

Axis Income Plus Arbitrage Passive FOF

(An open-ended fund of funds scheme investing in passive debt oriented mutual fund schemes and arbitrage funds)



2024: The Year of Duration

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

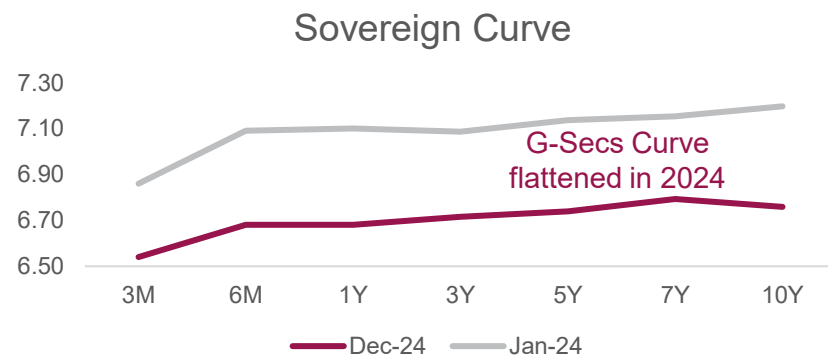
Inclusion in JP Morgan EM Bond Index

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

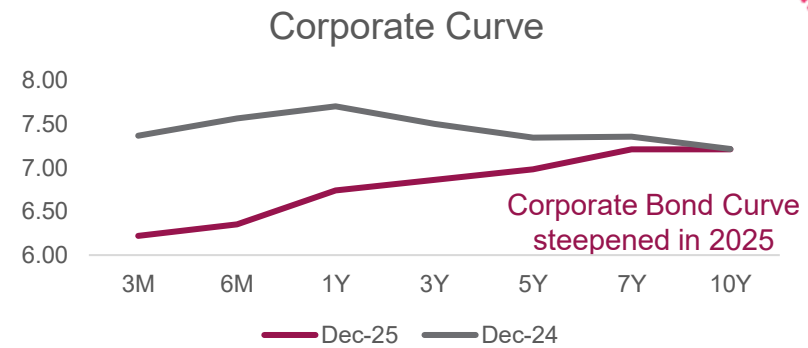
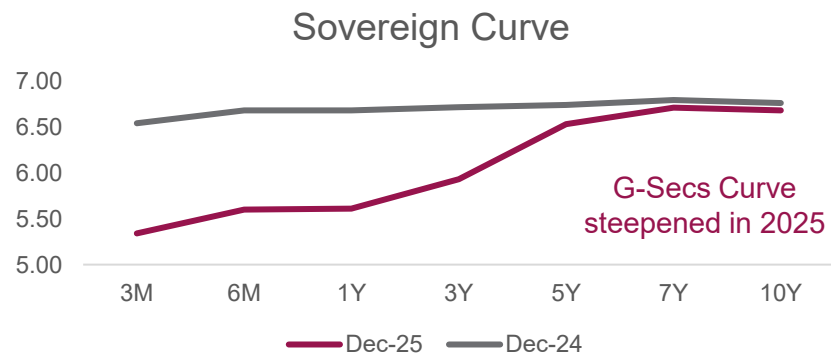
Monetary easing-
Lower GDP
and benign
CPI

Surplus
Liquidity

Steep Yield
Curve – fag
end of rate
cut cycle

**3 – 5 year
corporate
bonds**
outperformed

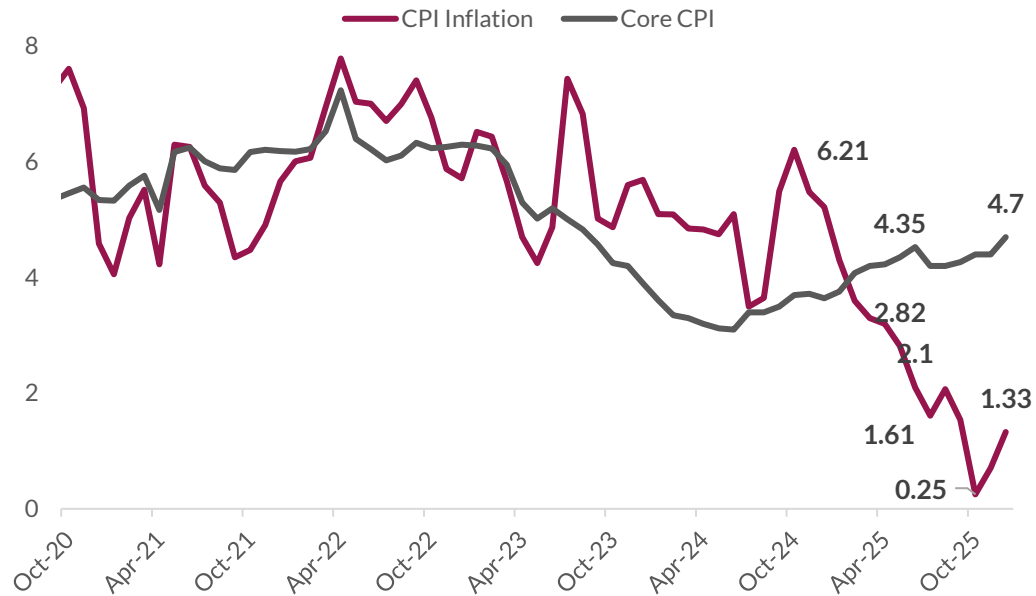
G-Sec, SDL curves and Corporate Bond Curve Steepened



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)

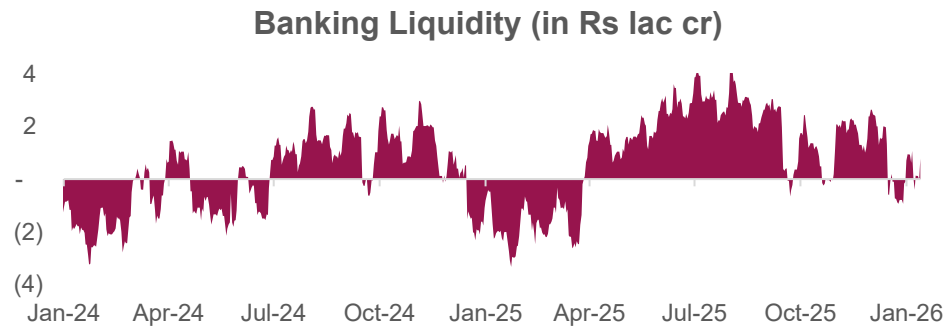
The RBI raised its growth projections and FY26 growth is now expected at 7.3%, up from 6.8% (October policy) and Q1FY27 growth at 6.7%, up from 6.4%.

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.

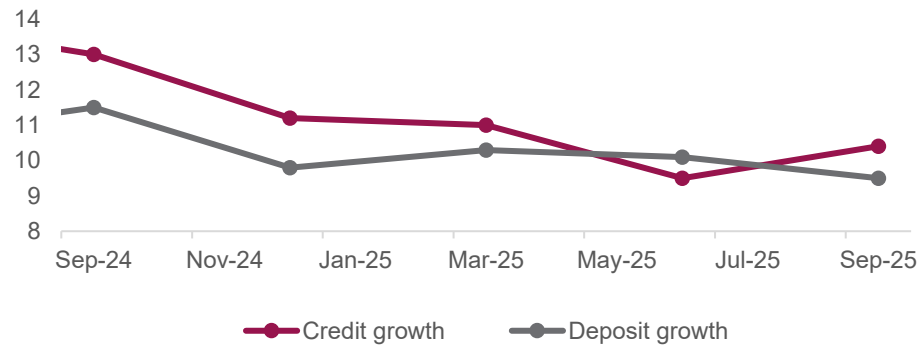
Best of Liquidity behind us?

RBI interventions will keep liquidity positive

Liquidity to remain positive till March 2026



Credit growth accelerating

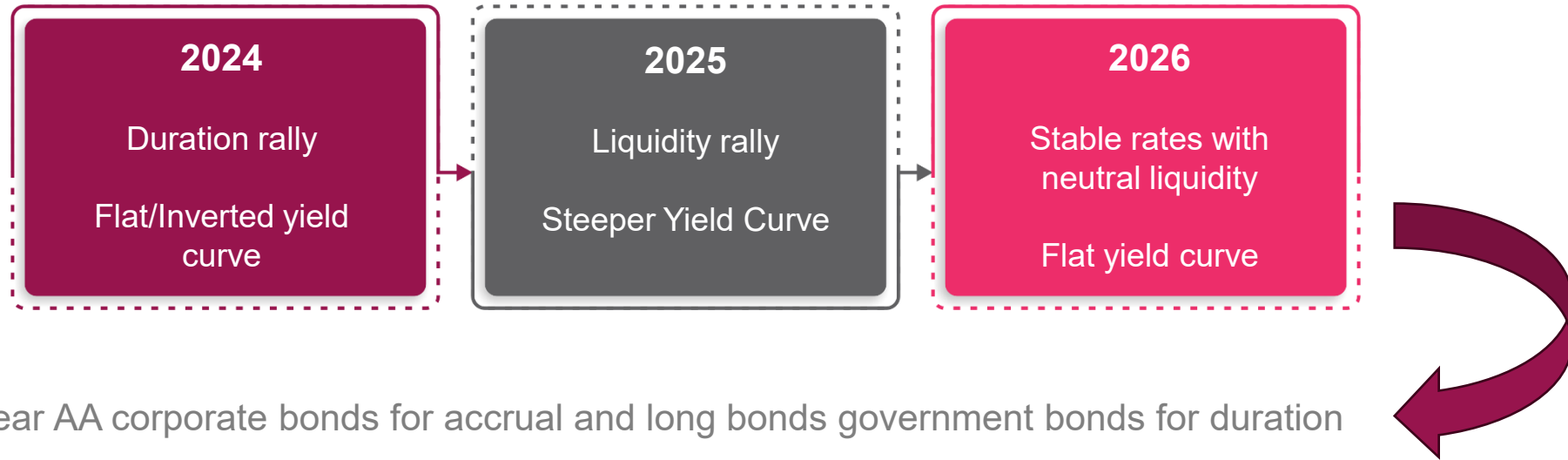


Durable liquidity by March 2026

	Particulars	Amt (In Rs Crs)
	Net Durable Liquidity - Dec 12, 2025	3,25,000
Inflow	FX Buy Sell \$10Bn + \$5Bn	1,35,000
	OMOs	3,00,000
Outflows	Expected CIC outflow (Dec 25 - Mar 26)	1,50,000
	Increase in CRR maintenance on Deposit Growth	50,000
	FX Intervention (Spot & forward)	2,50,000
	Durable Liquidity (expected) - March 2026	3,10,000

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

Unravelling an optimal approach

Predictability

Passive rolldown strategies provide predictable returns when held to maturity



Portfolio transparency

Passive funds replicate a publicly available index which follows a rule-based methodology



Post tax returns

MFs with < 65% in debt and balance in arbitrage tend to generate debt like returns with tax efficiency



Addressing the 5Ps

Problem of plenty

Short to medium duration assets provide optimal risk-adjusted returns across market cycles



Protection from credit events

100% AAA rated portfolio minimizes the credit risk



Presenting

 **AXIS MUTUAL FUND**

Axis Income Plus Arbitrage Passive FOF



Proposition given the Current Market Backdrop



Debt oriented Mutual Fund Schemes (~50-65%)

- Investment will be made in passive schemes following a rolldown strategy
- From a risk-reward perspective, currently, 2027 - 29 maturity segment looks appealing
- With a view to capture the current **accrual opportunity**, the fund manager may evaluate investment opportunities in schemes investing in Corporate Bonds issued by **Financial Services Sector/NBFCs and SDLs** based on his view
- Focus on schemes predominantly investing in **SOV/AAA** rated assets

%



Arbitrage Funds (~35-50%)



- The FoF will invest in Arbitrage Funds
- Fully hedged equity exposure, no directional calls
- Debt portfolio:
 - Focused on shorter end of the curve
 - High quality

%

High-quality accrual portfolio aiming to generate relatively stable tax-efficient returns

Note: In the event that suitable schemes are not available within Axis AMC, investments may be made in appropriate schemes offered by other fund houses. Such investments will remain fully aligned with the scheme's mandate.

The strategy outlined herein reflects our current views based on prevailing market conditions and fund manager insights. These views are subject to change at any time in response to evolving market dynamics or changes in the fund manager's outlook. Any such changes will be made in accordance with the investment strategy specified in the SID. For complete asset allocation pattern, refer to the SID.

Taxation Advantage

Taxation

	Debt oriented Mutual Funds	Corporate Fixed Deposit	Income Plus Arbitrage Passive FoF
Short Term Capital Gains	Slab Rate	Slab Rate	Slab Rate
Long Term Capital Gains	Slab Rate	Slab Rate	12.5% (Holding Period > 24 months)

	Debt oriented Mutual Funds	Corporate Fixed Deposit	Income Plus Arbitrage Passive FoF
Amount invested	1,00,000	1,00,000	1,00,000
Holding period	36 months	36 months	36 months
CAGR	7.49%	7.30%*	7.55%
Investment Value after 36m	1,24,195	1,23,538	1,24,403
Capital Gains	24,195	23,538	24,403
Capital Gains Tax rate	Slab Rate (30% assumed)	Slab Rate (30% assumed)	12.50%
Capital Gains Tax	7,259	7,061	3,050
Post tax returns	16,937	16,476	21,353
Post tax returns (%)	5.35%	5.22%	6.66%



Higher post tax returns

Source: Axis MF Research.

The above table is only for illustration purpose, scheme returns have been assumed, and actual returns are market linked and may be different. Note: Highest tax bracket considered for individual investors, surcharge and cess have been ignored for simplicity purpose, *3Y Cumulative Corporate Deposit rate offered by Bajaj Finance for Sr. Citizens as of 31st Dec 2025, 3Y returns for Income plus arbitrage Passive FoF strategy (Proxy: 65% NIFTY Short Duration Debt Index + 35% Nifty 50 Arbitrage Index) and debt oriented mutual funds (Proxy: Nifty Short Duration Debt Index) as on 31st Dec 2025.

Disclaimer: The Information set out above is included for general information purpose only and does not constitute legal advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the scheme. Any action taken on the basis of the information contained herein is your responsibility alone.

Choosing the right investment product

	Income Plus Arbitrage Passive FoF	Debt Oriented Funds	Arbitrage Funds	Traditional Investments
Asset Allocation	<65% in Debt oriented passive MFs/ETFs and balance in Arbitrage Funds	100% Debt	Arbitrage (>65%) + debt	NA
Risk-Return Profile	Higher risk-adjusted post-tax returns. Roll-down passive debt schemes* provide visibility when held till maturity. Arbitrage exposure has low risk profile	Depends on the scheme's investment mandate	Low risk as equity exposure is fully hedged	Fixed returns
Taxation	STCG (<24 months): Slab rate LTCG (>24 months): 12.5%	Slab rate	STCG (<12 months):20% LTCG (>12 months):12.5%	Slab rate
Taxation on switch	No tax liability when underlying schemes are switched	Investors are liable to pay tax upon every switch		NA
Liquidity		High		Low

Note: Currently, Target Maturity Funds investing in AAA Bonds / AAA sectoral Bonds are only available for short to medium Duration strategies. Available Constant Maturity Funds are of a shorter duration.
Source: Axis MF Research.

Active Versus Passive in Income Plus Arbitrage Strategy

Axis Income plus Arbitrage Active FoF

Active

Actively managed

Active Selection

Multi-AMC

Targeting alpha by capturing opportunities across market cycles with tax optimization

Depends on active calls by the Fund Manager

Investors seeking tactical alpha and active credit management

Strategy

Duration

Credit

Architecture

Positioning

Returns

Suitability

Axis Income plus Arbitrage Passive FoF

Passive

Will invest in short to medium duration passive debt schemes. Currently, ~3 years maturity segment looks attractive. Underlying schemes to follow rolldown strategy in line with the respective indices*

AAA & SOV^ in underlying schemes




Largely Single AMC




Targeting alpha over medium term traditional investments with tax optimization

Broadly linked to the Index of the underlying schemes^

Investors preferring predictability, transparency, and low-cost exposure

Why invest in Axis Income Plus Arbitrage Passive FoF?

-  Aims for stable returns corresponding to the returns of the underlying target maturity index
-  High quality: Focusses on **AAA/SOV** rated assets[^]
-  **Tax efficient:** LTCG* @12.5%

-  **High Liquidity:** Redemption payout on T+2 basis**, no exit load
-  **No tax impact on rebalancing** of the underlying schemes
-  Tax friendly alternate to traditional investment avenues



The fund is suited for all categories of investors – Corporates, HNIs and Retail - seeking tax-optimal investment solution and stable returns over a holding period of 3-year rolldown

[^]Underlying debt mutual fund schemes/ETFs to have 100% AAA/SOV rated assets. *Holding period > 24 months. **As per SEBI guideline, under normal circumstances, AMC shall dispatch the redemption proceeds within 3 working days from the date of receipt of request from the unitholder.

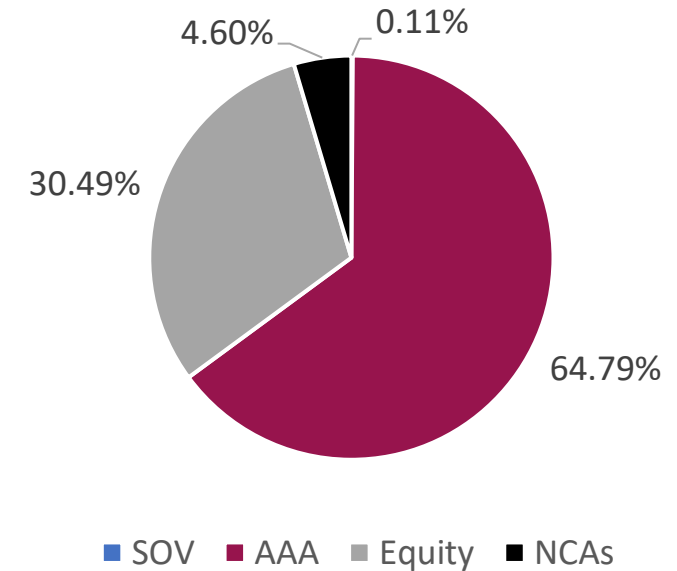
Portfolio Stats

As on 31st Dec 2025

Fund Name	% of NAV
Mutual Fund Units	
Axis CRISIL IBX AAA Bond NBFC Jun 2027 Index Fund	60.06%
Axis Arbitrage Fund	38.97%
Net Current Assets	
Cash & NCAs	0.97%







Quants (Debt)	
Average Maturity	0.92 Years
Modified Duration	0.82 Years
Mac Duration	0.87 Years
YTM	6.79%
Underlying Expenses	0.22%

Rating Allocation




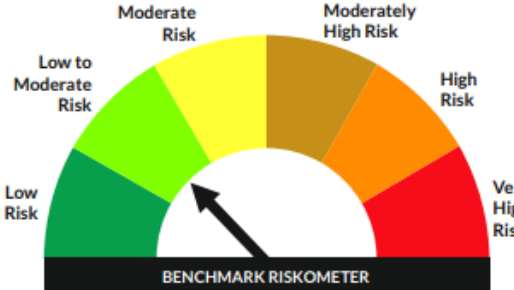
Key Scheme Details

Scheme Name: Axis Income Plus Arbitrage Passive FOF

Investment Objective	To generate optimal returns over medium term by investing in passive debt oriented mutual fund schemes and arbitrage funds.^		Benchmark	65% NIFTY Short Duration Debt Index + 35% Nifty 50 Arbitrage TRI	
Fund Manager	Devang Shah, Aditya Pagaria, Hardik Satra, Karthik Kumar		TER*	0.02%	
Exit load	Nil		Asset Allocation*	Units of Mutual Fund Schemes: 95-100% Of which: Units of passive debt oriented mutual fund schemes: 50-65% Units of Arbitrage Funds: 35-50% Money Market Instruments: 0-5%	

Data as on 31st Dec 2025. Investors will be bearing recurring expenses of the scheme, in addition to expenses of other schemes in which Fund of Funds scheme makes investment. The portfolio allocation would be based on prevailing market conditions and would be subject to changes depending on the fund managers' views. Please refer SID for detailed asset allocation and investment strategy. ^There is no assurance that the investment objective of the Scheme will be achieved. *Investors are advised to view current TER of scheme at the time of investment (<https://www.axismf.com/total-expense-ratio>).

Product Labelling

Product Label	Scheme Riskometer	Benchmark Riskometer
<p>Axis Income Plus Arbitrage Passive FOF (An open-ended fund of funds scheme investing in passive debt oriented mutual fund schemes and arbitrage funds)</p> <p>Benchmark: 65% NIFTY Short Duration Debt Index + 35% Nifty 50 Arbitrage TRI</p> <p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> • To generate optimal returns over medium term • Investment primarily in passive debt oriented mutual fund schemes and arbitrage funds <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p>SCHEME RISKOMETER</p> <p>The risk of the scheme is Low to Moderate</p>	 <p>BENCHMARK RISKOMETER</p> <p>The risk of the benchmark is Low to Moderate</p> <p>65% NIFTY Short Duration Debt Index + 35% Nifty 50 Arbitrage TRI</p>

Investors shall be bearing the recurring expenses of the scheme, in addition to the expenses of other schemes in which the Fund of Funds Scheme makes investments.

Statutory Details and Risk Factors

Data as on 31st Dec 2025 (unless otherwise specified).

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.

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