

Fortifying your wealth with moat based investing

Bajaj Finserv Large and Mid Cap Fund

(An open ended equity scheme investing in both large cap and mid cap stocks)

The **Economic Moats** safeguard businesses by shielding them from competitors, preserving their market share, and ensuring the long-term sustainability of profits.

MOATS

June 2024



Management	Cost Advantages	Network Effects	Efficient scale	Switching Cost	Intangible Assets Patent	Intangible Assets Brand	Intangible Assets Regulation
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Company Name	Moat	% of NAV	Company Name	Moat	% of NAV
HDFC Bank Limited		5.02%	AIA Engineering Limited		1.47%
ICICI Bank Limited		4.14%	Page Industries Limited		1.47%
Reliance Industries Limited		4.07%	SBI Life Insurance Company Limited		1.44%
State Bank of India		3.13%	Grindwell Norton Limited		1.42%
Bharti Airtel Limited		3.02%	Vedant Fashions Limited		1.42%
ABB India Limited		2.39%	Biocon Limited		1.39%
Tata Consultancy Services Limited		2.25%	Honeywell Automation India Limited		1.39%
UNO Minda Limited		2.21%	Hindustan Unilever Limited		1.38%
Sun Pharmaceutical Industries Limited		2.14%	Linde India Limited		1.36%
Larsen & Toubro Limited		2.11%	Glenmark Pharmaceuticals Limited		1.30%
Nestle India Limited		2.10%	The Phoenix Mills Limited		1.28%
The Great Eastern Shipping Company Limited		2.05%	Oberoi Realty Limited		1.27%
Divi's Laboratories Limited		2.04%	Tata Communications Limited		1.22%
Siemens Limited		2.02%	The Indian Hotels Company Limited		1.21%
Timken India Limited		2.02%	JSW Steel Limited		1.19%
Voltas Limited		1.95%	UltraTech Cement Limited		1.19%
United Breweries Limited		1.90%	Trent Limited		1.08%
ITC Limited		1.88%	Vinati Organics Limited		1.08%
Titan Company Limited		1.84%	Abbott India Limited		1.00%
Tata Consumer Products Limited		1.79%	Sanofi India Limited		0.96%
Emami Limited		1.77%	ICICI Lombard General Insurance Company Limited		0.90%
Deepak Nitrite Limited		1.75%	Multi Commodity Exchange of India Limited		0.90%
PI Industries Limited		1.71%	PVR INOX Limited		0.79%
Balkrishna Industries Limited		1.70%	Schneider Electric Infrastructure Limited		0.62%
Info Edge (India) Limited		1.65%	Motherson Sumi Wiring India Limited		0.51%
Jubilant Foodworks Limited		1.64%	The Federal Bank Limited		0.49%
ZF Commercial Vehicle Control Systems India Limited		1.59%	Muthoot Finance Limited		0.47%
Havells India Limited		1.54%	Solar Industries India Limited		0.45%
Hindustan Aeronautics Limited		1.51%	CRISIL Limited		0.32%

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These 8 color boxes represent each Moat and the boxes after each company's name represent its presence in that particular Moat wherever applicable. We have also shown % to Net Assets for each company. Data as on 31st May 2024.

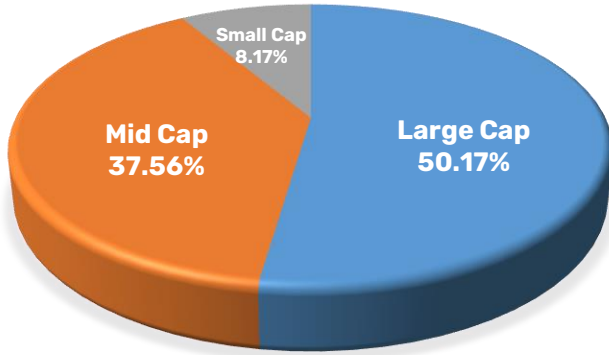
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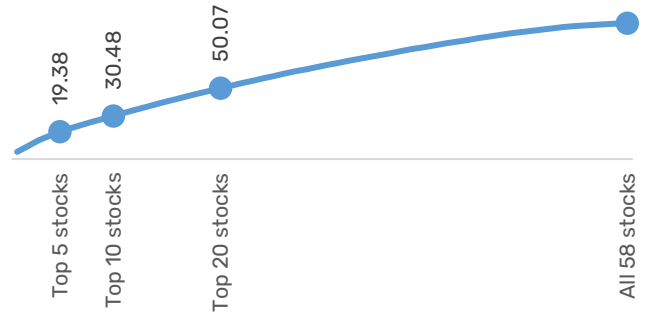
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Portfolio Snapshot

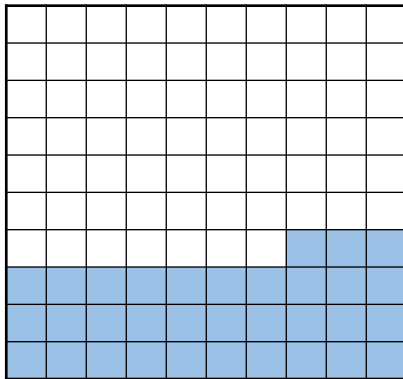
Market Cap Breakup



Stock Concentration (%)

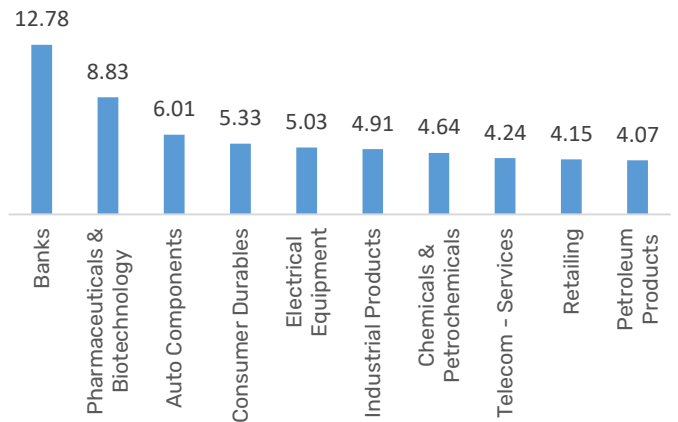


Portfolio Active Share

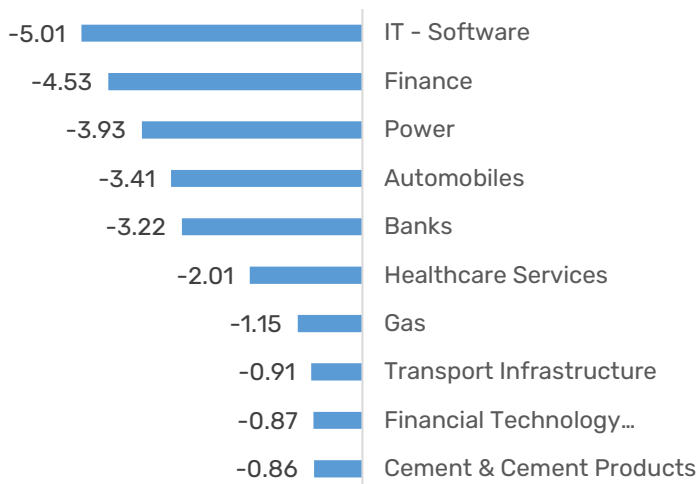


Active Share (67%)
Portfolio overlap (33%)

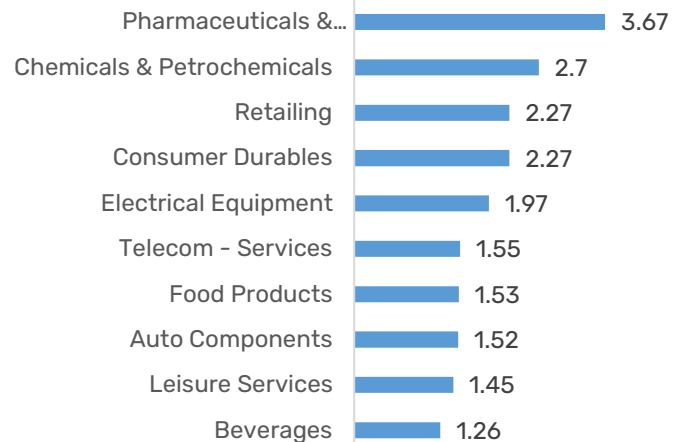
Top 10 Industries (%)



Top 10 Underweight Industries (%)



Top 10 Overweight Industries (%)



All data as on 31st May 2024. Active Share, Top 5 Overweight and Top 5 Underweight is calculated vis-a-vis Scheme Benchmark i.e. Nifty Large Midcap 250 TRI

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Sector Allocations Analysis:

The highest allocations are observed in sectors with significant growth potential, regulatory stability, and competitive advantages. Notably, Financial Services (16.81%), Capital Goods (12.84%) and Fast Moving Consumer Goods (10.82%) represent core focuses aimed at leveraging domestic demand, market opportunities, industry expertise, and favorable economic conditions.

Moat Allocation Analysis:

Intangible Assets - Brands (35.69%): The substantial allocation to Intangible Assets - Brands reflects our strategic emphasis on brand recognition and value as key drivers of revenue and market competitiveness in B2C segments. Brands play a crucial role in influencing consumer preferences, loyalty, and market positioning.

Consumer Durables (5.33%): The substantial allocation reflects the importance of brand value in driving consumer preferences and market share. Consumer durables heavily rely on brand perception, product aesthetics, reliability, and after-sales services to maintain competitive positions. Likewise, the allocation in the Consumer Services (7.00%) indicates the significance of brand recognition but is balanced with other competitive moats such as service quality, customer experience, and pricing strategies. The significant allocation of 10.82% in FMCG underscores the critical role of brands in FMCG sectors. Brands in these industries drive consumer choices, market penetration, and repeat purchases, leading to sustained revenue growth and market dominance.

Cost Advantages (23.85%): Oil, Gas & Consumable Fuels (4.07%): Energy sectors leverage economies of scale, operational optimizations, technological advancements, and supply chain efficiencies to achieve cost advantages. The competitiveness in this sector is also influenced by factors like ability to read global demand, geopolitical dynamics, and market volatility and therefore inherent cost advantage becomes one of the key deciding factors to gain long term growth. Similarly, the 6.35% allocation in Chemicals sector reflects the similar importance of cost-efficient production processes, supply chain management, raw material sourcing, and economies of scale in the chemical sector.

Cost advantages contribute significantly to profitability and market competitiveness in this industry. Our moat allocation in Healthcare (8.33%) seeks scale efficiencies, bulk purchasing, operational optimizations, and technological innovations, leading to cost advantages. Since the sector also faces challenges such as R&D investments, regulatory compliance, and healthcare delivery complexities the cost advantage comes in handy to leverage opportunity. The IT sector allocation (2.25%) seeks to benefit from economies of scale in software development, data management, cloud services, and digital solutions, contributing to cost advantages. Operational efficiencies, automation, and scalability drive profitability and market competitiveness.

Switching Costs (30.30%): Switching costs create barriers to customer churn, leading to more stable revenue streams and market positions. The Financial Services sector commands a substantial 16.81% allocation to the Switching Cost moat, signifying a emphasis on customer retention and loyalty. This allocation underscores the recognition of the high barriers to switching faced by customers, whether in terms of time, effort, or financial implications. This allocation indicates that financial institutions which prioritize building long-term relationships with clients, leveraging trust, service quality, and tailored solutions to deter customers from switching to competitors.

It reflects a deep understanding of the importance of customer retention in a highly competitive market, where acquiring new customers can be significantly more costly than retaining existing ones. This moat has 9.91% allocation from Capital Goods sector. The Switching in capital goods due to project-based contracts, technical specifications, and supplier relationships tends to be prohibitive. Moreover, long-term partnerships, service quality, and project execution can influence customer retention. For that reason, our allocation anchors on this factor while allocating in this sector.

Intangible Asset - Patent (16.22%): Investments in patents reflect a focus on innovation, technological leadership, and market exclusivity. Naturally, high moat players from sectors like Healthcare (6.79%) tend to have an advantage. Healthcare relies heavily on patents for drug development, medical devices, treatment methods, and diagnostic technologies. Research investments, clinical trials, regulatory approvals, and market exclusivity drive patent strategies in healthcare. Our allocation seeks opportunities on that account in this sector. The Capital Goods sector within the portfolio has a notable allocation of 7.84% to Intangible Assets - Patents. Our allocation looks to leverage on opportunities within the sector's which have focus on leveraging patented technologies and intellectual property to maintain competitive advantages and drive innovation. This allocation aligns with players in the industry who heavily rely on technological advancements to drive operational efficiency, product quality, and customer satisfaction. The allocation across these moats is expected to enhance revenue streams, competitive positioning, and risk management within the portfolio. Our portfolio's moat allocations reflect a holistic approach to investment, leveraging a mix of competitive advantages to optimize risk-adjusted returns, enhance market competitiveness, and position the portfolio for long-term growth.

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The portfolio allocates 7.98% to Intangible Assets - Regulations, strategically focusing on sectors like Capital Goods (1.51%), Financial Services (3.45%), and Telecommunication (3.02%). This allocation underscores the emphasis on regulatory resilience across key sectors, acknowledging the critical role of compliance and legal adaptability in sustaining business operations. It reflects a proactive approach to navigating regulatory challenges, minimizing risks, and optimizing long-term growth potential within a structured regulatory framework.

The portfolio strategically allocates 2.54% to Efficient Scale, 0.90% to Management, and 2.55% to Network Effect across various sectors. In the Chemicals sector, there's a focus on leveraging efficient scale for competitive advantage. In Consumer Services, Management is emphasized, highlighting effective leadership strategies. Financial Services sector benefits from strong management practices, contributing to operational excellence. Realty sector sees potential in efficient scale, optimizing resource utilization. Telecommunication sector taps into network effects, enhancing customer engagement and market reach.

Diverse Moat Profiles:

The portfolio's diverse moat allocations reflect a balanced strategy, mitigating risks associated with over-reliance on a single moat type. The combination of brand value, cost advantages, switching costs, efficient scale, patents, management strengths, and network effects enhances overall competitiveness and resilience. This diversity fosters resilience and adaptability to market events & anchors the portfolio for long-term performance.

With significant allocations in brand value (18.03%) and cost advantages (4.89%), the portfolio emphasizes market leadership, customer loyalty, profitability, and operational efficiency. By extensively allocating across multiple moat types such as brand value, cost advantages, switching costs, and efficient scale, the fund manager aims to create a resilient and adaptable portfolio. This allocation strategy is not just about aiming at immediate gains but also about long-term sustainability and growth.

Moreover, the diverse moat profiles may act as a buffer against market uncertainties and disruptions. For example, while brand value provides stability and customer loyalty, cost advantages ensure profitability, and switching costs enhance customer retention. This multi-faceted approach enables the fund to navigate through different market scenarios effectively.

The significant allocation to sectors with strong brand value and intangible assets like patents signifies the fund manager's belief in market leadership and innovation-driven growth. Companies with established brands and intellectual property rights may be positioned for relatively higher revenue streams and market dominance. This perspective aligns with the fund's objective of investing in companies with a competitive edge and long-term value creation potential.

The allocation in sectors such as Healthcare is driven primarily by advantages players may have due to patents and brand values vis-à-vis the competition. Similarly, in sectors like Banking and Consumer Durables, the switching costs and efficient scale is the determinant feature of growth and therefore the consequent allocation to the same.

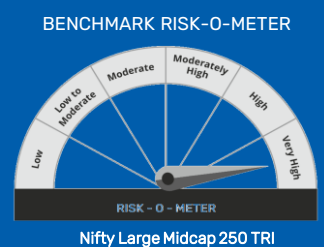
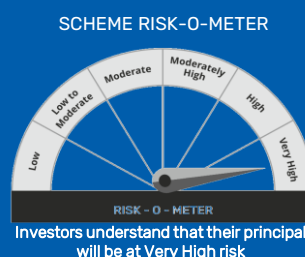
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This product is suitable for investors who are seeking*:

- Wealth creation over long term
- Open ended equity scheme investing in both large cap and mid cap stocks

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



Mutual Fund investments are subject to market risks, read all scheme related documents carefully.