

# Axis Credit Risk Fund

(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)

# Investing in Credits

Discipline is the key

## Diversification



- Cautious at selecting sectors
- Diversifying the exposure to manage potential risk
- Strict issuer/ rating limits

## Credit play different from duration play



- Pure 'carry' play with buy and hold approach
- No active duration call in lower rated papers

## Valuation



- Look at credit exposure only during favorable valuation scenario

# Fixed Income Market Update

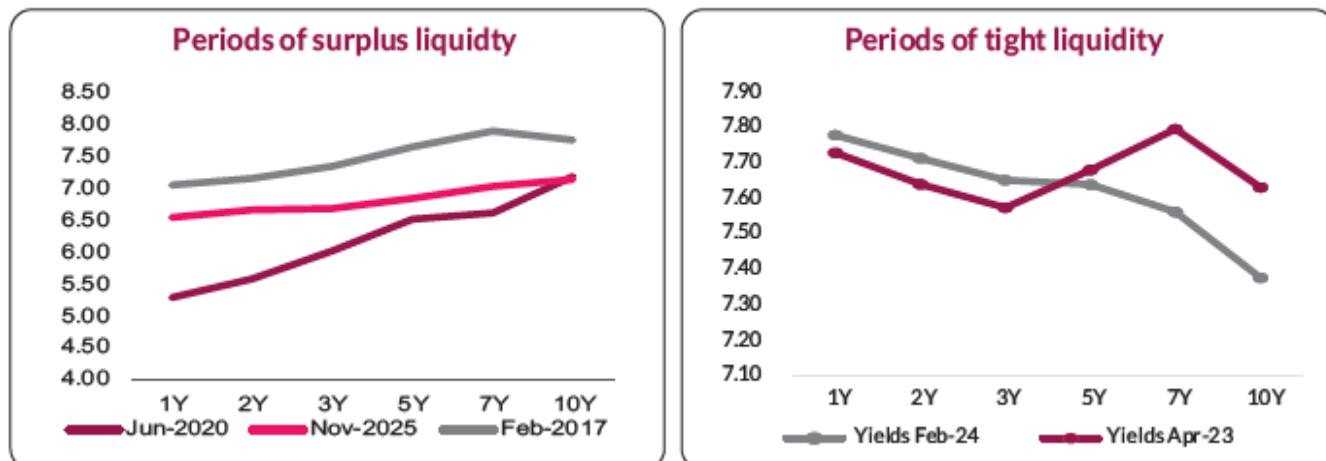
# Shifting gears for 2026

## Themes that played out in the bond markets

Year	Themes	Alpha Strategy	Yields the across the curve (%)			
			Period	3-year AAA PSU	10-year Gsec	30-year Gsec
2024	Inclusion in JP Morgan indices Fiscal consolidation	Duration, Inverted yield curve	Jan 24 Dec 24	7.65 7.55	7.2 6.8	7.35 7.0
2025	Lower GDP, Lower CPI, Rate cuts, Abundant Liquidity	Liquidity, Steeper yield curve	Jan 25 Dec 25	7.55 6.7	6.8 6.45	7.0 7.25

Lower for longer and barbell

Periods of surplus and tight liquidity



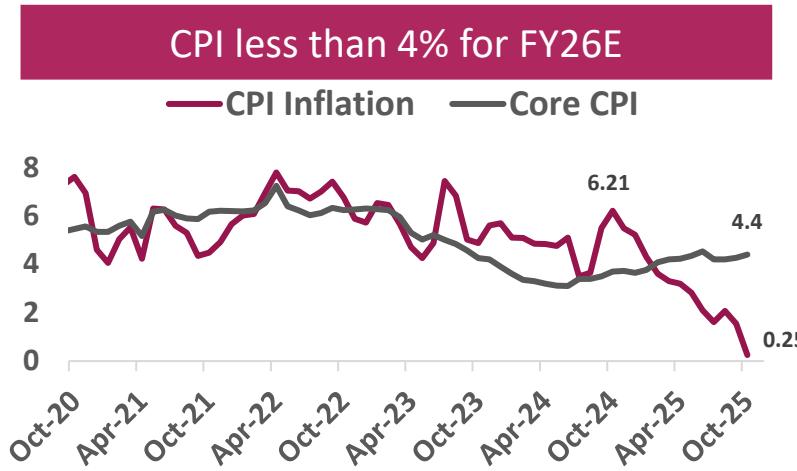
The past two years-2024 and 2025-were defined by distinct themes that shaped India's bond markets: global index inclusion, abundant liquidity and evolving macro conditions. These factors led to rally in bonds, with 'duration' and 'liquidity' dominating the narrative.

As we step into 2026, the landscape is changing. The focus now shifts towards 'Accrual' and 'Barbell strategies', supported by a stable rate environment, neutral liquidity, and structural demand-supply imbalances particularly for long bonds.

Past trends indicate that liquidity conditions have had a significant influence on the yield curve's shape. During periods of abundant liquidity, excess funds keep short-term rates suppressed, resulting in a steeper curve. Conversely, when liquidity shifts toward neutral, the curve tends to flatten as short-term rates rise relative to long-term rates.

# Way Forward for Bond Markets

Stable rate regime, RBI to maintain extended pause after December 2025



GDP for FY26E to remain below 6.5%

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

Category Of Investor	Total Demand for GSec + SDL	% of Long Bond Holding / Allocation	Demand for Long bonds (CG+SDL)- 10 year & above
Insurance Companies	5,50,000	60%	3,30,000
Provident Funds	3,80,000	90%	3,42,000
Pension Funds	2,00,000	55%	1,10,000
			7,82,000
Maturities Rollover			3,00,000
<b>Total Gross Demand</b>			<b>10,82,000</b>
<b>Total Gross Supply</b>			<b>11,98,000</b>
<b>Demand Supply Gap</b>			<b>1,16,000</b>

Heightened nervousness in Bond Markets due to the **imbalance in demand and supply dynamics.**

- Strong disinflationary impulse is expected to continue in 2026 due to GST cuts
- Growth is expected to moderate (6.2–6.5%), with patchy demand recovery.

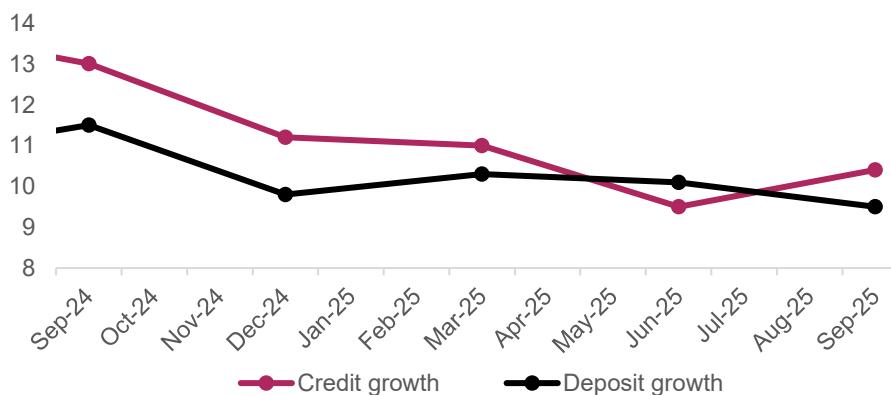
# Way Forward for Bond Markets

Best of liquidity behind us

## Liquidity to move into neutral zone by March 2026



## Credit growth accelerating



Source: Bloomberg, RBI, Axis MF Research, data as on 15<sup>th</sup> November 2025

## Durable liquidity by March 2026

	Particulars	Amt (In Rs Crs)
	Core Liquidity -Oct 17 2025	3,60,648
<b>Inflows</b>	CRR cut (50 Bps cut in November)	1,20,000
<b>Outflows</b>	Expected CIC outflow (Oct 25 - March 26)	-2,25,000
	CRR outflow on Deposit Growth (Expected Oct 25 - March 26)	-50,000
	FX Intervention (Spot & forward)	-1,20,000
	Core Liquidity (expected)- March 2026	85,648

Liquidity could move into neutral zone due to outflows in CIC, forex interventions and CRR accretion. This transition could prompt RBI interventions through OMOs of upto Rs 2 trn by March 2026 to manage liquidity.

The probable inclusion of Fully Accessible Route (FAR) Indian government bonds in Bloomberg Global Aggregate Index (AUM ~US\$2.5 trillion) could attract US\$25-30 bn inflows into long-duration bonds, making the long bonds segment attractive.



Inflation falls below 2% - Headline inflation eased to 1.54% in September vs 2.07% in August supported by a favourable base effect and continued moderation in food prices.



Looking ahead, with limited scope for further aggressive rate cuts, we expect the RBI to maintain its accommodative liquidity stance (+1% NDTL).



Uncertainty around tariffs and expectations of a softer inflation trajectory—partly due to anticipated GST rate rationalization—have created room for additional rate cut.



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

## Favor Short term bonds for Accrual

A stable interest rate cycle, sustained liquidity normalization and the expected inclusion of FAR securities in the Bloomberg Global Aggregate Index are likely to result in a flatter yield curve in 2026.

Alongside this, the OMO's aimed at maintaining durable liquidity would further help bridge the gap between issuance and demand, ensuring smoother absorption of supply.

Long Bonds are now trading at neutral spreads over the 10-year benchmark G-Sec, with absolute yields in the 7.40–7.50% range and expectations of no rate hikes over the next 12 months, these instruments offer a compelling safety cushion for long term investors.

Moreover, with the curve-flattening theme gaining traction, we expect long bonds at 7.4–7.5% yields to provide meaningful protection in the current environment.



Securities	Yields (10th Nov 2025)	1 yr returns given change in Interest rates (Yields)				
		-25 bps	-15 bps	0 bps	15 bps	25 bps
30 Year Gsec	7.26	10.02	8.92	7.26	5.60	4.49
10 Year Gsec	6.49	8.06	7.43	6.49	5.54	4.91
5 Year AAA Corp	6.82	7.81	7.41	6.82	6.22	5.83
3 Year AAA Corp	6.69	7.17	6.98	6.69	6.40	6.20
2 Year AA Corp	7.53	7.78	7.68	7.53	7.38	7.28

Against this backdrop, a barbell strategy—combining short-tenor bonds for accrual and long-duration bonds for tactical gains—will be the optimal approach, offering both steady accrual and potential upside. 2 year AA corporate bonds for accrual and long bonds government bonds for duration is the preferred strategy.

# Axis Credit Risk Fund

(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)

## Investment Strategy

The fund takes advantage of opportunities arising from the credit spectrum. Some of the strategies that we may follow are as follows:

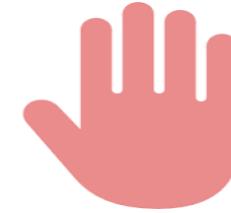
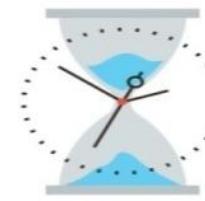
- Opportunity from credit spreads between AAA and AA rated fixed income instruments
- Opportunity from migration of ratings

Our accrual strategies follow 4 main traits

- Diversification
- Self-liquidating nature of portfolios
- Buy when the spreads between AA/A and AAA are attractive from risk reward perspective
- Buy & Hold approach

# Approach to 'Credits'

We follow a clearly defined process targeting Risk



- Based on Liquidity analysis, In-depth review of company financials and regular interactions with the management

- Very cautious at selecting sectors
- Diversifying the exposure to manage potential risk

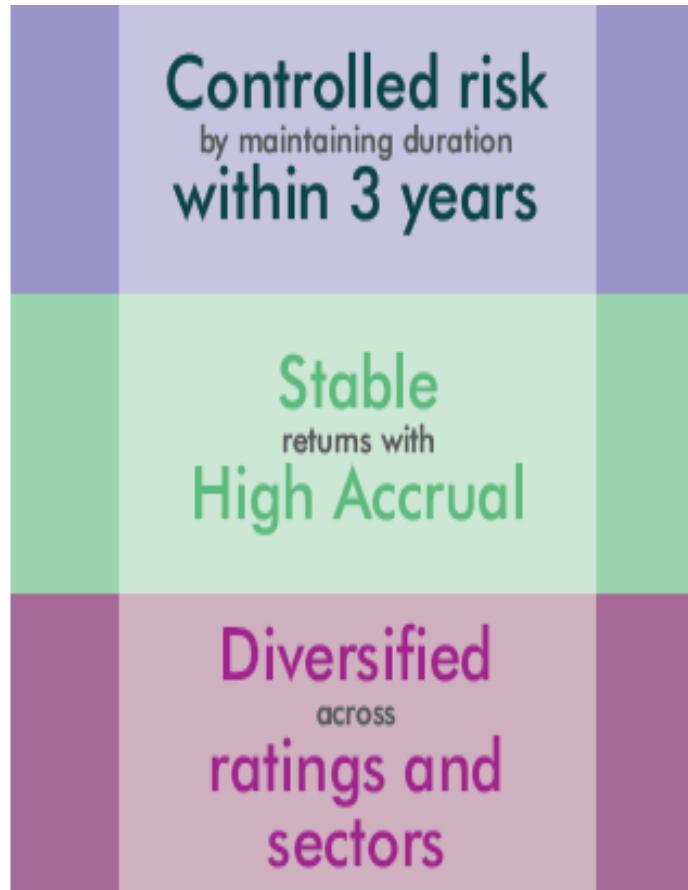
- Pure accrual play with buy and hold approach
- No active duration call in lower rated papers

- Strict internal limits at issuer level and rating level

# Axis Credit Risk Fund



## Portfolio Construct



- An open-ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)
- Positioned in short to medium term space. Typical maturity range of 2-4 years
- Core book (>70%) in corporate debt instruments while 20-30% is managed dynamically based on market conditions
- Aims to capture higher yields / spread compression in 2-4 year corporate bonds

Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. Please refer to Scheme Information Document (SID) for detailed asset allocation and investment strategy on our website [www.axismf.com](http://www.axismf.com).

# Risk Management



- Tight Duration Range (3 years)
- Stringent credit review
- Control credit risk through diversification and strict limits on issuer weighting based on rating

## Risk Mitigation Framework

Sector	Credit	Diversification	Duration	Liquidity
<ul style="list-style-type: none"><li>• Controlled through diversification and stringent review of investable sectors;</li><li>• Regulatory limits on sector Exposure</li></ul>	<ul style="list-style-type: none"><li>• Focus on High Quality Issuer</li><li>• Investment universe based on credit research</li></ul>	<ul style="list-style-type: none"><li>• Exposure to each issuer limited by its rating</li></ul>	<ul style="list-style-type: none"><li>• Strictly adhere to duration limits specified by the investment mandate &amp; investment policy</li></ul>	<ul style="list-style-type: none"><li>• Liquidity/impact cost part of security selection/portfolio construction.</li><li>Optimize balance of credit quality, returns and liquidity</li></ul>

Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

# Portfolio Granularity



## Highly Diversified Corporate Bond Portfolio With Tight Position Limits

### Top 10 non-AAA exposures (31<sup>st</sup> October 2025)

Issuer Name	Rating	% of NAV
Vedanta Limited	ICRA AA/CRISIL AA	4.65%
Jubilant Bevco Limited	CRISIL AA	4.34%
JTPM Metal Traders Limited	CRISIL AA	4.16%
Aditya Birla Renewables Limited	CRISIL AA	4.15%
Narayana Hrudayalaya Limited	ICRA AA	4.15%
Nirma Limited	CRISIL AA	4.13%
Infopark Properties Limited	CARE AA-	4.11%
Aditya Birla Digital Fashion Ventures Limited	CRISIL AA-	4.11%
Jubilant Beverages Limited	CRISIL AA	2.89%
Delhi International Airport Limited	ICRA AA	2.80%

Top 10 Non-AAA constitute 39% of the portfolio. Total non-AAA exposure is 77%

Data is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. Please refer to the factsheet / visit [www.axismf.com](http://www.axismf.com) for full portfolio details of the scheme. 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.

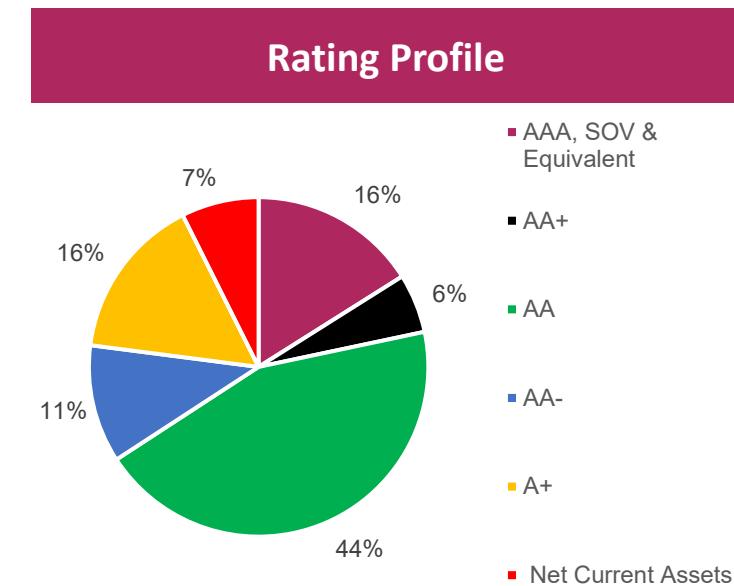
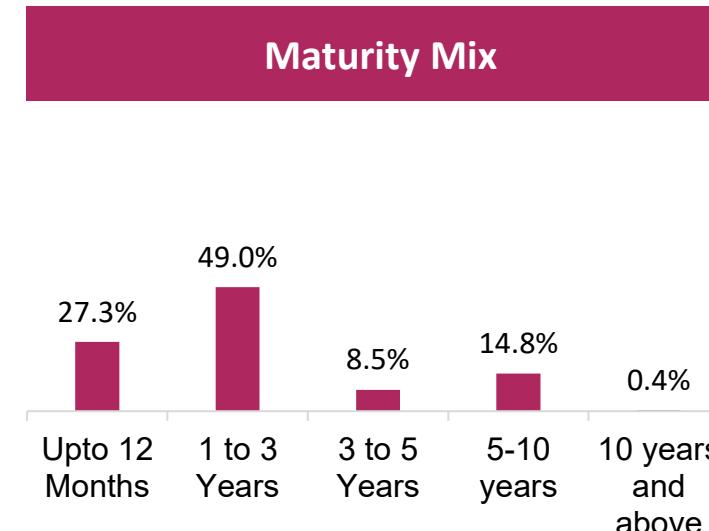
# Maturity Profile & Rating Transition



## Endeavour to build Self Liquidating Credit Portfolios

- Credit exposure is typically through short tenor instruments with frequent resets. This ensures frequent liquidity events in the portfolio
- Duration management is achieved through exposure in Sovereign/AAA Securities

Rating	% of NAV (31 <sup>st</sup> October 2025)	Target
AAA, Sovereign & Equivalent	23%	30-40%
AA(+-)	61%	50-60%
A(+-)	16%	10-20%



Strategy followed & Target Range is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. AAA & Equivalent includes SOV, AAA/A1+ rated papers. Data as on 31<sup>st</sup> October 2025

# Performance

31<sup>st</sup> October 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 (%)
Axis Credit Risk Fund - Regular Plan - Growth		8.75%	10,875	7.97%	12,588	6.79%	13,894	7.23%
CRISIL Credit Risk Debt B-II Index (Benchmark)	15-Jul-14	9.04%	10,904	8.66%	12,833	7.37%	14,280	8.43%
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		8.27%	10,827	8.82%	12,888	5.28%	12,940	7.16%
								22,019
								24,974
								21,864

**Past performance may or may not be sustained in future.** Since inception (15<sup>th</sup> July 2014). Different plans have different expense structure. Devang Shah is managing the scheme since 15th July 2014, and he manages 21 schemes of Axis Mutual Fund & Akhil Thakker is managing the scheme since 9th November 2021 and he manages 2 schemes of Axis Mutual Fund .Returns greater [https://www.axismf.com/cms/sites/default/files/Statutory/WDP\\_Annexure\\_Oct.pdf](https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_Oct.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)																								
<b>Axis Credit Risk Fund</b> (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)) <b>Benchmark: CRISIL Credit Risk Debt B-II Index</b>	<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>A circular riskometer with a gradient from green (Low Risk) to red (Very High Risk). The segments are labeled: Low Risk (green), Low to Moderate Risk (light green), Moderate Risk (yellow), Moderately High Risk (orange), High Risk (dark orange), and Very High Risk (red). An arrow points from the center towards the red segment, indicating a high risk level.</p>	 <p><b>Benchmark Riskometer</b> The risk of the benchmark is moderately high</p> <p>A circular riskometer with a gradient from green (Low Risk) to red (Very High Risk). The segments are labeled: Low Risk (green), Low to Moderate Risk (light green), Moderate Risk (yellow), Moderately High Risk (orange), High Risk (dark orange), and Very High Risk (red). An arrow points from the center towards the orange segment, indicating a moderately high risk level.</p>	<table border="1"> <thead> <tr> <th colspan="4">Potential Risk Class</th> </tr> <tr> <th>Credit Risk →</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> </thead> <tbody> <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> </tbody> </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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# Statutory Details and Risk Factors



Data updated As on 31<sup>st</sup> October 2025.

**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.

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

# Thank You

