

Baroda BNP Paribas US Smallcap GIFT City Fund: Should You Invest?

By Anil Poste, Published on: December 09, 2025,

Baroda BNP Paribas Asset Management has introduced the Baroda BNP Paribas GIFT US Small Cap Fund. It's a feeder fund structure, where the underlying fund is BNP Paribas US Small Cap Fund, a Luxembourg-registered UCITS strategy that follows a high-conviction, bottom-up approach in the US small-cap space.

Participation is open to Resident Indians, NRIs and other eligible investors. The fund requires a minimum investment of USD 150,000, which carries an expense ratio of up to 1.75% per annum and comes with a two-year lock-in during which redemptions are not permitted.

A higher investment of USD 175,000 has a lower fee structure of 1.65% per annum and allows exit with a 1% charge in the first year and no lock-in thereafter. For investors allocating USD 250,000 or more, the management fee is 0.75% per annum with no lock-in and no exit load.

BARODA BNP PARIBAS US SMALLCAP GIFT CITY FUND: AT A GLANCE

Where It Invests

Invests into the BNP Paribas US Small Cap Fund, a Luxembourg-registered UCITS fund focused on US small-cap equities



Ticket size and fees

Investment Amount	Annual Fee	Lock-in / Exit Terms
\$150,000	1.75% p.a.	Two-year lock-in.
\$175,000	1.65% p.a.	1% exit charge in first year; no lock-in after
>\$250,000	0.75% p.a.	No lock-in; no exit load

Who Can Invest?

- ◆ Resident Indians
- ◆ NRIs

Same expense for direct & regular; distributor fees paid by AMC as per agreement.

A case for US small cap

- ◆ US small caps trading near long-term average valuations
- ◆ Broader participation expected as AI productivity expands beyond mega-caps
- ◆ US large vs small-cap valuation gap at 20-year high
- ◆ Russell 2000 Index P/E 19x
- ◆ S&P 500 Index P/E: 27x



Risks to Note

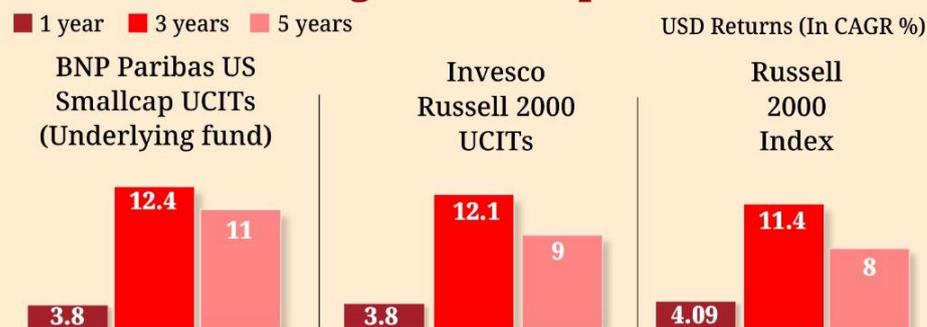
- ◆ Higher volatility vs large caps
- ◆ Longer holding horizon recommended



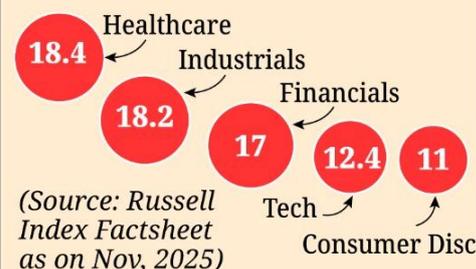
What experts say?

A satellite allocation for diversification into US small caps, aligned with risk appetite and goals

UCITs/ETFs tracking US Smallcap funds



Russell 2000 Index: Top sector holdings



A case for US small cap

The recent phase of the US equity market has seen a narrow rally dominated by a few mega-cap technology companies. Experts argue that if productivity benefits from AI and reshoring trends expand beyond the largest corporations, smaller companies may stand to benefit disproportionately.

As per the Russell 2000 Index factsheet dated 30 November 2025, the US small-cap segment delivered a 1-year return of 4%, while the 3-year and 5-year CAGR returns stood at 11.4% and 8% respectively.

Amit Sahita, Director, Fincode Advisory Services Pvt. Ltd., notes, "The US rally has been very narrow with the 7 large Tech heavy names driving it. In the next phase, we may see the productivity gains of AI benefit the broader US economy. In that case, BBNPP Gift US Small Cap Fund may outperform."

The factsheets of the Russell 2000 Index and the S&P 500 Index as of November 2025 indicate that the S&P 500, representing US large caps, remains well above its long-term valuation average of around 27x, while US small caps in the Russell 2000 are trading close to their long-term average forward P/E of about 19x.

Who Should Consider Investing?

GIFT City-based structures are increasingly being used as a route to overseas assets. However, allocation to a niche category such as US small caps may require a sequencing approach.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors, says, "For investors looking to build exposure to international assets, especially the US, this could be an option to consider as a secondary exposure after a core exposure to broader global developed markets and broad-based US markets has been built."

He adds that while the segment looks more attractively valued today, investors need to be comfortable with the higher volatility associated with small caps.

Advantages of the GIFT City Structure

The structure facilitates access to foreign asset classes for resident investors without the need to directly open foreign brokerage accounts or navigate multiple regulatory interfaces.

Final thoughts

Investors who find the valuation opportunity appealing may consider this fund as a satellite exposure but should do so in line with their risk appetite and financial goals and do consult a financial advisor before investing.