TATA INDIA CONSUMER FUND– DECEMBER 2021 UPDATE

(An open-ended equity scheme investing in Consumption Oriented Sector)

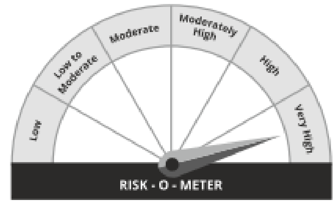
For External Circulation

Data as on 30th Nov

This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation.
- Investment in equity/equity related instruments of the companies in the Consumption Oriented sector in India.

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



Investors understand that their principal will be at Very High Risk

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

Update on the Consumption Sector

Generally speaking, we are more positive on the discretionary segment over staples. We expect an increase in out of home consumption, discretionary spending is likely to see an increase due to this trend. Indicators show a strong festive season demand, with strong H2-FY22 outlook. There are some concerns with respect to the emergence of the Omicron variant, which may result in some sluggishness in demand.

Valuations continue to remain elevated, however, the runway for growth in the discretionary segment is long, hence it remains preferred over the staples space.

Consumer Discretionary

Of the four broad segments of the discretionary space– Apparel, Quick Service Restaurants, Consumer Durables and building products, are seeing robust recovery. The demand drivers for the segments are similar, with small variants.

In case of durables, there has been higher consumption due to recovery in the real estate space. More importantly increased usage of appliances due to work from home policies have resulted in higher wear and tear, leading to a shorter replacement cycle.

We have seen higher spends for out of home consumption in apparel and footwear as schools and offices reopen. This segment has seen very good demand post the second wave and the festive season.

There has been an increased demand for building products due to the revival of the real estate sector. Faster repainting cycles are also a driver for demands in the paints segment.

Consumer Staples

The toplines of businesses in the consumer staples segment continue to be broadly similar to pre-Covid levels, with some pockets where volume growth is a little sluggish, which are expected to recover over the coming couple of quarters. However, margins are under pressure due to higher incidence of raw material costs, which have not all been passed on to the customer, resulting in pressure on margins. However, given the dominance that FMCG companies command, they may be able to gradually shift these costs onto the consumer.

The fall in costs over time are unlikely to be passed on to the consumer, with the result that over time, the margins of businesses may end up slightly higher compared to pre-Covid levels.

Retail Business

Retail inflation continues to be strong, which is cutting into the margins. However, retailers have been able to benefit from the concessions on rentals provided to retail and QSR tenants due to the first and second wave of the pandemic. As these costs come back, there may be some pressure on margins in Q3 and Q4 onwards.

Urban v/s Rural Consumption

There has clearly been a broad based recovery. The urban segment of demand is doing significantly better than rural areas. This is because the rural segment sits on a higher base compared to urban areas. The first wave of the pandemic had a lower impact on rural areas compared to Tier-1 areas. The monsoon and agriculture output has been uneven this year and while there have been some MSP hikes, it has resulted in higher disposable incomes. However, it is early to say whether this is structural or transient. Discretionary segment is outperforming in Tier-II, III and IV locations. While disposable incomes have been impacted, in-home consumption has increased, resulting in demand not stagnating.

Overall, consumer sentiment remains buoyant, with urban areas outweighing rural areas.

Trend towards Formalization

There has been a general trend of a shift in market share from smaller, regional and disorganized businesses towards organized & larger players, with increasingly larger market share gained by the latter. This shift accelerated during the pandemic. Smaller and unorganized players were hit by a slowdown in demand and liquidity challenges. Organized players are moving into rural areas and are hence gaining market share due to increased reach.

Raw material inflation continues to affect both organized and unorganized players, however the former have the ability to absorb higher costs. The core selling point for unorganized players was lower price, which they have not been able to hold onto.

In the discretionary space formalized players have continued to do well as raw material price inflation has hit unorganized businesses, especially due to lack of access to working capital. Organized players also have a greater ability to pass on costs to the customer due to brand power. This can be seen in segments of the building products business such as paints and plywood which is seeing a significant shift towards organized players.

Online Channel: Channel Shift or Value Addition?

There is a set of customers who have permanently shifted a significant portion of their spending to online spaces, due to ease of purchase. It has been higher in some categories such as footwear in comparison to others. The pace of migration towards online platforms is likely to continue to be sharp.

However, this must be seen as a shift from brick and mortar towards the online channel, as opposed to value additions. Once operations have normalized, there will be a fall from the current peak. However as the situation normalizes, online channels will end up being higher than pre-Covid levels.

Restaurants/QSRs have seen a major rise in revenue from takeaways/delivery sales which were driven by online channels. However as restaurants re-opened, the online channel remained strong. The businesses themselves are pushing the online channel as they are better able to control the end consumer better and target buying patterns. The delivery business has lower costs in comparison to physical locations, especially for the QSR segment. The online channel remains strong and is likely to dominate going ahead.

Sectoral Positions

As a fund house, we have generally been positive on the Consumer Discretionary segment and our portfolio holds market leaders across discretionary categories. ~48% of the portfolio is in the consumer discretionary segment, of which ~10% is in the building products segment (paints, plywood and ceramics.)

The fund holds ~46% in the consumer staples segment, with positions in food & beverages, personal care and spirits businesses.

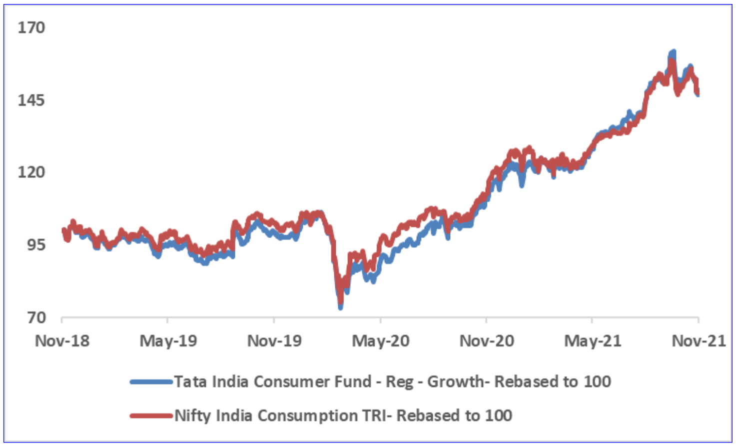
Fund Snapshot

Benchmark	Nifty India Consumption TRI
AUM	Rs. 1335.15 Crores
Inception Date	28th December 2015
No of Holdings	32
Expense Ratio	Direct: 0.89 Regular: 2.36
Fund Manager	Sonam Udasi: Managing since 1-Apr-16

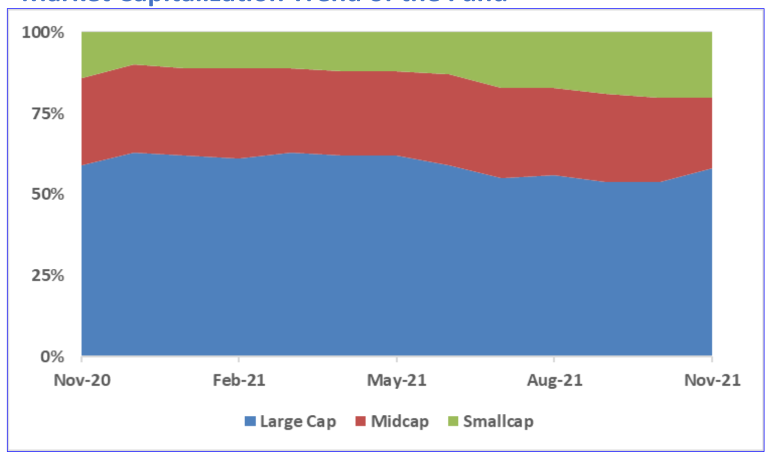
Fund Statistics

	Fund	Benchmark
Std. Deviation	16.92	17.11
Beta (Slope)	0.19	0.19
Sharpe Ratio	0.92	1.00
R-Squared	0.86	1.00
Treynor	1.03	0.92
Jenson	0.10	NA

NAV Movement of the Fund



Market Capitalization Trend of the Fund



*Large, Mid and Small Cap are defined as follows:
A) Large Cap: 1st -100th company in terms of full market capitalization
B) Mid Cap: 101st -250th company in terms of full market capitalization
C) Small Cap: 251st company onwards in terms of full market capitalization

Market Cap Allocations

Category	Allocation
Large Cap	57.66%
Midcap	22.31%
Smallcap	20.03%

Sector Allocations

Sector	Allocation
Consumer Goods	83.15%
Consumer Services	9.04%
Automobiles	1.84%
Media & Entertainment	1.33%

Top 10 Stock Allocations

Stock	Allocation
ITC Ltd.	9.11%
Titan Company Ltd.	6.70%
Radico Khaitan Ltd.	5.96%
Hindustan Unilever Ltd.	5.45%
Tata Consumer Products Ltd.	5.42%
Jubilant Foodworks Ltd.	5.24%
Asian Paints (india) Ltd.	4.80%
Dabur India Ltd.	4.79%
Voltas Ltd.	4.23%
Havells India Ltd.	4.01%

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