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

AXIS MUTUAL FUND

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.

For illustrative purposes only. Floating rate bonds may experience varying degrees of correlation depending on their construct and market factors. The illustration should not be construed as investment advice.

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

Fixed Rate Bond → **Counterparty** → **Floating Structure**

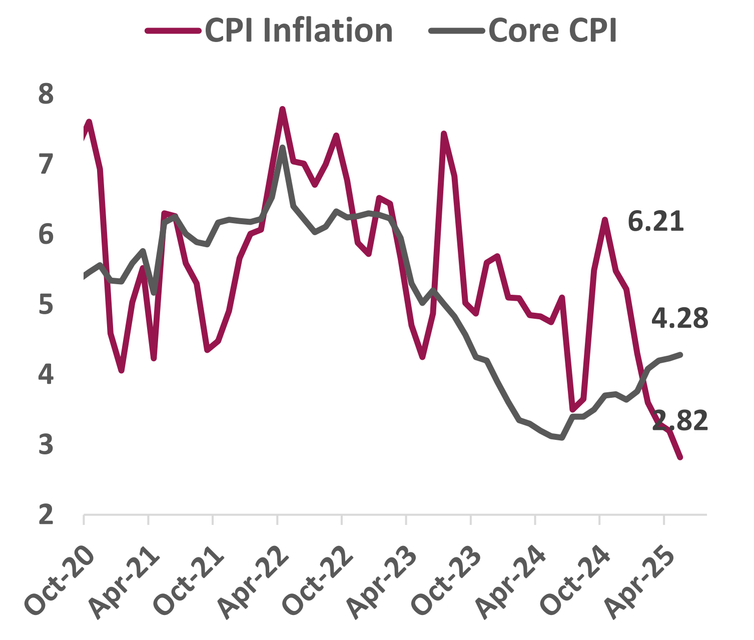
Thus, the fund can convert its fixed rate exposure by swapping it for a floating rate structure where the counterparty will pay the fund a periodic market linked payout in exchange the fixed coupon from the fixed rate bond held by the fund.

The above is only to illustrate working of bond swaps in funds. The illustration does not take into account various aspects such as accruals, expenses, market factors, etc. MIBOR – Mumbai Interbank offered rate.

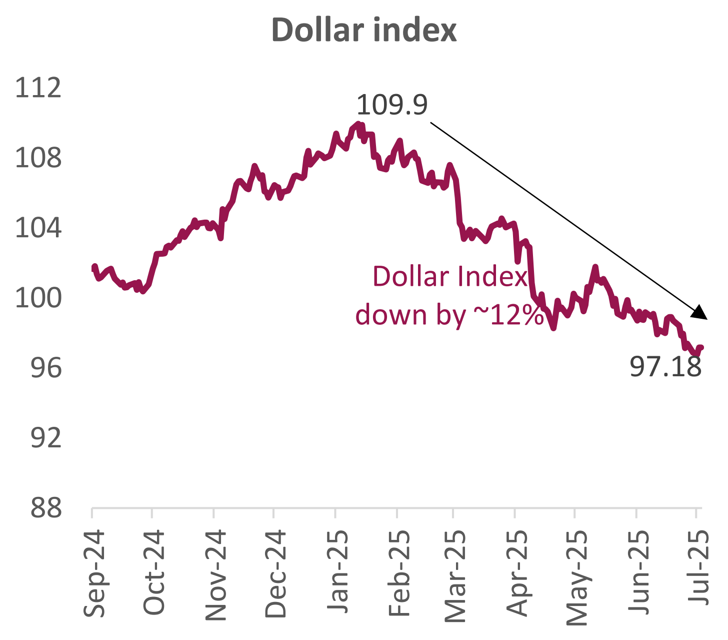
Way Forward

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**.

Source: Bloomberg, RBI, Axis MF Research, data as on 30th June 2025

RBI’s Liquidity Playbook

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Banking system at INR 6Tn Liquidity post RBI dividend

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

Changes in Durable liquidity	Amt (In 000 crs)
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 Liqudity 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

Source : RBI website, Bloomberg, Internal Models

Implications of sustained Banking Liquidity

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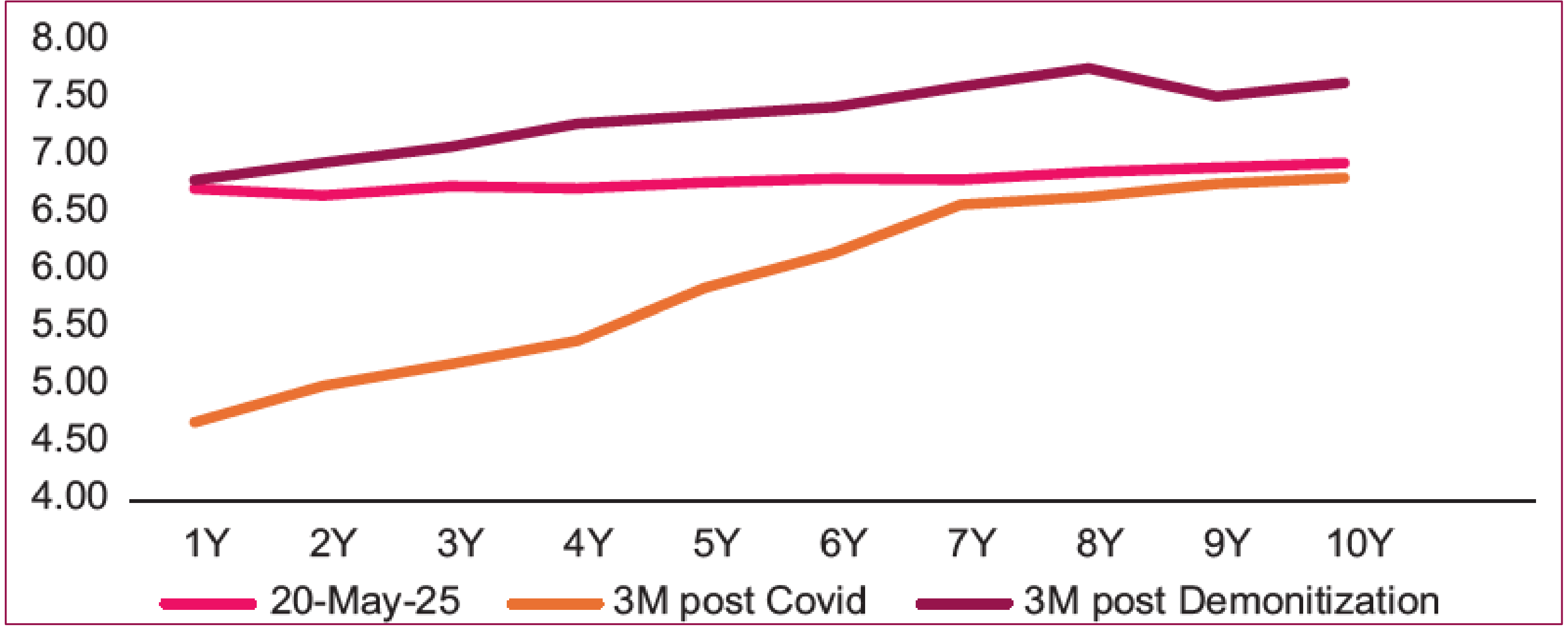
Opportunity for spread compression in 1–5-year corporate bonds



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

*Assuming SDF Applicability due to surplus liquidity.

Market View

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

Source: Axis MF Research, Bloomberg

Strategy for Funds

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Short term corporate bond to outperform

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

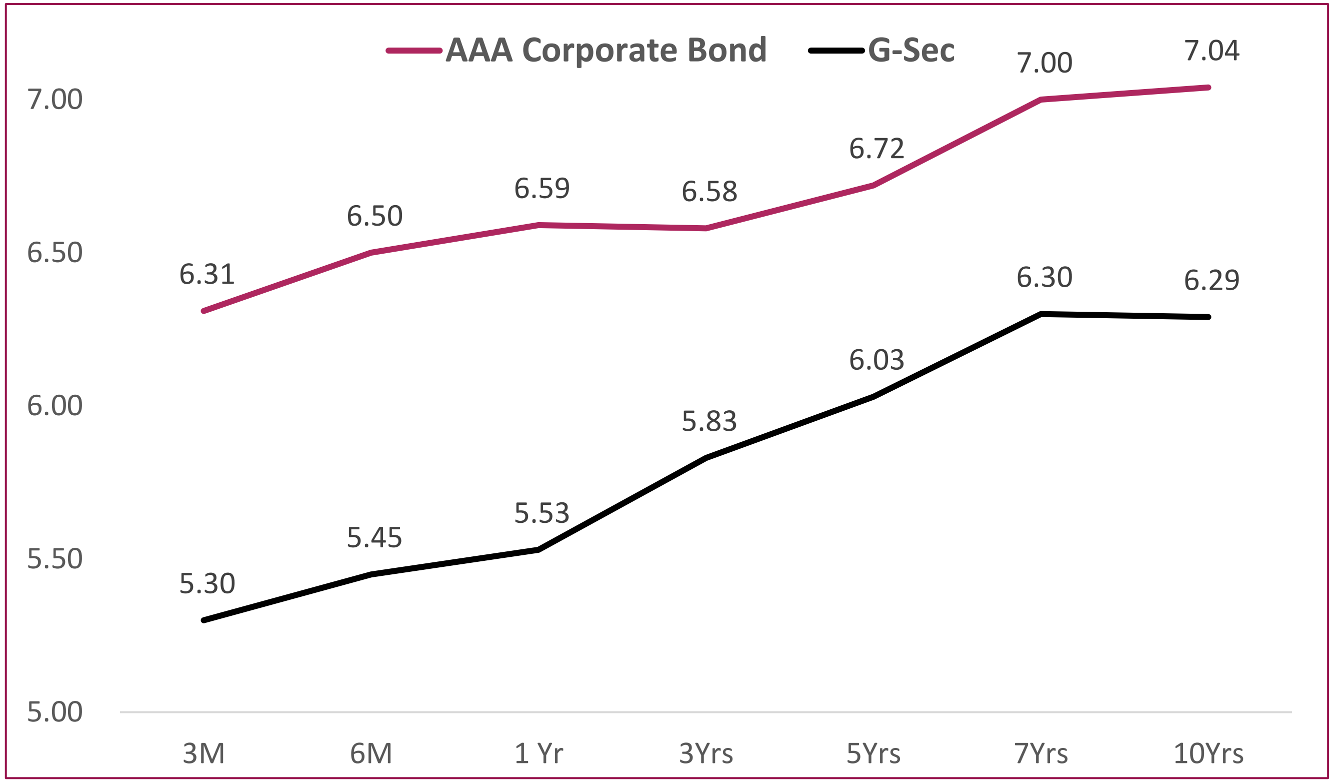
We were positive on long govt bonds throughout 2024 as demand supply dynamics for government bonds were favorable.

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



Source: Bloomberg, RBI, Axis MF Research, data as on 30th June 2025

Axis Floater Fund

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Axis Floater Fund - Strategy

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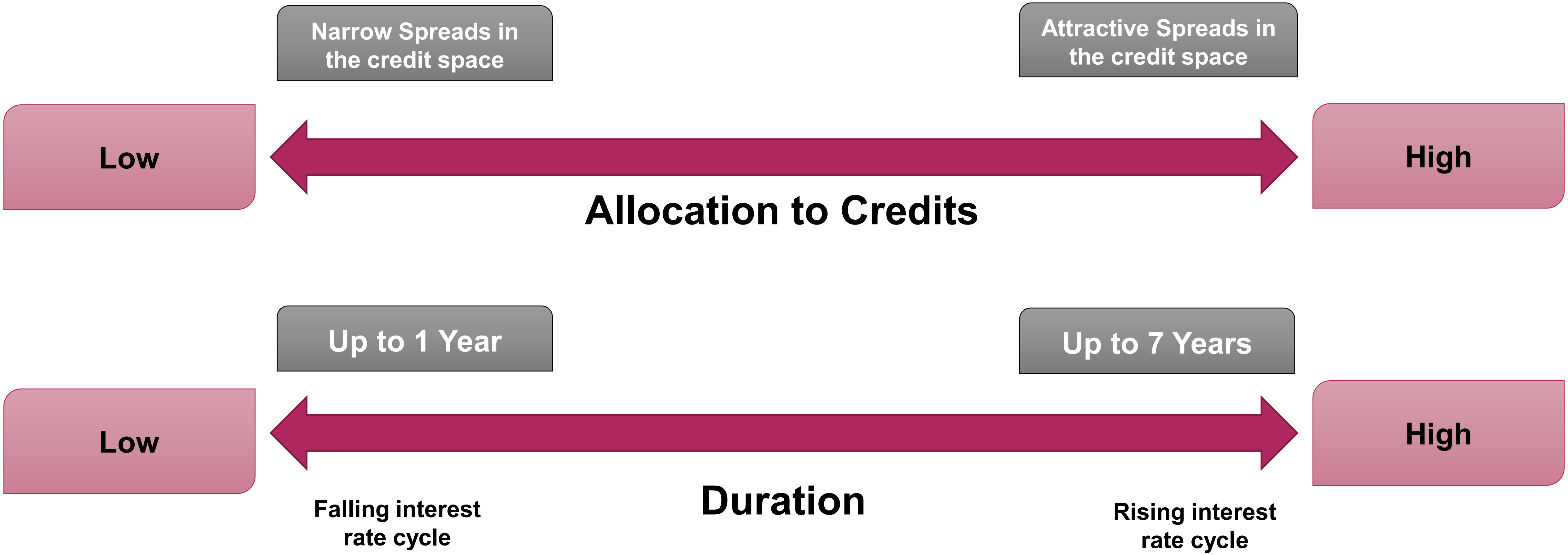

Above mentioned positioning aspects of the portfolio are based on the prevailing market conditions and are subject to changes depending on the fund manager's view of the markets. Please refer to the Scheme Information Document for detailed asset allocation and investment strategy on our website www.axismf.com.

Benefits and Suitability

AXIS MUTUAL FUND

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

Please refer to the Scheme Information Document for detailed asset allocation and investment strategy on our website www.axismf.com

Axis Floater Fund

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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

29th July 2021

Benchmark

NIFTY Long Duration Debt Index A-III

Exit Load

NIL

Residual Maturity

8.74 Years

Macaulay Duration

4.83 Years

Annualized Portfolio YTM*

6.69%

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 30th June 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

30th June 2025

AXIS ASSET MANAGEMENT

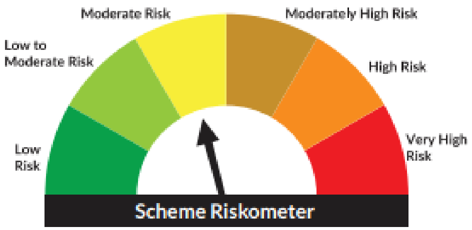
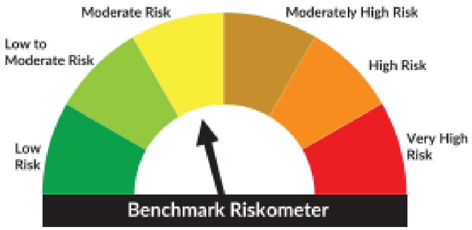
		1 Year		3 Year		Since Inception	
	Inception	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000	CAGR (%)	Current Value of investment of Rs. 10,000
Axis Floater Fund - Regular Plan – Growth	29-Jul-21	9.77%	10,982	8.28%	12,697	7.01%	13,043
Nifty Medium to Long Duration Debt Index A-III		10.11%	11,017	8.58%	12,804	6.51%	12,808
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		11.25%	11,132	9.32%	13,070	6.31%	12,714

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 21 schemes. Hardik Shah is managing the scheme since 31st 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_Jun.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)
Axis Floater Fund (An open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk.) **Benchmark:** Nifty Long Duration Debt Index A-III	This product is suitable for investors who are seeking* • Regular income over short term investment horizon. • To invest predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives) *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 The risk of the scheme is moderate	 The risk of the benchmark is moderate	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

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