

EQUITY MARKET REVIEW & OUTLOOK

DECEMBER 2024

Indian equities ended November better than October, first declining then advancing in the last 10 days of the month. Weaker than expected second quarter results, foreign fund outflows and geopolitical uncertainty led to volatility during the month. The BSE Sensex and the NIFTY 50 ended the month higher by 0.5% while Nifty ended lower by 0.3%. The NIFTY Midcap 100 ended the month higher by 0.5% while NIFTY Small Cap 100 ended 0.3% higher. Nevertheless, from the 11% declines seen from record highs, markets have recovered approx. 3%.

The key trigger – the US presidential elections culminated in Donald Trump nailing a comfortable victory against the Democratic nominee making a comeback as the President of the United States. US equities rose by 7% in November, buoyed by the outcome of the elections. One of the key impact could be tariffs by the Trump government that could have repercussions on countries such as China and Mexico. Any trade tariffs on China indirectly benefits India through China +1 strategy as was the case in 2016.

Foreign institutional investors maintained their position as net sellers for the second month in a row, with November mirroring October's trend although the intensity of the outflows declined considerably. FPIs withdrew another US\$2.5 bn after US\$11 bn in October. This comes after consistent net buying from June to September. The outflows are indicative of high valuations in equities, disappointing results and evolving geopolitical landscape. DIIs were again net buyers in November to the tune of US\$5.3 bn. For 2024, FPI net outflows stood at US\$1.8 bn, while domestic institutions were net buyers at approx. US\$59 bn.

The results season was muted and disappointing in many aspects as both topline and bottomline earnings growth was visibly under pressure. This quarter saw a slowdown across all three major economic pillars – consumption, capex and exports – leading to a broad-based impact on the overall earnings. IT sector saw limited uptick in growth; however, the midcaps in this space posted better results than large caps. Auto earnings were mixed with two wheelers segment posting better earnings than the passenger vehicles due to higher volume growth. Better results exhibited by companies in the capex space could further improve once government spending and private sector capex picks up. Banks have done reasonably well, with moderate credit growth, stable NIMs and asset quality. Within consumers, results so far have been slightly lower than expected. Earnings growth for pharma companies remained healthy particularly for the domestic formulation business.

Meanwhile, the recently released GDP data showed a growth of 5.4% in Q2FY25, the slowest since Q3FY23. The slowdown was evident in both capex and private consumption. Consumption growth despite decelerating from 1QFY25 was relatively strong at 6% vs 7.4% in Q1FY25 while investment growth decelerated to 5.4% from 7.5% in the same period. GVA slowed to 5.6% in from 6.8% in the previous quarter, with net indirect taxes continuing to decline in the current quarter. By sector, industry remained weak at 3.9% with manufacturing & electricity being a drag. Services sector remained steady at 7.1%.

As we head into the last month of 2024, most of the triggers have passed, be it the US elections the Maharashtra state elections. Markets would closely monitor the outcome of RBI's monetary policy. Despite the consolidation and fall from record highs, markets may still witness some more volatility. From an investors perspective, these declines are good opportunities to add into their existing holdings.

Overall, even as growth has been slowing down globally and in India, we remain one of the fastest growing economies globally. Our long term themes of being overweight consumption, manufacturing, infrastructure and underweights exports still holds true. In the short to medium term, based on the cyclical nature of the market, we do rotate positions across sectors and market caps. Valuations remain relatively high for mid and small caps while they are reasonable in large caps. We are overweight consumer discretionary due to strong performance in luxury spending. We favor capital goods, particularly in the power sector, where robust order books provide healthy medium-term visibility. Our exposure to pharma has increased, driven by steady growth in both domestic and export markets. CDMO players are also expected to perform well. Additionally, the hospital and diagnostics industries are showing good growth and expansion. However, we have reduced our positions in financials due to headwinds such as slowing growth and pressure on Net Interest Margins (NIMs), caused by asset quality concerns in retail and slow deposit growth. We are underweight in consumer staples due to weakness in urban consumption, despite a recovery in rural demand. We are also underweight in oil and gas and its derivatives, anticipating softness due to slower global growth.

- PRODUCT OVERVIEW -

AXIS BLUECHIP FUND

- The fund focuses on delivering superior risk adjusted returns. The fund aims to outperform the benchmark while delivering risk that is lower than the benchmark.
- Stocks are selected in the portfolio based on their ability to grow earnings on a sustainable basis from a medium term perspective while maintaining a highly liquid and risk managed portfolio.
- The strategy is to invest mainly in companies which operate in a secular growth segment and have leading market share in their areas of operation to provide steady returns. The remaining allocation is to companies that are gaining market share due to differentiated offerings or cost advantage.

AXIS ELSS TAX SAVER FUND

- The fund is focused on quality companies having strong long term earnings growth prospects. Thus the fund maintains a stable core portfolio with relatively low churn. Within that objective, the fund is comfortable looking past shorter term volatility in performance.
- With a medium to long term view towards capturing growth, the fund is biased towards stocks which can deliver superior returns.
- While the fund looks at opportunities across the market cap, the portfolio remains tilted towards large and mid-cap allocations. It invests in quality businesses for the long term through bottom up stock picking.

AXIS FOCUSED FUND

- The fund manager runs a high conviction portfolio and invests in up to 30 stocks while ensuring reasonable diversification and focus on quality and risk management.
- Fund follows a multi cap strategy with top-down alignment and bottom-up selection process
- Stocks are selected in the portfolio based on their ability to grow earnings on a sustainable basis while maintaining a highly liquid and risk-managed portfolio.

AXIS GROWTH OPPORTUNITIES FUND

- Axis Growth Opportunities Fund offers investors a unique opportunity to take exposure to global equities through a structured allocation by way of an open ended mutual fund.
- Currently fund invests ~80% in domestic equities through a bottom up approach while the rest will be invested in global large caps. Overall the fund will maintain a compact portfolio of high conviction domestic and international companies hence offering investors a tax efficient yet unique investment proposition for portfolio diversification.

AXIS MULTICAP FUND

- Indian capital markets offer a multitude of investment opportunities across the market cap spectrum. The fund offers a diversified portfolio of equities within a predefined construct of large caps, mid caps and small caps. To ensure diversification of investment across market caps, the scheme will invest a minimum of 25% each in Large, Mid and Small Cap stocks, with the balance 25% flexibility to the fund manager.
- The fund aspires to capture potential opportunities throughout the lifecycle of the company's progression from small cap all the way to large cap. Through this approach, the fund aims to achieve a quality centric long term portfolio with an improved risk reward profile and controlling fund volatility typically faced during fund rebalancing.

AXIS FLEXICAP FUND

- Good ideas can do better irrespective of its sector/theme/size.
- Axis Flexicap Fund seeks to invest across the market cap spectrum in high conviction ideas with improved risk-adjusted return characteristics. The fund manager looks for stocks that are expected to report faster growth relative to the benchmark.
- The fund as such is sector agnostic and focuses on a bottom up approach to invest in stocks that are at an inflection point such as market share gain, industry consolidation, sunrise industries, improved management focus and capital allocation or regulatory & policy changes.

AXIS MIDCAP FUND

- The fund focuses on bottom-up investing in stocks that provide the potential to grow cash flows over the medium term. The portfolio seeks to add businesses with economic moats and distinct competitive advantages.
- The fund remains true-to-label in its portfolio allocations with a diversified and risk-managed mid-cap portfolio which has a superior liquidity profile.

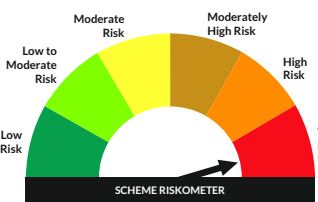
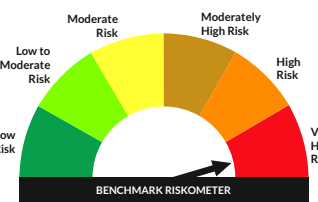
AXIS SMALLCAP FUND

- Axis Smallcap fund aims to invest primarily in high conviction small cap stocks. The bottom up approach to investing seeks to identify long term businesses keeping in mind risk and reward by navigating volatile stock movements.
- Small caps are a broader universe as compared to large & midcaps and hence the need for active management keeping in mind the opportunities in this space come with a higher degree of risk as compared to their larger counterparts.
- Fund focuses on stocks with Quality management, strong balance sheet, scalability of business model and ability to withstand event shocks.

AXIS INNOVATION FUND

- Innovation is a broad concept encompassing multifaceted transformation. Innovation-led trends have been driving change across major industries creating potential investment opportunities both in India and abroad.
- A combination of government push, global investments, domestic ingenuity and focus on low cost, wide adoption models have already seen upcoming, unique transformative solutions in India.
- The fund endeavours to target innovation-led growth opportunities both in India & abroad. Through a multicap approach, the fund will aim to identify innovators across the entire value chain while retaining our quality bias and investment philosophy. The international exposure will be managed in collaboration with Schroders our JV partner, a stalwart in global active asset management.

- PRODUCT LABELLING & DISCLAIMERS -

Fund Name & Benchmark	Product Labelling	Scheme Risk-o-meter	Benchmark Risk-o-meter
AXIS BLUECHIP FUND (An open-ended equity scheme predominantly investing in large cap stocks) Benchmark: BSE 100 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in a diversified portfolio predominantly consisting of equity and equity related instruments of large cap companies. 	 <p>SCHEME RISKOMETER</p> <p>The risk of the scheme is very high</p>	 <p>BENCHMARK RISKOMETER</p> <p>The risk of the benchmark is very high</p>
AXIS ELSS TAX SAVER FUND (An open-ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit) Benchmark: NIFTY 500 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation & generating income over long term. Investment in a diversified portfolio predominantly consisting of equity and equity related instruments. 		
AXIS MIDCAP FUND (An open-ended equity scheme predominantly investing in mid cap stocks) Benchmark: 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. 		
AXIS FOCUSED FUND (An Open-ended Equity Scheme investing in maximum 30 stocks across large cap, mid cap and small cap companies) Benchmark: NIFTY 500 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in a concentrated portfolio of equity & equity related instruments of up to 30 companies. 		
AXIS FLEXI CAP FUND (An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks) Benchmark: NIFTY 500 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over medium to long term. Investment in a dynamic mix of equity and equity related instruments across market capitalization. 		
AXIS GROWTH OPPORTUNITIES FUND (An Open-ended Equity Scheme investing in both large cap and mid cap stocks) Benchmark: NIFTY Large Midcap 250 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in a diversified portfolio predominantly consisting of equity and equity related instruments both in India as well as overseas. 		
AXIS SMALL CAP FUND* (An open ended equity scheme predominantly investing in small cap stocks) Benchmark: NIFTY Smallcap 250 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in a diversified portfolio predominantly consisting of equity and equity related instruments of small cap companies. 		
AXIS MULTICAP FUND (An open ended equity scheme investing across large cap, mid cap, small cap stocks) Benchmark: NIFTY 500 Multicap 50:25:25 Index	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in a portfolio of large, mid and small cap equity and equity related securities. 		
AXIS INNOVATION FUND (FORMERLY KNOWN AS AXIS SPECIAL SITUATIONS FUND) (An open ended equity scheme following innovation theme) Benchmark: Nifty 500 TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> Capital appreciation over long term. Investment in stocks based on innovation theme. 		
AXIS CONSUMPTION FUND (An open-ended equity scheme following consumption theme) Benchmark: Nifty India Consumption TRI	This product is suitable for investors who are seeking*: <ul style="list-style-type: none"> 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.

*Fresh/additional subscriptions/switch-ins will be allowed/ accepted only for an amount less than or equal to Rs. 1 crore per investor per day (across all folios), till further notice; Fresh/ new registrations through Systematic Investment Plan ("SIP") or Systematic Transfer Plan ("STP") or such other special product will be allowed/ accepted wherein the value of per installment would be less than or equal to Rs. 1 Crore per investor (across all folios) till further notice, from the effective date (May 15, 2023).

Note: Schemes & Benchmark Riskometer(s) mentioned are as per the latest details available with the AMC. For latest riskometer(s), kindly visit www.axismf.com.

Source & Date: Source: Bloomberg, Date: 30th November 2024.

Disclaimer: Past performance may or may not be sustained in the future. The Stocks mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of any investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). This document should not be construed as research report.

Current Portfolio Allocation is based on the prevailing market conditions and is subject to changes depending on the fund manager's view of the equity markets.

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.

Investors are advised to consult his/her own Tax Consultant with respect to the specific amount of tax and other implications arising out of his/her participation in ELSS.

Axis Bank Limited 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.