Axis Dynamic Bond Fund

(An open-ended dynamic debt scheme investing across duration. A relatively high-interest rate risk and moderate credit risk)

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Lower for Longer and Barbell

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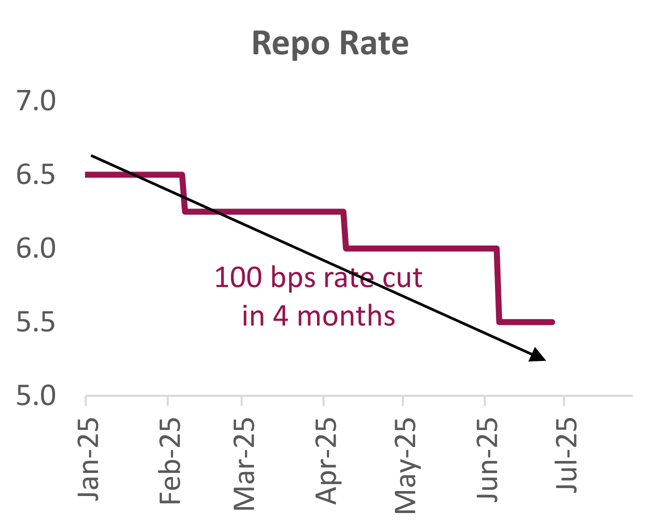
Front Loading of rate cuts & easing financial condition - Liquidity Infusion Tools and Tax Relief (Jan 2025)

Monitory Policy Tools



Liquidity Tool	Amount (INR Trillion)
VRR - 49 / 56 days	2
OMO Purchases	5
FX buy sell Swap – USD 25 BN	3.15
CRR Cut	2.5
Total Liquidity Support	12.65

Fiscal Tools

	Impact on GDP
GST Reforms	+ 0.3–0.4%
Trade Policies	+ 0.2–0.3%

GST reforms expected to **lower Inflation by 50-70 bps**

Credit Impulse

- Monetary and fiscal tools **stimulating the economy through credit impulse**
- **Easing regulatory stance** - reversal of higher risk-weights for NBFCs/microfinance, diversification of funding sources, and lifting restrictions after corrective actions.

Eyes on **Pay Commission** next year

Fiscal tools like **GST reforms and trade policies** will boost growth. Focus will also be on **Pay Commission** implementation.

Source: Bloomberg, RBI, Axis MF Research, data as on 20th August 2025

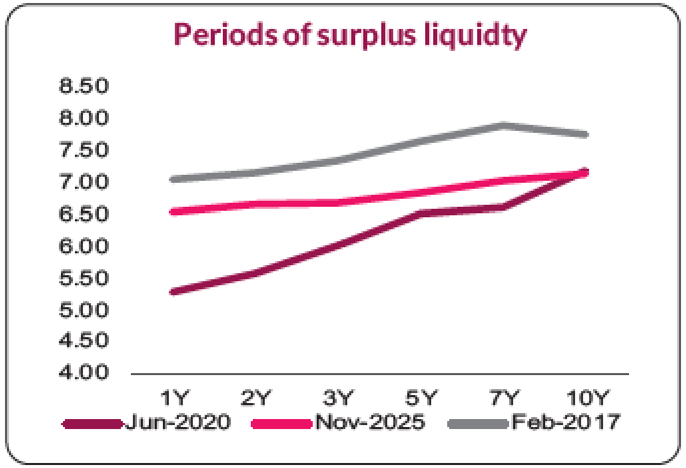
Shifting gears for 2026

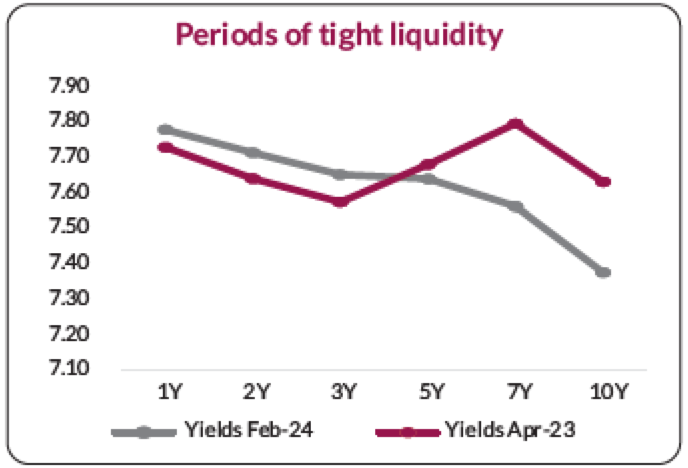
Themes that played out in the bond markets

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





Source: Axis MF Research, Bloomberg. Data as on 15th November 2025.

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.

Market View

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

Source: Axis MF Research, Bloomberg

Way Forward for Bond Markets

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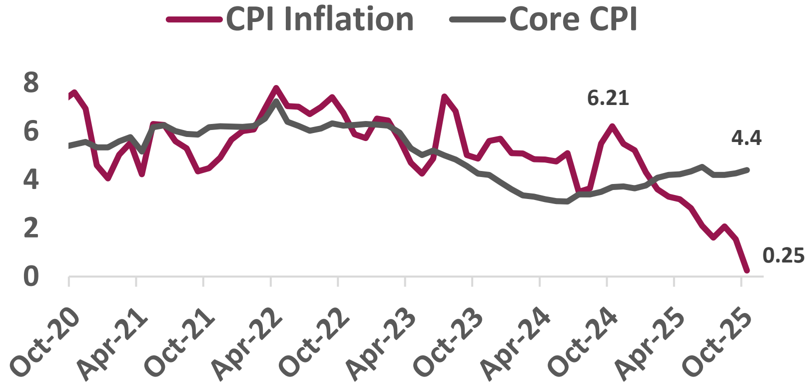
Stable rate regime, RBI to maintain extended pause after December 2025

CPI less than 4% for FY26E



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
Total Gross Demand			**10,82,000**
Total Gross Supply			**11,98,000**
Demand Supply Gap			**1,16,000**

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

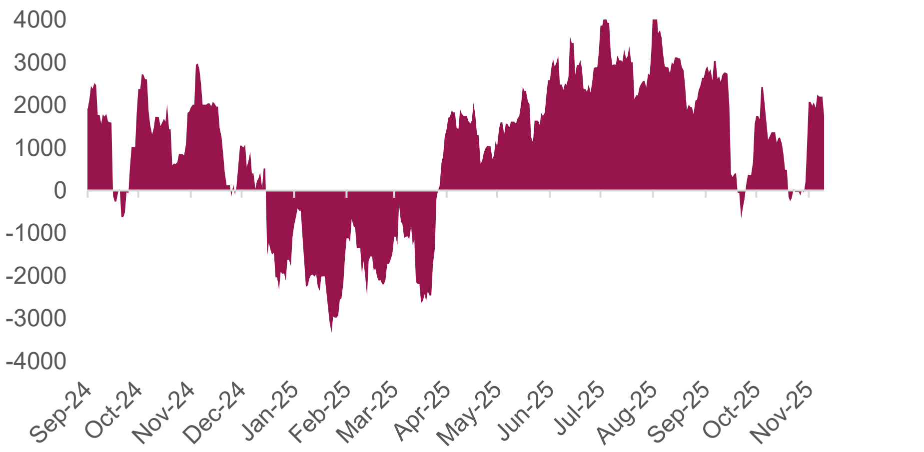
- Strong disinflationary impulse is expected to continue in 2026 due to GST cuts
- Growth is expected to moderate (6.2–6.5%), with patchy demand recovery.

Source: Bloomberg, RBI, Axis MF Research, data as on 15th November 2025

Way Forward for Bond Markets

Best of liquidity behind us

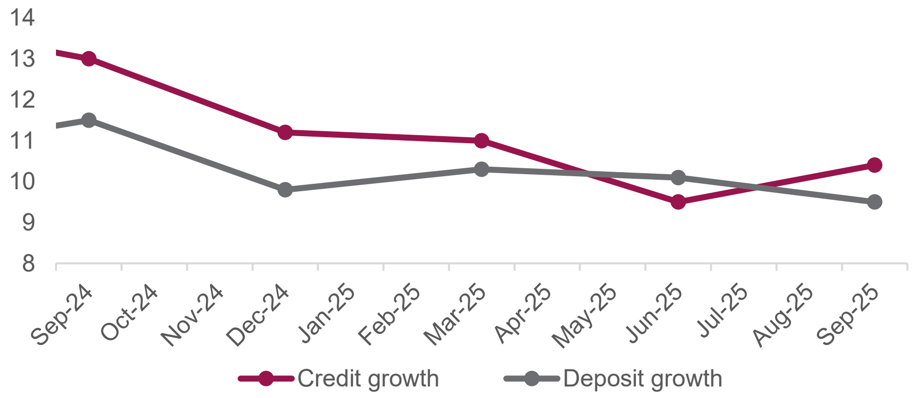
Liquidity to move into neutral zone by March 2026



Durable liquidity by March 2026

	Particulars	Amt (In Rs Crs)
	Core Liquidity -Oct 17 2025	3,60,648
Inflows	CRR cut (50 Bps cut in November)	1,20,000
Outflows	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

Credit growth accelerating



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.

Source: Bloomberg, RBI, Axis MF Research, data as on 15th November 2025

Strategy for Funds

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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.

Source: Bloomberg, RBI, Axis MF Research, data as on 15th November 2025

Axis Dynamic Bond Fund Overview

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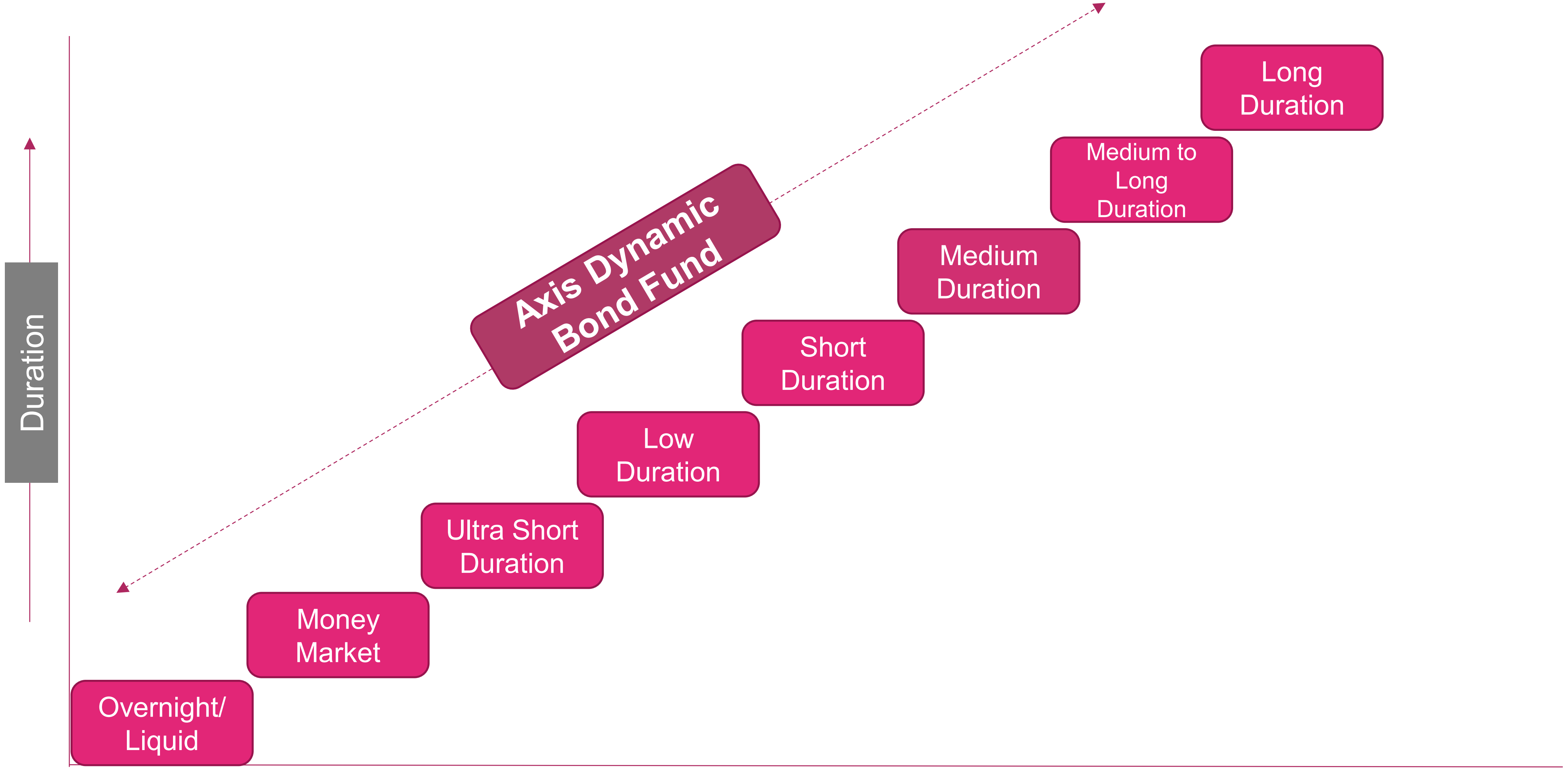
Unique Positioning



Portfolio Construct

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Dynamically managed High-quality Portfolio

Duration

Duration will be actively managed in line with evolving interest rate scenario.

Individual Securities

No restriction on maturity of individual securities.

Asset Quality

Portfolio will be quality biased with 100% AAA/SOV rated assets.

Asset Allocation

Investment across Corporate Bonds, G-Secs, SDLs, etc. based on the market opportunity / spreads.

Why consider Axis Dynamic Bond Fund?

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- An all-weather proposition aiming to generate optimal risk adjusted returns across market cycles
- High quality portfolio
- Positioned to benefit from easing rates scenario
- Investment Horizon: 3 years and beyond

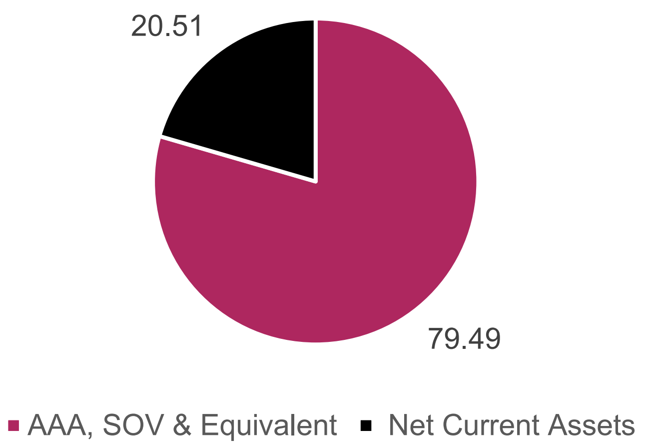
Portfolio Facts

31st October 2025

Portfolio Statistics	
Average Maturity	8.27 Years
Macaulay Duration	5.12 Years
Modified Duration	4.92 Years
YTM	6.61%

Composition by Instruments	
Government Bond	48.43%
Corporate Bond	28.53%
Pass Through Certificate	2.54%
Net Current Assets	20.51%

Composition by Rating



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.

Performance

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31st 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 (%)	Current Value of investment of Rs. 10,000
Axis Dynamic Bond Fund - Regular Plan – Growth	27-Apr-11	7.41%	10,741	7.77%	12,519	5.60%	13,140	7.88%	30,096
NIFTY Composite Debt Index A-III (Benchmark)		7.67%	10,767	7.98%	12,592	5.86%	13,299	7.88%	30,098
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		8.27%	10,827	8.82%	12,888	5.28%	12,940	6.78%	25,923

Past performance may or may not be sustained in future. Since inception (27 April 2011) Different plans have different expense structure. Devang Shah is managing the scheme since 16th March 2023 and he manages 21 schemes of Axis Mutual Fund. Hardik Shah is managing the scheme since 5th April 2024 and he manages 18 schemes of Axis Mutual Fund. Please click on link 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

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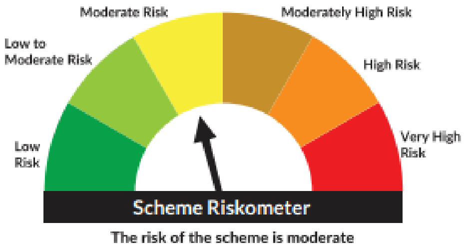
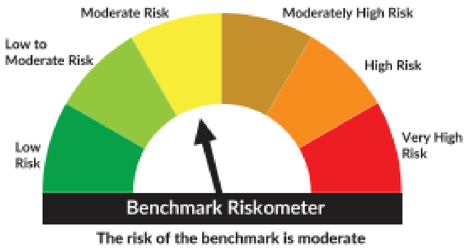
Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)
Axis Dynamic Bond Fund (An Open-Ended Dynamic Debt Scheme Investing Across Duration. A relatively high interest rate risk and moderate credit risk.) **Benchmark:** NIFTY Composite Debt Index A-III	This product is suitable for investors who are seeking* • Optimal Returns over medium to long term • To generate stable returns while maintaining liquidity through active management of a portfolio of debt and money market instruments *Investors should consult their financial advisers if in doubt about whether the product is suitable for them			See Potential Risk Class table below

Potential Risk Class

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	

Disclaimer and Risk Factors

Data as on 31st October 2025.

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).

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

Thank You