

TATA INDIAN SHARIA EQUITY FUND

Factsheet as on September 30, 2024

INVEST THE SHARIA WAY

Tata Indian Sharia Equity Fund is a diversified equity fund with an investment objective to invest in stocks which are compliant to the Sharia principles of investments. The Fund follows a bottom up approach to stock picking to build portfolio of companies which are in harmony with the principles of the Sharia on investments. Tata Indian Sharia Equity Fund prohibits from investing in companies categorized as morally deficient, such as those related to tobacco, alcohol, gambling, lottery, banking & finance services and other prohibited companies.

Diversified Portfolio of Sharia Compliant Stocks

- Diversified portfolio of Sharia compliant stocks.
- The Fund does not follow any market cap bias
- Bottom-up approach to stock selection
- Invests in Companies which have less than 25% of its capital sourcing done using interest bearing debt
- Such companies generally do not need large external debt to fund their growth
- High internal cash generation capability
- Ability to grow is good irrespective of the external liquidity conditions as experienced in current markets

Portfolio of Fundamentally Strong Companies

- High cash generation
- High capital efficiency
- Good earnings and growth prospects

Strict Adherence to Sharia Principles

- Rigorous monitoring of portfolio by independent advisors to check adherence to Sharia principles
- Any deviation is corrected within a specified time period
- Purification process in place in case of prohibited income

Who should invest and why?

- Investors looking to invest in Sharia compliant Indian equity & equity related instruments
- Invests in Socially responsible companies involved in businesses considered ethical
- Investors with a preference for investments in companies which have low leverage and fundamentally strong companies
- Equity Investors seeking long term wealth creation investment avenue with moderate to aggressive risk appetite and investment horizon of 3yrs or more

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Contact us

INVESTMENT MANAGER

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Performance of Sectoral Indices

Index Name	As on			Return in %	
	30-Aug-24	31-Jul-24	31-Aug-23	1 Month	1 Year
Nifty 50	25811	25236	19638	2.3	31.4
S&P BSE Sensex	84300	82366	65828	2.3	28.1
S&P BSE MID CAP	49352	49065	32341	0.6	52.6
S&P BSE SMALL CAP	57131	56022	37562	2.0	52.1
S&P BSE 200	11927	11679	8613	2.1	38.5
S&P BSE AUTO	61051	59041	36629	3.4	66.7
S&P BSE Bankex	60038	58312	50175	3.0	19.7
S&P BSE Consumer Durable	67662	63590	45360	6.4	49.2
S&P BSE Capital Good	73107	73169	47729	-0.1	53.2
S&P BSE FMCG	23788	23022	18679	3.3	27.3
S&P BSE Health Care	44236	43177	28498	2.5	55.2
S&P BSE IT	42370	43487	32065	-2.6	32.1
S&P BSE METAL	34609	32456	23206	6.6	49.1
S&P BSE Oil & Gas	31835	32978	19026	-3.5	67.3
S&P BSE Power Index	8652	8232	4660	5.1	85.7
S&P BSE Realty	8593	8234	4606	4.4	86.6

Index Name	As on			Return in %	
	30-Aug-24	31-Jul-24	31-Aug-23	1 Month	1 Year
Nifty 200	14611	14296	10510	2.2	39.0
Nifty 50	25811	25236	19638	2.3	31.4
Nifty Auto	27027	26173	16184	3.3	67.0
Nifty Bank	52978	51351	44585	3.2	18.8
Nifty Commodities	9826	9484	6487	3.6	51.5
Nifty Energy	44017	43757	27322	0.6	61.1
Nifty Financial Services	24480	23638	19811	3.6	23.6
Nifty FMCG	65540	63060	51603	3.9	27.0
Nifty India Consumption	12827	12078	8460	6.2	51.6
Nifty Infrastructure	9575	9426	6243	1.6	53.4
Nifty IT	60154	59287	40537	1.5	48.4
Nifty Metal	23281	23218	15423	0.3	51.0
Nifty Midcap 100	1099	1053	576	4.3	90.9
Nifty Pharma	19180	19307	12749	-0.7	50.4
Nifty Realty	1099	1053	576	4.3	90.9
Nifty Smallcap 100	19180	19307	12749	-0.7	50.4

The Macro Picture

	September 2024	August 2024
WPI	1.31% (August 2024)	2.04% (July 2024)
CPI	3.65% (August 2024)	3.54% (July 2024)
Index of Industrial Production	4.84% (July 2024)	4.24% (June 2024)
Repo rate	6.50% (as on September 30, 2024)	6.50% (as on August 31, 2024)
Marginal Standing Facility Rate	6.75% (as on September 30, 2024)	6.75% (as on August 31, 2024)

Source: RBI, Bloomberg

BSE-30 and Nifty-50 indices closed at new all-time highs with a gain of 2.3% and 2.3% respectively. Mid-cap indices underperformed with a gain of 0.6% while Small Cap index performed in line at 2%. On the sectoral Capital Goods, IT and Oil & Gas were the sectors which underperformed the benchmark index.

The month of September 2024 was another month of positive returns with steady rise through the month. Japan pace of interest rate normalization along with China fiscal/monetary stimulus were the main points under consideration for the markets for the month.

Inflation

India's Wholesale Price Inflation (WPI) Index came in positive at 1.31% YoY during the current month as compared to 2.04% for the previous month on account of stable fuel, higher food and lower commodity prices.

Headline CPI inched up to 3.65% YoY in August from 3.5% in July. On a MoM basis, however, CPI moderated to 0.2% MoM in August from 0.9% in July. Food CPI edged up to 5.7% YoY in August from 5.4% in July, led by a pickup in prices of eggs, fruits and vegetables. However, the index moderated sequentially. Fuel CPI declined at a slower pace of 5.3% YoY in August from 5.5% in July, and also contracted on a sequential basis. Core CPI (ex food, fuel) remained steady at 3.4% YoY in August, for the second consecutive month, with a mixed trend across core goods and services. Core core (ex gold, gasoline) CPI was stable at 3.6% YoY in August, similar to July. CPI ex vegetables moderated further to 3.1% YoY in August (vs 3.3% in July).

There is downside risk to RBI's 4.4% inflation forecast for 2QFY25, but full-year FY25 inflation could average ~4.5% only. This could bring about discussion of a possible stance change at October policy, but MPC would be mindful of higher 3QFY25 average CPI projection (4.7-4.8%).

Growth

India's real GDP (at market prices) grew by 6.7% YoY in the June-24 quarter (Q1FY25) and by 7.8% YoY in Q4FY24. FY24 GDP growth stood at 8.2% ahead of the estimated 7.6% for the year. Capital formation growth stood at 7.5% for Q1FY25 and 9% for the full year FY24. Going forward, consensus estimates range between growth of 6.6%-7.7% GDP growth for FY25.

Other macro developments (fiscal deficit and household savings)

India's Q4FY24 current account balance registered a surplus of US\$ 6bn (0.6% of GDP) from a deficit of US\$10bn (1.2% of GDP) in Q3FY24. The surplus represents better manufacturing/services exports and strong capital flows.

India's fiscal deficit came much lower than forecasted at 5.6% for FY24 on account of lower revenue expenditure. The government has announced a path to reduce fiscal deficit to 4.9% for FY25 (revised lower from 5.1% earlier) and below 4.5% in FY26.

FY23 net household financial savings rate stood at 5.1% of GDP (7.2% for FY22). The same ratio had moved higher during the pandemic period to 12% in FY21 compared to 7.7% in FY20.

Market Outlook

1QFY25 results of BSE-500 companies were along expected lines with revenue of 8% yoy on aggregate and 9% yoy ex-OMCs where earnings to be very volatile. EBITDA of non-financial companies of this universe increased a modest 1% yoy but a healthy 16% yoy ex-OMCs while PAT increased 3% yoy (11% yoy ex-OMCs). Electric utilities, financials, healthcare, hotels & restaurants, retailing and real estate reported strong revenue growth.

Driven by renewed capex cycle, well capitalized banking system, upturn in housing sector, robust domestic consumption & growing Services exports, India has been the fastest growing large economy globally over the last 2 years. The long dormant capex cycle, both in housing and corporate, has just started picking up and should be a significant growth driver over the remainder of the decade.

NIFTY 1yr forward PE is now at 21.5x (on FY25E EPS) with relative valuations vs. EMs and Bond Yields well above historical averages and thus a near term consolidation/correction can not be ruled out. However, earnings outlook is still robust for FY25 and beyond as rising corporate spending and strong bank balance sheets anchor earnings growth in the mid-teen over the medium term.

Compared with the other EMs/major economies, India has shown more robust and consistent earnings performance. Visibility of India's upturn in capex cycle, robust demand and expected interest rate easing in 2H24 gives us enough confidence in Indian companies to deliver 15%+ earnings growth next year.

We in our portfolios are focused on companies which can grow earnings at a fast pace and most importantly balance sheets/cash flow being on the positive side with less leverage. We believe investors would be well advised to invest with medium to long term perspective and systematically increase exposure to Indian equity markets.

Key portfolio actions – During the month we have sold Indus Towers, KIMS and Vedant fashions as these stocks had become Shariah non-compliant according to our advisers. We have added to our existing positions and have also added three new stocks – 1) Zydus Lifesciences – High quality pharma name with reasonable valuations, 2) Orient Cement – Mid size cement company with attractive valuation and 3) Indigo Paints – A niche paints company trading at reasonable valuations.

As highlighted last month, portfolio churn has continued this month also due to change in Shariah compliance criterion by our advisers. We expect this to settle down over next 1-2 months and go back to our investment style of low portfolio turnover and long term stock holdings.

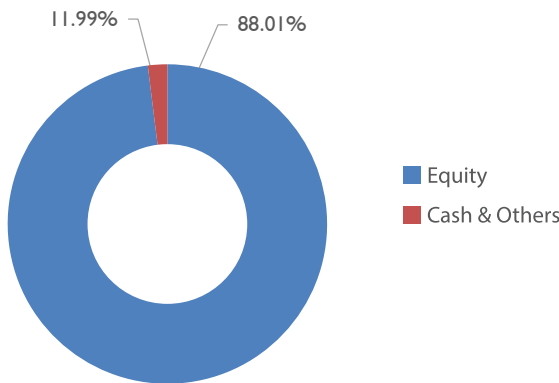
Investment Objective

The principal investment objective of the Fund is to achieve capital appreciation through a carefully chosen diversified portfolio of stocks that conform to Sharia principles.

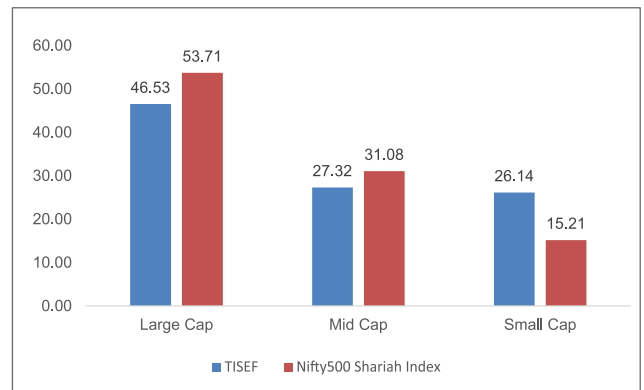
Investment Approach

The fund will follow a bottom-up approach to investing based on rigorous research. Focus will be on companies with good governance practices, strong earnings growth visibility and reasonable valuation. Fund will invest across sectors and market caps with a slight bias towards large caps.

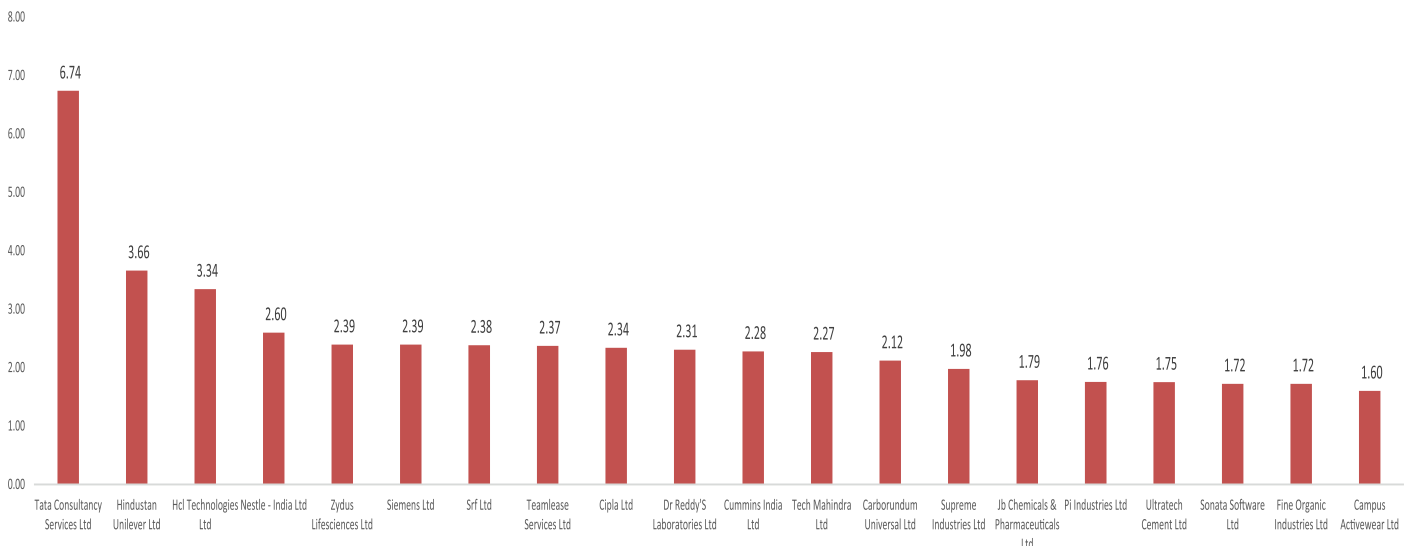
Asset Allocation



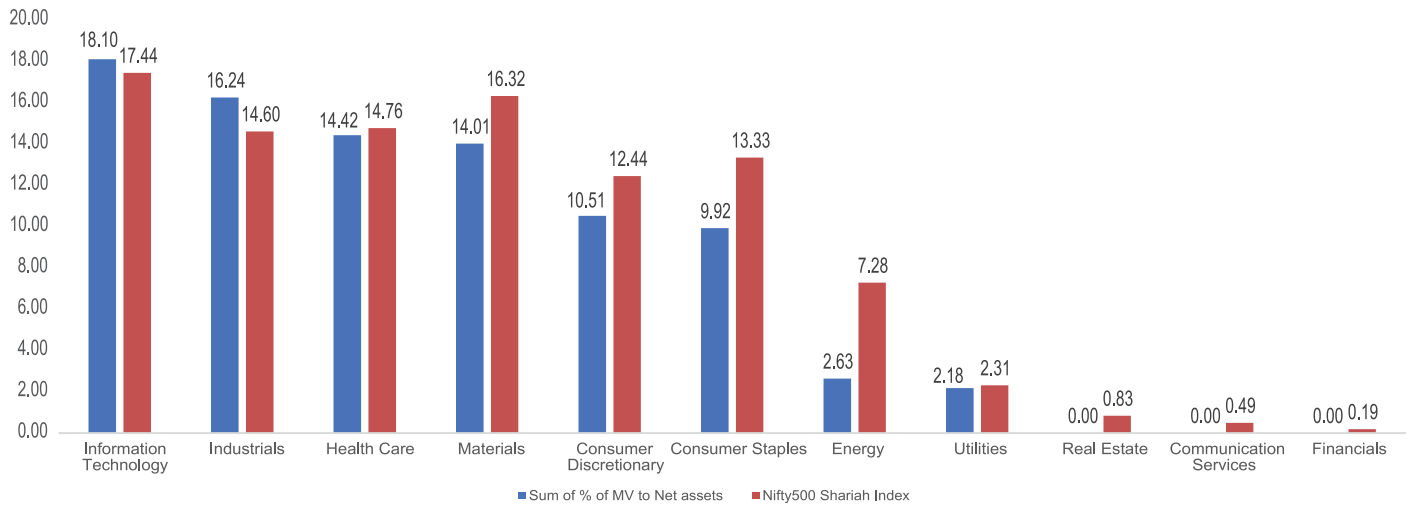
Market Cap Allocation



Top 20 Holdings



Sector Allocation



Fund Performance - Class B (USD terms)

Period	1 month	3-months	6-months	1-year	3-Years	5-Years	Since Inception
TISEF	0.08	6.07	17.58	32.45	9.05	16.65	7.43
Nifty 500 Shariah Index	1.46	10.68	24.27	42.99	10.79	18.44	8.49

Past performance may or may not be sustained in future. Less than 1 year returns calculated on absolute basis & more than 1 year on CAGR basis *Inception Date: October 2010

Key Information

Structure	Open-ended Fund
ISIN No	Class B : MU0316S00010
Domicile	Mauritius
Fund Type	Diversified equity fund investing in Sharia compliant equity or equity equivalent listed Indian companies
Benchmark	Nifty 500 Sharia Index
Reference Currency	USD
Total Expense Ratio (TER)	Class B: 2.0%
Custodian	Standard Chartered Bank
Administrator	APEX Fund Services, Mauritius
Auditors	KPMG Mauritius
Sharia Advisor	Taqwaa Advisory and Shariah Investment Solutions Pvt. Ltd. (TASIS)
Month-End AUM	USD 50.63mn
Month –End NAV	USD 26.2397
Minimum Investment	USD5000
Inception Date	October 2010
Purging Ratio (USD per 100 Units per day) for period 1 October 2023 to 31 March 2024	0.000253

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