TATA INDIA CONSUMER FUND– JULY 2021 UPDATE

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

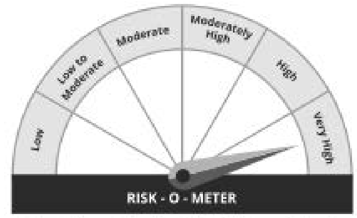
For External Circulation

Data as on 30th June 2021

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. With the recovery in the economy post the first and (post) the second lockdowns, discretionary is the suitable play to capitalize on the resumption of economic activity. While, valuations are elevated, runway for growth in discretionary is higher in the near and longer term.

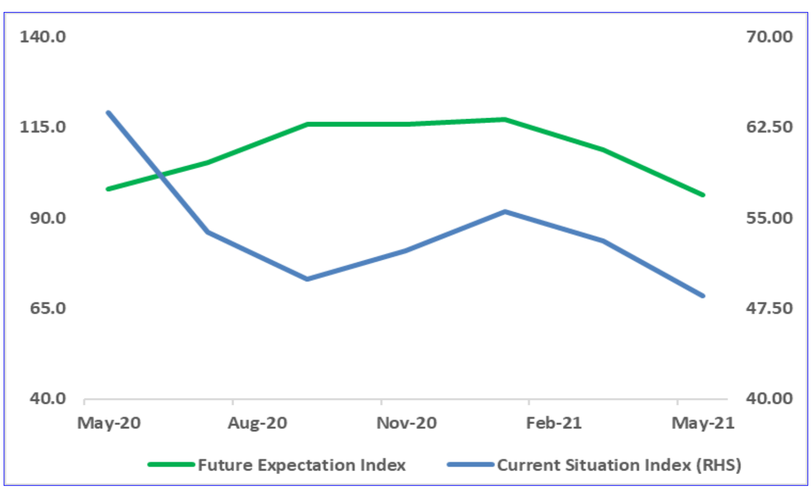
Within the discretionary segment there are diverse segments, especially in the consumer durables and retail spaces with each segment having different triggers. After the first wave of the coronavirus, the consumer durables segment did well, but apparel and footwear have continued to struggle. In the second wave, apparel and footwear continue to struggle but is expected to benefit from the recovery as the economy normalizes.

The First and Second Waves of the Pandemic

The impact of the pandemic in the second wave has been much more broad based compared to the first. The first wave caused a greater impact on larger cities and metros compared to Tier-II &III cities and rural areas. The second wave saw rural areas and tier II&III cities also significantly affected by the pandemic.

The recovery before the second lockdown was led primarily by smaller cities & towns and rural areas, but after the spread of the second of the pandemic, the recovery has been aided by larger cities. The resilience of demand in smaller cities & towns is likely to continue, however with greater convergence between the urban and rural markets, which is a positive for consumption

Consumer Confidence



Source: RBI Consumer Confidence Survey

The second wave of the pandemic did not see salary cuts and job losses on the same scale as the first wave.

As a result, the impact on the consumer perception of the current situation declined to a much lesser extent post February-21, as opposed to the much greater fall in confidence after the first lockdowns.

In contrast, consumers’ expectations of the future have remained more stable in the past year.

Margin Headwinds

The sector has seen some challenges to due to increase in raw material costs linked to inflation. This can especially be seen in businesses linked to crude oil derivatives and also in commodities such as palm oil and tea. Consumer durable companies are seeing higher costs due to increasing metal prices.

Last year saw margin expansion due to cost saving related to lower advertising and operations cost along with benign raw material prices. However, this year, with lockdowns being much more localized, the savings due to lower advertising have ended. Margins for businesses are likely to be maintained in spite of lower cost-levers.

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. However, during the pandemic era, national and regional players in the staples segment have been able to manage supply chains relatively well.

In the discretionary space however, formalized players have continued to do well as raw material price inflation has hit unorganized businesses due to lack of access to working capital. This is especially the case in consumer durables space.

A fall in revenue in businesses such as footwear and apparel has especially affected unorganized players.

Online Channel: Channel Shift or Value Addition?

Online channels have done well in the food, apparel and groceries businesses, with a definite increase in revenue contribution which has plateaued, especially in Q4 2021 with stores opening again. However, with store hours still irregular, online channels have continued to do well. 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.

In segments such as apparel and footwear, which are still at pre-Covid levels, there has been a shift in sales from physical stores to online channels, which may reverse as operations normalize. 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.

Automobiles Sector

There are expectations of broad-based recovery on a macro-economic level. If this happens, the auto sector, which is are a cyclical and discretionary business, is likely to do well. We see strong tailwinds going ahead for select segments such four wheelers and commercial vehicles. The sector may see some headwinds due to raw material costs, however, companies are forthright in increasing prices, giving support to margins. Valuations in the sector are reasonable, especially compared to other consumption stocks.

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. Within the auto sector, we hold positions in passenger vehicles (2 and 4 wheelers) and also in the commercial vehicle segment. In the non-durables segment, we hold significant positions in consumer staples, especially food and beverages and personal care businesses.

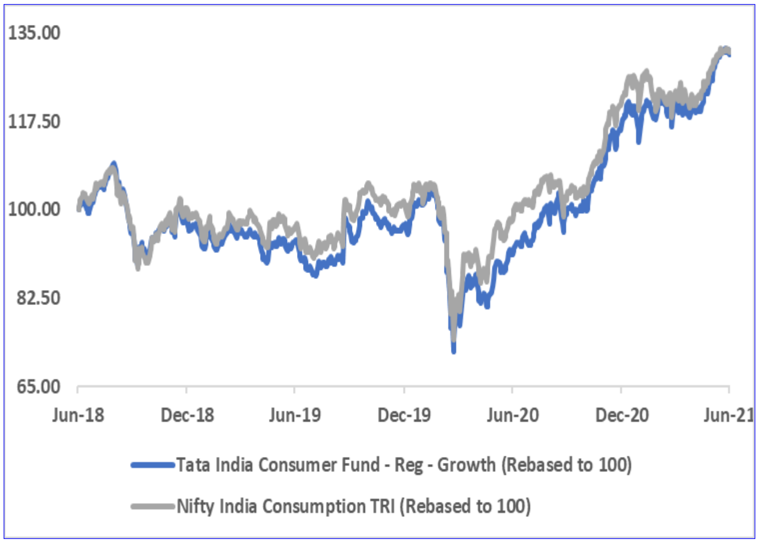
Fund Snapshot

Benchmark	Nifty India Consumption TRI
AUM	1,228.08 Crores
Inception Date	28th December 2015
No of Holdings	29
Fund Manager	Sonam Udasi: Managing since 1-Apr-16 Ennette Fernandes (Asst. Fund Manager): 18-Jun-18

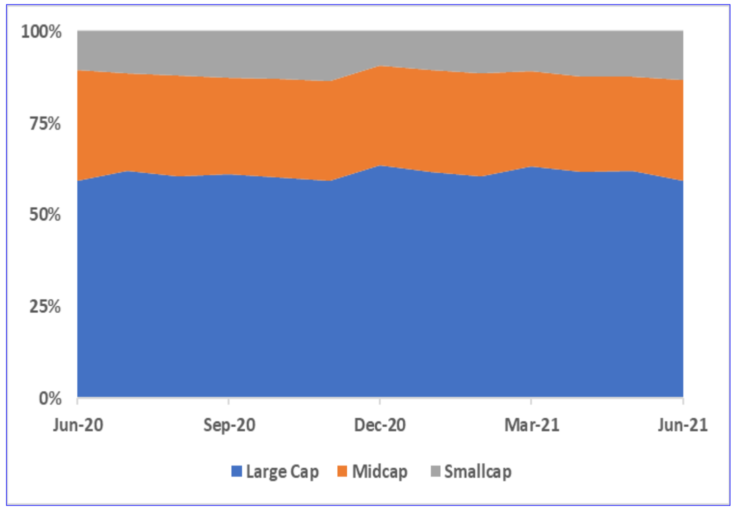
Fund Statistics

	Fund	Benchmark
Std. Deviation	18.84	18.85
Beta (Slope)	0.96	1.00
Sharpe Ratio	0.11	0.11
R-Squared	0.90	1.00
Treynor	0.63	0.61
Jenson	0.02	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

Sector	Allocation
Large Caps	59.26%
Midcaps	27.63%
Smallcaps	13.10%

Sector Allocations

Sector	Allocation
Consumer Goods	78.72%
Automobiles	10.51%
Retailing	8.37%

Top 10 Stock Allocations

Stock	Allocation
ITC Ltd.	7.96%
Dabur India Ltd.	6.21%
Hindustan Unilever Ltd.	6.09%
Tata Consumer Products Ltd.	5.98%
Titan Company Ltd.	5.88%
Radico Khaitan Ltd.	5.07%
Asian Paints Ltd.	4.97%
Jubilant Foodworks Ltd.	4.80%
Voltas Ltd.	4.51%
Kansai Nerolac Paints Ltd.	4.08%