



## *Take aim at debt like potential & tax efficiency*

Channel your shot towards a quality portfolio with tax optimization.

**AXIS INCOME PLUS ARBITRAGE PASSIVE FOF**



For riskometer and Product Label of the scheme, refer slide 15.

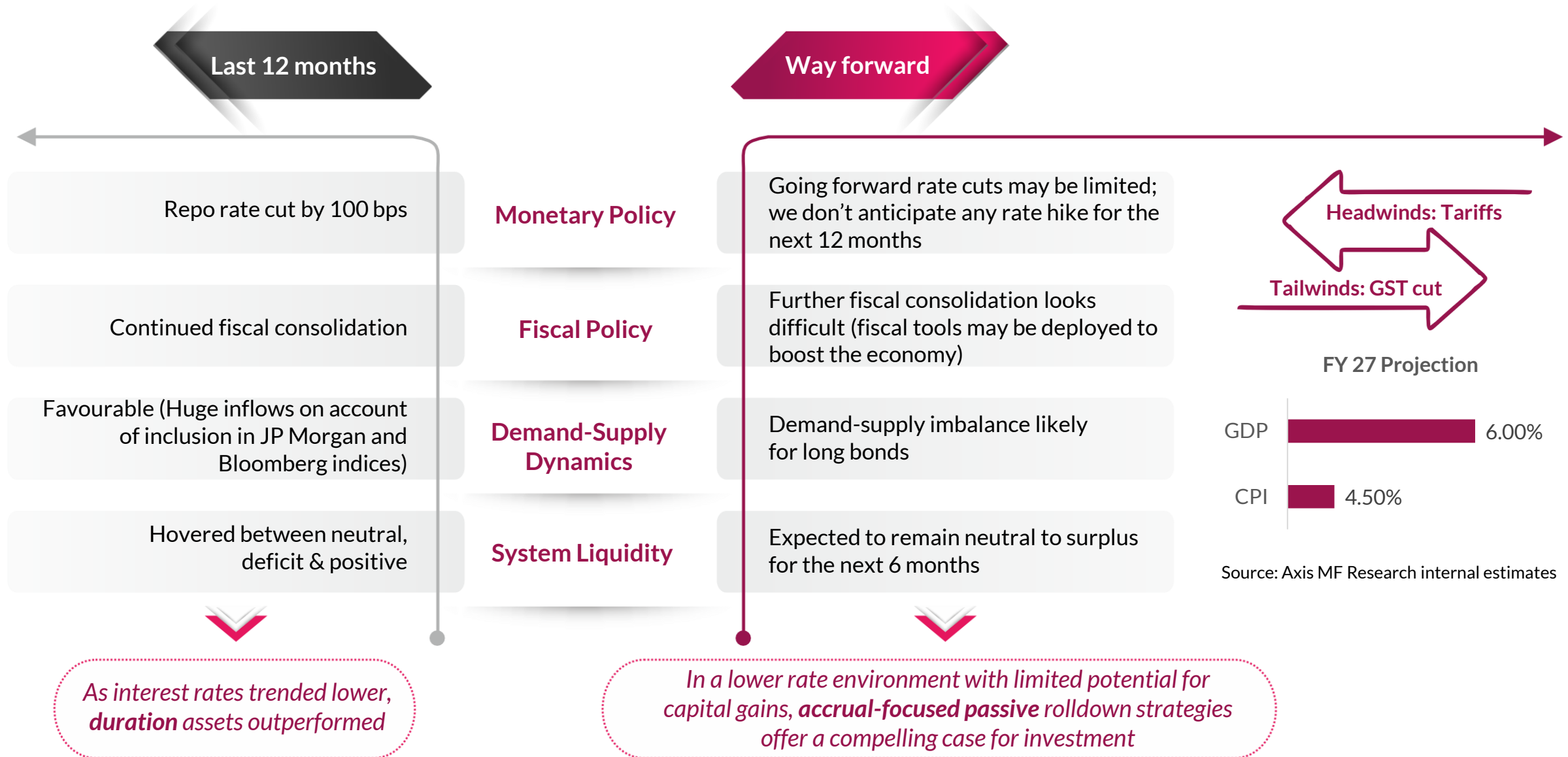
Investors will be bearing the recurring expenses of the scheme in addition to the expenses of other schemes in which Fund of Funds scheme makes investment.

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.

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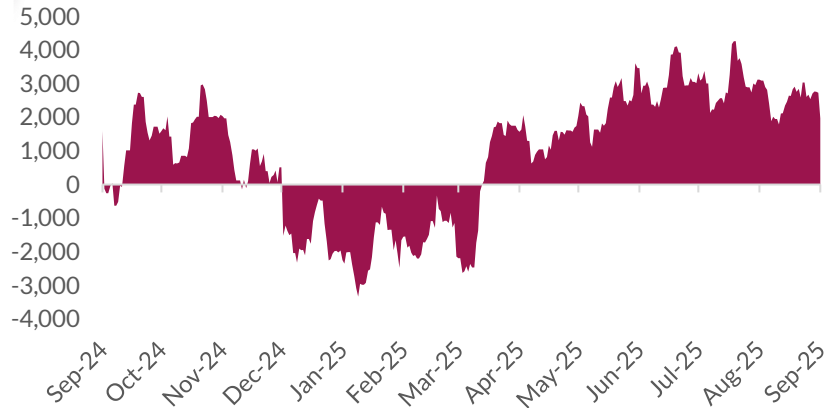
**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

# Current Fixed Income Outlook

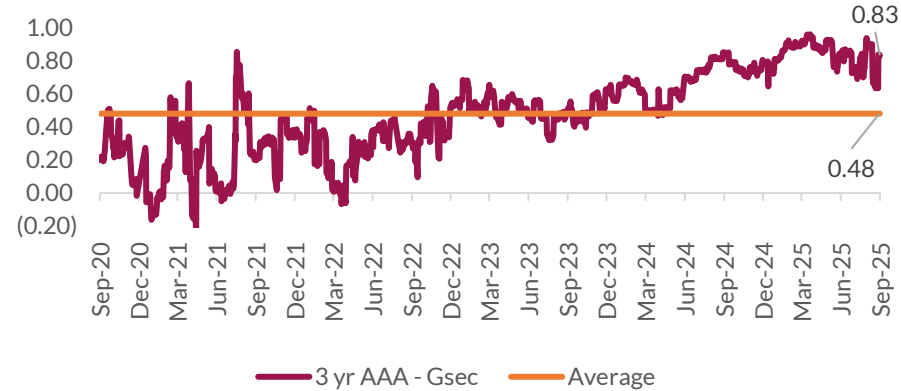


# Market Opportunity

## 1 Liquidity expected to remain surplus



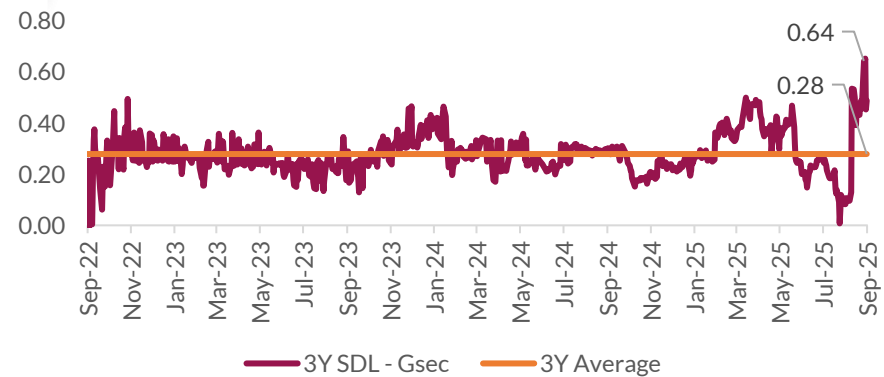
## 2 3 year AAA spreads are attractive (Current 83bps versus 48bps average for 5 years)



## 3 With NPAs at a 5 year low, Financial Services Sector fundamentals look robust

Parameter	NBFCs		Banks	
	2019	2024	2019	2024
GNPA	6.6%	4.0%	9.3%	2.6%
NNPA	3.7%	1.1%	3.8%	0.6%
Capital Adequacy	19.3%	26.6%	14.3%	16.7%
ROA	1.7%	3.3%	-0.1%	1.4%
CP Funding as % of total interest-bearing liabilities	7.60%	2.60%	NA	NA

## 4 3 year SDL spreads are at a 3 year high



We believe accrual opportunity can be currently best captured by investing in:

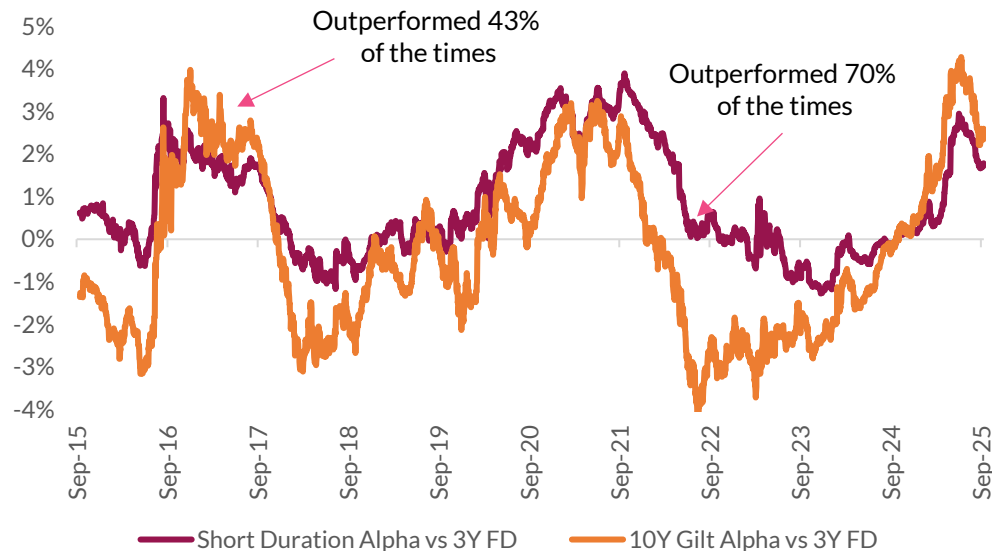
- 1) ~3 year AAA rated financial services assets
- 2) ~3 year SDLs



# Short to Medium Duration Strategies tend to provide optimal risk adjusted returns

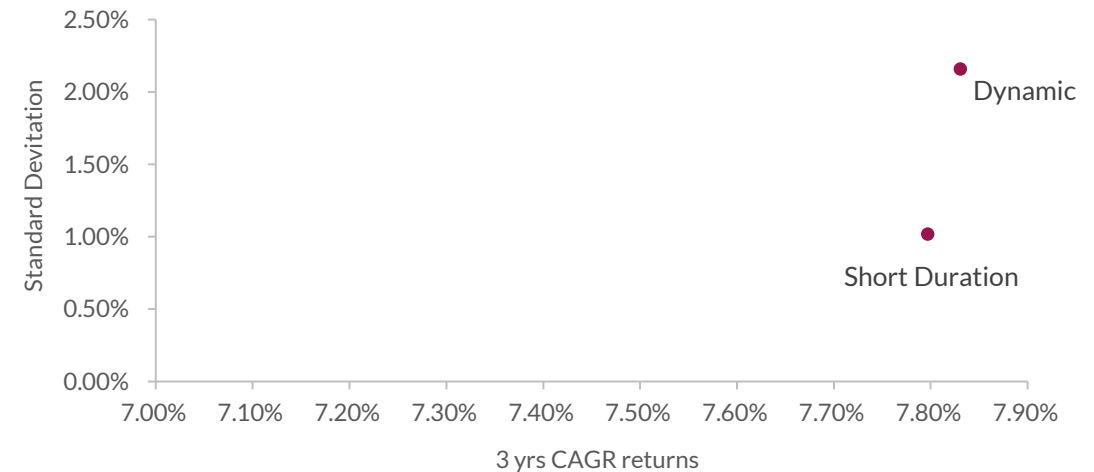


**Short Duration Strategy outperformed FD returns  
70% of the times in last 10 years (Sep 2015- Sep 2025)**



**Short Duration Strategy has generated better risk adjusted returns across market cycles**

**Avg 3 yr returns over the past 15 years  
(Sep 2010- Sep 2025)**

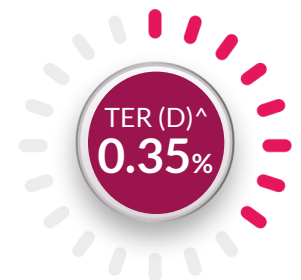


*In a stable rate environment, 3-year duration assets typically tend to outperform traditional instruments like FDs and other active strategies*

**Active strategies have relatively higher TER**

Category

**Short Duration**



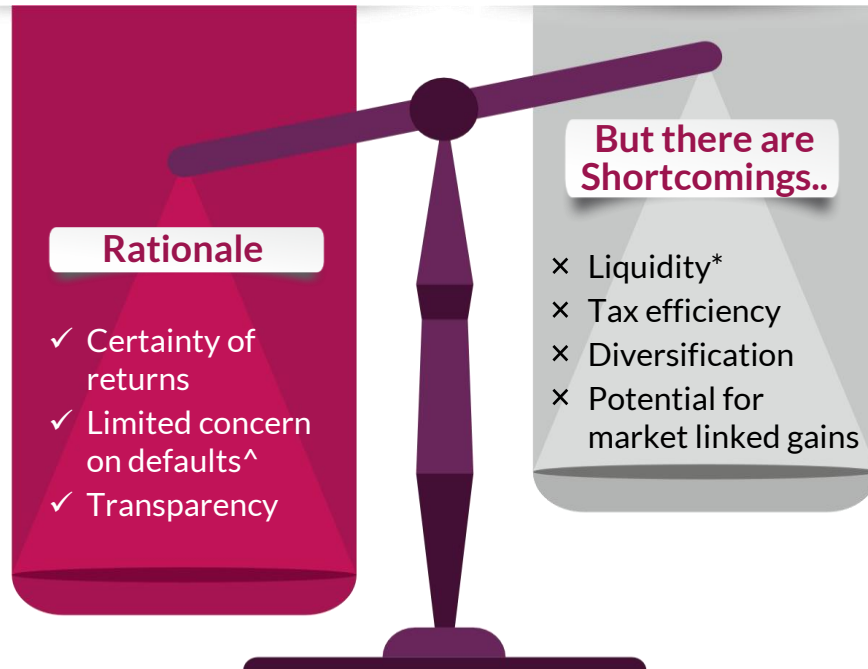
^Average direct TER of the category as of 31st Aug 2025.

# Tapping the potential of Debt Mutual Funds

## Investors' preference for traditional investments

Amount of Fixed Deposits  
**225 Trn**

Households' share of Fixed Deposits  
**~60%**



## Investors' concerns about Debt MFs: 5Ps

**Problem of plenty:** Where to invest in the current market scenario?

**Predictability:** How will the market dynamics impact returns?

**Portfolio transparency:** Where will the fund manager invest?

**Post tax returns:** Are there more tax efficient investment solutions?

**Protection from credit events:** Are my investments *safe*?



***But we have a one stop solution...***



Source: RBI, Axis MF Research.

\*Penalty on pre-mature withdrawal.

<sup>^</sup>Deposit Insurance and Credit Guarantee Corporation provides deposit insurance up to ₹5 lakhs per depositor.

# 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 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 at 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.

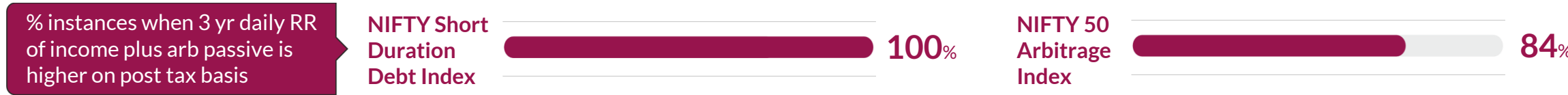
The strategy outlined herein reflects our current views based on prevailing market conditions and fund manager insights. These views are subject to change at any time in response to evolving market dynamics or changes in the fund manager's outlook. Any such changes will be made in accordance with the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



# Back tested returns: Potential for outperformance

## 3 year rolling returns for last 10 years

Pre tax				Post tax			
	Income Plus Arb Passive*	NIFTY Short Duration Debt Index	NIFTY 50 Arbitrage Index		Income Plus Arb Passive*	NIFTY Short Duration Debt Index	NIFTY 50 Arbitrage Index
Avg	6.84%	7.47%	5.66%	Avg	5.98%	5.23%	4.95%
SD^	1.16%	1.31%	1.34%	SD^	1.02%	0.91%	1.17%
Min	4.84%	4.82%	3.39%	Min	4.24%	3.37%	2.96%
Max	9.41%	10.24%	8.58%	Max	8.24%	7.17%	7.50%



Impact of expenses on net returns of Income plus Arbitrage passive FoF is modest due to relatively lower TER of underlying passive schemes

\*Income Plus Arbitrage Passive FoF Index represents 65% NIFTY Short Duration Debt Index + 35% Nifty 50 Arbitrage Index.

Source: AMFI, Axis MF Research. Data as on 15th Sep 2025. Past performance may or may not be sustained in future.

Note: Slab rate assumed @30%, surcharge and cess not considered. ^Standard Deviation for Daily Rolling 3Y returns.

# 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	7.44%	7.30%*	7.43%
Investment Value after 36m	1,24,022	1,23,538	1,23,987
Capital Gains	24,022	23,538	23,987
Capital Gains Tax rate	Slab Rate (30% assumed)	Slab Rate (30% assumed)	12.50%
Capital Gains Tax	7,207	7,061	2,998
Post tax returns	16,815	16,476	20,989
Post tax returns (%)	5.32%	5.22%	6.56%



**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 15th Sep 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 15th Sep 2025.

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# 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

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. ^For underlying debt schemes based on currently proposed strategy.



# Why invest in Axis Income Plus Arbitrage Passive FoF?



Aims for stable returns corresponding to the returns of the underlying target maturity index



**High Liquidity:** Redemption payout on T+2 basis, no exit load



High quality: Focusses on **AAA/SOV** rated assets<sup>^</sup>



**No tax impact on rebalancing** of the underlying schemes



**Tax efficient:** LTCG\* @12.5%



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*

\*Holding period > 24 months.

<sup>^</sup>Underlying debt mutual fund schemes/ETFs to have 100% AAA/SOV rated assets.

# 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

Direct: 0.03%  
Regular: 0.38%



### Exit load

Nil




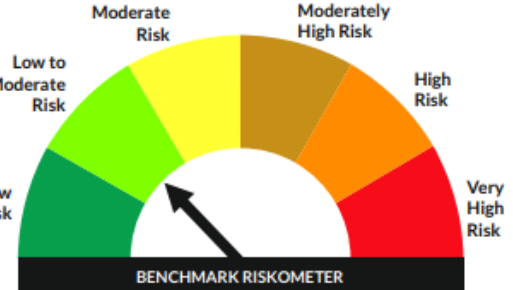
### Asset Allocation\*

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%



\*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.

# Product Labelling

Product Label	Scheme Riskometer	Benchmark Riskometer
<p><b>Axis Income Plus Arbitrage Passive FOF</b> (An open-ended fund of funds scheme investing in passive debt oriented mutual fund schemes and arbitrage funds)</p> <p><b>Benchmark:</b> 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"><li>• To generate optimal returns over medium term</li><li>• Investment primarily in passive debt oriented mutual fund schemes and arbitrage funds</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	 <p><b>SCHEME RISKOMETER</b></p> <p>The risk of the scheme is Low to Moderate</p>	 <p><b>BENCHMARK RISKOMETER</b></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 30<sup>th</sup> Sep 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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The views expressed in the presentation are as on 3rd Oct 2025 based on the current market conditions and are subject to change depending on the Fund Managers view on the market scenario from time to time.

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



**Thank You**