

EQUITY MARKET REVIEW & OUTLOOK

AUGUST 2025

Indian equities witnessed a pullback in July 2025, reversing some of the gains seen in June. The BSE Sensex and Nifty 50 ended the month with notable declines of 2.90% and 2.93%, respectively, as investor sentiment weakened due to escalating geopolitical tensions and the announcement of 25% reciprocal new US tariffs on Indian goods. In contrast to June's broad-based rally, mid and small-cap indices underperformed, with the NSE Midcap 100 declining by 3.92% and NSE Smallcap 100 falling sharply by 5.81%, reflecting heightened caution among investors. Sectoral performance in July was broadly negative, with all sectors ending in the red except healthcare and FMCG, which benefited from defensive demand and stable earnings. Globally, US equities remained buoyant, continuing their upward trend from May and June, supported by robust earnings and easing inflation concerns.

Meanwhile, Foreign Portfolio Investors (FPIs) turned net sellers in July, pulling out US\$2.1 billion after three months of steady inflows. Domestic flows remain supportive, driven by strong SIP inflows and steady mutual fund deployment. - Domestic Institutional Investors (DIIs) remained supportive with US\$6.32 billion in equity purchases. On the macro front, June headline inflation eased to 2.1% from 2.8% in May on the back of moderating vegetables prices while Manufacturing and Services PMI numbers came in higher.

The US has implemented a 25% tariff (and another additional 25% tariff) on Indian goods, alongside penalties related to India's procurement of arms and energy from Russia. In comparison, tariffs imposed on select ASEAN nations are relatively lower: Bangladesh at 35%, Vietnam at 20%, Indonesia at 19%, and the Philippines at 19%. Notably, any transshipment of goods from China via Vietnam will attract a significantly higher tariff of 40%. Trade agreements with other key partners have been finalized at varying tariff levels: the United Kingdom (10%), European Union (15%), Japan (15%), and South Korea (25%).

While these developments may exert pressure on India's goods exports to the US, the impact could be partially mitigated by redirecting trade flows to alternative markets. Additionally, the recent depreciation of the Indian rupee—if sustained—may help offset the tariff burden and enhance the competitiveness of Indian exports globally.

The earnings season started on a relatively tamer note. The current quarter marks the fourth consecutive quarter of muted mid-single-digit topline growth contributed by benign volumes. What also stands out is the correction in margins which have remained largely unchanged through FY25. Mid/small caps continue to outperform large caps with double-digit revenue growth and EBITDA/PAT growth of 16%/28% & 10%/17% vs large caps of 4%/8%. Consensus Nifty earnings (aggregate) have been cut by 200bps for FY26 with ~9% growth & 11% (unchanged) for FY27E. At a sectoral level, the EPS cuts have been broad-based, with only Telecom seeing significant EPS upgrades. The cuts are the highest in Staples, Real Estate, and Utilities.

IT companies see mixed revenue trends, though with currency support and lower wage costs, earnings mostly upgraded by 2-3%. Large private banks delivered mixed results, with asset quality concerns in few banks, alongside uneven NIM trends. Capital market companies report mostly beats / earnings raise while Insurance companies saw in line/positive June quarter. Consumer staples have seen sequential improvement in volume growth, EBITDA growth remains weak, owing to high input costs. Consumer discretionary and retail so far have seen decent results. Autos results were in line with divergence in EBITDA growth. Pharmaceuticals saw mixed trends while cement witnessed earnings upgrade post strong beats in June quarter and improved pricing environment for the upcoming quarter.

Meanwhile, valuations remain expensive on an absolute basis and trading well above long-term averages. The mid-cap valuation premium over the Nifty at 31% remains high vs the long-term average of 18%. Small-caps premium at 26% is now off the decade-high of 31% seen in early June but remains high vs historical standards. Overall, the valuations of sectors such as Energy, Pharma, Staples, and Industrials are the most expensive, while those of Utilities, Telecom, and Financials look attractive at current valuations and EPS estimates.

Against this backdrop, we are overweight the financial sector, particularly NBFCs. We also maintain an overweight position in the pharmaceutical segment, although we had been reducing our exposure in light of the uncertainty regarding tariffs and pricing issues in the US. We maintain an overweight in the consumer discretionary segment through retailers, hotels, travel and tourism. We believe that the discretionary segment is well positioned to benefit from strengthening domestic momentum and lower interest rates coupled with lower tax rates may likely provide consumption a fillip. Travel and hospitality have been holding well despite weather and geopolitical disruptions. We have reduced our overweight in automobiles in the last few months and remain underweight information technology. Renewable capex, manufacturers and power transmission/distribution companies, defense are the other themes we favour and we have increased our exposure to defense in the last few months.

Overall, India continues to be a medium- to long-term growth opportunity, underpinned by its strong domestic consumption-driven economy. While recent tariff measures may introduce short-term headwinds, the structural fundamentals remain intact. In the near term, favorable macroeconomic indicators—such as a strong monsoon, healthy reservoir levels, and promising kharif crop sowing—are expected to support rural consumption. Additionally, the upcoming festive season is likely to stimulate broader demand across sectors, reinforcing consumption momentum.

- PRODUCT OVERVIEW -

AXIS LARGE CAP FUND (Formerly known as 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 LARGE & MID CAP FUND (Formerly known as Axis Growth Opportunities Fund)**

- Axis Large & Mid Cap 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.


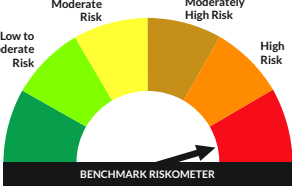
AXIS MOMENTUM FUND

- The Axis Momentum Fund is a thematic fund that offers a unique investment opportunity by leveraging the momentum strategy, active management, and robust risk management to potentially deliver superior returns. This fund employs a model-driven approach, systematically identifying and investing in high-momentum securities across various sectors. The framework filters securities by considering data availability and liquidity, and then evaluates them based on price momentum trends.
- Momentum as a strategy is a dynamic signal, and the active management of the momentum strategy in the Axis Momentum Fund allows it to capture opportunities as market dynamics evolve. This makes it a flexible and responsive investment option.
- Momentum investing can be a powerful tool when combined with a diversified asset allocation strategy. By incorporating momentum funds alongside broad-based index funds, investors can benefit from high-performing stocks while managing overall portfolio risk

Note: *Name of "Axis Bluechip Fund" has been changed to "Axis Large Cap Fund" with effect from June 02, 2025.

****Name of "Axis Growth Opportunities Fund" has been changed to "Axis Large & Mid Cap Fund" with effect from June 02, 2025.**

- PRODUCT LABELLING & DISCLAIMERS -

Fund Name & Benchmark	Product Labelling	Scheme Risk-o-meter	Benchmark Risk-o-meter
AXIS LARGE CAP 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>The risk of the scheme is very high</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 150 Midcap 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 LARGE & MID CAP 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. 		
AXIS MOMENTUM FUND (An open-ended equity scheme following momentum 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. An equity scheme investing in equity & equity related securities selected based on the momentum theme. 		

*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: 31st July 2025.

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.