ADITYA BIRLA CAPITAL
MUTUAL FUNDS

A NOTE TO OUR DISTRIBUTOR PARTNERS:

Three Years of Our Equity Journey



Harish Krishnan
Chief Investment Officer - Equity
Aditya Birla Sun Life AMC Limited

Dear Partner,

October 6, 2026, marked three years since I took on the responsibility of heading Equities at Aditya Birla Sun Life AMC. 3 years is not a long period in investing; however, it is long enough to begin assessing whether improvements in investment performance are backed by a **repeatable process, disciplined decision-making and a strong investment culture.**

Unlike in the world of instant gratification, experience of investors in equity markets seems to suggest that markets reward the patient investor. Think about buying a car. A short test drive may create a good first impression, but reliability is established only after using the car across different roads and conditions over a few years.

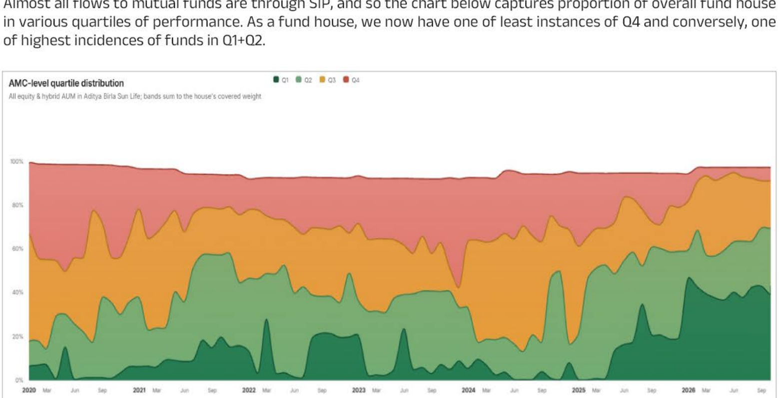
Investing is similar. Markets will go through good periods and difficult ones. Individual funds will move up and down in performance rankings. What matters over time is whether the investment process can navigate different market environments and consistently improve the probability of good outcomes for investors.

With that perspective, I wanted to share with you what we have learnt and achieved over the past three years, and more importantly, how we are thinking about the journey ahead.

Building greater consistency across the fund house

Every fund goes through periods of relative outperformance and underperformance. It is unrealistic to expect every fund to always be at the top of its category.

Almost all flows to mutual funds are through SIP, and so the chart below captures proportion of overall fund house in various quartiles of performance. As a fund house, we now have one of least instances of Q4 and conversely, one of highest incidences of funds in Q1+Q2.



Data as on 30th September 2026, Source: ABSLAMC Internal Research.
Past performance may or may not be sustained in future

Over time, our objective has been straightforward: **increase the proportion of funds in the upper half of their categories and reduce the incidence of funds in the bottom quartile.**

Today, we have one of the lower incidences of Q4 performance across the fund house, while a significant proportion of our funds feature in Q1 and Q2.

For our partners, the important message is simple: the improvement is increasingly broad-based rather than dependent on only one or two schemes.

The outcome is visible across different categories

The last three years have not been a one-way market. We saw strong market returns in CY2024, followed by considerably higher volatility through CY2025 and CY2026 YTD, along with sharp rallies from market lows at different points.

Against this backdrop, several of our schemes across very different investment categories have delivered returns ahead of their respective category averages and/or benchmarks over the period considered.

A 3-year SIP to many of our funds over the last 3 years (as of ending Sep 30, 2026) would have generated alpha. For example, ABSL Balanced Advantage Fund has returned a XIRR of 6.4% over 3 years (for 3-year SIP).

Our funds are managed by different fund managers, following different investment styles and different mandates. When improvement begins to appear across multiple strategies, it gives us greater confidence that we are seeing the benefit of a **stronger investment process at the fund-house level.**

In simple terms: we are trying to build an investment platform where good outcomes are not dependent on one fund, one fund manager or one market style.

3 YEAR SIP RETURNS

Scheme	Category	AUM cr	Return%	Category Average	Benchmark Returns	Alpha vs Category Average	Alpha vs Benchmark
ABSL Manufacturing Equity Fund	Manufacturing	1,386	16.4	9.2	9.2	7.2	7.2
ABSL Pharma & Healthcare Fund	Healthcare	1,078	14.0	13.6	15.7	0.4	-1.7
ABSL Special Opportunities Fund	Special Opportunities	1,357	12.7	8.1	1.7	4.5	10.9
ABSL Small Cap Fund	Small Cap	6,120	12.2	10.3	6.3	2.0	5.9
ABSL Retirement Fund - The 30s Plan	Retirement	464	11.0	3.1	2.0	7.9	9.1
ABSL Infrastructure Fund	Infrastructure	1,220	10.9	5.6	2.1	5.4	8.9
ABSL Multi Asset Allocation Fund	Multi Asset Allocation	7,478	10.5	8.6	6.6	1.9	3.9
ABSL Multi-Cap Fund	Multi Cap	7,244	8.0	6.1	3.6	2.0	4.4
ABSL Flexi Cap Fund	Flexi Cap	27,982	7.7	3.7	2.0	4.0	5.7
ABSL Value Fund	Value/Contra	6,659	7.0	3.1	2.0	3.9	5.1
ABSL Balanced Advantage Fund	Balanced Advantage	9,836	6.4	2.7	3.3	3.7	3.1
ABSL Arbitrage Fund	Arbitrage	26,933	6.3	6.1	7.3	0.2	-1.0
ABSL Business Cycle Fund	Business Cycle	1,725	5.9	4.3	1.7	1.6	4.2
ABSL Large & Mid Cap Fund	Large & Mid Cap	5,603	4.6	4.4	3.2	0.1	1.4
ABSL PSU Equity Fund	PSU	5,775	4.4	4.1	4.8	0.3	-0.3
ABSL Bal Bhavishya Yojna	Children	1,197	4.1	3.5	2.0	0.6	2.1
ABSL ELSS Tax Saver Fund	ELSS Tax Saver	13,559	2.3	2.1	2.0	0.2	0.4
ABSL ESG Integration Strategy Fund	ESG	542	2.2	1.3	1.5	1.0	0.7
ABSL Digital India Fund	Technology	3,617	-5.1	-5.6	-9.3	0.4	4.2

Data as on 30 September 2026. Past performance may or may not be sustained in future. The below performance is of Regular Plan - Growth Option. Kindly note that different plans have different expense structure. Load and Taxes are not considered for computation of returns. Kindly refer to the complete scheme performance.

What has changed in our investment approach?

One of the biggest changes has been our willingness to back our investment ideas with greater conviction. We describe this internally as taking **"bigger, bolder bets"**, but it does not mean taking indiscriminate risks.

It means that when our research gives us conviction in a business, we want the portfolio positioning to be meaningful enough for that research to add value to investors.

At the heart of this approach is our **Good to Great framework.** We look for businesses where we believe two things can come together:

Earnings Growth + Valuation Re-rating = Potential for meaningful wealth creation

These could be companies improving their business models, gaining market share, becoming more efficient, entering new growth areas or executing them differently from their competitors.

Looking beyond the obvious names. More winners than losers

In March 2024, approximately **56% of the AUM of our actively managed funds was invested in Nifty companies.** That number has since reduced to approximately **45%.**

Why does this matter?

The largest index companies remain an important part of our portfolios. But active investing also requires us to search beyond familiar index names for businesses where our research identifies greater long-term potential.

This has increased our exposure to select non-Nifty businesses where our investment teams see opportunities for earnings growth and/or valuation re-rating.

Of course, investment is probabilistic, and we will have our share of mistakes, but as an aggregate, our endeavour is to have more winners than losers, and to take bigger, bolder bets in this endeavour.

40 large Non-Nifty positions over the last 1 of ABSLAMC

Sr No	Stock	Holding in Rs cr	Alpha Over Nifty 500 Index (%) 3M	6M	1Y	3Y CAGR
1	Meesho Limited	2,011	22	55	-	-
2	United Spirits	1,965	4	4	5	2
3	Sona BLW Precision Forgings Ltd	1,780	38	65	104	4
4	Federal Bank	1,693	0	15	67	21
5	Persistent Systems	1,620	26	1	12	14
6	Jindal Steel & Power	1,461	11	(6)	10	9
7	Adani Energy Sol	1,451	(8)	33	54	9
8	Lenskart Solutions Limited	1,438	37	30	-	-
9	Mankind Pharma	1,245	2	17	6	3
10	Godrej Consumer Products Ltd.	1,209	(12)	(21)	(24)	(13)
11	Ather Energy Limited.	1,176	29	81	155	-
12	PNB Housing Finance	1,093	12	41	33	9
13	GMR Airports Infrastructure Ltd	1,084	(11)	5	12	8
14	AU Small Finance Bank	1,083	1	12	41	4
15	TVS Motors	1,071	23	15	22	31
16	APL Apollo Tubes Ltd	1,023	26	6	33	2
17	Bharat Forge Ltd	1,006	(6)	7	62	12
18	Ajanta Pharma Limited	1,001	10	22	53	18
19	Coforge Ltd	907	23	49	13	11
20	Sai Life Science Ltd	899	28	49	80	-
21	Cholamandalam Investment & Finance Company	877	(5)	12	3	2
22	Vedanta Aluminium Metal Ltd	863	(4)	-	-	-
23	ICICI Lombard General Insurance	837	(5)	(15)	(13)	(2)
24	Cummins India Ltd	805	(12)	(2)	24	33
25	Radico Khaitan	783	15	59	54	45
26	Ambuja cement	778	(7)	(14)	(31)	(13)
27	Max Financial Services	772	(9)	(15)	(10)	6
28	Samvardhana Motherson Intl Ltd	740	14	48	57	28
29	Dr. Lal PathLabs Limited	726	25	44	30	8
30	Welspun Corp Limited	724	83	227	220	82
31	BHEL	722	4	62	77	38
32	Astral Poly Technik	694	7	(22)	3	(19)
33	Varun Beverages Limited	680	(11)	5	0	(4)
34	Swiggy Ltd	673	9	(11)	(38)	-
35	Britannia Industries Ltd.	671	(2)	(18)	(16)	(6)
36	Whirlpool	655	14	5	(22)	(27)
37	CG Power and Industrial Solutions Ltd	645	(6)	23	18	16
38	L&T Finance Holdings Limited	638	(11)	3	9	17
39	Bank of Maharashtra	609	(9)	22	45	10
40	Fortis Healthcare	599	(16)	(11)	(18)	23

Data as on 30th September 2026, Source: ABSLAMC Internal Research
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As seen in above table, these investments are across sectors – from old economy sectors to new age businesses, from PSU to MNC to promoter run businesses, from asset heavy businesses to asset light businesses and across market capitalisation (large to small cap). In many of these companies, we would be amongst top 3 institutional owners (public market investors) after the promoters.

No investment process can avoid mistakes. In fact, if a fund manager claims to get every investment decision right, investors should probably be skeptical. The objectives are different:

We do not need every investment decision to work. We need our successful decisions, collectively, to outweigh the unsuccessful ones.

This is why we closely analyse the contribution of individual portfolio positions. Among our 40 large non-Nifty positions, over the one-year period considered:

- **22 generated more than 10% alpha over Nifty 500 TRI**
- **7 generated negative alpha of more than 10%**

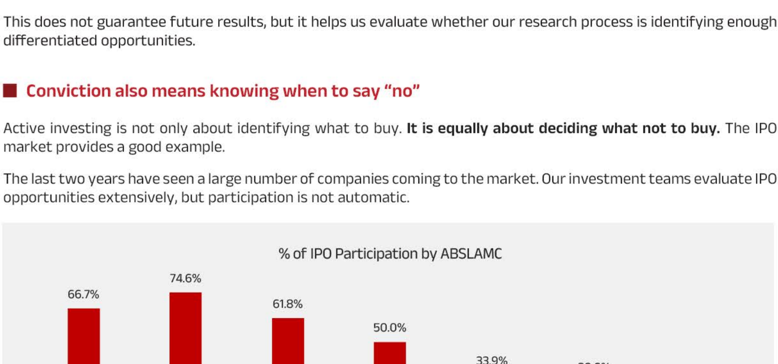
That translates into approximately a **3:1 ratio of significant winners to significant losers.**

This does not guarantee future results, but it helps us evaluate whether our research process is identifying enough differentiated opportunities.

Conviction also means knowing when to say "no"

Active investing is not only about identifying what to buy. **It is equally about deciding what not to buy.** The IPO market provides a good example.

The last two years have seen a large number of companies coming to the market. Our investment teams evaluate IPO opportunities extensively, but participation is not automatic.



Data as on 30th September 2026. Source: ABSLAMC Internal Research
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Is performance coming from a few lucky calls?

This is another question we regularly ask ourselves. A fund can sometimes outperform because one or two large positions do exceptionally well. While investors benefit from that outcome, we would prefer performance to come from a b**roader set of successful investment decisions.**

To add value, a fund must have more winners than losers. For example, in the last 6 months, compared to fund's benchmark, we see the number of winners (number of positions that give 25 bps alpha compared to benchmark) compared to number of losers (number of positions that give negative 25bps alpha compared to benchmark). The idea is to see if bulk of fund performance comes from few calls going right or if there is a process of identifying more winners than losers for their respective funds, given their mandates.

For the period from March to September 2026, several of our funds had substantially more positive contributors than negative contributors.

Scheme Name	Potential Outcome	Hurt	Net
ABSL Retirement Fund - The 30s Plan	24	2	22
ABSL Infrastructure Fund	28	9	19
ABSL Special Opportunities Fund	22	5	17
ABSL Multi Asset Allocation Fund	20	4	16
ABSL Business Cycle Fund	21	6	15
ABSL Multi Cap Fund	18	4	14
ABSL Transportation & Logistics Fund	18	4	14
ABSL Digital India Fund	18	5	13
ABSL Manufacturing Equity Fund	21	8	13
ABSL Flexi Cap Fund	14	2	12
ABSL Large & Mid Cap Fund	16	4	12
ABSL Value Fund	18	7	11
ABSL Balanced Advantage Fund	13	3	10
ABSL Aggressive Hybrid Fund	8	1	7
ABSL Midcap Fund	21	15	6
ABSL Retirement Fund – The 40s Plan	7	1	6
ABSL Bal Bhavishya Fund	10	5	5
ABSL Banking & Financial Services Fund	10	5	5
ABSL Large Cap Fund	7	2	5
ABSL PSU Equity Fund	6	1	5
ABSL Quant Fund	13	9	4
ABSL ELSS Tax Saver Fund	7	3	4
ABSL ESG Integration Strategy Fund	11	8	3
ABSL Consumption Fund	10	7	3
ABSL Pharma & Healthcare Fund	12	9	3
ABSL Focused Fund	8	6	2

Data as on 30th September 2026, Source: ABSLAMC Internal Research.
Past performance may or may not be sustained in future

The Journey Ahead

Three years is only a small part of an investor's wealth-creation journey. Market leadership will change. Investment styles will move in and out of favour. Fund rankings will fluctuate and no fund house can predict future performance.

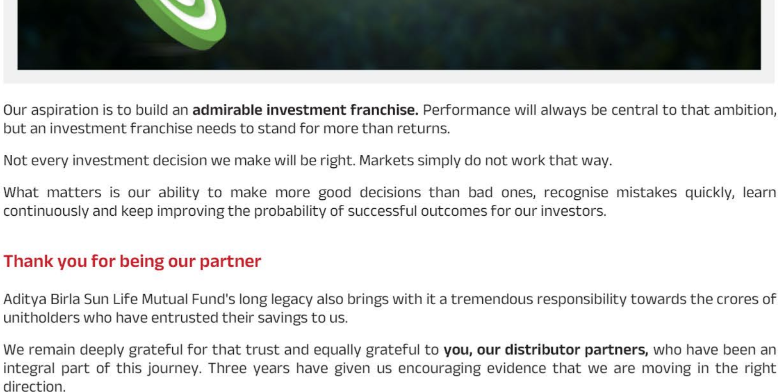
What we can control is our **investment process. We** have a large, diverse team – fund managers with multiple styles, some with low churn, some with high churn, some obsessed over quality, some obsessed with chasing earnings momentum. We consider this diversity a strength.

There are **many different ways to make money in the market,** however, there are only a finite set of pathways that lead to disappointing outcomes for investors. The endeavour of our fund house is to minimise these pathways, so that investors have higher probability of meeting their financial goals and objectives.

There are many areas of improvement, including sizing within our portfolios, taking bigger, bolder bets, using technology as an aid to invest along with evaluating our fund managers etc.

Our role as an investment platform is not to force every fund manager to invest identically. Instead, it is to create a strong framework of research, risk management and accountability within which different styles can succeed.

Our ambition goes beyond performance



Our aspiration is to build an **admirable investment franchise.** Performance will always be central to that ambition, but an investment franchise needs to stand for more than returns.

Not every investment decision we make will be right. Markets simply do not work that way.

What matters is our ability to make more good decisions than bad ones, recognise mistakes quickly, learn continuously and keep improving the probability of successful outcomes for our investors.

Thank you for being our partner

Aditya Birla Sun Life Mutual Fund's long legacy also brings with it a tremendous responsibility towards the crores of unitholders who have entrusted their savings to us.

We remain deeply grateful for that trust and equally grateful to **you, our distributor partners,** who have been an integral part of this journey. Three years have given us encouraging evidence that we are moving in the right direction.

But our mindset remains same as on **Day 1.**

There is much more to achieve, much more to improve and many more years over which we need to earn your trust.

Our objective remains simple: to help investors stay invested, compound their wealth and achieve their long-term financial goals.

Warm regards,

Harish Krishnan
Chief Investment Officer - Equity
Aditya Birla Sun Life AMC Limited

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Aditya Birla Sun Life Mutual Fund

Aditya Birla Sun Life AMC Limited
(Investment Manager for Aditya Birla Sun Life Mutual Fund)
CIN: L65991MH1994PLC080811 | SEBI Registration No. MF/020/94/8

SIP: Systematic Investment Plan.
SIP does not assure a profit or guarantee protection against loss in declining market.

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