

# Axis Midcap Fund – Fund Update

An open ended equity scheme predominantly investing in midcap stocks

Fund Manager: Shreyash Devalkar & Nitin Arora

## Market Backdrop

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India's growth outlook remains constructive supported by proactive policy measures and strengthening domestic fundamentals. Co-ordinated policy action by RBI and government including rate cuts, liquidity infusion, GST rationalization, tax relief, MSME support, and regulatory reforms, have laid a strong foundation for India's structural recovery. Nominal growth may accelerate, driven by consumption and continued investment in infrastructure. Domestic consumption demand may remain buoyant, driven by premiumization trends, rural recovery supported by agricultural activity and fiscal support from state governments. Capital expenditure may focus on infrastructure projects led by government spending, as well as investments in energy, semiconductors, data centers, EMS and defence sectors. Fiscal consolidation, benign oil prices, and steady global growth further underpin macro stability.

Corporate earnings seem to have bottomed out, with signs of a sustained recovery ahead. Markets suggest the possibility of mid teen EPS growth in FY27. Valuations have moderated from their peaks, and India's premium over emerging markets has narrowed considerably and stabilized.

Strong domestic demand and ongoing structural reforms provide resilience against external shocks, though elevated energy costs and global risk aversion may lead to volatility in the near term. Reversal in the global AI trade trend will favor India. Over the long term, earnings growth and robust fundamentals will be key market drivers.

Key risks to our view include muted DII/FPI flows and continued global enthusiasm for AI beneficiaries.

## About the fund:

### Investment Strategy

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- Predominantly invests in midcap companies with a small exposure to large caps
- Targets quality midcaps to create an actively managed diversified portfolio
- Focusses on emerging sectors/businesses that have the potential to deliver high growth
- Bottom-up stock selection process, focusing on medium term appreciation potential of individual stocks from a fundamental perspective.

#### *What do we look for?*

- Innovative & entrepreneurial companies with experienced management
- Market leaders in emerging industries or higher growth companies in established businesses
- Businesses with economic moat and distinct competitive advantages

## Portfolio Positioning and Changes

### Sectors:

Sector	Jan-26	ow/uw	Change in last 6
Consumer Services	8.97	3.38	0.36
Chemicals	6.85	2.53	-2.02
Automobile And Auto Components	9.49	1.94	0.68
Capital Goods	14.73	0.38	-0.19
Diversified	0.63	0.25	0.09
Construction Materials	1.56	0.22	-1.03
Textiles	0.93	0.09	-0.98
Realty	2.63	0.02	-0.55
Power	1.34	-0.62	0.11
Construction	--	-0.75	0.00
Healthcare	8.81	-0.85	-1.77
Consumer Durables	2.44	-0.92	-1.77
Information Technology	5.41	-1.04	0.28
Telecommunication	1.96	-1.24	-0.70
Services	0.13	-1.47	-0.09
Oil, Gas & Consumable Fuels	1.12	-2.26	0.34
Metals & Mining	1.03	-2.38	-0.14
Fast Moving Consumer Goods	--	-4.13	0.35
Financial Services	16.26	-7.10	2.99

*Disclaimer: Exposure as % of Net assets. Source: Axis MF Research, factset. Sector(s) / Stock(s) / Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time. Data as of 30<sup>th</sup> Jan 2026*

### OW:

- Multiple supportive triggers—ample liquidity, lower interest rates, GST cuts and proactive regulatory measures—lead us to maintain an overweight stance on the consumption theme, excluding FMCG.
  - Early signs of recovery are visible in autos, driven by volume growth following GST rate cuts and the resulting operating leverage. Premiumization trend could strengthen further, supported by the pickup in the replacement cycle.
  - We have incrementally added exposure to recovery beneficiaries in the commercial vehicle segment.
  - We also hold a constructive view on hotels and telecom.
  - Quick commerce is witnessing faster growth fuelled by rising disposable incomes and evolving consumption patterns.
- Within capital goods, we are focused on structural growth themes such as power T&D, renewable capex and defence.

### UW:

- We remain underweight on FMCG due to concerns over growth prospects.
- Underweight position in metals reflects caution amid global commodity price volatility. We believe recent rally in metals is driven more by financial trade momentum and stocks benefited from their direct linkage to industrial commodity prices and near-term earnings expectations.

- We are underweight IT due to subdued growth outlook amid cautious environment in the US. Having said that, rupee depreciation and attractive absolute valuations are enticing.
- Within financials, we are underweight primarily on non-lenders, we are marginally underweight banks and neutral weight on NBFCs.

#### Key Changes:

- We have selectively increased allocation to lenders, on back of potential revival in credit demand supported by easy monetary policy. Further asset quality trends remain stable and valuations appear reasonable. That said, deposit growth continues to be a key monitorable.
- We believe hospitals present a structural growth opportunity, with capacity showing prospects of expanding by 5–20% through additional beds, supported by higher occupancies and CGHS rate revisions. Industry consolidation further strengthens the outlook for large chains. However, we have trimmed some positions due to valuation concerns.

#### Market cap break-up:

Market cap	Jan-26	Oct-25	Jul-25	Apr-25	Jan-25
Large Cap	15	19	18	13	17
Mid Cap	69	70	69	71	66
Small Cap	3	4	4	5	5
Cash	13	6	8	10	12

Source: Factset

Being a midcap fund, we maintain over 65% allocation to the midcap segment, with our current allocation at ~69%. We continue to hold some of our midcap holdings that have matured into large caps– viz. Cholamandalam Investment & Finance Company Ltd., TVS Motor Company Ltd., Trent Ltd. We have been actively managing cash position based on the valuations. We are currently running higher cash levels, having trimmed positions in richly valued high-growth stocks as these segments carry significant valuation risk. We are running noticeably lower exposure in small caps vs peers (~3% vs ~15%).

## Performance

Fund Name	Date of inception	1 Year		3 Years		5 Years		10 Years		Since Inception	
		CAGR (%)	Point-to-Point returns on Standard Investme	CAGR (%)	Point-to-Point returns on Standard Investme	CAGR (%)	Point-to-Point returns on Standard Investme	CAGR (%)	Point-to-Point returns on Standard Investme	CAGR (%)	Point-to-Point returns on Standard Investme
Axis Midcap Fund - Regular Plan - Growth	18-Feb-11	7.14%	10,712	19.34%	16,997	17.57%	22,487	16.56%	46,355	17.40%	110,140
BSE Midcap 150 TRI (Benchmark)		6.61%	10,659	22.53%	18,394	22.43%	27,541	18.14%	53,072	16.58%	99,233
Nifty 50 TRI (Additional Benchmark)		9.00%	10,897	14.08%	14,848	14.52%	19,714	14.23%	37,878	12.16%	55,645
Axis Midcap Fund - Direct Plan - Growth	01-Jan-13	8.24%	10,821	20.59%	17,538	18.92%	23,809	17.94%	52,173	18.68%	94,018
BSE Midcap 150 TRI (Benchmark)		6.61%	10,659	22.53%	18,394	22.43%	27,541	18.14%	53,072	18.03%	87,558
Nifty 50 TRI (Additional Benchmark)		9.00%	10,897	14.08%	14,848	14.52%	19,714	14.23%	37,878	13.06%	49,849

*Past performance may or may not be sustained in future. Data as of 30<sup>th</sup> Jan 2026. Since inception (18th February 2011) returns is calculated on Rs.10 invested at inception. Different plans have different expense structure. Plan of the scheme for which performance is given is indicated above. Shreyash Devalkar is managing the scheme since 23rd November 2016 and he manages 8 schemes of Axis Mutual Fund. Krishnaa N is managing the scheme since 1st March, 2024 and she manages 24 schemes of Axis Mutual Fund. Nitin Arora is managing the scheme since 3rd August 2023 and he manages 4 schemes of Axis Mutual Fund. Returns. Returns greater than 1-year period are compounded annualized (CAGR). Please refer to the Annexure for returns of all the schemes managed by him. Please click on the below link to view other schemes currently managed by the fund manager & relevant schemes for performance.*

[https://www.axismf.com/cms/sites/default/files/Statutory/ALL\\_Annexure\\_Jan.pdf](https://www.axismf.com/cms/sites/default/files/Statutory/ALL_Annexure_Jan.pdf). Source: Axis MF

Over the past few months, value-oriented stocks have outperformed, while quality-focused names have lagged. This divergence, driven by investor preference for cheaper valuations amid global uncertainty, persistent FII outflows, and heightened risk aversion, has weighed on our fund performance at a broader level.

## Attribution – Last 6 months

Sectors	
Top Alpha Generators	Top Detractors
Fast Moving Consumer Goods (uw)	Consumer Services (ow)
Consumer Durables (uw)	Telecommunication (uw)
Realty (ow)	Financial Services (uw)
Information Technology (uw)	Metals & Mining (uw)
Power (uw)	Healthcare (ow)
Stocks	
Top Alpha Generators	Top Detractors
Multi Commodity Exchange of India Limited (ow)	National Aluminium Co. Ltd. (uw)
Suzlon Energy Ltd (uw)	Hero Motocorp Limited (uw)
Federal Bank Ltd. (India) (ow)	Premier Energies Limited (ow)
TVS Motor Company Limited (ow)	Muthoot Finance Ltd (uw)
Billionbrains Garage Ventures Limited (ow)	Coromandel International Limited (ow)

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Underweight exposure to FMCG, along with stock selection in consumer durables and realty primarily contributed positively to alpha.

Performance was negatively impacted primarily by overweight exposure to consumer services and underweight exposure to financial services and metals & mining. Stock selection in telecom also contributed to relative underperformance.

## Risk Management

The fund aims to invest in the quality midcap space which enables it to balance out volatility and liquidity constraints. Portfolio currently comprises of 93 stocks with top 10 stocks having ~24% allocation.

Parameters	Axis Midcap Fund
Standard Deviation	14.1% (vs 15.9% for BM)
Max drawdown	-20% (vs -22% for BM)
Beta	0.82
Days to liquidate 25% portfolio	5
Days to liquidate 50% portfolio	9

*Source: Axis MF Research. Data as on 30<sup>th</sup> Jan 2026. Above risk ratios are calculated based on daily return with daily rolling frequency for last 3-year period ending 30<sup>th</sup> Jan 2026. Risk free rate: 5.53%, source: FIMMDA Past performance may or may not be sustained in the future.*

The above parameters showcase our risk management capabilities. Over the last three years, fund returns have been characterized by lower volatility, lower max drawdown vs benchmark and lower beta. Low beta also reinforces the quality of portfolio construction.

## Way Forward

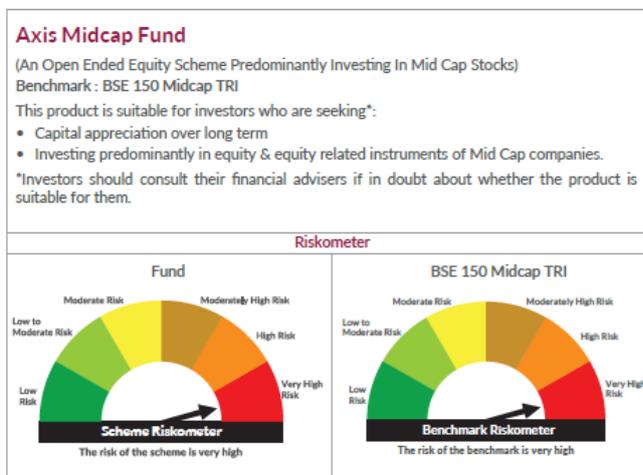
Over the past few months, markets have been characterised by rapid stock rotations as investors seek relative value. Looking ahead, market may focus on high earnings visibility, sustained profitability and structural growth catalysts along with reasonable valuations.

We remain committed to our quality and growth philosophy, focusing on businesses with strong fundamentals and sustainable earnings visibility. At the same time, we continue to assess the evolving macroeconomic risks and calibrate portfolio allocations based on the risk-reward trade-off.

We maintain long-term conviction in structural growth themes such as quick commerce, defence, and power capex. With high-growth segments now trading at elevated valuations, consistency of earnings growth will be the key for further upside rather than multiple expansion. Accordingly, we are focusing on a mix of steady growth and stocks offering growth at a reasonable price (GARP). From a risk management perspective, we have trimmed positions in select richly valued high growth stocks. We are also prioritizing lower beta.

Overall, our portfolio positioning seeks to balance risk and return by staying true to our quality and growth philosophy, while navigating near-term volatility with valuation-consciousness.

## Product Labelling & Disclaimers



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Axis Bank Ltd. is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.

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