Aditya Birla Sun Life AMC Ltd.

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Annual Outlook – CY2024

Stronger for Longer

India Big Picture

- India remains the fastest growing major economy in the world and on track to become the third largest in the next 5 years.
- India has structurally transitioned to a low macroeconomic volatility regime which will support lower risk premium and higher valuations.
- We are returning to the FY04-08 growth paradigm with a pickup in the investment cycle leading overall growth to be higher than pre-COVID levels.
- Rising middle class with larger disposable incomes will spur discretionary consumption as per capita income hits an inflection point.
- Shifting global supply chains, a large domestic market and rising cost competitiveness should allow India to build a manufacturing base and double its export market share over the next decade.
- The juggernaut of 'financialization of savings' will continue to bring flows to risk markets. A virtuous cycle of higher allocation to equities and equity outperformance over traditional savings instruments can double equities' share of total household assets over the next decade.

Summary: Market View

Global macro backdrop has turned supportive. Interest rate cycle has peaked out and we expect beginning of rate easing cycle across most economies. However, lagged impact of past easing and still elevated rates will have exert downward pressure on global economy. We expect to see a soft landing in US and slowdown in global growth, but not an outright global recession.

This will be year when half of the world population will go for election and therefore politics will remain in centerstage. This would also mean that major fiscal consolidation looks unlikely on a global scale.

India should continue to remain an oasis of growth in CY2024. . Growth momentum is expected to be led by investments given the government's capex push and revival in housing sector. Consumption, which has been weak so far should also improve from current low levels on the back of general economic uptick, election related spending and lower inflation.

An improving corporate profits to GDP ratio and stabilization in a decade long EPS downgrade cycle in recent years suggest a turnaround in the earnings cycle.

Expect Nifty earnings CAGR in the low-to-mid teens over the next three years. Earnings growth should be broad-based across sectors with Banking and Financials, Auto, Industrials, Infrastructure, Cement, and Real Estate sectors leading from the front.

SIPs in MFs as well as EPFO, NPS, and ULIPs are emerging as reliable source of sticky domestic risk capital.

Summary: Market View

- Largecap valuations are at just ~5% premium to their historical average indicating that valuations are reasonable.
- Mid-and-Smallcaps have seen a strong rally in CY2023 and valuations are above average warranting caution in the near-term. However, with Indian economy expected to do well, we continue to remain structurally positive on this space for the medium-to-long term.
- With interest rates expected to decline, Growth could outperform Value.
- Key short-term risks are lower-than-expected growth (since a soft landing is priced in) and lower-than-expected rate cuts (which can lead to deflation in asset prices).
- In CY2024, returns may be in line with earnings growth. With global concerns moderating and India's growth narrative looking compelling, we continue to remain optimistic over medium to long term. Domestic focused themes viz. Domestic Manufacturing, Discretionary Consumption, Banking and Financial Services continue to be preferred as well as Digital/Tech.

CY23 Reflections

Market resilience across key events

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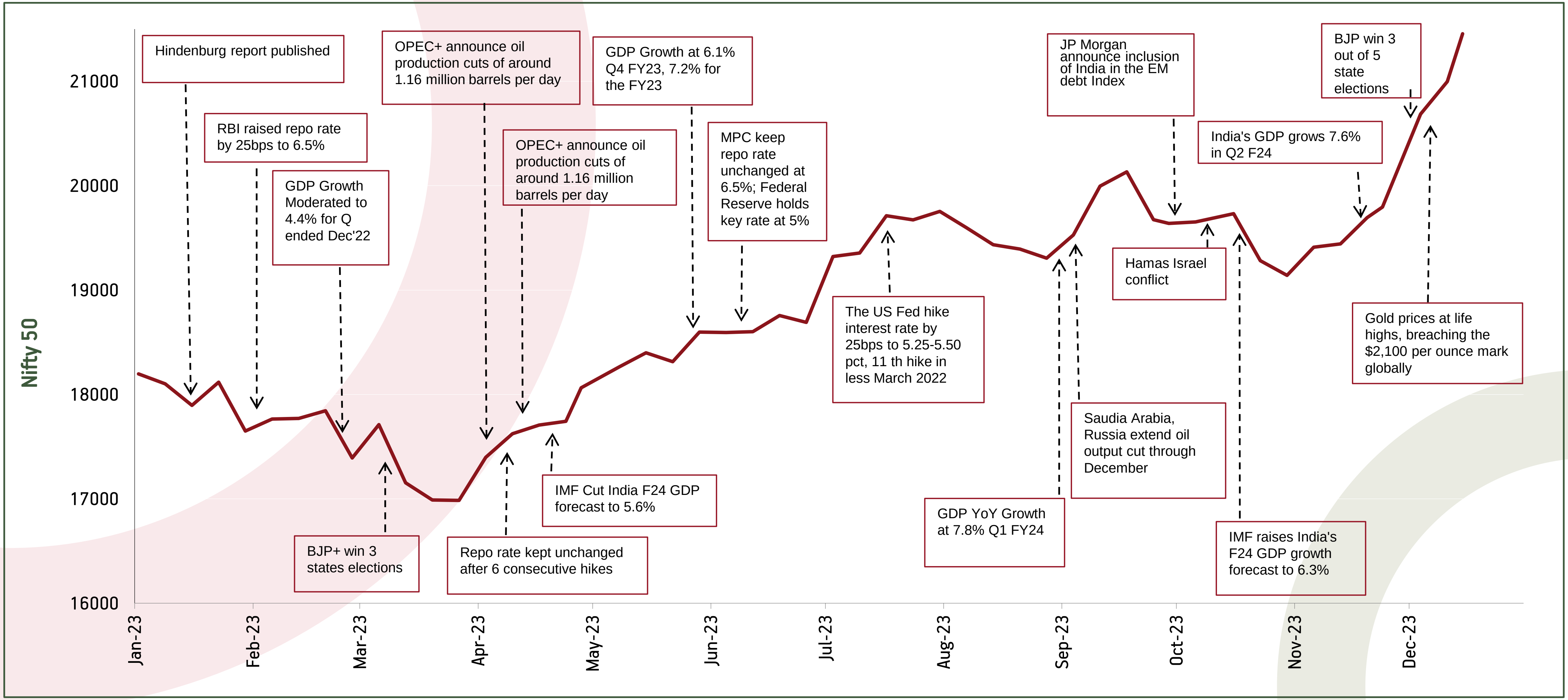


Source: Morgan Stanley, ABSLAMC Research

Equity Markets – Distribution of Returns in the Long Term

S&P BSE SENSEX: Distribution of S&P BSE SENSEX (1981-2023)

<-30%	-30% to -15%	-15% to 0%	0% to 15%	15% to 30%	30% to 50%	>50%
1	6	3	10	11	5	7
2008	2011	2015	2022	2023	2007	2009
	2001	1996	2019	2021	2006	2003
	2000	1986	2018	2020	2005	1999
	1998		2016	2017	1992	1991
	1995		2013	2014	1990	1988
	1987		2004	2012		1985
			2002	2010		1981
			1984	1997		
			1983	1994		
			1982	1993		
				1989		

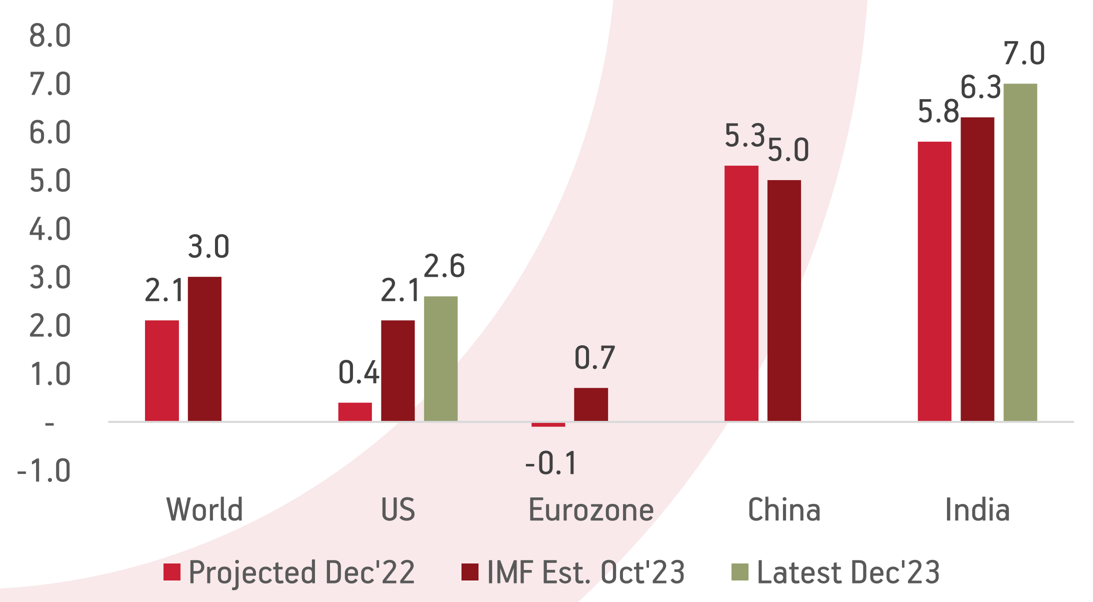
Number of Positive Years: 33 **(77%)**

Number of Negative Years: 10 **(23%)**

Looking Beneath The Headlines

1. Global Economic Growth Exceeded Expectations

CY23/FY24 Real GDP Growth Projections (% YoY)

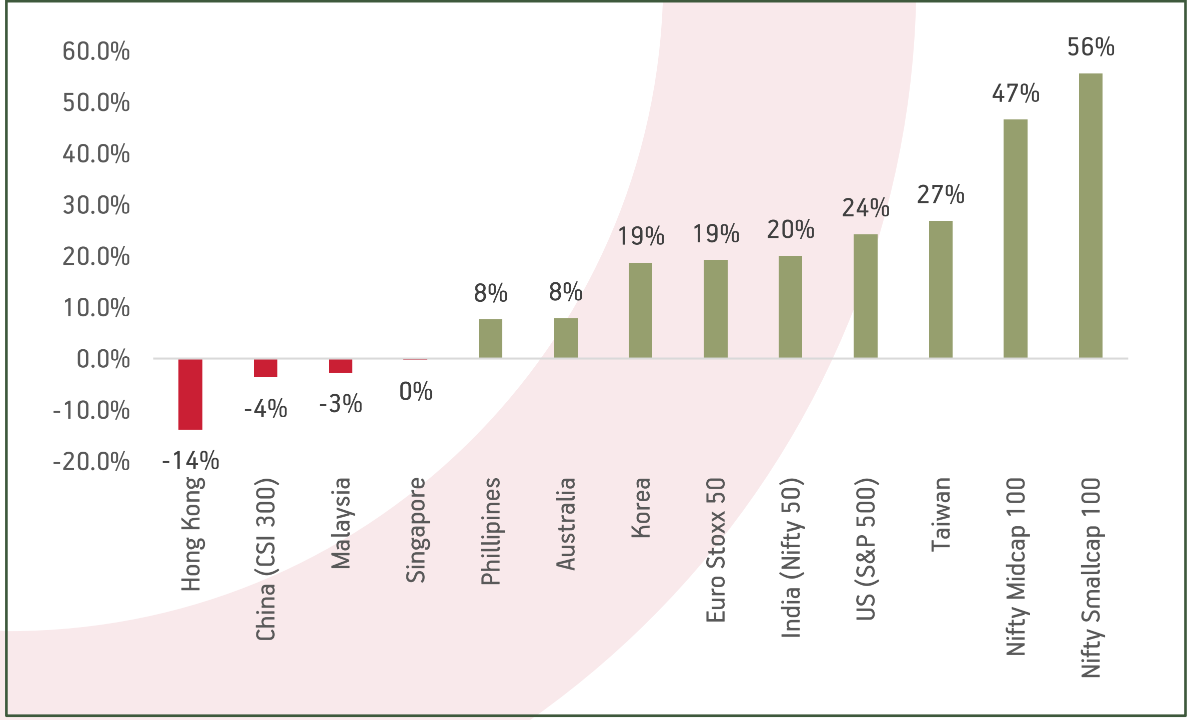


- Economic growth surprised on the upside globally. In India, Investments rather than Consumption was the key driver
- In contrast to an economic slowdown that was expected due to rising rates globally and higher energy costs in Europe, growth came in stronger than expected. In the US, Fed has upgraded the CY23 real GDP growth rate to 2.6%.
- China's growth was lower than expected as the Chinese government didn't provide any significant stimulus to the property sector.
- Growth in Indian economy for FY24 has been upgraded to 7%, significantly higher than earlier expectations. It is being driven mainly by government spend on infrastructure and uptick in the Real Estate sector. On the consumption side, while upper-income consumers are seeing good job and wage growth, rural economy and low-income consumers still haven't seen a full recovery post Covid.

Source: IMF, ABSLAMC Research

2. Robust Growth Powered Equity Markets; Asset Class Correlations Broke Down

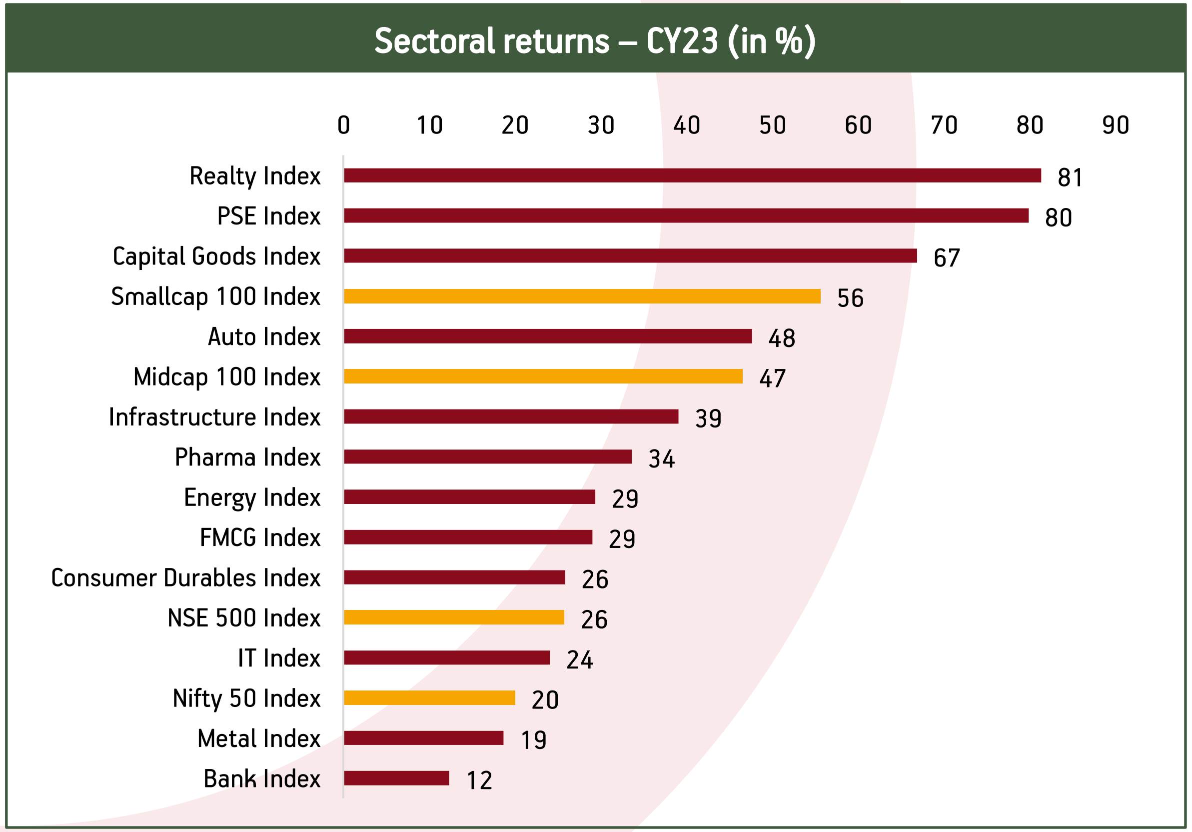
Index Performance CY23 (in local currency)

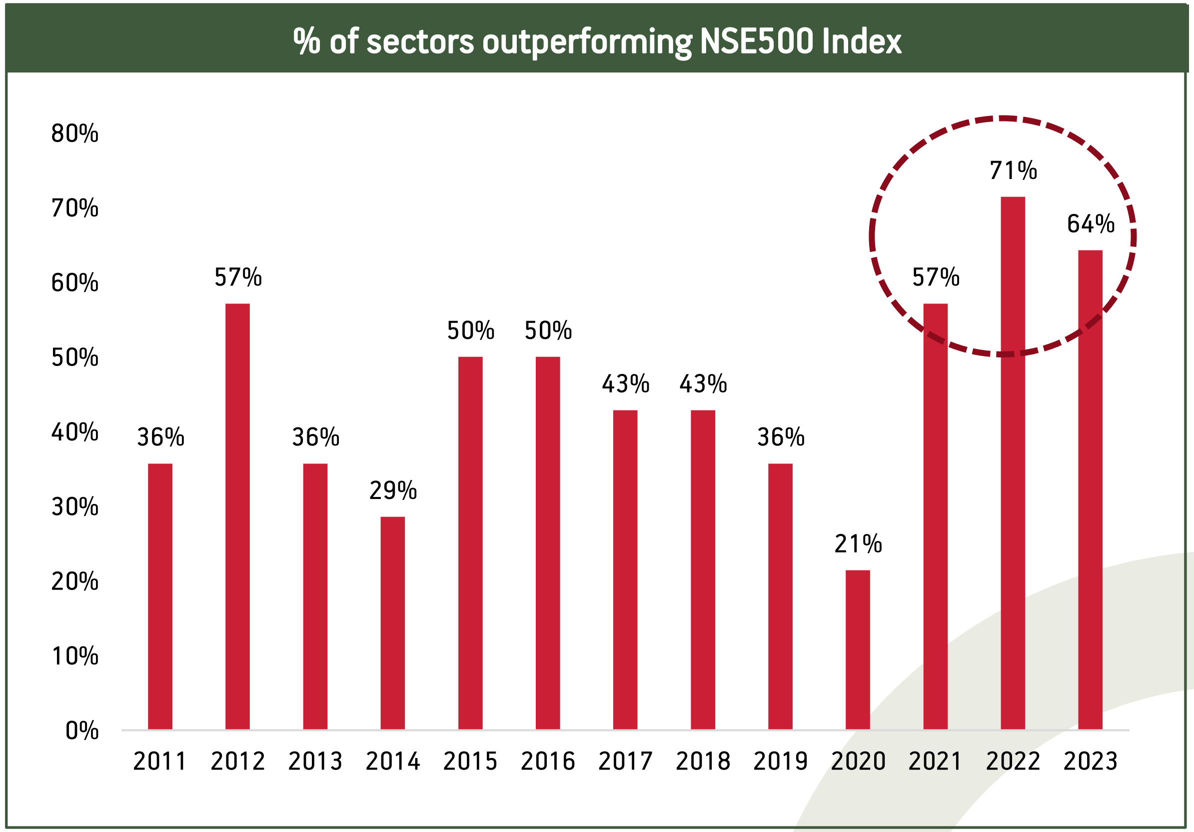


- **Strong growth powered global markets through an environment of high interest rates as well as geopolitical tensions. Asset class correlations broke down**
- Interest rates at multi-decade highs globally couldn't stop the rally in global Equity markets (except China).
- Russia-Ukraine war and Israel-Hamas tensions got a lot of mindshare but in the end did not have any impact on Equity markets. However, asset class correlations broke down as Gold also rallied along with Equities.
- In contrast to the polarized rally in the US which was led by large-cap tech stocks tied to the AI narrative, the rally was more broad-based in India. While the large-cap Nifty 50 index is up 18%, the Nifty Midcap 100 index is up 43% while the Nifty Small-cap 100 index is up 53% CYTD.

Source: ABSLAMC Research; Note: Data as of 31st Dec 2023

3. Indian Equity Markets Saw Significant Outperformance Across Sectors...



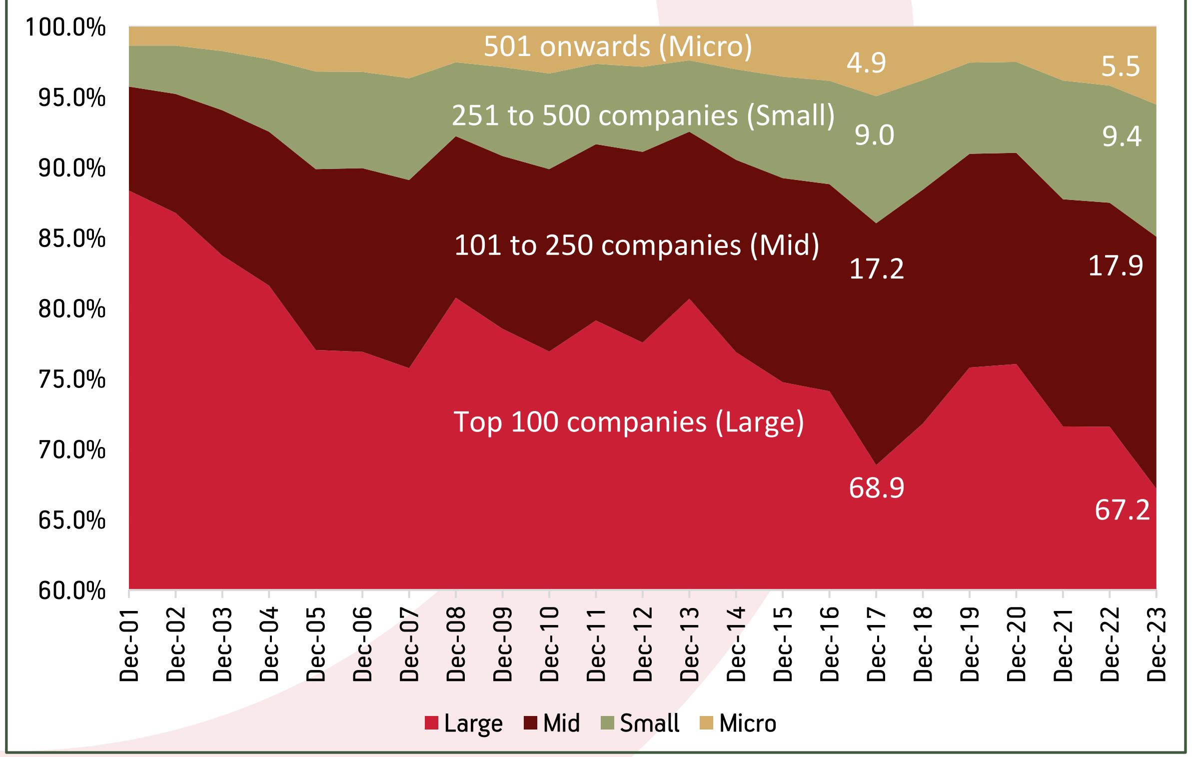


- In contrast to a bottom-up stock picking environment that was anticipated given the macro uncertainty, the rally was broad-based across sectors. Nine sectoral indices outperformed the NSE500 index.
- Realty, PSUs, and Cap goods saw disproportionate outperformance, while Private Banks, Metal, and IT underperformed.
- Almost 2/3rds of sectors have outperformed the NSE500 Index from FY21 to FY23, which is higher when compared to historical levels.

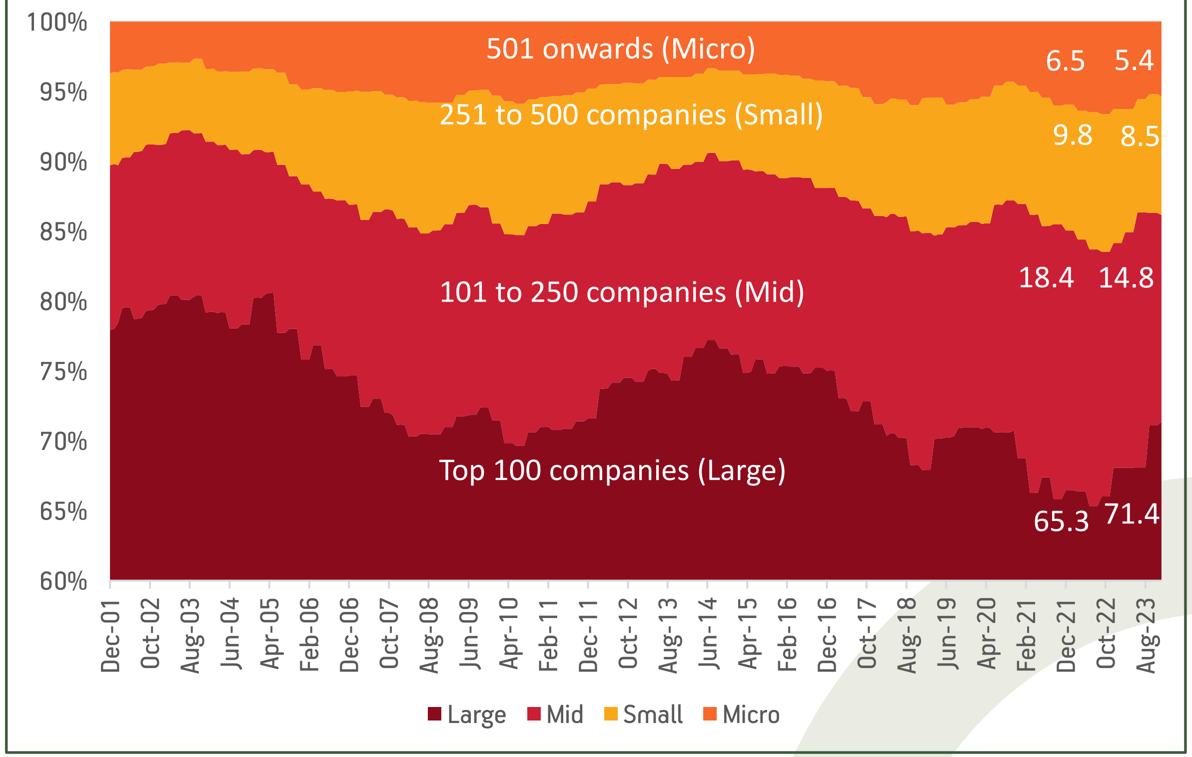
Source: ABSLAMC Research; As of Dec 31, 2023; NSE indices except for Capital Goods and Consumer Durables

4. Breadth of Indian Equity Markets Increased Even as Largecaps Increased Their Share of the Total Profit Pool...

Market Cap Share (%)



Profit Pool Share (%)

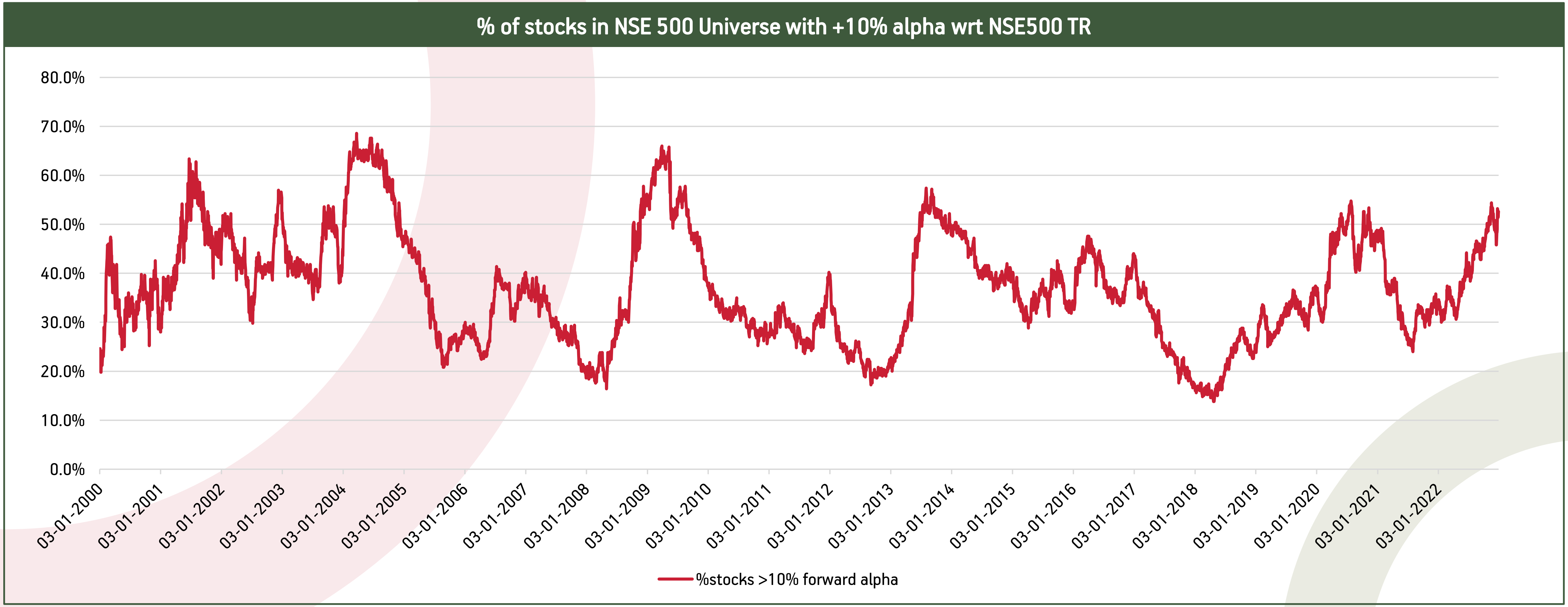


In Top 1,000 companies by market cap (Profitable companies only):

- Market cap share of Large-caps has fallen below the Dec-17 lows and is at a 2-decade low. Profit Pool share of Large-caps has increased from Jun'22 low.
- Conversely, market cap share of Mid, Small, and Micro caps has crossed the Dec-17 highs and is at a 2-decade high. Profit Pool share of Mid, Small, and Micro caps has fallen from Jun'22 highs.

Source: ABSLAMC Research

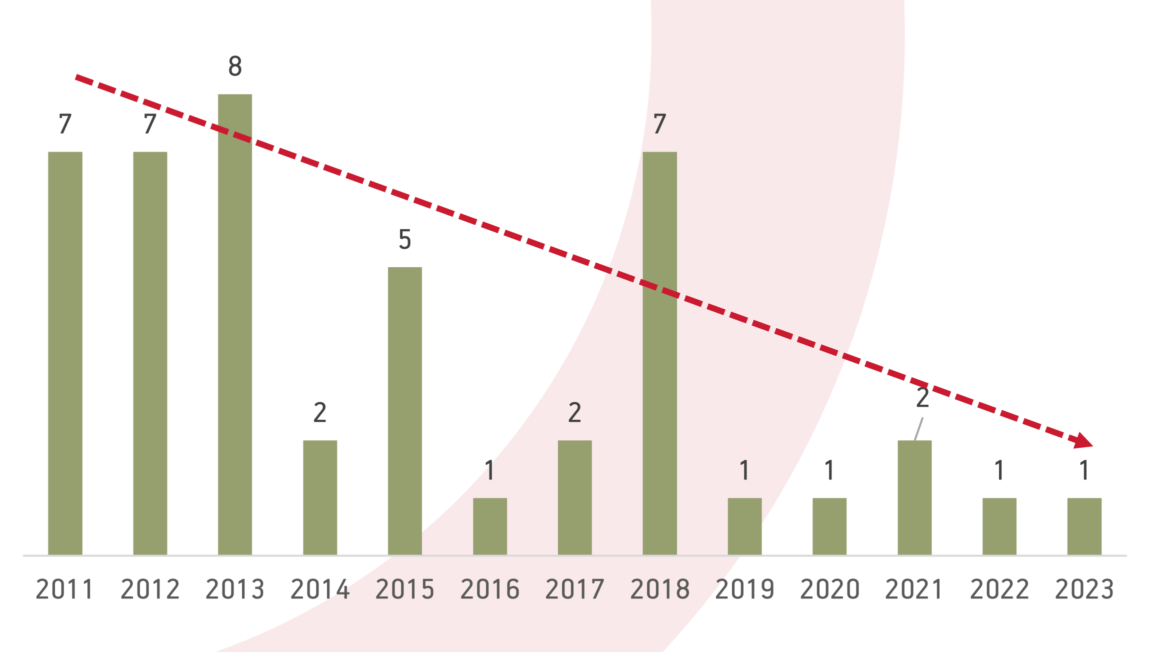
4 (cont'd) ..and a significant number of stocks in the NSE500 universe outperformed the NSE500 Index



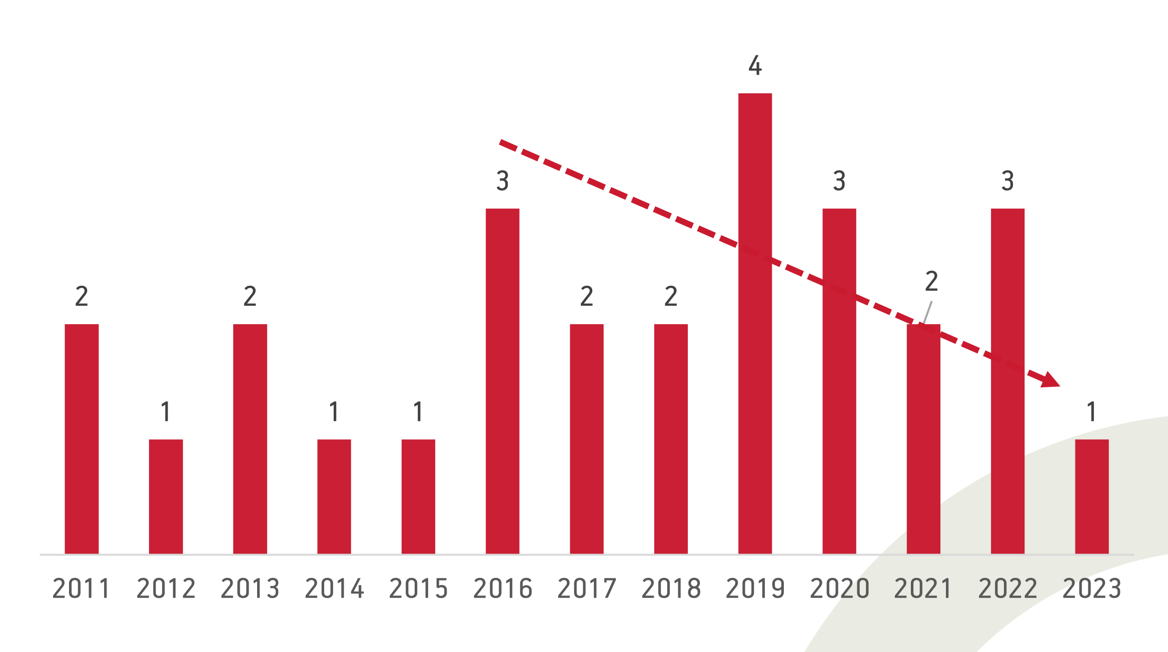
The % of stocks in the NSE500 universe which is at +10% alpha is relatively high indicating broad-based wealth creation.

5. India's Macro Stability Led to Lower Volatility…

INR to USD % swing from low to high each year Decile Compared to Other Mkts (lower is better)



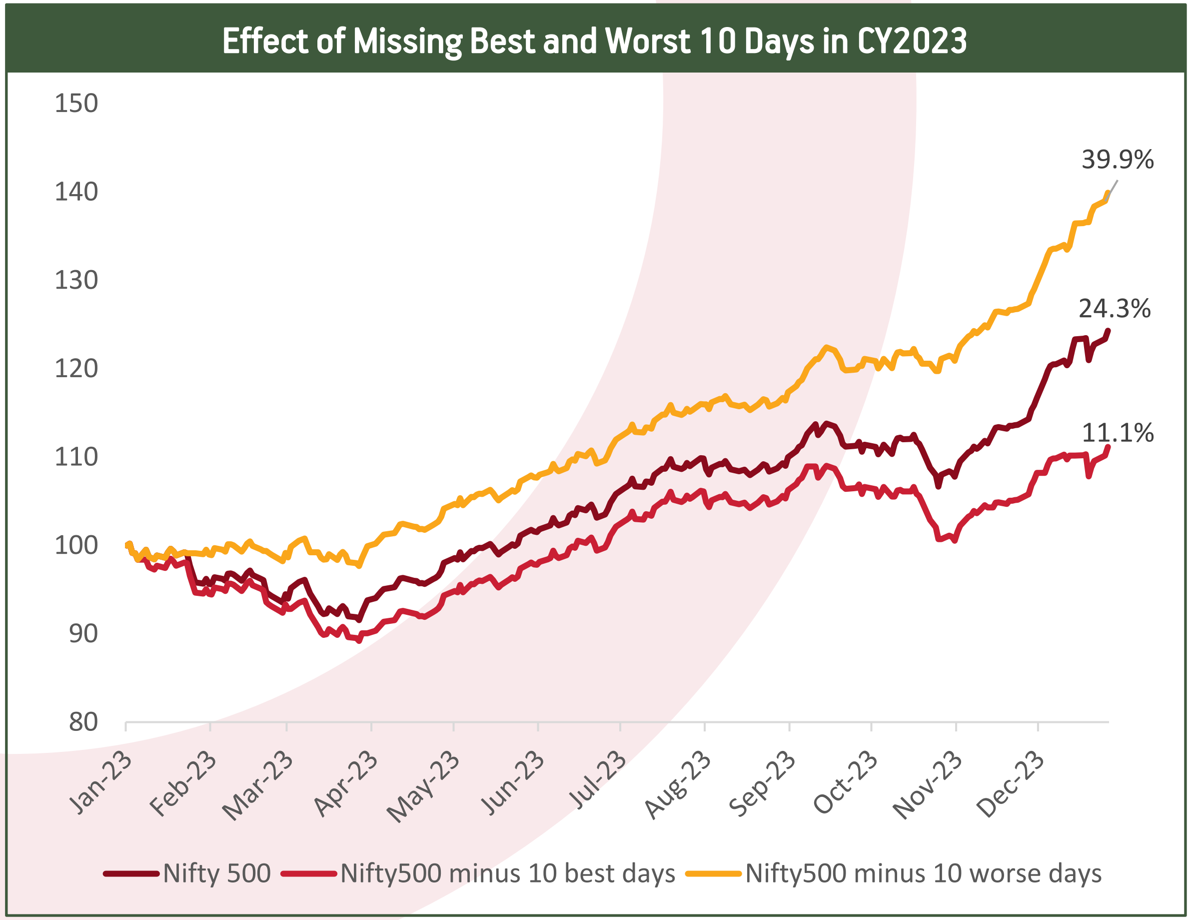
India 10 Yr GSec Yield % swing from low to high each year Decile Compared to Other Mkts (lower is better)



- INR-USD exchange rate as well as India 10-Yr Gsec Yield now consistently falls in the lower deciles in terms of the percentage swing from low to high for each year indicating that their dispersion has declined relative to other global currency and bond markets.
- This provides increased confidence in the improvement in India's fundamentals.

Source: ABSLAMC Research; Indices include Nifty 50, S&P 500, Nasdaq, Bovespa, S&P.BMV IPC, DAX, FTSE 100, CAC 40, Euro Stoxx 50, MOEX, Nikkei 225, Shanghai Composite, Hang Seng, Taiwan Weighted, SET, Kospi, IDX Composite, PSEi Composite, HNX 30

5 (cont'd). ..However, There Were A Few High Impact Days Even In This Environment of Low Volatility



- Amidst the market rally in a low-volatile environment, just remaining invested in the market gave ~25% return.
- However, trying to time the market and missing the 10 best or worst days would have led to a 13-15% swing in the NSE500 returns.
- Time in the market was more important than Timing the Market.

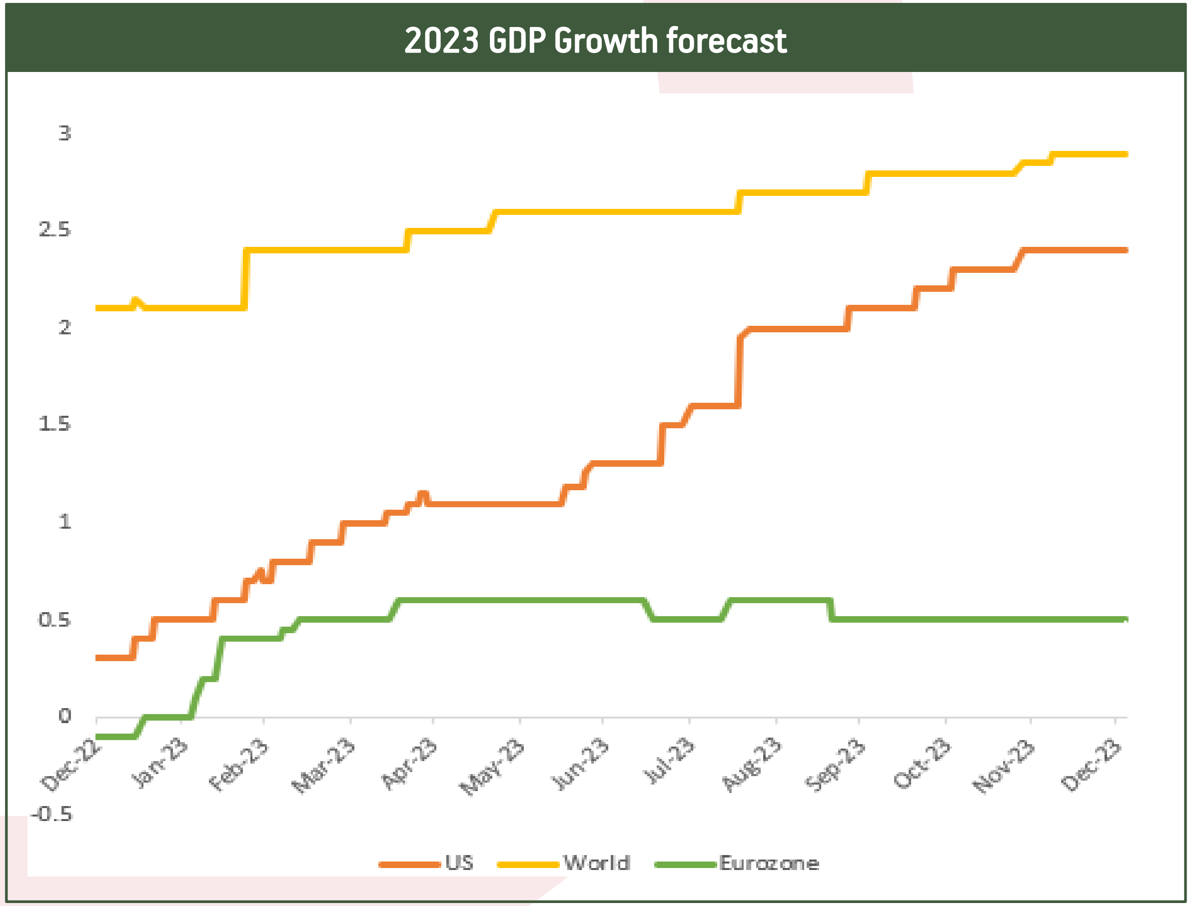
Source: ABSLAMC Research

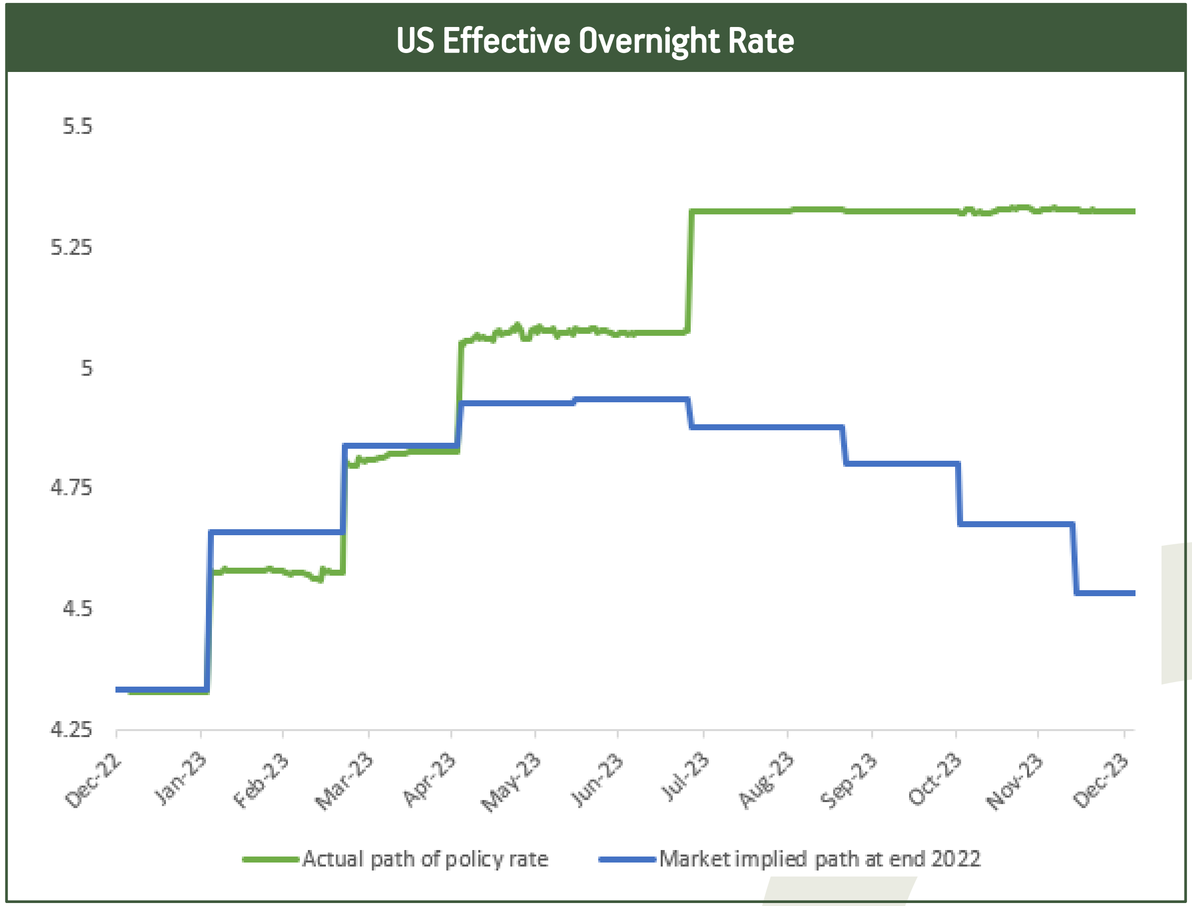
Summary: CY23 Reflections

- Markets have been resilient despite macro uncertainty and across multiple events.
- Global Economic Growth Exceeded Expectations.
- Robust Growth Powered Equity Markets Globally; Asset Class Correlations Broke Down.
- Risk got disproportionately rewarded. Indian Equity Markets Saw Significant Outperformance Across Sectors with nine sectors outperforming the NSE500 index. Almost 2/3rds of sectors have outperformed the NSE500 Index from FY21 to FY23, which is higher when compared to historical levels.
- Breadth of Indian Equity Markets Increased even as Largecaps Increased Their Share of the Total Profit Pool. The percentage of stocks in the NSE500 universe which is at +10% alpha is relatively high indicating broad-based wealth creation.
- India's Macro Stability Led to Lower Volatility and Lower Risk Premiums.

Global and Domestic Macro

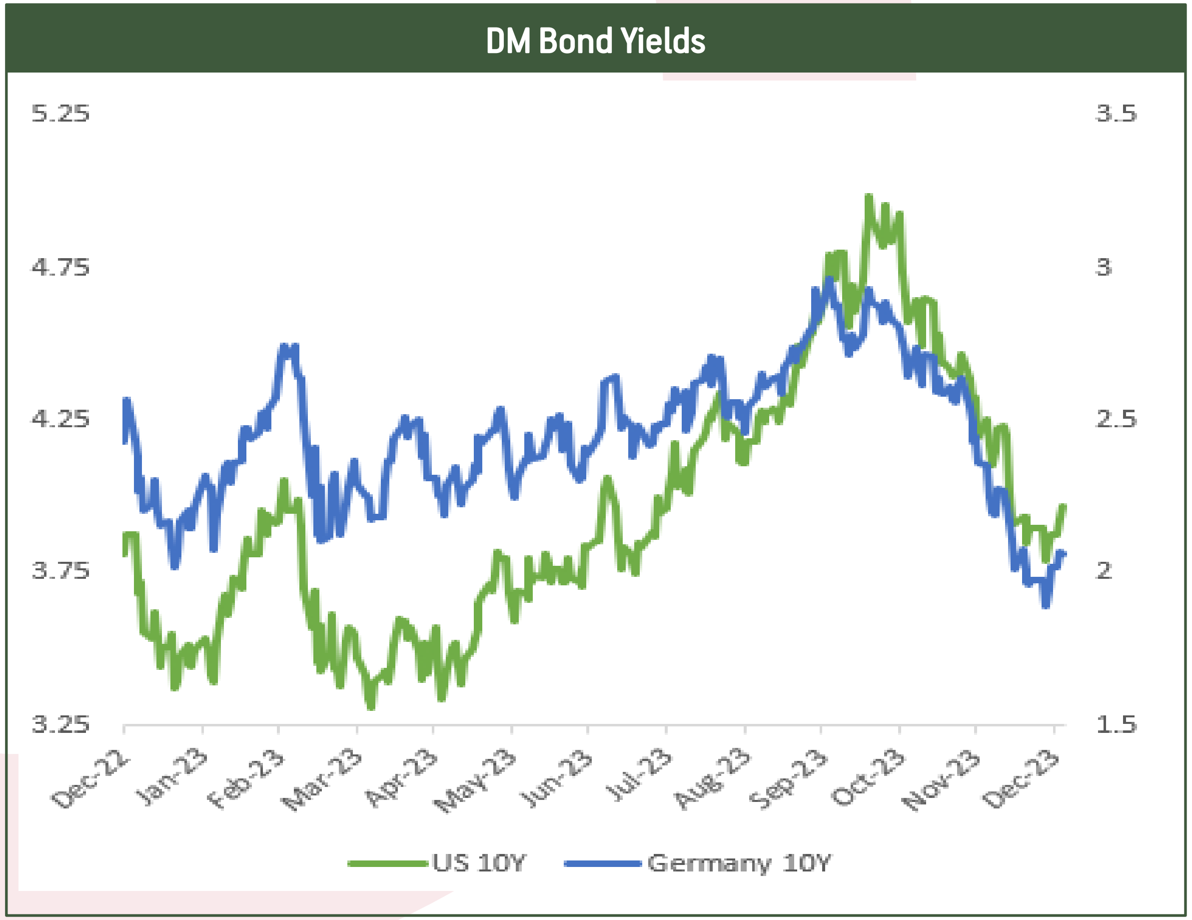
2023 forecasts were revised higher throughout the year disappointing pricing of cuts





Source: Bloomberg

Bonds sold off aggressively until October before a massive year-end rally left us unchanged for the year

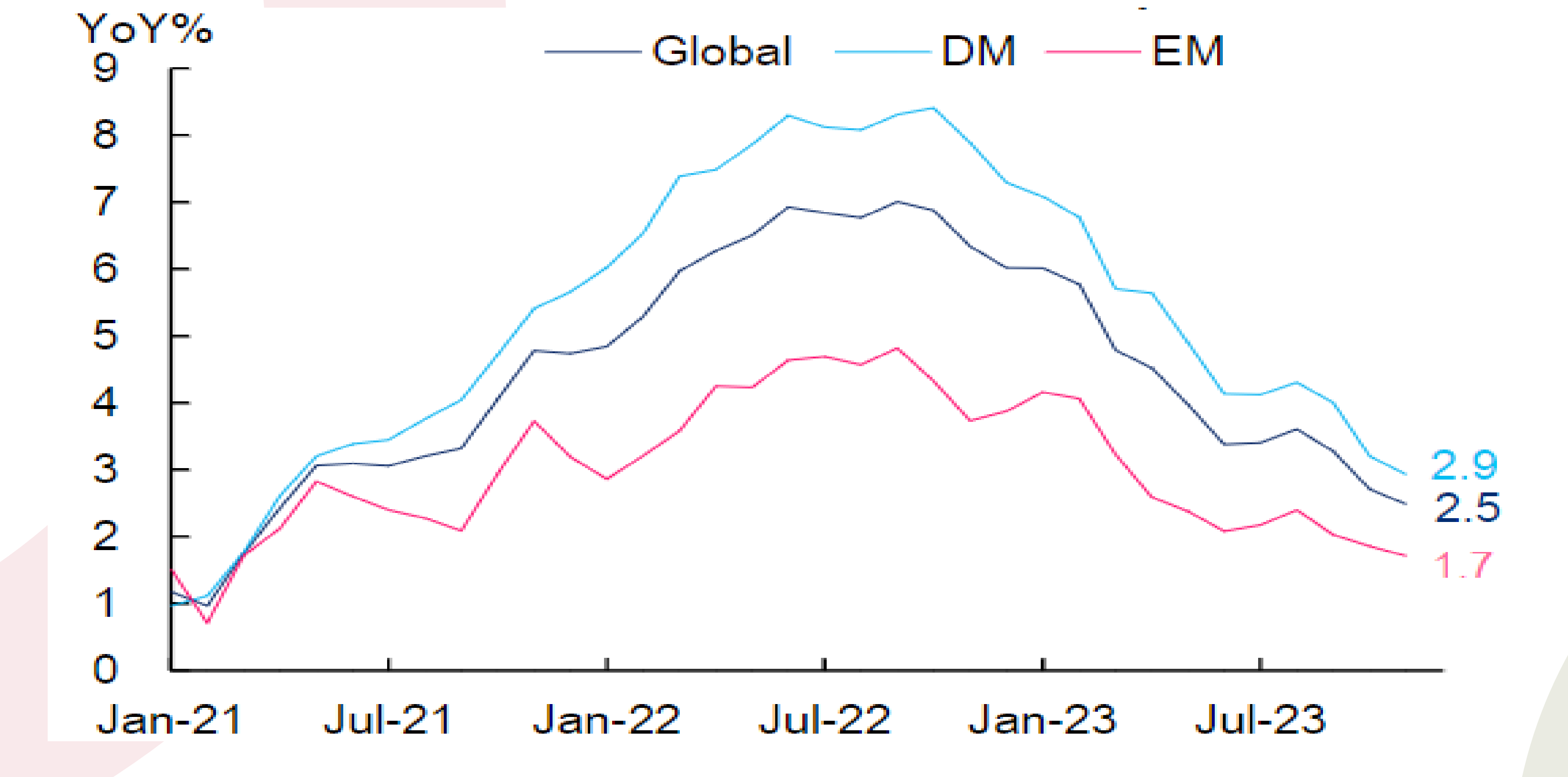


- We turned bullish on USTs when yields jumped to 5% and launched two US Treasury focused products.
- Since then, US rates have rallied swiftly, and we were able to capture this rally.
- Markets are now pricing in aggressive rate cuts from the Fed. USTs are a "buy on dips" market now in our view as large easy valuation gains are in but there is still scope for yields to gradually rally from here.
- We think slower growth and sub-3% inflation will give space to the Fed to cut rates by 100 bps in 2024.
- However, risks are more evenly balanced now. Our base case is for the 10-year Treasury yield bottoming at around 3.50% in 2024.

Source: Bloomberg

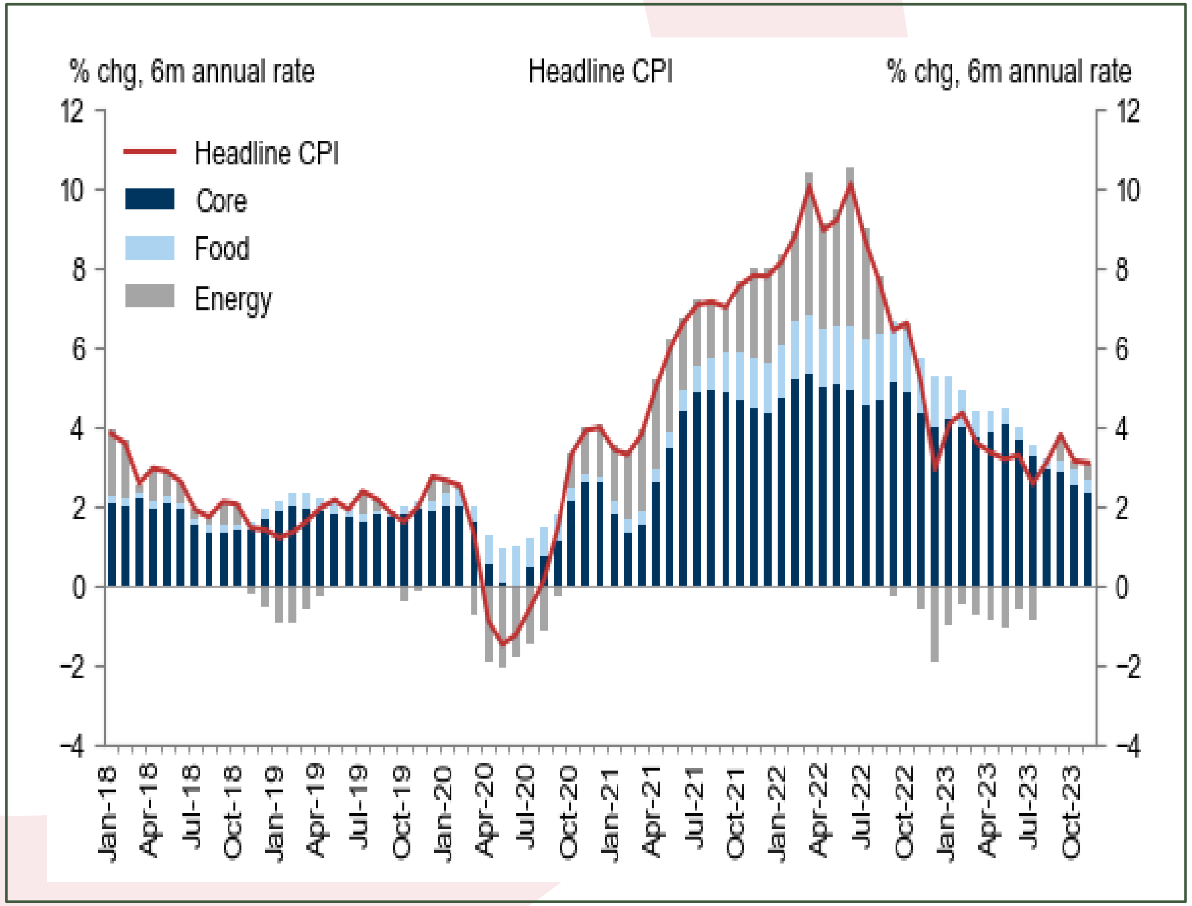
Despite resilient growth, inflation has cooled off quicker than expected in the second half of the year

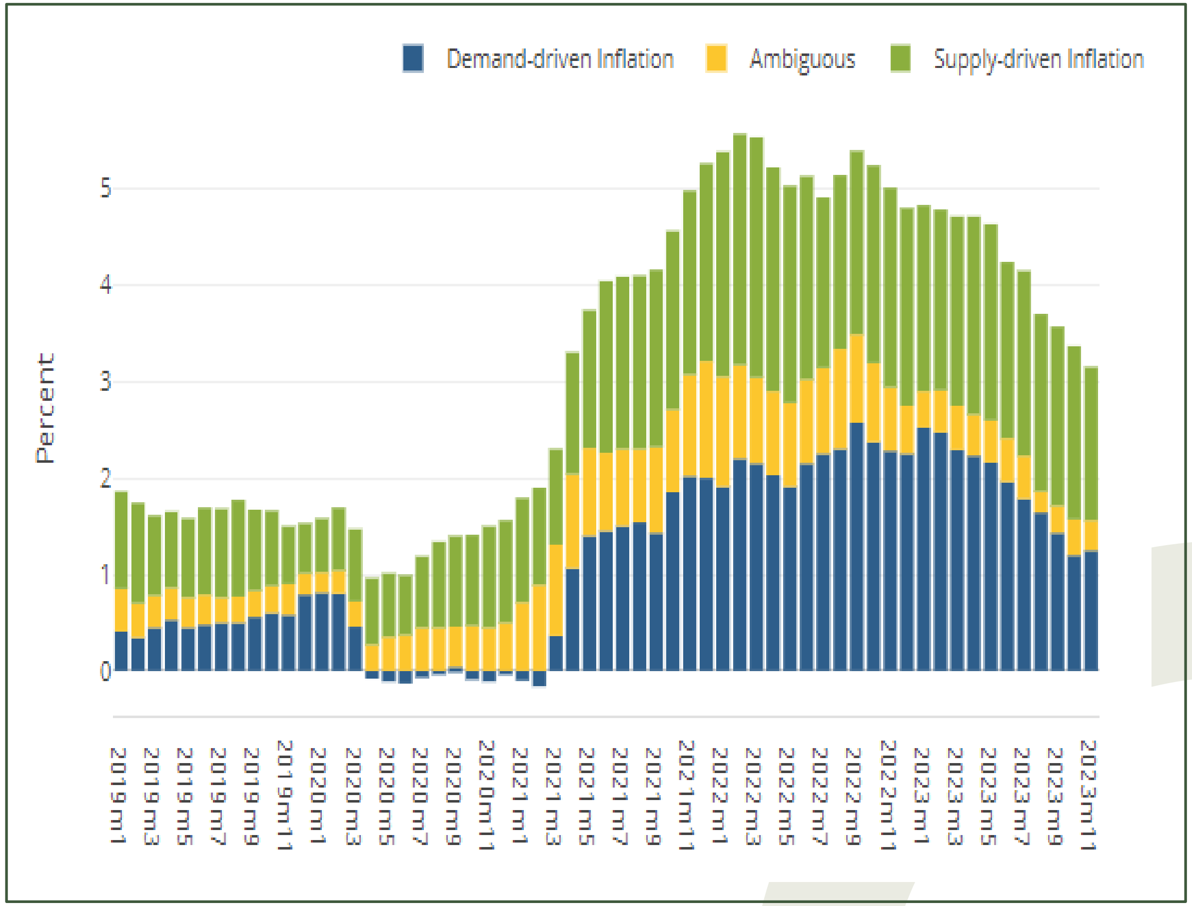
Headline CPI: Recent Developments



Source: Citi

US: inflation readings below expectations led by weaker goods and energy prices





- Research from the San Francisco Fed suggests that disinflation till date has been led by supply side factors.

Source: JP Morgan, SF Fed

China PPI has generally led US inflation and is signaling further slowdown

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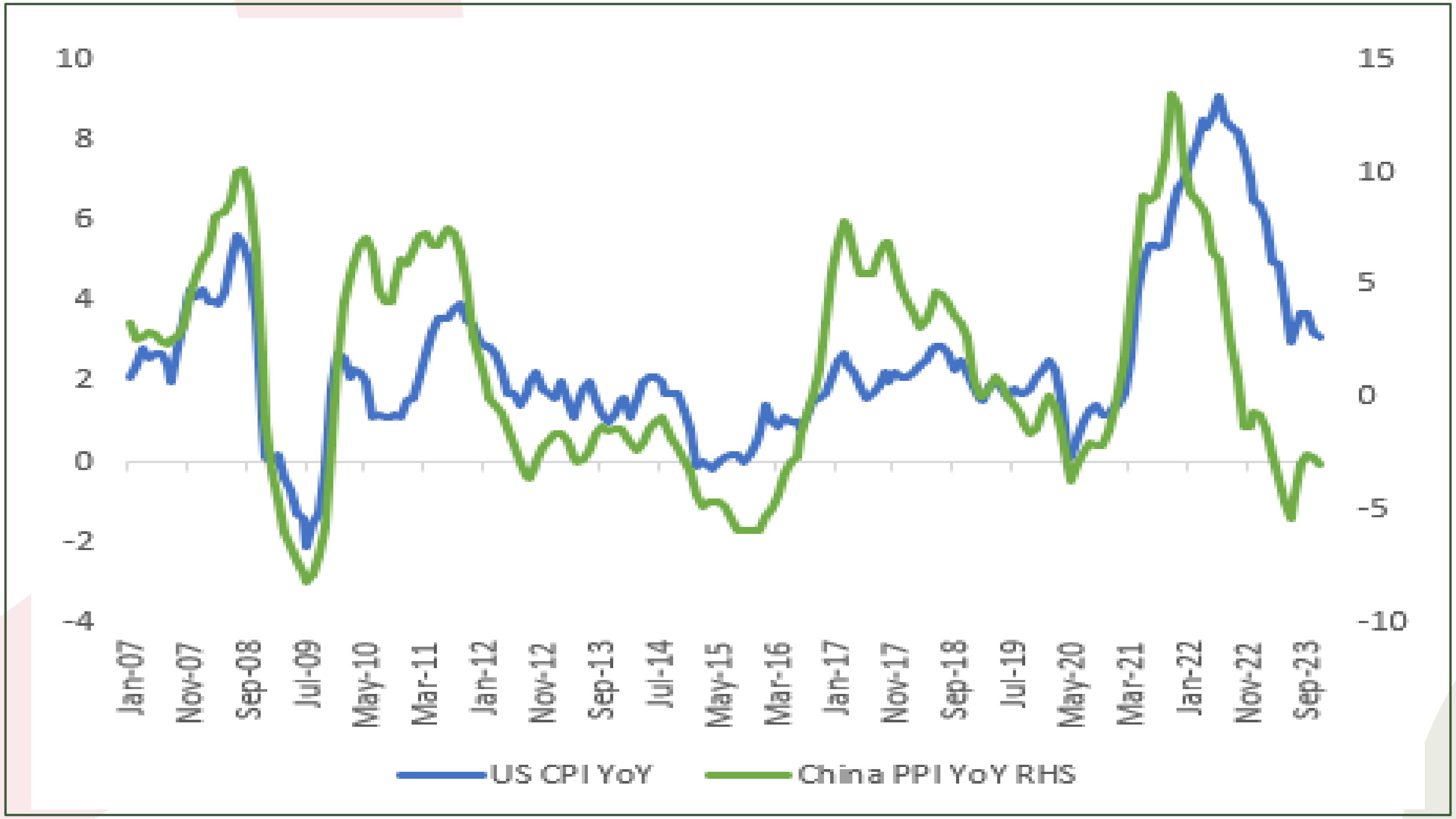
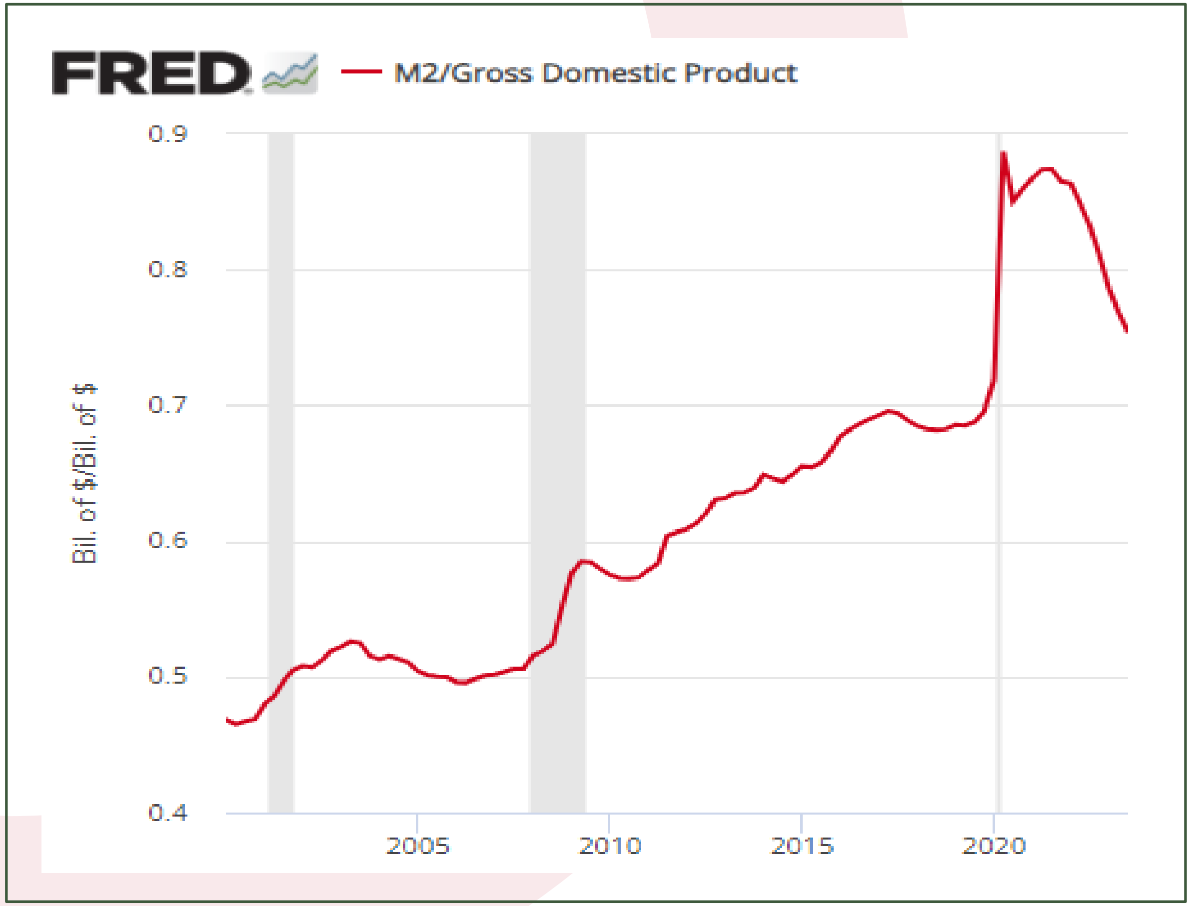
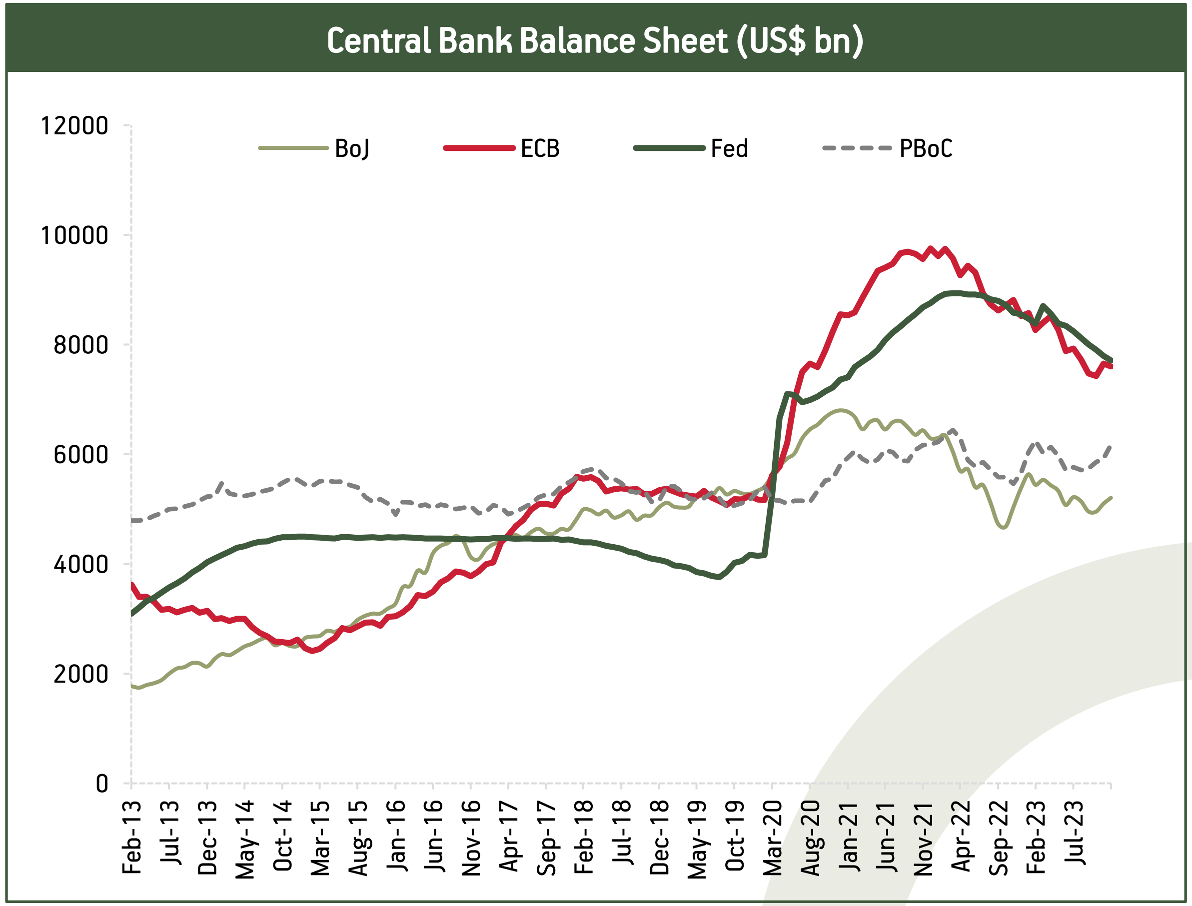


Source: Bloomberg

Money supply is normalizing; major Central Banks' balance sheet contracting

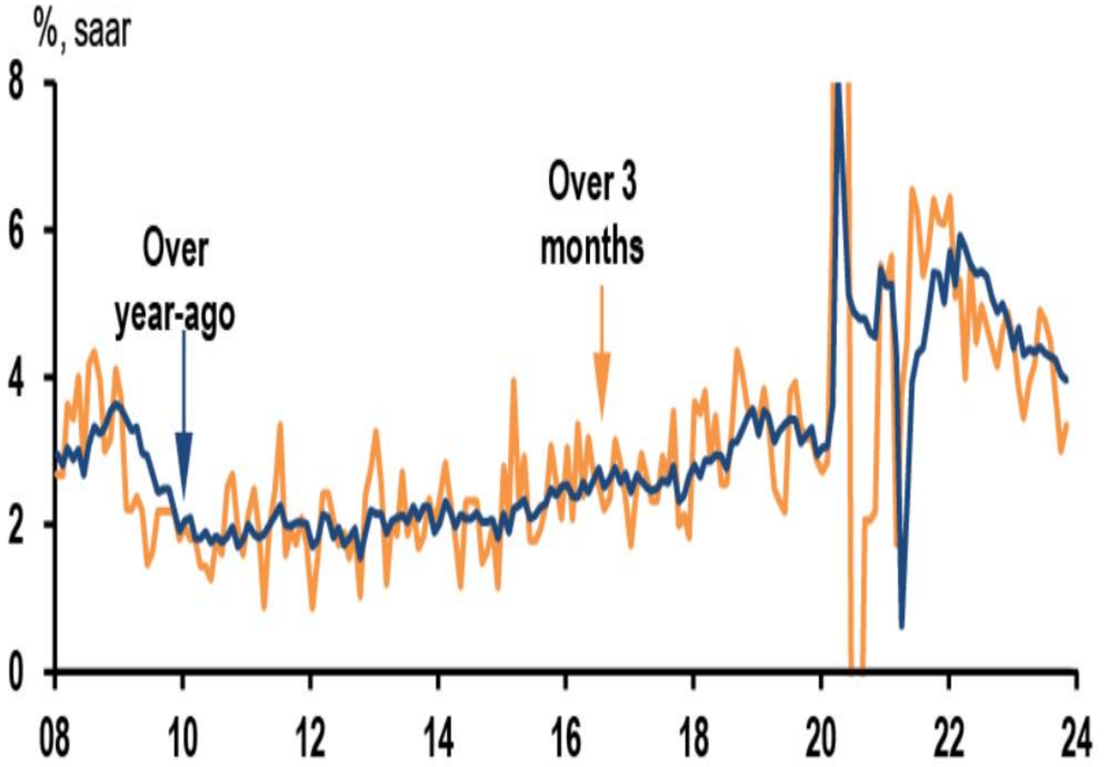




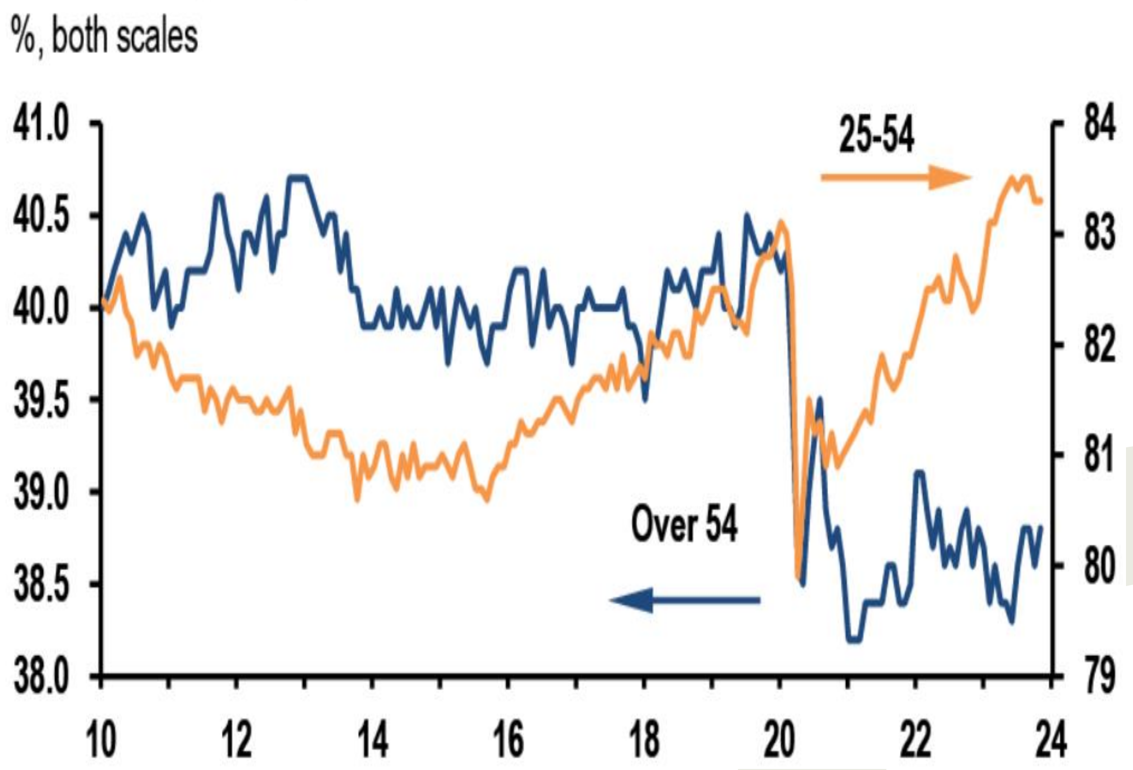
Source: St. Louis Fed, Bloomberg

Wage growth is elevated but cooling off as labor supply has recovered strongly

Average hourly earnings of all private nonfarm employees



Labor force participation rate

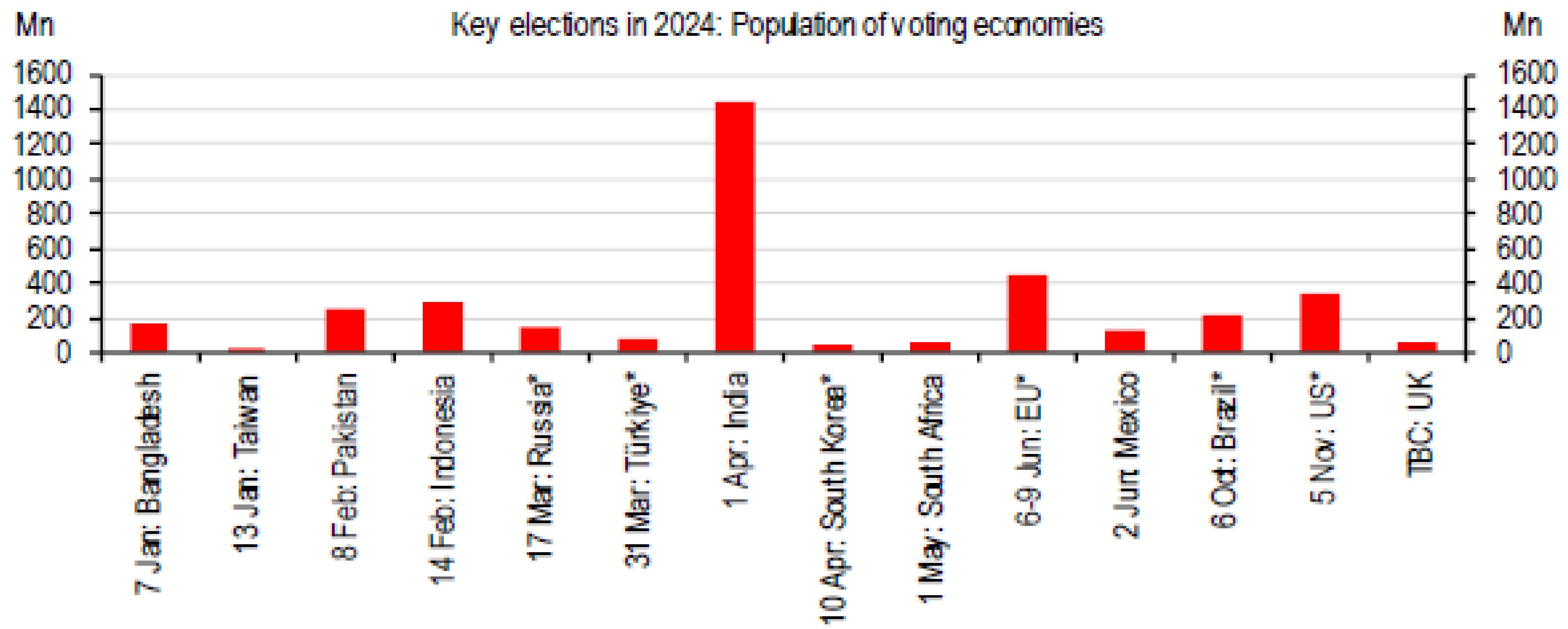


- Average hourly earnings growth has been cooling off steadily supported by increasing labour supply; Labour force participation rate in the prime age bucket of 25-54 years has recovered the entire COVID losses.

Source: JP Morgan

A busy election calendar will keep fiscal policy accommodative

57. Billions of people will go to the polls in 2024

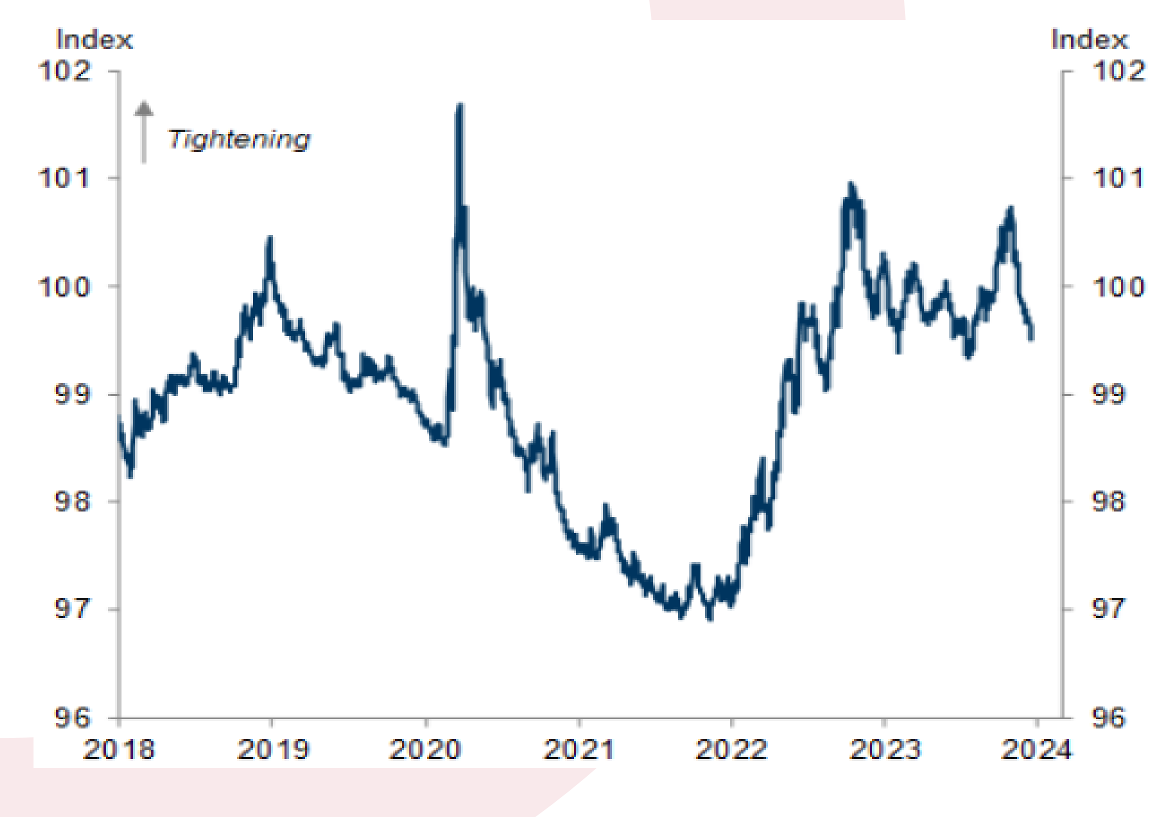


Policy environment is expected to be stable and geopolitical conflicts are also expected to be contained as governments will not want major disruptions before elections.

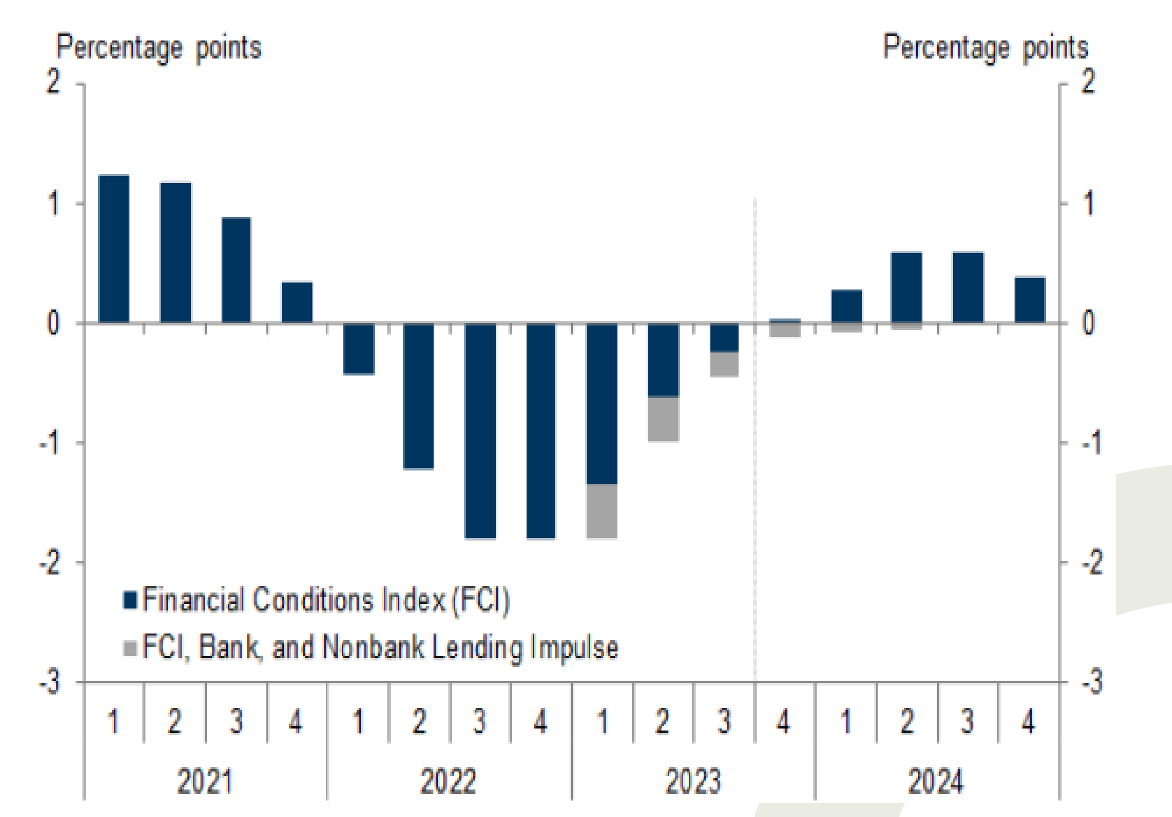
Source: HSBC

Financial conditions have eased and should be a net positive for growth next year

GS US Financial Conditions Index



GDP Growth Impulse, 3-Quarter Centered Moving Average



Financial conditions have eased significantly over the last two months led by a large fall in bond yields and a rally in equity prices which should support growth next year.

Source: Goldman Sachs

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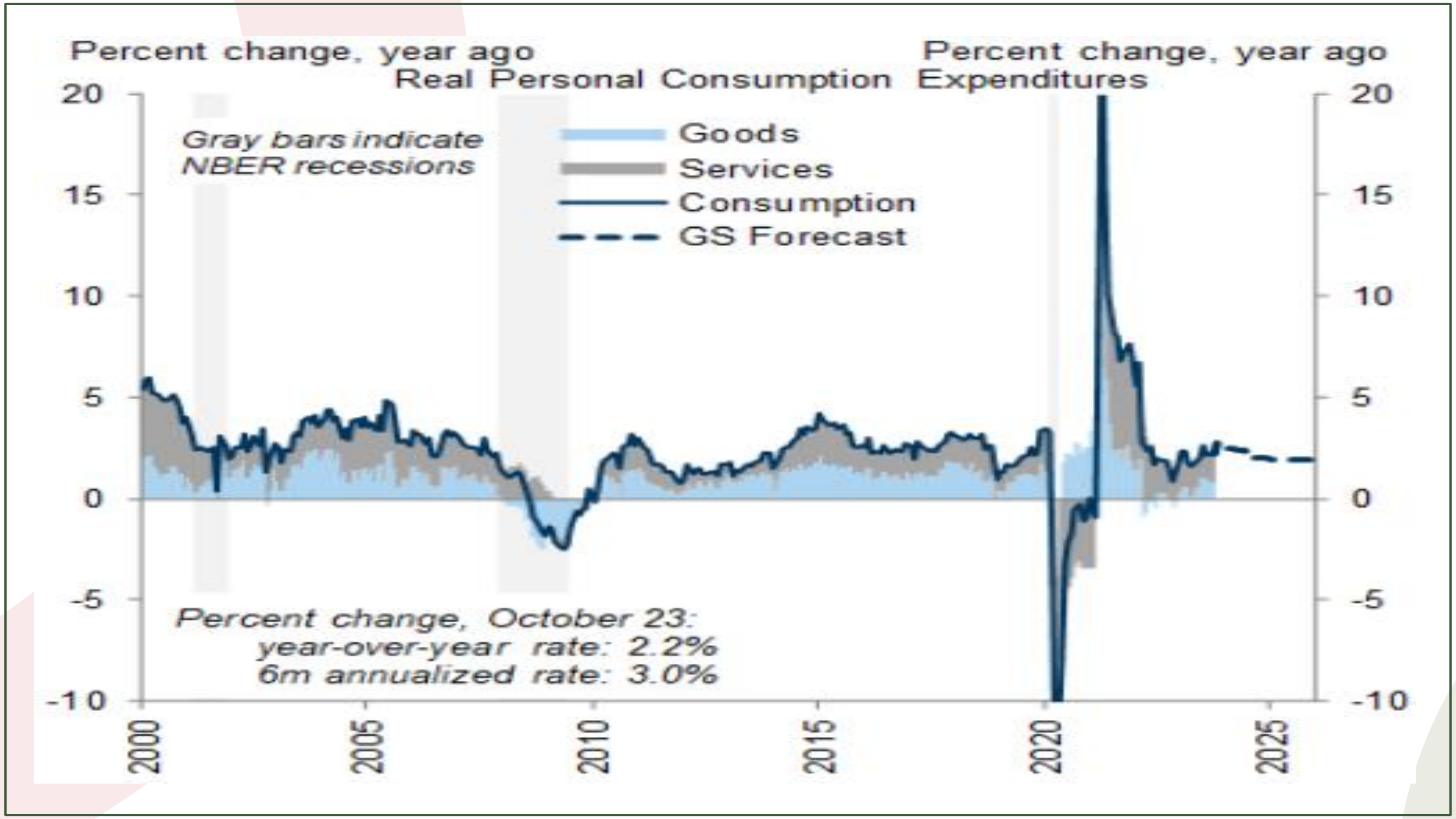
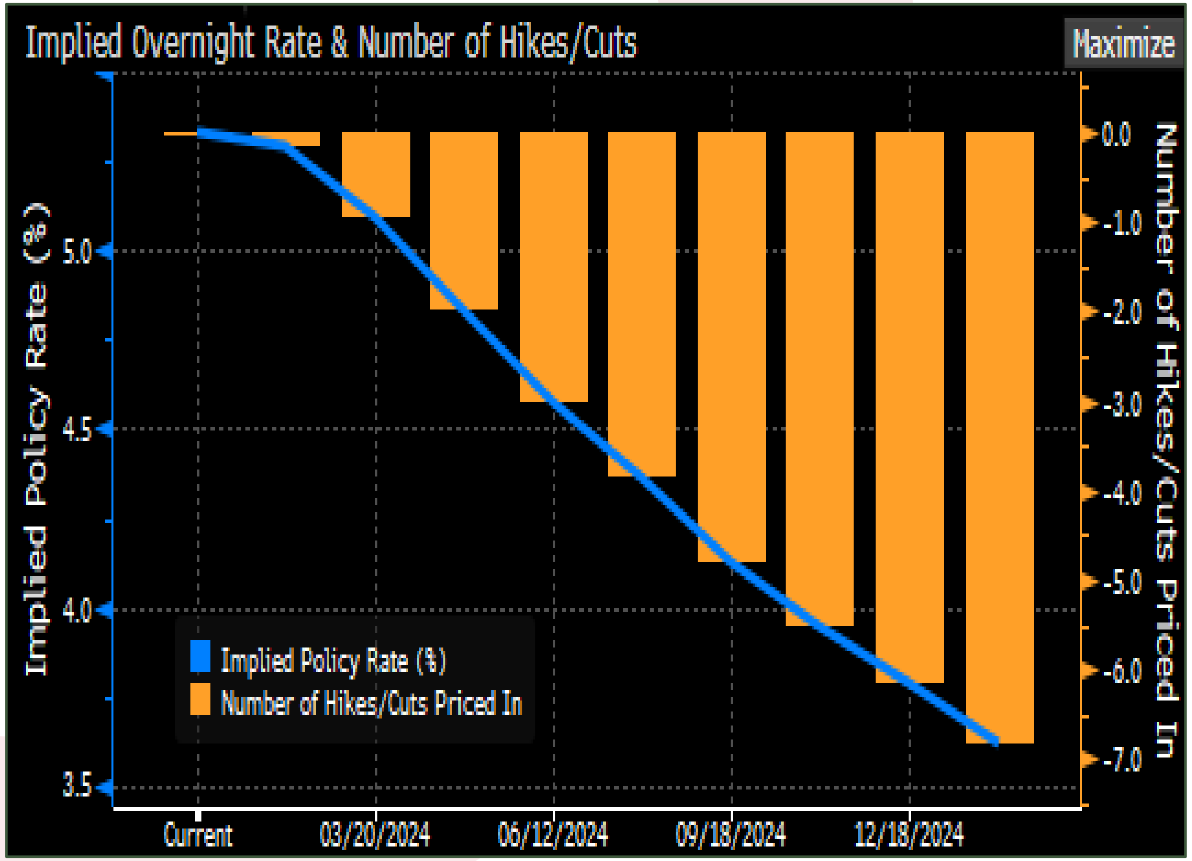
Consumption growth has normalized and should slow down further next year

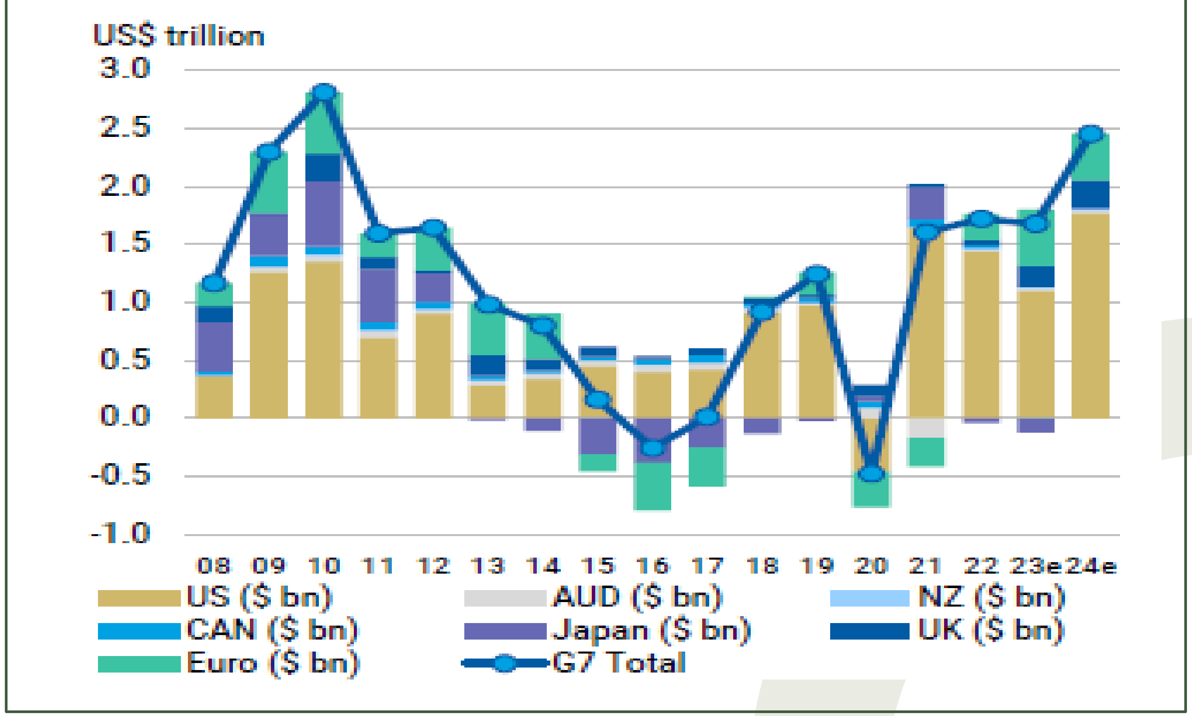


Source: Goldman Sachs

6 cuts priced for next year and large issuance risks to bond prices

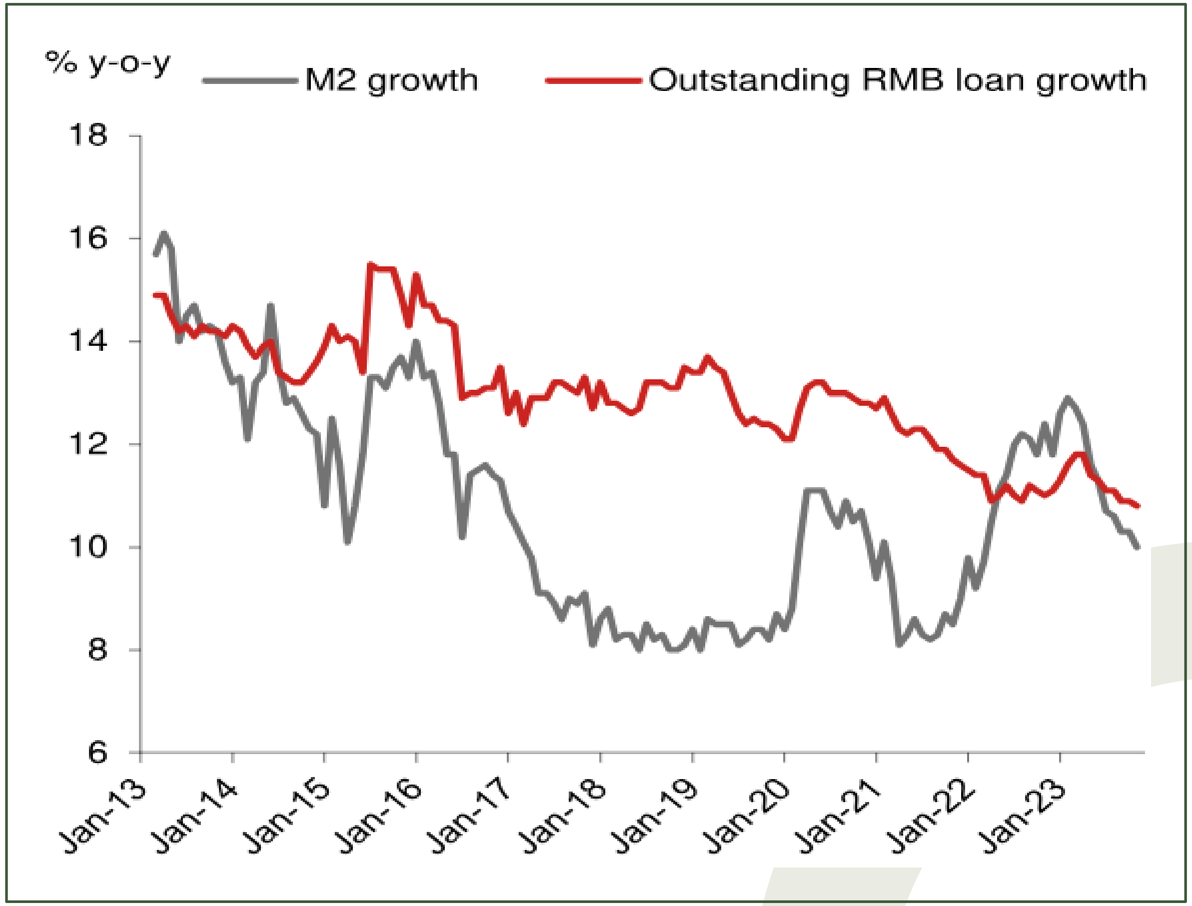


Gross Coupon bond issuance net of redemptions and central bank purchases, notional in USD, '08'-'22' actual, '23'-'24' expected



Source: Bloomberg, Morgan Stanley estimates

China: Inflation and credit growth remain weak despite government efforts to prop up the economy



Source: Goldman Sachs, ECB

- Growth 2023: Resilient
- Higher Fiscal, Cooling Inflation, Stronger Balance Sheets

- Growth 2024:
- Lags In Monetary Policy Will Drive Growth Lower But Higher Real Income Will Support Growth

- Base Case: Mean Reversion
- Mild Slowdown To 2.60% From 3%

- Inflation 2023: Cooling Led By Supply Side Response

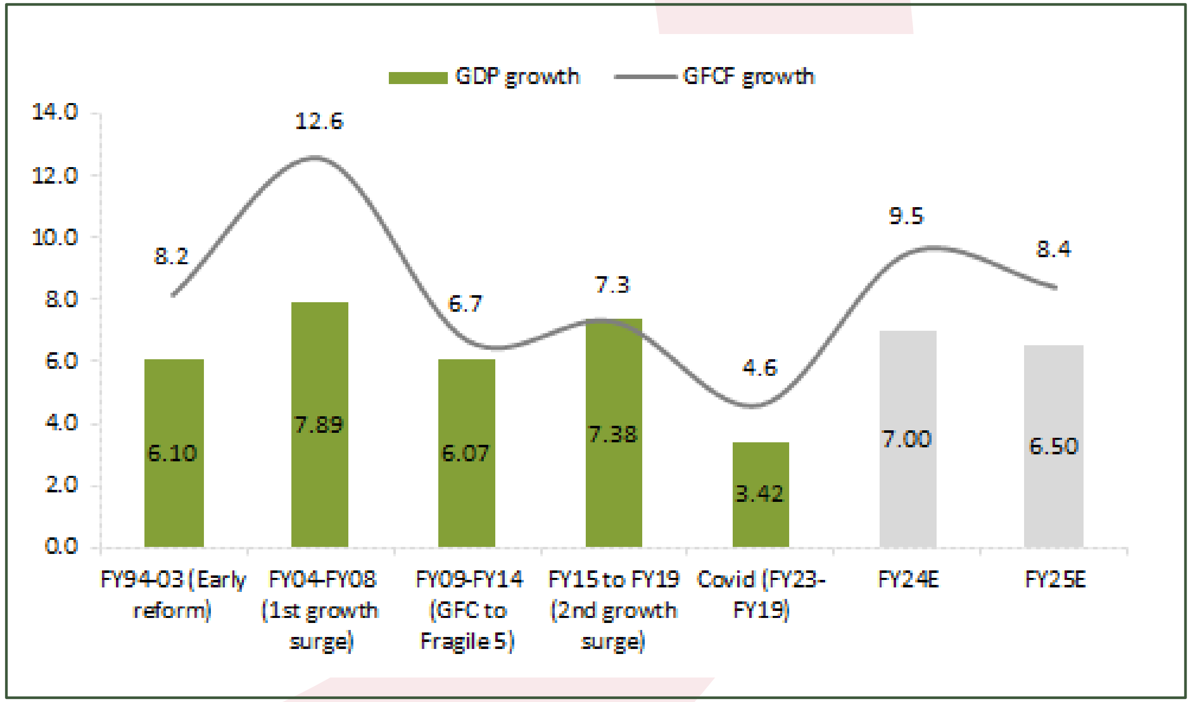
- Inflation 2024: Mean Reversion
- Slowing Demand & Impact Of Policy Lags To Drive Inflation Closer To Target

- Policy Response: Case For Normalisation
- Advanced Economies: Overall Growth & Inflation Normalising To Trend
- Case For Monetary Policy Normalisation - Pace Will Be Determined By Pace Of Growth Slowdown
- UST Will Drift Towards 3.50%

- China : Continues To Struggle – Wild Card For 2024 Growth

- Emerging Markets: Policy Normalisation Will Be Delayed And Shallower

India growth outlook healthy…



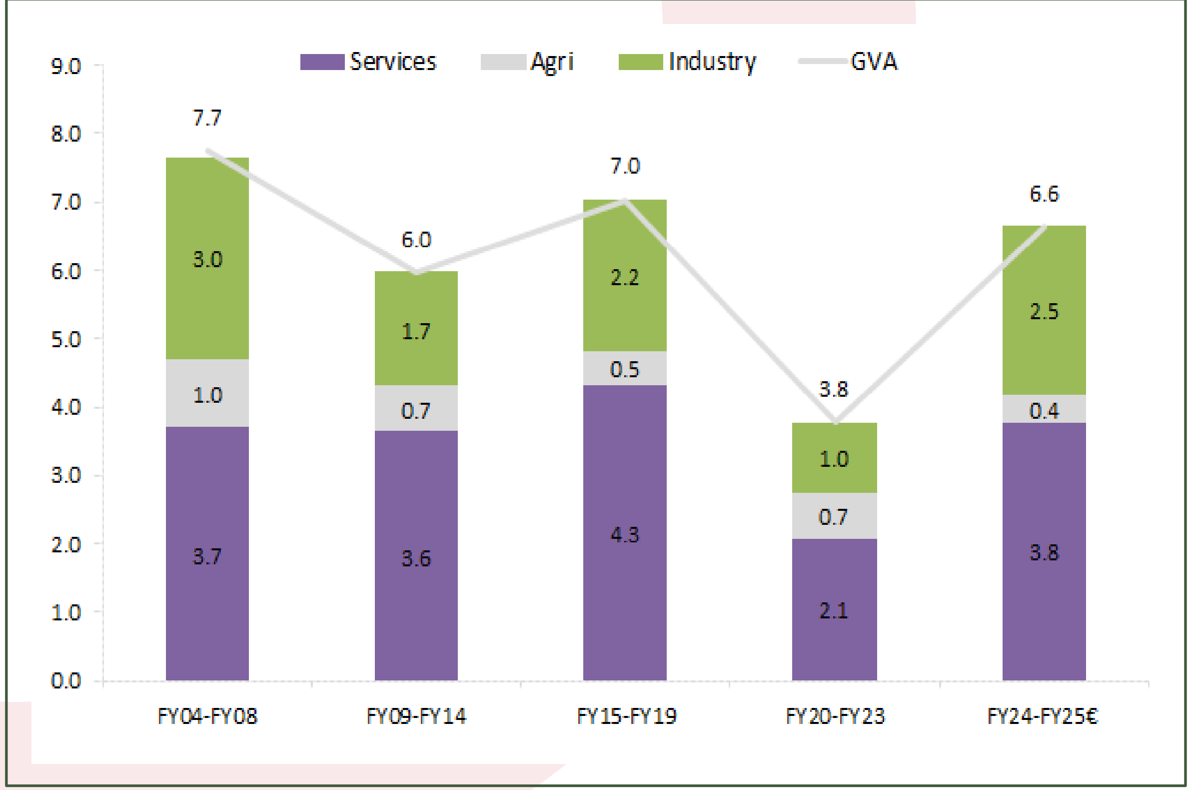
We see Indian growth healthy to be healthy at 7% y-y for FY24 and 6.5% y-y for FY25E. We expect growth to be led by investments and pushed by government capex and revival in housing sector. Consumption should also improve from currency low levels.

	Real GDP	PFCE	GFCE	GFCF
FY25E	6.5	6.1	5	8.5
FY24E	7.0	5.0	5.7	9.4
FY23	7.2	7.5	0.1	11.4
FY22	9.1	11.2	6.6	14.6
FY21	-5.8	-5.2	-0.9	-7.3
FY20	3.9	5.2	3.9	1.1
FY19	6.5	7.1	6.7	11.2
FY18	6.8	6.2	11.9	7.8
FY17	8.3	8.1	6.1	8.5
FY16	8.0	7.9	7.5	6.5
FY15	7.4	6.4	7.6	2.6
FY14	6.4	7.3	0.6	1.6
FY13	5.5	5.5	0.6	4.9
FY12	5.2	7.4	6.5	12.1
FY11	8.5	6.7	5.2	11.0
FY10	7.9	5.0	14.2	7.7
FY09	3.1	4.5	11.4	3.2

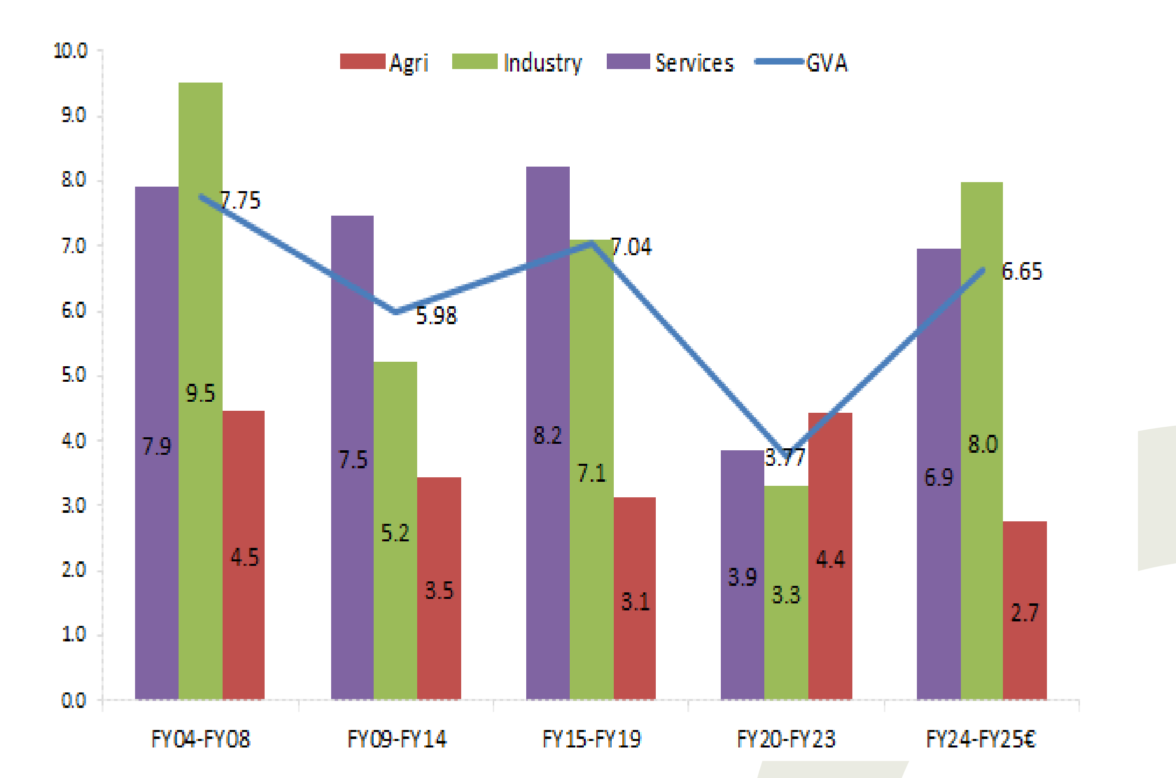
Source: ABSLAMC Research, CEIC

Growth composition expected to be similar to FY04-08 cycle

GVA growth breakdown (CAGR%)



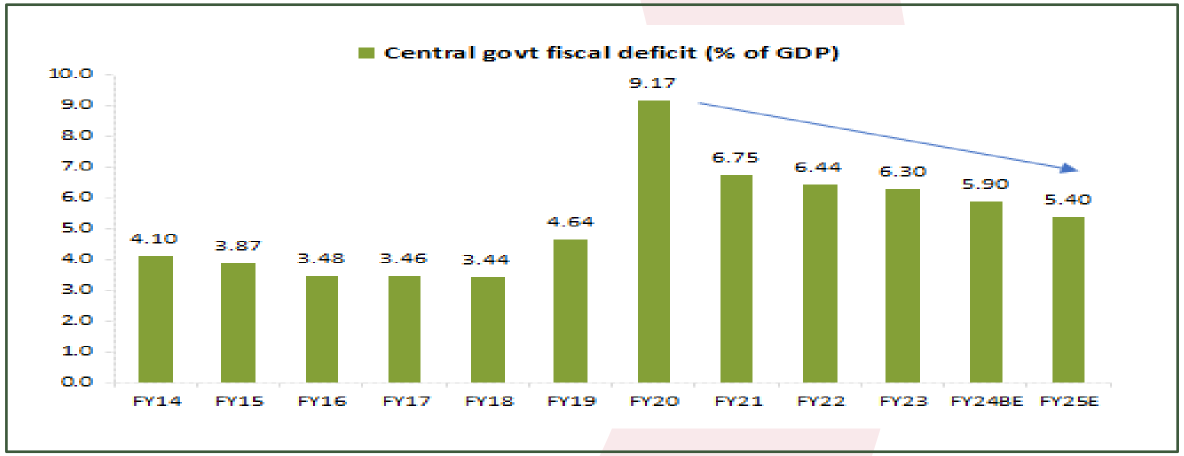
GVA components breakdown (CAGR%)

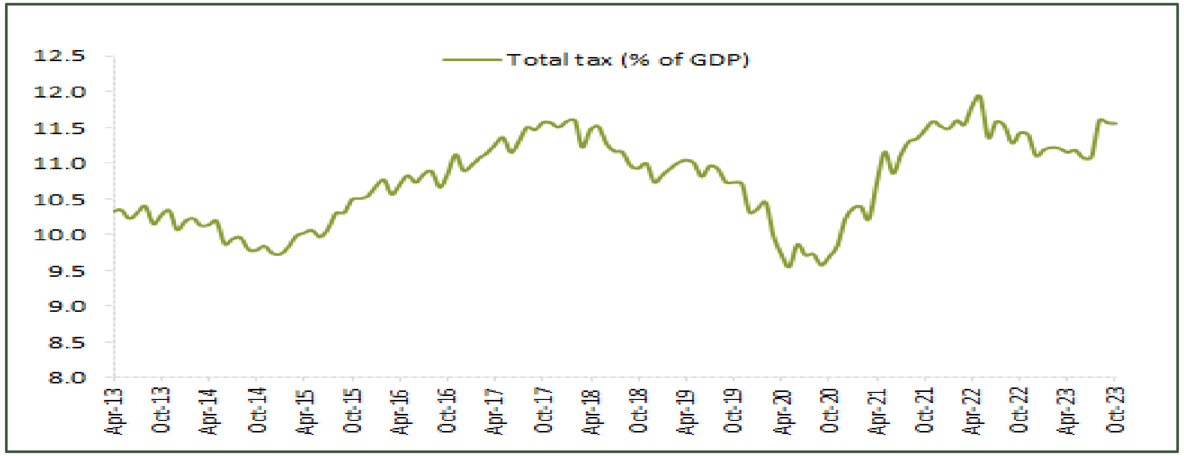


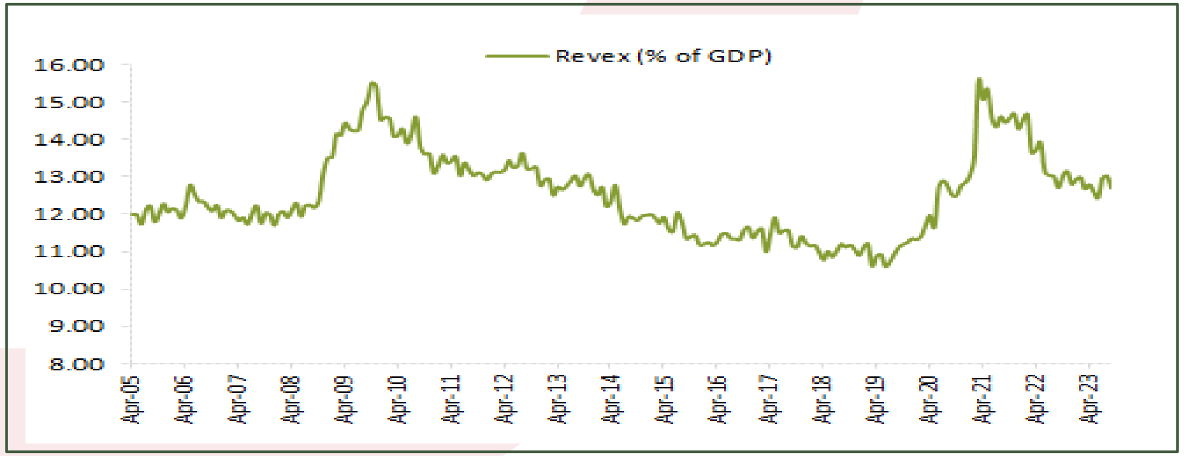
The growth composition of FY24-25E is expected to be like FY04-08 period with industry from the supply side and GFCF from the demand side being the key driver of growth.

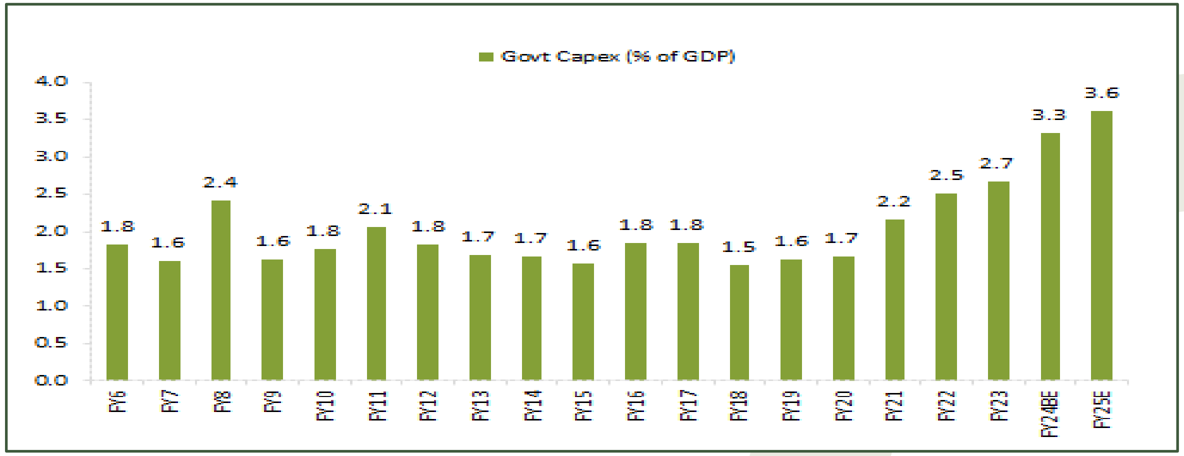
Source: CEIC, ABSLAMC Research

Central Govt. deficit to come down on healthy tax collections; capex to remain strong









We expect steady fiscal consolidation by the government on the back of strong tax collections and reduction in revenue expenditure. We see fiscal deficit declining to 5.4% in FY25E and do not rule out a lower number.

Source: CEIC, ABSLAMC Research

Uptick in housing cycle is a big positive for the economy

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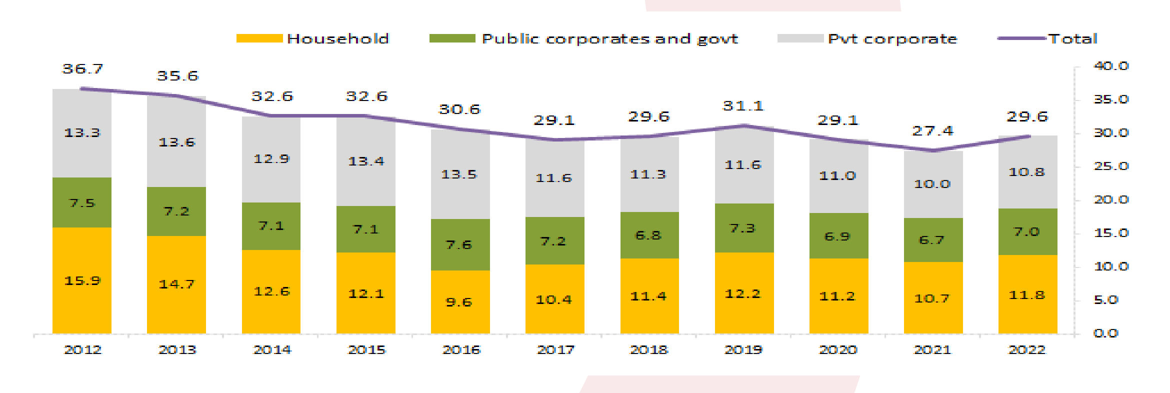
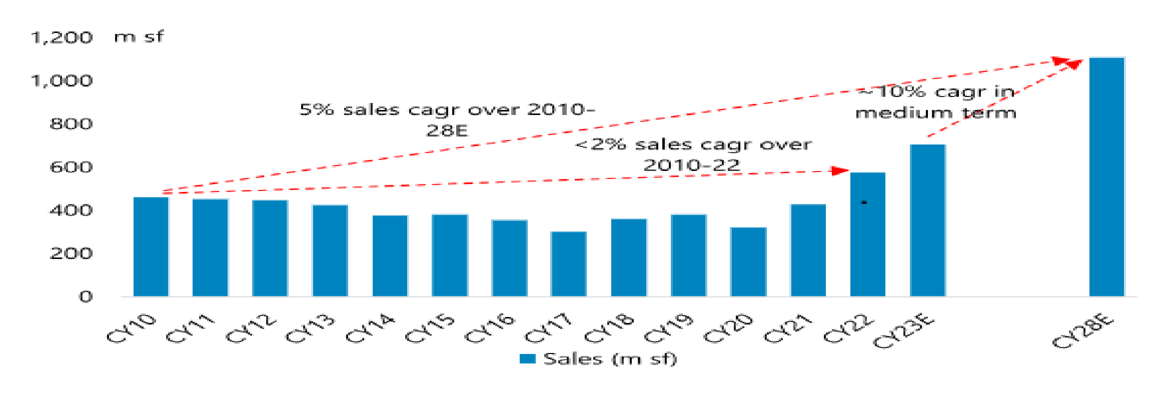
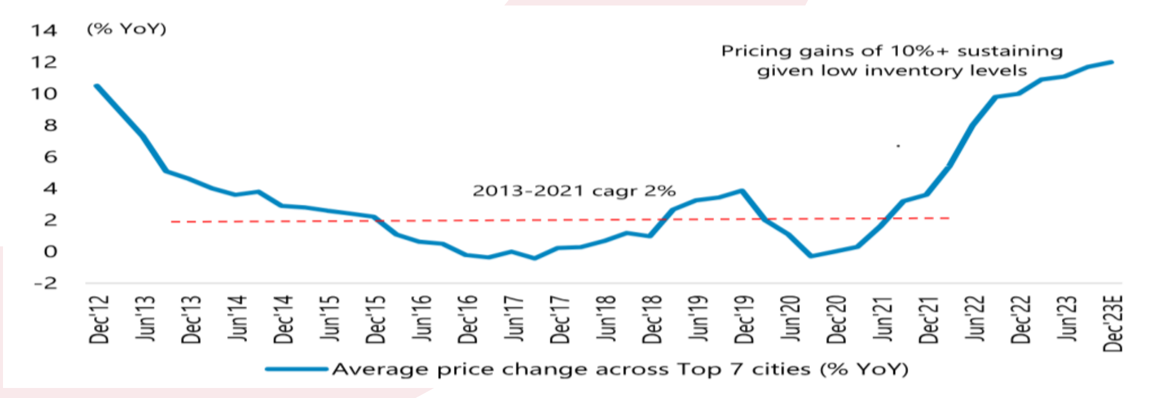
India capital formation (% of GDP)



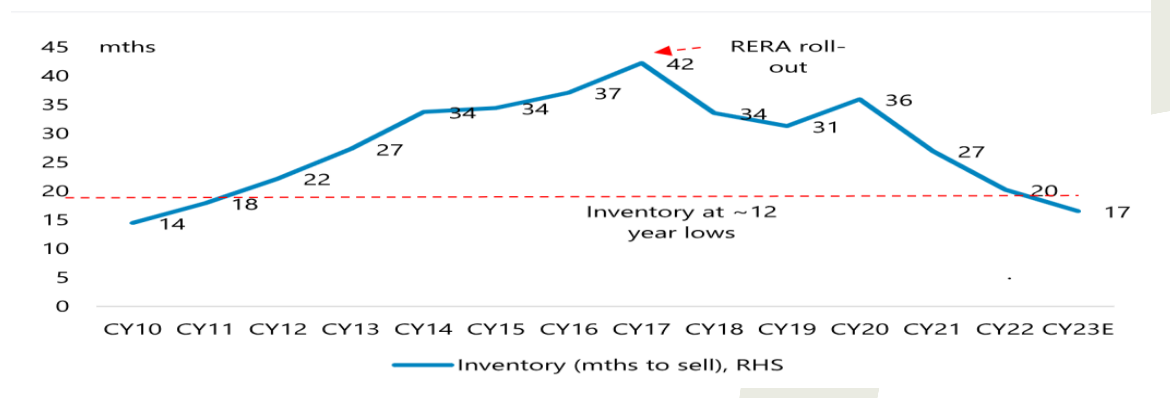
Top-7 cities housing sales



Prices continue to move up



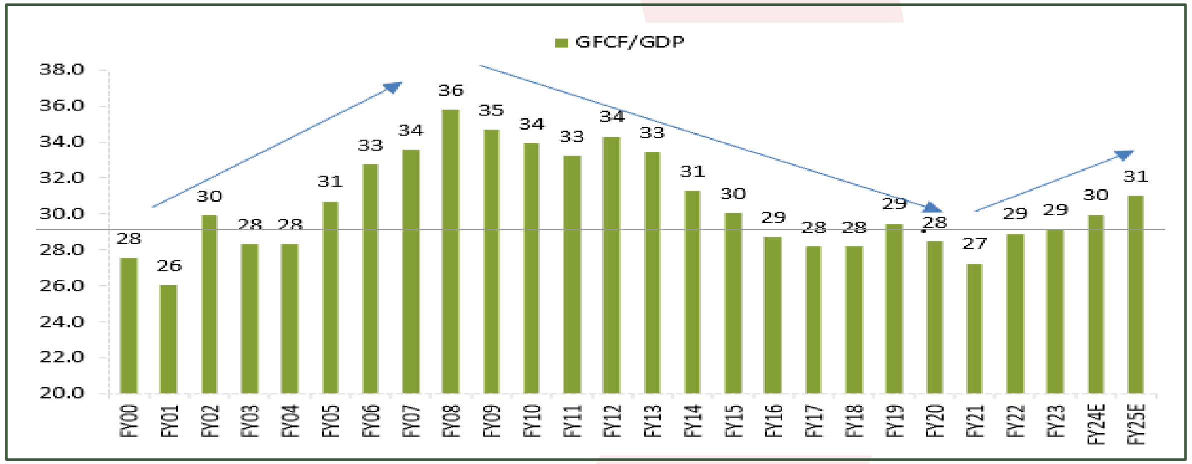
Inventory levels fall to lowest in a decade



Note that the decline in gross fixed capital formation since early 2010s was led by housing sector and we are witnessing long term revival for the same.

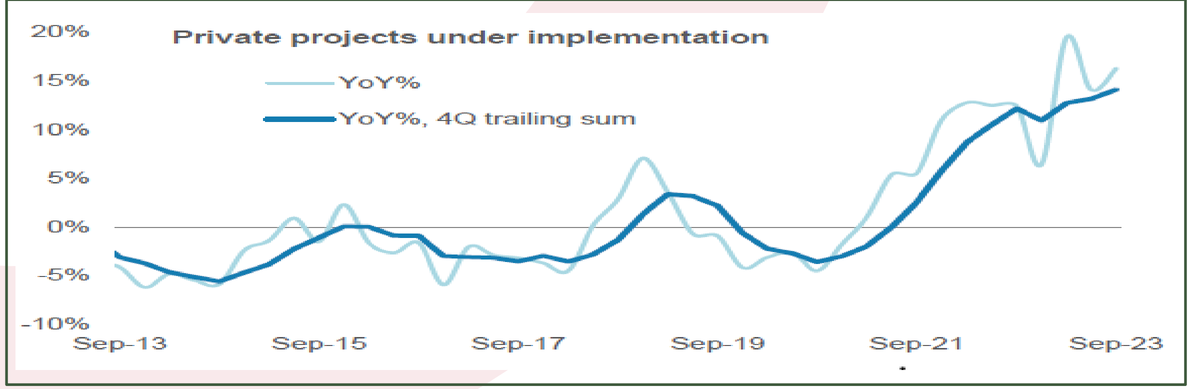
Source: CEIC, ABSLAMC Research

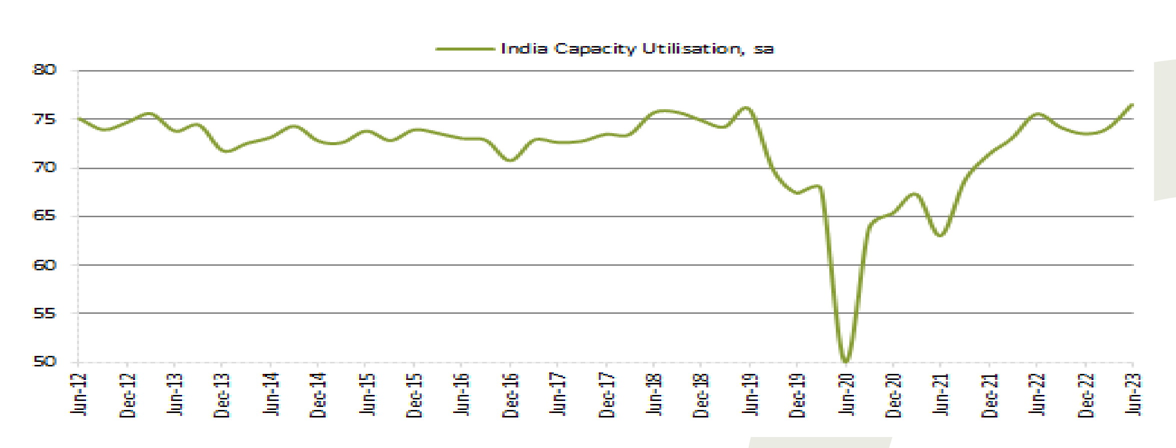
Capex cycle picking up



Order inflows of L&T, ABB, Siemens

Private projects under implementation

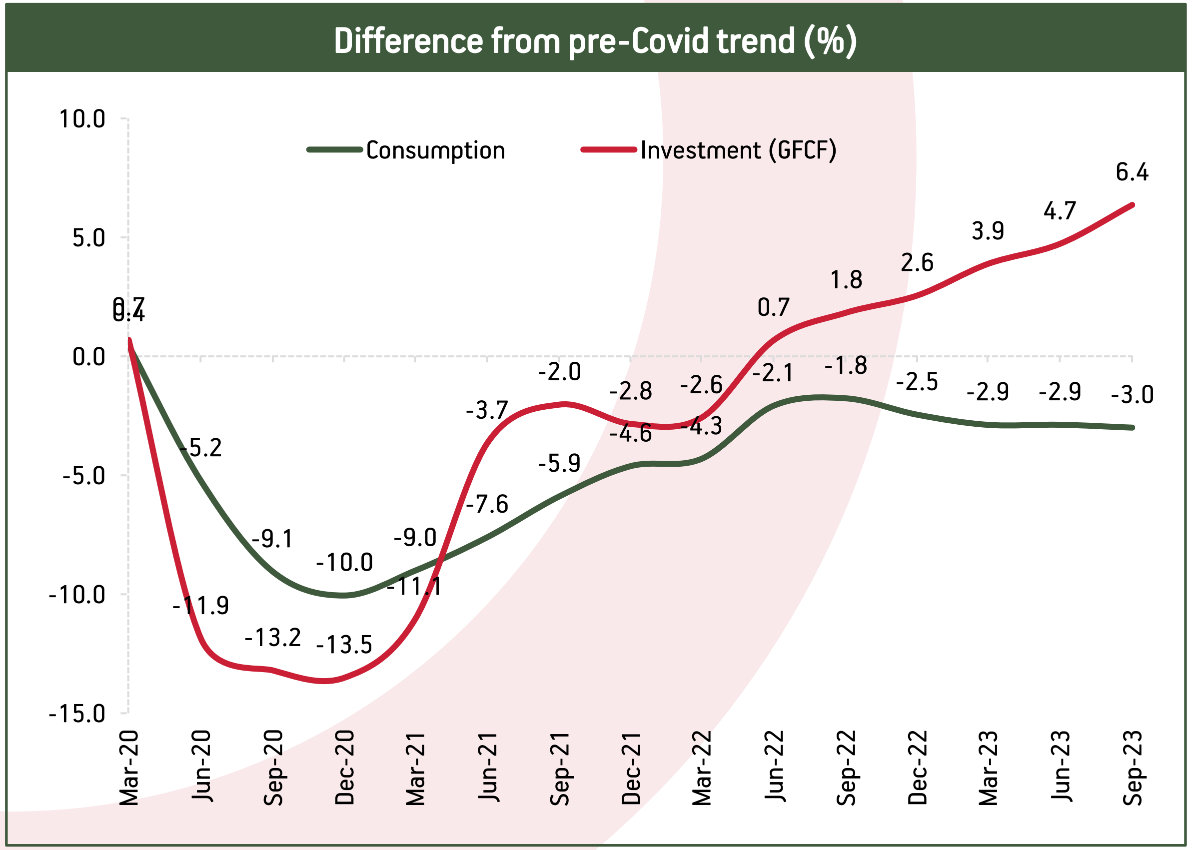


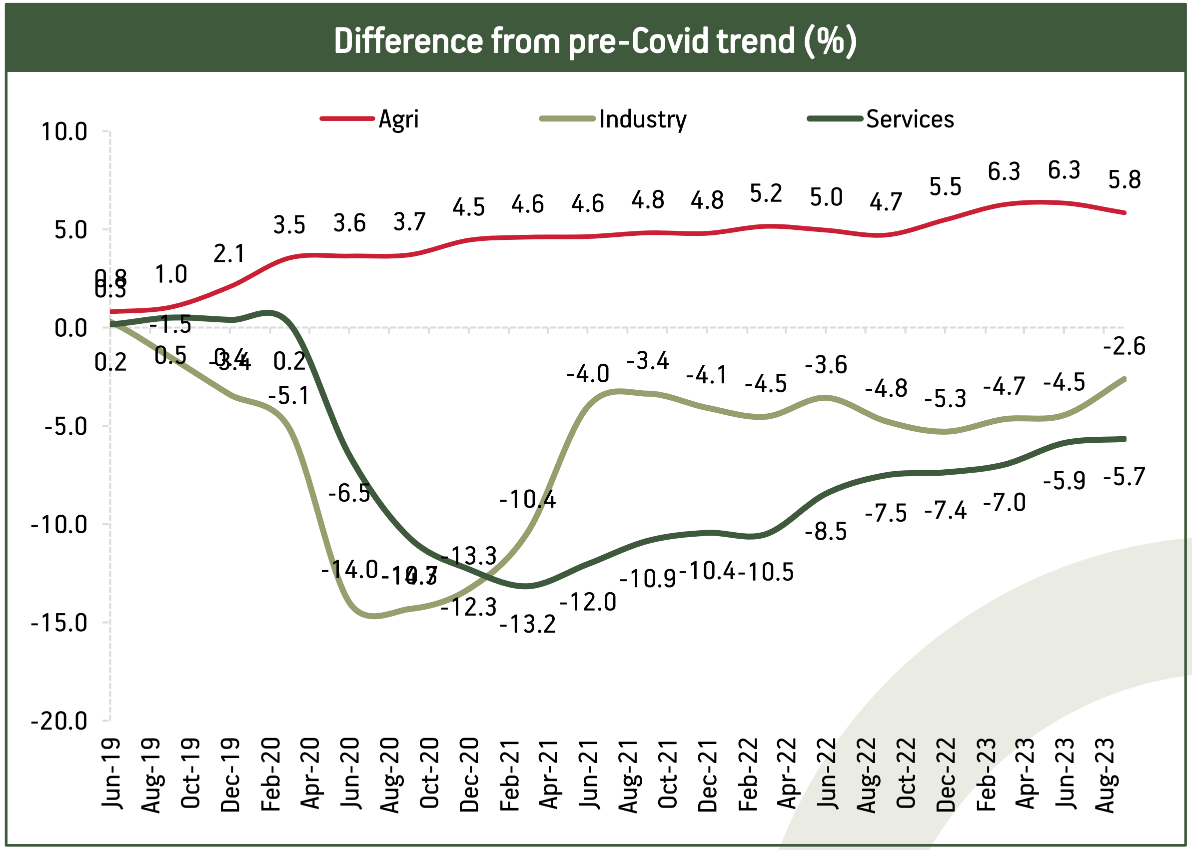


Private corporate capex is also beginning to pick up as witnessed by order inflows in capital goods companies and projects under implementation. Capacity utilization is already reaching high levels which is a precursor for capex uptick.

Source: CEIC, ABSLAMC Research

Investment has moved significantly above pre-Covid trend while consumption lagged





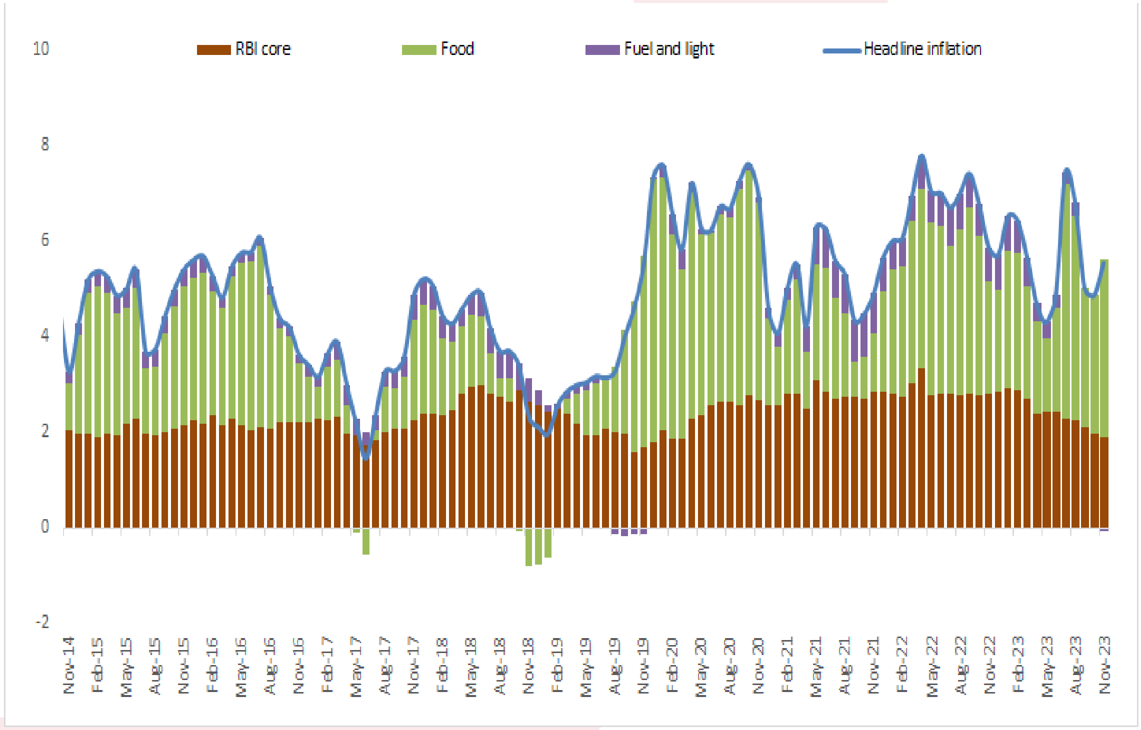
The growth trend since the onset of Covid shows stark divergence between consumption and investment, with investment growth significantly moving above pre-Covid, aided by strong government push, with consumption lagging.

Similarly, from the demand side we see industry growth moving towards pre-Covid trend while services has been lagging.

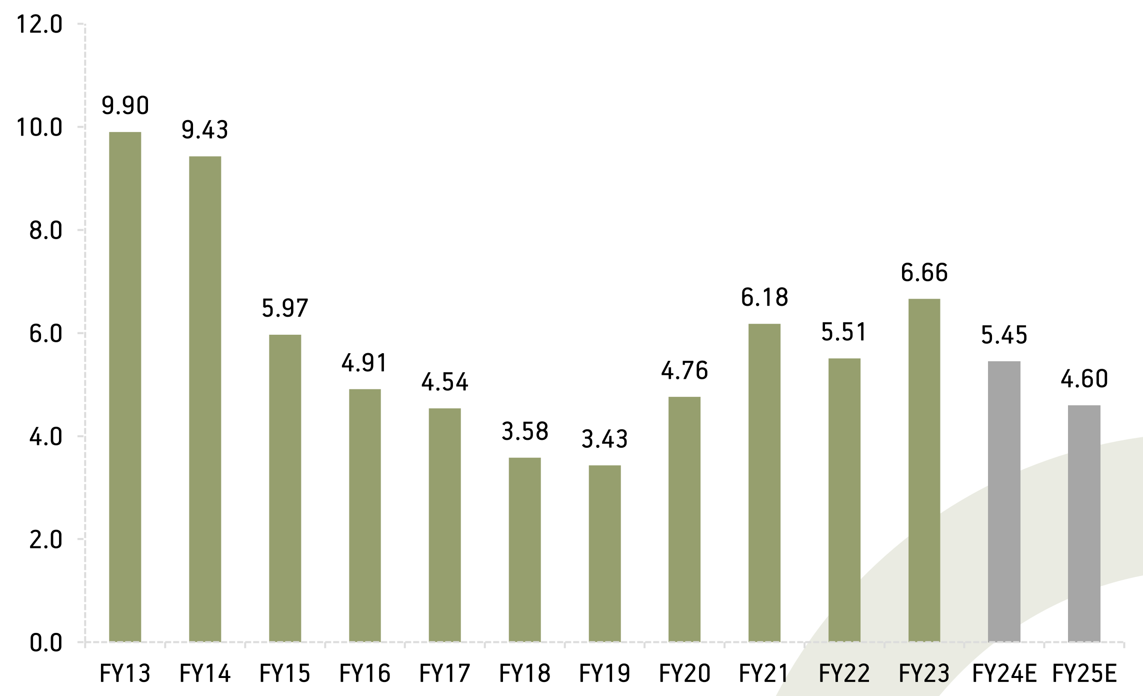
Source: CEIC, ABSLAMC Research

Inflation expected to moderate in FY24 and FY25

CPI Inflation breakdown



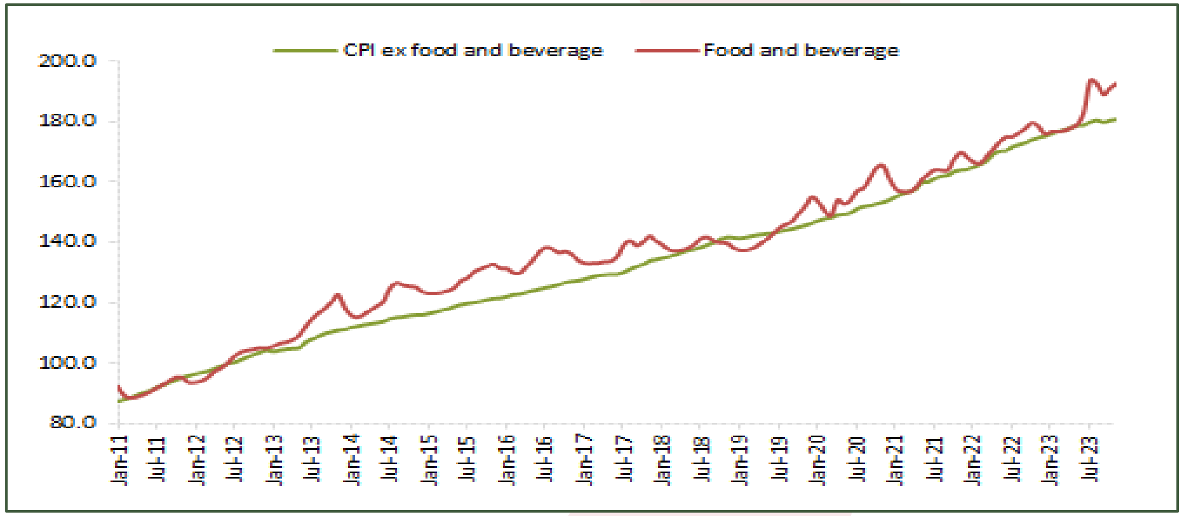
Average CPI Inflation (% y-y)



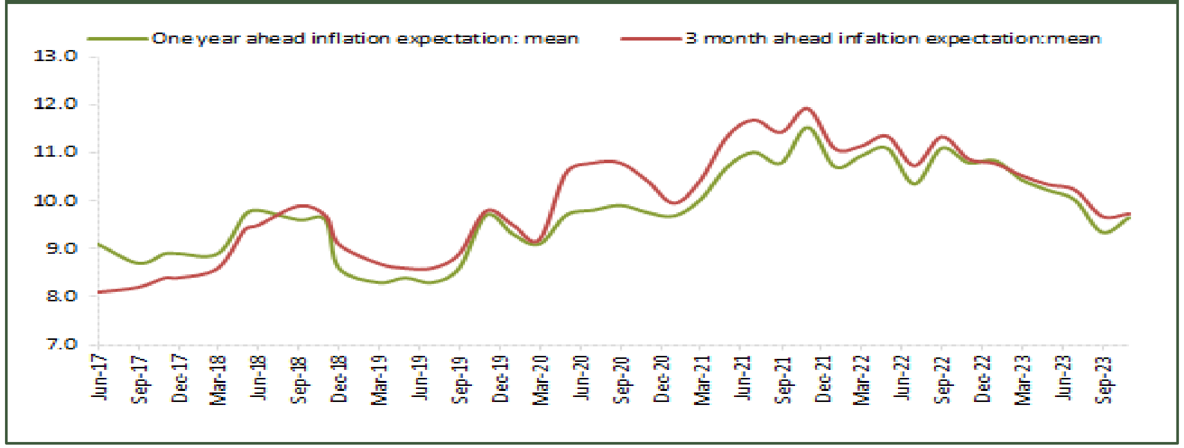
We expect inflation to moderate to 4.6% in FY25 from 5.45% in FY24E. The inflation surge which we witnessed in FY24 was led by food inflation, while core inflation has been trending lower. Going ahead we expect moderation of food inflation towards core inflation which has been running towards 4%. Lower inflation would open up space for policy normalization.

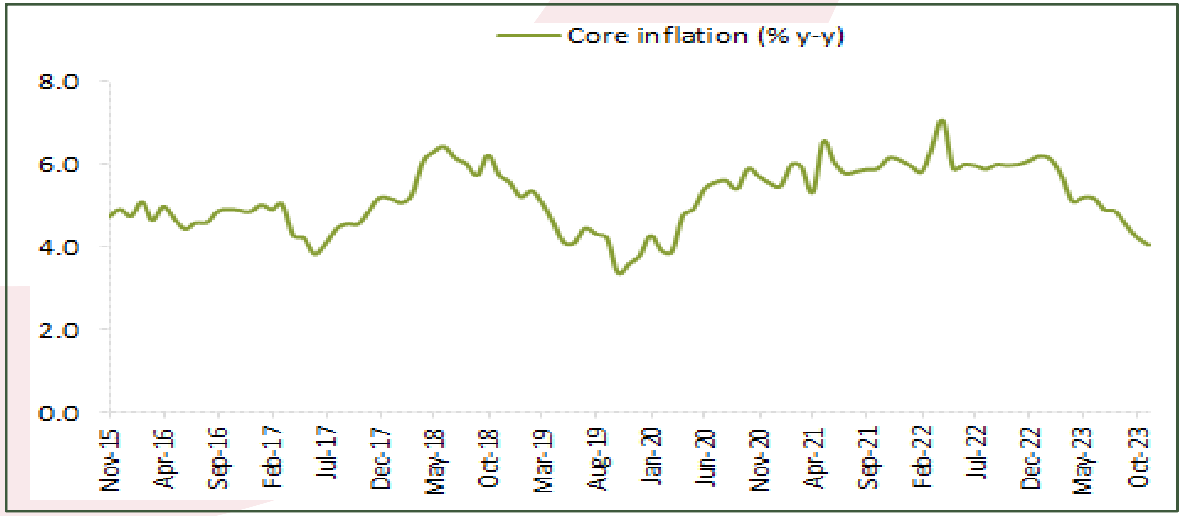
Source: RBI, ABSLAMC Research

Food inflation should trend down towards core inflation



Household inflationary expectation





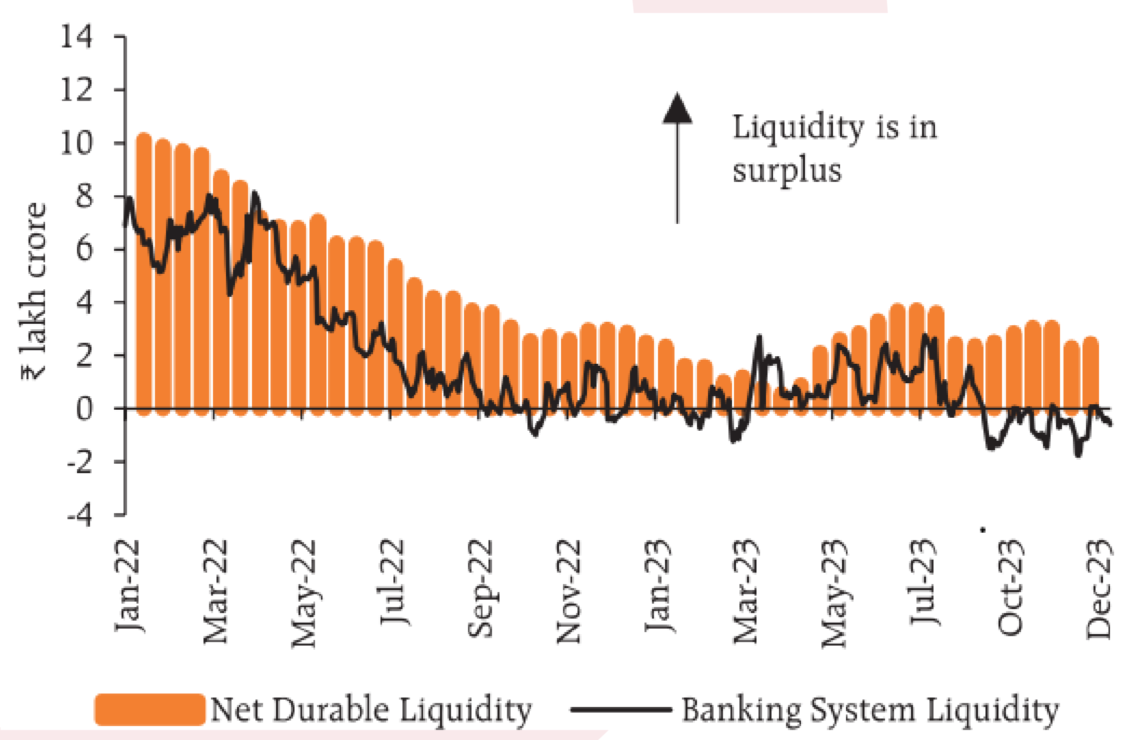
In India, food inflation tends to move towards core inflation over time. After witnessing a strong surge in food inflation in last couple of years, we expect food inflation trending towards core inflation which has been low.

Household inflation expectation is also trending lower which is positive for inflation going ahead.

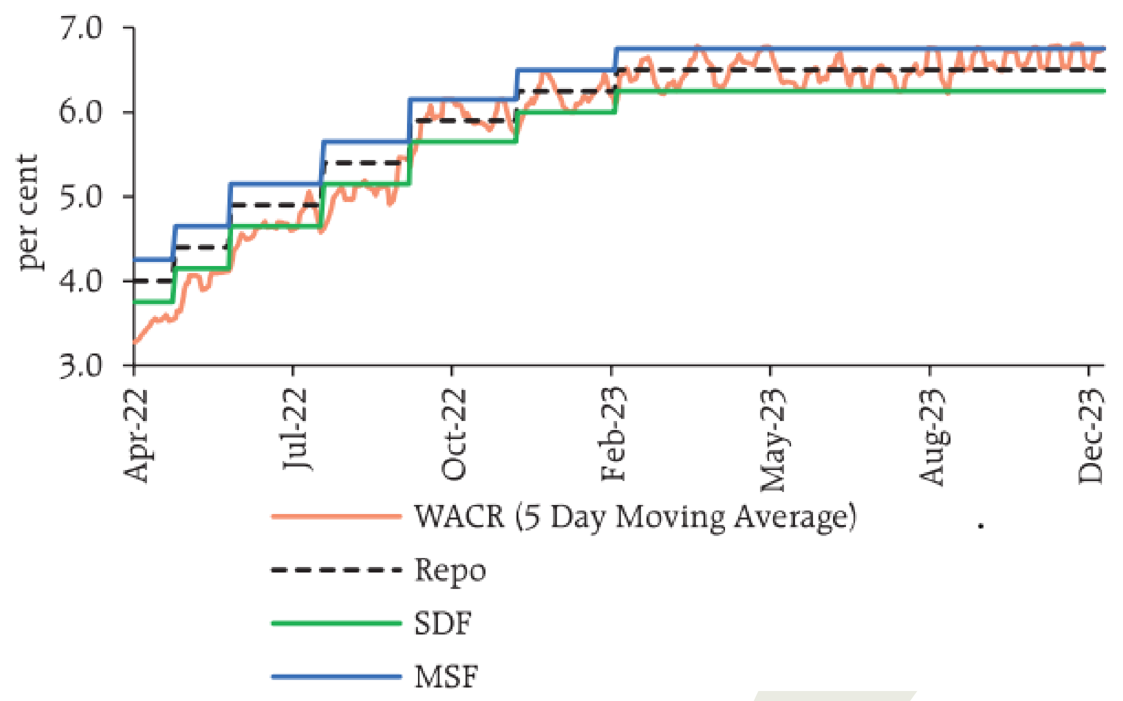
Source: CEIC, ABSLAMC Research

Tight liquidity has been pushing policy rate towards Marginal Standing Facility (MSF) rate

a. Banking System Liquidity

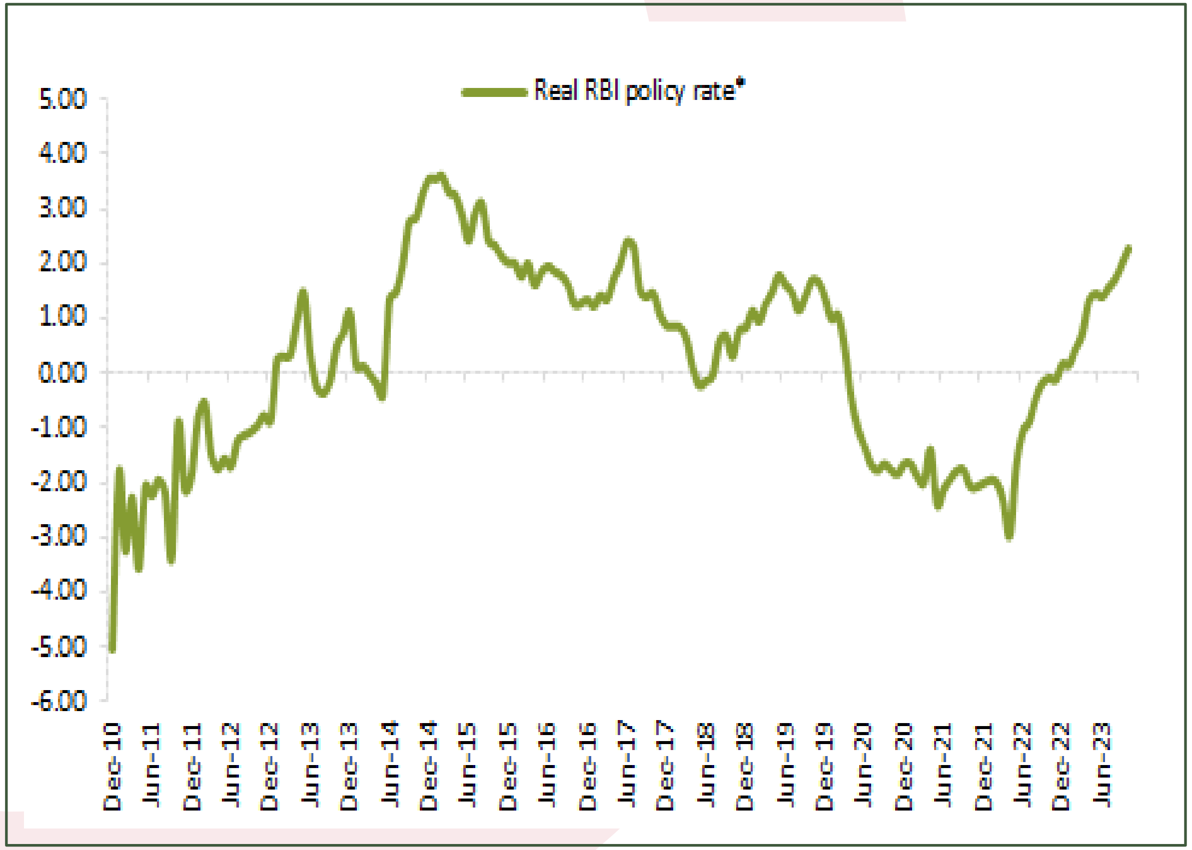


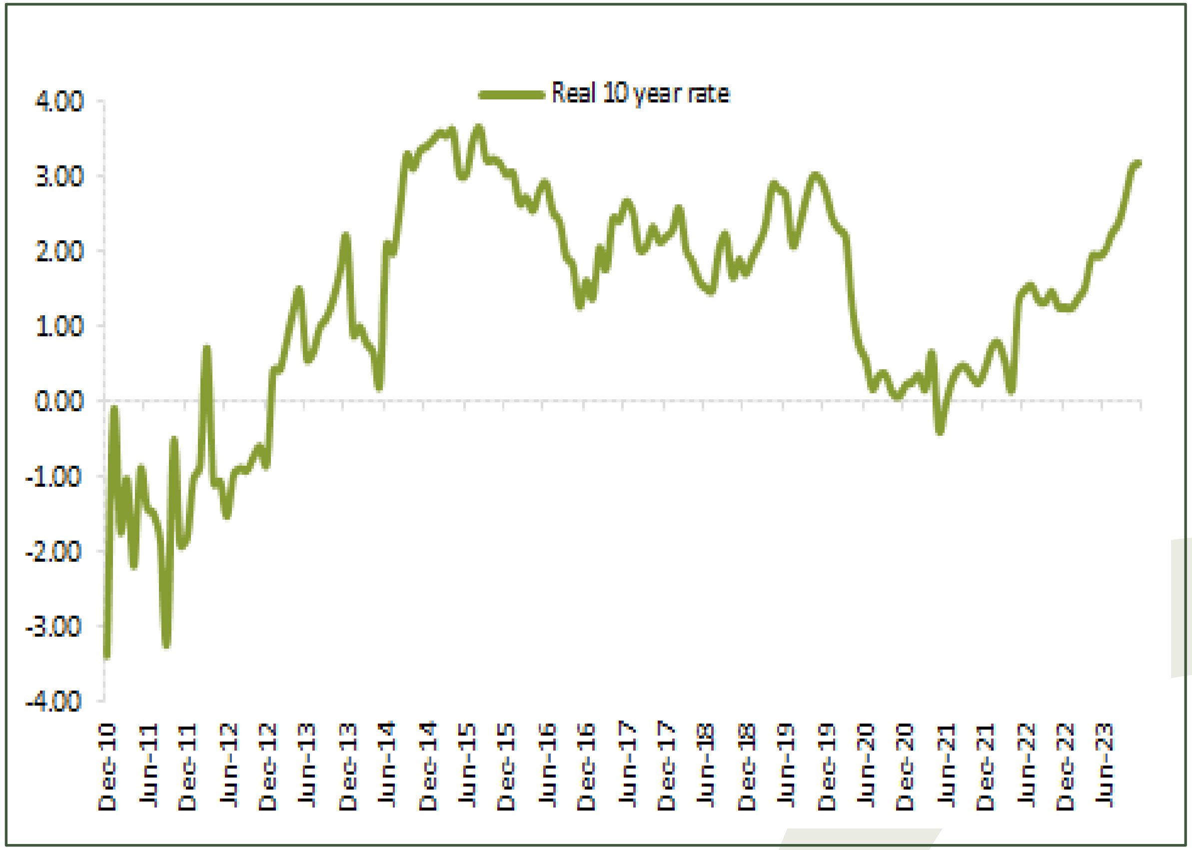
b. Policy Corridor



Source: RBI

Real rates near previous peaks





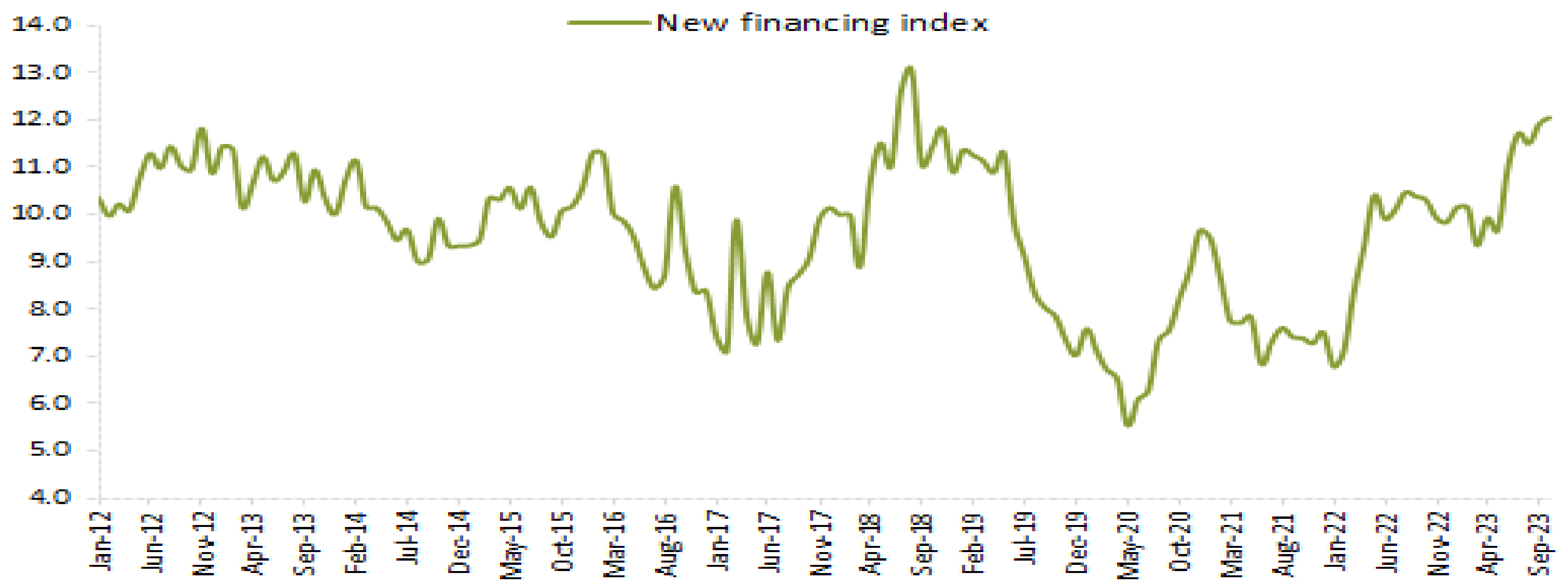
Note: Real policy rate has been calculated deflating core inflation which is the non-volatile component and more amenable to monetary policy action

Note: Real 10 year rate is 10-year Gsec deflated by core inflation

Source: RBI

Credit growth has remained very strong

New incremental financing has pickup-up pace and has gone towards 2018 levels

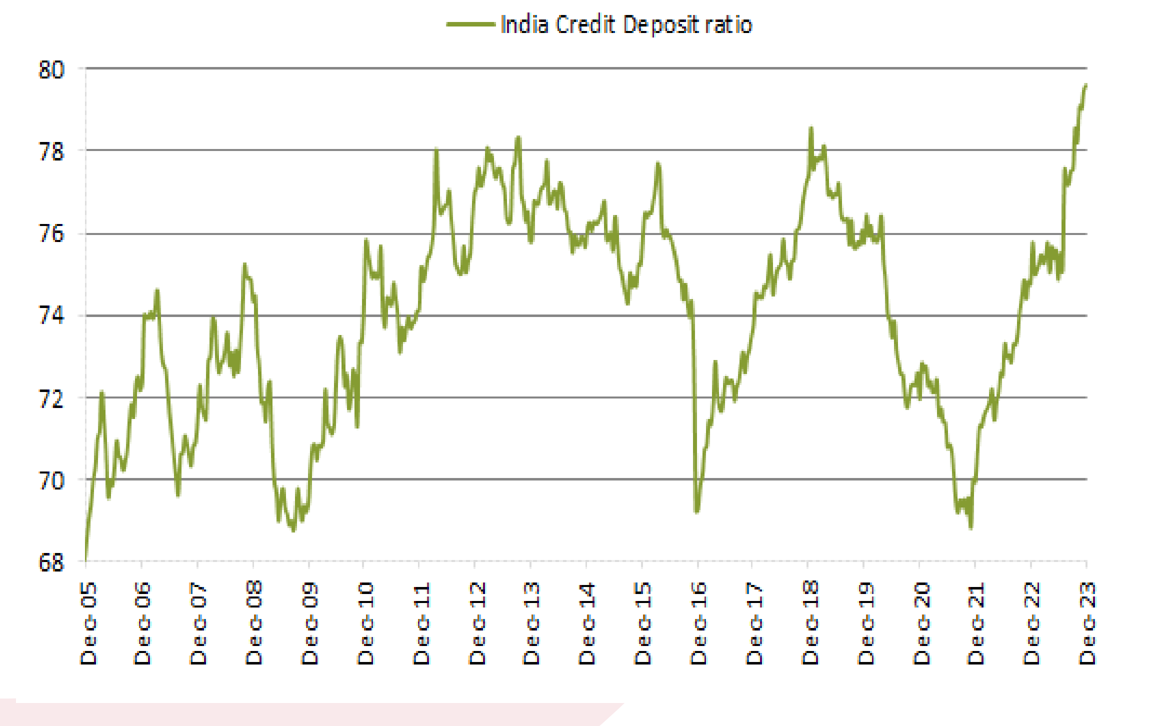


Despite the rise in interest rates and high policy transmission, credit growth has remained strong due to strong demand

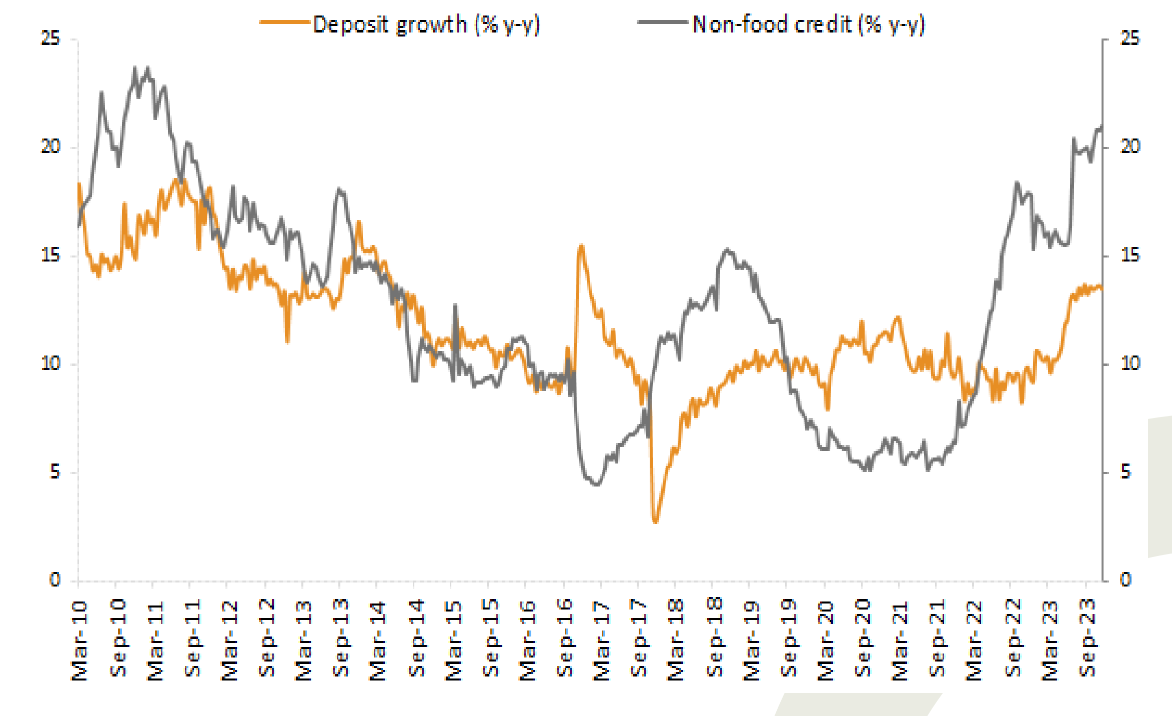
Source: CEIC, RBI, ABSLAMC Research

Surging credit growth likely to moderate going ahead due to high Credit deposit ratio

Overall credit deposit ratio at record highs...



...with credit growth far surpassing deposit growth

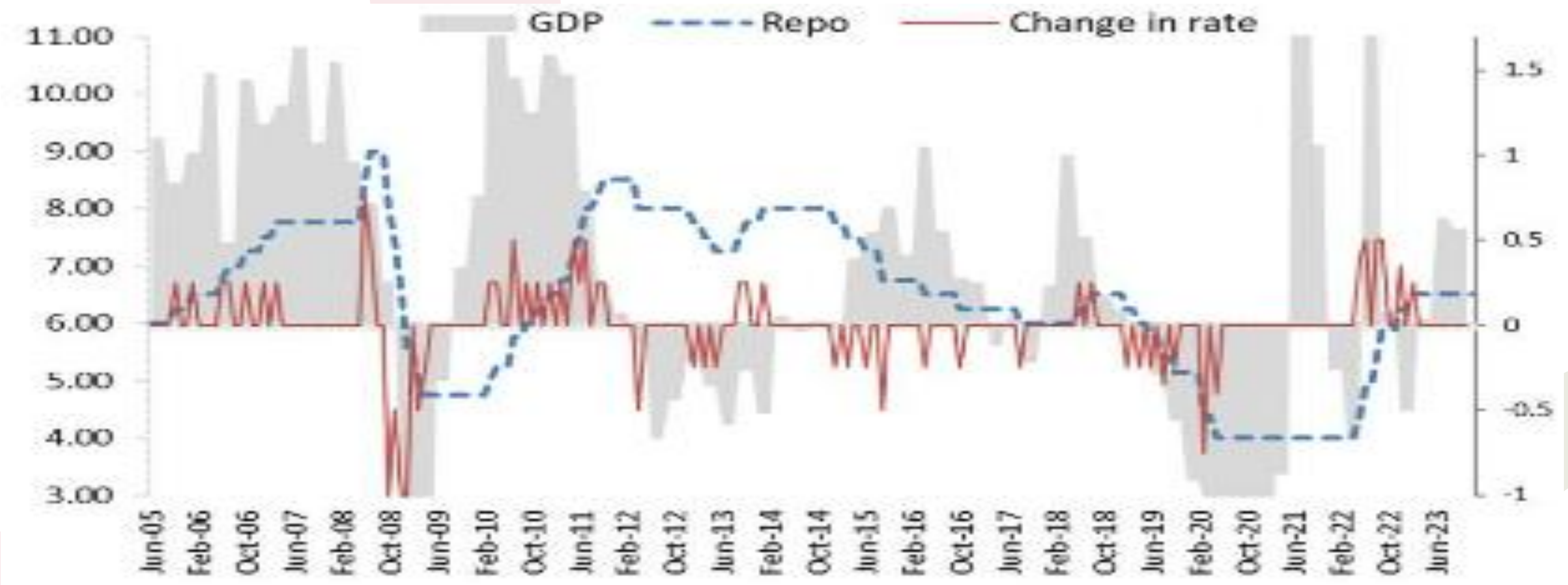


However, given the very high credit deposit ratio we expect some moderation in credit growth and rise in deposit rate/deposit mobilization by banks to reduce the high credit deposit ration which is unsustainable

Source: CEIC, ABSLAMC Research, Bloomberg

GDP vs Repo rate

GDP Vs Repo rate



Historically, rate cuts have been rare whenever GDP growth has been above 6% except when we saw collapse in global commodity prices and inflation. We thus expect only a shallow rate easing cycle given our expectation of healthy growth.

Source: Bloomberg

- Growth : Goldilocks – Stable Commodity Prices, Slowing Inflation & Durable Growth
- Growth : 2023 - 7%,
- Growth : 2024 - 6.50%- Private Capex & Consumption Hold The Key

- Inflation 2024: 4.75%
- Food Inflation To Moderate To 4.75%
- Core Inflation To Inch Higher Towards 4.50%

- RBI Policy Response: 2023 - Conservative In Uncertain Environment
- Level Of Terminal Rates – Policy Rates Have Peaked

- RBI Policy Response: 2024 –Looks To Ease
- Stance Change To Neutral
- Add Liquidity By H2 2024
- Rates On Hold But Shallow Rate Cut Cycle Begins In End 2024
- Accumulate Dollar Reserves

- Rates Have Peaked & Liquidity Will Be Normalized

- Higher Nominal Rates Provide Buffer

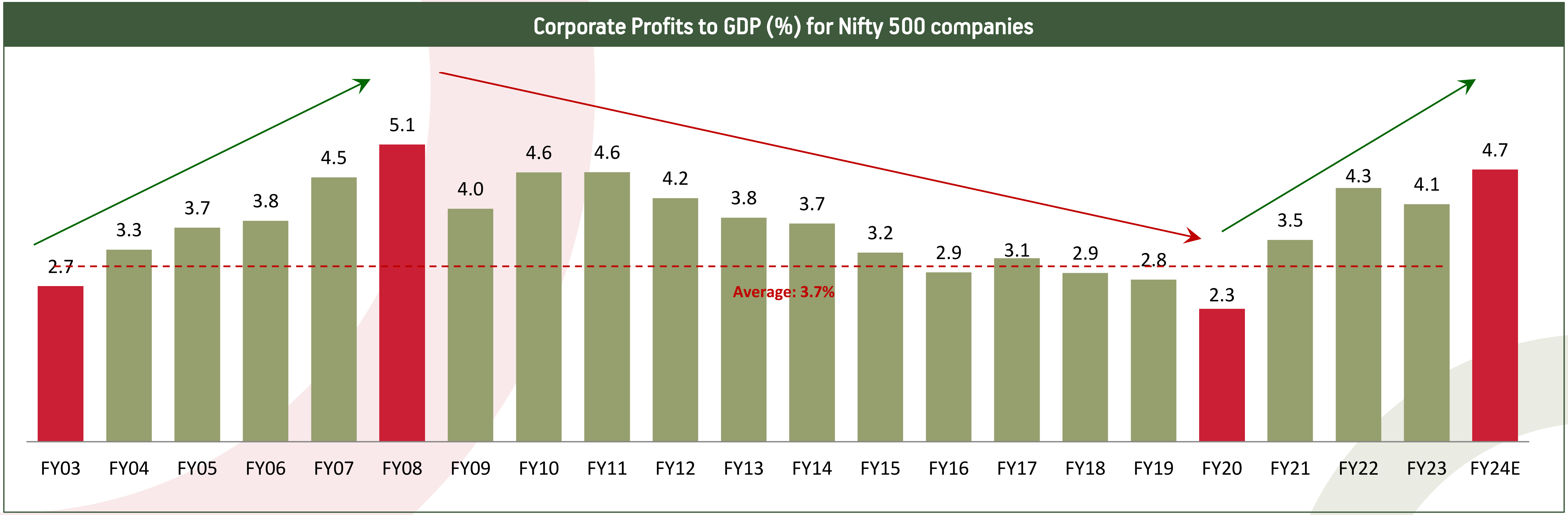
- Gilts Will Do Well- Oil, UST, Peak Rates, Lower Fiscal & Bond Indices
- 10 Year : Trend Towards 6.75%-7%

- Spreads: SDL & Corporate Bond To Expand
  - Tighter Liquidity
  - Higher Supply
  - Carry Will Compensate For Spread Expansion

- Time To Look At Duration Play
  - G-Sec Play: Active Funds-gilt & Income ; Passive : Target Maturity Funds
  - Active Duration & Spreads Play: Short Term Funds-corporate Bond, Banking & PSU & Short-term Fund
  - Cash Deployment: Low Duration, Ultra Short Term & Money Market

Outlook for CY2024

Upward Trajectory: India Poised for a New Profit Cycle Resembling FY03-08

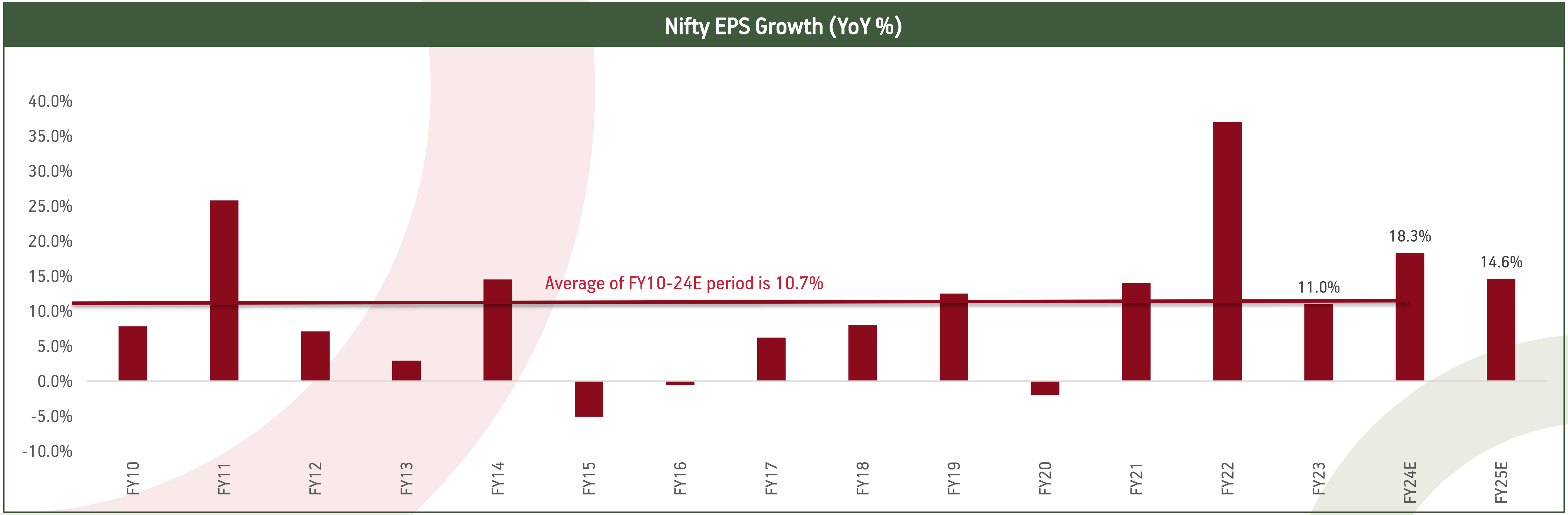


Corporate Profit to GDP is on an uptrend and increasing formalization of the economy should increase pricing power of corporates.

- Steady loan growth and robust asset quality will be positive for the banking sector which contributes a significant portion of the profit pool.
- Profit growth for domestically oriented sectors continues to be robust as they are benefiting from improved consumer demand and declining input prices.
- Also, outlook for export-oriented sectors have improved with increased expectations of soft landing.

Source: MOFSL, ABSLAMC Research

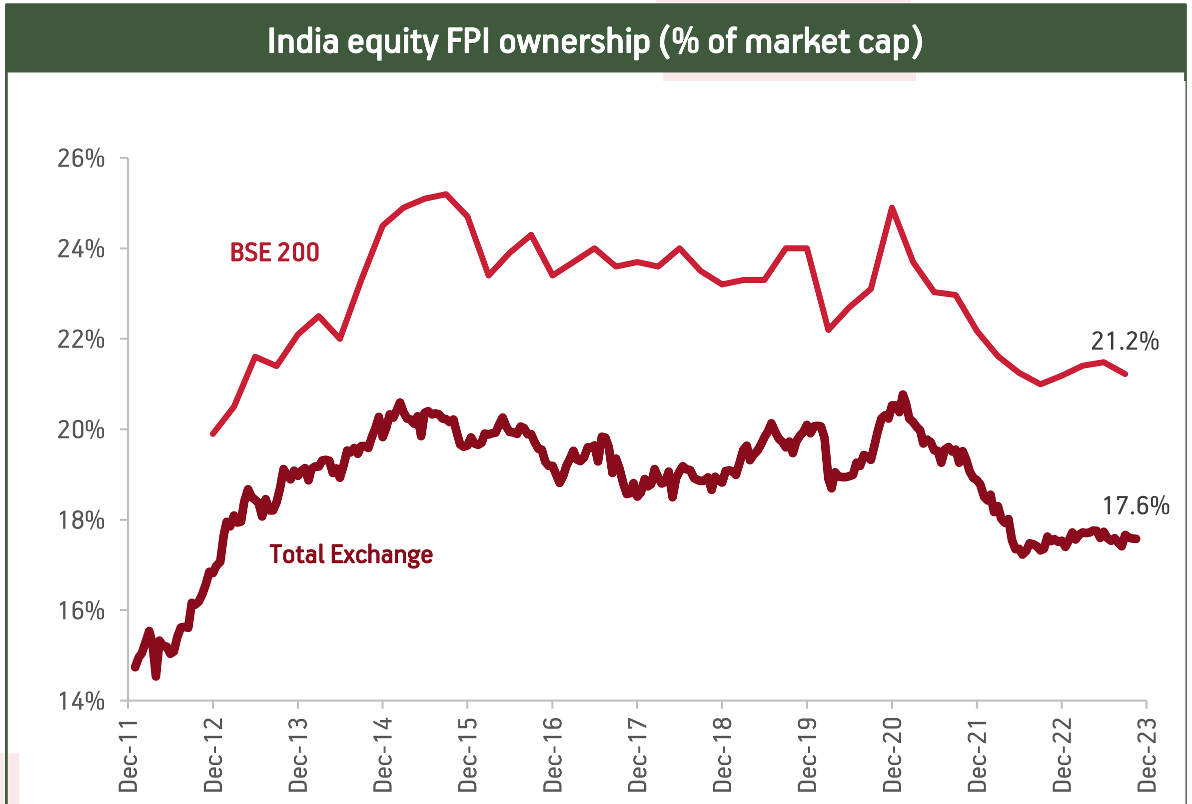
Expect corporate earnings to grow in the low-to-mid teens over next three years



- Nifty earnings growth is expected to be ~15% in FY25E driven by sectors such as Banking, Auto, Industrials, Infrastructure, Cement, and Real Estate.
- Nifty earnings CAGR is expected to be low-to-mid teens over FY24-27E period. Although earnings growth could see slight moderation from FY23-24 average of~15%, it will still be higher than the historical average of ~11% as well as single-digit earnings growth expected in other large markets.

Source: ABSLAMC Research

Liquidity is expected to improve driven by both domestic and FPI flows



Note: BSE200 ownership of FII includes ADRs (as of Sep 30, 2023); Total Exchange ownership of FII excludes ADRs (as of Nov 15, 2023).

- With the global macro backdrop improving, FPI flows to India have picked up (total $21 Bn in CY23). FPI ownership of Indian equities remains low versus history and should pick up as global macro concerns and election related uncertainty recede.
- Weakening of Dollar Index and improvement of growth prospects of Emerging Markets relative to Developed Markets should also drive FPI flows.
- Strong Domestic flows from MF SIPs (Rs 17,000 Cr p.m.), EPFO (Rs 4,400 Cr p.m.), NPS (Rs 3,200 Cr p.m.), and ULIPs (Rs 6,200 Cr p.m.) totaling to Rs ~30,000 Cr p.m. should sustain.
- On the flip side, selling by promoters and VC/PE firms is likely to continue.
- Overall liquidity is expected to improve.

Source: Goldman Sachs, ABSLAMC Research

Sentiment is at its peak and is expected to moderate

Currently, market sentiment is factoring in a goldilocks scenario:

- Global macro backdrop is positive with expectations of a fall in inflation and interest rates, and economies avoiding a recession.
- Reduction seen in geopolitical tensions and election related uncertainty.
- In India, macro stability and visibility to on-the-ground growth is providing increasing confidence to investors in the India growth narrative.

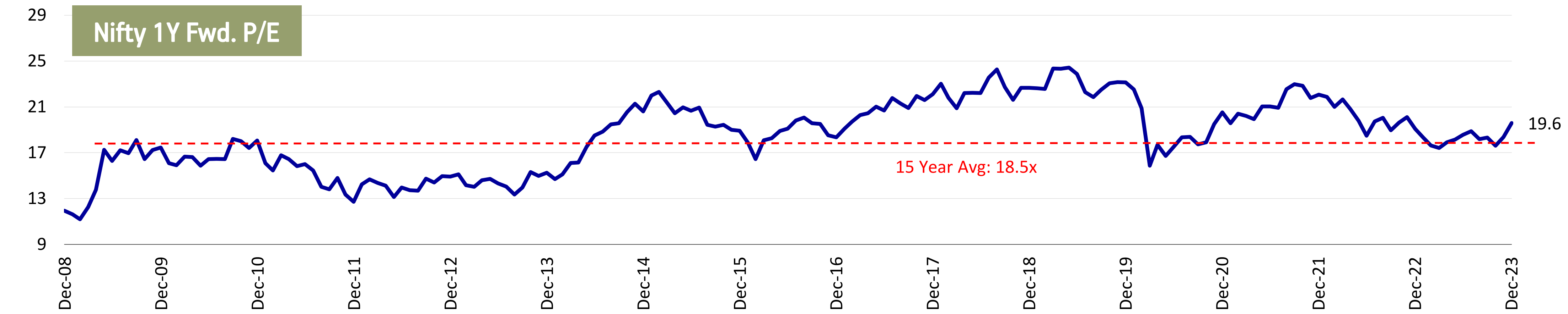
There is not much room for sentiment to improve from here on.

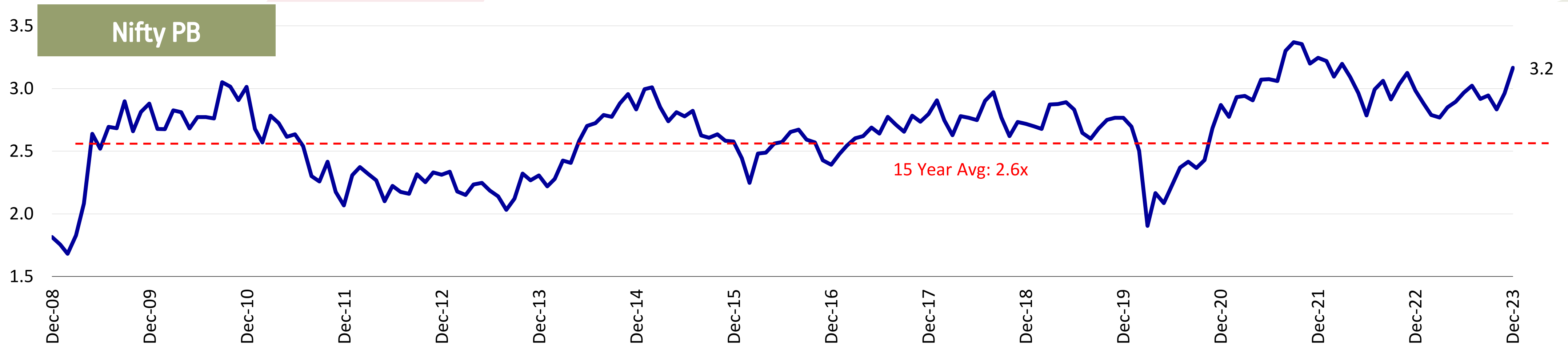
Key short-term risks are lower-than-expected growth (since a soft landing is priced in) and lower-than-expected rate cuts (which can lead to deflation in asset prices).

Source: ABSLAMC Research

Largecap Valuations Reasonable Amid Market Consolidation and Earnings Revision

Nifty-50 valuations are only at ~5% premium to long-term historical levels on 1-year forward PE basis

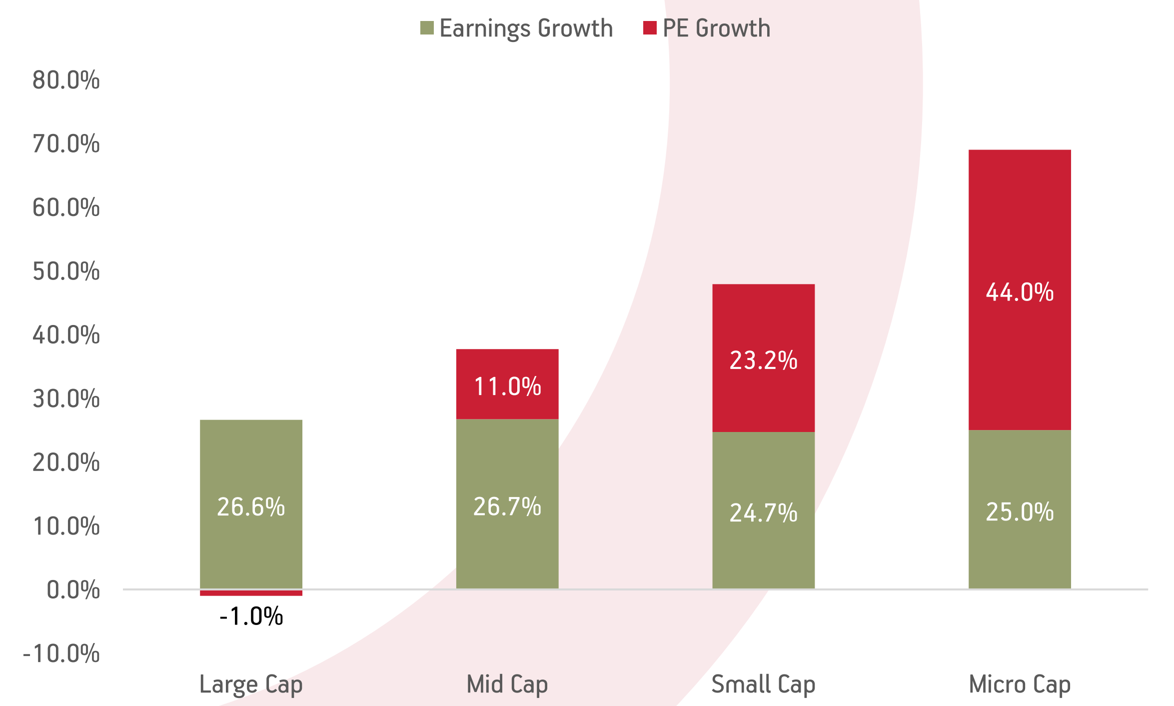




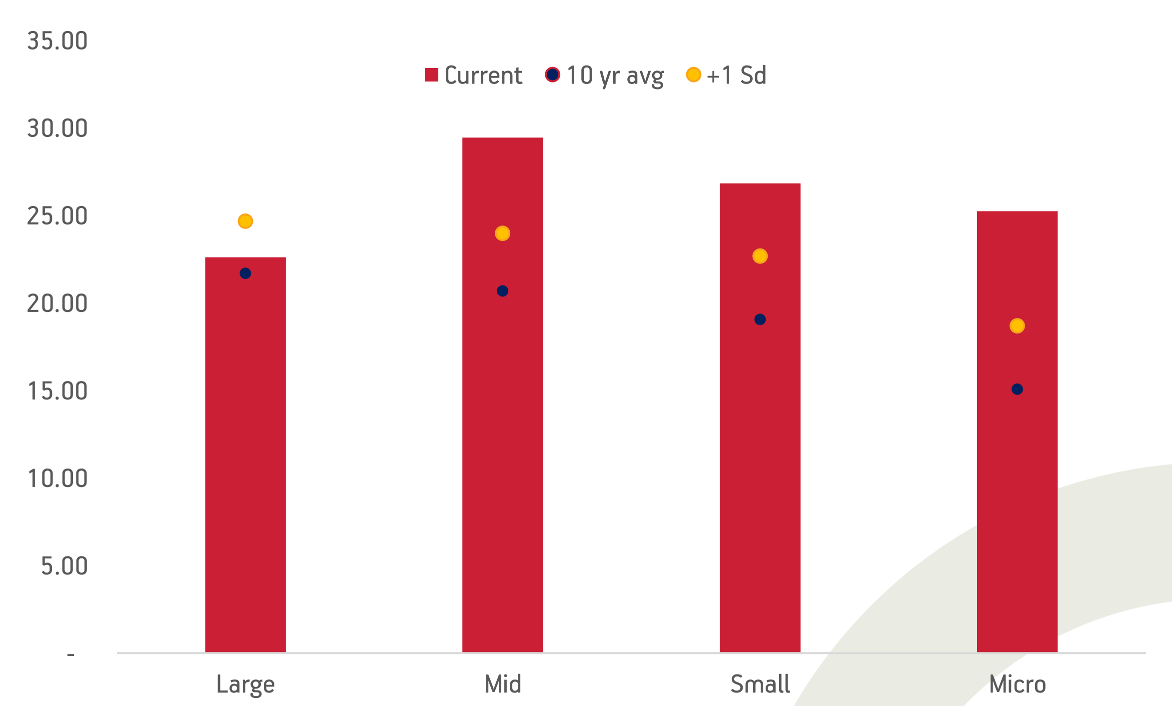
Source: MOSL, ABSLAMC Research; Note: Data as of 31st Dec 2023

On the Other Hand, Valuation Re-rating Has Been A Large Component Of Returns For Mid-Small-Micro caps

Returns Decomposition based on 3-yr CAGR



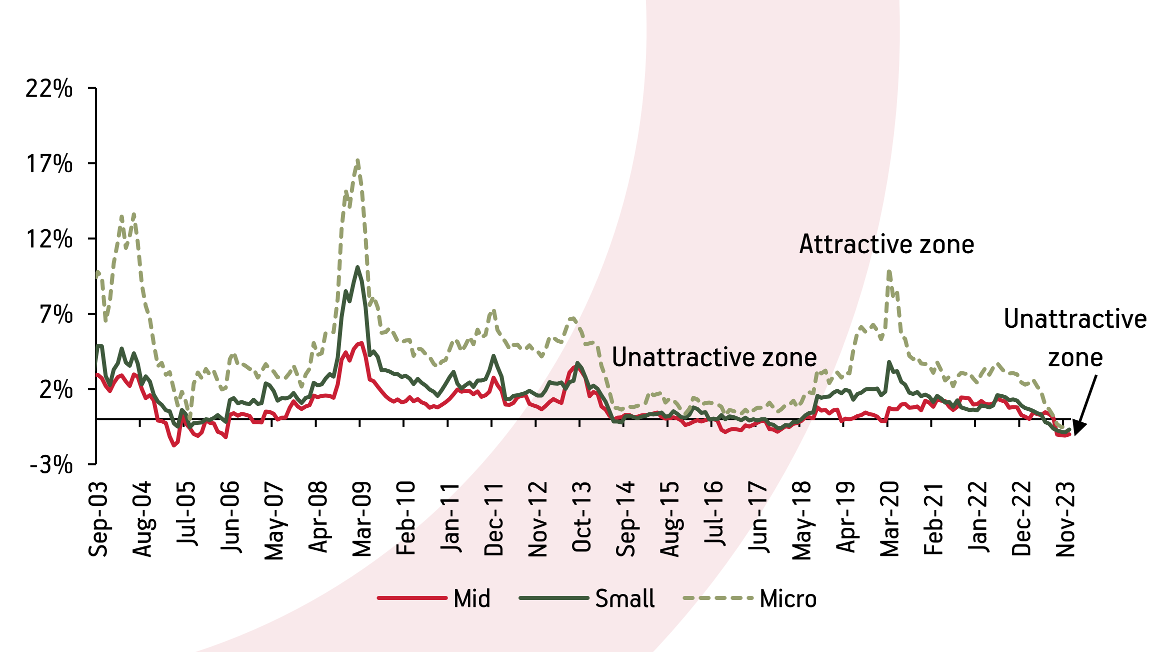
Current Valuation (Trailing P/E) vs Historical Average



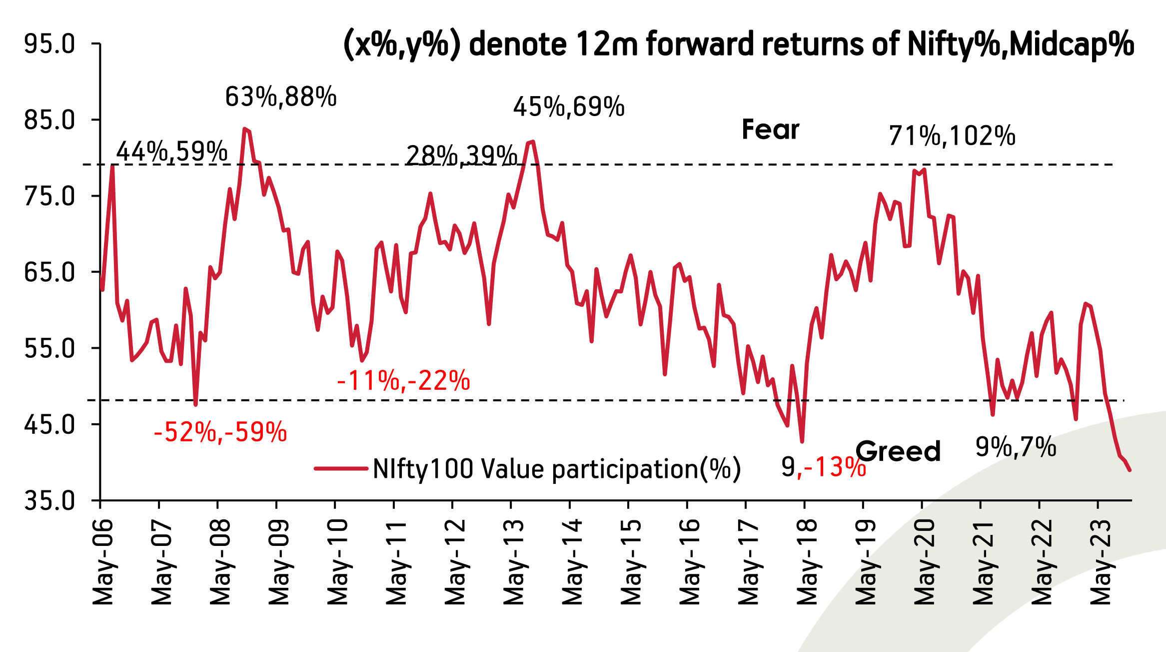
- While largecap returns have been driven largely by earnings growth, a large part of the returns for midcap, smallcap and microcap segments have been driven by a re-rating in the valuation multiple.
- While the current valuation multiple (Trailing P/E) is close to the historical average for largecaps, the valuation multiple for midcaps, smallcaps, and microcaps is higher than +1 std dev indicating that valuations are elevated.

Market Likely To be Polarized Given Elevated Valuations in Mid-and-Smallcaps

Earnings yield spread of Mid, Small and Micro Caps vs Large Caps are in an unattractive zone



Nifty 100 Value Participation (% of NSE turnover in the top 100 (Nifty 100) names every month)

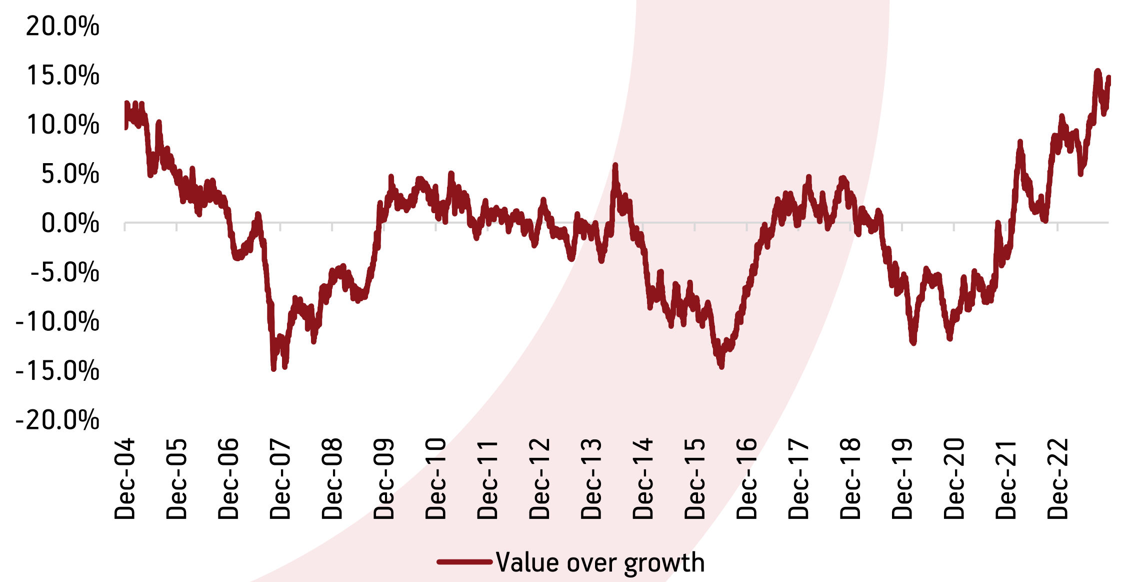


- With valuations in the mid-and-smallcap space being elevated and offering limited margin of safety, lesser number of mid-and-smallcap stocks will participate.
- Nifty 100 Value Participation also indicates there is high likelihood of mid-and-smallcap underperformance over next 12 months.
- Hence, though we remain structurally positive in mid & small caps in the med-to-long term, we believe that there could be short-term volatility in this space given the valuation catch-up and relative valuation comfort in Large caps.

Source: ICICI Securities. ABSLAMC Research

With Interest Rates Expected To Decline, Growth could outperform Value. We Could Also See A Rotation From Value to Quality

Value over Growth - Top 200 universe (Rolling 3 year sector neutralized Alpha)



Value over Quality - Top 200 universe (Rolling 3 year sector neutralised Alpha)

- On rolling 3-year basis, Value over Growth is at one of its highest readings. This could reverse and Growth could start outperforming Value as we start seeing interest rate cuts in 2024.
- On rolling 3-year basis, Value over Quality is also relatively high. This could also reverse as investor sentiment improves and they rotate out of Value stocks.

Source: ABSLAMC Research

Themes We are Positive On

Domestic Manufacturing

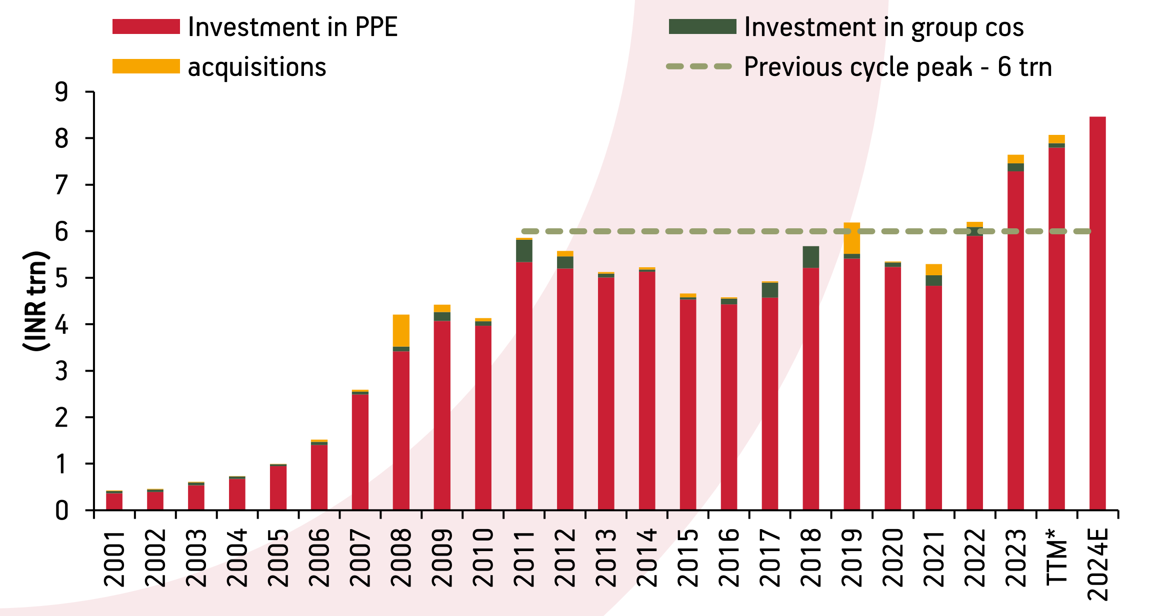
Discretionary Consumption

Private Banks/NBFCs

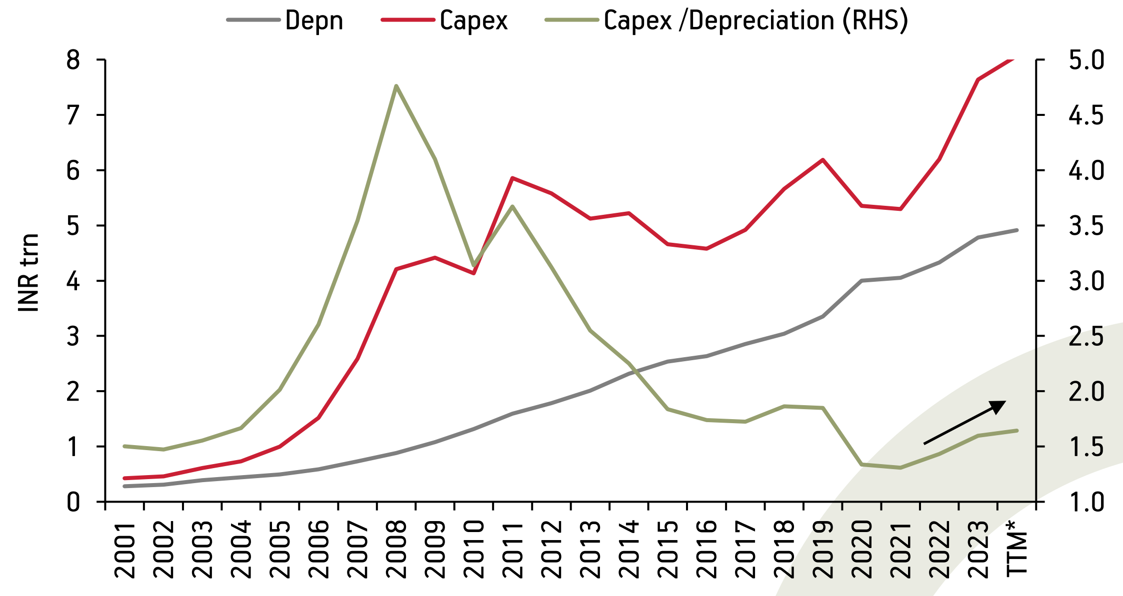
Digital

Private Capex Has Started Picking Up And The Capex Cycle Is Turning Broad-based

Listed space corporate capex clearly breaking out of the previous capex cycle peak of ~INR 6trn



Capex has begun to depart from depreciation line - indicating start of the transition from 'maintenance capex to discretionary capex'



- On a TTM-basis, listed corporate capex stood at INR 8.1 trn (17% YoY) driven by old-economy sectors (energy, metals, utilities, telecom, auto, industrials etc.).
- Capex/depreciation ratio (1.65x) is rising from a two-decade bottom and has a long way to go before it reaches the cycle's peak of ~4.8x.

Source: ICICI Securities, ABSLAMC Research

On-the-Ground Investments Are Giving Increased Confidence of a Pick-Up in Private Capex

Investment Intentions

- Investment intentions in the manufacturing sector are highest on record, with announcements made in past two years equal to those made in the previous five years.

New-age Sectors

- Investments being seen in new-age sectors (Renewables, EVs, Data Centres, Semiconductors) in addition to traditional ones like Mobiles & Electronics and Auto.

India Becoming An Export Hub

- India is becoming an export hub for diverse sectors such as Mobile and Electronics, Auto components, Textiles, Tiles, etc.
- Apple Inc. will be scaling up production in India by over five-fold to around $40 billion in the next 4 to 5 years
- Walmart is already importing $3 bn worth of goods from India and has set a target of importing $10 bn by 2027
- Tesla is sourcing $1 bn of auto parts (2% of its COGS) from India each year and aims to double sourcing from India to $1.9 bn.

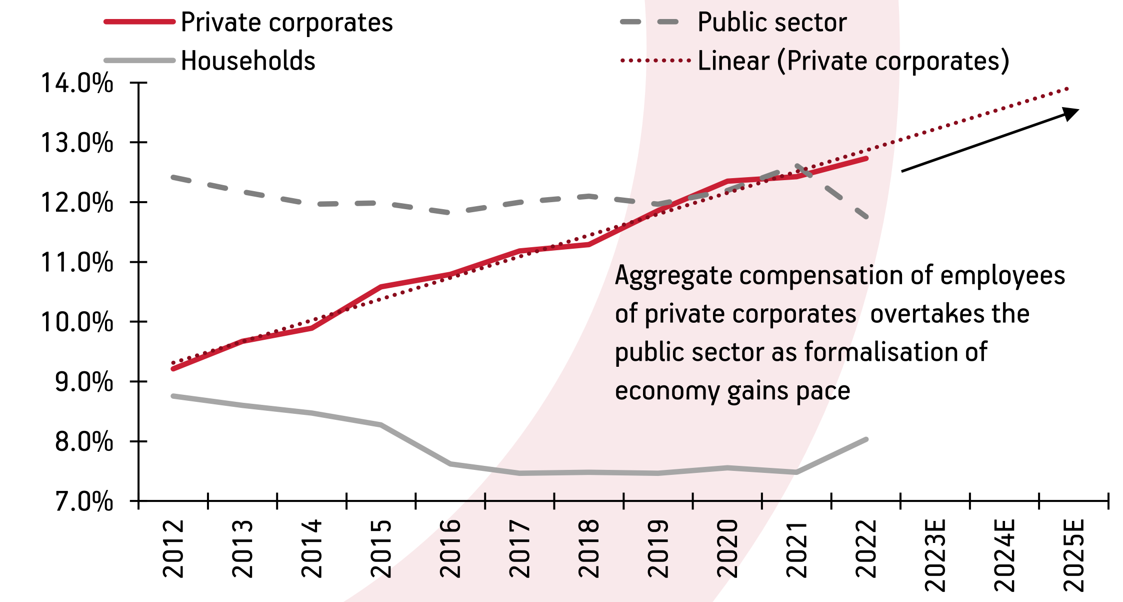
Infrastructure as an Enabler

- Decade of strong Government Capex is driving India's infrastructure and is an enabler fueling private investments.
- Objective is to lower logistics costs to 8% of GDP, making Indian products more cost-effective and globally competitive.
- Case in point is the improvement in Rail infrastructure which is leading to improved logistics efficiency.

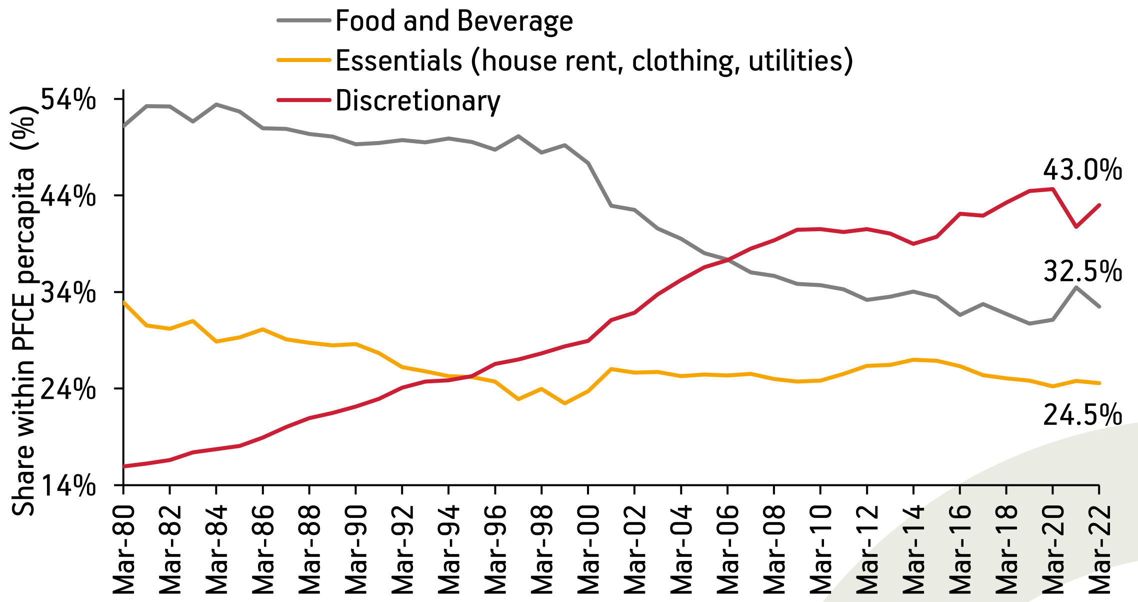
Source: ABSLAMC Research

Economic Formalization and Wage Growth Boost: A Surge in Disposable Incomes has driven higher discretionary consumption

Aggregate private corporate sector wage bill in the economy on a structural uptrend (numbers expressed in terms of % of GDP)



Wallet share of discretionary categories has been rising structurally while essentials lose share



- Compensation of employees in the private corporate sector at Rs 30 trn has exceeded that of the public sector for the first time, driven by twin effects off robust wage growth for existing employees and new additions to the formal workforce.
- India's share of working-age population is rising and is set to see a long plateau at a high level over the next two decades, implying rising incomes per household and higher discretionary consumption. Gen Z and Millennials account for half of India's population and lifestyle spending will rise as they enter their prime earning years.
- Discretionary consumption is still below its pre-Covid peak while Food and Beverage spend is still above pre-Covid levels indicating the impact of high inflation on affordability. With inflation on a declining trend, we should see a pickup in discretionary consumption.

Source: ICICI Securities, ABSLAMC Research

A Surge in Disposable Incomes has driven higher discretionary consumption

Indian Apparel market projected to grow to ~Rs 7 trillion by FY25

- Aspiration driven demand by youth is fueling the growth of the Apparel industry.
- Increase in number of working women, design innovation, and culture of mix and match in apparels across gender (Ethnic, Western, Fusion) are additional drivers.

QSR market is projected to grow at a 15% CAGR to $11 bn by FY30

- Per capita spend on food services at USD 122 and share of Chain QSR to total food services market at 4% are one of the lowest in India.
- Changing consumer dynamics and spending power paired with increasing market proliferation of QSR brands in India is expected to continue to boost the food services sector's growth.

Penetration of Consumer Durables is expected to rise

- Penetration of Consumer Durables is very low in India, but they are increasingly seen as necessities than luxuries.

Premiumization in Auto – Upwardly Mobile India

- Share of Premium Passenger Vehicle have doubled in last few years.
- Increased adoption of premium features.

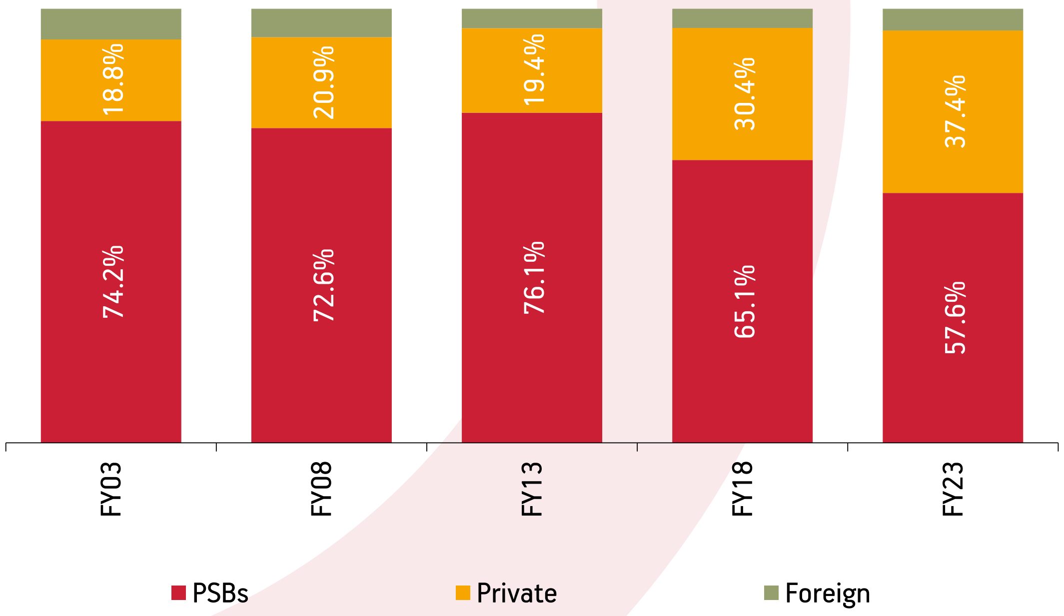
Spending on Travel and Tourism is a on a rise

- Spending by Indian Tourist on foreign travel & transport has risen to US$ 26 billion.
- Share of five star and above hotels has increased to 21% of total properties and 60% of total rooms.

Source: ABSLAMC Research

Private Banks Have Gained Market Share; Opportunity is to grow the pie as credit growth increases

Loan market share – Pvt banks are gaining share consistently



Deposit Market share- Private Banks stepping up branch expansion to gain market share

- Although Private Banks have been consistently gaining share against PSU Banks, easy wins may be over and incremental profits will be linked to economic growth
- Value migration of Deposits and Loans – Bigger migration has already happened from PSU Banks to Pvt Banks
- Incrementally, in this decade, PSU banks are also positioned well to compete with private banks as cleaned balance sheet and better capital adequacy v/s the past decade
- With stable economic growth, opportunity is to grow the pie as credit growth increases.

Source: RBI, Companies, ABSLAMC Research

Banks are well-positioned to grow the pie with higher credit growth

Banks are well-positioned: Strong Capital Buffers and Growing Industrial Credit Demand

- Manufacturing companies have deleveraged. Major bank balance sheets are well capitalized
- For the overall corporate sector, leverage is now at a 16-year low which sets up Indian corporates for a capex cycle going forward.
- We expect consumer retail lending to consolidate over the next few years whilst remaining confident on a longer-term aspect. Meanwhile, corporate lending should improve as capex opportunities continue to improve in the private space. As a result, SME and commercial retail lending are also likely to do well over the next few years.

Private Banks Gaining market share not just in loans and deposits but also in Operating Profits despite higher investment opex

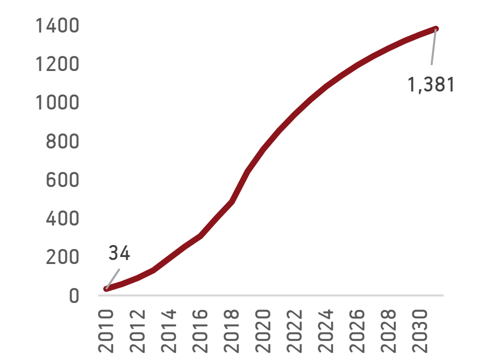
- Operating Profit market share – Higher NIMs & better free income traction leading to market share gains for private banks.
- Operating Expenses trends - Increasing investment towards branch expansion & tech/digital investments leading to rising Opex for private banks
- In the last few years underlying earnings quality for PSBs improved significantly and various PSB's now looks well positioned to sustainably deliver 1% RoA
- However, private banks with higher NIMs, faster loan growth and various fee income levers will still continue to clock higher core operating profits and gain market share from PSBs.

Source: ABSLAMC Research

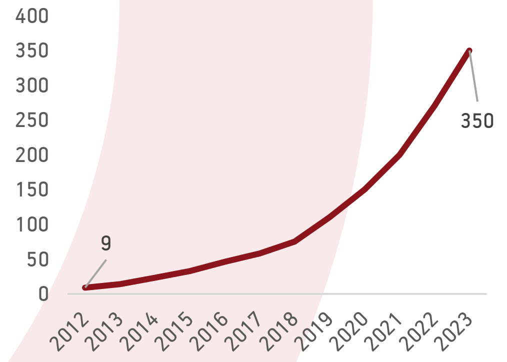
India Stack has led to a Tech Revolution

Over the last decade, India has seen an unparalleled growth in Tech, right from Digital Identification, E-commerce to Digital Lending!

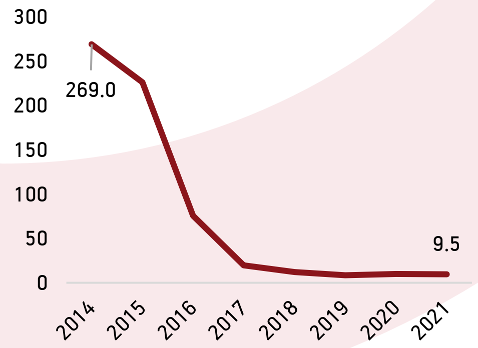
No. of Smartphone Users in India (in Millions)



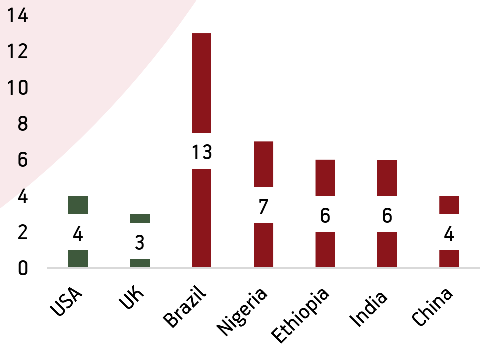
The Rise of Digital Lending in India (in US $ Billions)



Cost Per GB of Data (in Rs)



Increase in economic value from digital ID adoption in each country by 2023, (%of GDP)



Access to Internet
2.79 to 0.13 $/GB data tariff reduction

Empowerment
Over last decade, bank account ownership in India more than doubled, to 78% in 2021!

Access to smartphones
659 Mn Smartphone users till 2022
1.14 Bn Telecom subscribers in 2022

Ease in Verification & engagement
From $23 to $0.15 decrease in cost of KYC
390 Mn users engaged in Social Media

UPI
INR 14.05 Trillion - monthly real-time mobile payments in 2023!

Aadhar ID
Over 99% adults today in India have Digital ID

Source: : India Stack; Statista https://www.worldbank.org/en/publication/globalfindex; https://www.livemint.com/news/india/big-boost-for-uidai-today-99-of-indian-adult-population-holds-aadhaar-card-11624939991372.html

IT exports should see a revival on the back of Large deal wins, Digitization, AI Spending and improving macro backdrop

Large Deal Wins

- Indian IT services companies saw record deal wins in Q2FY24 at $29.3 bn (+40% QoQ). These deal wins are expected to contribute to revenue growth FY25 onwards.

Digitization Journey

- Enterprises are still early in their digitization journey with only 40% of the workloads moved to cloud (of this only 20% are modernized)
- Only 1/3rd of the clients have modernized their ERP systems, and less than 10% clients are mature in Data & AI.
- This is expected to pick up pace as clients get their data infrastructure ready to implement AI/Generative AI.

AI Spending

- With AI promising high efficiency gains for enterprises, they are expected to move from Proof of Concept stage to actual implementation of use cases. The spending on Generative AI focused IT services is expected to increase from $8.7 bn in 2023 to ~$43.2 bn in 2028.

Improving Macro

- A dovish FOMC has reduced the uncertainty being faced by enterprises that made them reduce their spending and go in a wait-and-watch mode and we may see increased spending by enterprises on technology projects.
- The discussions around projects which were delayed/scrapped may revive for CY24 leading to increased tech budgets. Gartner has forecasted a 10.4% rise in IT services spending for CY24. An improving macro may also revive discretionary spending thus fixing the leaky bucket issues

Source: ABSLAMC Research

Asset Allocation

Asset Allocation: Goldilocks Priced In Warranting Moderation Across Asset Classes

Asset Class	Expected Return For CY24	Comments
Equity	10-15%	• In CY23, risk was rewarded disproportionately, and we saw a strong rally in Equity markets. Markets may consolidate in the near term and returns in CY24 are likely to moderate. • While largecap valuations are still at just ~5% premium to the long-term average, mid-and-smallcap valuations are elevated. Markets are likely to be polarized with fewer sectors and stocks participating. • Key short-term risks are lower-than-expected growth (since a soft landing is priced in) and lower-than-expected rate cuts (which can lead to deflation in asset prices). • However, we continue to remain optimistic in the med-to-long term with Nifty earnings CAGR expected to be in the low-to-mid teens over the next three years. • Investors should take measured allocation to equities with largecaps preferred over mid-and-smallcaps. Target equity allocation in an investor's portfolio can be close to the median level.

Source: ABSLAMC Research

Asset Allocation: Goldilocks Priced In Warranting Moderation Across Asset Classes

Asset Class	Expected Return For CY24	Comments
Fixed Income	8 – 9%	• Overall constructive view as real rates are at elevated levels, inflation is trending down, expectation of fiscal consolidation and Global Bond index related inflows . Capital gains likely even as accrual returns should stay elevated. Active management will be the theme to capture opportunities. • Together with its low volatility and negative correlation, fixed Income is low volatility product. We believe fixed income can give reasonably good returns in CY24 and besides asset diversification reasons, one can increase allocation to fixed income for tactical allocation.
Gold	5-10%	• Decline in real yields and Dollar depreciation should be supportive for Gold. • Continuing geopolitical risks should also support demand for gold as a hedge. • However, upside could be limited as these factors have been largely priced in. • In addition, gold has already seen a rally. Demand for physical gold from Central banks and retail deteriorating on prices above $2,000/oz.

Source: ABSLAMC Research

Product Offerings - Equity

Investor type	Fund	Suggested Mode
Conservative Investors	Aditya Birla Sun Life Balanced Advantage Fund	Lumpsum
	Aditya Birla Sun Life Multi Asset Allocation Fund	Lumpsum
	Aditya Birla Sun Life Frontline Equity Fund	SIP
Moderate investors	Aditya Birla Sun Life Flexi Cap Fund	SIP
	Aditya Birla Sun Life Equity Advantage Fund	SIP
	Aditya Birla Sun Life GenNext Fund	SIP
Aggressive investors	Aditya Birla Sun Life Business Cycle Fund	Opportunistic
	Aditya Birla Sun Life Pure Value Fund	Opportunistic
	Aditya Birla Sun Life Digital India Fund	Opportunistic
	Aditya Birla Sun Life Small Cap Fund	SIP
All-rounder	Aditya Birla Sun Life Arbitrage Fund	Lumpsum

Product Offerings – Fixed Income

Investment Horizon	Fund Proposition
1 - 3 Months	Aditya Birla Sun Life Savings Fund and Aditya Birla Sun Life Money Manager Fund
3 Months +	Aditya Birla Sun Life Low Duration Fund and Aditya Birla Sun Life Floating Rate Fund
6 Months+	Aditya Birla Sun Life Banking & PSU Debt Fund, Aditya Birla Sun Life Corporate Bond Fund or Aditya Birla Sun Life Short Term Fund
Tactical Allocation (1 Yr+) Open Ended Fund	Aditya Birla Sun Life Income Fund or Aditya Birla Sun Life Long Duration Fund
Tactical Allocation (1 Yr+) Target Maturity Fund	Aditya Birla Sun Life CRISIL IBX GILT April 2033 Index Fund
Global Fixed Income Allocation	Aditya Birla Sun Life US Treasury 3-10 Year ETFs FOF

What is the Big Story regarding the transition in the Indian Household Asset Allocation?

India - Household Asset Allocation Trend

		Financial Assets (%)						Physical Assets (%)		
	Total Assets (Rs Trn)	Equities	Cash	Bank Deposits	Provident & Pension funds	Insurance funds	Subtotal: Financial Assets (%)	Gold	Property	Subtotal: Physical Assets (%)
Mar'08	**149**	4.2	3.5	15.8	5.2	5.2	**34.0**	12.7	53.3	**66.0**
Mar'13	**336**	2.2	3.2	14.4	4.1	5.3	**29.2**	17.6	53.2	**70.8**
Mar'18	**532**	3.8	3.1	15.3	5.1	6.1	**33.4**	12.5	54.1	**66.6**
Mar'23	**914**	4.7	3.4	13.8	5.9	6.0	**33.8**	15.5	50.8	**66.2**

- In India, physical assets still constitute 2/3rd of the household asset allocation while Financial Assets only constitute 1/3rd.
- Even with the ongoing financialization of savings, Equity is still less than 5% of total assets.
- **FDs and Cash still constitute half of the Financial Assets.**
- **Allocation to Cash is ~75% of the allocation to Equities.**

Source: Jefferies, ABSLAMC Research

Comparison: USA - Household Asset Allocation Trend

CY Ended	Bank Deposits	Insurance	Pension Fund	Fixed Income	Equity	Subtotal: Financial Assets	Real Estate	Subtotal: Physical Assets
1950	11%	5%	9%	7%	42%	75%	25%	25%
1970	14%	3%	18%	5%	34%	74%	26%	26%
1990	13%	2%	21%	8%	22%	66%	34%	34%
2010	9%	2%	25%	8%	27%	72%	28%	28%
2020	10%	1%	21%	5%	36%	74%	26%	26%
2022	10%	1%	18%	5%	35%	69%	31%	31%

Till 1990, allocation to Financial Assets in the US was on a declining trend. However, after 1990, there has been a reversal with allocation to Financial Assets increasing. Equity investment culture picked up when regulatory changes were undertaken in the US to allow retirement funds to invest in listed equities.

Financial Assets now constitute 70-75% of the household assets while Physical Assets constitute 25-30%.

Equity accounts for almost 1/3rd of the total Household Assets.

This implies that as the Indian economy grows, there is significant headroom for increasing Financial Assets, especially Equity, in India.

Source: Morgan Stanley, ABSLAMC Research

India - Nominal and Real Returns for Asset Classes by 5 and 10 year rolling periods

		Nominal Return		Real Return
Period (yrs)	Asset Class	Mean	Std Dev	% of time Negative
5 Yr	Equity	12.6	9.7	27.8
	Gold	9.5	8.4	35.9
	Real Estate	8.7	4.7	30.3
	Bonds	8.6	1.0	25.5
	FD	7.7	0.9	28.3
10 Yr	Equity	13.3	4.7	11.7
	Gold	10.5	5.2	22.1
	Real Estate	8.8	1.8	
	Bonds	8.7	0.4	
	FD	7.8	0.4	27.8

Equity
- Strong performance in all rolling periods (12.5 – 13.5%).
- On a 10-yr horizon, real returns are negative only 12% of the time indicating their resilience.

FD
- Lowest return in all rolling periods (7.8%).
- On a 10-yr horizon, real returns are negative 28% of the time indicating the high opportunity cost of keeping savings in FDs.

Source: '*Asset Returns in India: A Historical Survey, 2023; Inflation's Shadow*' published by Rajan Raju and Mallika Raju in Nov 2023 (SSRN-id4641106)

The investment avenues are not comparable, investment in FD is a lot safer than investments in Equity.

Illustration: Impact on Household Wealth Creation Over Time (Historical)

Opportunity cost of holding FD and Cash in Household Assets												
		Historical Allocation	Scenario: 1 Portfolio ex Property split between Equity and Bonds as 70:30				Scenario 2: Portfolio ex Property split between Equity, Bonds, Gold as 70:20:10					
Time Period	**Description**	**Total Household Assets**	**Property**	**Equity**	**Bonds**	**Total Household Assets**	**Property**	**Equity**	**Bonds**	**Gold**	**Total Household Assets**
5-Yr	Portfolio Value in 2018 indexed to 100	100	54	32	14	100	54	32	9	5	100
	% Allocation at Start		54%	32%	14%		54%	32%	9%	5%	
	5-yr nominal rolling return (%)		8.7%	12.6%	8.6%		8.7%	12.6%	8.6%	9.5%	
	Portfolio Value today - 2023	150	82	58	21	161	82	58	14	7	161
	Portfolio CAGR	**8.5%**				**10.0%**					**10.0%**
	Portfolio Value (Rs Trn)	**801**				**855**					**857**

If the household allocation ex Property would have been split as 70:30 Equity:Bond or 70:20:10 Equity:Bond:Gold, the overall portfolio would have delivered a CAGR of 10% over 5 years versus 8.5% for the historical allocation.

FD and Cash, which constitute 18% of historical household asset allocation, have led to a drag of 1.5% in the 5-yr portfolio CAGR or a loss of ~Rs 55 trn in investor wealth over the past 5 years. This is the opportunity cost of holding cash and keeping savings in FDs.

Investors would be better off shifting part of their FD and Cash to Equity and Bonds.

Source: ABSLAMC Research

With a growing economy, ongoing financialization of savings, and strong performance of Equity, we could see a shift from FDs to Equity

Equity % of Total Household Assets could potentially double to 10% over next 10 years

(Rs trn)	Nominal GDP	Total Assets	Assets /GDP (x)	Equity %	Equity
Mar'08	49	149	3.0	4.2	6
Mar'13	99	336	3.4	2.2	7
Mar'18	171	532	3.1	3.8	20
Mar'23	272	914	3.4	4.7	43
Mar'28P	469	1,576	3.4	7.5	118
Mar'33P	809	2,715	3.4	10.0	272

Key Assumptions

- The nominal growth in INR terms has been 10.6% for the last 10 years and 12.8% in the previous 20 years. With a supportive macro backdrop, a positive cycle emerging over the next 10 years could see sustained double-digit growth in nominal GDP. We have assumed 11.5% CAGR over next 10 years.
- Assets/GDP is assumed to sustain at current 3.4x.
- Equity % of Total Household Assets can be expected to double over the next 10 years to 10%. This implies an increase of 0.5% per year, similar to what was seen in the US over the past 30 years.
- This would take Equity Assets to ~Rs 275 trn. While half of these assets could be accounted for by growth in the existing stock of Equity, the other half could be driven by the shift from FDs to Equity gradually over the next decade along with the associated growth over the next decade.

Source: ABSLAMC Research

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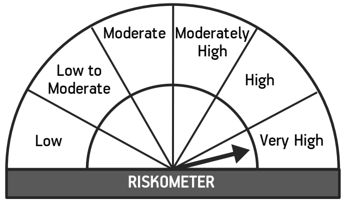
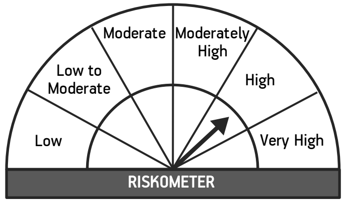
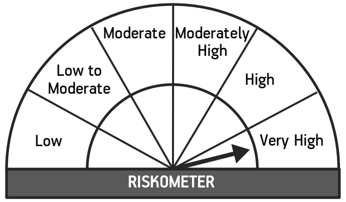
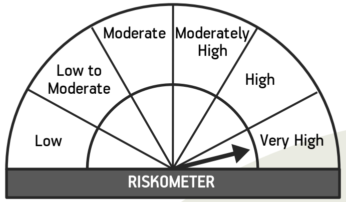
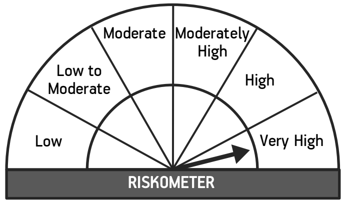
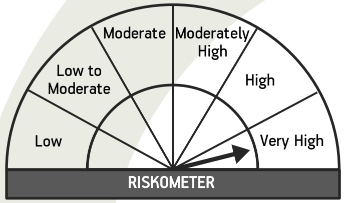
Product Labeling Disclosures

Scheme Name	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
Aditya Birla Sun Life Balanced Advantage Fund (An open ended Dynamic Asset Allocation fund)	• Capital appreciation and regular income in the long term • Investment in equity & equity related securities as well as fixed income securities (Debt & Money Market securities)	 Investors understand that their principal will be at Low to Very risk	CRISIL Hybrid 50+50 - Moderate Index  Investors understand that their principal will be at High risk
Aditya Birla Sun Life Multi Asset Allocation Fund An open ended scheme investing in Equity, Debt and Commodities.	• Long term capital appreciation • Investment in equity and equity related securities, debt & money market instruments and Commodities.	 Investors understand that their principal will be at Low to Very risk	65% S&P BSE 200 + 25% CRISIL Short Term Bond Index + 5% of Domestic prices of Gold + 5% of Domestic prices of Silver  Investors understand that their principal will be at Low to Very risk
Aditya Birla Sun Life Frontline Equity Fund (An Open ended equity scheme predominantly investing in large cap stocks)	• Long term capital growth • Investments in equity and equity related securities, diversified across various industries in line with the benchmark index, Nifty 100 TRI	 Investors understand that their principal will be at Low to Very risk	Nifty 100 TRI  Investors understand that their principal will be at Low to Very risk

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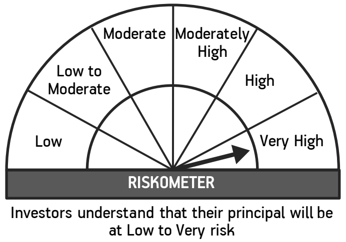
Product Labeling Disclosures

<table>
<tr><th>Scheme Name</th><th>This product is suitable for investors who are seeking*:</th><th>Riskometer</th><th>Benchmark Riskometer</th></tr>
<tr><td>Aditya Birla Sun Life Flexi Cap Fund
(An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks)</td><td>• Long term capital growth
• Investments in equity and equity related securities</td><td>
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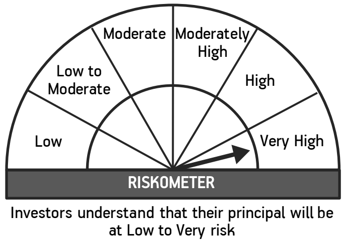
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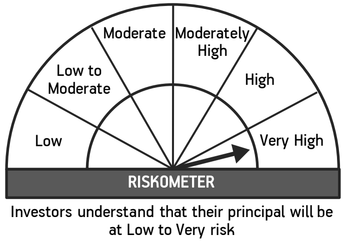
• Investments predominantly in equity and equity related securities as well as debt and money market instruments</td><td>
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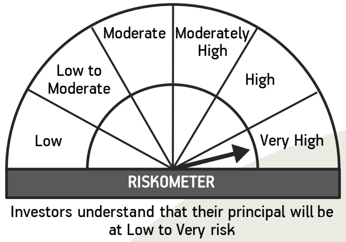
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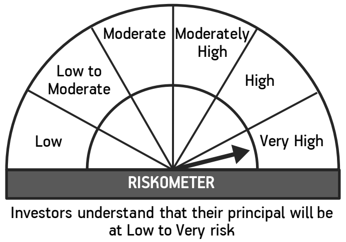
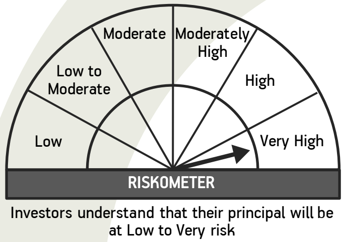
<tr><td>Aditya Birla Sun Life India GenNext Fund
(An open ended equity scheme following Consumption theme)</td><td>• Long term capital growth
• Investments in equity and equity related securities of companies that are expected to benefit from the rising consumption patterns in India fuelled by high disposable incomes</td><td>
</td><td>NIFTY India Consumption TRI

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<tr><td colspan="4">*Investors should consult their financial advisors if in doubt whether the product is suitable for them.</td></tr>
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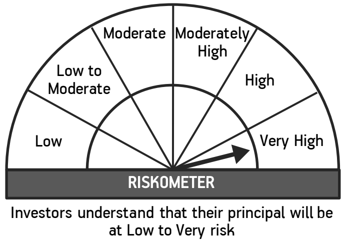
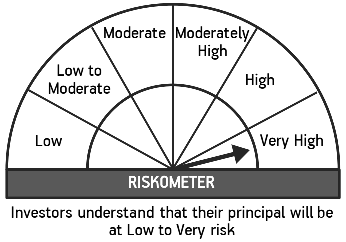
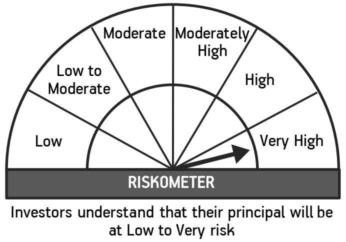
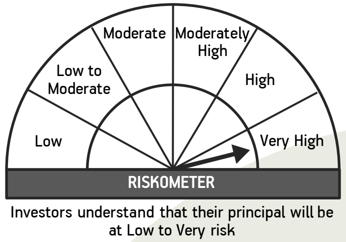
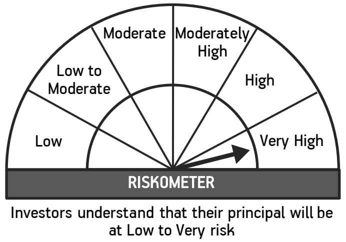
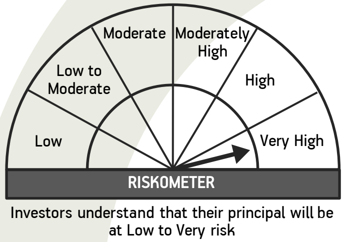
Product Labeling Disclosures

Scheme Name	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
Aditya Birla Sun Life Business Cycle Fund (An open ended equity scheme following business cycles based investing theme)	• Long term capital appreciation • An equity scheme investing in Indian equity & equity related securities with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles in the economy		S&P BSE 500 TRI 
Aditya Birla Sun Life Pure Value Fund (An open ended equity scheme following a value investment strategy)	• Long term capital growth • Investments in equity and equity related securities by following value investing strategy		Nifty 500 TRI 
Aditya Birla Sun Life Digital India Fund (An open ended equity scheme investing in the Technology, Telecom, Media, Entertainment and other related ancillary sectors)	• Long term capital growth • Investments in equity and equity related securities with a focus on investing in IT, Media, Telecom related and other technology enabled companies		S&P BSE Teck TRI 
*Investors should consult their financial advisors if in doubt whether the product is suitable for them.			

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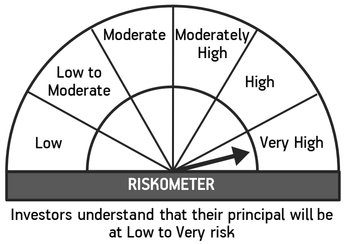
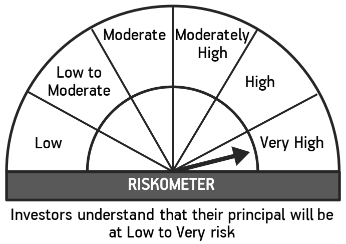
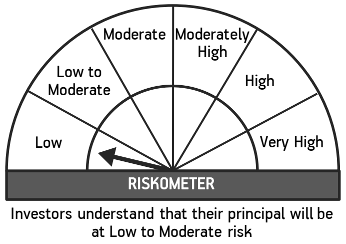
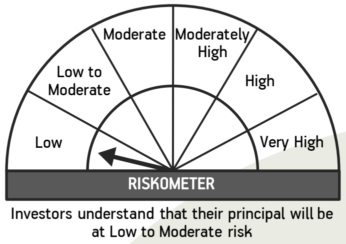
Product Labeling Disclosures

Aditya Birla Sun Life AMC Ltd.

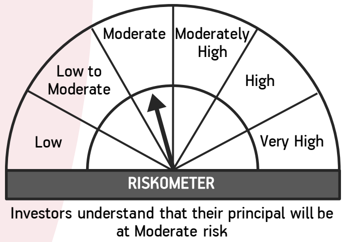
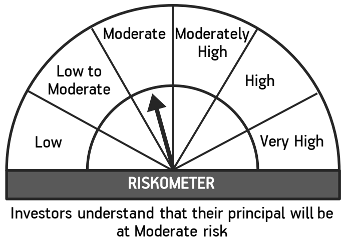
ADITYA BIRLA CAPITAL

Scheme Name	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
Aditya Birla Sun Life Small Cap Fund (An open ended equity scheme predominantly investing in small cap stocks)	• Long term capital growth • Investments primarily in small cap companies		S&P BSE 250 SmallCap TRI 
Aditya Birla Sun Life Arbitrage Fund (An open ended scheme investing in arbitrage opportunities)	• Income over short term • Investments in equity and equity related securities including derivatives for taking advantage from the price differentials/mis-pricing prevailing for stock/index in various segments (Cash & Futures)		Nifty 50 Arbitrage Index 
*Investors should consult their financial advisors if in doubt whether the product is suitable for them.			

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023.

Aditya Birla Sun Life Savings Fund

(An open ended ultra-short term debt scheme investing in instruments such that Macaulay duration of the portfolio is between 3 months and 6 months . A moderate interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Reasonable returns with convenience of liquidity over short term • Investments in debt and money market instruments.		NIFTY Ultra Short Duration Debt Index B-I 

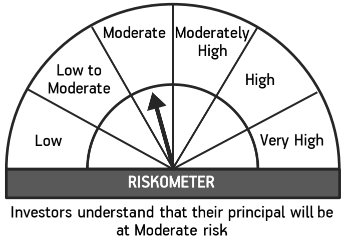
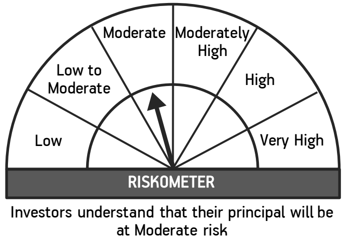
Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Aditya Birla Sun Life Money Manager Fund

(An open-ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Reasonable returns with convenience of liquidity over short term • Investments in debt and money market instruments with maturity of upto 1 year		NIFTY Money Market Index B-I 

Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)		B-I	
Moderate (Class II)			
Relatively High (Class III)			

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023. As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

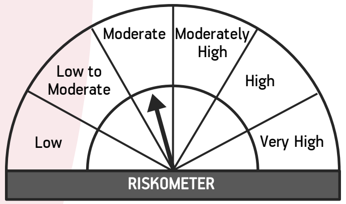
Aditya Birla Sun Life Low Duration Fund

(An open ended low duration debt scheme investing in instruments such that Macaulay duration of the portfolio is between 6 months and 12 months. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:

- Reasonable returns with convenience of liquidity over short term
- Investments in a basket of debt and money market instruments of short maturities

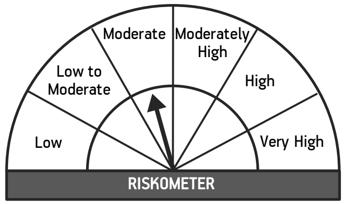
Riskometer



Investors understand that their principal will be at Moderate risk

Benchmark Riskometer

CRISIL Low Duration Debt B-I Index



Investors understand that their principal will be at Moderate risk

Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

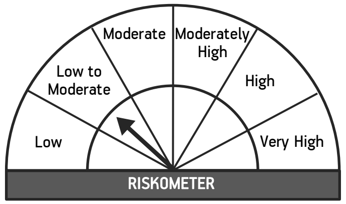
Aditya Birla Sun Life Floating Rate Fund

(An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps /derivatives. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:

- Income with capital growth over short term
- Investments in a mix of fixed and floating rate debt and money market instruments

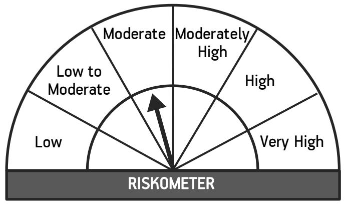
Riskometer



Investors understand that their principal will be at Low to Moderate risk

Benchmark Riskometer

CRISIL Low Duration Debt Index



Investors understand that their principal will be at Moderate risk

Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023. As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

Product Labeling Disclosures

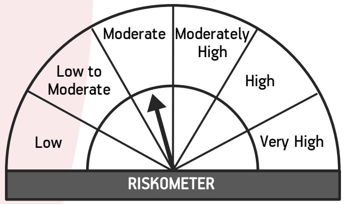
Aditya Birla Sun Life Banking & PSU Debt Fund

(An open ended debt scheme predominantly investing in debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:

- Generation of reasonable returns and liquidity over short term
- Investment primarily in securities issued by Banks, Public Sector Undertakings and Public Financial Institutions in India

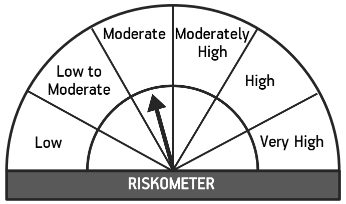
Riskometer



Investors understand that their principal will be at Moderate risk

Benchmark Riskometer

Nifty Banking & PSU Debt Index



Investors understand that their principal will be at Moderate risk

Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

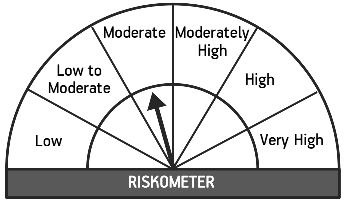
Aditya Birla Sun Life Corporate Bond Fund

(An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively highinterest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:

- Income with capital growth over short term
- Investments in debt and money market instruments

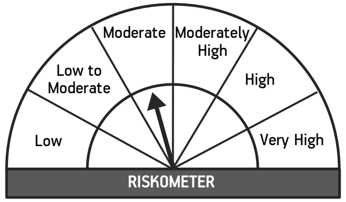
Riskometer



Investors understand that their principal will be at Moderate risk

Benchmark Riskometer

NIFTY Corporate Bond Index B-II



Investors understand that their principal will be at Moderate risk

Potential Risk Class Matrix

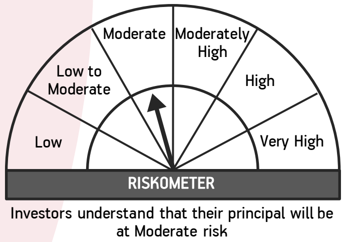
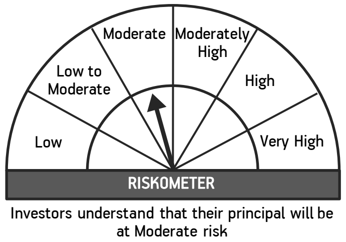
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023. As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

Aditya Birla Sun Life Short Term Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1-3 years. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Income with capital growth over short term • Investments in debt and money market instruments		NIFTY Short Duration Debt Index B-II 

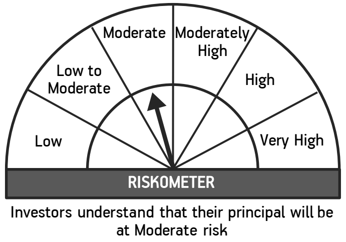
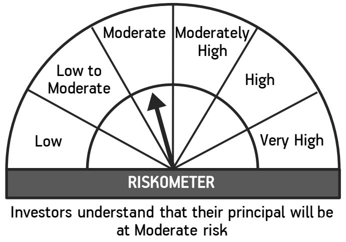
Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Aditya Birla Sun Life Income Fund

(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 4-7 years. A relatively high interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Income with capital growth over medium to long term • Investments in a combination of debt and money market instruments		CRISIL Medium to Long Duration Debt A-III Index 

Potential Risk Class Matrix

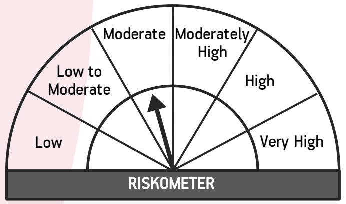
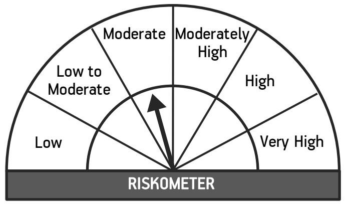
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023. As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

Aditya Birla Sun Life Long Duration Fund

(An open ended debt scheme investing in instruments with Macaulay duration greater than 7 years. A relatively high interest rate risk and relatively low credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Income over long term • Investment in Debt & Money Market Instruments with portfolio Macaulay duration of greater than 7 years.	Investors understand that their principal will be at Moderate risk	NIFTY Long Duration Debt Index A-III Investors understand that their principal will be at Moderate risk

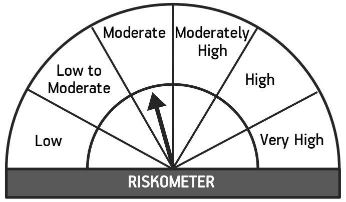
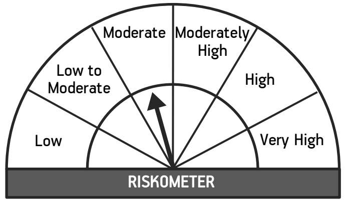
Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Aditya Birla Sun Life CRISIL IBX GILT APR 2033 Index Fund

(An open ended Target Maturity Index Fund tracking the CRISIL IBX Gilt Index – April 2033. A relatively high interest rate risk and relatively low credit risk.)

This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
• Income over the target maturity period • Open ended Target Maturity Index Fund that seeks to track CRISIL IBX Gilt Index – April 2033	Investors understand that their principal will be at Moderate risk	CRISIL IBX Gilt Index – April 2033 Investors understand that their principal will be at Moderate risk

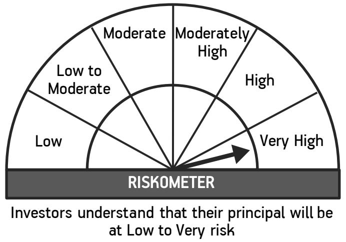
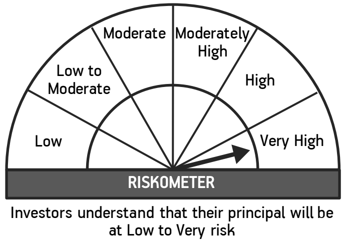
Potential Risk Class Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023. As per SEBI Circular dated, June 07, 2021; the Potential risk class (PCR) matrix based on interest rate risk and credit risk.

Product Labeling Disclosures

Scheme Name	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer
Aditya Birla Sun Life US Treasury 1–3 year Bond ETFs Fund of Funds An open ended fund of funds scheme investing in units of ETFs focused on US Treasury Bonds having maturity between 1-3 Years.	• Long term capital appreciation • Investment in the units of ETFs focused on US Treasury Bonds having maturity between 1-3 Years		Bloomberg US Treasury 1-3 Year Index 

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Please note that the Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis. The above riskometer are as on 31st Dec 2023.

Thank You