UNIFI MUTUAL FUND



Quarterly Review

FY 26 Q3

UNIFI ASSET MANAGEMENT PVT. LTD
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Dear Investors and Partners,

The Indian economy's 'Goldilocks' phase—characterised by relatively high real GDP growth (~8%) in H1 FY26 and low inflation (~2%) in 9M FY26—along with continued strong domestic capital flows, underpinned positive returns in Indian equities (*Source: Ministry of Statistics and Program Implementation)* in the October–December 2025 quarter. However, CY25 performance has lagged global peers, as most foreign institutional investors have turned underweight on India, citing relatively expensive valuations and the lack of direct exposure to the ongoing global AI capex cycle that has been driving earnings upgrades in U.S. and Southeast Asian markets.

The domestic bond markets witnessed an incongruity this quarter, with the benchmark 10-year G-Sec yield hardening back to its January 2025 level of 6.7% despite a cumulative 125 bps repo rate cut over the past 10 months. While elevated global bond yields, geo-political uncertainties and rupee weakness made Indian government bonds less appealing for foreign investors, large domestic debt investors—such as insurance companies and provident funds—also reduced their allocation, amid moderating premium growth and a greater shift toward equities, mutual funds, and corporate bonds. The RBI has done the heavy lifting, absorbing about 47% of the Centre's bond issuances in FY26YTD. With FY27 budgeted gross borrowing coming in higher than expected, longer-tenor yields lack triggers for meaningful compression in the near term.

The last few quarterly corporate results, including Q3 FY26, indicate significant divergence across sectors and companies. Accordingly, over the next 1-2 years, we reckon bottom-up stock selection and sector positioning will be an effective strategy. With India finalising 8 FTAs covering 37 developed nations, it is important to examine the finer details in depth as expanded bilateral market access represents both an opportunity and a source of additional competitive intensity for domestic corporates.

Unifi MF's 3 actively managed open-ended schemes

- A Dynamic Asset Allocation Fund (DAAF) with significant debt allocation that aims to achieve consistent income generation and capital appreciation
- An equity-oriented Flexicap Fund (Flexi) that strives to deliver long term capital appreciation
- A cash management-oriented Liquid Fund that seeks to earn regular income and option to enable systematic transfers

Unifi Dynamic Asset Allocation Fund

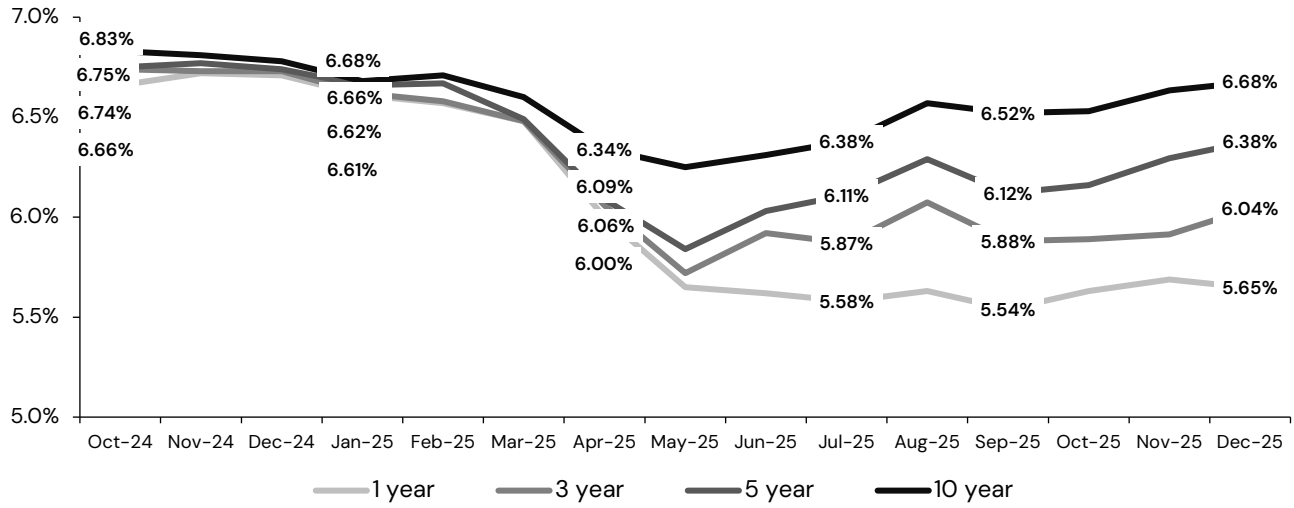
Designed as an all-weather stability focused fund, the portfolio is consciously diversified across high-quality debt with duration optionality, diligently underwritten credit opportunities, equity arbitrage positions, and special situations. Allocations typically average one-third in each segment, with the flexibility to recalibrate exposures based on our growth-inflation outlook and segment specific risk-reward dynamics. The overarching aim is to contain volatility and pursue consistent returns.

In Q3, despite a 25-bps repo rate cut and substantial RBI open market purchases, the government bond yields spiked (10 to 25 bps) across tenors due to geopolitical factors and a supply overhang.

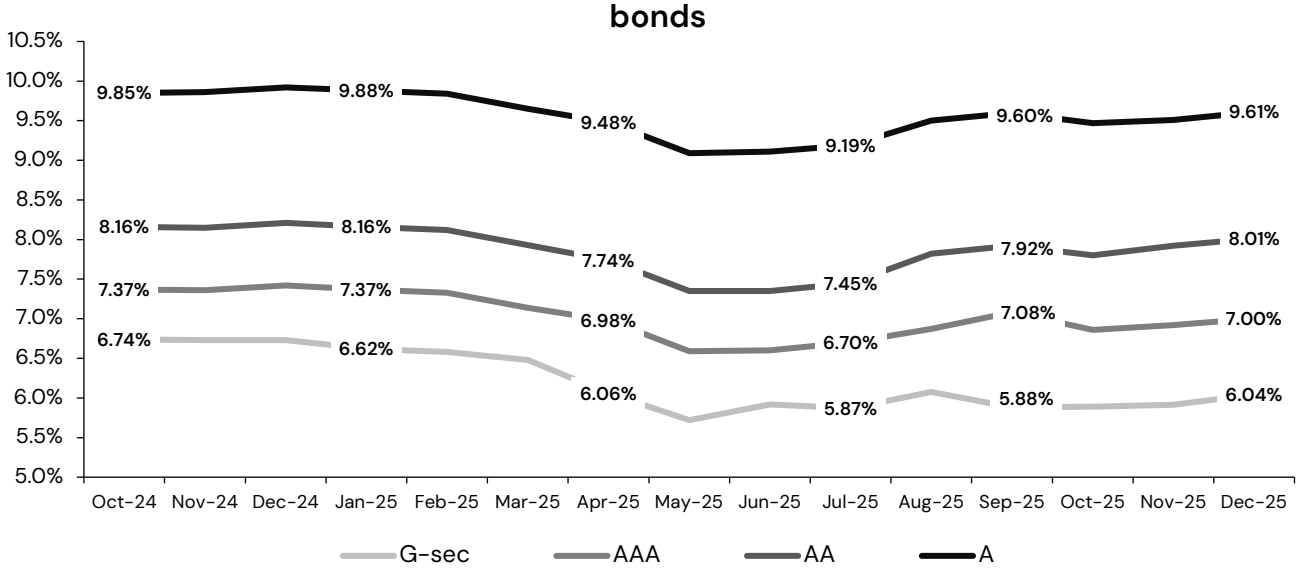
This upward pressure, however, did not fully transmit to the corporate bond segment, as most of the company balance sheets remain robust with historically low debt–equity levels. Only some of the financial services companies with regular funding requirements chose to absorb the higher borrowing costs to support growth and maintain adequate liquidity.

Disclaimer: The scheme does not guarantee or assure any returns

G-Sec yield movement over the last one year



Last 12 months yield movement in G-sec (3-year) and corporate bonds



Source: Fixed Income Money Market and Derivatives Association of India

During the quarter, our allocation between the highly rated duration portfolio and high-conviction credits remained broadly unchanged from Q2 levels. While the duration book (mod ~ 2 years) saw mild MTM pressure, targeted high-conviction credit additions offset the impact and lifted the debt segment YTM from 9.4% at September-end to 9.8% at December-end. Our focus will be on accrual income, duration flexibility and liquidity management. The retail- and MSME-oriented NBFC segment—spanning housing, vehicle finance, MSME mortgages, personal loans, microfinance, and related areas—continues to be our preferred credit space. Granularity, geographical diversification, strong capital adequacy, credible management teams, steady-state financial metrics, strategic importance to the domestic economy, and a large addressable market are the key factors driving our investments in this segment. Beyond the macro and sectoral tailwinds, we undertake in-depth bottom-up research to select securities with strong credit profiles and protective covenants.

Segmental Allocation	Q1 FY26 end	Q2 FY26 end	Q3
Equity Arbitrage including Special Situations	36%	40%	40%
Debt - Duration optionality (Sovereign, AAA & AA rated)	41%	30%	30%
Debt - High Yield Credit (AA- to BBB rated)	19%	28%	27%
Cash & Equivalents (TREPS & IPO application money)	4%	2%	3%
Total	**100%**	**100%**	**100%**
Debt Segment Yield to Maturity (YTM)	8.9%	9.4%	9.8%
Debt Segment – Modified Duration (years)	2.2	2.3	2.0

Source: Internal Analysis / Portfolio Disclosure

Cash–futures arbitrage spreads ranged between 60–70 bps per month during the quarter, broadly in line with the previous quarter. The FY27 Union Budget increased the Securities Transaction Tax (STT) on futures from 0.02% to 0.05%, which is expected to have an annualised impact of 0.30–0.35%. Fortunately, the scheme is not solely reliant on the cash–futures segment to generate returns with low volatility. Special situations—such as open offers, buybacks, and IPOs—remain a significant investment avenue for us, and we selectively participate in opportunities that meet our investment criteria. During the quarter, we invested in 18 IPOs, 4 open offers, and 2 partly paid to fully paid equity arbitrage transactions. Based on the internal assessment, this segment contributed meaningfully to overall returns without increased volatility. Domestic core inflation- the additional yardstick we use to measure of our progress- is trending about 4.3% for FY26YTD (*Source: Ministry of Statistics and Program Implementation).*

Disclaimer: Participation does not guarantee returns and outcome may vary. Past performance may or may not be sustained in the future.

Unifi Flexi Cap Fund

The Flexicap Fund is our singular equity offering, enabling us to remain sharply focused on long-term value creation. Its flexibility across market caps and sectors allows us to consistently apply our seasoned GARP (Growth at a Reasonable Price) philosophy through an active, bottom-up approach while balancing Index mindfulness. We typically invest in 40–70 companies with identifiable growth drivers. We maintain a minimum 40% large-cap allocation, with the flexibility to raise it up to 80% if small and mid-cap valuations get stretched. Up to 25% of the portfolio may be invested in non-index names—often under-researched—our investment process involves direct management engagement and deeper diligence to evaluate companies. We also incorporate signals from corporate actions such as open offers, buybacks, mergers, spinoffs, leadership changes, and key stakeholder trades to enrich our research funnel.

The quarter witnessed a gradual stabilisation in global macro conditions following a phase of heightened geopolitical uncertainties. Major developed economies witnessed resilient growth contrary to earlier expectations, moderation in inflation and central banks began assessing the appropriate timing to reverse policy tightening. Although tariff-related growth risks remained, their incremental influence on global trade and investor sentiment waned over the quarter. Mirroring the strength in global markets, Indian equities delivered healthy returns in Q3FY26, aided by solid macro indicators and constructive expectations from FTAs with key developed economies.

The unprecedented pace of "build-first, monetize-later" AI capital expenditure — and the uncertainty around the magnitude and timing of its eventual returns — remains the largest risk for global markets. As India is not a direct beneficiary of this spending cycle, it is also likely to be relatively insulated should the investment wave unwind. A reset in return expectations in global markets may affect valuation dynamics and cross border capital flows, with potential implications for emerging markets including India.

Portfolio Positioning

Our Flexicap scheme, launched in early June, remains fully invested, with cash at approximately 3% as of the end of Q3. As a strategy, the fund doesn't take aggressive cash calls and remains structurally deployed. Financial services, Healthcare and IT are currently our top 3 sectors, accounting for roughly 50% of the AUM. Financial services and healthcare continue to benefit from domestic demographic and consumption trends. IT valuations have corrected materially to interesting levels amid concerns over the impact of AI tools on the sectors' growth prospects.

Flexicap Quants	Planned Range	Q2FY26 end	Q3FY26 end
Number of companies	40-70	54	57
Large cap allocation	40% to 80%	60%	63%
Mid and Small cap allocation	20% to 60%	35%	34%
Non-Index (Nifty 500) positions	Up to 25%	13%	12%
Cash and cash equivalents	3% to 12%	5%	3%

Source: Portfolio Disclosure
Note: Large, Mid and Small cap allocation based on definition provided by SEBI in para 2.7.1 of Master Circular dated June 27, 2024.

Q3FY26 corporate results analysis & portfolio positioning

December quarter corporate earnings were largely in line with expectations. BFSI, Auto, and Commodities were the standout performers, while staples and IT showed weakness. There was a one-time mild margin impact for all companies on account of revised labour code.

Banks & Financials

Banks and NBFCs reported strong loan growth, healthy asset quality and robust ROA/ROE metrics. Deposit growth continues to lag growth; margins compression is expected to stabilise as repricing cycles get triggered and liability mobilisation improves. Rising AUMs and increased retail participation continues to support the growth of Wealth and Asset Managers. We maintain a balance across private and PSU banks, supplemented by positions in housing financiers and asset management companies, which are benefiting from lower policy rates and robust SIP inflows.

Healthcare

Domestic pharmaceutical companies delivered healthy growth during the quarter, supported by volume expansion, pricing strength, and new product launches. US generics performance remained stable, while API pricing appears to have bottomed out following earlier declines. Hospital operators also reported strong growth, driven by higher average revenue per occupied bed, despite marginally lower occupancies due to capacity additions. Improvements in case mix, particularly in specialty segments such as cardiac, oncology, and neurology, continue to support profitability. We maintain balanced exposure across hospital operators and domestic pharmaceutical franchises.

IT

The IT sector saw modest growth, with early stabilization from steady deal inflows and better execution. Firms emphasized cost control and AI-driven efficiencies. Will AI make IT services obsolete long-term? 'The Jury is still out'. AI lets enterprises generate code internally but doesn't fix architecture, security, or uptime on its own. Vendors remain vital for integration, cybersecurity, governance, optimization, and SLAs. The core issue is whether AI resets terminal growth expectations or only creates short-term

pressure on growth and profitability. In the long term, the industry's trajectory—whether it contracts, evolves, or expands—remains uncertain. However, in the medium term, management commentary has turned cautiously constructive, reflecting improved visibility driven by large deal ramp-ups and healthier total contract values (TCVs).

Automobile

GST reductions and the festive season supported healthy volume growth across two-wheelers, passenger vehicles and tractors, with OEMs reporting strong operating performance. Structural themes such as premiumization and EV adoption continue to underpin medium-term growth. However, rising commodity prices remain a key factor to watch and could place incremental pressure on margins if not fully passed through.

Telecom

The telecom sector remains on a stable growth path, supported by steady subscriber additions, ongoing premiumization and improving ARPU trends. While the timing of further tariff increases remains uncertain, data monetisation, 4G/5G upgrades and a rising postpaid mix continue to drive revenue growth and operating leverage. As capex intensity moderates and cash generation improves, the sector is moving into a phase of stronger operating leverage, supporting sustained earnings growth and balance sheet strengthening over the medium term. Our investment in the sector demonstrated steady growth trajectory with margin expansion due to operating leverage. With investments largely front-loaded, we expect free cash flows and return ratios to improve in the coming quarters.

Capital Goods

The transmission equipment manufacturers have reported solid revenue growth and margin expansion while the electricals segment has seen mixed results with good revenue growth and pressure on margins. Government capex has been budgeted at Rs.12.2 lakh crores implying 11% YoY growth in FY27 and the defence allocation has been increased by 18% to about Rs.2.18 lakh crores. Our portfolio remains aligned with beneficiaries of domestic capex and globally competitive manufacturers.

Power

Power demand has remained relatively subdued over the past two years; however, recent months have shown early signs of improvement. With a low base effect and expectations of stronger seasonal demand during summer, the medium-term outlook remains constructive. Although our investee companies reported a weak quarter, the outlook remains upbeat with the projected power demand growth and significant grid infrastructure expansion.

Construction

With the monsoon season behind us, execution activity is expected to accelerate, supporting margin improvement. For our investment within the sector, order inflows remain strong across both domestic and international markets, and recent wins are likely to move into execution phases, supporting growth visibility. While water-related projects continue to progress slowly, a pickup in private-sector participation — led by thermal power, real estate and metals — is encouraging. Commodity prices pose a potential risk to margins, though escalation clauses in contracts provide partial mitigation.

Metals

Non-ferrous commodities remain in a structural upcycle driven by supply constraints, years of underinvestment in mining capacity, energy-transition-led demand and low inventory levels. Ferrous commodities continue to benefit from protectionist measures and regulatory restrictions globally, which

are supporting pricing trends. Domestic integrated producers are well positioned to benefit from these dynamics.

Services

The aviation sector experienced short-term operational disruptions, with new regulatory guidelines affecting execution and profitability. While results were weak as expected and further impacted by currency depreciation, we remain constructive on the outlook, supported by planned fleet additions and continued route expansion – domestically and internationally.

Fertilizers & Agrochemicals

Agrochemical volumes remained subdued as global inventory destocking is yet to bottom out. The domestic focused players faced seasonal pressures. Despite this, we remain constructive from a valuation perspective and maintain selective exposure to companies benefiting from lower competitive intensity, import-substitution trends and integrated business models.

Textiles

India's listed textile and garment companies appear to be entering a structurally supportive phase, driven by multiple converging tailwinds. Improving trade access through FTAs with the UK and EU, along with the recent trade agreement with the US, is incrementally enhancing India's global competitiveness across key apparel categories. Our investment in the textile player positions us to benefit from the ongoing "China +1" sourcing shift, consolidation within Bangladesh's apparel industry, and supportive policy measures such as the Government of India's PLI scheme.

FMCG

The sector witnessed a high single digit volume growth slightly better than expectations. Margins were mostly in-line. The government undertook an unprecedented increase in cigarette taxes marking a departure from the calibrated tax approach followed over the past several years, which helped the industry regain share from illicit trade. We will have to assess the impact on volumes in the coming months.

Corporate earnings momentum may evolve over the coming quarters as demand normalizes and operating leverage plays out across sectors. Tariff-related headwinds appear largely absorbed into the base, and the recent reduction in US tariffs on Indian exports may materially improves external competitiveness, potentially turning prior earnings drag into a tailwind for export-oriented sectors. Household balance sheets have benefited from rising gold prices, supporting consumption and financial savings. Improving credit offtake, rising investment intentions, and a gradually easing global trade environment reinforce the outlook for sustained domestic growth. We intend to maintain a balanced yet selective allocation across structural compounders and cyclical beneficiaries.

Thank you for placing your trust in us.



V N Saravanan
Chief Investment Officer



Aejas Lakhani
Fund Manager - Equity



Karthik Srinivas
Fund Manager - Debt

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

Performance Disclosure (As on 31st January 2026)

Unifi Dynamic Asset Allocation Fund

Particulars	6 months	Since Inception (13th March 2025)	Value of Investment of Rs. 10,000/- 6 months	Since Inception (13th March 2025)
Unifi Dynamic Asset Allocation Fund (Direct Growth)	7.52%	8.21%	₹ 10,379	₹ 10,729
Unifi Dynamic Asset Allocation Fund (Regular Growth)	6.91%	7.58%	₹ 10,348	₹ 10,673
CRISIL Hybrid 50+50 Moderate Index (Tier I)	3.52%	11.42%	₹ 10,178	₹ 11,014
55% CRISIL Composite Credit Risk Index + 40% CRISIL Arbitrage Index + 5% BSE 200 TRI (Tier II)	6.87%	8.69%	₹ 10,346	₹ 10,771
Nifty 50 TRI (Additional Benchmark)	5.23%	16.05%	₹ 10,264	₹ 11,425

Unifi Flexi Cap Fund

Particulars	6 months	Since Inception (06th June 2025)	Value of Investment of Rs. 10,000/- 6 months	Since Inception (06th June 2025)
Unifi Flexi Cap Fund (Direct Growth)	-2.09%	1.28%	₹ 9,895	₹ 10,084
Unifi Flexi Cap Fund (Regular Growth)	-3.37%	-0.03%	₹ 9,830	₹ 9,998
Nifty 500 TRI (Tier I)	2.13%	0.42%	₹ 10,108	₹ 10,027
Nifty 50 TRI (Additional Benchmark)	5.23%	3.11%	₹ 10,264	₹ 10,204

Unifi Liquid Fund

Particulars	7 days	15 days	1 month	6 months	Since Inception (11th June 2025)	Value of Investment of Rs. 10,000/- 7 days	15 days	1 month	6 months	Since Inception (11th June 2025)
Unifi Liquid Fund (Direct Growth)	5.86%	5.97%	5.65%	5.80%	5.93%	₹ 10,011	₹ 10,025	₹ 10,046	₹ 10,293	₹ 10,380
Unifi Liquid Fund (Regular Growth)	5.80%	5.91%	5.59%	5.74%	5.87%	₹ 10,011	₹ 10,024	₹ 10,046	₹ 10,289	₹ 10,376
Nifty Liquid Index A-I (TRI)	6.03%	5.30%	5.14%	5.67%	5.71%	₹ 10,012	₹ 10,022	₹ 10,042	₹ 10,286	₹ 10,366
1 year T-Bills (Additional Benchmark)	3.57%	1.80%	1.59%	3.86%	3.98%	₹ 10,007	₹ 10,007	₹ 10,013	₹ 10,195	₹ 10,255

Past performance may or may not be sustained in future.

Mr. Saravanan V N & Mr. Karthik Srinivas are managing Unifi Dynamic Asset Allocation Fund , Unifi Flexi Cap Fund & Unifi Liquid Fund since inception of the scheme.

Mr. Aejas Lakhani manages Unifi Dynamic Asset Allocation Fund & Unifi Flexi Cap Fund since inception of the scheme.

Different plans (i.e. regular and direct) have different expense structure.

The performance details provided herein are of regular and direct plan – Growth Option.

Returns for less than 1 year period are simple annualized.

Since these schemes have been in existence for less than one year, performance in terms of CAGR for the past 1, 3 and 5 years is not applicable.

Performance of Other Schemes managed by Same Fund Managers:

Since , these schemes have been in existence for less than one year, performance data of these schemes in the specific format is not applicable.

Period	1 year Scheme returns (%)	1 year Benchmark returns (%)	3 year Scheme returns (%)	3 year Benchmark returns (%)	5 year Scheme returns (%)	5 year Benchmark returns (%)
Unifi Dynamic Asset Allocation Fund	N.A	N.A	N.A	N.A	N.A	N.A
Unifi Flexi Cap Fund	N.A	N.A	N.A	N.A	N.A	N.A
Unifi Liquid Fund	N.A	N.A	N.A	N.A	N.A	N.A

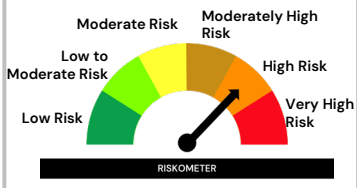
Source for performance/benchmark data: Internal Calculation

Unifi Dynamic Asset Allocation Fund

(An open-ended dynamic asset allocation fund)

This product is suitable for investors who are seeking*

- Income generation and Capital appreciation over medium to long term.
- Investment in diversified portfolio of debt, money market, equity and equity related instruments while managing risk through active asset allocation.

Risk-o-meter of the Scheme	Risk-o-meter of Benchmark Tier I: CRISIL Hybrid 50 + 50 Moderate Index (TRI)	Risk-o-meter of Benchmark Tier II: 55% CRISIL Composite Credit Risk Index + 40% CRISIL Arbitrage Index + 5% BSE 200 TRI
		
Investors understand that their principal will be at Moderate Risk.	Benchmark Risk-o-meter is at High Risk.	Benchmark Risk-o-meter is at Moderate Risk.

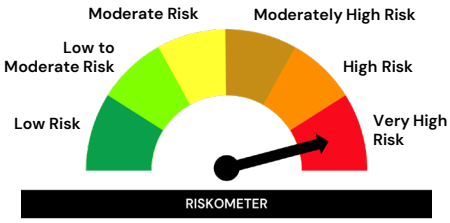
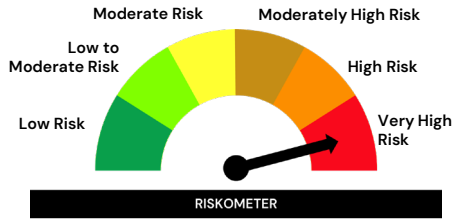
Scheme Code: UNFI/O/H/DAA/25/01/0001

Unifi Flexi Cap Fund

(An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks.)

This product is suitable for investors who are seeking*

- Capital Appreciation over long term.
- Investment in a diversified portfolio consisting of equity and equity related instruments across market capitalization.

Risk-o-meter of the Scheme	Risk-o-meter of Benchmark Tier I: Nifty 500 TRI
	
Investors understand that their principal will be at Very High Risk.	Investors understand that their principal will be at Very High Risk.

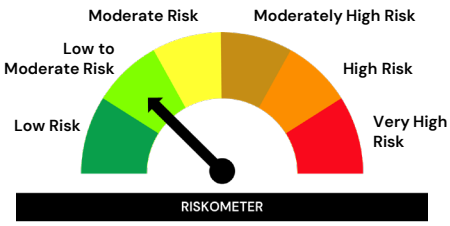
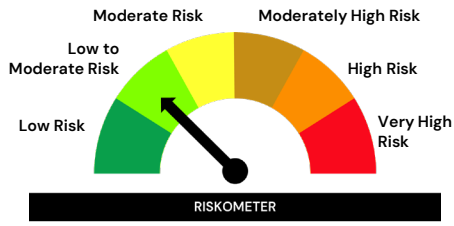
Scheme Code: UNFI/O/E/FCF/25/03/0002

Unifi Liquid Fund

(An open ended Liquid scheme. A relatively low interest rate risk and moderate credit risk.)

This product is suitable for investors who are seeking*

- Regular Income over the short term investment horizon
- Investment in debt and money market instruments with maturity upto 91 days.

Risk-o-meter of the Scheme	Risk-o-meter of Benchmark Tier I: Nifty Liquid Index A-I (TRI)
	
Investors understand that their principal will be at Low to Moderate Risk.	Investors understand that their principal will be at Low to Moderate Risk.

Potential Risk Class (PRC) Matrix of the Scheme			
Credit Risk / Interest Rate Risk	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low		B-I	
Moderate			
Relatively High			

B-I – A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk

Scheme Code: UNFI/O/D/LIF/25/04/0003

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

Note: Risk-o-meter as on 31st January 2026. For the updated Risk-o-meter, please refer to the AMC website (www.unifimf.com).

Disclaimer

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Past performance may or may not be sustained in future. For detailed portfolio and related disclosures for the scheme please refer our website https://www.unifimf.com/. The portfolio and its composition are subject to change and the same position may or may not be sustained in future. The fund manager may make the changes, as per different market conditions and in the best interest of the investors.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.