TATA HYBRID EQUITY FUND

(An open ended hybrid scheme investing predominantly in equity & equity related instruments)

TATA MUTUAL FUND

For External Circulation

Data as on 31st Aug 2021

This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation.
- Investment predominantly in equity & equity related instruments (65% - 80%) & some portion (between 20% to 35%) in fixed income instruments.

***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

Fund Snapshot

Benchmark	Crisil Hybrid 25+75-Aggressive Index
AUM	3412.74 Crores
Inception Date	8th October 1995
Expense Ratio	Reg: 1.96; Direct: 1.04
No of Equity Holdings	33
Fund Manager	Chandraprakash Padiyar (Managing Since 3rd Sep 2018); Murthy Nagarajan- (Managing since 1st Apr 2017) Satish Chandra Mishra (Assistant Fund Manager (Managing since 1st Nov 2019)

Fund Statistics

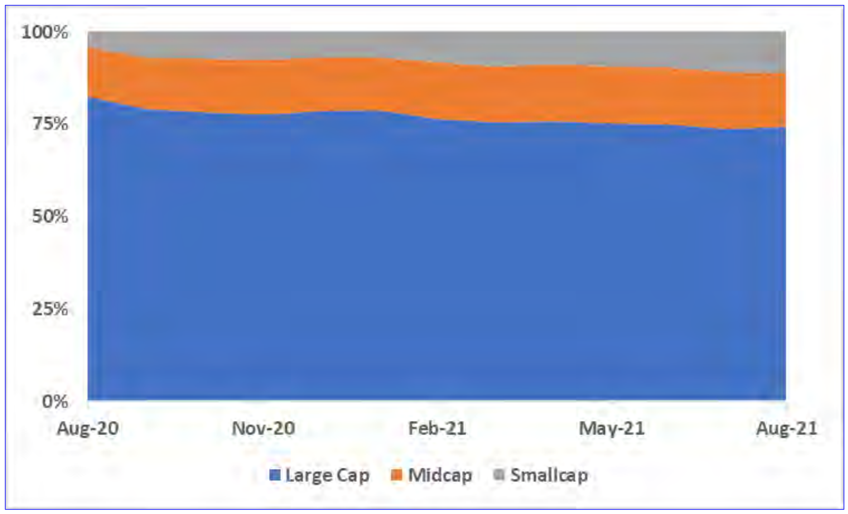
Statistic	Portfolio	Benchmark
Std. Deviation	17.24	16.95
Beta (Slope)	0.98	1.00
R (squared)	0.97	1.00
Sharpe	0.16	0.23
Treynor	0.80	1.12
Jenson	-0.31	NA

About the Fund

Tata Hybrid Equity Fund aims at seeking a combination of equity & debt investments. The scheme actively manages the combination of the equity & debt investments depending upon the existing market conditions & outlook.

It aims to seek an optimum combination of capital appreciation & income opportunities.

Market Cap Movement of the Equity Portfolio

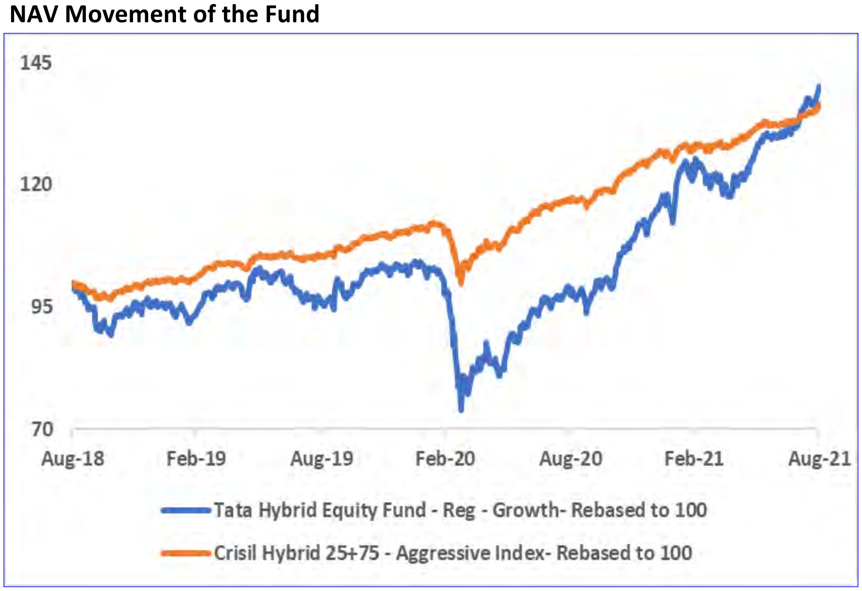


Large Cap: 1st -100th company in terms of full market capitalization
Midcap: 101st -250th company in terms of full market capitalization
Small Cap: 251st company onwards in terms of full market capitalization

Market Capitalization-wise Exposure (Equity Portfolio)

Large Cap	Midcap	Smallcap
74.18%	14.62%	11.21%

NAV Movement of the Fund



Asset Allocation

Equity	78.28%
G-Secs and T-Bills	1.94%
Corporate Bonds	11.81%
Money Market Instruments	6.34%
Cash & Equivalents	1.68%

Top 5 Sectors

Sector	Allocation
Financial Services	25.65%
Information Technology	11.08%
Oil & Gas	9.61%
Consumer Goods	8.46%
Chemicals	4.33%

Top 10 Holdings

Stock	Allocation
ICICI BANK LTD.	9.02%
RELIANCE INDUSTRIES LTD.	7.59%
STATE BANK OF INDIA	5.84%
HDFC BANK LTD.	5.81%
TATA CONSULTANCY SERVICES LTD.	5.30%
INFOSYS LTD.	4.43%
BASF INDIA LTD.	4.33%
HDFC LTD.	3.31%
BHARTI AIRTEL LTD.	2.87%
VARUN BEVERAGES LTD.	2.78%

Investment Philosophy

Equity Component (~78% of the Portfolio)

Portfolio Size: Optimal portfolio size of 25-35 stocks constructed on a bottom up basis.

Stocks in the Portfolio: ~60% of the portfolio is invested in steady compounders and **~**40% of portfolio is invested in businesses where we expect strong earnings growth over the next few years and where consensus is behind/below our estimates along with room for valuations to improve based on the earnings growth triggers going forward.

Bottom-up Stock Picking: Our Visibility and conviction on triggers with the market not acknowledging the triggers playing out is the key to the stocks being classified as GARP today. The entire portfolio is built with a bottom-up approach.

Sectors Avoided: The fund manager avoids cyclical sectors with potential for high debt. The fund manager also avoids investing in commodities-based businesses as they are influenced by too many factors such as demand and supply and global economic conditions.

Portfolio Turnover: The fund has a portfolio turnover ratio of the equity component of the fund was ~9%. The fund manager generally takes a buy and hold approach to investments.

Outlook for Equity Markets

Medium-to-Long Term Perspective (3-5 Years)

The market is at an inflection point in terms of private sector capital expenditure (capex). This is likely to be driven by commodity-based businesses such as metals, power, oil& gas, chemicals etc. The government's Production Linked Incentive (PLI) scheme for boosting manufacturing capacity and exports should also lead to an increase in capex. A sustained increase in capex could be a positive for the economy at large as well as for sectors such as banking (which finances the capex), capital goods, industrials, engineering etc. Valuations at current levels are fair (neither under nor over valued) and returns are likely to be driven by earnings growth which are expected to be at ~15% (CAGR) over the next 3-5 years.

Short Term Perspective (6-9 Months)

Economic recovery is gaining momentum post Covid-19 Wave II. Most businesses are extremely optimistic of growing profits over FY19 and FY20 in spite of Covid led disruptions. Intention to expand capacities and invest in capabilities is high on the agenda for management teams across sectors.

Barring Covid-19 Wave III, outlook for earnings growth remains positive. However, valuations today reflect the positive outlook in the near term and hence market may need to consolidate in a range for some time before moving higher over the medium to long term.

Sectoral Positions

The fund is equal-weight in financial services with respect to the benchmark. The fund has taken significant positions in large cap banks as they will be one of the main beneficiaries of the capex cycle. They also hold a strong position in terms of retail lending as well as raising funds from depositors and the markets. The fund holds ~17% in private sector banks and ~6% in a PSU Bank. The fund also holds ~3% in an HFC.

The fund holds significant positions in sectors such as IT (~11%), Consumer Goods (~8%). The fund is a little underweight in these sectors. These businesses are expected to provide compounded growth over the long term. The positions in the IT sector are mostly in large IT services companies. Positions in the Consumer Goods sector are a largely in the staples segment.

The fund is overweight in the Oil & Gas sector. The sector positions are a play on a) a diversified conglomerate with predominantly a petrochemical business but also with significant revenue from retail and telecom services and b) increasing gas consumption driven by government policies to increase piped gas connections to homes.

The fund manager has taken significant positions in sectors such as Chemicals, Industrials , construction & engineering as they are likely to be beneficiaries of the expansion in capex. The fund is underweight in the Auto sector.

The fund manager is generally looking for a balance between domestic and export markets.

Market Cap Allocations

The equity portfolio is generally dominated by large cap stocks with significant allocations to mid and small caps. Currently ~25% of the equity component of the fund is in mid and small cap stocks. Mid and small cap stocks in the portfolio are generally in sectors such as Industrials, Construction & Engineering, Capital Goods, Cement, Chemicals etc.

Debt Component (~20% of the Portfolio)

- The Current construction of the debt portfolio is biased towards G-Secs and AAA-rated issuers.
- The portfolio consists of ~3% in G-Secs and T-Bills, 3% in AAA-PSU Issuers, ~4% in non-PSU AAA bonds and ~4% in AA rated papers. The fund also holds ~6% in money market instruments.
- The average maturity of the debt portfolio is 2.24 Years and YTM is 5.18%.
- We hold some papers in sub-AAA categories, however, they are entities with strong parent companies that give substantial financial support
- The focus is on maintaining a high-quality portfolio of liquid securities with an accrual-based strategy.