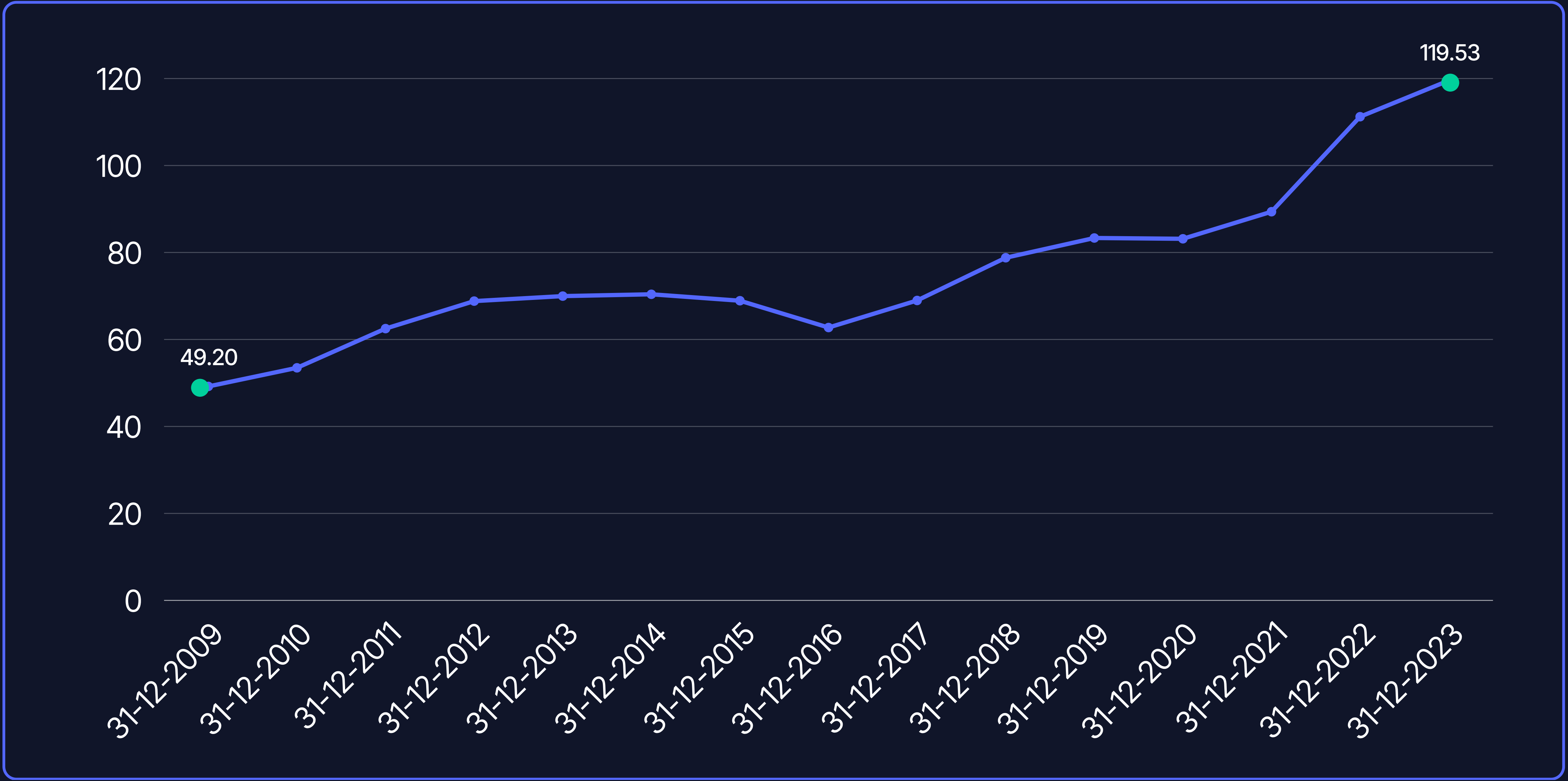
Merchandise Trade Balance: While still in deficit, the merchandise trade balance has shown better management. India has maintained a stable share in global merchandise exports and imports.

Source: IndiaDatahub, 28th March, 2025

Why is CAD improving in India?

Remittances increased to $29.5 billion in Q1 FY25 from $27.1 billion in the same period last year. Net private transfer receipts, primarily remittances from the Indian diaspora, have grown consistently at a 4.8% CAGR since 2008.

Net remittances ($USD billion)



Source: Bloomberg, 28th March, 2025

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Strengthening fiscal framework : Improved Debt to GDP

The Union Budget of FY26 mentions a debt-to-GDP ratio of 50% by March 2031 - implying a **5%** point reduction in the next 7 years.

	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
GDP	331	360.79	396.87	436.56	480.21	528.23	581.06
Debt-to-GDP	55.89%	55.59%	55.00%	54.00%	53.00%	51.70%	50.00%
Outstanding debt	185	201	218.28	235.74	254.51	273.10	290.53
Fiscal deficit %	4.70%	4.40%	4.47%	4.00%	3.91%	3.52%	3.00%

Source: MoSPI and union budget, 25th March, 2025

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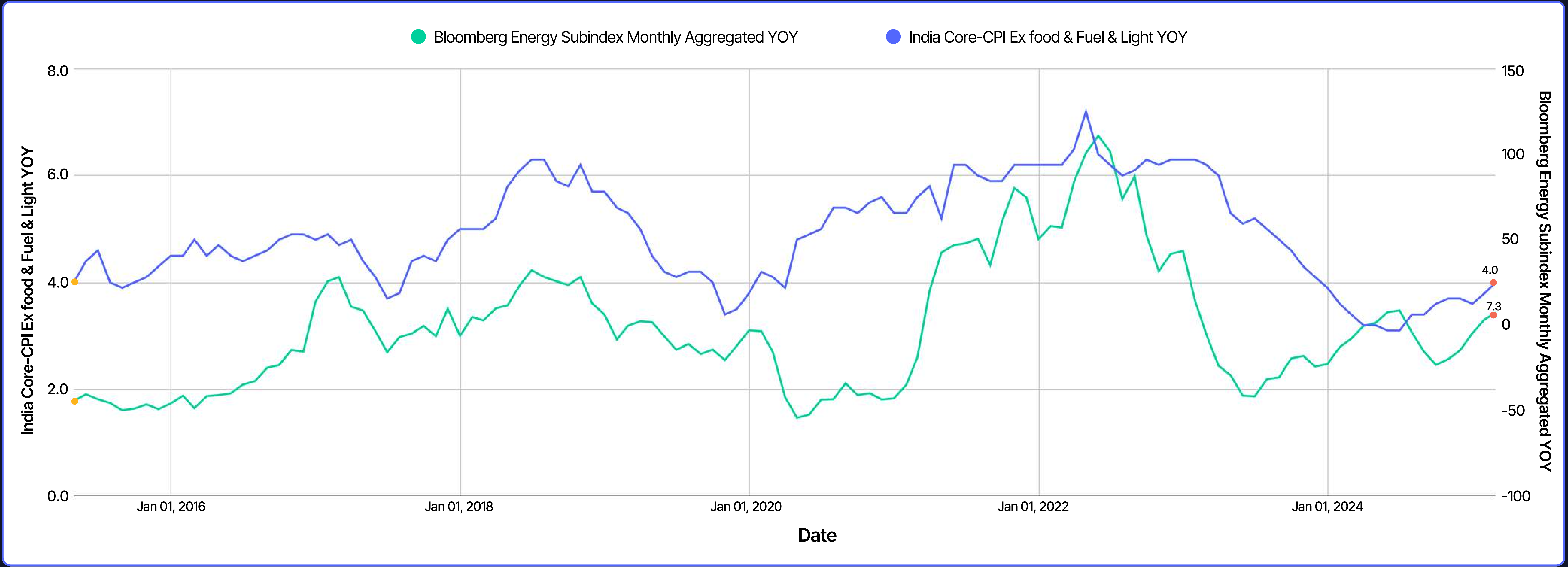
Lower inflation

Lower inflation due to subdued energy prices

Both core and non-core inflation are impacted by energy prices, though in different ways. Non-core inflation (which typically includes food and energy) is directly impacted by changes in energy prices. Meanwhile, core inflation (which excludes volatile items like food and energy) experiences second-order effects as energy price changes filter through the economy by driving up/ down transportation, manufacturing, and service delivery costs.



Source - Bloomberg, 28th March, 2025

Lower domestic Inflation

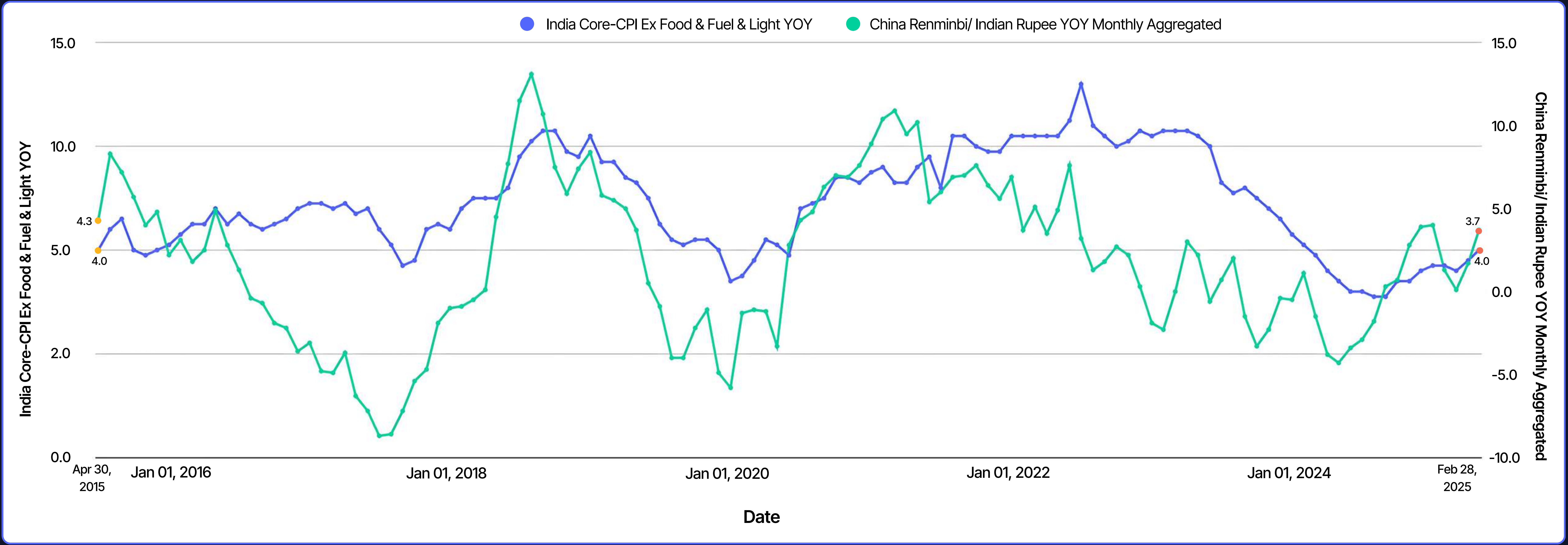
The broader retail inflation picture has also improved considerably, with headline inflation dropping below 4% in February 2025 for the first time in six months, primarily driven by declining vegetable prices.

Inflation in India	Feb-25	Jan-25	Dec-24	Nov-24	Oct-24	Sept-24	Aug-24	Jul-24	Jun-24	May-24	Apr-24	Mar-24	Feb-24
CPI Index	3.6%	4.3%	5.2%	5.5%	6.2%	5.5%	3.7%	3.6%	5.1%	4.8%	4.8%	4.9%	5.1%
Food, beverages, and tobacco	3.8%	5.7%	7.7%	8.2%	9.7%	8.4%	5.3%	5.1%	8.4%	7.9%	7.9%	7.7%	7.8%
Cereals and products	6.1%	6.2%	6.5%	6.9%	6.9%	6.8%	7.3%	8.1%	8.8%	8.7%	8.6%	8.4%	7.7%
Meat and fish	2.1%	5.3%	5.3%	4.7%	3.2%	2.6%	4.3%	5.9%	5.4%	7.3%	8.2%	6.4%	5.2%
Egg	-3.0%	1.2%	6.9%	4.8%	4.9%	6.4%	7.1%	6.8%	4.1%	7.7%	7.1%	10.3%	10.7%
Milk and products	2.7%	2.8%	2.8%	2.9%	3.0%	3.0%	2.9%	3.0%	3.0%	2.6%	3.0%	3.4%	3.9%
Oils and fats	16.4%	15.6%	14.6%	13.3%	9.6%	2.5%	-0.9%	-1.1%	-2.7%	-6.7%	-9.4%	-11.7%	-14.0%
Fruits	14.8%	12.1%	8.6%	7.7%	8.4%	7.6%	6.5%	3.8%	7.2%	6.7%	5.2%	3.0%	4.8%
Vegetables	-1.1%	11.4%	26.6%	29.4%	42.2%	36.0%	10.7%	6.8%	29.3%	27.4%	27.8%	28.3%	30.2%
Pulses and products	-0.3%	2.5%	3.8%	5.4%	7.4%	9.8%	13.6%	14.8%	16.1%	17.1%	16.8%	17.8%	18.9%
Sugar and confectionary	2.2%	0.2%	0.2%	1.3%	2.6%	3.5%	4.7%	5.2%	5.8%	5.7%	5.9%	7.3%	7.5%
Spices	-5.8%	-6.9%	-7.4%	-7.4%	-7.0%	-6.1%	-4.4%	-1.4%	2.1%	4.3%	7.8%	11.4%	13.5%
Non-alcoholic beverages	3.7%	3.4%	3.0%	2.7%	2.7%	2.6%	2.4%	2.2%	2.4%	2.4%	2.6%	2.8%	3.0%
Prepared meals and snacks	4.2%	4.1%	4.0%	3.9%	3.7%	3.6%	3.5%	3.5%	3.4%	3.3%	3.5%	3.6%	3.7%
Pan, tobacco, intoxicants	2.4%	2.3%	2.5%	2.3%	2.5%	2.5%	2.7%	3.0%	3.1%	3.0%	3.0%	3.1%	3.1%
Clothing and footwear	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%	2.9%	3.0%	3.1%
Clothing	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.9%	3.1%	3.2%
Footwear	2.0%	2.1%	2.1%	2.2%	2.1%	2.0%	2.1%	2.0%	2.1%	2.2%	2.4%	2.6%	2.6%
Housing	2.9%	2.8%	2.7%	2.9%	2.8%	2.7%	2.7%	2.7%	2.7%	2.6%	2.7%	2.7%	2.9%
Fuel and light	-1.3%	-1.5%	-1.3%	-1.8%	-1.7%	-1.3%	-5.3%	-5.5%	-3.6%	-3.7%	-4.2%	-3.4%	-0.8%
Miscellaneous	4.8%	4.3%	4.2%	4.3%	4.3%	4.0%	3.9%	3.8%	3.4%	3.4%	3.5%	3.5%	3.6%
Household goods and services	2.9%	2.9%	2.8%	2.8%	2.7%	2.5%	2.4%	2.3%	2.4%	2.5%	2.7%	2.7%	2.8%
Health	4.1%	4.0%	4.0%	4.0%	4.0%	4.1%	4.1%	4.1%	4.1%	4.2%	4.3%	4.3%	4.5%
Transport and communication	2.9%	2.8%	2.6%	2.7%	2.8%	2.7%	2.7%	2.6%	1.0%	1.0%	1.1%	1.5%	1.8%
Recreation and amusement	2.7%	2.7%	2.7%	2.6%	2.4%	2.4%	2.4%	2.2%	2.3%	2.6%	2.6%	2.8%	2.7%
Education	3.8%	3.8%	3.9%	3.9%	3.9%	3.8%	3.9%	3.5%	3.6%	4.1%	4.2%	4.7%	4.8%
Personal care and effects	13.6%	10.6%	9.8%	11.0%	10.4%	9.0%	8.0%	8.4%	8.2%	7.7%	7.4%	6.0%	5.2%
Core CPI (minus food and fuel)	4.1%	3.8%	3.7%	3.7%	3.8%	3.6%	3.4%	3.4%	3.1%	3.1%	3.2%	3.2%	3.3%

Source - Capital Minds Flipbook March 2025

Lower inflation due to a weakening Yuan

India's dependency on China for imports means that a weakening Yuan against the INR may make imports more affordable. This, in turn, can contribute to downward pressure on core inflation within the Consumer Price Index (CPI)



Source - Bloomberg, 28th March, 2025

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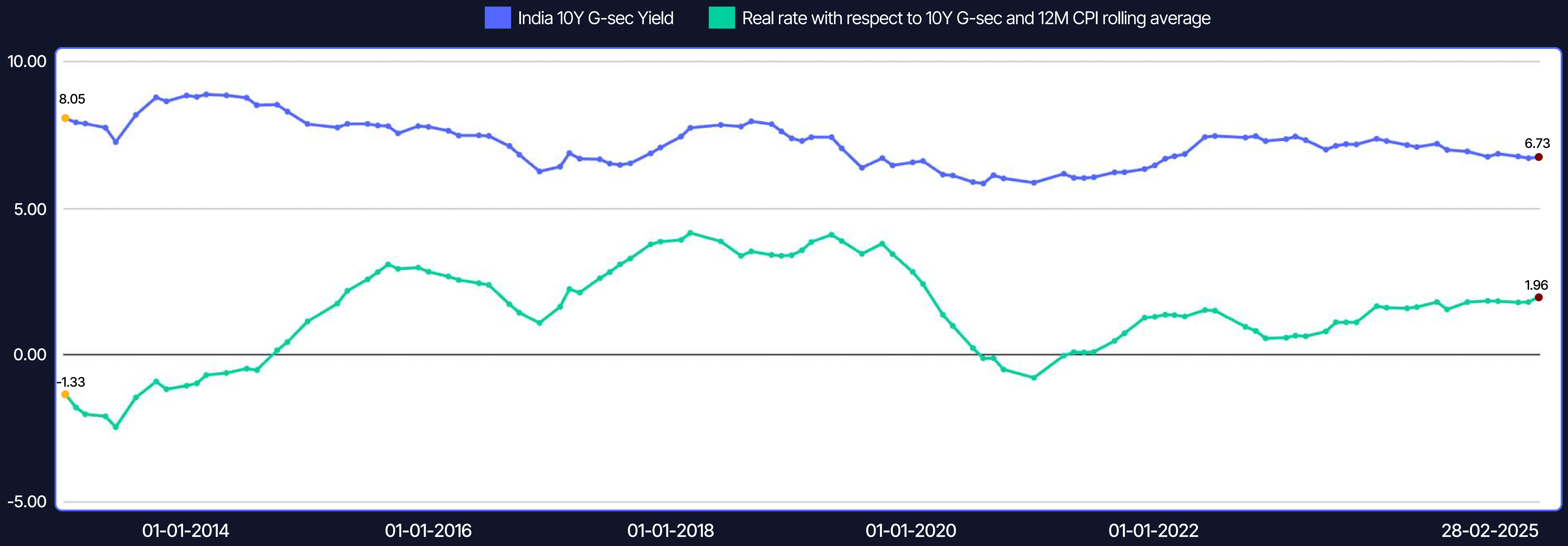
Economic slowdown resulting in expected easing of monetary policy

Current real returns make GSec a potential investment opportunity

The current interest rate and inflation environment may create a favorable scenario for G-Sec investors.



Source: Bloomberg, data as on March 24, 2025

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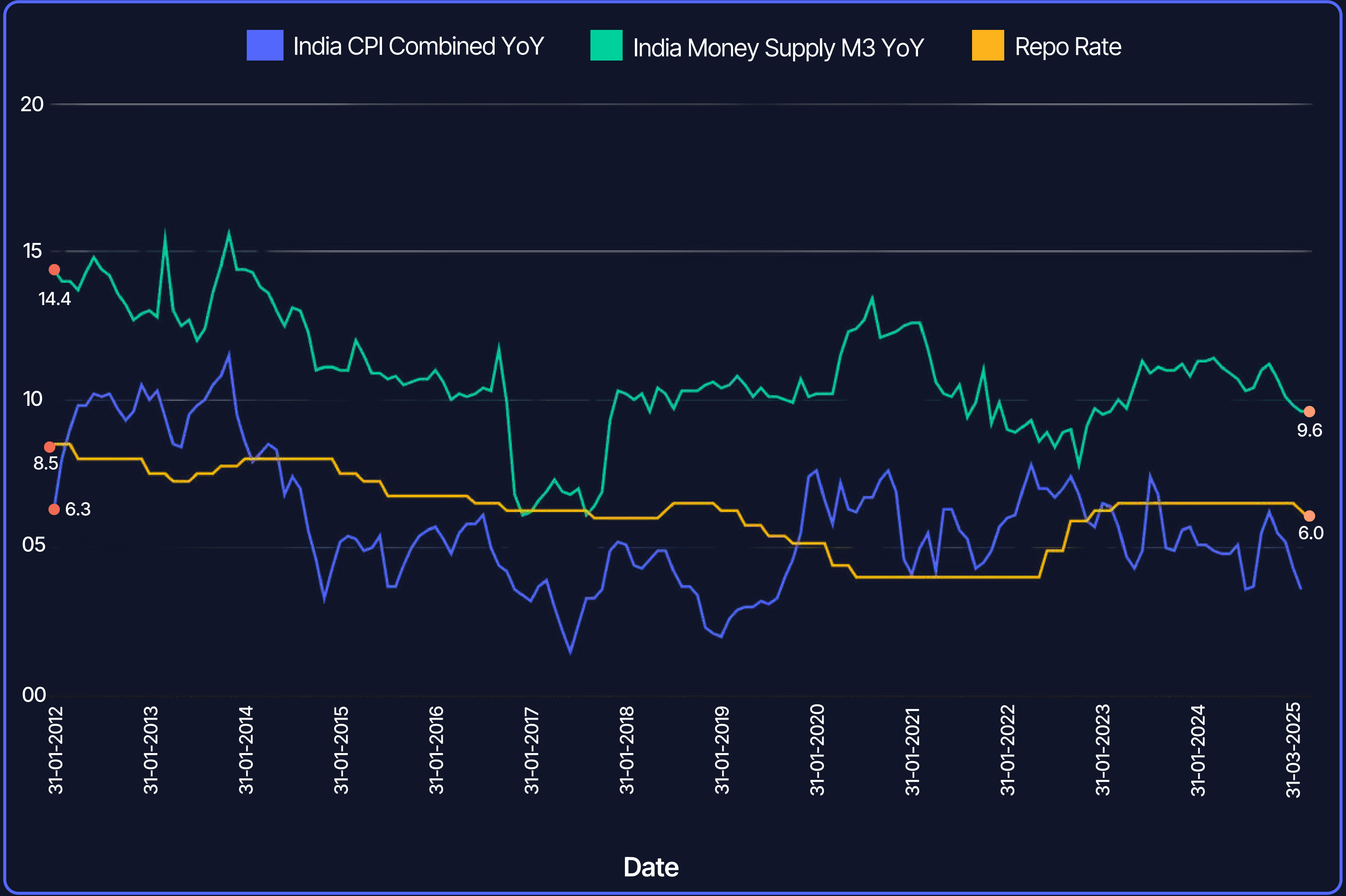
Slowdown in economic growth may lead to lower real rates

Money supply and GDP growth are below longer term trends.

A Money supply growth



Source: Bloomberg, data as on March 24, 2025

B Domestic growth slow down

Source: Bloomberg, data as on March 24, 2025

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Domestic and global slowdown in economic activity leading to central bank rate cuts

Global Slowdown Triggering Interest Rate Cuts by Central Banks	
BOE	Started rate cuts
ECB	Started rate cuts
Bank of Canada	Started rate cuts
Swiss National Bank	Started rate cuts
PBOS	Started rate cuts
Fed	Started rate cuts
India	Started rate cuts

Domestically, slowing of GDP estimates for FY26 and slower money supply growth indicate tepid economic outlook in the short to medium term, indicating possible rate cuts.

The RBI has cut the growth forecast for the first two quarters of the next financial year FY26

	Current forcast	Previous forecast
Q1	6.7%	6.9%
Q2	7.0%	7.3%

Source - RBI, data as on 07 February, 2025

FII Debt flows impacting demand supply dynamics for fixed income securities

FII Flows lowering bond yields

Foreign Institutional Investor (FII) flows can impact interest rates by influencing demand and supply dynamics. When FIIs invest heavily in fixed income securities, the increased demand drives up prices, which in turn lowers yields.

Source: Bloomberg, data as on March 25, 2025

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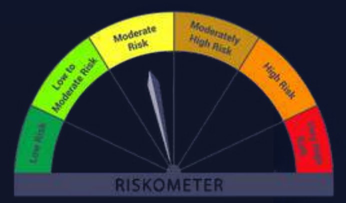
<table>
<tr><th colspan="3">PRODUCT LABEL#</th></tr>
<tr><td rowspan="2">This product is suitable for investors who are seeking*:
• Credit risk free returns over medium to long term
• Investment mainly in goverment securities of various maturities</td><th>Scheme Riskometer</th><th>Benchmark Riskometer</th></tr>
<tr><td>

Investor should understand that their principal will be at moderate Risk</td><td>As per AMFI Tier I Benchmark CRISIL Dynamic Gilt Index


The Benchmark is at moderate Risk</td></tr>
</table>

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

#The above product labelling assigned during the New Fund Offer (NFO) 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 ('PRC") Matrix of the Scheme			
Credit Risk / **Interest Rate Risk**	**Relatively Low (Class A)**	**Moderate (Class B)**	**Relatively High (Class C)**
Relatively Low (Class I)	–	–	–
Moderate (Class II)	–	–	–
Relatively High Class (Class III)	**A-III**	–	–
A-III - A scheme with Relatively High interest rate risk and Relatively Low credit risk.			

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