

Axis Midcap Fund – Fund Update

An open ended equity scheme predominantly investing in midcap stocks

Fund Manager: Shreyash Devalkar & Hitesh Das

Investment Strategy

- Predominantly invests in midcap companies with a small exposure to large cap
- 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 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

Sector	June-22	June-21	Difference
Automobile	8.50%	4.60%	3.90%
Chemicals	7.30%	6.20%	1.10%
Telecom	0.60%	1.20%	-0.60%
Pharma	5.70%	6.60%	-0.90%
Cement & Cement Products	3.80%	4.80%	-1.00%
Industrial Manufacturing	9.70%	11.60%	-1.90%
Services	0.60%	2.70%	-2.10%
IT	11.40%	14.10%	-2.70%
Consumer Goods	17.00%	20.00%	-3.00%
Oil & Gas	2.20%	5.30%	-3.10%
Financial Services	14.70%	17.90%	-3.20%

Disclaimer: Exposure as % of Net assets. Source: ValueFY, ACEMF. 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.

Top 10	Jun-21	Top 10	Jun-22
Cholamandalam Inv & Fin Co. Ltd	4.32%	Cholamandalam Inv & Fin Co. Ltd	4.43%
Voltas Limited	3.82%	ICICI Bank	3.85%
Coforge Limited	3.65%	Trent Limited	3.03%
Astral Limited	3.64%	Bata India Limited	2.63%
PI Industries Limited	3.54%	Astral Limited	2.57%
ICICI Bank Limited	3.38%	Bajaj Finance Limited	2.56%
HDFC Bank Limited	3.11%	Coforge Limited	2.54%
Crompton Greaves Consumer Electricals Ltd	3.06%	PI Industries Limited	2.52%
Gujarat Gas Limited	3.06%	Tata Elxsi Limited	2.51%
Bajaj Finance Limited	2.91%	Avenue Supermarts Limited	2.46%

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Our allocations in consumer names have specifically been to companies which have the ability to pass on price hikes given the current inflation landscape. In finance, the improving asset quality in select names, has resulted in strong operational results. Both sectors are now attractively valued given their growth prospects we hold them across portfolios. Emphasising our conviction on digital trends currently playing out across the economic landscape, we have increased our allocations in select IT companies which we believe should benefit disproportionately over the medium term. To reiterate, our strategy remains stock specific and sector agnostic.

Our portfolio focus remains 'fundamentals' driven investing while emphasizing on healthy consistent growth, quality of cash flows & RoE with 3 to 5 years' view. At Axis, we focus on bottom up and that's what we do well i.e. Buy good businesses that can create wealth for the investors in long run.

In the near term, we retain our assessment of extremely volatile market conditions. FPI selling trends will continue to drive markets lower in the near term even as markets digest earnings and the evolving global situation. We had envisaged & tweaked our portfolios for such heightened volatility.

Performance

The fund has been tested severely amidst a falling market over the last year. The fund has lost -2.00% in the last 1 year but has outperformed the benchmark in the 5-year duration and since the inception of the fund.

Markets have seen several bouts of volatility on the back of global and domestic factors. True to its long term nature the portfolio construct has enabled the fund to navigate through secular downtrends. As seen in the table below, the fund has outperformed the benchmark in the long run.

	1 Year		3 Year		5 Year		Since Inception	
	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000
Axis Midcap Fund - Regular Plan - Growth	-2.00%	9,800	17.44%	16,220	15.22%	20,313	17.01%	59,640
S&P BSE Midcap 150 TRI (Benchmark)	-1.21%	9,879	19.02%	16,883	11.93%	17,578	14.51%	46,680
Nifty 50 TRI (Additional Benchmark)	1.66%	10,166	11.55%	13,891	12.03%	17,653	11.16%	33,308

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 4 schemes of Axis Mutual Fund & Hitesh Das is managing the scheme since 18th December 2020 and he manages 16 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.

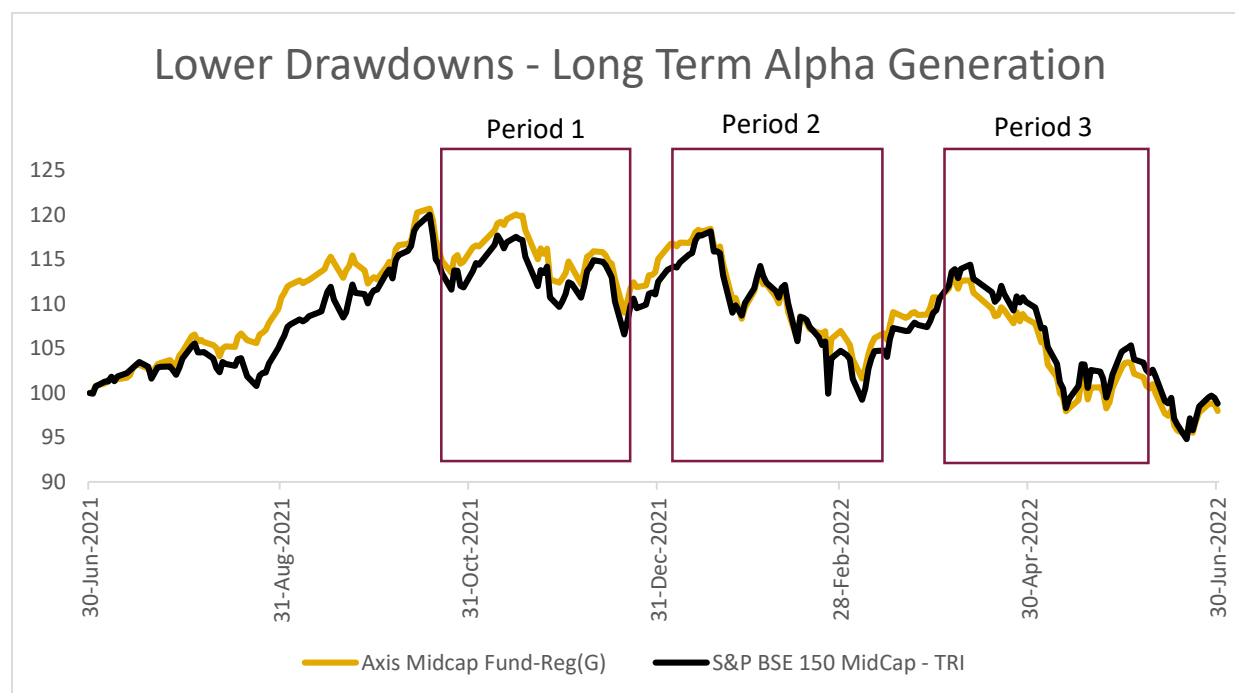
https://www.axismf.com/cms/sites/default/files/Statutory/Annexure_withDirectPlan.pdf

If the year is broken into market cycles where there is drawdown, we can observe that we have lower drawdowns compared to benchmark

Market Cycle	Time Frame		Axis Midcap Fund	S&P BSE Midcap 150	Outperformance
Period 1	18-Oct-21	20-Dec-21	-9.67%	-11.21%	1.54%
Period 2	17-Jan-22	07-Mar-22	-14.20%	-16.00%	1.80%
Period 3	11-Apr-22	20-Jun-22	-15.39%	-17.12%	1.73%

Source: Axis MF Research. Max drawdowns data as on 30th June 2022. Past performance may or may not be sustained in the future. For SEBI prescribed performance table, please refer to table on Page 2.

This can be further illustrated in a normalized chart



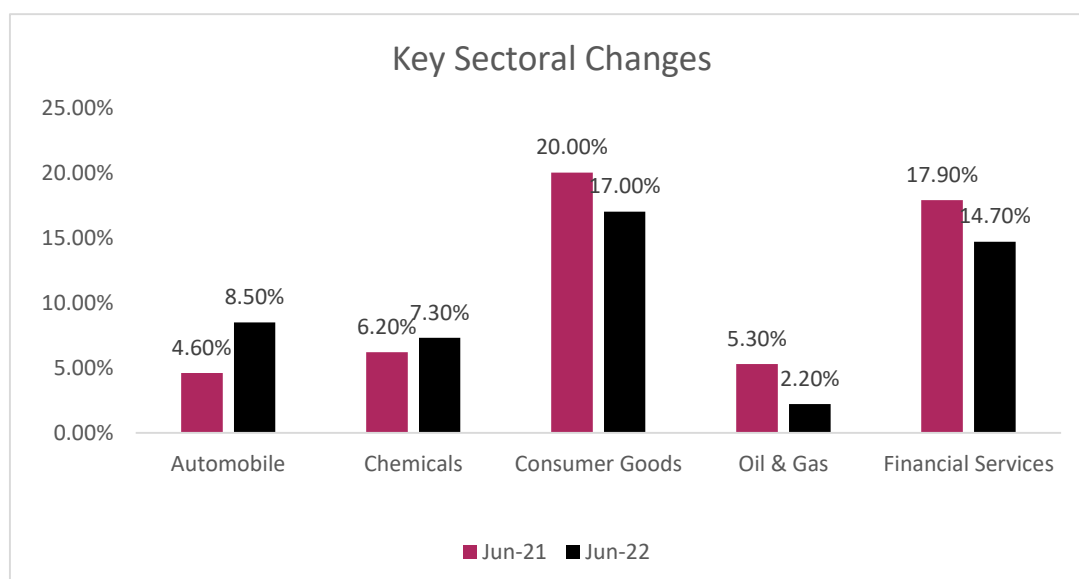
Source: Axis MF Research. Performance for the period June 2021 to June 2022. Data as of 30th June 2022. Past performance may or may not be sustained in the future. For SEBI prescribed performance table, please refer to table on Page 2.

Fund Manager views

- Finance – The credit growth is expected to be in line with the GDP growth. Larger banks and NBFCs with a niche are garnering market share
- IT – The demand trends are unchanged. Margin pressures remain due to employee attrition.
- Consumer segment – Inflation and GDP growth remains a key catalyst for consumption growth
- Oil & Gas- Global energy price inflation due to the geopolitical tensions has rendered gas as a fuel, uncompetitive in some use case, energy prices remains key monitor able.
- Agro and Chemical – Sector has got rerated a lot in last over 6 years. Continuity of growth trajectory remains a risk.

Company Name	
Top Alpha Generators	Top Detractors
Tata Elxsi Limited	Tata Power Co. Limited
Sona BLW Precision Forgings Limited	S R F Limited
Cholamandalam Inv & Finance Co. Ltd	Adani Power Limited
AU Small Finance Bank Limited	Gujarat Gas Co. Limited
Laurus Labs Limited	Apollo Hospitals Enterprise Limited
Sector	
Top Alpha Generators	Top Detractors
Finance	Infrastructure & Power
Information Technology	Oil & Gas
Consumer	Agro Inputs & Chemicals
Auto Ancillaries	Capital Goods, Engineering & Construction
Metal, Metal Products & Mining	Real Estate

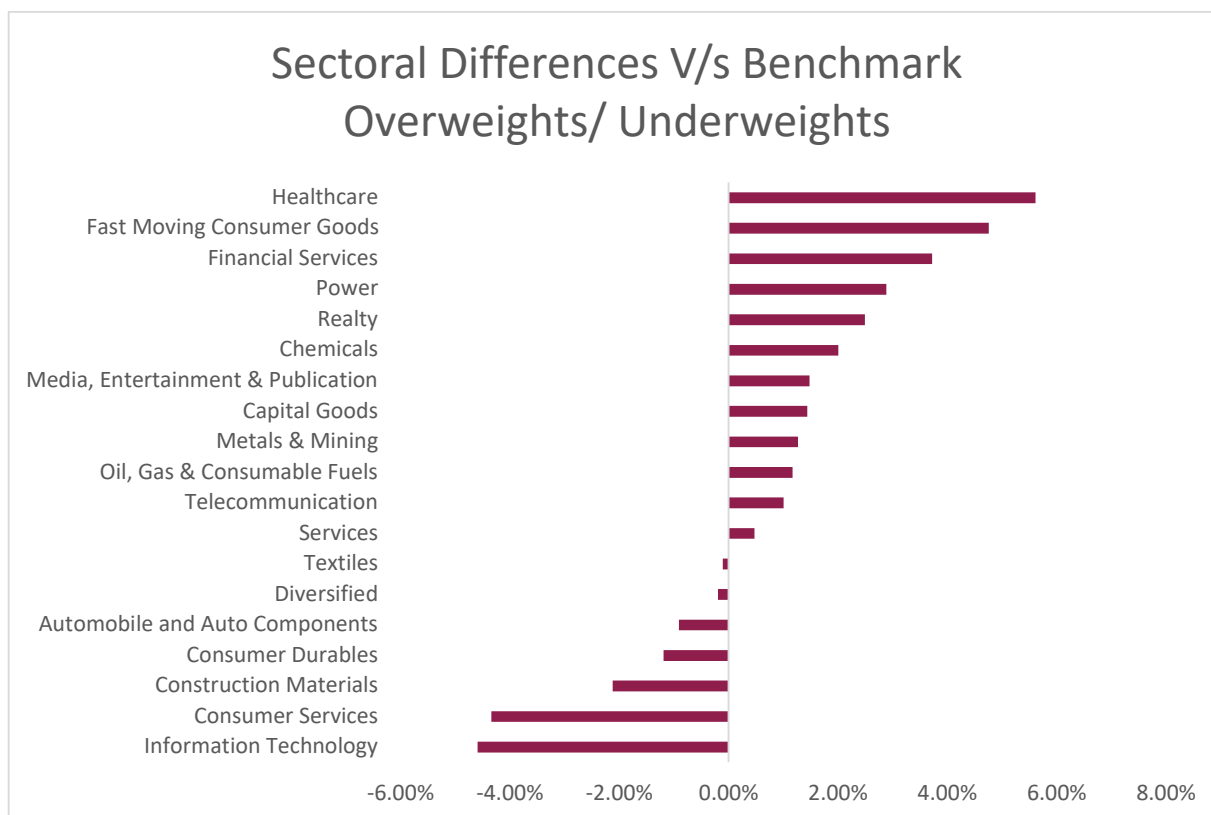
Disclaimer: Data as on 30th June 2022. Exposure as % of Net assets. Source: ValueFY, ACEMF. Sector(s) / Stock(s) / Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to 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.



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Going Forward

The 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 endeavors to deliver a sustainable return over longer tenors.



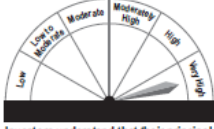
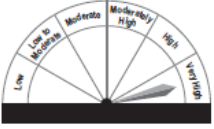
Source: Asia Index Pvt Limited, Axis MF Research. The benchmark for the scheme is S&P BSE Midcap 150 TRI. Data collated as on June 30th 2022. Exposure as % of Net Assets Sector(s) / Stock(s) / Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time.

Risk Management

Risk Ratios	Axis Midcap Fund	S&P BSE Midcap 150 TRI	Remarks
Standard Deviation	18.2%	21.8%	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	0.80	1.0	
Sharpe Ratio	0.68	0.64	
Information Ratio	-0.23		
Treynor Ratio	0.17		

Source: Internal Analysis. Data as on 30th June 2022. Above risk ratios are calculated based on daily return with daily rolling frequency for last 3-year period ending 30th June 2022. Risk free rate: 4.95%, source: FIMMDA Past performance may or may not be sustained in the future.

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* <ul style="list-style-type: none"> • 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	
Fund	S&P BSE Midcap 150 TRI
 <p>Investors understand that their principal will be at Very High Risk</p>	

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. He also manages Axis Equity ETFs FoF since inception. Hitesh Das is managing Axis Growth Opportunities Fund, Axis Retirement Savings Fund - which includes Aggressive plan, Dynamic plan and Conservative plan, Axis ESG Equity Fund, Axis Global Equity Alpha FoF & Axis Special Situations Fund since inception. He also manages Axis Bluechip Fund, Axis Focused 25 Fund, Axis Flexi Cap Fund since 2nd November 2020. He also manages Axis Mid cap Fund & Axis Small Cap Fund since 18th December 2020. He also manages Axis Greater China Equity Fund of Fund, Axis Global Innovation Fund of Fund, Axis Quant Fund & Axis Value Fund since inception. 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. Note: Investors are requested to take note of proposed changes in fundamental attributes of the scheme and proposed merger with Axis FLEXI CAP Fund (effective from close of business hours on September 30, 2021). The performance disclosed above is of Axis FLEXI CAP Fund. Performance of merging scheme i.e Axis Equity Advantage Fund - Series 1 will be made available to investors on request. W.e.f. February 02, 2022; lump-sum subscription, switch-ins and fresh registration of Systematic Investment Plan (SIP)/Systematic Transfer Plan (STP) or such other special product where the target schemes are 1. Axis Global Equity Alpha Fund of Fund, 2. Axis Global Innovation Fund of Fund, 3. Axis Greater China Equity Fund of Fund 4. Axis Growth Opportunities Fund 5. Axis ESG Equity Fund 6. Axis Special Situations Fund are being temporarily suspended.

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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.