TATA LARGE & MIDCAP FUND

SEPTEMBER 2022

(An open ended equity scheme investing in both large cap and midcap stocks)

TATA MUTUAL FUND

For External Circulation

Data as on 31st Aug 2022

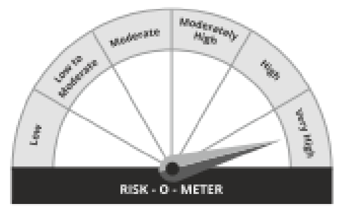
This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation
- Investment in equity and equity related instruments of well researched value and growth oriented Large & Mid Cap Companies.

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

Scheme Risk O Meter

Benchmark Risk O Meter

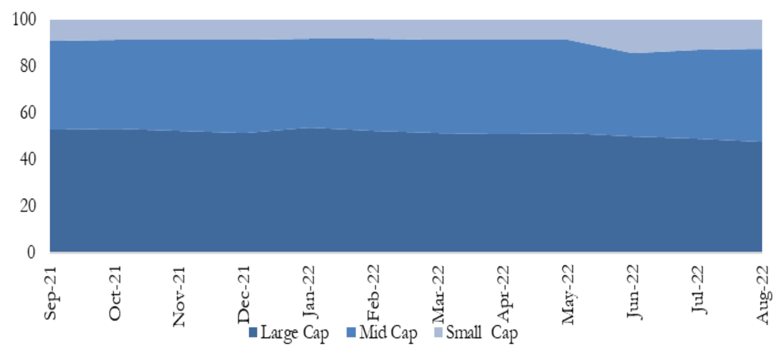


(It may be noted that risk-o-meter specified above is based on the scheme characteristics. The same shall be updated in accordance with provisions of SEBI circular dated October 5, 2020 on Product labelling in mutual fund schemes on ongoing basis.)

Fund Snapshot

Type of Fund	An open-ended scheme investing in both large cap and midcap stocks
Benchmark	Nifty Large Midcap 250 TRI
AUM	Rs. 3316.36 Crores
Inception Date	25th February 1993
Expense Ratio	Reg: 2.08 Direct: 0.91
No of Holdings	41
Fund Manager	Chandraprakash Padiyar (Managing Since 3rd September 2018); Meeta Shetty- Asst. Fund Manager (Managing since 1st November 2019)

Fund Statistics



About the Fund

The Fund aims at proactively taking advantage of potential capital appreciation opportunities arising from large and midcap segment of the market.

Market Cap Allocations

Large Cap	47.68%
Midcap	40.15%
Smallcap	12.17%

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

Top 10 Holdings

Stock	Allocation
ICICI Bank Ltd.	8.29%
Reliance Industries Ltd.	5.97%
Varun Beverages Ltd.	5.57%
State Bank Of India	5.13%
HDFC Bank Ltd.	4.93%
IDFC First Bank Ltd.	3.85%
Aditya Birla Fashion & Retail Ltd.	3.64%
Sundaramfastners Ltd.	3.63%
Tube Investments Of India Ltd.	3.48%
Bharti Airtel Ltd.	3.29%

Top 10 Sectors

Sector	Allocation
Financial Services	27.09%
Fast Moving Consumer Goods	8.96%
Automobile And Auto Components	8.59%
Capital Goods	8.44%
Oil Gas And Consumable Fuels	7.57%
Healthcare	6.82%
Information Technology	6.80%
Consumer Services	4.65%
Chemicals	4.62%
Telecommunication	3.29%

Market Outlook*

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

India from our perspective is at the cusp of a capital expenditure upcycle. It is observed from historical analysis that whenever businesses start generating higher return on invested capital over the risk free rate, balance sheet improvement is very strong and the appetite to invest increases on sustainable basis. Over the past 20 years or so we did witness the period of FY03 to FY08 whereby corporate India was generating a spread of 4%-8% over the risk free rate which led to strong pick up in the corporate capex cycle leading to high earnings growth overall for business for a sustained period of time leading to strong equity market returns.

FY23 onwards, the spread earned by corporate India is once again likely to move up beyond 4% over the risk free rate. And we already are aware of the fact that balance sheet health of corporate India is at one of its best levels currently with high free cash expected to be generated over the next few years and the narrative from many sectors like Steel, Power, Chemicals, Pharmaceuticals, Electronics, etc. is towards a significant pick up in capex over the next 3-5 years. Government policies on one hand in terms of production linked incentives along with ease of doing business is helping a lot and at the same time Indian competitiveness over other economies like China, Vietnam etc. has improved significantly over the years.

India at an Inflection Point

India today stands at an inflection point for a sustained strong economic growth leading to significant corporate profit growth. Some of the key reasons for us to believe in the same are –

- Manufacturing ecosystem in the process of getting built across sectors specially Electronics, Engineering Goods, Chemicals, Pharmaceuticals, Auto and Ancillaries. China + 1 is just the beginning – as and when component ecosystem gets developed over the next few years, India can potentially become a global sourcing hub on its own.
- Infrastructure investment by the government – pipeline for new capex is building up strongly, took some time to reach this stage but now looks ready to grow.
- Banking sector well capitalized and healthy provision coverage ratio – ready to lend aggressively.
- Average Corporate Capacity utilization likely to reach 80%+ in most sectors by FY24 leading to a strong pick up in capex – can already see short cycle orders for capital goods companies bulging to all time highs. Production Linked Incentive Scheme by the government can itself add to US$25bn worth of private corporate capex over the next 3-4 years.

Short Term Perspective (6-9 Months)

Forex reserves for India have come down towards US$540bn with the RBI using the same to support the Rs against the US$ thereby contributing to tight system liquidity. Money supply growth has moved lower towards high single digits. Can have some impact on growth if liquidity is not provided to support growth.

Valuations for the broad market on a relative basis to other world markets trade at very expensive levels. The Nifty-50 Index trades at 19x+ 1-year forward EPS. Among sectors Financials look reasonably valued especially for banks wherein there is high near-term earnings visibility. Their return ratios have improved dramatically and are better than pre-Covid levels in many cases. We also continue to see value in Telecom, Consumer Discretionary, Home Improvement, Retail, Energy sectors.

We remain cautious on sectors where valuation is expensive/stretched and is pricing in strong growth outlook without adequately discounting high interest rate environment like New Age Ecommerce/Fintech companies, Export Oriented Chemicals, Global Commodities among others.

*outlook based on current market scenarios, which may be subject to change

Portfolio Construction*

- **Portfolio Size:** Currently the portfolio contains 41 stocks. The fund manager makes a sizeable allocation to top 10 stocks and significant weightages to the rest of the portfolio as well. This means that even the tail end of the portfolio is not benchmark hugging, showing that it is a completely bottom-up portfolio.
- **Types of Stocks in the Portfolio:** The portfolio is deployed in two broad groups. The first is comprised of safe, good quality stocks that provided safety, stability and liquidity to the portfolio. The second group of stocks are those that have the potential to provide earnings surprises.
- **Bottom-Up Stock Picking:** Portfolio is constructed with a bottom up approach and oriented towards Growth at Reasonable Price. Fund Manager prefers companies which are low debt and have potential for growth. Essential characteristics of stocks picked as compounders are low debt and high free cash flows.
- **Sectors Avoided:** The fund manager avoids cyclical sectors with potential for high debt. The fund manager also avoids investing in commodities as they are influenced by too many factors such as demand and supply and global economic conditions.
- Portfolio Turnover: The fund manager does not churn the portfolio much and takes a buy and hold approach.

*Current portfolio construction strategy, and is subject to change in the future

Sectoral Positions

Financial Services (27% of the Portfolio)

The fund has significant positions in private sector banks (~19% of the portfolio); Have ability to gain market share and maintain relatively higher growth rates. The fund also holds positions a public sector banks, Life Insurance and HFC.

Fast Moving Consumer Goods (~9% of the Portfolio)

The sector's positions are predominantly captured by Beverages (~6%) and Diversified FMCG (~3%).

Automobiles and Auto Components (~9% of the portfolio)

The holdings are dominated by the auto components segment (~3.5 % of the portfolio). The investments in the sector are to take advantage of the normalization of demand for the sector, which would be of benefit to OEM manufacturers. The fund also holds positions in fasteners and Passenger vehicles segment.

Oil, Gas & Consumable fuels (~7.6% of the Portfolio)

Majority of the positions taken are in Refineries and Marketing companies, selling petroleum products, which is about ~6% of the portfolio, followed by gas Transmission Companies (~2%), selling Gas products.

Market Cap Allocations

The equity portfolio is generally dominated by large cap stocks with significant allocations to mid and small caps. Currently ~52% of the portfolio is in large cap stocks and ~48% of the equity component of the fund is in mid and small cap stocks.