

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

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- A floating-rate bond (FRB) offers a coupon tied to a benchmark rate like the repo or the 3month T-Bill.

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- The coupon resets periodically to factor changes to the interest rate based on the movement in interest rates.

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- 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.

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- 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

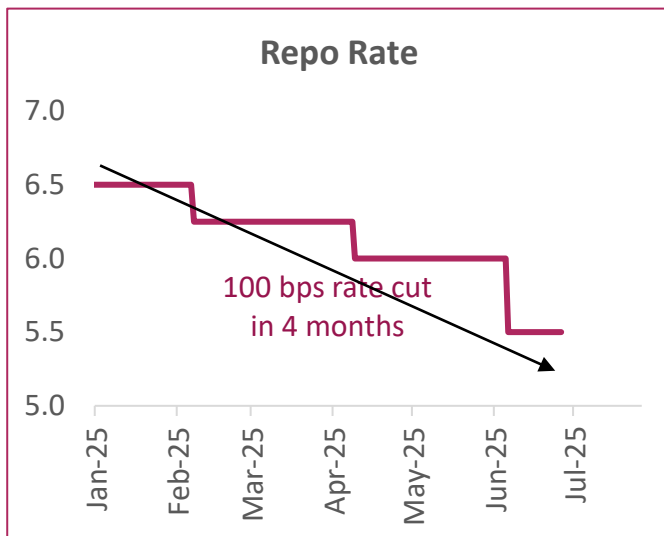


Thus, the fund can convert its fixed rate exposure by swapping it for a floating rate structure where the counterparty will pay the fund a periodic market linked payout in exchange the fixed coupon from the fixed rate bond held by the fund.

Lower for Longer and Barbell

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

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.

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**

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.

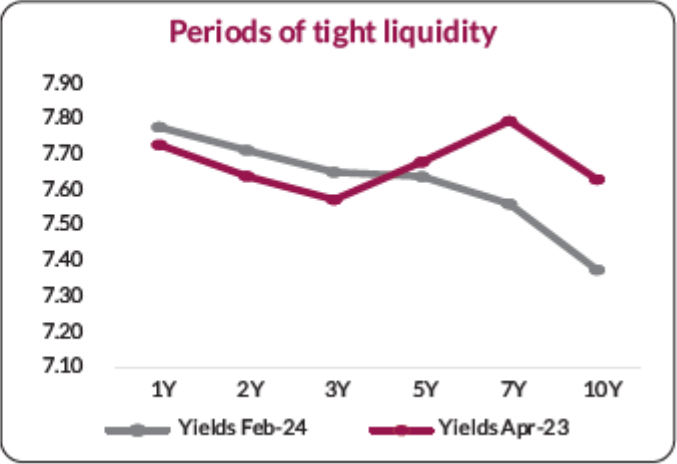
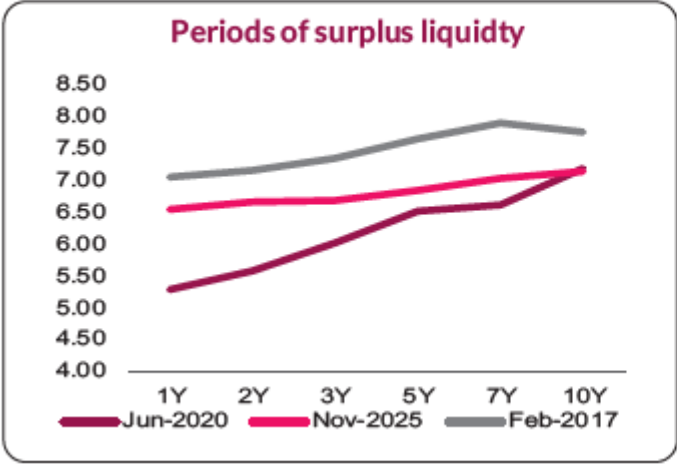
Shifting gears for 2026

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	7.65	7.2	7.35
			Dec 24	7.55 ↔	6.8 ↓	7.0 ↓
2025	Lower GDP, Lower CPI, Rate cuts, Abundant Liquidity	Liquidity, Steeper yield curve	Jan 25	7.55	6.8	7.0
			Dec 25	6.7 ↓	6.45 ↓	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.

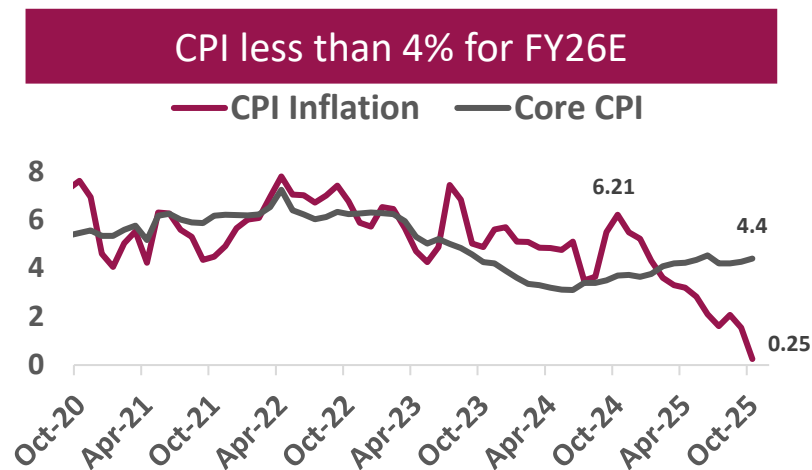
As we step into 2026, the landscape is changing. The focus now shifts towards ‘Accrual’ and ‘Barbell strategies’, supported by a stable rate environment, neutral liquidity, and structural demand-supply imbalances particularly for long bonds.

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.

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

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
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.

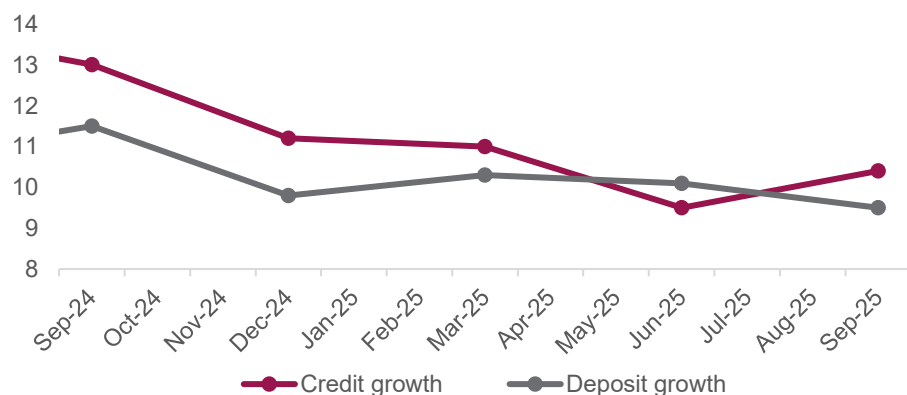
Way Forward for Bond Markets

Best of liquidity behind us

Liquidity to move into neutral zone by March 2026



Credit growth accelerating



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

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.

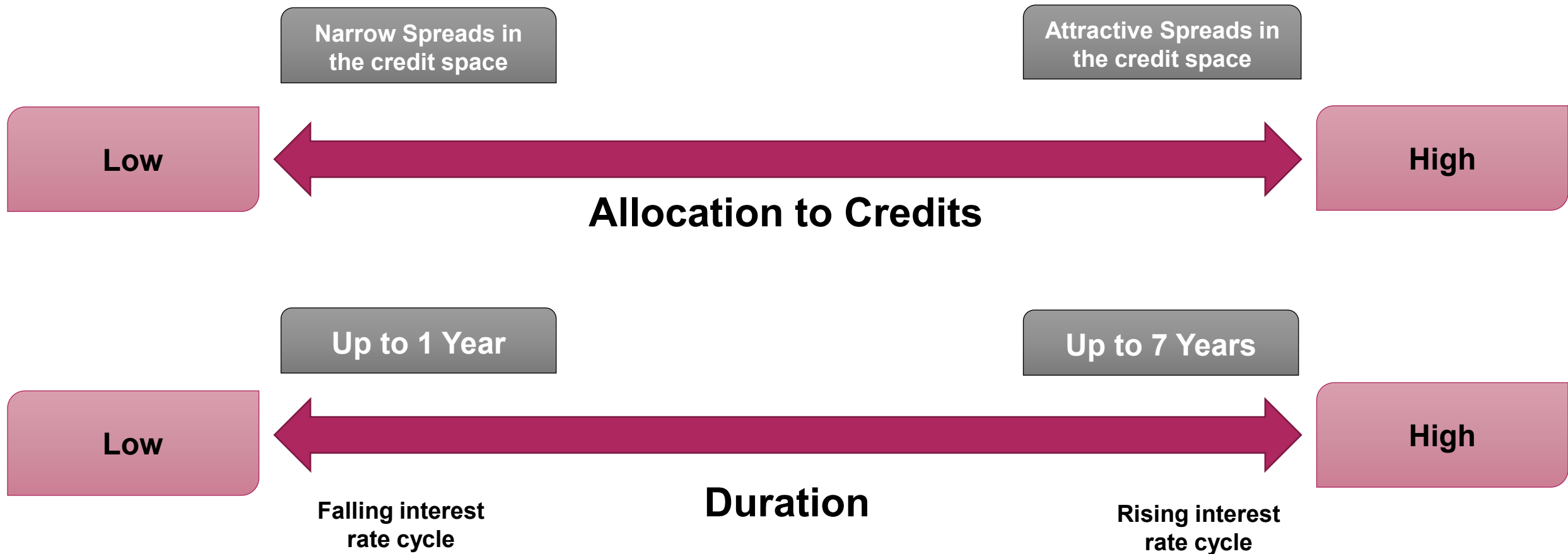
Securities	Yields (10th Nov 2025)	1 yr returns given change in Interest rates (Yields)				
		-25 bps	-15 bps	0 bps	15 bps	25 bps
30 Year Gsec	7.26	10.02	8.92	7.26	5.60	4.49
10 Year Gsec	6.49	8.06	7.43	6.49	5.54	4.91
5 Year AAA Corp	6.82	7.81	7.41	6.82	6.22	5.83
3 Year AAA Corp	6.69	7.17	6.98	6.69	6.40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

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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.

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

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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 Medium to Long
Duration
Debt Index A-III



Exit Load

NIL



Residual Maturity

11.39 Years



Macaulay Duration

5.35 Years



Annualized Portfolio YTM*

7.22%

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 31st October 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

31st October 2025

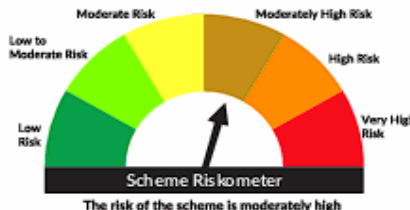
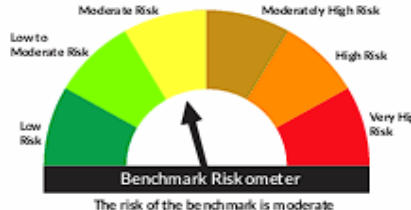
		1 Year		3 Year		Since Inception	
		Inception	CAGR (%) Current Value of investment of Rs. 10,000	CAGR (%) Current Value of investment of Rs. 10,000	CAGR (%) Current Value of investment of Rs. 10,000	CAGR (%) Current Value of investment of Rs. 10,000	CAGR (%) Current Value of investment of Rs. 10,000
Axis Floater Fund - Regular Plan – Growth			7.77% 10,777	8.19% 12,665	6.80% 13,236		
Nifty Medium to Long Duration Debt Index A-III	29-Jul-21		7.75% 10,775	8.13% 12,644	6.24% 12,943		
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)			8.27% 10,827	8.82% 12,888	5.93% 12,784		

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 22 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_Oct.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>Axis Floater Fund</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>Benchmark: 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">Regular income over short term investment horizonTo invest predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives) <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><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><tr><th>Interest Rate Risk ↓</th><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-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

