

## Investment Philosophy

The portfolio constructed by the fund manager can be divided into two broad groups: Compounders and Re-rating Opportunities.

### > Compounders

Businesses that have a long runway for growth and have some sort of market leadership in their product category (in terms of volumes, revenues, costs/profits per unit or in terms of Return on Capital. etc. These companies are also likely to show consistency in generating profits and have a capable management team and prudent capital allocation policies.

### > Re-Rating Opportunities

These are businesses that are currently underestimated by the market for various reasons. They could be cyclical businesses which the markets believe are in a downcycle, while there are indications of a recovery. They could be companies undergoing a transformation within the business due to a change in management or policy. Investment opportunities could also arise due to a change at the industry level due to consolidation or a change in the demand and supply dynamics. There is the potential for the market to re-rate the valuations of the companies and correct its underestimation.

## Valuation

- > There could be a reasonable overlap between a compounder and a company with re-rating potential, however the key difference being in how the two types are valued.
  - > Return forecasts of Compounders are based on their long-term growth prospects and their cash flow conversion from earnings. For the latter, there is the expectation of a recovery in earnings/cashflow as well an improvement in the valuation multiple with the market sharply re-rating valuation of the business.
  - > A compounder may be undervalued due to a short-term downturn in the business as well. In fact, some of the best investments can be undervalued companies that go on to become compounders.
- > The fund manager is quite willing to pay-up for a good quality business that can deliver steady growth over a 4-5-year period, but will generally avoid companies that are overvalued (i.e. cases where the current price discount growth for the next 4-5 years).

## Stock Picking

- > The portfolio is constructed on a bottom-up basis. The fund has historically been a concentrated portfolio and will continue to remain as such. The fund currently holds 35-40 stocks.

## Economic Outlook

After the first wave, the economy was quick to rebound, despite fears of job and/or income losses. Consumers were aggressive in their spending. It would therefore be reasonable to expect that there has not been much damage to consumer sentiment after the second wave and we may see a reasonably quick recovery after the second wave as well.

Over the last few years, India has faced a few hurdles to the growth journey, such as Demonetization in 2016, GST implementation in 2017, NBFC crisis in 2018 leading to a credit squeeze. This was capped by the pandemic in 2020. This hurt small and medium enterprises that are the backbone of the economy and form the segment that is incrementally driving consumption.

Despite the repeated crises across sectors, consumer sentiment remained resilient. This shows that the strength of India's demographic dividend remains strong. This compounded with a relatively higher savings rate in the last year, we can conclude that economic growth will bounce back. This is reflected in the GDP growth forecast of 11-12%\* (helped by the lower base) by various economic and regulatory agencies. We are unlikely to see a large-scale slowdown or recession.

\*Source: RBI

## Market Outlook

The optimism in the markets and expectation of growth has resulted in above average valuations.

However, there is a large segment of the markets that are trading at or below their long-term average valuations. This can be seen in the Financial Services sector, where the frontline private players are near/above long-term average valuations, while many corporate or PSU banks are less richly valued.

This can be seen across several sectors such as consumer goods and automobiles, with the frontline players commanding higher valuations, while others languish at below average multiples.

The reason for dichotomy is that the markets expect the recovery to take hold first among the frontline/structural names and then later percolate down towards the smaller player or cyclical segments within the sector.

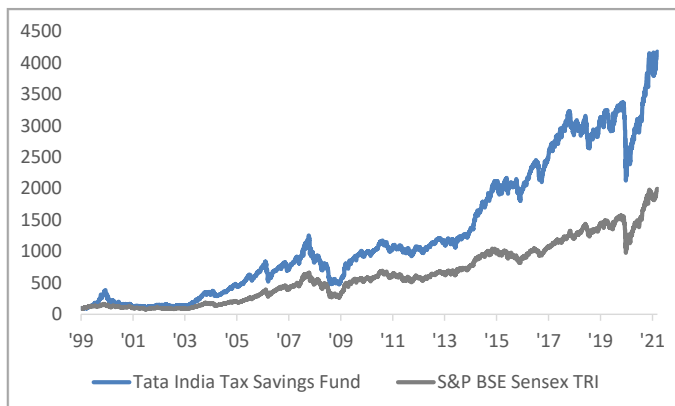
Thus, while the index valuations may be high, there are also investment opportunities available in the portions of the markets that are under-appreciated.

## Portfolio Positioning

- Our portfolio is sharply positioned to benefit from the expected economic recovery. The fund has taken positions in growth oriented and cyclical companies rather than more defensive names.
- The fund is underweighted in IT and consumer staples. The fund is overweight in private sector banks, automobiles (especially in the utility vehicles, commercial vehicles, and tractors). The fund also holds significant positions in cement, manufacturing, and industrials, which are cyclical businesses, likely to benefit from an economic recovery.
- The fund has taken an overweight position in healthcare, plus a few individual picks in sectors like telecom and chemicals.

## Fund Performance

### NAV Movement since 31st March 1999 (Rebased to 100)



### Risk Metrics (on the basis of past 3 year performance)

| Statistic      | Fund  | Sensex |
|----------------|-------|--------|
| Std. Dev       | 23.49 | 22.21  |
| Sharpe Ratio   | 0.13  | 0.17   |
| Portfolio Beta | 1.02  | 1.00   |
| R Squared      | 0.93  | 1.00   |
| Treynor        | 0.82  | 1.10   |
| Jenson         | -0.29 | NA     |

### Performance in SEBI format

| Returns | Tata India Tax Savings Fund |          | S&P BSE Sensex TRI * |          |         |
|---------|-----------------------------|----------|----------------------|----------|---------|
|         | Period                      | Return % | Rs.                  | Return % | Rs.     |
|         | 1 Year                      | 61.17%   | 16,159               | 61.66%   | 16,209  |
|         | 3 Year                      | 11.13%   | 13,727               | 15.04%   | 15,230  |
|         | 5 Year                      | 14.03%   | 19,286               | 15.68%   | 20,721  |
|         | Since Inception             | 18.69%   | 747,541              | 13.23%   | 228,777 |

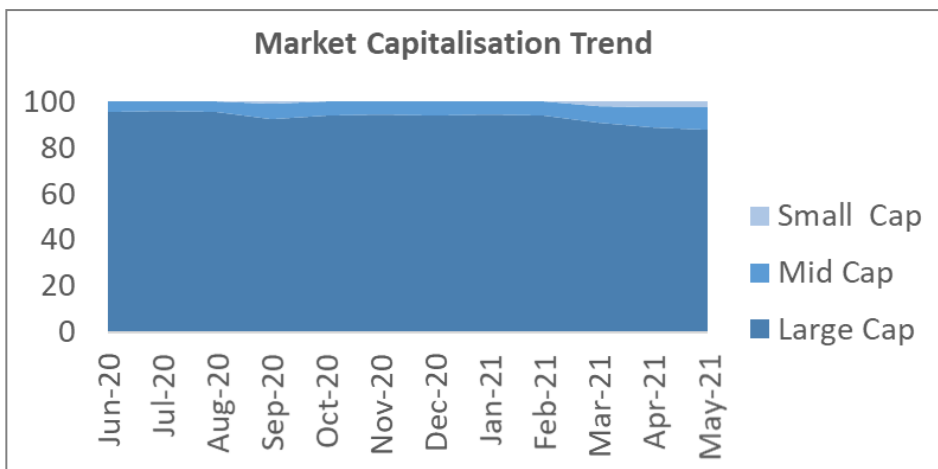
Managed By: Tejas Gutka (Managing Since 09-Mar-21) & Ennette Fernandes (Managing Since 18-Jun-18)

## FUND SNAPSHOT

| Top 10 Holding (%)      |       |           |
|-------------------------|-------|-----------|
| Company                 | Fund  | Benchmark |
| ICICI Bank Ltd          | 10.05 | 8.07      |
| Infosys Ltd             | 8.04  | 9.00      |
| HDFC Bank Ltd           | 7.28  | 10.90     |
| Reliance Industries Ltd | 6.95  | 12.31     |
| State Bank Of India     | 6.90  | 2.87      |
| HDFC Ltd                | 4.44  | 8.11      |
| Axis Bank Ltd           | 4.30  | 3.48      |
| Bharti Airtel Ltd       | 3.46  | 2.26      |
| Kotak Mahindra Bank Ltd | 2.27  | 4.17      |
| Voltas Ltd              | 2.20  | -         |

| Sector wise Allocatin (%) |       |           |
|---------------------------|-------|-----------|
| Sector                    | Fund  | Benchmark |
| Financial Services        | 37.01 | 42.50     |
| IT                        | 9.95  | 17.69     |
| Oil & Gas                 | 8.69  | 13.04     |
| Automobile                | 7.50  | 3.99      |
| Pharma                    | 7.37  | 2.41      |
| Consumer Goods            | 6.54  | 11.67     |
| Industrial Manufacturing  | 4.27  | -         |
| Construction              | 3.79  | 3.12      |
| Telecom                   | 3.46  | 2.26      |
| Cement & Cement Products  | 2.98  | 1.37      |

# FUND SNAPSHOT



**Market capitalization as per SEBI circular:** 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.

|                |  |
|----------------|--|
| Type of Fund   | An open ended equity linked savings scheme with a statutory lock in of 3 years and tax |
| Benchmark      | S&P BSE Sensex TRI   |
| AUM            | Rs. 2,705.09 Crores  |
| Inception Date | March 31,1996  |
| Expense Ratio  | Direct-0.77   Regular- 1.99  |
| Fund Manager   | Tejas Gutka (Managing Since 09-Mar-21) & Ennette Fernandes (Managing Since 18-Jun-18)  |
| No. of Stocks  | 40   |

## Performance of other funds managed by the Fund Managers

| ENNETTE FERNANDES                                | 1 Year | 3 Year | 5 Year |
|--|--------|--------|--------|
| Tata India Consumer Fund                         | 45.85  | 7.34   | 17.68  |
| Nifty India Consumption TRI *                    | 35.81  | 8.40   | 12.72  |
|  |        |        |        |
| Tata Retirement Savings Fund - Moderate Plan     | 47.50  | 9.48   | 15.20  |
| Crisil Hybrid 25+75 - Aggressive Index*          | 68.04  | 14.48  | 15.80  |
|  |        |        |        |
| Tata Retirement Savings Fund - Progressive Plan  | 41.11  | 9.08   | 13.59  |
| S&P BSE 200 TRI *                                | 50.35  | 14.02  | 14.44  |
|  |        |        |        |
| Tata Retirement Savings Fund - Conservative Plan | 15.47  | 7.78   | 9.01   |
| CRISIL Short Term Debt Hybrid 75+25 Fund Index*  | 20.26  | 10.92  | 10.40  |
|  |        |        |        |
| Tata Ethical Fund                                | 63.16  | 14.48  | 13.54  |
| Nifty 500 Shariah TRI                            | 69.93  | 17.13  | 18.12  |
|  |        |        |        |
| Tata Focused Equity Fund                         | 67.22  | NA     | NA     |
| S&P BSE 200 TRI                                  | 68.04  | NA     | NA     |
|  |        |        |        |
| Tata Indian Sharia Equity Fund                   | 0.61   | NA     | NA     |
| Nifty 500 Shariah TRI                            | 0.70   | NA     | NA     |

Total Schemes managed by Tejas Gutka: 1, by Ennette Fernandes :8.

Disclaimer: 1) Scheme returns in terms of CAGR are provided for past 1 year, 3 years, 5 years and since inception. 2) Point-to-point returns on a standard investment of Rs. 10,000/- are in addition to CAGR for the schemes. 3) Different plans shall have a different expense structure. The performance details provided herein are of regular plan growth option except for Tata India Tax Savings Fund where performance details given is for regular plan dividend option. 4) NA stands for schemes in existence for more than 1 year but less than 3 years or 5 years, or instances where benchmark data for for corresponding period not available. 5) Period for which schemes performance has been provided is computed basis last day of the month - ended preceding the date of adversiment. 6) Past performance may or may not be sustained in future. For computation of since inception returns the allotment NAV has been taken as Rs. 10.00 \*All payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV. Load is not considered for computation of returns. Schemes in existence for less than 6 Monthd, performance details for the same are not provided. 7) For Benchmark Indices Calculations , Total Return Index(TRI) has been used. Where ever TRI not available Composite CAGR has been disclosed .

| Scheme Name                                  | Index              | Since Inception   |
|--|--------------------|---|
| Tata India Tax Savings Fund - Reg - Dividend | S&P BSE Sensex TRI | As TRI data is not available since Since Inception of the scheme, benchmark performance is calculated using composite CAGR of S&P BSE Sensex PRI values from date 29-Mar-1996 to date 31-May-2007 and TRI values since date 31-May-2007 |

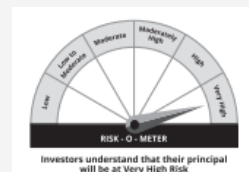
Past performance may or may not be sustained in future

Data as on 31st May 2021

This product is suitable for investors who are seeking\*

- Long Term Capital Appreciation.
- An equity linked savings scheme (ELSS) Investing predominantly in Equity & Equity related instruments.

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



**Mutual Fund Investments are subject to market risks, read all Scheme related documents carefully.**