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INVESTMENT PERSPECTIVES

January – March 2022

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MARKET OVERVIEW

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CY2021 has been a remarkable year for equities, owing to the strength in broader market. During the last quarter, Dec'21 was a volatile month due to factors like weakness in the global market on the back of new Covid-19 variant and associated lockdowns, curbs in various countries, higher oil prices and Fed unwinding. Any further increase in the caseloads may turn out to be a short-term negative for the market.

Indian equity markets were resilient until Oct'21 which drove the indices higher. The correction in Nifty was 6% from it's peak of 18th Oct'21, while Mid and Small Caps corrected by 7% and 2% respectively. For the quarter ended Dec'21, Nifty was down by 1.5%, while Mid and small cap were marginally positive (0.2% and 3.7% respectively).

For, FY21 Nifty EPS increased by 15% to INR 534; notably, the pandemic year turned out to be the best year in terms of corporate profitability as the cumulative net profits for the last 4 quarters were at record levels. Financials, an important constituent by weight in the indices now contributes significantly to the net profit vis-à-vis 2019. Loss-making sectors have turned positive after the pandemic and cyclical sector like Metals, too, have improved meaningfully.

Covid-19 trajectory, oil prices, surge in inflation numbers and the pace of tapering, may turn out to be a headwind for market fundamentals, while investors will keep an eye on the acceleration in government spending in the upcoming budget and earnings growth for Q3FY22. We continue to remain constructive on equities over the long term (3 to 5 years and above); having said that, volatility is expected to remain in the near term, as the economy is still in a transition phase.

We maintain a positive bias towards India equity. Investors can consider investing in equities with a 3 to 5 year investment perspective

- The 10 year benchmark yield climbed up during the quarter by 23 bps to close at 6.45% (a 20-month high). Investors grew cautious of the heavy government debt pipeline, rise in global oil prices, higher inflation and the central bank turning hawkish.
- The high frequency indicators reflect the economic cycle almost being back to pre-covid levels. Global inflationary risks are accentuating, domestic economic recovery is strengthening and the inflationary expectations remain elevated; we expect the RBI to be incrementally hawkish and the bond yields to rise gradually. This may lead to intermittent bear flattening of the sovereign yield curve.
- A faster-than-expected recovery, rising consumer confidence, and the resultant spending spike continues to keep the growth forecast optimistic. The near-term risks augmenting inflation trajectory are– rising food inflation, transmission of higher raw material prices to output inflation, continued pass-through of rising Brent crude to domestic fuel prices, and spillover of persistent global inflationary pressures. Over the medium term, inflation and potential monetary policy normalization will play an important role in shaping the interest rate trajectory. We expect market interest rates to move higher gradually over the period in CY22, while witnessing intermittent volatility. Given these scenarios of high uncertainty over the interest rate trajectory, it would be prudent for investors to be conservative.

We remain constructive on the short to medium end of the yield curve. Medium Duration funds, Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Floating Rate funds, Money Market funds, Low Duration funds and Ultra Short Duration funds can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile and yields. **Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.**

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EQUITY MARKET UPDATE

EQUITY MARKET RECAP

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Indian equity markets ended the quarter December 2021 in negative territory after hitting the peak. Mid Cap and Small Cap indices outperformed compared to their Large Cap counterparts. The Nifty 50 was down by 1.50% during the quarter ended December 2021, while the Nifty Mid Cap 150 and the Nifty Small Cap 250 index were up by 1.60% and 5.08%, respectively.

For CY21, Nifty 50 was up by 24.12%, whereas Nifty Mid Cap 150 and the Nifty Small Cap 250 index was up by 46.81% and 61.94%, respectively.

On the sectoral front, sectors that ended in green for the quarter ended December 2021 were Nifty IT (+10.49%), Nifty Media (+3.76%) and Nifty Auto (+3.19%), while Nifty FMCG (-7.04%), Nifty PSE (-6.38%) and Nifty Realty (-5.77%) were laggards.

For CY21, all the sectors were in positive territory. Nifty Metal (+69.66%), Nifty IT (+59.58%) and Nifty Realty (+54.26%) were the top performers.

Among Nifty 50, performing stocks for the quarter ended December 2021 were Tata Motors (+44.71%), Tech Mahindra (+29.69%) and Titan Company. (+16.68%), while Coal India (-21.10%), Indusind Bank (-20.12%) and Bajaj Auto (-15.22%) were laggards.

For CY21, Tata Motors (+162.39%), Hindalco Inds. (+97.69%) and Wipro (+85.20%) were the top performers, while Hero Motocorp (-20.83%), Kotak Mahindra Bank (-10.00%) and De. Reddy's Labs (-5.73%) were laggards.

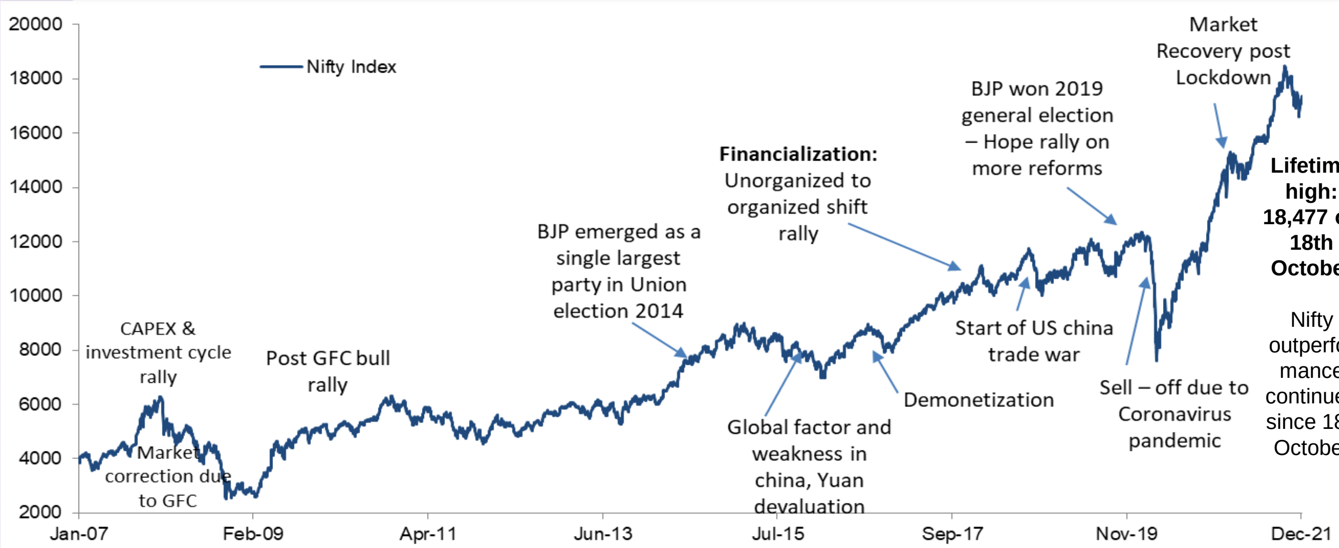
During the quarter ended quarter December 2021, FIIs were net sellers of equity to the tune of Rs.35,894.07 Cr while DIIs were net buyers to the tune of Rs.66,262.31 Cr and the domestic MFs bought Rs.51,909.03 Cr worth of equity.

For CY21, FIIs were net buyers of equity to the tune of Rs.30,032.73 Cr while DIIs were net buyers to the tune of Rs.97,983.85 Cr and the domestic MFs bought Rs.82,482.81 Cr worth of equity.

EQUITY INVESTMENT STRATEGY

Nifty update:

- Indian equity markets were resilient until Oct'21 which drove the indices higher. The correction in Nifty was 6% from it's peak of 18th Oct'21, while Mid and Small Caps corrected by 7% and 2% respectively.
- Dec'21 was marked by weakness in global markets due to rising concerns over inflation and faster tapering. Moreover, the strengthening dollar dampened investors' sentiments further.
- Large Caps are offering more comfort at current levels with a higher margin of safety vis-à-vis the broader market.



Top 500 stocks: 52W analysis:

- Only 38 stocks are now trading at all-time high levels
- 227 stocks that translates to 45% are trading between 5%-20% below their 52W highs
- The entire PSU basket is below its 52W high
- Around 20% of the Small Cap stocks are trading below 30% of their 52W high post the recent correction.

The current level of number of stocks against 52W high

Sector	No of Stocks	Near to 52W high	5%-20% below 52W high	20%-30% below 52W high	Below 30%
Agri&Chem	30	2	16	10	1
Auto &Anc	36	5	15	10	6
Banks	35	0	4	17	8
Build Mate	33	0	21	9	1
Discretionary	49	4	27	12	6
Healthcare	43	5	18	15	4
Industrials	47	5	22	10	10
IT	23	8	8	3	2
Metals & min	20	0	10	6	3
NBFC	55	2	15	19	15
Oil & gas	15	0	6	6	2
Others	45	3	24	9	9
Staples	27	1	16	6	2
Tele & Media	18	1	9	5	2
Transport	12	1	8	1	2
Utilities	12	1	8	2	1
Total	**500**	**38**	**227**	**140**	**74**
Large cap	**100**	**13**	**59**	**21**	**5**
Mid cap	**150**	**9**	**68**	**44**	**19**
Small cap	**250**	**16**	**100**	**74**	**50**
PSUs	**55**	**1**	**20**	**26**	**8**

Source: Bloomberg, Axis Securities

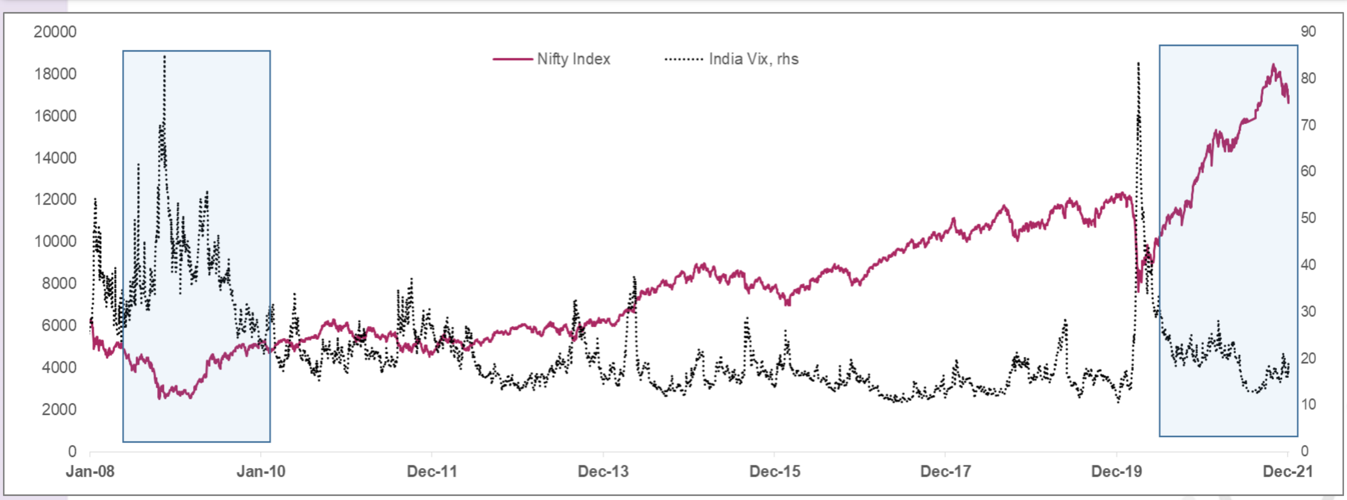
Top 500 stock performance

- Mcap of Top 500 companies increased by 33%YoY. In Dec'21, it stood Rs 233 Tn, up by 3% on an MoM basis.
- Led by a stronger outlook, the IT further advanced by 9% MoM. It is now the biggest sector with the highest market capitalization of 36 Tn or 15.6% of the entire market cap.
- The BFSI looks attractive, especially after the recent correction. It has been primarily driven by the FII selling.

	No of companies	Sectoral Market Cap of Top 500 Stocks in Tn as of									YoY Chg (%)	MoM Chg (%)
		20th Feb 20	Mar-20	Aug-20	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21		
Banks	35	23.7	13.8	19.2	27.9	29.1	30.2	31.7	29.1	28.9	16%	-1%
IT	23	17.2	12.1	18.4	29.6	33.7	34.1	33.0	33.2	36.3	49%	9%
Oil & gas	15	15.3	9.4	18.6	19.5	21.2	23.4	23.5	22.2	22.3	20%	1%
NBFC	49	15.2	8.2	11.4	18.1	19.9	20.2	20.2	19.2	18.9	25%	-1%
Staples	27	14.4	11.1	13.7	16.0	17.6	17.9	16.6	16.3	16.4	7%	1%
Discretionary	49	11.0	7.3	9.7	14.9	15.6	16.7	17.2	17.1	17.7	42%	4%
Auto &Anc	36	9.0	5.5	9.0	12.1	12.0	12.7	13.4	12.8	13.3	26%	4%
Pharma	35	7.2	5.6	9.1	11.7	11.6	11.7	11.3	11.1	11.6	11%	4%
Industrials	47	6.1	3.8	5.3	9.0	9.6	9.8	9.9	9.7	10.3	53%	6%
Build Mate	33	6.0	3.8	5.1	9.5	9.4	10.1	10.1	9.6	9.7	48%	2%
Metals & min	20	5.2	3.1	4.9	10.5	10.2	10.1	10.1	9.5	9.8	59%	4%
Tele & Media	18	4.6	3.1	4.6	4.8	5.1	5.7	5.6	6.0	5.9	37%	-1%
Insurance	6	4.0	2.2	3.6	4.6	4.8	4.9	4.6	4.6	4.5	8%	-2%
Utilities	12	3.9	2.7	3.9	6.7	7.8	8.6	8.7	9.1	9.1	72%	0%
Others	45	3.6	2.1	3.4	7.2	7.5	7.9	7.9	8.1	8.4	88%	3%
Agri&Chem	30	3.5	2.3	3.5	5.7	5.7	5.9	5.8	5.6	6.0	52%	8%
Transport	12	1.2	0.7	1.0	1.5	1.7	1.8	1.8	1.7	1.7	35%	3%
Healthcare	8	0.8	0.6	0.9	1.8	2.1	1.9	1.8	2.1	2.0	73%	-3%
Total	**500**	**151.9**	**97.4**	**145.2**	**211.2**	**224.6**	**233.3**	**233.2**	**227.0**	**233.0**	**33%**	**3%**

India's Nifty Index Vs. VIX: Highly volatile in the last one month

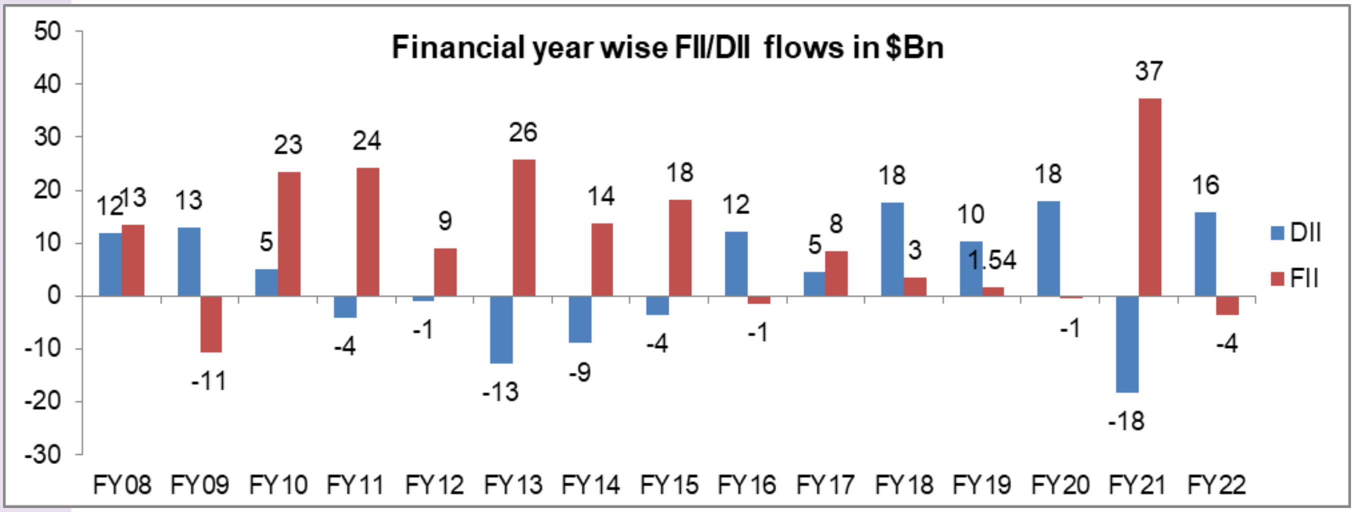
- Dec'21 was a volatile month, marked by the weakness in the global market due to rising concerns over inflation, faster tapering, and the new Covid-19 variant. Strengthening dollar further dampened investors' sentiments. However, volatility in the domestic market was around 16-21 levels during the month, indicating a limited market downside.
- However, the rising concerns over the new variant has kept volatility high, making the equity investors more cautious. Any further increase in the caseload will be a short-term negative for the market.
- During the first phase of lockdown in the last year, the VIX index had touched the panic level of 80.



Source: Bloomberg, Axis Securities

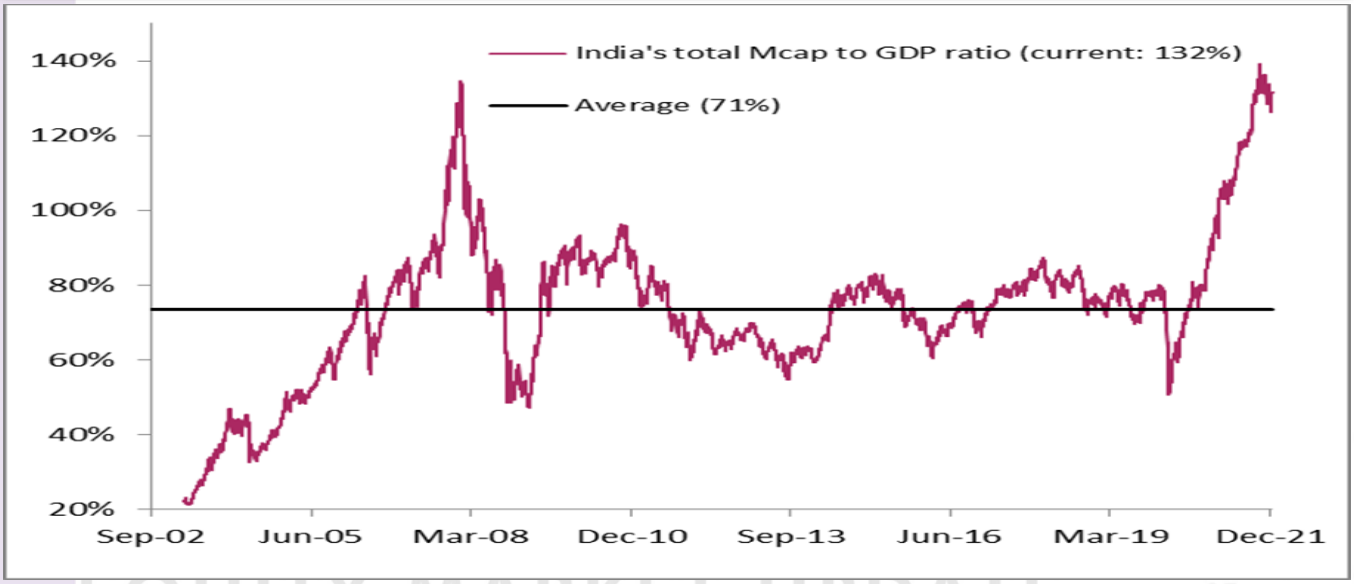
FIIs are net sellers in the market

- FIIs turned 'Sellers' in the equity market and sold $1.4Bn in the last month while DIIs added $3.7Bn over the same period.
- With continuous SIP inflows, DIIs bought Indian equity worth $9.2 Bn in the last 3 months.
- Since Jan'20, FIIs have bought a massive amount of $27 Bn while the DIIs have added only $7.5 Bn in the Indian equity markets. The highest-ever FII inflows were witnessed in FY21 at $37 Bn, which stands higher than FY10/FY11/FY13 levels.



India's total market cap to GDP:

- India's Total Market Cap to GDP is trading at 132%, above its long-term average. However, at FY22 projected nominal GDP levels, Mcap/GDP ratio translates into 115%. The current Mcap is 25%/36% above the 15th Feb/1st Jan levels, indicating a rally in the broader market.
- Historically, similar upward earning momentum was witnessed in FY10 earnings, immediately after the GFC crisis, leading to the Market Cap to GDP ratio of 95-98%. With a positive earnings momentum in the current cycle, we are likely to see higher levels of Mcap to GDP in the upcoming quarters



Source: Bloomberg, Axis Securities

Performance of Asset Classes: Focus on Asset Allocation to Maximize Returns in 2022

- While the leadership in the asset classes keeps on changing in different market cycles, Equities have been the best performing asset class in 2021. Nifty is up 24%, Mid Caps by 46%, and Small Caps by 59% while Gold prices have contracted by 4% in 2021.
- 2022 is likely to be a transition year with toned-down expectations from equity market returns.
- Volatility is likely to continue for some more time before it concludes on a concrete trend. The direction of the new Covid-19 variant, oil prices, and dollar index, faster tapering by the US FED, and the inflation risk will further drive the market fundamentals in the first half of 2022.
- The equity market may not deliver similar returns in the next one year as it had delivered in 2021, but 2022 is likely to be a year of strengthening balance sheets, driven by improvement in corporate profitability. With current valuations offering a limited scope of further expansion, an increase in corporate earnings will primarily drive the market returns moving forward.
- Asset allocation and sector rotation will be the keys to generate outperformance in 2022.

Yearly performance of Asset Classes (%)

Rank	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1	MCX Gold: 32%	Midcap: 39%	S&P 500: 30%	Midcap: 56%	Crisil Comp Bond: 9%	Crisil comp Bond: 13%	Small Cap: 57%	MCX Gold: 8%	S&P 500: 29%	MCX Gold: 28%	Small Cap: 59%
2	Crisil Comp Bond: 7%	Small Cap: 37%	Nifty 50: 7%	Small Cap: 55%	Small Cap: 7%	EM Index: 10%	Midcap: 47%	Crisil Comp Bond: 6%	MCX Gold: 25%	Midcap: 22%	Midcap: 46%
3	S&P 500: 0%	Nifty 50: 28%	Crisil Comp Bond: 4%	Nifty 50: 31%	Midcap: 6%	MCX Gold: 10%	EM Index: 29%	Nifty 50: 3%	EM Index: 17%	Small Cap: 21%	S&P 500: 27%
4	EM Index: -21%	EM Index: 14%	Midcap: -5%	Crisil Comp Bond: 14%	S&P 500: -1%	S&P 500: 10%	Nifty 50: 29%	S&P 500: -6%	Nifty 50: 12%	S&P 500: 16%	Nifty 50: 24%
5	Nifty 50: -25%	S&P 500: 13%	EM Index: -6%	S&P 500: 11%	Nifty 50: -4%	Midcap: 7%	S&P 500: 19%	Midcap: -15%	Crisil Comp Bond: 11%	Nifty 50: 15%	Crisil Comp Bond: 2%
6	Midcap: -31%	MCX Gold: 12%	MCX Gold: -8%	EM Index: -1%	MCX Gold: -7%	Nifty 50: 3%	MCX Gold: 6%	EM Index: -16%	Midcap: -4%	EM Index: 13%	EM Index: -2%
7	Small Cap: -34%	Crisil Comp Bond: 9%	Small Cap: -8%	MCX Gold: -6%	EM Index: -18%	Small Cap: 2%	Crisil Comp Bond: 5%	Small Cap: -29%	Small Cap: -10%	Crisil Comp Bond: 12%	MCX Gold: -4%

Source: Axis Securities

EQUITY MARKET OUTLOOK

Value and Quality themes outperformed in the last one month. However, Momentum and Value were the best performing themes in the last six months, while the Growth theme has been the laggard. The performance of the Growth bucket suffered the most in the recent correction as the PE premium declined. The Quality theme may outperform from the current juncture considering a notable market correction and significantly increased volatility in the last three months. FIIs were the net sellers, while DIIs were net buyers in the last quarter. SIP contribution continued as a positive driver for the market and is continuously trending higher on a MoM basis. The BFSI space have underperformed for the last couple of months, but are likely to outperform moving forward on the back of improving outlook. Furthermore, a structural growth play offering long-term earnings visibility will continue to do well even amidst this challenging environment. The broader market outperformed in the last three months

Positive Near-term Outlook: IT, Telecom, Rural, and Export themes

Improving Outlook: BFSI, Discretionary

Mixed bag: FMCG, Auto

Near-term challenging but Well-placed: Metals, Commodity-linked stocks, and Selective Cyclical (Cement)

After experiencing another year of stellar returns from U.S. markets in 2021, investors face a good deal of uncertainty heading into 2022 as valuations appear stretched, economic growth is slowing, widespread of Omicorn variant, inflation is higher in decades and the Federal Reserve is tapering its asset purchase program and plans to raise interest rates. The Federal Reserve held its most hawkish meeting in Dec'21, signalling three interest rate hikes in 2022 in response to decades-high inflation. This projection is up from the September meeting, when half of the Fed members saw at least one rate hike in 2022. The central bank also raised its GDP growth forecast for 2022 to 4%, up from 3.8%. Meanwhile, core personal consumption expenditures inflation estimates were also raised to 4.4% for 2021 and 2.7% for 2022 up from Sept'21 projections of 3.7% and 2.3% respectively. In contrast to U.S. equities, stock markets in Europe and Japan are more reasonably priced and geared toward growth.

India's vaccination drive further picked up in Dec'21 and crossed a remarkable milestone of 146 Cr doses on 4th Jan'22. Average daily doses improved to 69 Lc/day in Dec'21 against 57 Lc/day in Nov'21, which has been an encouraging sign. As of 4th Jan 22, 44% of the Indian population stands fully vaccinated, marking yet another milestone for the country. While the average daily cases had declined to 7.5K/day in Dec'21 from 10.5K/day in Nov'21, the daily cases rose sharply in the last one week to more than 25K/day on account of the faster spread of the Omicron variant of the Covid-19. The spread of the new variant is a near-term risk for the faster economic recovery as the chances of restrictions on economic activities has increased in the last one week.

For, FY21 Nifty EPS increased by 15% to INR 534; notably, the pandemic year turned out to be the best year in terms of corporate profitability as the cumulative net profits for the last 4 quarters were at record levels. Financials, an important constituent by weight in the indices now contributes significantly to the net profit vis-à-vis 2019. Loss-making sectors have turned positive after the pandemic and cyclical sector like Metals, too, have improved meaningfully. The IT sector is likely to post another robust quarter after a positive outlook posted by the global IT major Accenture. Overall demand scenario would be a key monitorable. A few pockets may show price hikes and offset rising costs while some margin improvement is likely with some cool-off in the raw material prices. The near-term outlook for Large Cap looks attractive and the risk-reward is favourable in the selective BFSI stocks at the current levels.

Indian equity market has seen a runaway rally beyond expectations and dips in such a bull run are healthy. We continue to remain constructive on equities over the long term (3 to 5 years and above); having said that, volatility is expected to remain in the near term, as the economy is in a transition phase due to pandemic.

Investors can look at accumulating equities with a 3 to 5 year investment perspective

Source: Axis Securities, Axis Bank Investment Research

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EQUITY ORIENTED SCHEMES

EQUITY FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Large Cap Funds			
Axis Bluechip Fund	20.64	20.15	19.62
ICICI Prudential Bluechip Fund	29.17	21.04	17.17
Kotak Bluechip Fund	27.74	21.89	19.27
Mirae Asset Large Cap Fund	27.74	20.48	17.84
SBI Bluechip Fund	26.08	21.08	17.85
UTI Mastershare Unit Scheme	29.56	23.96	19.37
Category Average	**27.39**	**20.14**	**17.12**
Nifty 50 TRI	**25.59**	**20.74**	**18.27**

Flexi Cap Funds			
Aditya Birla Sun Life Flexi Cap Fund	30.28	22.93	17.94
Axis Flexi Cap Fund	28.34	23.70	21.49
ICICI Prudential Flexicap Fund	--	--	--
Kotak Flexicap Fund	25.37	18.36	16.30
Nippon India Flexi cap Fund	--	--	--
SBI Flexicap Fund	30.77	21.85	18.11
Tata Flexi Cap Fund	26.57	20.26	16.92
UTI Flexi Cap Fund	33.98	32.70	25.31
Category Average	**30.59**	**22.48**	**18.23**
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

Multi Cap Funds			
Aditya Birla Sun life Multi-cap Fund	--	--	--
Axis Multicap Fund	--	--	--
ICICI Prudential Multicap Fund	36.38	22.01	16.42
Kotak Multicap Fund	--	--	--
Category Average	**41.98**	**24.42**	**17.30**
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

EQUITY ORIENTED SCHEMES

Data Source: ICRA MFI Explorer

EQUITY FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Large & Mid Cap Funds			
Axis Growth Opportunities Fund	44.56	34.21	27.99
DSP Equity Opportunities Fund	31.20	22.39	18.63
HDFC Large and Mid Cap Fund	43.08	26.23	19.31
Invesco India Growth Opportunities Fund	29.66	21.16	17.57
Kotak Equity Opportunities Fund	30.42	23.21	19.77
L&T Large and Midcap Fund	30.28	22.20	16.67
Mirae Asset Emerging Bluechip Fund	39.13	30.45	24.98
Category Average	**35.89**	**24.84**	**20.00**
Nifty Large Mid Cap 250 TRI	**35.65**	**27.37**	**19.39**

Focused Funds			
Aditya Birla Sun Life Focused Equity Fund	26.74	21.21	17.80
Axis Focused 25 Fund	24.00	22.46	19.80
Kotak Focused Equity Fund	34.24	23.01	--
L&T Focused Equity Fund	23.67	18.42	16.53
SBI Focused Equity Fund	42.98	27.93	23.85
Tata Focused Equity Fund	33.18	21.96	--
UTI Focused Equity Fund	--	--	--
Category Average	**33.14**	**23.17**	**18.33**
Nifty 50 TRI	**25.59**	**20.74**	**18.27**

Contra / Value Funds			
HDFC Capital Builder Value Fund	35.58	23.71	15.24
Invesco India Contra Fund	29.57	25.27	18.47
Nippon India Value Fund	39.40	27.29	19.65
SBI Contra Fund	49.92	39.86	24.65
Tata Equity P/E Fund	28.00	19.97	14.87
UTI Value Opportunities Fund	30.42	24.55	19.65
Category Average	**38.12**	**28.68**	**19.33**
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

Data Source: ICRA MFI Explorer

EQUITY FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Mid Cap Funds			
Axis Midcap Fund	39.93	32.74	25.18
DSP Midcap Fund	28.32	25.92	20.09
Invesco India Mid Cap Fund	43.14	33.38	22.69
Kotak Emerging Equity Fund	47.31	33.94	25.00
Mirae Asset Midcap Fund	48.43	35.76	--
SBI Magnum Midcap Fund	52.25	40.86	25.70
Category Average	**42.49**	**32.44**	**21.86**
Nifty Mid Cap 100 TRI	**47.51**	**34.66**	**20.56**

Small Cap Funds			
Axis Small Cap Fund	58.22	39.08	32.18
HDFC Small Cap Fund	64.88	40.70	21.47
ICICI Prudential Smallcap Fund	61.00	40.52	29.53
Kotak Small Cap Fund	70.94	51.38	34.03
SBI Small Cap Fund	47.56	40.35	27.87
UTI Small Cap Fund	55.35	--	--
Category Average	**61.94**	**42.96**	**26.85**
Nifty Small Cap 100 TRI	**60.70**	**40.40**	**21.72**

ELSS (Tax Savings)			
Aditya Birla Sun Life Tax Relief 96	12.69	13.92	10.61
Axis Long Term Equity Fund	24.54	22.48	19.88
DSP Tax Saver Fund	35.12	24.64	21.29
Kotak Tax Saver Fund	33.24	23.72	19.92
Mirae Asset Tax Saver Fund	35.29	28.19	23.30
Category Average	**32.20**	**22.73**	**17.77**
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

EQUITY ORIENTED SCHEMES

Data Source: ICRA MFI Explorer

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Thematic Funds			
Tata Ethical Fund	44.91	35.19	23.47
Nifty 500 Shariah TRI	**39.90**	**37.89**	**24.99**
Aditya Birla Sun LIfe Business Cycle Fund	--	--	--
Aditya Birla Sun Life ESG Fund	37.35	--	--
Axis ESG Equity Fund	24.61	--	--
Axis Quant Fund	--	--	--
Axis Special Situations Fund	33.57	--	--
ICICI Prudential Business Cycle Fund	--	--	--
ICICI Prudential ESG Fund	22.50	--	--
ICICI Prudential India Opportunities Fund	49.29	26.53	--
Invesco India ESG Equity Fund	--	--	--
Kotak ESG Opportunities Fund	21.88	--	--
Tata Business Cycle Fund	--	--	--
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

Data Source: ICRA MFI Explorer

HYBRID FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Aggressive Hybrid Funds			
Axis Equity Hybrid Fund	23.24	19.05	17.39
HDFC Hybrid Equity Fund	25.71	19.36	15.28
ICICI Prudential Equity & Debt Fund	41.70	24.22	19.05
L&T Hybrid Equity Fund	23.15	18.23	14.19
Mirae Asset Hybrid - Equity Fund	23.77	18.57	16.32
SBI Equity Hybrid Fund	23.60	18.10	16.54
Category Average	**25.78**	**18.48**	**15.24**
NIFTY 50 Hybrid Composite Debt 65:35 Index	**17.80**	**17.34**	**15.77**
Dynamic Asset Allocation / Balanced Advantage Funds			
Axis Balanced Advantage Fund	15.72	12.84	10.47
DSP Dynamic Asset Allocation Fund	9.31	11.09	10.32
Edelweiss Balanced Advantage Fund	18.76	20.65	16.20
ICICI Prudential Balanced Advantage Fund	15.14	13.39	12.52
Kotak Balanced Advantage Fund	12.96	13.28	12.90
L&T Balanced Advantage Fund	8.36	10.54	9.75
LIC MF Balanced Advantage Fund	--	--	--
Nippon India Balanced Advantage Fund	15.71	13.39	11.66
SBI Balanced Advantage Fund	--	--	--
Tata Balanced Advantage Fund	16.47	15.98	--
Category Average	**15.03**	**13.92**	**11.75**
NIFTY 50 Hybrid Composite Debt 65:35 Index	**17.80**	**17.34**	**15.77**
Equity Savings Funds			
Aditya Birla Sun Life Equity Savings Fund	12.79	11.87	10.51
Axis Equity Saver Fund	13.27	12.42	11.03
HDFC Equity Savings Fund	16.78	12.70	10.36
ICICI Prudential Equity Savings Fund	9.55	7.15	8.21
Kotak Equity Savings Fund	11.09	10.72	9.73
UTI Equity Savings Fund	14.03	12.05	9.41
Category Average	**12.29**	**10.35**	**9.27**
1/3rd%age each of CRISIL Short Term Bond Fund Index + Nifty 50 TRI + Nifty 50 Arbitrage Index	**10.88**	**10.00**	**9.77**

Data Source: ICRA MFI Explorer

HYBRID FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Multi Asset Allocations Funds			
Axis Triple Advantage Fund	22.80	20.35	18.64
ICICI Prudential Multi-Asset Fund	34.72	21.67	16.84
Nippon India Multi Asset Fund	19.20	--	--
Tata Multi Asset Opportunities Fund	22.40	--	--
NIFTY 50 Hybrid Composite Debt 65:35 Index	**17.80**	**17.34**	**15.77**

Arbitrage Funds			
Aditya Birla Sun Life Arbitrage Fund	3.84	3.97	4.70
Axis Arbitrage Fund	3.84	3.98	4.60
Edelweiss Arbitrage Fund	3.83	4.15	4.83
IDFC Arbitrage Fund	3.55	3.68	4.49
Kotak Equity Arbitrage Fund	3.96	4.14	4.78
L&T Arbitrage Opportunities Fund	3.67	4.20	4.81
Nippon India Arbitrage Fund	3.84	4.07	4.76
Tata Arbitrage Fund	3.73	4.35	5.03
Category Average	**3.69**	**3.93**	**4.68**
Nifty 50 Arbitrage Index	**4.16**	**3.25**	**4.37**

Data Source: ICRA MFI Explorer

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DEBT AND MACRO ECOMOMIC UPDATE

HIGH FREQUENCY LEADING INDICATORS SHOW BROAD BASED IMPROVEMENT

Leading Indicator	Pre Covid	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
GoI Spends (Ex. Interest) (INR value)	100	123	180	120	165	361	125	122	157	89	139	167	104	
GST collections (value in INR)	100	99	108	113	106	116	133	96	87	109	105	110	122	124
Rail Freight (weight)	100	101	109	110	104	120	103	106	104	104	102	98	108	108
Port Cargo (weight)	100	99	106	107	97	120	103	101	98	92	96	90	100	99
PMI Services	100	97	94	95	100	98	97	84	74	82	102	100	105	105
Diesel Consumption (volume)	100	98	100	95	92	101	93	77	86	86	78	77	92	91
Petrol Consumption (volume)	100	107	109	105	99	110	96	80	97	106	109	105	111	107
Electricity Consumption (units)	100	94	103	107	100	118	114	106	110	120	124	110	110	96
Tractor Sales (TMA) (Volume)	100	160	119	153	147	166	124	108	215	127	105	180	225	124
Vehicle Registrations (VAHAN) (volume)	100	108	107	94	88	97	69	31	71	91	81	76	79	106
Exports (value in USD)	100	88	100	102	104	128	113	120	120	131	123	124	132	111
Exports (Ex Oil, Gold)	100	94	106	108	109	132	114	116	124	126	122	122	126	114
Imports (Ex Oil, Gold)	100	97	112	113	102	116	112	112	118	114	113	131	139	137
Cement Prodn (weight)	100	82	92	96	100	113	99	81	92	96	92	87	100	
Steel Prodn (weight)	100	99	108	106	99	111	101	95	97	98	99	98	101	
Coal Prodn (weight)	100	85	96	99	100	129	70	72	69	73	73	70	86	
IIP (Index)	100	94	102	101	96	108	93	85	91	97	97	95	99	
PMI Manufacturing	100	104	104	107	106	102	102	94	89	102	97	99	103	106
FASTag Payments (Rs Cr)	100	134	146	153	162	196	176	135	164	189	196	191	213	202
E-way Bills No. (Cr)	100	102	113	111	113	126	104	71	97	114	116	120	130	108

- Indian economy is showing strong signs of recovery from the devastation caused by the pandemic, with an upswing being reported in 19 out of the 22 economic indicators as compared to the pre-Covid levels.
- The Indian economy was expanding at a steady pace in November, although the month saw the omicron variant of coronavirus induce fresh concerns about risks to the recovery.
- But the pace of activity -- based on indicators from demand for services to factory output -- faces threats from rising cases of the omicron variant.
- There are no economy-crippling restrictions yet, but some states are re-imposing night curfew as cases ticked up. The central government separately announced widening the vaccination drive to include most teenagers and providing booster shots to vulnerable sections.
- The robust demand continued in Dec’21, driving buoyant manufacturing activities. This, in turn, expanded Manufacturing and Services PMI further in Dec’21, albeit at a slower pace than that witnessed in Nov’21.
- This signifies that economic activities are encouraging and demand is buoyant at the domestic as well as the international front. GST collection stood at 1.29 Lakh Cr for Dec’21, more than Rs 1 Lakh Cr for the sixth consecutive month – an encouraging sign in terms of government tax collection and overall fiscal situation. Automobile demand, however, was tepid, led by semiconductor issues though some sequential moderation was seen in the supply-side challenges.

Source: Axis Bank Economic Research

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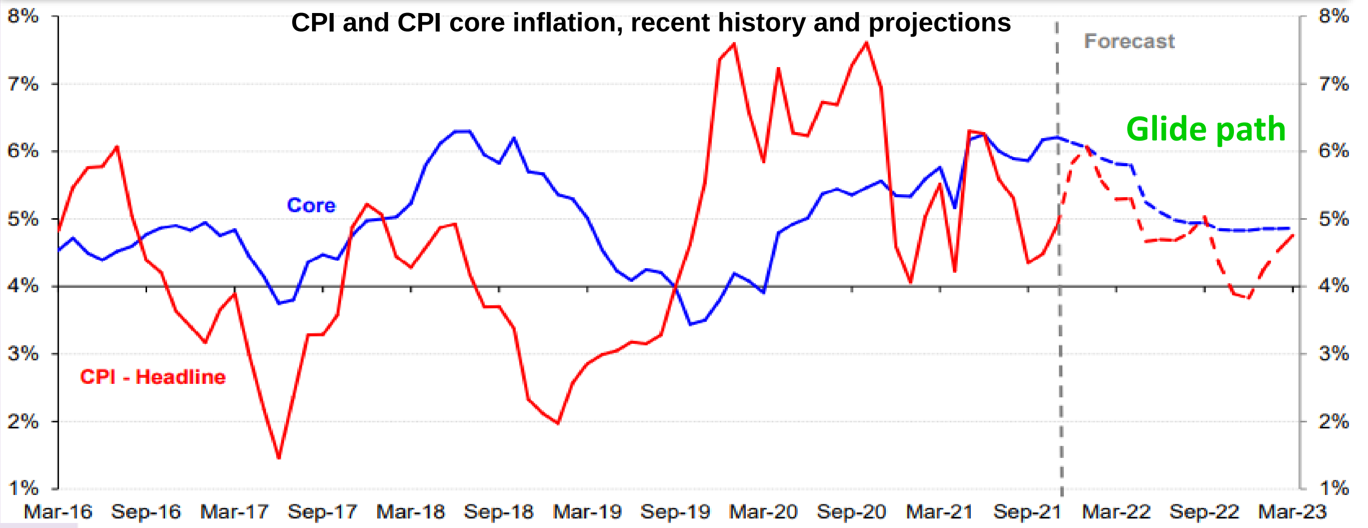
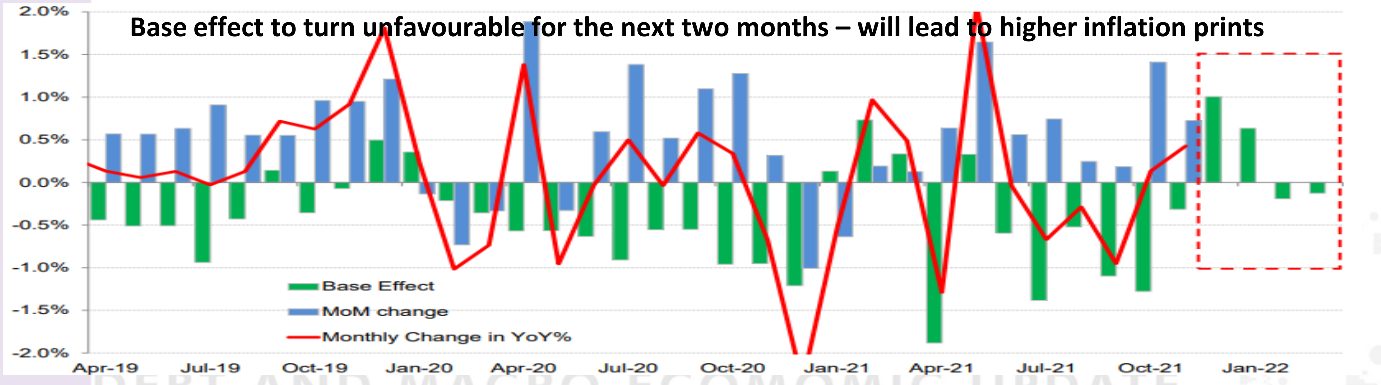
CPI INFLATION EXPECTED TO AVERAGE AROUND 5.3% IN FY22

- India Oct CPI inflation came in at 4.91% YoY, lower than Axis Bank Economic Research team projection of 5.33%. It was due to slower than expected rise in vegetable prices – though in the food category, only meat and fish witnessed an MoM contraction. Lower electricity prices and the cut in auto fuel excise duty were also reflected in the prints. The reading revises (Axis Bank Economic Research team) for CPI projection to 5.3% for FY22, with risks tilted to the upside.
- Fuel and light index fell on account of 3.2% MoM fall in the prices of electricity. Diesel prices were also lower by 6% MoM
- Core (ex. Food, pan & fuel) inflation were at 6.21% YoY (Oct: 6.17%) with rise in exclusion-based measures (ex fuel and gold)
- Urban CPI inflation rose to 5.54% YoY (Oct: 5.04%) and rural inflation to 4.29% YoY (Oct: 4.07%). Consumer Food inflation was at 3.33% YoY in Urban compared to 1.09% YoY in Rural areas.
- India WPI inflation came in at a fresh all-time high of 14.23% YoY, with a higher positive contribution coming from primary articles – mainly food, and minerals. Besides this, manufactured products' inflation also remained at elevated levels on basic metals, chemicals and textiles. Incoming evidence also showed early indications of a quick spread of the Omicron variant in India.
- Three items – edible oil, fuel and transport (and communications) – contributed more than 50% of the inflation in November 2021. Prices increased across all categories led by transport, clothing and footwear, and recreation. On a sequential basis, the prices of transport and communication declined 0.6% month on month, reflecting the partial impact of excise duty cuts on petroleum prices. Going ahead, the full pass-through of excise duty cuts is expected to be offset by the adverse base effect, tariff hikes by the telecom companies, lagged pass-through of global commodity prices and persistence of supply-side disruptions. We expect core inflation to remain sticky and elevated.



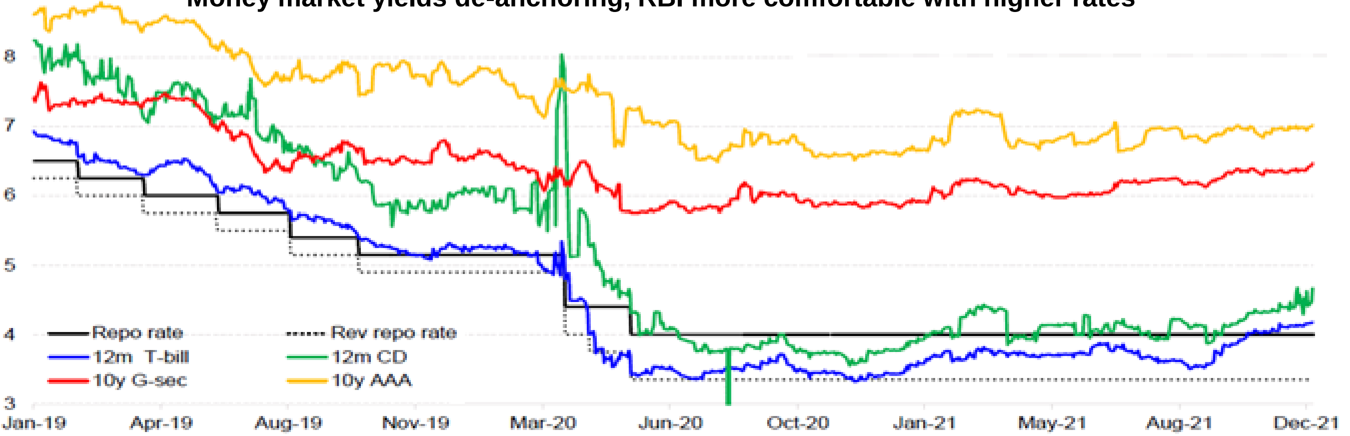


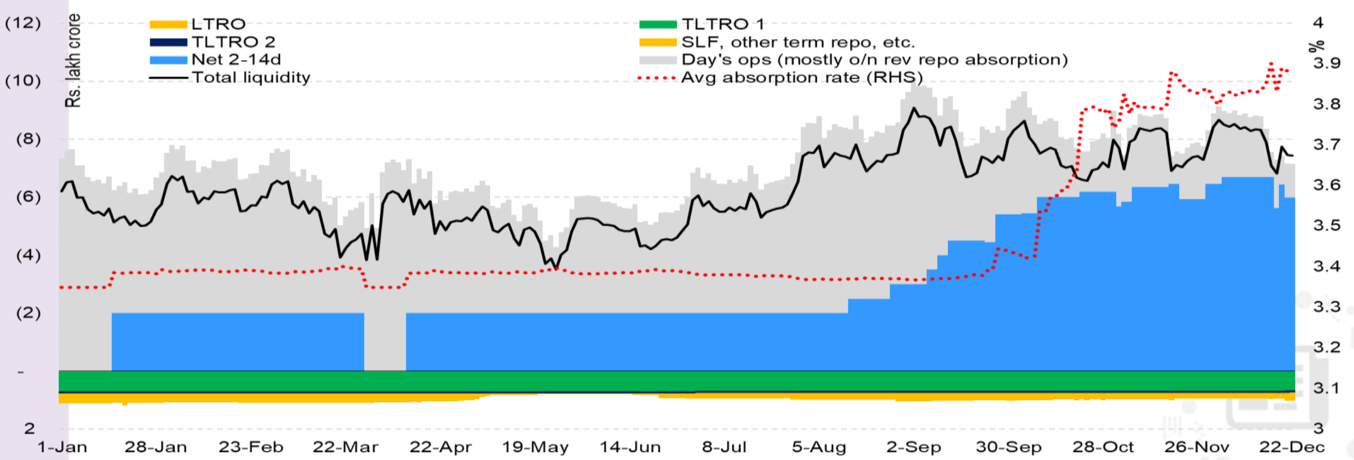
Source: Axis Bank Economic Research

RBI CONTINUE TO FOCUS ON GROWTH

- The 10 year benchmark yield climbed up during the quarter by 23 bps to close at 6.45% (a 20-month high). Investors grew cautious of the heavy government debt pipeline, rise in global oil prices, higher inflation and the central bank turning hawkish.
- MPC minutes from the December meet showed members agreeing on growing risks emanating from the spread of the Omicron variant of COVID-19 - which was seen as justifying a hold on the rates front by most of the members. Language on inflation noted risks, but still indicated potential for topping out in Q4 through the bullwhip effect, arrival of winter crop and government supply-side measures, with some members also indicating that monetary policy might weaken future demand, while inflation was still seen as a supply-side problem. Despite this, there appeared to be support for the use of fine-tuning mechanisms to raise effective rates that would not constitute formal tightening - retaining flexibility over the uncertain period. The MPC members' comments indicate suspicion of growing discomfort around inflation with low confidence on growth prospects, and we continue to see the RBI using informal tightening measure like the management of liquidity and macro prudential policy to fine-tune their response to the evolving situation. Only when confidence in the recovery is durable, will blunt tools like rate hikes be used - but by then, the action will likely only reaffirm what markets already know.
- G-sec yields inched up earlier in the quarter on chatter of additional spending after a supplementary demand for grants was filed in Parliament. This upside was short-lived after the MPC indicated no rush towards formal tightening, with some respite also seen from lower-than-expected headline CPI inflation. Yields rose again, and traded with an upward bias for the rest of the quarter tracking rise in treasury yields and more hawkish outcomes from global central banks as stated above. The selling was most pronounced across the shorter end of the curve after the RBI started conducting short tenor VRRR auction, with a likely intent of reducing the availability of liquidity at fixed rate reverse repo rate.

Money market yields de-anchoring, RBI more comfortable with higher rates

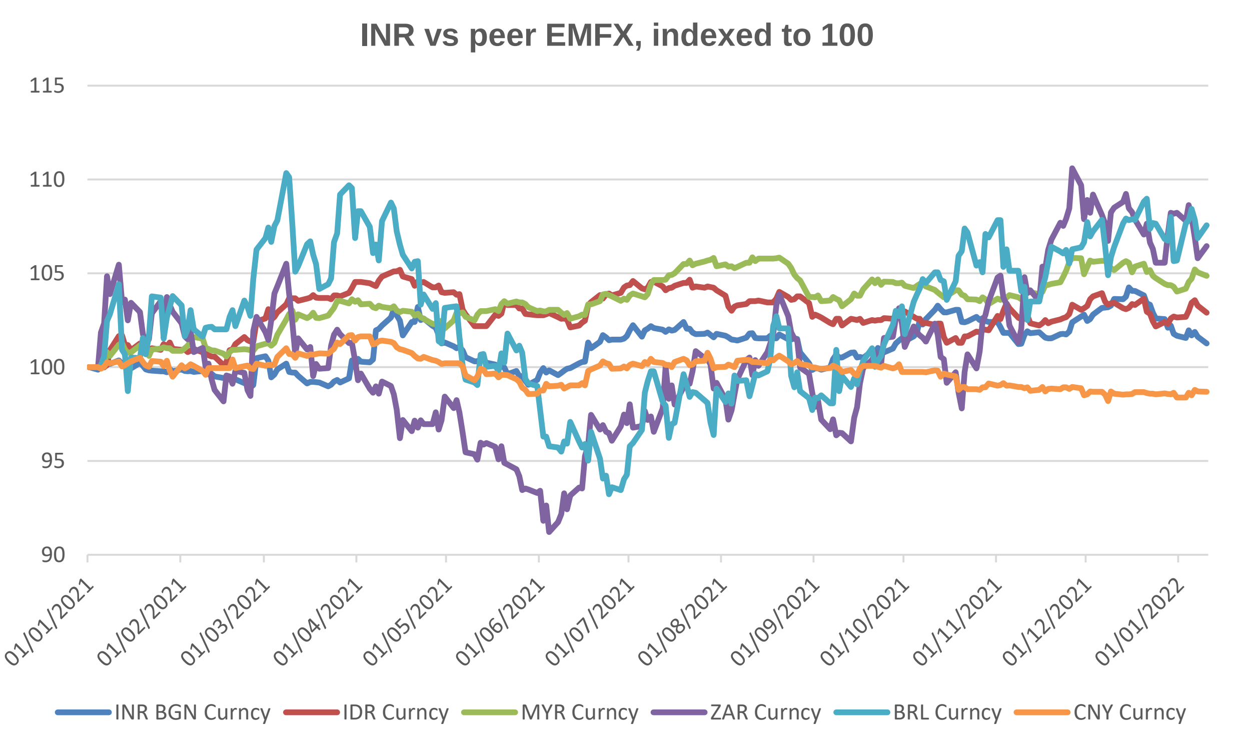




Source: Axis Bank Economic Research

RBI INTERVENTION TO KEEP INR STABLE

- USD/INR was bought early in the month tracking strength in the USD, with the spread of the Omicron causing risk aversion.
- This buying took spot above 75.50 early in the month, with fresh COVID related restrictions announced in countries including UK, Germany, Denmark and Poland.
- The pair was further bid higher after the FOMC front loaded tightening by doubling the pace of tapering QE as well as prompting the need to reduce the size of its balance sheet, with indications of transitory inflation being dropped – leading the pair to rise to 76.30.
- This upmove in spot INR was also aided by weakening of the EMFX complex, notably TRY (following a 100-bps rate cut by the central bank) and ZAR (on risks around rising Omicron COVID infections).
- The pair was consistently offered in the second half of the month on statements from health officials indicating that the new variant was unlikely to result in severely adverse health outcomes, though sharp downside was limited on rising COVID infections in India.



Source: Axis Bank Economic Research

DEBT AND MACRO ECONOMIC OUTLOOK

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Food keeps headline CPI lower than expected, though metals keep WPI inflation elevated

- Protein rich items brings about lower MoM food increases leading CPI inflation to 4.91% vs 5.3% expected.
- Core inflation (ex food, pan and fuel) remains elevated at 6.21% vs 6.17% previously.
- WPI inflation at record high of 14.23% YoY vs 12.54% previously driven by global metals, food and fuel prices.

IIP growth steady in Oct, continues above 2019 levels despite weakness in consumer durables

- IIP up 3.2% YoY vs 3.3% prev, with strong prints from steel, cement and primary goods offset by weaker auto.

India Q2 current account flips the deficit in line with widening of trade deficit

- Q2 current account recorded a deficit of 1.3% of GDP compared to a surplus of 0.9% in Q1 surplus, on recovery in imports.

Fiscal metrics until Nov indicate potential for outperformance of FY22 BE targets

- Apr-Nov fiscal deficit came in at just 46.2% of BE targets- helped by upbeat collections in both direct and indirect taxes.
- Revenue expenditure (ex-interest & subsidies) was muted, and hitherto strong capex peters out.

Major challenges for RBI MPC are as under:

- Economy has started showing persistent price pressures which can impact CPI headline and core inflation and RBI MPC can be forced to move the rates higher despite uncertainty of Covid
- Improved growth outlook would add to credit cycle and crowd out government borrowing which would put pressure on bond yields
- Growth drivers can also put pressures on import data and widening trade deficits can impact currency
- Rising inflationary trends will also put pressure on RBI to return to normalization quicker and absorb huge surplus durable liquidity which RBI has already showed the glide path
- Quicker than anticipated reversal of monetary policies by Fed and other global central banks would add pressure on RBI to move the rates quicker

A faster-than-expected recovery, rising consumer confidence, and the resultant spending spike continues to keep the growth forecast optimistic. The near-term risks augmenting inflation trajectory are– rising food inflation, transmission of higher raw material prices to output inflation, continued pass-through of rising Brent crude to domestic fuel prices, and spillover of persistent global inflationary pressures. Over the medium term, inflation and potential monetary policy normalization will play an important role in shaping the interest rate trajectory. We expect market interest rates to move higher gradually over the period in CY22, while witnessing intermittent volatility. Given these scenarios of high uncertainty over the interest rate trajectory, it would be prudent for investors to be conservative. Given that, with the economies healing in India growth should continue to pick up (albeit a bit unevenly) on the assumption that we may not witness severe lockdowns as seen in second wave due to break out of new variant of covid-19, and accordingly inflationary expectations and interest rate cycle will need to be recalibrated. It is expected that the RBI shall take requisite measures going forward to support growth and ensure surplus liquidity in the banking system, with a dual objective of improving the financial conditions and managing the yield curve. **We remain constructive on the short to medium end of the yield curve. Medium Duration Funds, Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Floating Rate Bond funds, Money Market funds, Low Duration funds and Ultra Short Duration funds** can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile yields. Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.

Source: Axis Bank Economic Research, Axis Bank Investment Research

FIXED INCOME ORIENTED SCHEMES

DEBT FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Gilt Funds			
ICICI Prudential Gilt Fund	3.76	8.09	8.99
IDFC G Sec Fund - Invt Plan	2.05	7.70	9.52
Nippon India Gilt Securities Fund	1.81	6.40	8.35
SBI Magnum Gilt Fund	2.99	7.25	9.18
UTI Gilt Fund	2.27	6.18	8.03
Category Average	**2.27**	**6.79**	**8.11**
ICRA Composite Gilt Index	**3.13**	**8.05**	**9.14**
Long Duration Funds			
ICICI Prudential Long Term Bond Fund	0.40	5.57	7.71
Nippon India Nivesh Lakshya Fund	0.82	6.93	8.83
Category Average	**0.61**	**6.25**	**8.27**
ICRA Composite Bond Fund Index	**4.22**	**8.75**	**9.89**
Dynamic Bond Funds			
Axis Dynamic Bond Fund	3.90	8.02	8.99
ICICI Prudential All Seasons Bond Fund	4.29	7.95	8.68
IDFC Dynamic Bond Fund	1.75	7.19	8.44
Kotak Dynamic Bond Fund	3.18	7.35	8.58
Nippon India Dynamic Bond Fund	2.74	6.94	7.44
SBI Dynamic Bond Fund	1.95	6.07	8.24
Category Average	**4.68**	**7.07**	**7.24**
ICRA Composite Bond Fund Index	**4.22**	**8.75**	**9.89**
Medium to Long Duration Funds			
ICICI Prudential Bond Fund	2.86	7.08	8.33
IDFC Bond Fund - Income Plan	1.24	6.37	7.69
Kotak Bond Fund	2.44	7.23	8.24
SBI Magnum Income Fund	3.59	7.52	8.90
Category Average	**3.04**	**6.48**	**7.16**
ICRA Composite Bond Fund Index	**4.22**	**8.75**	**9.89**

Data Source: ICRA MFI Explorer

DEBT FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Medium Duration Funds			
Axis Strategic Bond Fund	5.21	7.81	7.56
DSP Bond Fund	3.43	6.64	5.42
Invesco India Medium Duration Fund	--	--	--
Category Average	**5.87**	**5.97**	**5.36**
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**

Corporate Bond Funds			
Aditya Birla Sun Life Corporate Bond Fund	4.04	7.88	8.45
Axis Corporate Debt Fund	3.68	7.53	7.04
HDFC Corporate Bond Fund	3.90	7.77	8.62
IDFC Corporate Bond Fund	3.67	7.53	7.85
Kotak Corporate Bond Fund - Std	3.76	6.66	7.64
L&T Triple Ace Bond Fund	3.76	7.98	9.50
Nippon India Corporate Bond Fund	4.71	7.08	7.31
UTI Corporate Bond Fund	3.43	7.15	8.55
Category Average	**3.58**	**7.03**	**8.02**
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**

Short Duration Funds			
Axis Short Term Fund	3.48	6.75	7.74
HDFC Short Term Debt Fund	3.86	7.34	8.13
IDFC Bond Fund - Short Term Plan	3.38	6.47	7.55
Kotak Bond Short Term Fund	3.28	6.58	7.56
L&T Short Term Bond Fund	2.96	6.27	7.27
Nippon India Short Term Fund	4.42	6.91	7.72
SBI Short Term Debt Fund	2.77	6.25	7.31
UTI Short Term Income Fund	8.38	9.41	4.78
Category Average	**4.56**	**6.55**	**6.71**
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**

Data Source: ICRA MFI Explorer

DEBT FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Banking & PSU Debt Funds			
Aditya Birla Sun Life Banking & PSU Debt Fund	3.59	7.18	8.08
Axis Banking & PSU Debt Fund	3.39	6.44	7.78
HDFC Banking and PSU Debt Fund	3.66	7.05	8.10
IDFC Banking & PSU Debt Fund	3.41	7.09	8.44
LIC MF Banking & PSU Debt Fund	2.57	5.52	6.94
Mirae Asset Banking and PSU Debt Fund	3.39	--	--
Category Average	**3.38**	**6.65**	**7.68**
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**

Floater Funds			
Axis Floater Fund	--	--	--
DSP Floater Fund	--	--	--
IDFC Floating Rate Fund	--	--	--
Tata Floating Rate Fund	--	--	--
Category Average	**3.64**	**6.30**	**6.86**
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**

HYBRID FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
Conservative Hybrid Funds			
Axis Regular Saver Fund	10.59	12.17	8.65
ICICI Prudential Regular Savings Fund	9.90	10.41	10.13
Kotak Debt Hybrid Fund	13.30	13.56	12.75
Category Average	**10.49**	**9.75**	**8.92**
NIFTY 50 Hybrid Composite Debt 15:85 Index	**7.04**	**10.38**	**10.86**

EQUITY ORIENTED SCHEMES

Data Source: ICRA MFI Explorer

FUND OF FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 31st DECEMBER, 2021)

CAGR	1 Year	2 Years	3 Years
HYBRID (FOF)			
HDFC Asset Allocator Fund Of Funds	--	--	--
DEBT (FOF)			
Axis All Seasons Debt Fund of Funds	4.86	--	--
BHARAT Bond ETF - April 2023	4.24	7.56	--
BHARAT Bond ETF - April 2025	4.73	--	--
BHARAT Bond ETF - April 2030	5.23	9.11	--
BHARAT Bond ETF - April 2031	4.93	--	--
CRISIL Short Term Bond Fund Index	**4.38**	**7.35**	**8.07**
ICRA Composite Bond Fund Index	**4.22**	**8.75**	**9.89**
INTERNATIONAL (FOF)			
Axis Global Equity Alpha Fund of Fund	22.30	--	--
Axis Global Innovation Fund of Fund	--	--	--
DSP Global Allocation Fund	7.34	14.04	15.43
Franklin India Feeder - Franklin U.S. Opportunities Fund	18.74	31.28	32.25
Invesco India - Invesco Global Consumer Trends Fund of Fund	-7.03	--	--
IDFC US Equity Fund of Fund	--	--	--
Nifty 500 TRI	**31.60**	**24.52**	**19.11**

Data Source: ICRA MFI Explorer

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