

Axis Midcap Fund – Fund Update

An open ended equity scheme predominantly investing in midcap stocks

Fund Manager: Shreyash Devalkar & Nitin Arora & Krishnaa N (For foreign securities)

Investment Strategy

- Predominantly invests in midcap stocks, with some allocation in large cap and small cap segments.
- Targets **quality midcaps** to create an actively managed diversified portfolio
- Combines growth potential of midcaps with track record of large caps
- Focuses on **emerging sectors/businesses** that have the potential to deliver high growth
- Bottom-up stock selection process, **focusing on the appreciation potential of individual stocks from a fundamental perspective.**

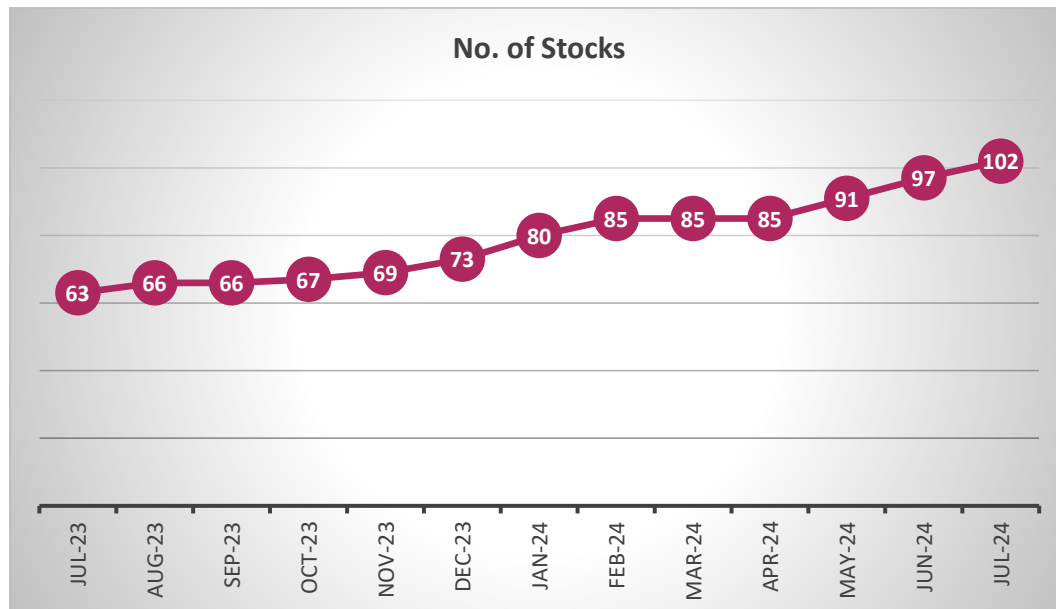
What Do We Look for?

- Innovative & entrepreneurial companies with experienced management
- Market leaders in emerging industries or higher growth companies in established businesses

Positioning – Portfolio changes over the last 1 year

Over the last one year, the portfolio has undergone significant changes, mainly in terms of reducing concentration by increasing the no. of stocks as well as broadening the sector exposures.

We have increased the number of holdings in our portfolio from 63 in July 2023 to 102 in July 2024. This was done with an aim to reduce concentration in our portfolio. Consequently, the weightage of the Top 10 holdings in the portfolio fell from 33% to 26% over the past one year.



Top 10	Jul-24	Top 10	Jul-23
Cholamandalam Investment & Finance Company Ltd.	3.04%	Cholamandalam Investment & Finance Company Ltd.	4.64%
Trent Ltd.	2.90%	The Supreme Industries Ltd.	3.67%
The Supreme Industries Ltd.	2.81%	The Indian Hotels Company Ltd.	3.59%
Cummins India Ltd.	2.62%	ICICI Bank Ltd.	3.33%
The Indian Hotels Company Ltd.	2.59%	Astral Ltd. (3.19%
Persistent Systems Ltd.	2.41%	Cummins India Ltd.	3.19%

UNO Minda Ltd.	2.41%	Bajaj Finance Ltd.	3.09%
CG Power & Industrial Solutions	2.35%	Trent Ltd.	2.99%
Schaeffler India Ltd.	2.32%	Persistent Systems Ltd.	2.64%
Sona Blw Precision Forgings Ltd.	2.20%	Sona Blw Precision Forgings Ltd.	2.60%

Disclaimer: Exposure as % of Net assets. Source: MFI. 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. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time. Stocks highlighted above are the additions/deletions in the Top 10 holdings. For complete portfolio refer to our website www.axismf.com

Sector Allocation:

- We continue to follow our Quality and Growth style of investing despite facing the style headwinds in the last couple of years. Resurgence of the quality and growth style coupled with outperformance of consumption theme is expected to have a positive impact on the scheme's performance.
- While we have continued to retain a high allocation to Capital Goods and Auto segments, our portfolio holdings here have seen many additions – especially in the defence space. Further, over the last year, we have continued to strengthen our allocation in the Realty and Power segments as we prefer domestic cyclical and capital-intensive stocks that are growing faster than GDP. We have also increased our allocation to the PSU segment, currently around 8%, mainly in the Power, capital goods and Energy segments.
- We have also added exposure to the healthcare segment, specifically domestic focused pharma and healthcare services.

Sector (%NAV)	Jul'23	Jul'24	Increase/ Decrease	Benchmark (Jul'24)	OW/UW
CAPITAL GOODS	18.2%	18.1%	-0.1%	14.0%	4.1%
AUTOMOBILE AND AUTO COMPONENTS	13.8%	13.5%	-0.3%	9.4%	4.1%
CONSUMER SERVICES	10.0%	7.9%	-2.1%	5.4%	2.6%
CHEMICALS	9.2%	8.0%	-1.2%	5.9%	2.1%
[Cash]	8.7%	2.0%	-6.7%	0.0%	2.0%
REALTY	1.5%	4.5%	3.0%	3.4%	1.1%
DIVERSIFIED	1.0%	1.0%	0.0%	0.3%	0.6%
TELECOMMUNICATION	1.4%	3.0%	1.6%	2.6%	0.3%
INFORMATION TECHNOLOGY	5.6%	6.4%	0.8%	6.3%	0.1%
FOREST MATERIALS	0.0%	0.0%	0.0%	0.0%	0.0%
CONSTRUCTION MATERIALS	2.4%	1.6%	-0.8%	1.8%	-0.2%
MEDIA, ENTERTAINMENT & PUBLICATION	0.0%	0.0%	0.0%	0.2%	-0.2%
TEXTILES	1.1%	0.7%	-0.3%	1.0%	-0.3%
POWER	0.0%	3.0%	3.0%	3.4%	-0.4%
CONSUMER DURABLES	2.6%	2.6%	0.0%	3.8%	-1.2%
CONSTRUCTION	0.0%	0.0%	0.0%	1.3%	-1.3%
FINANCIAL SERVICES	17.2%	15.9%	-1.3%	17.4%	-1.5%
HEALTHCARE	5.7%	9.2%	3.5%	10.8%	-1.6%
METALS & MINING	0.0%	0.5%	0.5%	2.4%	-1.8%
SERVICES	0.0%	0.3%	0.3%	2.3%	-2.0%
OIL, GAS & CONSUMABLE FUELS	1.3%	1.2%	-0.1%	3.8%	-2.5%
FAST MOVING CONSUMER GOODS	0.3%	0.6%	0.3%	4.5%	-4.0%

Disclaimer: Exposure is as % of Net assets. Source: Factset, Axis MF Research. 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.

Being a midcap fund, we maintain over 65% allocation to the midcap segment, with our current allocation at around 71%. Most of the companies which are currently large cap, were invested in earlier when they were mid-caps, and have now become large caps, and we continue to hold them – viz. Avenue Supermarts Ltd, Cholamandalam Investment & Finance Company Ltd., TVS Motor Company Ltd., Trent Ltd. Also a point to note is that compared to peers (average allocation to small cap segment at 17.5% as of 31st July 2024), the fund has lower exposure to small cap stocks.

	LARGE CAP (%)	MID CAP (%)	SMALL CAP (%)	Cash & equivalents (%)
Jul-24	22%	71%	6%	2%
Jun-24	22%	72%	4%	2%
May-24	22%	68%	4%	5%
Apr-24	22%	69%	4%	5%
Mar-24	23%	69%	5%	4%
Feb-24	22%	68%	5%	5%
Jan-24	21%	68%	6%	5%
Dec-23	27%	67%	1%	5%
Nov-23	26%	66%	1%	7%
Oct-23	25%	66%	1%	8%
Sep-23	25%	66%	1%	8%
Aug-23	24%	67%	1%	8%
Jul-23	25%	66%	1%	9%

Source: MFIE

Over the last 1 year we have also reduced our allocation to cash and deployed it in the investment theme where we saw better opportunities. In the past, the fund had higher cash allocation owing to sustained flows into the midcap segment coinciding with rising concerns over high market valuation. This created a drag in the performance of the fund, as markets continued to climb higher. However, the fund has gradually reduced cash in the portfolio and is now well-allocated in the mid-cap segment with some allocation to small cap.

Overall, we have been reiterating for quite some time our overweight stance on the Consumption and Investment theme as compared to the Exports oriented theme. Accordingly, the fund has large allocation to the Consumption oriented sectors (52%), followed by Investment theme (29%) and Exports theme (17%).

Month	Consumption	Investment	Exports
Jul-24	52%	29%	17%
Jul-23	53%	21%	17%
Change	-1%	8%	0%

Source: Axis MF Research. For complete performance in SEBI prescribed format, please refer page 5_____.

Performance Attribution – 1 year

The fund's underperformance w.r.t benchmark can largely be attributed to its high cash allocation during the period, coupled with its lower allocation to segments like Power, Realty and PSU stocks which witnessed a massive rally in the last one year. Over this period, however we have increased our allocation to these segments as also reduced our cash allocation.

Company Names	
Top Alpha Generators in the portfolio	Top Detractors in the portfolio
Trent Limited	Bajaj Finance Limited
Persistent Systems Limited	Cholamandalam Investment & Finance Co.Ltd.
TVS Motor Company Limited	REC Limited
Phoenix Mills Ltd.	ICICI Bank Limited
Cummins India Limited	Astral Limited
Sectors	
Top Alpha Generators	Top Detractors
Consumer Services (OW)	Cash
IT	Power (UW)
Capital Goods (OW)	Construction (UW)

Disclaimer: Data as on 31st July 2024. Exposure as a % of Net assets. Source: 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. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time.

Risk Management

Risk Ratios	Axis Midcap Fund	BSE Midcap 150 TRI	Remarks
Standard Deviation	13.52%	14.73%	We Focus on Alpha generation over longer period without compromising on risk metrics at a portfolio level. This has resulted in favourable risk adjusted return. Low beta also reinforces the quality of portfolio construction.
Beta	0.81	1.0	
Sharpe Ratio	1.04		
Treynor Ratio	0.17		

Source: Internal Analysis. Data as on 31st July 2024. Above risk ratios are calculated based on monthly return for last 3-year period ending 31st July 2024. Risk free rate: 6.55%, source: Axis MF. Past performance may or may not be sustained in the future.

Above parameters show our risk management capabilities. The fund has generated better risk-adjusted returns on the back of lesser volatility and lower beta. Corporate earnings of our portfolio companies continue to give us confidence in the strength of our portfolio companies. From a risk perspective, we continue to maintain low beta in our portfolio.

Going Forward

Post-covid, we were bent towards B2B companies and right now the fund is diversified across B2B and B2C. Automobiles, real estate, and high-end retail have all experienced growth. The housing sector is witnessing increased absorption across India, and with the government's emphasis on affordable housing, building materials and related industries are poised to benefit. The government initiatives aimed at boosting employment are expected to aid consumption. Gradual signs are visible in the form of improving FMCG sales in rural areas, two wheeler sales and improving kharif crop sowing levels. We expect consumption growth to be broad-based and an above normal monsoon coupled with the festive season to support this consumption. This will benefit our fund which is more focused on the consumption segment of the economy. We maintain a bias in sectors that can benefit from government policies such as energy, defense, power. We have an underweight in the export-oriented segment, attributing this to the global economic slowdown.

Axis Midcap Fund ideally aims to invest in the quality midcap space which enables it to balance out the volatility and liquidity constraints without compromising on the quality of return performance. This ensures that the fund portfolio remains robust and endeavours to deliver a sustainable return over longer tenors.


PERFORMANCE
(as on 31st July, 2024)

Period	1 Year		3 Years		5 Years		Since Inception		Date of Inception
	CAGR(%)	Current Value of Investment of ₹10,000/-	CAGR(%)	Current Value of Investment of ₹10,000/-	CAGR(%)	Current Value of Investment of ₹10,000/-	CAGR(%)	Current Value of Investment of ₹10,000/-	
Axis Midcap Fund - Regular Plan - Growth Option	46.21%	14,636	20.60%	17,557	26.30%	32,178	19.65%	111,820	
BSE Midcap 150 TRI (Benchmark)	58.53%	15,873	28.33%	21,162	32.59%	41,041	18.99%	103,855	18-Feb-11
Nifty 50 TRI (Additional Benchmark)	27.76%	12,784	17.86%	16,387	18.90%	23,784	13.34%	53,925	
Axis Midcap Fund - Direct Plan - Growth Option	47.75%	14,791	22.02%	18,188	27.88%	34,251	21.34%	93,996	
BSE Midcap 150 TRI (Benchmark)	58.53%	15,873	28.33%	21,162	32.59%	41,041	21.07%	91,635	01-Jan-13
Nifty 50 TRI (Additional Benchmark)	27.76%	12,784	17.86%	16,387	18.90%	23,784	14.56%	48,308	

Past performance may or may not be sustained in future. 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 9 schemes of Axis Mutual Fund & Nitin Arora is managing the scheme since 3rd August 2023 and he manages 7 schemes of Axis Mutual Fund & Krishnaa N is managing the scheme since 1st March 2024 and she manages 18 schemes of Axis Mutual Fund. 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/pdf-factsheets/Axis%20Regular%20Fund%20Factsheet%20July-2024.pdf>. The NAV as on July 31, 2024 of Axis Midcap Fund – Regular Growth plan is 111.82.

Product Labelling & Disclaimers

Axis Midcap Fund

(An Open Ended Equity Scheme Predominantly Investing In Mid Cap Stocks)

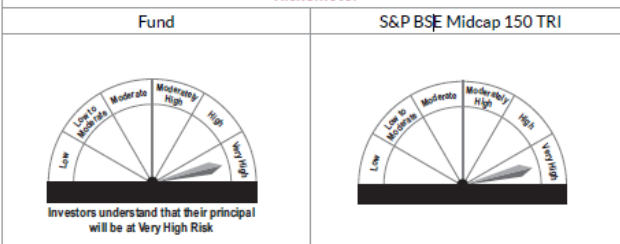
Benchmark: S&P BSE Midcap 150 TRI

This product is suitable for investors who are seeking*

- Capital appreciation over long term
- Investing predominantly in equity & equity related instruments of Mid Cap companies.

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

Riskometer



Past performance may or may not be sustained in future. Calculations are based on Regular Plan - Growth Option NAV and Direct Plan - Growth Option NAV, as applicable. Different plans have different expense structure. Face value is ` 10 per unit. Shreyash Devalkar is managing Axis Bluechip Fund, Axis Midcap Fund since 23rd November, 2016 and Axis Flexi Cap Fund since 20th November, 2017 and Axis Equity ETFs FoF since inception, Axis Small Cap Fund, Axis Multicap Fund Since 1st March, 2023. Vinayak Jayanath is managing Axis Global Equity Alpha Fund of Fund, Axis Greater China Equity Fund of Fund, Axis Global Innovation Fund of Fund, Axis NASDAQ 100 Fund of Fund, Axis Bluechip Fund, Axis Focused 25 Fund, Axis Midcap Fund, Axis Flexi Cap Fund, Axis Growth Opportunities Fund, Axis Small Cap Fund, Axis Special Situations Fund, Axis Quant Fund, Axis Value Fund, Axis Retirement Savings Fund which includes Aggressive Plan, Conservative Plan & Dynamic Plan, Axis ESG Equity Fund since 17th January, 2023. 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.

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Statutory Details: Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to ` 1 lakh). Trustee: Axis Mutual Fund Trustee Ltd.

Investment Manager: Axis Asset Management Co. Ltd. (the AMC). 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.