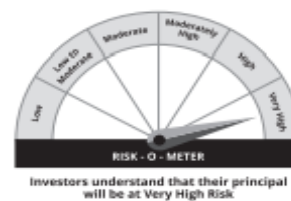


This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation
- Investment in equity/equity related instruments of companies in the Information Technology Sector

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



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

About the Sector*

The Indian Information Technology sector in FY21 stood at ~\$194 billion, up by 2.3%. The IT industry now accounts for 8% of Indian GDP, contributes to over half of services exports. The sector employs ~45 lakh people.

India has the largest base of quality IT talent in the world and the offshore-based companies have best access to this talent. Additionally, deep expertise, presence across technologies like cloud and digital in multiple domain areas and best-in-class execution makes India well-suited to enable holistic digital transformation for clients.

The sector comprises of companies providing 4 broad groups of services: IT services, Engineering, Research & Design (E-R&D), Business Processing and Outsourcing (BPO) and Hardware.

In terms of clients, the BFSI sector contributes the largest customer, followed by manufacturing, and retail.

Constituents of the Indian IT Sector	
IT Services	~\$100 billion
E-R&D	~\$40 Billion
BPO	~\$35 Billion
Hardware	~\$15 billion

Largest Clients of Indian IT Sector	
BFSI	~25-30%
Manufacturing	~20%
Retail	10%

Largest Markets for Indian IT Sector	
USA	~50%
Europe (Including UK)	~30%

*Information based on NASSCOM Strategic Review-2020/ Motilal Oswal

Sub Sectors within the IT Sector

IT Services: Some of the largest listed companies in India belong to the sector. Indian service providers have increased their market shares at the expense of global peers. IT spending increases in automation and collaboration tools is likely to benefit this sector.

E-R&D: A large proportion of work in IT related research and design is still done in-house for large companies. However, there is large scope for the outsourcing of these services to companies with specialized departments in this field.

Business Processing & Outsourcing: BPOs had seen growth slowing down due to a shift from offsite to onsite and increased automation before the pandemic. However, post the pandemic we are seeing increased momentum in offshore deals and growth seems to be reviving in the segment. Generally, the sector is characterized by strong cash flows, with healthy dividends and reasonable valuations.

Sector Update

Near Term

- Recent quarters have seen very positive demand driven growth and it is likely to continue led by digital transformation and cloud migration.
- The Covid-19 pandemic gave legroom for margin expansion due to cost reductions as expenses related to travel were reduced to a great extent. However, this may reduce as travel starts again with the abatement of the pandemic.
- The shift towards work from home was also an important lever for improving margins.

- However, supply side constraints (personnel-wise) are starting to crop up, which may add pressure on margins going ahead. The capacity utilizations are also at the peak and attritions is starting to see a reversal leaving less headroom for cost leverage.
- Recent quarters highlighted that the offshore mix for the companies has been changing, with a greater number of employees working from India rather than being physically present on-site. This is a structural lever for the margins. The trend of higher offshoring has been continuing and in turn has led higher market share gains for the Indian companies.
- The sector is seeing larger deals coming through, especially with cloud penetration at ~25%, which is expected to rise to ~50% in the coming couple of years.
- Expectations in the past few months pointed to a slowdown in margins . However, we have seen margin reductions well below the initial expectations, in a large way due to the increasing in service prices, which has helped reduce impact of rising costs.
- Earnings growth is likely to be in line with revenue growth, with select companies in the midcap space expected to outpace the industry growth on revenues.

Medium Term:

- Market Leaders as well as laggards emphasize the critical role of technology in building resiliency, improving experience and building new revenue streams. Hence, many clients are undertaking a core transformation, which is a multi-year journey. (F- 500 clients have indicated their acceleration of digitization and digitalization initiatives).
- Clients are still in the early phase of cloud migration with only a minor portion of workloads on the cloud and these enterprise clients have accelerated their cloud adoption journeys catalyzed by Covid-19. Their transformation journeys include (1) infrastructure migration to the cloud, (2) adoption of cloud native technology stack and (3) new ways of collaboration among organizations, resulting in a strong multi-year increase in technology spending across industries.

The digital transformation and cloud migration is likely to be a ~3-5-year journey for organizations which is a benefit to the sector.

- Cyber-security is a key driver for growth over the medium term.

Valuations

Currently valuation multiples in absolute terms are higher than the previous peaks seen in 2010-11. However, valuations in relation to the broader market are in line with earlier peak. As we expect good earnings visibility in the 2-3 year horizon, higher valuations are not too concerning. We may see pockets of disappointments due to valuation resets, however globally it is seen that where there is growth visibility, valuations have held up.

Positions taken in the IT Sector

- The majority of the positions taken are in IT services companies. This segment of the sector provides both traditional IT services as well as providing services in digital transformations.
- We also hold significant positions in E-R&D companies
- The fund has also taken positions in businesses providing consumer services ranging from delivery platforms to gaming.
- Our endeavor is to drive Alpha through picking stocks which give valuation comfort as well as growth visibility. We also try to add alpha through some turnaround companies with improved visibility.

Fund Snapshot

Type of Fund	An open-ended equity scheme investing in the Information Technology sector
Benchmark	S&P BSE IT TRI
AUM	Rs. 3468.96 Crores
Inception Date	28th December 2015
No of Holdings	34
Fund Managers	Meeta Shetty (Managing since 9th March 2021); Venkat Samala– Managing overseas investment (since 26th Nov 2020)

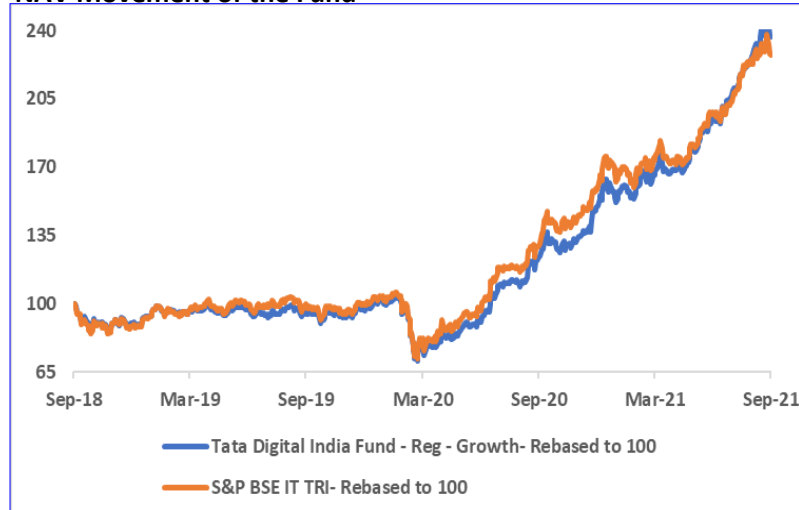
Investment Objective

The investment objective of the scheme is to seek long term capital appreciation by investing at least 80% of its net assets in equity/equity related instruments of companies in the Information Technology (IT) sector.

Market Cap allocations

Large Cap	Midcap	Smallcap
63.85%	25.44%	10.71%

NAV Movement of the Fund



Top 5 Sectors Allocation

IT	Consumer Services	Services	Telecom	Industrials
82.77%	3.80%	3.55%	2.39%	0.89%

Portfolio Construction*

The fund manager builds the portfolio around the following parameters:

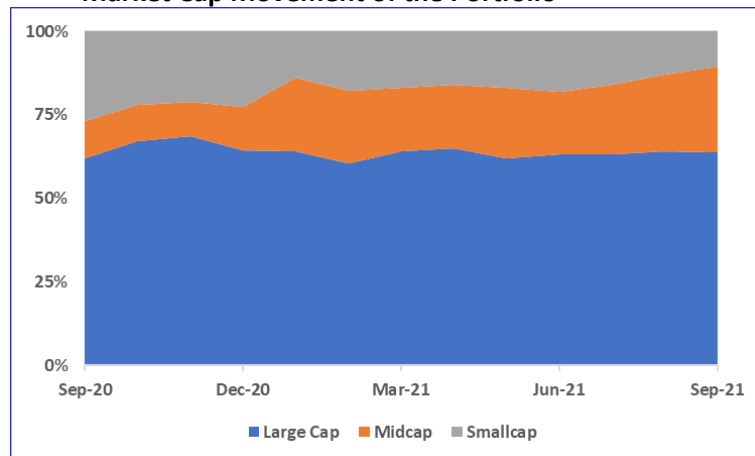
- Endeavors to invest according to Growth at Reasonable Price
- Prefers companies that have a long term potential for growth
- Looks for structural stories: companies with strong balance sheets and the ability to invest in emerging technologies
- Fund usually has significant allocations to top 5 stocks in the portfolio
- The fund is generally dominated by large caps, with significant allocation to mid and small caps

*Based on current scenario and may change in the future

Fund Statistics

Statistic	Portfolio	Benchmark
Std Deviation	22.22	22.95
Beta (Slope)	0.93	1.00
Sharpe	0.37	0.35
R– Squared	0.93	1.00
Treynor	2.55	2.29
Jenson	0.24	NA

Market Cap Movement of the Portfolio



*Large, Mid and Small Cap are defined as follows:

- Large Cap: 1st -100th company in terms of full market capitalization
- Mid Cap: 101st -250th company in terms of full market capitalization
- Small Cap: 251st company onwards in terms of full market capitalization

Top 10 Portfolio Holdings

Stock	Allocation
Infosys Ltd.	16.64%
Tata Consultancy Services Ltd.	13.15%
Tech Mahindra Ltd.	9.58%
HCL Technologies Ltd.	9.13%
Persistent Systems Ltd.	5.42%
Mphasis Ltd.	4.51%
Larsen & Tuobro Infotech Ltd.	3.67%
IRCTC Ltd.	3.55%
Mindtree Ltd.	3.25%
L&T Technology Services Ltd.	3.23%

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