Axis Consumption Fund

(An open ended equity scheme following the consumption theme)
Fund Manager: Mr. Hitesh Das and Ms Krishnaa Narayan for foreign securities

Investment Strategy

- True to label broader consumption theme aimed at delivering **risk adjusted returns.**
- Uses **bottom-up stock selection** process (Focus on appreciation potential of individual stocks from a fundamental perspective)
- Stocks are selected in the portfolio based on their ability to **grow earnings on a sustainable basis** while maintaining a **liquid** and risk **managed** portfolio.
- The expected **earnings growth** of the portfolio is higher than that of the benchmark Nifty Consumption Index

Market backdrop

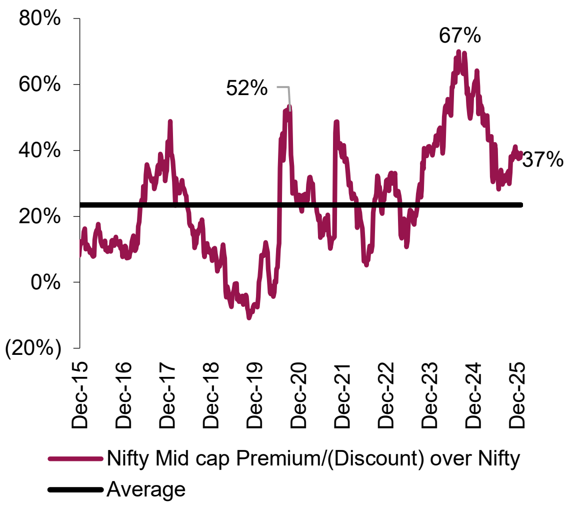
2025 marked a year of muted performance for Indian equities. The Nifty 50 delivered a modest 10.5% return, while the Nifty Midcap 150 gained 5.4% and the Nifty 500 rose 6.7%. In contrast, the Nifty Smallcap 250 declined by 6%, underscoring weakness in smaller segments. More importantly, market breadth deteriorated sharply—the median return for Nifty 500 stocks was -3.2%, highlighting that gains were concentrated in a handful of large-cap names. Such weak overall participation highlights the need for selective stock-picking strategies rather than relying solely on index-level performance.

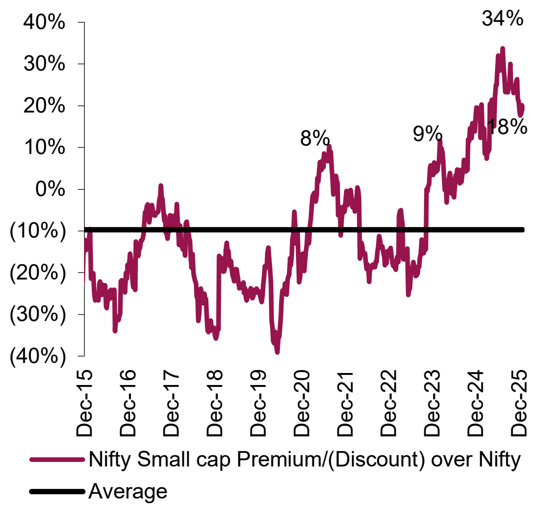
Nonetheless, India enters 2026 with a constructive growth narrative, underpinned by proactive policy measures and strengthening domestic fundamentals. Nominal growth is expected to accelerate, driven by consumption and continued investment in infrastructure. The earnings cycle has turned upward, supported by early signs of sustained recovery. This optimism is anchored in coordinated policy actions—rate cuts, CRR reduction, liquidity support, accelerated infrastructure spending, and nearly Rs 1.5trn in GST reductions aimed at boosting mass consumption. Adding to the positive backdrop are easing geopolitical tensions with China, progress on anti-involution reforms, and the prospect of an India–US trade agreement, all of which could further lift sentiment.

A lower tax regime and benign inflation have created a goldilocks environment of strong GDP growth and lower inflation prompting the RBI to revise growth forecasts upward. With most of the fiscal consolidation of the past three years behind us, India enters 2026 in a stronger position. As these measures take hold, India is poised not only to maintain its growth trajectory but to emerge as one of the most resilient economic stories globally.

Portfolio Positioning

The fund is an actively managed thematic fund investing across market caps within the broader consumption theme but with a larger bias towards large caps (80% currently) and the rest in mid and small caps. Over the period, given the rich valuations in mid and small caps, we have increased exposure to large cap stocks. While Nifty mid-cap and small-cap have underperformed large caps in 2025, their valuations have been stretched. Midcaps are trading at approx. 37% and small caps at 18% premium vs Nifty 50, which is higher compared to their respective historical averages.





Source: BNP Paribas

Exposure across market caps

Market Cap Mix	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24
Large Cap	80.0	80.0	76.0	65.9	60.7
Mid Cap	11.0	9.9	14.0	14.1	18.6
Small Cap	8.1	8.4	9.6	9.7	10.8
Cash	0.0	1.7	0.4	10.4	9.9

Data as on 31st December 2025. Exposure as % of Net assets. Source: ACEMF. Market caps are defined as per SEBI regulations as below: 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.

Sector positioning

GST rationalization marked a pivotal moment in reviving India's consumption narrative. While India is structurally a consumption-driven economy, the past few years saw muted demand and sluggish recovery. Against this backdrop, our portfolio strategy was positioned toward themes that could benefit from consumption indirectly such as consumer services, financials, and healthcare while maintaining underweights in FMCG and automobiles, which faced headwinds.

Post-GST rationalization, the outlook for FMCG and automobile segments improved significantly, driven by lower tax rates and enhanced affordability. In response, we reduced our underweights in these segments, while continuing to retain overweight positions in consumer services and financial services, which remain core beneficiaries of rising discretionary spending and credit penetration. Conversely, we maintain an underweight stance in power and real estate, given structural challenges and limited near-term catalysts.

During the year, we also participated in select high-quality IPOs aligned with our consumption theme reinforcing our conviction in businesses positioned to capture India's evolving consumption trends.

Sector positioning as of 31 December 2025

Sectors	Fund Weight	Benchmark Weight	OW/UW
Consumer Services	17.7	13.4	4.3
Financial Services	2.9	0.0	2.9
Chemicals	1.2	0.0	1.2
Healthcare	5.4	4.3	1.1
Oil, Gas & Consumable Fuels	0.6	0.0	0.6
Textiles	0.4	0.0	0.4
Construction Materials	0.3	0.0	0.3
Services	3.3	3.3	0.0
Consumer Durables	10.7	10.8	-0.2
Telecommunication	9.6	10.0	-0.3
Realty	0.6	1.3	-0.7
Power	1.3	3.4	-2.1
Automobile And Auto Components	23.7	26.2	-2.5
Fast Moving Consumer Goods	22.4	27.3	-4.9

Key changes in the fund

Sector	Dec-25	Dec-24	Changes	OW/ UW	Key stock level changes
FMCG	22.4%	18.0%	4.4%	-4.9%	New positions in Nestle, Kwality Walls.
Consumer Services	17.7%	24.0%	-6.3%	4.3%	Added Lenskart and Meesho via IPO, exposure to Eternal and Swiggy
Automobiles	23.7%	14.1%	9.6%	-2.5%	Increased exposure to Maruti Suzuki, initiated exposure to Hyundai Motor India and increased exposure to Mahindra & Mahindra
Telecommunications	9.6%	9.4%	0.2%	-0.6%	Increased holdings in Bharti Airtel
Consumer Durables	10.7%	12.0%	-1.3%	-0.2%	Added LG Electronics via IPO, Increased holdings in Asian Paints, Berger Paints & Titan; exited Kalyan Jewellers & PN Gadgil Jewellers
Healthcare	5.4%	8.6%	-3.2%	1.1%	Exited Cipla and Sun Pharma and increased exposure to Apollo Hospitals
Financial Services	3.0%	2.8%	0.2%	3.0%	Initiated holdings in Bajaj Finance, PNB Housing Loan and SBI Cards & Payment Services.

Source: Factset, MFI Explorer for the periods December 2024 and December 2025.

To view full portfolio, please refer to https://www.axismf.com/statutory-disclosures

Outlook

In the past few months, we have witnessed a shift toward consumption-led growth. Apart from the reduction in income tax rates in the Budget, we saw a significant overhaul of the GST rates in September 2025. These fiscal measures, combined with lower inflation and a cumulative 125 bps reduction in policy rates, have created strong tailwinds for a consumption recovery—one that is still in its early stages and not fully reflected in current data.

Both the government and the central bank have taken proactive steps to support domestic demand. High-frequency indicators are already showing green shoots and beyond headline GDP growth, rural consumption is gaining momentum, supported by rising wages, agriculture exports, higher tractor sales, and a favorable monsoon boosting crop output.

Key consumption indicators—vehicle volumes, fuel demand, PMI readings, and consumer sentiment—remain robust, signaling resilience. Moreover, the recovery is broadening across industry and services, with improvements in IIP, PMI, credit growth, and overall production trends. These developments reinforce our constructive view on consumption as a structural driver of India's growth story.

Sector outlook

Consumer Staples - 2025 was a challenging year for consumer staples, marked by sharp earnings cuts as volume growth disappointed and margins came under pressure from raw material inflation. However, GST rationalization now provides a positive backdrop, even as some long-term concerns persist. The next 4–6 quarters are expected to be significantly better for the sector supported by several factors: 1) GST rate cuts, which should boost volumes and improve sales and margins in the coming quarters. 2) A favorable base, as most companies reported minimal EBITDA growth over the last four quarters. 3) Positive spillover from income tax reductions, interest-rate cuts and the implementation of the 8th Pay Commission. 4) A good monsoon, high gold prices, and improving rural sentiment. 5) Low food inflation, which could drive urban mass consumption.

For FMCG companies specifically, grammage increases in small packs and sachets are likely to support volume and sales growth, while larger packs may see short-term price reductions. Importantly, companies will retain pricing power to raise prices if needed in the coming quarters.

Consumer Services - Quick commerce is rapidly transforming India's retail landscape, growing much faster than traditional formats due to its convenience, speed, and expanding reach into smaller cities. At the same time, value retail is gaining momentum, driven by affordability, private-label offerings, and rising demand from tier II and III markets. This shift reflects a broader consumer preference for cost-effective options without compromising on quality. Supported by GST rationalization, higher disposable incomes, and evolving consumption patterns, both quick commerce and value retail are expected to dominate growth in the coming year, reshaping shopping habits and redefining distribution strategies across the industry.

Automobiles - Ahead of the GST reduction, the auto sector was grappling with muted demand across segments. Passenger vehicles (PVs), two-wheelers (2Ws), and commercial vehicles (CVs) faced subdued consumer sentiment, elevated ownership costs, and financing constraints, resulting in tepid volumes. Between FY20–25, industry volumes grew at a CAGR of 10% for PVs, 5% for 2Ws, and 5–6% for CVs and tractors.

The government's decision to cut GST rates—from 28% to 18% for most vehicles and from 18% to 5% for tractors—proved to be a turning point. Lower on-road prices, combined with the festive season, provided a strong stimulus, reviving demand across categories and setting the stage for a structural shift in the industry. FY26 growth is expected at 8–10% for PVs and 2Ws, supported by rural demand, better farm cash flows, and deferred purchases. SUVs will continue to dominate the PV mix, aided by new launches and increasing electrification, while two-wheelers are set to surpass previous peak volumes, driven by scooters and premium bikes, alongside steady progress in EV adoption. Commercial vehicles should see gradual improvement as cyclicality reduces and replacement demand picks up, while tractors remain well-positioned with favorable monsoons and mechanization trends. Overall, the sector is entering a sustained upcycle, underpinned by structural reforms, evolving consumer preferences, and technology adoption.

NBFCs - NBFCs historically outperform in liquidity-led, prolonged easing cycles. Historically, across the six rate cut cycles since CY02, NBFCs have consistently outperformed during and/or after easing phases. In the current easing cycle that was underway in 2025, credit growth is expected to strengthen further in CY26, building on the recovery seen this year, supported by multiple structural and policy tailwinds. Regulatory measures such as repo and CRR cuts, easing of lending norms for priority sectors and gold loans, lower risk weights, and relaxed project financing rules will continue to drive momentum across housing, SME, infrastructure, and gold finance. GST rationalization and tax relief are likely to boost vehicle financing and consumer loans, while improving rural and urban economic activity, low inflation, and potential tariff reductions add to the positive backdrop. With technology adoption, including AI in key banking functions, loan growth is expected to become more broad-based, though lenders may remain cautious in riskier segments.

Healthcare - The healthcare sector is poised for strong growth driven by capacity expansion, pricing tailwinds, and structural shifts across segments. Hospitals are expected to add 5–20% beds, supported by higher occupancies and CGHS (central government health scheme) rate revisions, while industry consolidation favors large chains.

Real Estate - The real estate sector has been among the weakest performers this year, weighed down by a moderation in sales. The residential cycle, after three years of robust growth, has seen launches and absorption moderate over the past 18 months. Demand moderation has been broad-based across key cities, reflected in slower new home sales and a cautious buyer sentiment. This cooling trend has led to valuation compression for most developers, even as cash flow generation remains relatively healthy due to prudent inventory management. Importantly, balance sheets across leading players are stronger than in previous downcycles, providing a cushion against volatility. Looking ahead, the backdrop of a comfortable liquidity environment and lower interest rates could act as a catalyst for recovery.

Performance

Axis Consumption Fund is a thematic Fund suitable for investors who believe in the long term potential of consumption as a theme and are comfortable with the cyclical nature of the fund. Thematic funds usually are a small portion of the investor's overall portfolio and investors should allow a few years for the performance to show through and /or phases of slow growth. The sector that has demonstrated long term return potential and at the same time has witnessed lower drawdowns during down cycle. This makes it an important diversifier in an investor's portfolio.

The fund was launched on 12 September 2024. In the last one year the fund underperformed its benchmark on a relative basis and most of the underperformance of the fund has come through its underweight in automobiles and FMCG and overweight in consumer services.

While short-term performance has been challenging, thematic funds are best evaluated over longer cycles, as sector leadership and consumption trends tend to normalize over time.

Performance Snapshot as on 31 December 2025

		1 year		Since Inception	
Fund Name	Date of inception	Simple Annualized (%)	Point-to-Point returns on Standard Investment of Rs. 10,000/-	CAGR(%)	Point-to-Point returns on Standard Investment of Rs. 10,000/-
Axis Consumption Fund - Direct Plan - Growth	12-Sep-24	1.45%	10,145	-1.39%	9,820
Nifty India Consumption TRI (Benchmark)		9.22%	10,922	-0.67%	9,913
Nifty 50 TRI (Additional Benchmark)		11.88%	11,188	-3.34%	10,436

Past performance may or may not be sustained in future. Different plans have different expense structure. Hitesh Das is managing the scheme since 12th September 2024 and he manages 4 schemes of Axis Mutual Fund & Krishnaa N is managing the scheme since 12th September 2024 and she manages 23 schemes of Axis Mutual Fund. Please refer to annexure on Page 135 of the factsheet for performance of all schemes managed by the fund manager. Returns greater than 1 year period are compounded annualised (CAGR). Face Value per unit : ₹10.

Please refer to the link below for returns of all the schemes managed. ***Please click on https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_Dec.pdf to view the performance of other schemes currently managed by the fund managers.*** *Note: In case you require physical copy of this document request you to kindly take the printout to review the fund managers performance of other schemes managed by him from the above link given.*

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(An open-ended equity scheme following consumption theme)

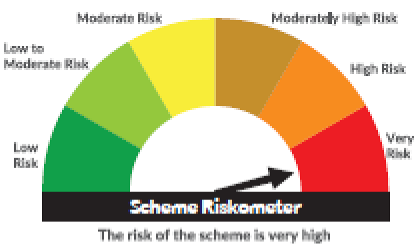
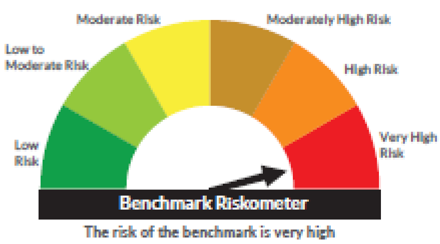
Benchmark : Nifty India Consumption TRI

This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- An equity scheme investing in equity & equity related securities of companies engaged in consumption and consumption related sector or allied sectors

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

Riskometer

Fund	Nifty India Consumption TRI
	

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