Axis Short Duration Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. A relatively high interest rate risk and moderate credit risk)

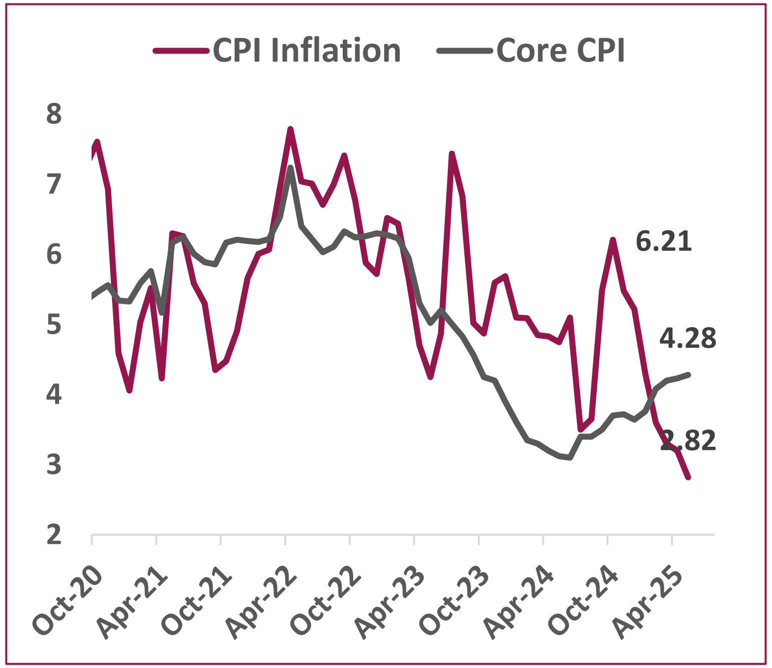
AXIS ASSET MANAGEMENT

Fixed Income Market Update

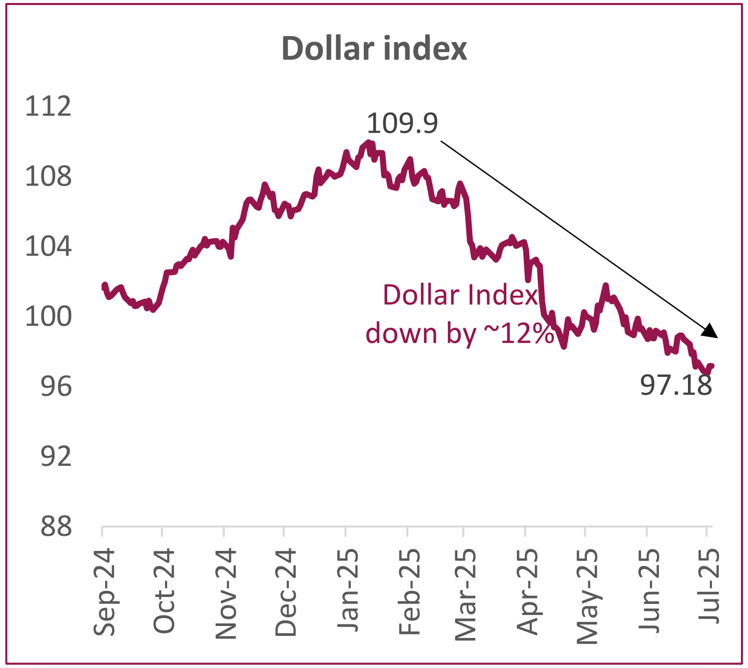
Way Forward

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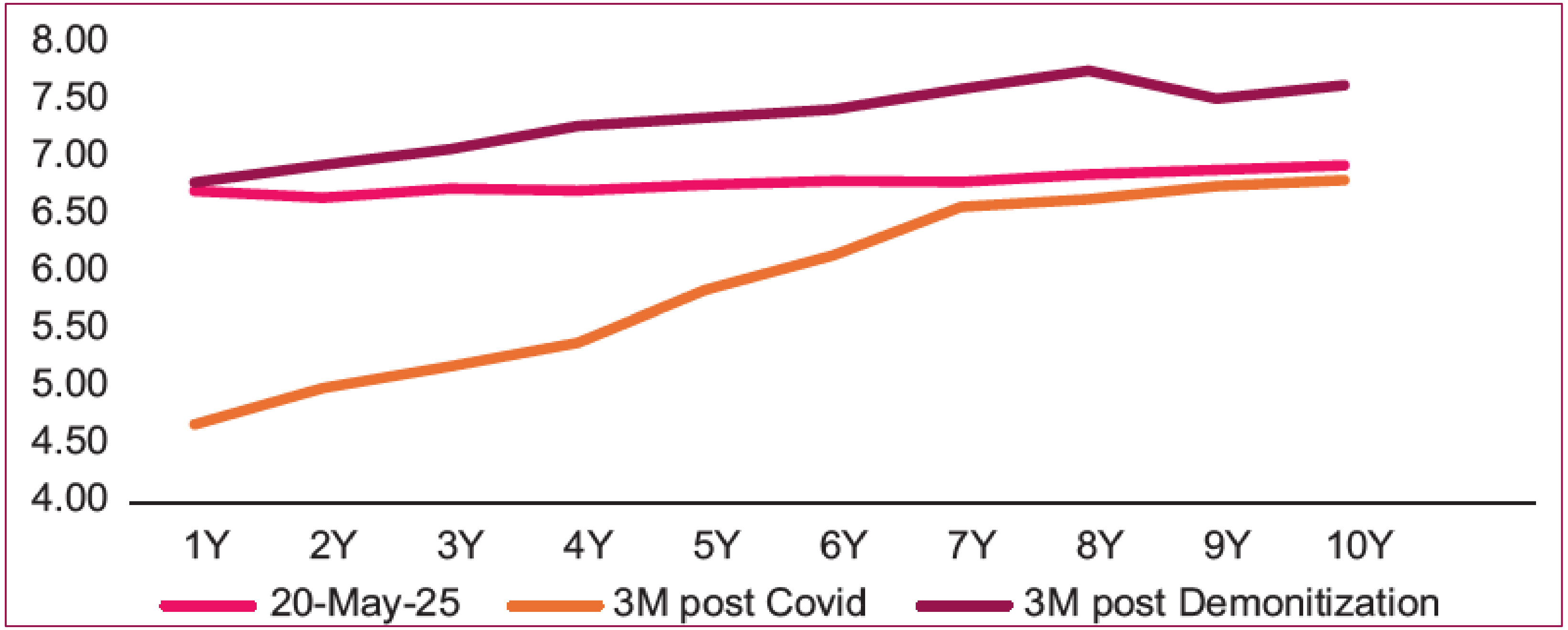
Opportunity for spread compression in 1–5-year corporate bonds



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

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- 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

Short term corporate bond to outperform

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

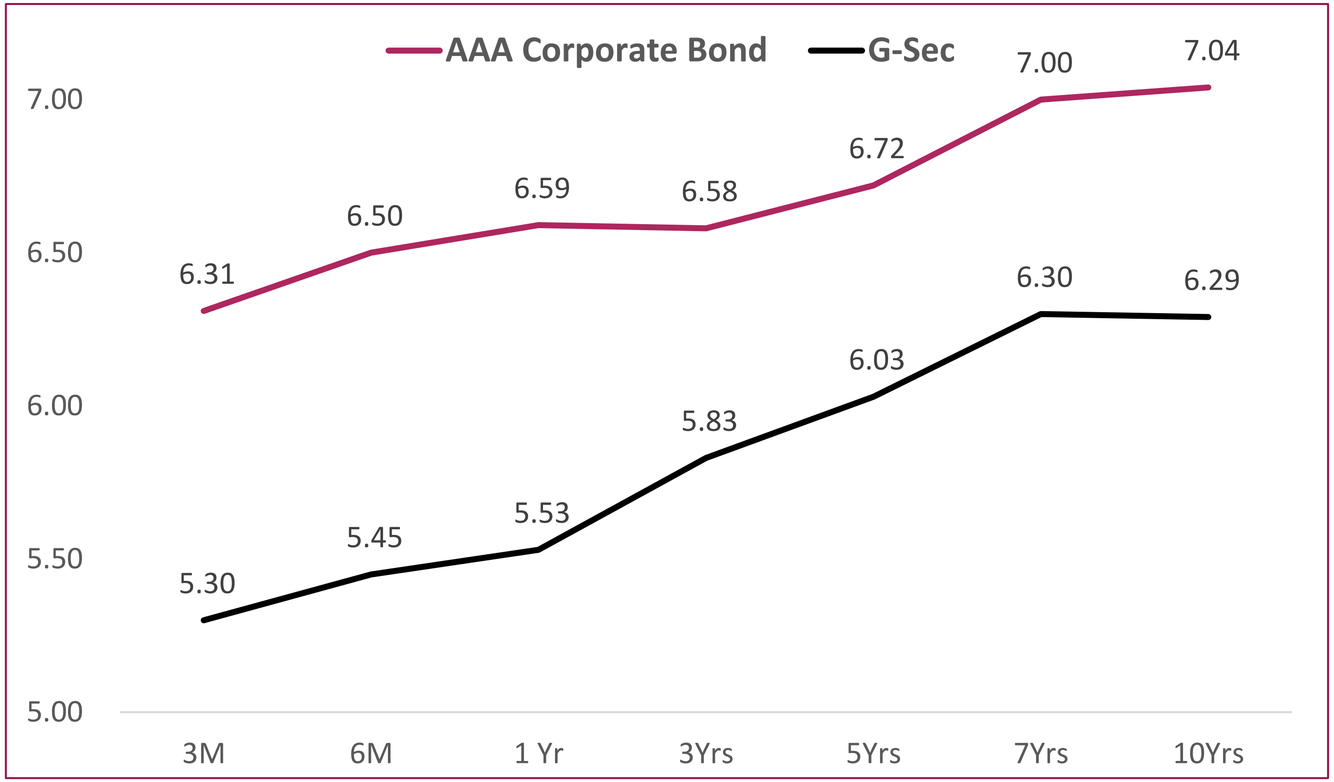
We were positive on long govt bonds throughout 2024 as demand supply dynamics for government bonds were favorable.

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 Short Duration Fund

(An open-ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. A relatively high-interest rate risk and moderate credit risk)

Axis Short Duration Fund

AXIS ASSET MANAGEMENT

An Introduction

Capture opportunities in the **short term segment**

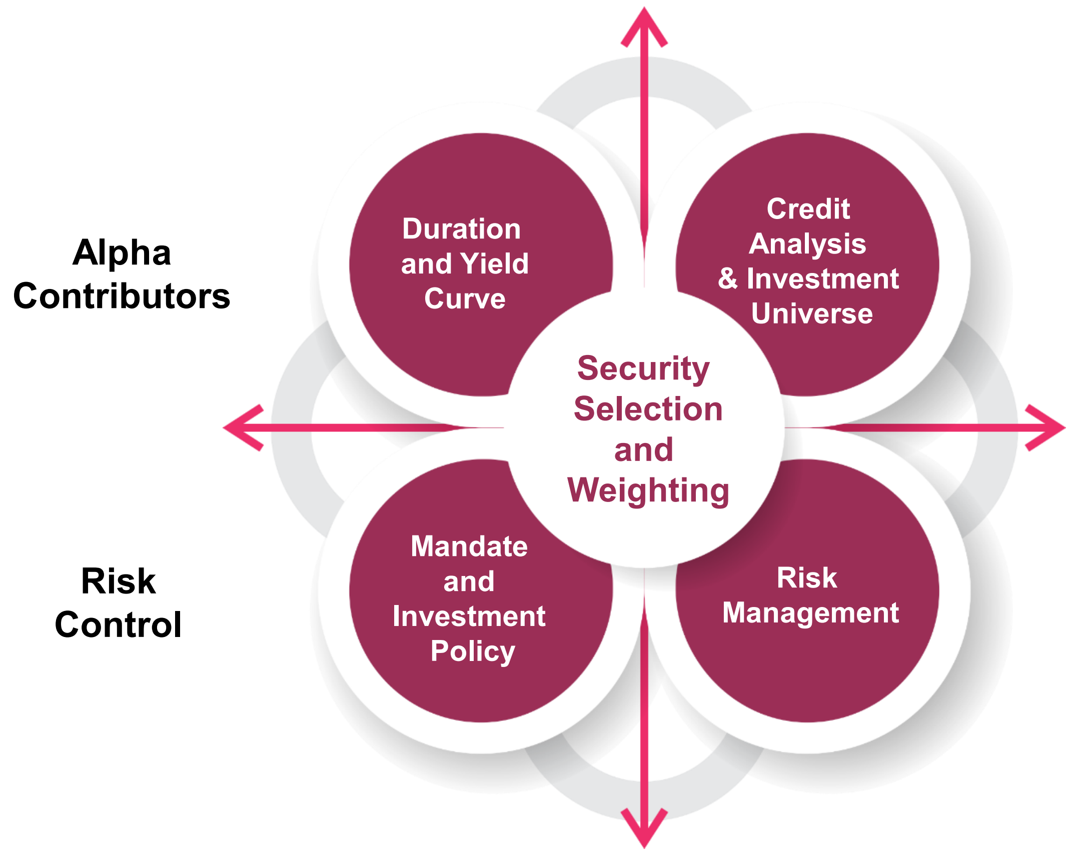
Duration typically in the range of **2 to 5 years**

High quality & low-risk strategy

- The fund is a combination of short duration as well as carry that can help mitigate interest rate risk and deliver a balanced return over a long run.
- Actively managed strategy with allocation primarily to 2 - 5 years corporate bonds and G-Secs, with no restriction on maturity of individual securities.
- The fund tracks corporate bonds, government securities and money market instruments' spreads and takes an active view on the rates and liquidity to decide the allocation.
- The fund maintains a high proportion of AAA/SOV/A1+ & equivalents assets in the portfolio.
- Long term rating: Sub AAA assets (excl bank CDs) ≤ 20%, no exposure to below AA rated assets.

Portfolio Construction

Emphasis on Consistency



Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

Decision Factors - Rates

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Fundamental Analysis

- Macro variables (growth, inflation)
- Monetary policy
- Fiscal stance
- Global macro
- External sector
- Corporate performance

Valuation

- Yield curve slopes
- Real yields
- Credit spreads
- Cross country valuation

Technical Factors

- Liquidity
- Flows, domestic and FPI
- Market positioning

Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

Portfolio Construction

Discipline is the key

AXIS ASSET MANAGEMENT

DIVERSIFICATION

- Cautious at selecting sectors
- Diversifying the exposure to manage potential risk
- Strict issuer/rating limits

CREDIT PLAY DIFFERENT FROM DURATION PLAY

- Pure accrual play with buy and hold approach
- No active duration call in lower rated papers

VALUATION

- Look at credit exposure only during favorable valuation scenario

Risk Management

- Tight Duration Range (3 years)
- Stringent credit review
- Control credit risk through diversification and strict limits on issuer weighting based on rating

Risk Mitigation Framework

Sector	Credit	Diversification	Duration	Liquidity
• Controlled through diversification and stringent review of investable sectors; • Regulatory limits on sector Exposure	• Focus on High Quality Issuer • Investment universe based on credit research	• Exposure to each issuer limited by its rating	• Strictly adhere to duration limits specified by the investment mandate & investment policy	• Liquidity/impact cost part of security selection/portfolio construction. Optimize balance of credit quality, returns and liquidity

Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

Fund Positioning

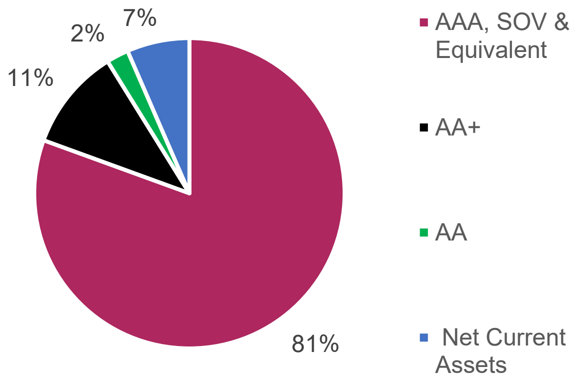
30th June 2025

Duration in the range of 1 to 3 years

High quality & moderate-risk strategy	Capture opportunities in the short-term segment	Medium term horizon

Portfolio Characteristics	
Average Maturity	2.7 years
Macaulay Duration	2.33 years
Modified Duration	2.22 years
Yield to Maturity^	6.80%

Rating Profile



Data As on 30th June 2025. Allocation & maturity is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. ^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 maybe generated by the fund and the securities bought by the fund may or may not be held till their respective maturities. The calculation is based on the invested corpus.

Product Offerings

AXIS ASSET MANAGEMENT

Fund Positioning

Credit Conservative

Axis Banking & PSU Debt Fund	Axis Corporate Bond Fund	Axis Short Duration Fund	Axis Strategic Bond Fund
100% AAA & Equivalent Residual Maturity – 3.0 years Mac. Duration – 2.54 years YTM – 6.51%*	100% AAA & Equivalent Residual Maturity – 3.75 years Mac. Duration – 3.1 years YTM – 6.70%*	87% AAA & Equivalent, 13% Non AAA Residual Maturity – 2.7 years Mac. Duration – 2.33 years YTM – 6.80%*	44% AAA, 56% Non AAA Residual Maturity – 4.13 years Mac. Duration – 3.36 years YTM – 7.66%*

Strategic Allocation to AA Credits

Current Portfolio Allocation/Positioning is based on the prevailing market conditions and is subject to changes depending on the fund manager's view of the fixed income markets without any notice to investors. Please refer SID of respective schemes for detailed investment strategies. *The yield to maturity and Macaulay duration given above is based on the portfolio of funds As on 30th June 2025. 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.

Performance

30th June 2025

		1 Year		3 Year		5 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
Axis Short Duration Fund - Regular Plan – Growth	22-Jan-10	9.40%	10,946	7.66%	12,479	6.19%	13,504	7.61%	31,031
NIFTY Short Duration Debt Index A-II (Benchmark)		8.50%	10,855	7.49%	12,423	5.98%	13,369	7.54%	30,745
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		11.25%	11,132	9.32%	13,070	5.51%	13,080	6.55%	26,636

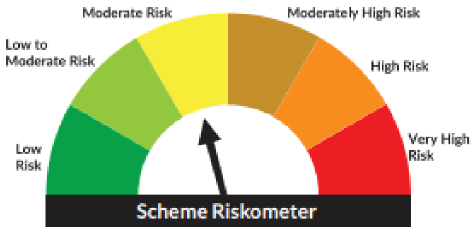
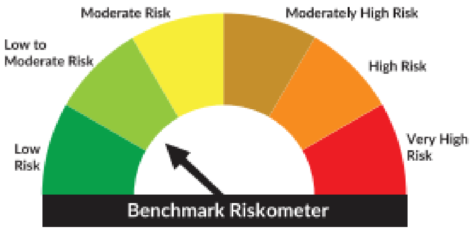
Past performance may or may not be sustained in future. Since inception (22 January 2010). Different plans have different expense structure. Devang Shah is managing the scheme since 5th November 2012 and he manages 21 schemes of Axis Mutual Fund & Aditya Pagaria is managing the scheme since 03rd July 2023 and he manages 21 schemes of Axis Mutual Fund. Returns greater than 1 year are Compounded Annual Growth Rates (CAGR). Face Value per unit is Rs 10. Please click on link 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. Note: In case you require physical copy of this document request you to kindly take the printout to review the fund managers performance of other schemes managed by him from the above link given.

Product Labelling

AXIS ASSET MANAGEMENT

<table>
<tr><th>Fund Name & Benchmark</th><th>Product Labelling</th><th>Product Riskometer</th><th>Benchmark Riskometer</th><th>Potential Risk Matrix (PRC)</th></tr>
<tr>
<td>Axis Short Duration Fund

(An open ended short term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 1 year to 3 years. A relatively high interest rate risk and moderate credit risk)

Benchmark: NIFTY Short Duration Debt Index A-II</td>
<td>This product is suitable for investors who are seeking*
Regular income while maintaining liquidity over short term.
Investment in debt and money market instruments
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</td>
<td>
The risk of the scheme is moderate</td>
<td>
The risk of the benchmark is low to moderate</td>
<td><table>
<tr><th colspan="4">Potential Risk Class</th></tr>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</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>
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Product Labelling

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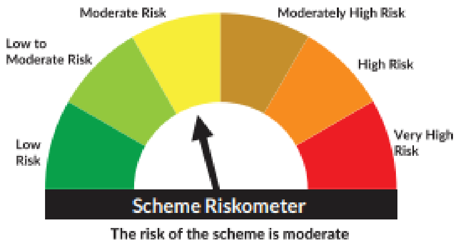
<tr>
<td>Axis Banking & PSU Debt Fund

(An Open Ended Debt Scheme Predominantly Investing In Debt Instruments Of Banks, Public Sector Undertakings & Public Financial Institutions. A relatively high interest rate risk and moderate credit risk.)

Benchmark: Nifty Banking & PSU Debt Index A-II</td>
<td>This product is suitable for investors who are seeking*
Regular income over short to medium term.
Investment in debt and money market instruments issued by Banks, PFIs & PSUs.
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</td>
<td>
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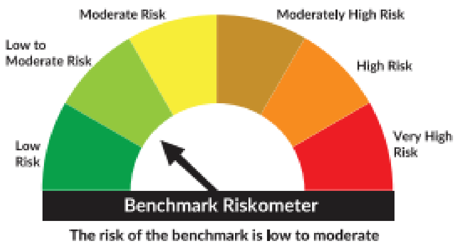
<td>
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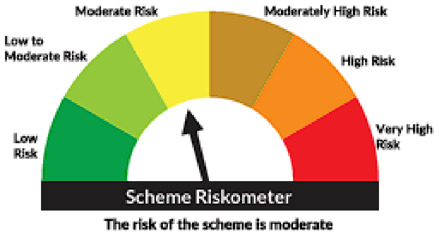
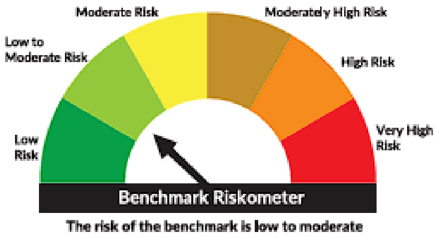
Product Labelling

AXIS ASSET MANAGEMENT

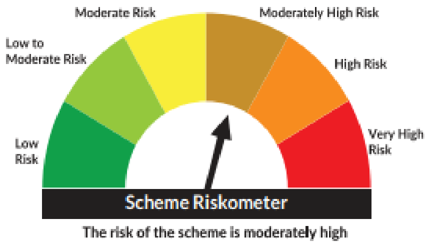
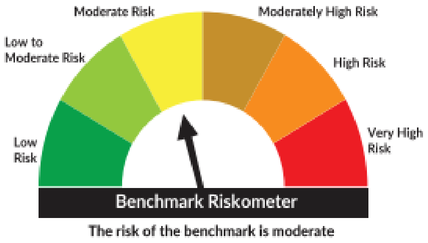
Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)
Axis Corporate Bond Fund (An Open Ended Debt Scheme Predominantly Investing In AA+ And Above Rated Corporate Bonds. A relatively high interest rate risk and moderate credit risk) **Benchmark:** NIFTY Corporate Bond Index A-II	This product is suitable for investors who are seeking* • Regular income over short to medium term. • Predominantly investing in corporate debt *Investors should consult their financial advisers if in doubt about whether the product is suitable for them			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	

Product Labelling

AXIS ASSET MANAGEMENT

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)
Axis Strategic Bond Fund (An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. A relatively high interest rate risk and relatively high credit risk.) **Benchmark:** NIFTY Medium Duration Debt Index A-III	This product is suitable for investors who are seeking* • Optimal returns over medium term • Investment in diversified portfolio of debt and money market securities to generate optimal risk adjusted returns while maintaining liquidity. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them			See Potential Risk Class below

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Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)			C-III

Statutory Details and Risk Factors

Data updated As on 30th June 2025

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