

# TATA BUSINESS CYCLE FUND

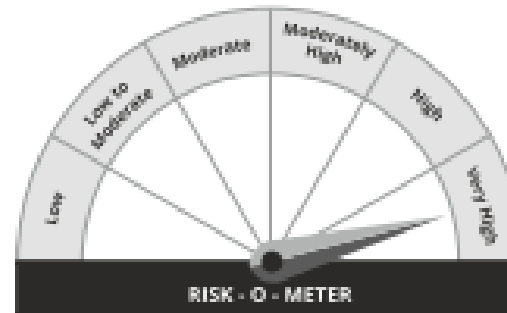
An open-ended equity scheme following business cycles based investing theme.  
**September 2022**

This product is suitable for investors who are seeking\*:

- Long Term Capital Appreciation.
- An equity scheme that invests predominantly in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles.

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

**Scheme Risk O Meter**



Investors understand that their principal will be at Very High Risk

**Benchmark Risk O Meter**



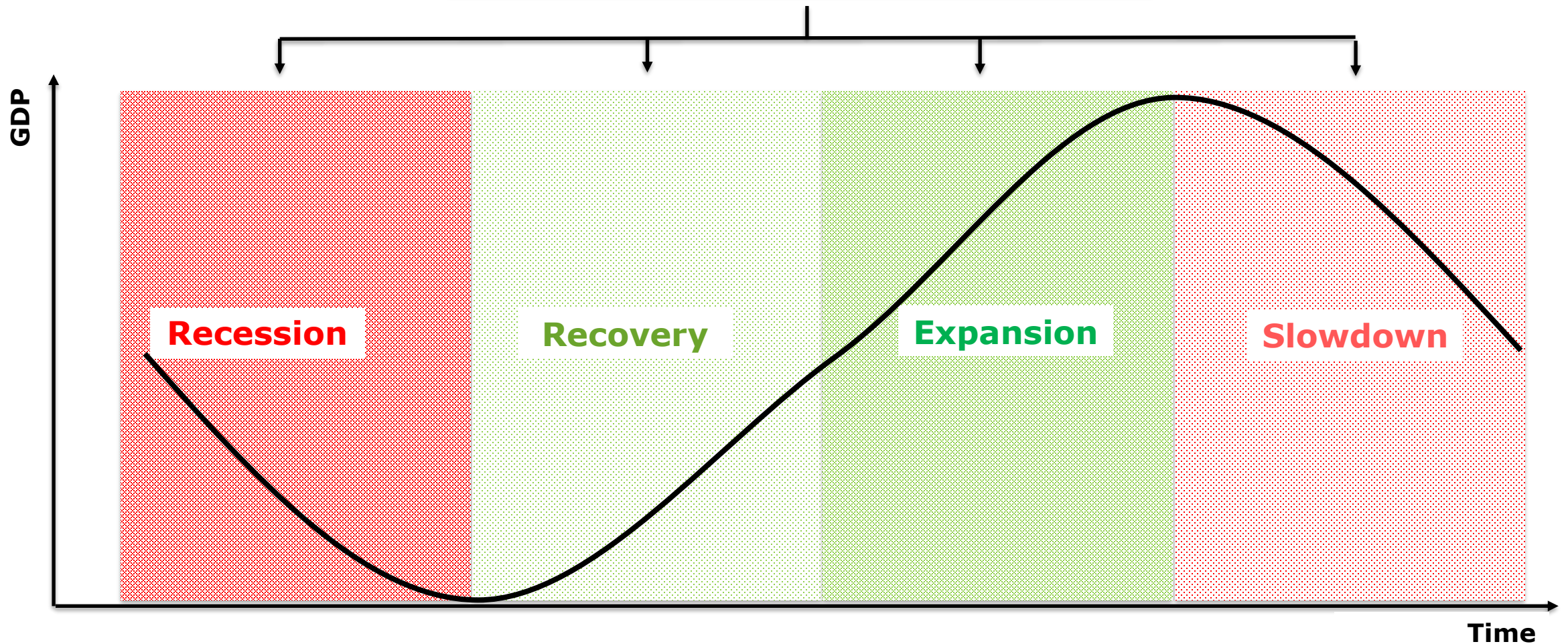
(It may be noted that risk-o-meter specified above is based on the scheme characteristics. The same shall be updated in accordance with provisions of SEBI circular dated October 5, 2020 on Product labelling in mutual fund schemes on ongoing basis.)

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

# BUSINESS CYCLES

The economy goes through a series of stages as it expands and contracts, characterised by downward or upward fluctuations of GDP.

Each Economic Cycle/Business Cycle has 4 phases



# IDENTIFYING A PHASE

## Macro Conditions

- Is Inflation rising or falling?
- Are people spending on necessities or luxuries?
- Are people able to find work?
- Monetary policy is accommodative or restrictive?

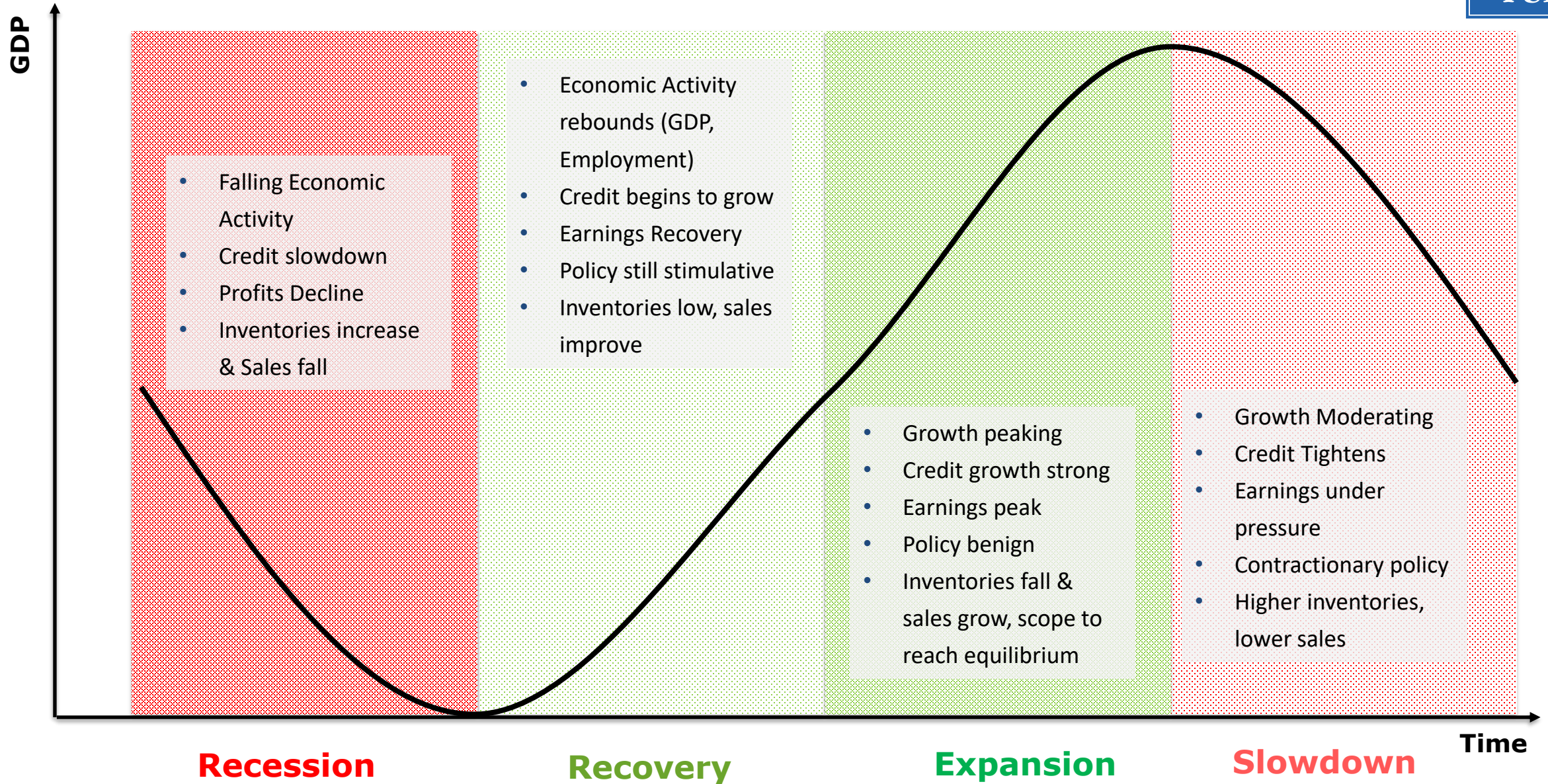
## Business Conditions

- Are Businesses planning expansion or cutting costs?
- Are factories running at full capacity?
- Is credit readily available?
- Are earnings growing or contracting?

## Market Conditions

- What is the investor sentiment?
- What is favoured, large or small companies
- Are investors greedy or fearful?
- Are investors seeking growth or value?

# CHARACTERISTICS OF BUSINESS CYCLES PHASES

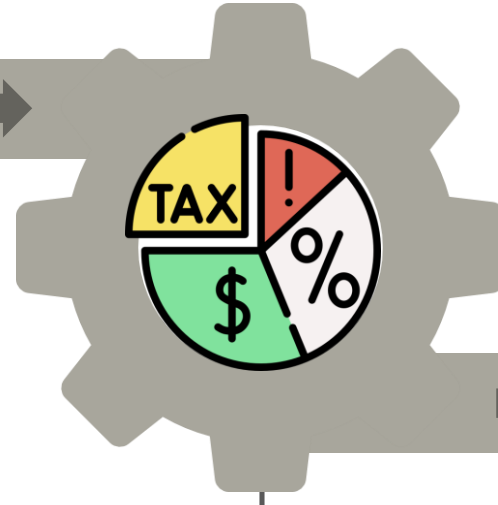


# WHAT IMPACTS THE LENGTH OF A PHASE?



## Monetary Policy

Monetary policy impacts liquidity in the economy and the cost of credit available for businesses and individuals



## Fiscal Policy

Government's taxation policy impacts the disposable income with businesses and individuals



## Macro Events

Large scale events like major policy changes, bubble bursts, crisis etc impact profitability, market sentiment amongst other things

# WHAT DRIVES THE BUSINESS CYCLE?

- Companies innovate and produce new products and services.
- They create jobs that help individuals build their purchasing power.



- Business activity declines as companies and markets mature
- Continued innovations and improvements have lesser impacts,
- Consumer spending slows



- The cyclical nature of economic activity provides businesses with the impetus to invest in the present and grow for the future



- Recessions offer opportunities for businesses to reorganize their operations and rebuild for future growth

# **BUSINESS CYCLES INVESTING**

# BUSINESS CYCLES INVESTING

Individuals can participate in economic opportunities through the investment markets. The returns investors achieve on their investments are driven in large part by changes in the business cycle

## Recovery & Expansion

Investments that are more sensitive to faster economic growth and business activity will likely outperform.

- Stocks of midsize and small companies, as well as emerging market equities
- Younger, growth-oriented firms and industries

**Investor Sentiment:  
Increased Risk Appetite**

## Slowdown & Recession

Defensive investments and those that are sensitive to falling interest rates have greater potential to outperform

- Stocks of larger and stable companies
- Businesses that experience steady consumer demand even during economic slowdowns

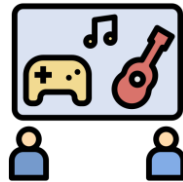
**Investor Sentiment:  
Fearful and Cautious**



# CYCLICALS VS DEFENSIVES

## Cyclical stocks

- Direct relationship to the economy
- Companies that make or sell discretionary items and services that are in demand when the economy is doing well
- These are also the goods and services that people cut first when times are tough.

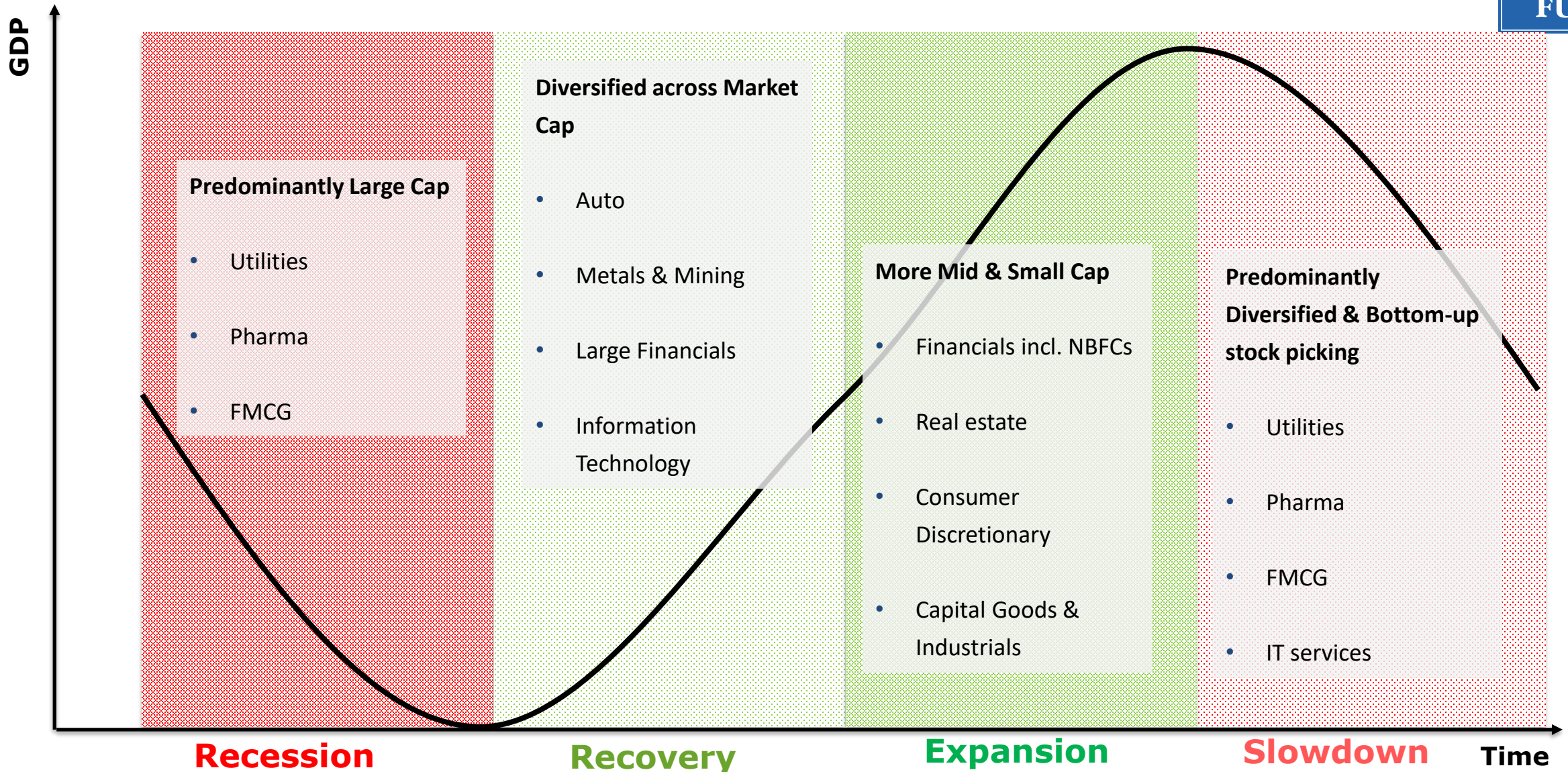


## Defensive stocks

- Defensive/Structural growth Stocks outperform the market when economic growth slows
- They produce or distribute goods and services we always need
- Characterised by low penetration i.e long runway for growth, strong balance sheet and robust ESG track record

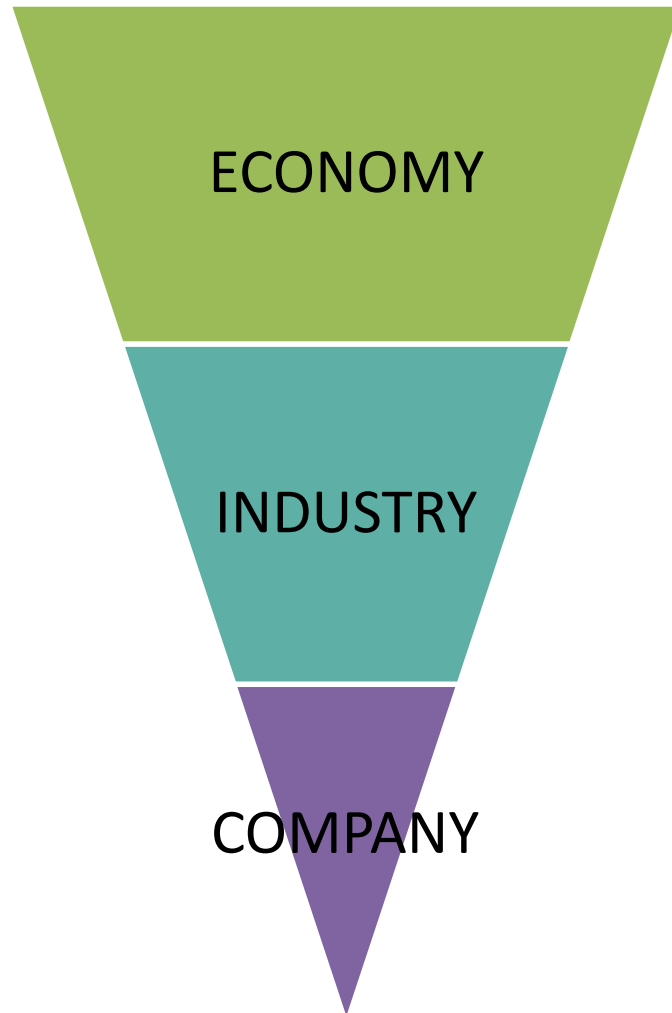


# INVESTING IN DIFFERENT PHASES



These are only indicative and not the conclusive and this is only an example to help the investor to understand different phases of economy and shall not be considered as the investment advice. The views expressed are for information purpose only and do not construe to be any investment, legal or taxation advice.

# A TOP-DOWN APPROACH



How is the economy doing?



Given the state of the economy, which industry is likely to grow?



Within a potentially growing industry, which company will gain the most?

# **THE CHALLENGE: SHORT & UNPREDICTABLE BUSINESS CYCLES**

Increasingly dynamic and responsive monetary policy



Active impetus or restrictions through government policy

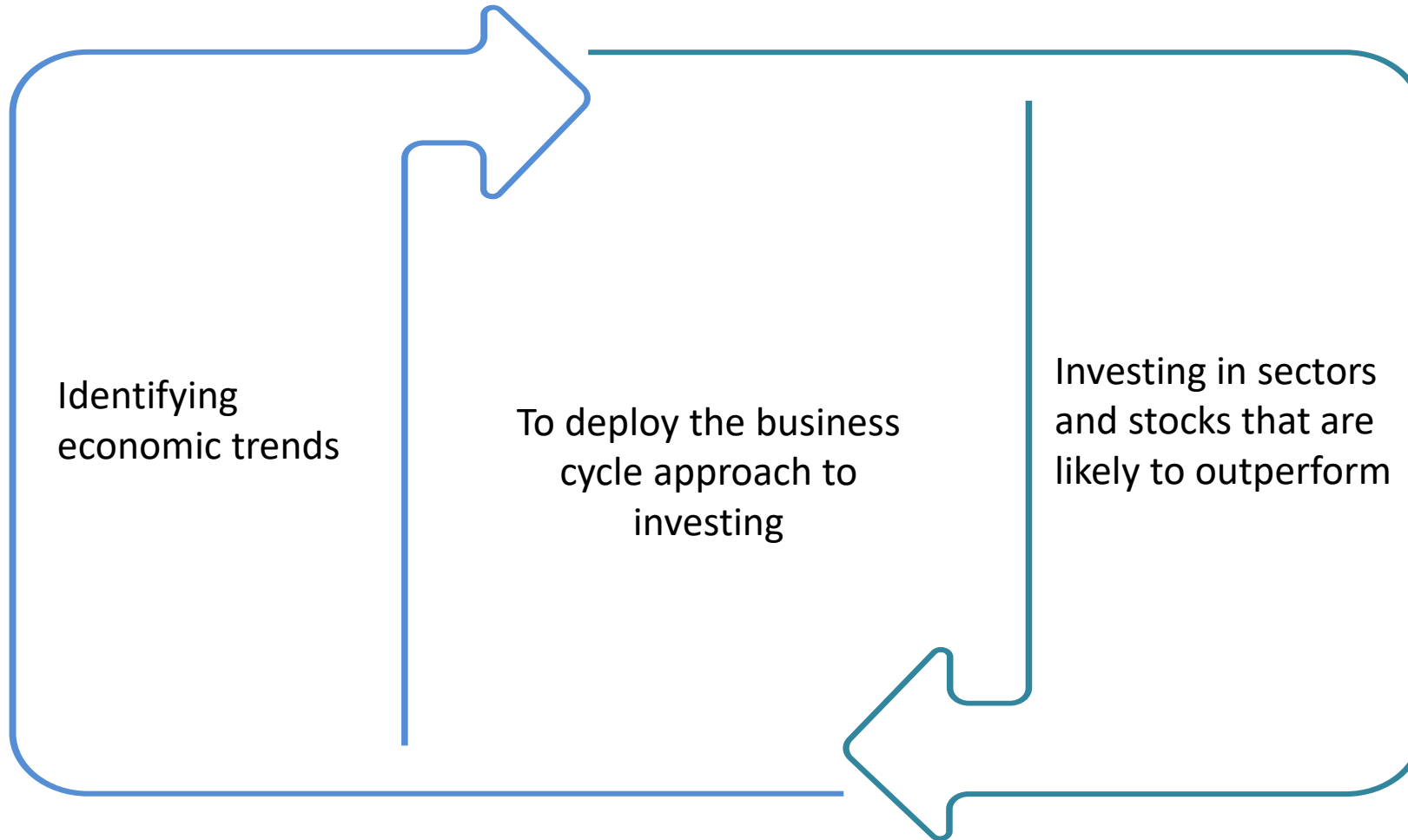
Impact of domestic macro variables



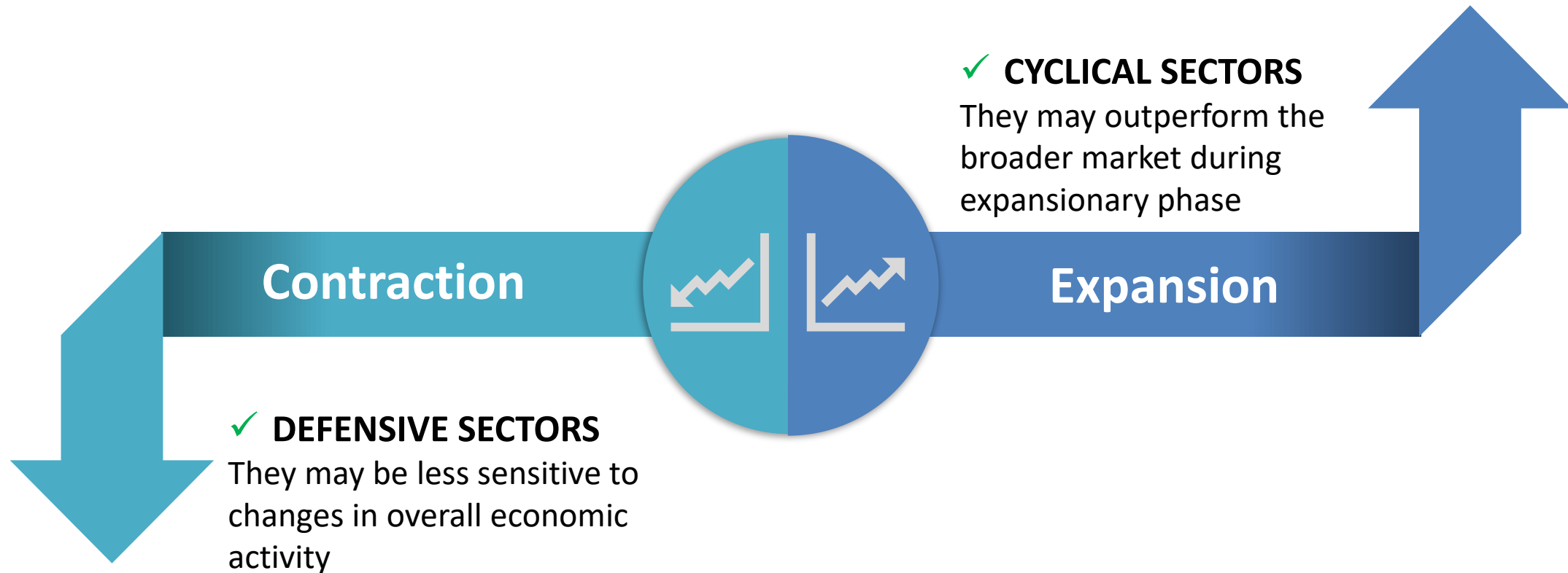
Impact of global macro variables

# **TATA BUSINESS CYCLES FUND**

# INVESTMENT STRATEGY



# FOCUS ON SECTOR CALLS



# A TOP DOWN APPROACH

## Recovery & Expansion

Buy either the sector leaders or Companies benefitting exponentially from the sectoral tailwinds during economic and business upcycle

## Slowdown & Recession

Invest in companies from sectors which provide lower downside risk during downcycles

## STOCK SELECTION

Extent of leverage to the cycle

Market cap agnostic

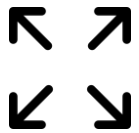
Management record



# FUND CHARACTERISTICS

The size of the portfolio will vary depending on the cycle. In a contractionary cycle, we may have more stocks compared to an expansionary cycle

## PORTFOLIO SIZE



## SECTOR ALLOCATION

The business cycle theme may allow for a more aggressive stance in terms of sector over/under weight compared to other diversified funds

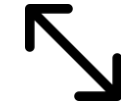
The churn in the portfolio will depend on how quickly the cycles are turning. Sudden upswings or downswings may cause higher churn

## PORTFOLIO CHURN



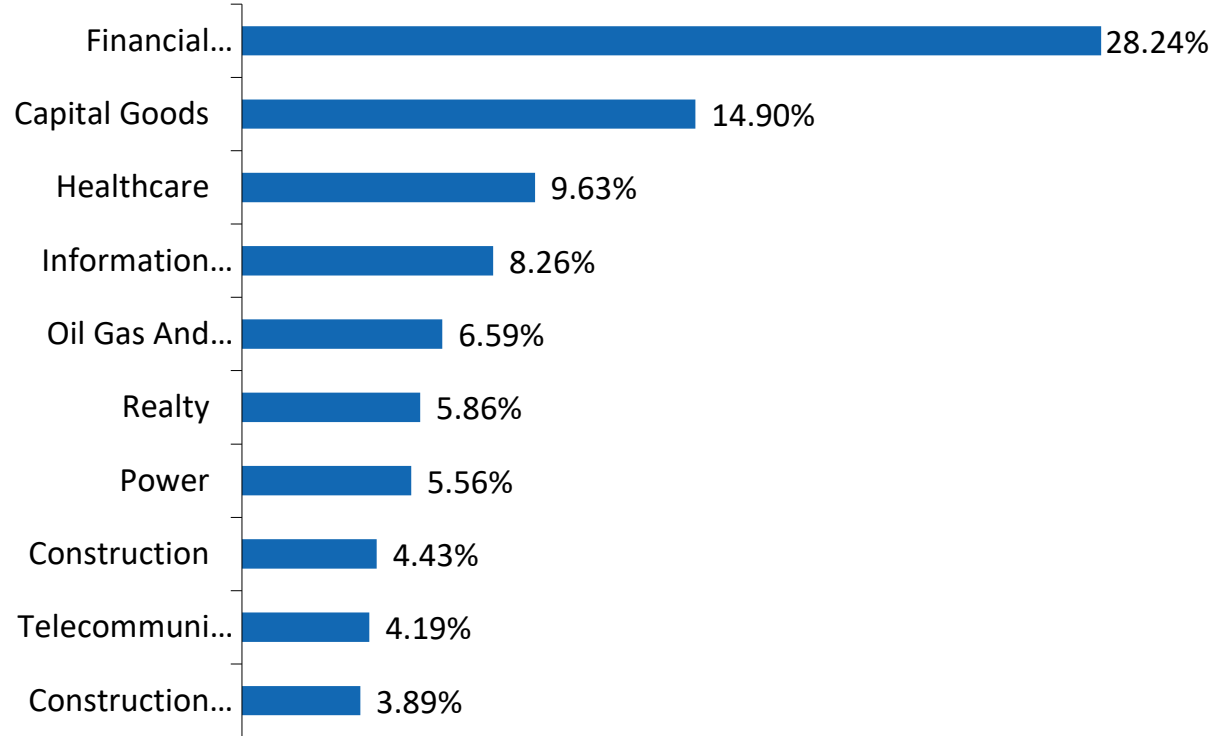
## MARKET CAP ALLOCATION

With no constrain on market cap allocation, the split will be purely based on the business cycle phase, with focus on segments mostly likely to do well

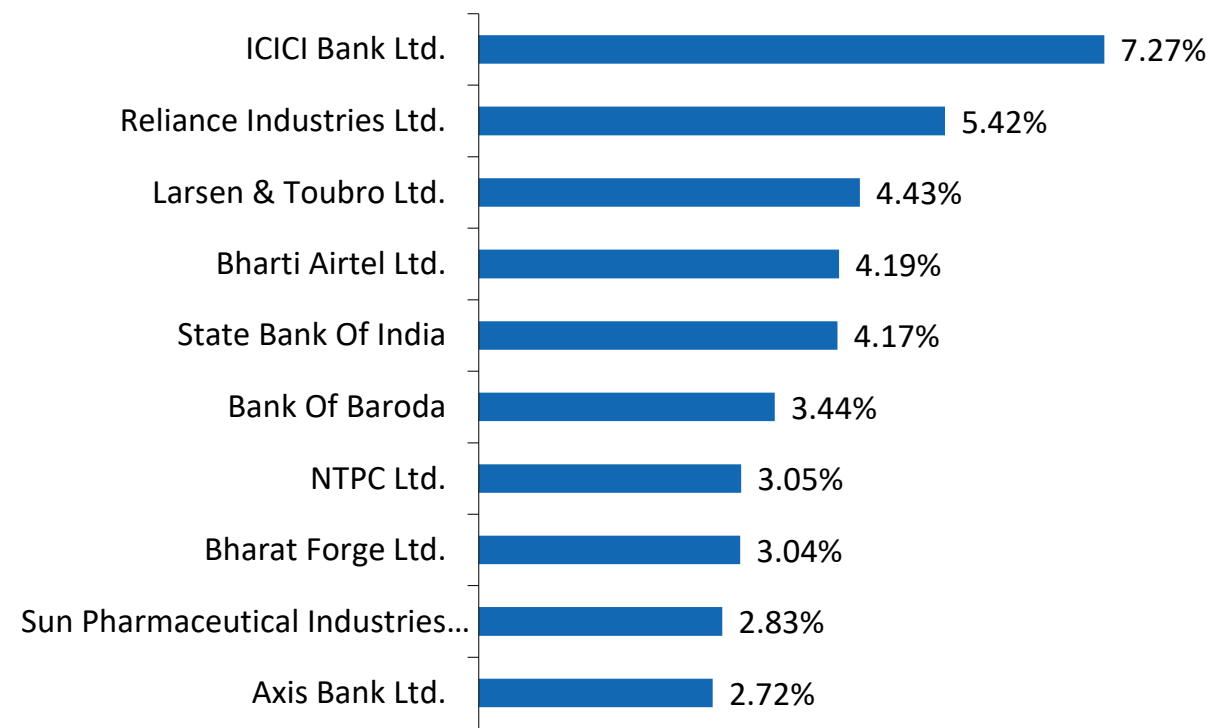


Instruments	Indicative allocations (% of net assets)		Risk Profile
	Minimum	Maximum	High/Medium/Low
Equity and equity related instruments selected on the basis of business cycle	80	100	High
Other Equity & Equity related Instruments	0	20	Medium to High
Debt and money market instruments & Gold ETF	0	20	Low to Medium
Units issued by REITs & InvITs.	0	10	Medium to High

**Top 10 Sectors**



**Top 10 Stocks**



**Market Cap Allocations**

<b>Large Cap</b>	70.67%
<b>Mid Cap</b>	19.42%
<b>Small Cap</b>	9.91%

- 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

## FUND DETAILS

<b>Scheme Name</b>	<b>TATA BUSINESS CYCLES FUND</b>
<b>Investment Objective</b>	To generate long-term capital appreciation by investing with focus on riding business cycles through allocation between sectors and stocks at different stages of business cycles. However, there is no assurance or guarantee that the investment objective of the Scheme will be achieved. The scheme does not assure or guarantee any returns.
<b>Type of Scheme</b>	An open-ended equity scheme following business cycles based investing theme.
<b>Fund Manager</b>	Rahul Singh, Venkat Samala* (Overseas Investment), Murthy Nagarajan (Debt Portfolio) and Sailesh Jain
<b>Benchmark</b>	Nifty 500 TRI
<b>Min. Investment Amount</b>	Minimum subscription amount: Rs 5,000/- and in multiple of Re.1/- thereafter. Additional Purchase: Rs.1000/- & in multiples of Re.1/- thereafter.
<b>Load Structure</b>	<b><u>Entry Load:</u></b> N.A.  <b><u>Exit Load:</u></b> Redemption/Switch-out/SWP/STP on or before expiry of 365 days from the date of allotment: If the withdrawal amount or switched out amount is not more than 12% of the original cost of investment-NIL Redemption/Switch-out/SWP/STP on or before expiry of 365 days from the date of allotment: If the withdrawal amount or switched out amount is more than 12% of the original cost of investment-1% Redemption/Switch-out/SWP/STP after expiry of 365 days from the date of allotment-NIL

\*Mr. Venkat Samala ceases to be the fund manager for overseas investment of the schemes w.e.f. 29th August, 2022 .

**THANK YOU**

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