

TATA INDIAN SHARIA EQUITY FUND

Factsheet as on December 31, 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 %	
	31-Dec-24	29-Nov-24	29-Dec-23	1 Month	1 Year
S&P BSE Sensex	78139	79803	72240	-2.1	8.2
S&P BSE MID CAP	46445	46071	36839	0.8	26.1
S&P BSE SMALL CAP	55181	55200	42674	0.0	29.3
S&P BSE 200	10931	11123	9639	-1.7	13.4
S&P BSE AUTO	51663	52898	42229	-2.3	22.3
S&P BSE Bankex	57742	59298	54378	-2.6	6.2
S&P BSE Consumer Durable	64436	62469	50000	3.1	28.9
S&P BSE Capital Good	67779	70700	55644	-4.1	21.8
S&P BSE FMCG	20772	21213	20468	-2.1	1.5
S&P BSE Health Care	45277	43666	31549	3.7	43.5
S&P BSE IT	43188	42783	36011	0.9	19.9
S&P BSE METAL	28892	30537	26991	-5.4	7.0
S&P BSE Oil & Gas	26065	26813	23021	-2.8	13.2
S&P BSE Power Index	6966	7490	5819	-7.0	19.7
S&P BSE Realty	8234	7960	6187	3.4	33.1
S&P BSE Realty	7960	7809	5657	1.9	40.7

Index Name	As on			Return in %	
	31-Dec-24	29-Nov-24	29-Dec-23	1 Month	1 Year
Nifty 200	13407	13627	11799	-1.6	13.6
Nifty 50	23645	24131	21731	-2.0	8.8
Nifty Auto	22834	23369	18618	-2.3	22.6
Nifty Bank	50860	52056	48292	-2.3	5.3
Nifty Commodities	8121	8537	7716	-4.9	5.2
Nifty Energy	35188	37482	33468	-6.1	5.1
Nifty Financial Services	23513	24010	21487	-2.1	9.4
Nifty FMCG	56800	57944	56987	-2.0	-0.3
Nifty India Consumption	11363	11447	9578	-0.7	18.6
Nifty Infrastructure	8464	8734	7303	-3.1	15.9
Nifty IT	43338	43146	35515	0.4	22.0
Nifty Metal	8650	9034	7978	-4.3	8.4
Nifty Midcap 100	57199	56393	46182	1.4	23.9
Nifty Pharma	23412	22240	16832	5.3	39.1
Nifty Realty	1052	1020	783	3.2	34.4
Nifty Smallcap 100	18769	18651	15144	0.6	23.9

The Macro Picture

	December 2024	November 2024
WPI	1.89% (November 2024)	2.36% (October 2024)
CPI	5.48% (November 2024)	6.21% (October 2024)
Index of Industrial Production	3.45% (October 2024)	3.09% (September 2024)
Repo rate	6.50% (as on December 31, 2024)	6.50% (as on November 30, 2024)
Marginal Standing Facility Rate	6.75% (as on December 31, 2024)	6.75% (as on November 30, 2024)

Source: RBI, Bloomberg

BSE-30 and Nifty-50 indices delivered a negative return for the month of December 2024 at -2.1% and -2% respectively. Mid-cap and Small Cap indices outperformed the benchmark indices with a gain of 0.8% and 0.0% respectively. On the sectoral front IT, Consumer Durables, Healthcare and Real Estate were the sectors which outperformed the benchmark index.

CY2024 ended with a normalized return of 8.2% for the BSE Sensex. It was a tale of 2 halves with 1HCY2024 being good whereas 2H was muted with a -1.1% negative return. Domestic flows remained very strong through the year at US\$62.8bn whereas FII flows were muted at US\$-0.1bn. High Valuation was the most discussed headwind for the markets along with 2HCY2024 slower growth on the back of general election led weak government spend on capital expenditure.

Inflation

India's Wholesale Price Inflation (WPI) Index came in at 1.89% YoY during the current month as compared to 2.36% for the previous month on account of stable fuel, higher food and lower commodity prices.

The headline CPI inflation for the month of November cooled off, as it recorded a print of 5.4% vs. 6.21% in the previous month. This was mainly on account of 150bps drop in food prices. This came in after the inflation had breached RBI's tolerance band of 6% for the first time in 14 months. Food inflation, on a YoY basis, slowed down from 9.7% to 8.2%. Largely as prices of vegetables moderated, as the fresh arrival of produce helped inflationary pressures.

India's real GDP (at market prices) grew by 5.4% YoY in the September-24 quarter (Q2FY25) and by 6.7% YoY in Q1FY25. FY24 GDP growth stood at 8.2% ahead of the estimated 7.6% for the year. Capital formation growth stood at 5.9% for Q2FY25 and 9% for the full year FY24. Going forward, consensus estimates have been brought down towards a range between growth of 6.0%-6.5% GDP growth for FY25.

Other macro developments (fiscal deficit and household savings)

India's Q2FY25 current account balance registered a deficit of US\$11.4bn (1.2% of GDP) compared to a deficit of US\$ 9.7bn (1.1% of GDP) for Q1FY25. The deficit represents higher gold imports which are likely to normalise going ahead.

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.

FY24 net household financial savings rate stood at 5.3% of GDP (5.1% for FY23). The same ratio had moved higher during the pandemic period to 12% in FY21 compared to 7.7% in FY20.

Market Outlook

We are increasingly turning more optimistic/convicted on incremental returns for investors over the next 12-18 months. Indian equity markets are undergoing a time correction, as expected, over the past 6 months, on account of a broad-based slowdown in earnings growth and higher valuations, which we have been discussing in these writeups for some time now. We won't go into the reasons for the same again but from an earnings perspective some of the sectors which contribute among the largest profit pools for the markets had specific short term negative impact leading to weaker than normal earnings delivery for FY25E for example Banks, Commodities, Oil & Gas. Our interactions with various businesses make us believe that we are probably nearing the end of a weak earnings environment. Q3FY25 earnings season is most likely to be a weak quarter relative to expectations followed by a better Q4FY25 and FY2026.

We believe sectors like Banking is likely to witness better growth in earnings for FY26 starting Q1 itself given the base and further balance sheet strengthening that would have happened by Q4FY25. Oil & Gas is another sector where large inventory losses along with a very weak petrochemical cycle is probably creating a low base of earnings for FY25 which can potentially lead to higher earnings growth in FY26. Some sectors like Commodities which are likely to contribute negatively to FY25 earnings growth may stop showing further deterioration in FY26.

With 6 months of consolidation of the markets and probably the next 3-6 months as well, valuations have started to look reasonable in some segments of the market. With earnings growth picking up pace in FY26E along with normal valuation range we are optimistic of a better return year for 2025 compared to 2024. However, unlike the past 2 years where markets underwent a broad-based rally, we are of the view that the foreseeable future will most likely be a skewed market where stock selection will be key to performance.

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 not made any major change to the portfolios.

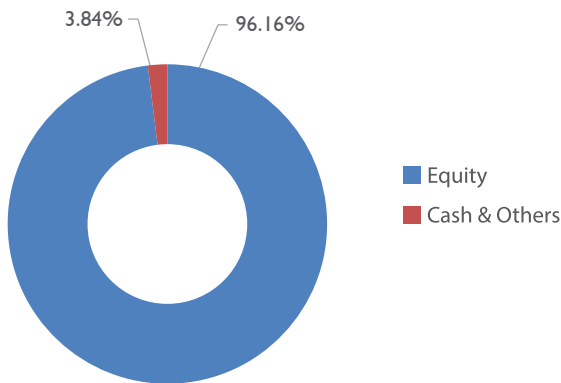
Investment Objective

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.

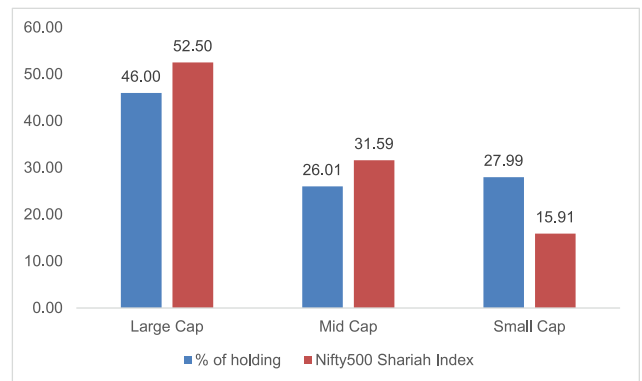
Investment Approach

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.

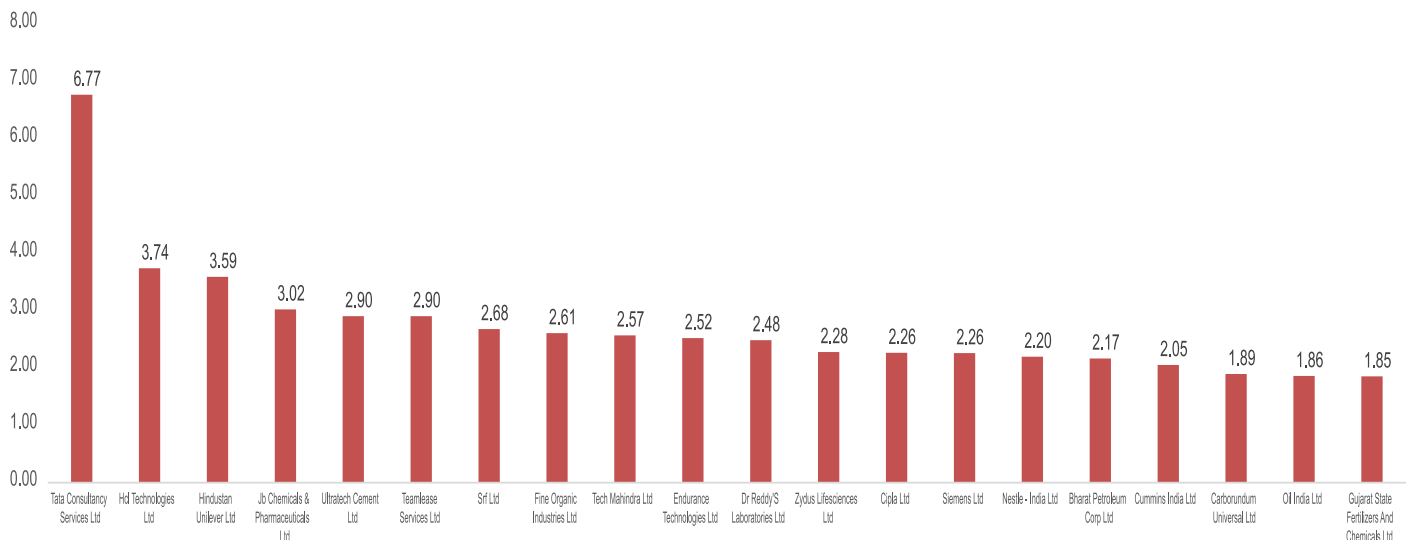
Asset Allocation



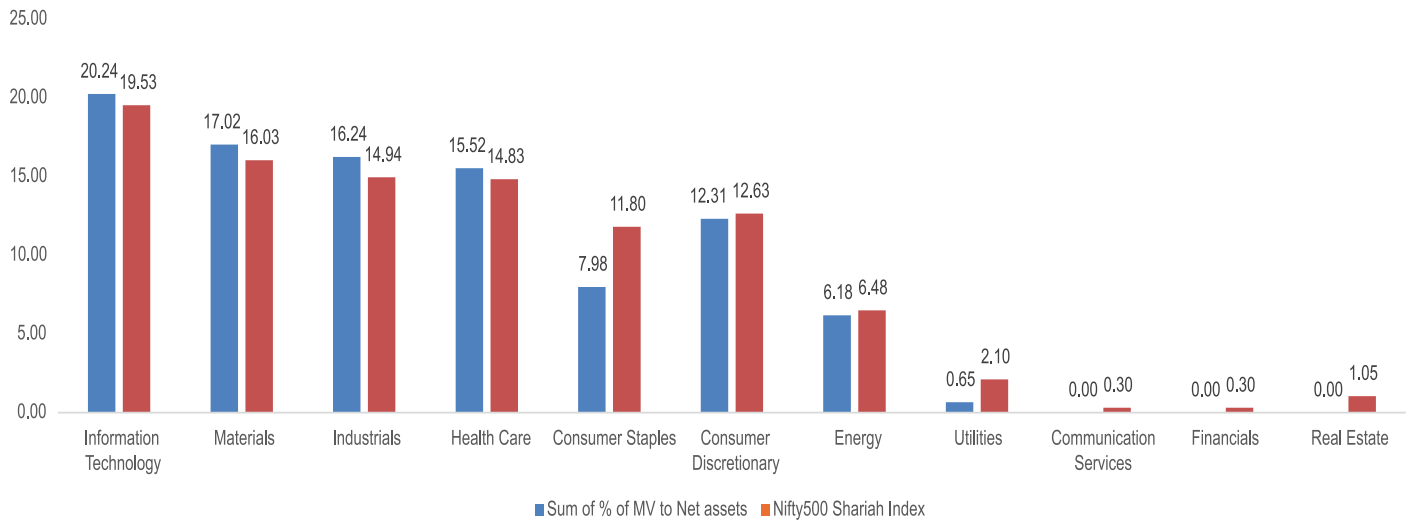
Market Cap Allocation



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	-4.29	-11.13	-5.73	6.87	3.68	13.80	6.39
Nifty 500 Shariah Index	-2.23	-11.01	-1.50	13.01	5.62	15.84	7.44

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 47.32mn
Month –End NAV	USD 23.3197
Minimum Investment	USD5000
Inception Date	October 2010
Purging Ratio for the period October 2023 to 31 March 2024	0.017112

Disclosures and Disclaimers

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