

# Axis Banking & PSU Debt Fund

(An Open-Ended Debt Scheme Predominantly Investing In Debt Instruments Of Banks, Public Sector Undertakings & Public Financial Institutions. A relatively high interest rate risk and moderate credit risk)



AXIS ASSET MANAGEMENT

# **1–5 Yr Bonds: Strong Risk-Reward Outlook**

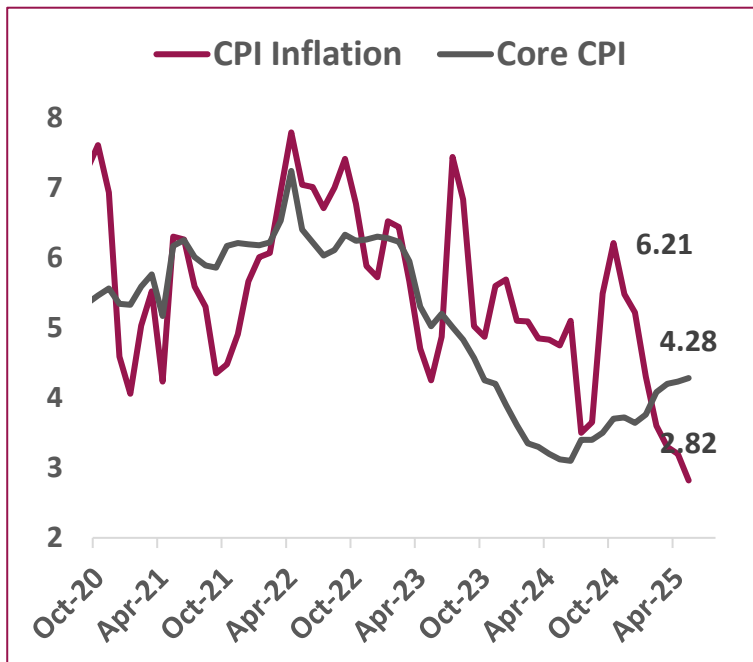
# Way Forward

Local macros conducive for lower rates

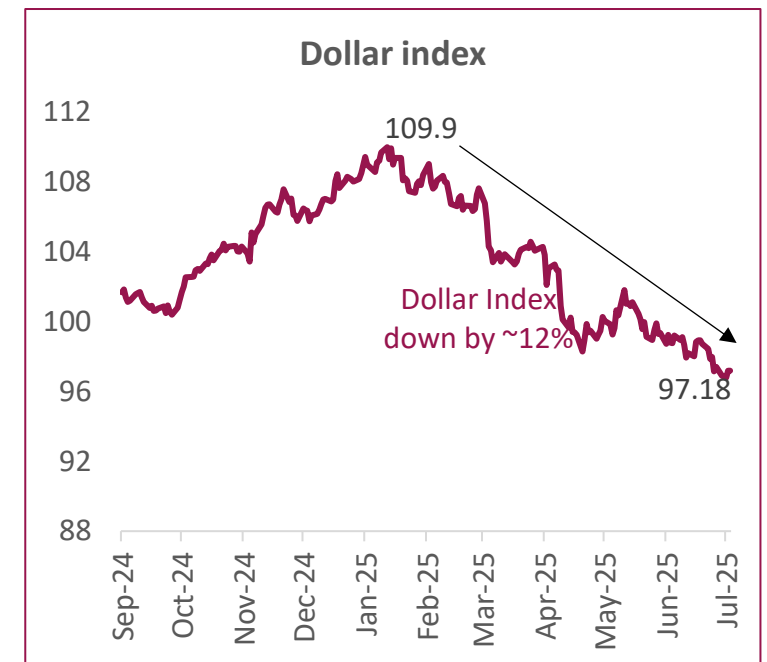
CPI less than 4% for FY26E

GDP for FY26E to remain below 6.5%

Rupee to remain stable



Tenure	GDP Growth Projection
FY22	9.7%
FY23	7.6%
FY24	9.2%
FY25	6.5%
FY26E	6.5% (Downward biased)



With the larger-than-expected repo rate cut, shift to “neutral stance” from ‘accommodative’, the Central Bank has front-loaded rate cuts, and we **do not anticipate further cuts in the next 3-6 months**.

# RBI's Liquidity Playbook

Banking system at INR 6Tn Liquidity post RBI dividend

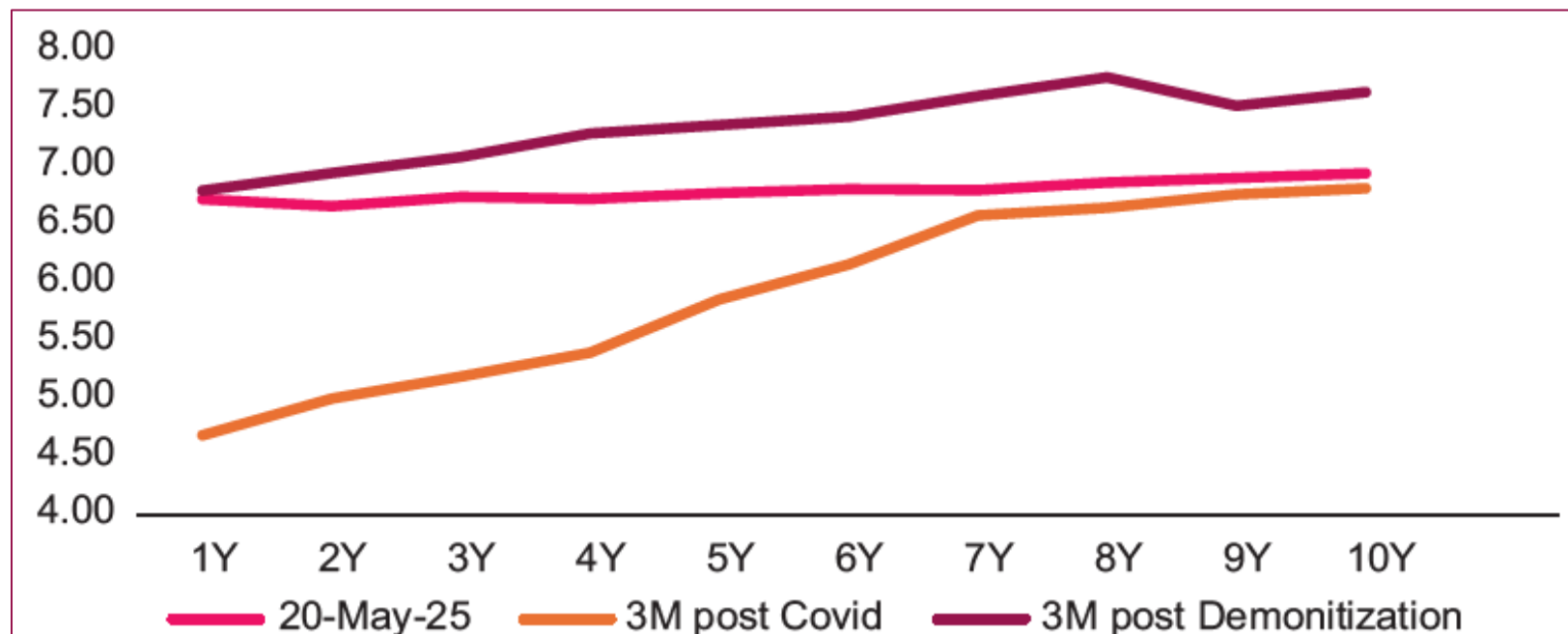
Open Market Operations (OMOs) Purchases / FX buy sell required to maintain more than 1% NDTL Liquidity

Changes in Durable liquidity	Amt (In 000crs)
Net Durable Liquidity as of May 2025	3,20,500
M0 Creation (to Take Y-o-Y Growth to 10%)	-2,00,000
RBI Dividend (Expected in May/Jun 2025)	3,00,000
Currency In circulation Growth (May- Sept 2025)	-20,000
Increase in CRR maintenance on Deposit Growth	-50,000
FX intervention (USD 25 Bn FX swap Maturity upto 3 months)	-2,12,500
Closing Durable Liquidity as of Sept, 2025	1,38,000
Durable Liquidity as per 1% of NDTL liquidity	2,50,000
OMO purchases/ FX buy sell Swap facility required to maintain 1% NDTL liquidity	1,12,000

Post RBI dividend announcement, pace of OMOs' purchases could fall significantly; **We do not anticipate more than INR 1-1.5 trillion of OMO's until September 2025**, unless there are substantial FX outflows, which could negatively impact govt. bonds, particularly long duration govt. bonds

# Implications of sustained Banking Liquidity

## Opportunity for spread compression in 1–5-year corporate bonds



## Spreads Over Repo Rate

Tenor	Feb-17	Jun-20	Jun-25
Repo	6.25	4.0	5.25*
6M	0.48	0.60	0.25
1Y	0.44	0.69	0.17
2Y	0.45	1.01	1.45
3Y	0.54	1.20	1.59
5Y	0.59	1.86	1.86

Past trends indicates that **yield curve tends to steepen over a period of 3- 6 months once sustained liquidity of more than 1% of NDTL is maintained** in the Banking system; Corporate bonds spreads over the Repo Rate compress due to a strong demand for short term assets



Headline inflation to remain near 3% or below over the next few months driven by benign food prices and due to favourable outlook for crop production



Limited rally in government bonds going forward, as we expect a shallow rate cut cycle and incremental OMO purchases to be limited to Rs 1-1.5 trillion



With the larger-than-expected repo rate cut, shift to “neutral stance”, the Central Bank has front-loaded rate cuts, and we do not anticipate further cuts in the next 3-6 months



Significant part of the bond market rally is behind us and expect macro indicators like GDP, CPI to remain soft for FY26

# Strategy for Funds

Short term corporate bond to outperform

Short to Medium term funds with tactical allocation to Gilt funds can work well in current scenario

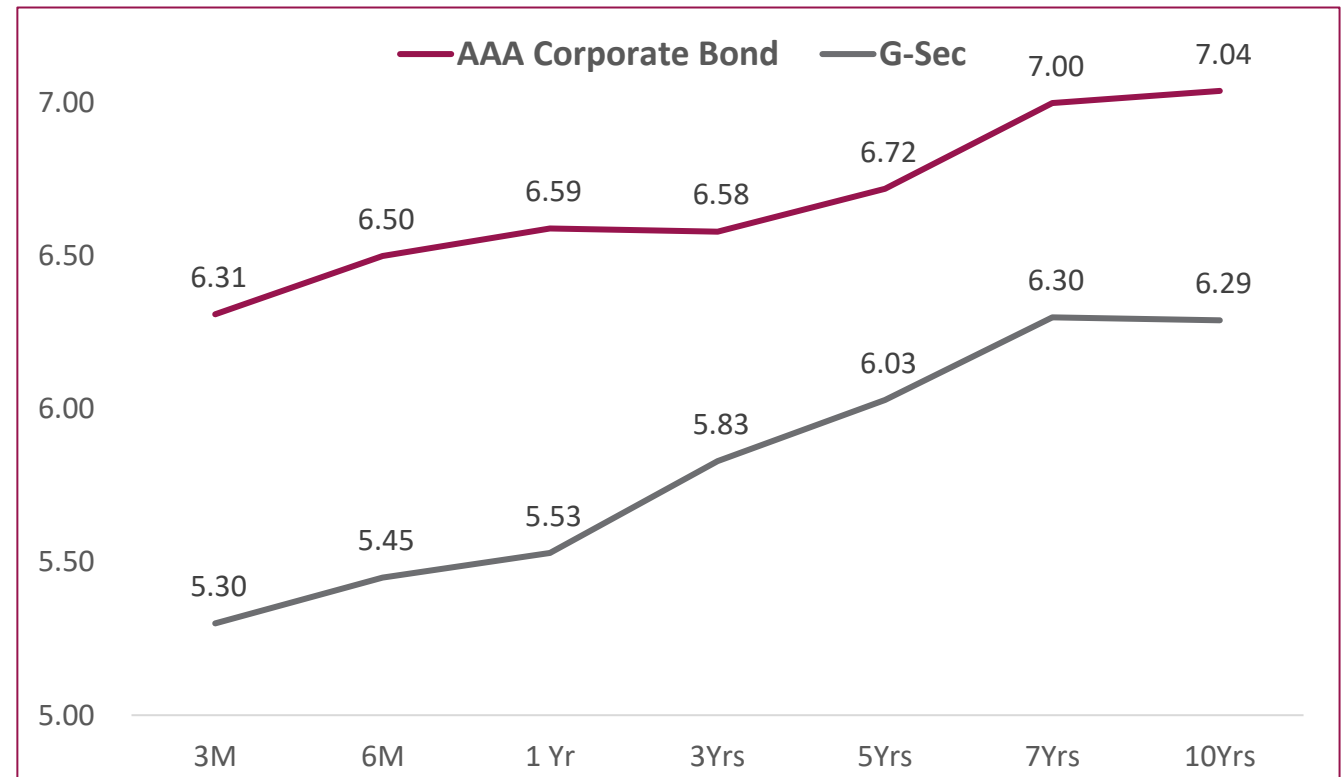
We were positive on long govt bonds throughout 2024 as demand supply dynamics for government bonds were favorable.

Going forward, **adding 1–5-year corporate bonds is advisable** due to:

- INR 10Tn liquidity by RBI, leading to surplus liquidity
- Attractive spreads and valuations

Incrementally, **short-term bonds may outperform long-term bonds** due to:

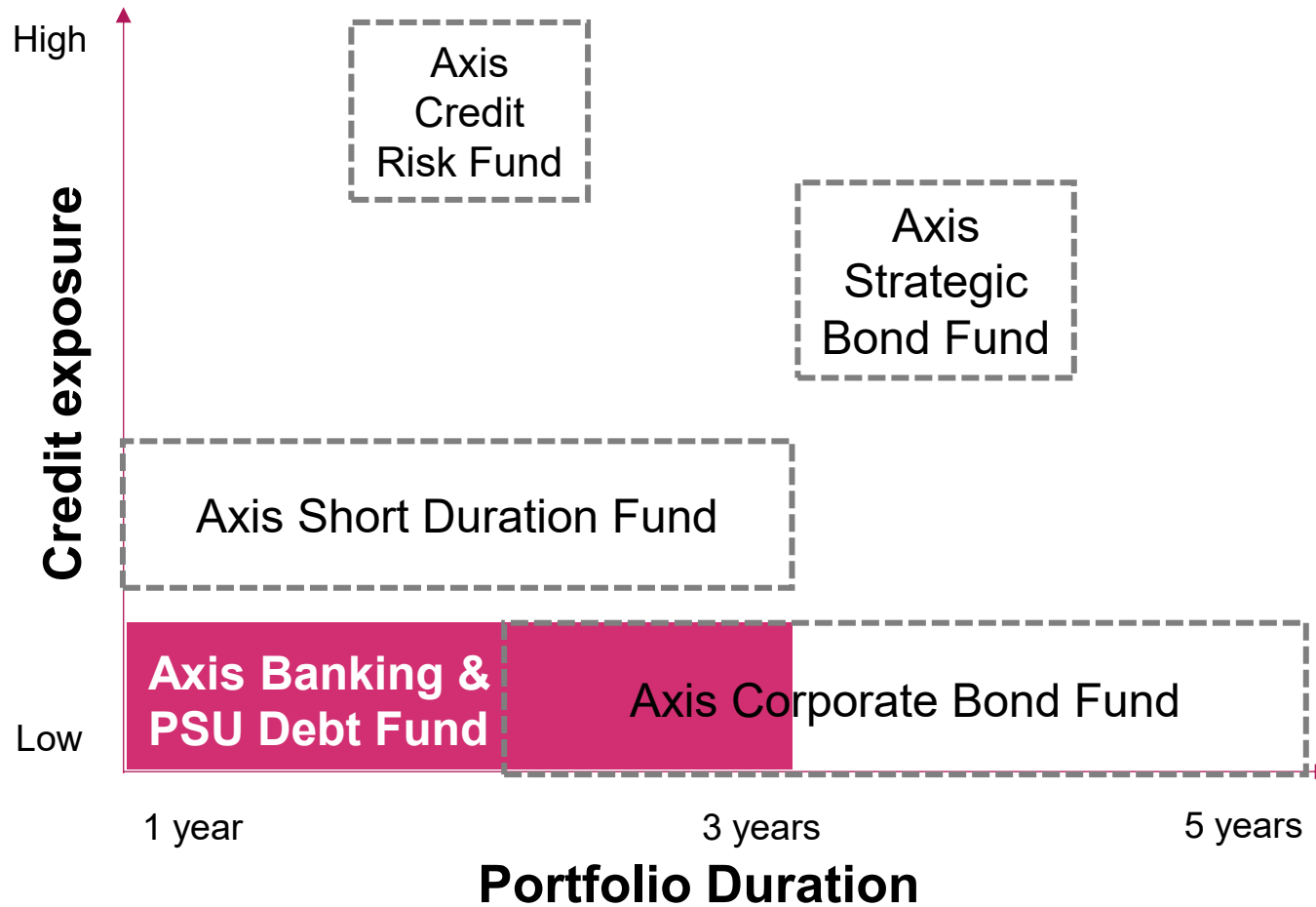
- surplus liquidity with improved visibility on CPI
- Shift in focus from govt debt to GDP growth targets



# Axis Banking & PSU Debt Fund Overview



# Fund Positioning



# Portfolio Construct

## Actively managed High Quality Short Duration Portfolio



### Duration

The fund will typically maintain Macaulay Duration in the range of **1 - 3 years**



### Securities

In the current market scenario, while the fund will primarily invest in securities with maturity in the range of 1 – 5 years, there will be **no restriction** at individual security level.



### Asset Quality

**100%** allocation to **AAA/A1+ & equivalent** rated assets



### Asset Allocation

Investments primarily in debt and money market securities issued by **Banks, PSUs and PFIs**. Tactical exposure up to 20% to **G-Secs/SDLs** depending on the market opportunity

# Why consider Axis Banking & PSU Debt Fund?



Moderate volatility over the medium term

High quality portfolio

Investment Horizon:  
1 year and beyond

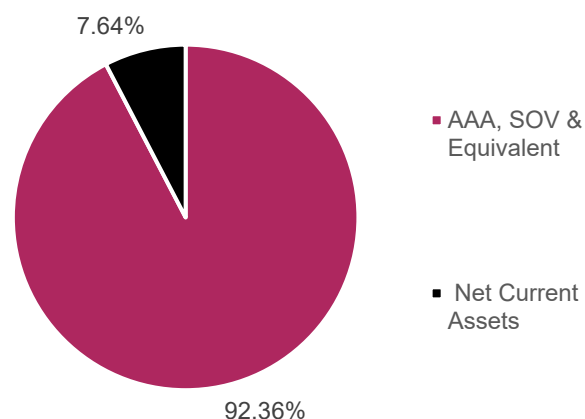
High liquidity by virtue of  
nature of underlying  
securities

Positioned to benefit from  
carry opportunity at the  
shorter end of the yield curve

# Portfolio Characteristics

30<sup>th</sup> June 2025

## Rating Profile



## Portfolio Characteristics (30<sup>th</sup> June 2025)

Residual Maturity	3.00 Years
Macaulay Duration	2.54 years
Modified Duration	2.40 years
Annualized Portfolio YTM*	6.51%

Allocation & maturity is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. \*In case of semi-annualized YTM, it will be annualized. The yield to maturity given above is based on the portfolio of funds as on date given above. This should not be taken as an indication of the returns that maybe generated by the fund and the securities bought by the fund may or may not be held till their respective maturities. The calculation is based on the invested corpus. #High Rated Papers refers to instruments which are rated AAA/A1+ & equivalent or G-sec. For all scheme related information, please refer to SID/KIM on our website [www.axismf.com](http://www.axismf.com)

# Performance

30<sup>th</sup> June 2025


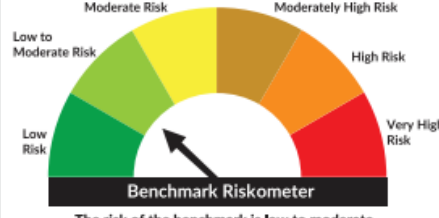
	1 Year			3 Year		5 Year		Since Inception	
	Inception	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs.10,000	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000
Axis Banking & PSU Debt Fund - Regular Plan - Growth		8.92%	10,897	7.14%	12,301	5.89%	13,315	7.72%	26,431
Nifty Banking & PSU Debt Index A-II (Benchmark)	8-Jun-12	8.54%	10,859	7.40%	12,390	5.81%	13,267	7.63%	26,126
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		11.25%	11,132	9.32%	13,070	5.51%	13,080	6.91%	23,937

**Past performance may or may not be sustained in future.** Different plans have different expense structure. Aditya Pagaria is managing the scheme since 13<sup>th</sup> August 2016. Aditya manages 21 schemes at Axis Mutual Fund & Hardik Shah is managing the scheme since 03<sup>rd</sup> July 2023. Hardik manages 18 schemes at Axis Mutual Fund. Returns greater than 1 year are Compounded Annual Growth Rates (CAGR). Face Value per unit is Rs 1,000.


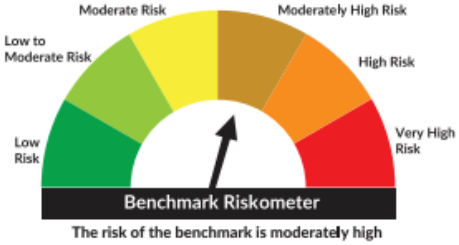
Calculations are based on Regular Plan - Growth Option NAV and Direct Plan - Growth Option NAV, as applicable. Different plans have different expense structure.

Please click on link [https://www.axismf.com/cms/sites/default/files/Statutory/WDP\\_Annexure\\_Jun.pdf](https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_Jun.pdf) to view the performance of other schemes currently managed by the fund manager. Note: In case you require physical copy of this document request you to kindly take the printout to review the fund managers performance of other schemes managed by him from the above link given.

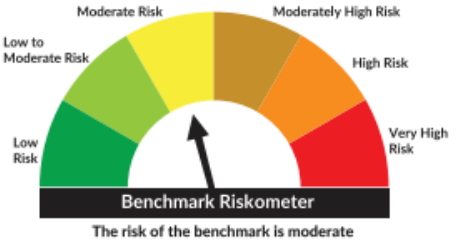
# Product Labelling

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
<p><b>Axis Banking &amp; PSU Debt Fund</b></p> <p>(An Open Ended Debt Scheme Predominantly Investing In Debt Instruments Of Banks, Public Sector Undertakings &amp; Public Financial Institutions. A relatively high interest rate risk and moderate credit risk.)</p> <p><b>Benchmark:</b> Nifty Banking &amp; PSU Debt Index A-II</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>Regular income over short to medium term.</li><li>Investment in debt and money market instruments issued by Banks, PFIs &amp; PSUs.</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p><b>Scheme Riskometer</b> The risk of the scheme is moderate</p>	 <p><b>Benchmark Riskometer</b> The risk of the benchmark is low to moderate</p>	<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td><td></td><td></td><td></td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td><b>B-III</b></td><td></td></tr></table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)		<b>B-III</b>	
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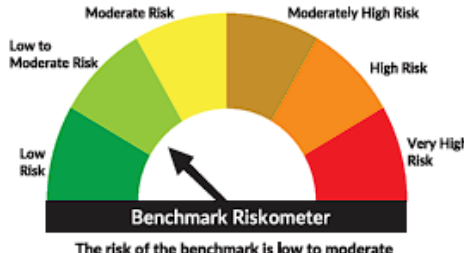
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<p><b>Axis Credit Risk Fund</b></p> <p>(An Open Ended Debt Scheme Predominantly Investing In AA And Below Rated Corporate Bonds (Excluding AA+ Rated Corporate Bonds). A relatively high interest rate risk and relatively high credit risk))</p> <p><b>Benchmark:</b> CRISIL Credit Risk Debt B-II Index</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>Stable returns in the short to medium term.</li><li>Investment in debt and money market instruments across the yield curve and credit spectrum</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p><b>Scheme Riskometer</b> The risk of the scheme is high</p>	 <p><b>Benchmark Riskometer</b> The risk of the benchmark is moderately high</p>	<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td><td></td><td></td><td></td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td></td><td>C-III</td></tr></table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)			C-III
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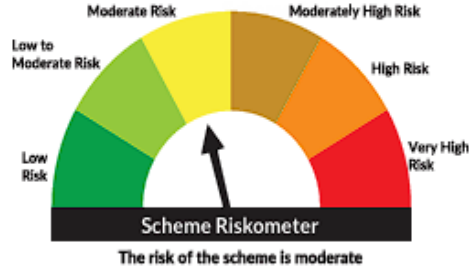
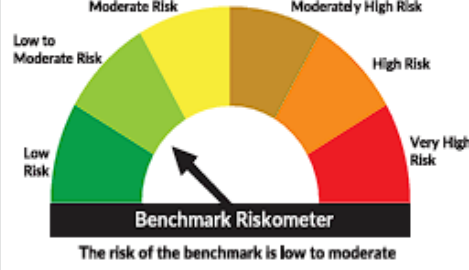
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<p><b>Axis Strategic Bond Fund</b></p> <p>(An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. A relatively high interest rate risk and relatively high credit risk. )</p> <p><b>Benchmark:</b> NIFTY Medium Duration Debt Index A-III</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>• Optimal returns over medium term</li><li>• Investment in diversified portfolio of debt and money market securities to generate optimal risk adjusted returns while maintaining liquidity.</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>			<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td><td></td><td></td><td></td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td></td><td>C-III</td></tr></table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)			C-III
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# Product Labelling

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<p><b>Axis Short Duration Fund</b></p> <p>(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. A relatively high interest rate risk and moderate credit risk)</p> <p><b>Benchmark:</b> NIFTY Short Duration Debt Index A-II</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>Regular income while maintaining liquidity over short term.</li><li>Investment in debt and money market instruments</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>			<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td rowspan="2">Relatively Low (Class A)</td><td rowspan="2">Moderate (Class B)</td><td rowspan="2">Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td>B-III</td><td></td></tr></table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓	Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)		B-III	
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<p><b>Axis Corporate Bond Fund</b></p> <p>(An Open Ended Debt Scheme Predominantly Investing In AA+ And Above Rated Corporate Bonds. A relatively high interest rate risk and moderate credit risk)</p> <p><b>Benchmark:</b> NIFTY Corporate Bond Index A-II</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>Regular income over short to medium term.</li><li>Predominantly investing in corporate debt</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>			<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td rowspan="2">Relatively Low (Class A)</td><td rowspan="2">Moderate (Class B)</td><td rowspan="2">Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td>B-III</td><td></td></tr></table>	Potential Risk Class				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓	Relatively Low (Class I)				Moderate (Class II)				Relatively High (Class III)		B-III	
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# Disclaimer and Risk Factors



**Disclaimer: Past performance may or may not be sustained in the future.** Sector(s)/ Stock(s)/ Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s).

**Axis Bank Ltd. is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.**

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

# Thank You

