

# Axis Floater Fund

(An open-ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk)

*An all-weather floating rate strategy positioned for the ongoing interest rate environment*



# Introduction to floaters

## Variable rate debt instruments linked to market prices

- A floating-rate bond (FRB) offers a coupon tied to a benchmark rate like the repo or the 3month T-Bill.
- The coupon resets periodically to factor changes to the interest rate based on the movement in interest rates.
- Prices of typical fixed rate bonds have an inverse relationship with changes in interest rates - as interest rates rise, prices of bonds fall and vice versa.
- Since floater coupons adjust periodically, the prices of these bonds do not follow the same price/yield relationship.

To illustrate, consider a 3 Year AAA floating rate bond priced at 3M T-Bill +1.2%

	3M T-Bill	Effective Coupon
Year 1	4.9%	6.1%
Year 2	5.5%	6.7%
Year 3	6.5%	7.7%



Hence an FRB provides a market linked return and works well for those looking to hedge interest rate risks in a rising rate environment.

# Swaps

## How do they work?

A Swap is a derivative contract whereby the holder of a fixed rate bond can convert a fixed rate exposure into a market linked floating rate exposure thereby reducing any interest rate risk associated with the fixed rate instrument.

### Let's illustrate

Fund buys a fixed rate bond with a coupon of 5.25%

Fund also contracts an investment bank to swap the bond for a floating structure

The counterparty agrees to provide a MIBOR +3% payout structure for the swap in exchange for the fixed coupon of the bond



Thus, the fund can convert its fixed rate exposure by swapping it for a floating rate structure where the counterparty will pay the fund a periodic market linked payout in exchange the fixed coupon from the fixed rate bond held by the fund.

# Fixed Income Market Outlook

# 2024: The Year of Duration

Rally driven by favourable demand-supply dynamics and policy easing expectations

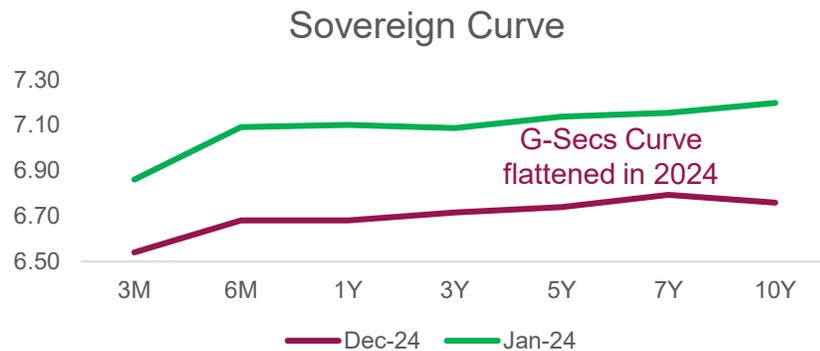
Inclusion in JP Morgan EM Bond Index

Fiscal Consolidation

Rate cut expectations + Tight banking liquidity

**Long Duration Strategies**  
outperformed

## Flat G-Sec and SDL curves and inverted Corporate Bond Curve



# 2025: The Year of Abundant Liquidity

Rally driven by liquidity

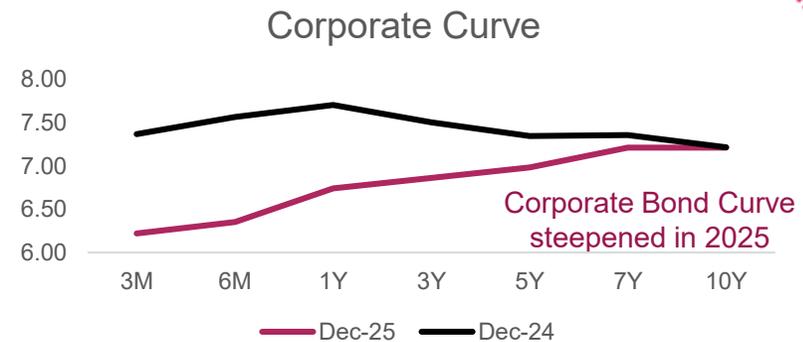
Monetary easing-  
Lower GDP  
and benign  
CPI

Surplus  
Liquidity

Steep Yield  
Curve – fag  
end of rate  
cut cycle

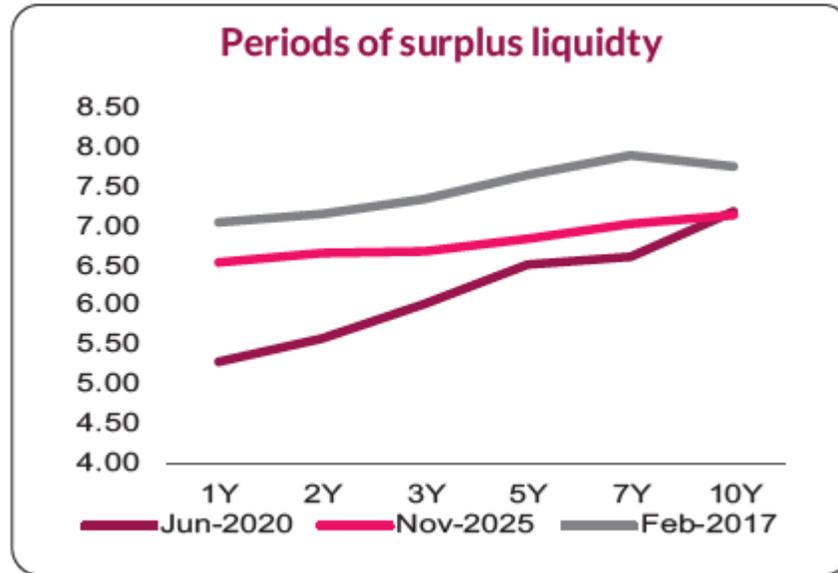
**3 – 5 year  
corporate  
bonds**  
outperformed

## G-Sec, SDL curves and Corporate Bond Curve Steepened



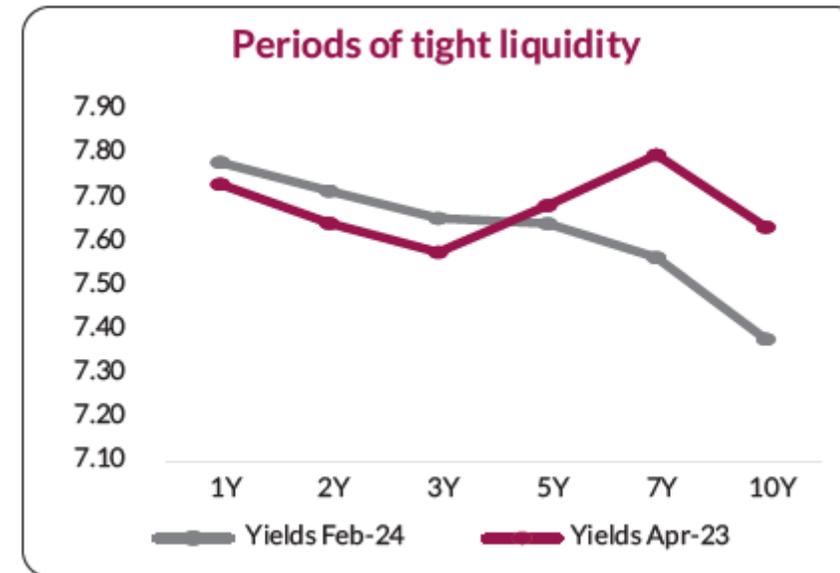
# Yield Curve to flatten

Driven by neutral liquidity and increase in credit growth



## Steep yield curve

Excess funds keep short-term rates suppressed



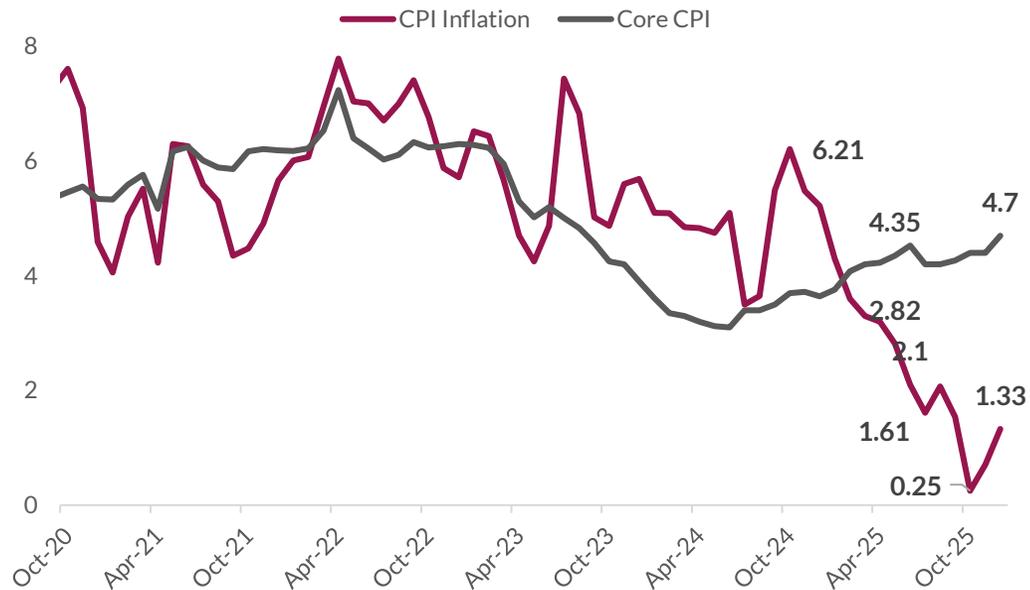
## Flat yield curve

Short-term rates rise relative to long-term rates

# Rates - Lower for Longer

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

## CPI less than 4% for FY26E



## GDP for FY26E revised upwards by RBI

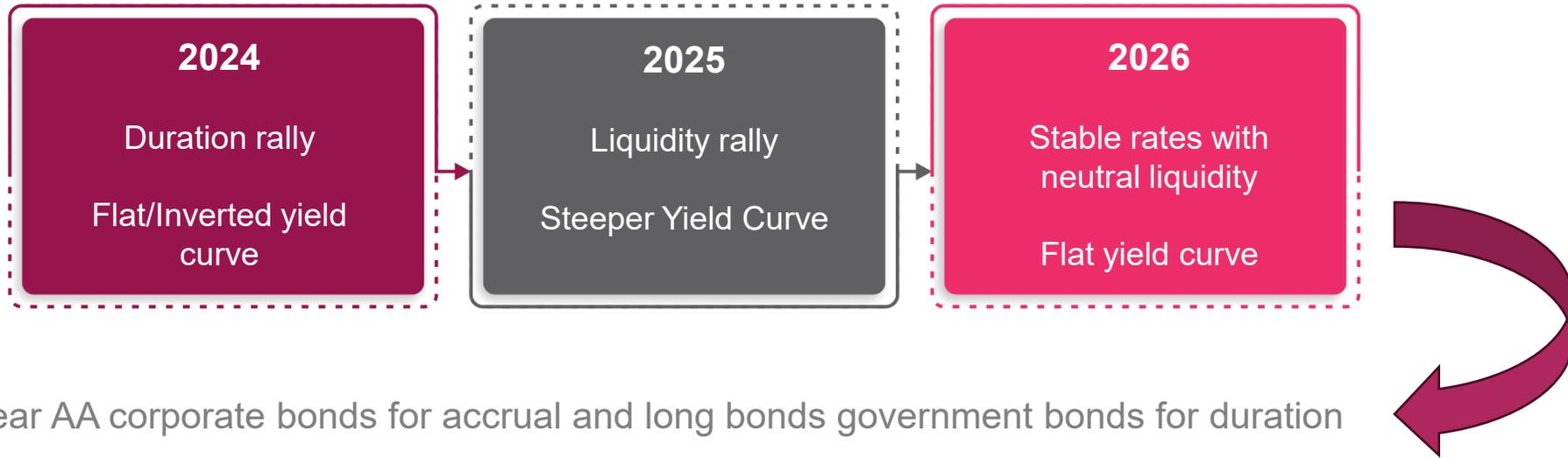
Tenure	GDP Growth Projection
FY22	9.7%
FY23	7.6%
FY24	9.2%
FY25	6.5%
FY26E	7.3% (upward bias)

The RBI raised its growth projections and FY26 growth is now expected at 7.3%, up from 6.8% (October policy) and Q1FY27 growth at 6.7%, up from 6.4%.

Inflation is anticipated to rise over the next two quarters. FY26 and Q1FY27 projections have been revised down by 50–60 basis points. The inflation projection for FY26 now stands at 2%, down from 2.6% and for Q1FY27 at 3.9%, down from 4.5%, both comfortably below the RBI's threshold.

# Shifting gears for 2026

Prefer Barbell Strategies



2-year AA corporate bonds for accrual and long bonds government bonds for duration

	Mod	Yield (21st Jan 2026)	1 Yr returns given change in Interest rates				
			-25 bps	-15 bps	0 bps	15 bps	25 bps
30 Year Gsec	11.25	7.42	10.18	9.08	7.42	5.75	4.64
10 Year Gsec	6.85	6.65	8.23	7.60	6.65	5.71	5.07
5 Year AAA Corp	4.65	7.23	8.22	7.82	7.23	6.63	6.23
3 Year AAA Corp	2.75	7.04	7.52	7.33	7.04	6.75	6.55
2 Year AA Corp	1.85	7.99	8.23	8.13	7.99	7.83	7.73

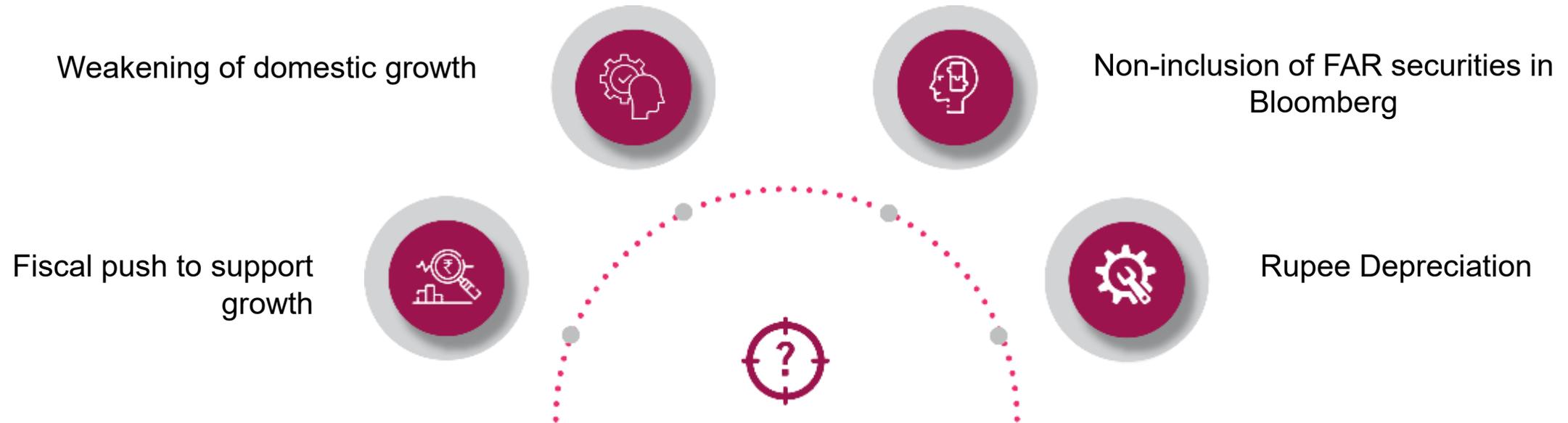
Accrual important in a lower rate regime

Long bonds provide meaningful protection at current levels

**Inclusion in Bloomberg Global Aggregate Index could attract US\$25-30 bn inflows could lead to tactical rally in bond markets**

# Key Risks to our view

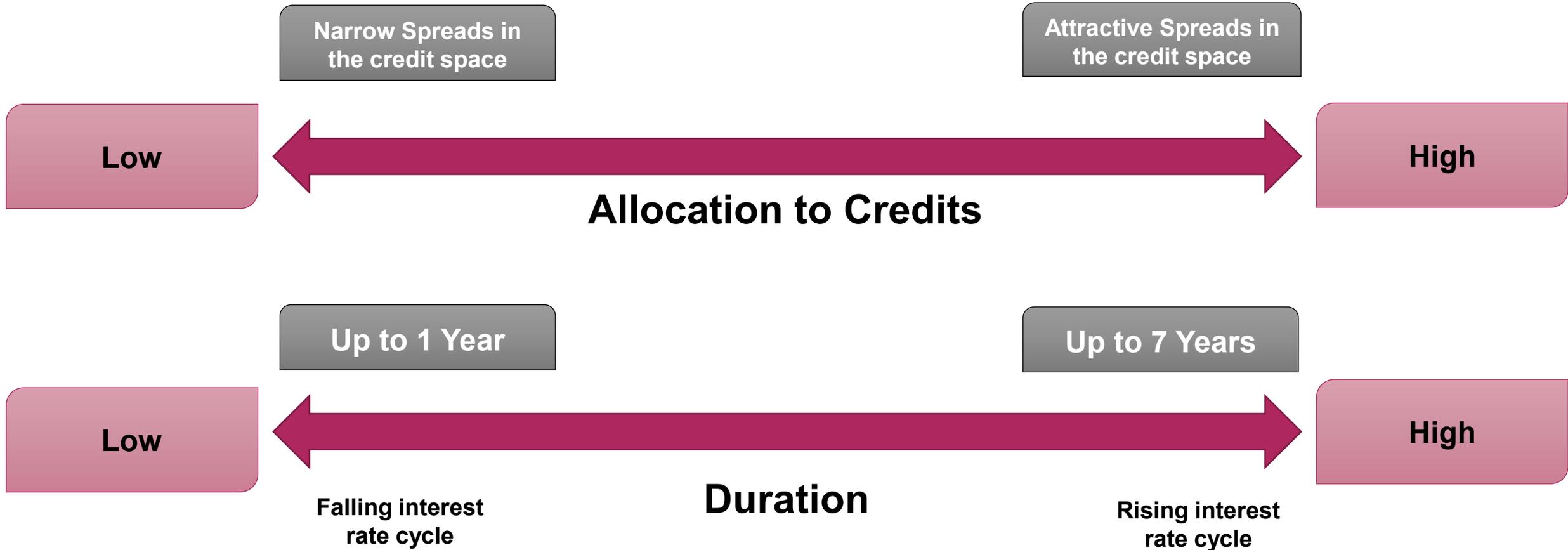
## Potential Headwinds



# Axis Floater Fund

(An open-ended debt scheme predominantly investing in floating rate instruments. A relatively high-interest rate risk and moderate credit risk)

# Axis Floater Fund - Strategy



Above mentioned positioning aspects of the portfolio are based on the prevailing market conditions and are subject to changes depending on the fund manager's view of the markets. Please refer to the Scheme Information Document for detailed asset allocation and investment strategy on our website [www.axismf.com](http://www.axismf.com).

# Benefits and Suitability

## Benefits

Axis Floater Fund has no restriction on the Macaulay duration of the fund and can therefore go to extreme ends of duration as per the ongoing interest rate environment

As markets have priced in much of the rate hike significantly, longer duration instruments will gain more than shorter duration assets

Attempts to offer better risk reward opportunity than other actively managed products

Axis Floater Fund does not have an exit load and thereby gives investors the option of exiting from the fund in case of contingencies

## Suitability

Efficient solution for investors looking to stay invested for medium to long term horizon

Investors who are looking at a dynamically managed strategy in the current interest rate environment

Can be Ideal for those looking at a high quality portfolio as the fund aims to invest in high quality instruments with select names in the credit space

Investors looking for a “Go-Anywhere” Fund in terms of duration, asset allocation & rating allocation

# Axis Floater Fund

An open-ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk



## Category

Floating Rate Fund



## About the Fund

A high-quality actively managed debt strategy which endeavors to dynamically change its duration in accordance with the interest rate cycle.

The fund aims at maintaining its floating rate exposure via short term interest rate swaps.



## Fund Manager

Aditya Pagaria & Hardik Shah

## Fund Facts



### Inception Date

29<sup>th</sup> July 2021



### Benchmark

NIFTY Medium to Long  
Duration  
Debt Index A-III



### Exit Load

NIL



### Residual Maturity

11.92 Years



### Macaulay Duration

5.47 Years



### Annualized Portfolio YTM\*

7.36%

### Portfolio Mix

Corporate Bonds + G-Secs. Floating exposure through OIS

Source: Axis MF Internal Research. Category of Fund is as per SEBI Categorization of Mutual Funds. Data as on 31<sup>st</sup> December 2025. 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 may be generated by the fund and the securities bought by the fund may or may not be held till their respective maturities. The calculations are based on the invested corpus. \*In case of semi annual YTM, it will be annualized. Current portfolio allocation, maturity & duration is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

# Performance

31<sup>st</sup> December 2025

	1 Year		3 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
Axis Floater Fund - Regular Plan – Growth		7.57%	10,757	7.99%	12,599	6.74%	13,347
Nifty Medium to Long Duration Debt Index A-III	29-Jul-21	6.80%	10,680	7.61%	12,466	6.07%	12,980
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		6.85%	10,685	8.14%	12,651	5.74%	12,801

**Past performance may or may not be sustained in future.** Since the scheme has not completed 5 years, 5 years performance has not been provided.

Different plans have different expense structure. Aditya Pagaria is managing the scheme since 29th July 2021 and he manages 25 schemes. Hardik Shah is managing the scheme since 31<sup>st</sup> January 2022 and he manages 18 schemes of Axis Mutual Fund. Returns greater than 1 year are Compounded Annual Growth Rates (CAGR). Face value \_10 per unit. Please refer return table for performance of all schemes managed by the fund manager.

Please click on [https://www.axismf.com/cms/sites/default/files/Statutory/WDP\\_Annexure\\_Dec.pdf](https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_Dec.pdf) to view the performance of other schemes currently managed by the fund manager.

# Product Labelling

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
<p><b>Axis Floater Fund</b></p> <p>(An open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk.)</p> <p><b>Benchmark:</b> NIFTY Medium to Long Duration Debt Index A-III</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Regular income over short term investment horizon</li> <li>To invest predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)</li> </ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p>The risk of the scheme is moderately high</p>	 <p>The risk of the benchmark is moderate</p>	<table border="1"> <thead> <tr> <th colspan="4" data-bbox="1870 529 2438 586">Potential Risk Class</th> </tr> <tr> <th data-bbox="1870 586 2015 668">Credit Risk →</th> <th data-bbox="2015 586 2153 668">Relatively Low (Class A)</th> <th data-bbox="2153 586 2295 668">Moderate (Class B)</th> <th data-bbox="2295 586 2438 668">Relatively High (Class C)</th> </tr> <tr> <th data-bbox="1870 668 2015 749">Interest Rate Risk ↓</th> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="1870 749 2015 831">Relatively Low (Class I)</td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="1870 831 2015 912">Moderate (Class II)</td> <td></td> <td></td> <td></td> </tr> <tr> <td data-bbox="1870 912 2015 1008">Relatively High (Class III)</td> <td></td> <td data-bbox="2153 912 2295 1008" style="text-align: center;"><b>B-III</b></td> <td></td> </tr> </thead></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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# 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**