

# 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)



# Fixed Income Market Outlook

# 2024: The Year of Duration

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

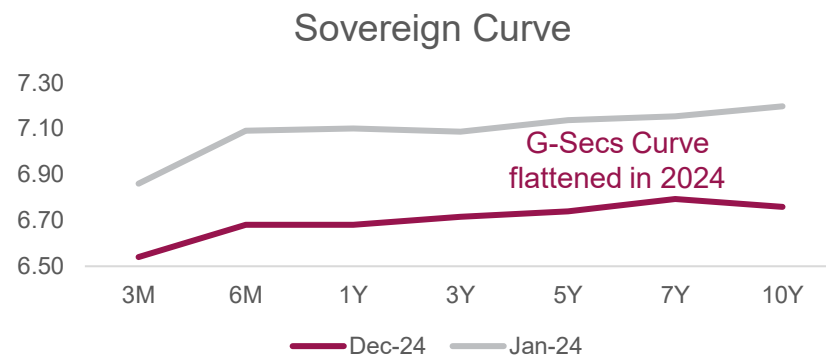
Inclusion in  
JP Morgan  
EM Bond  
Index

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

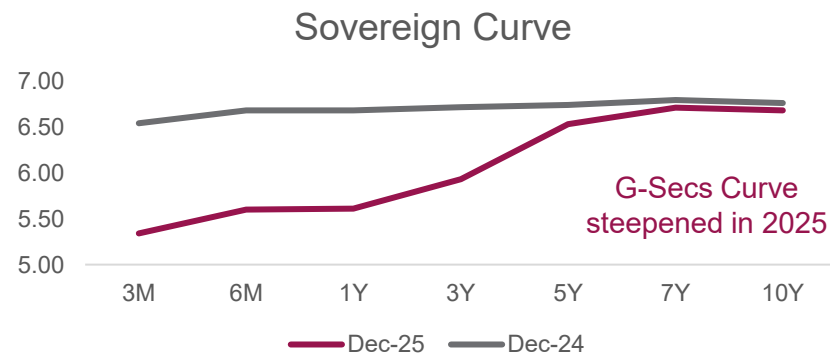
Monetary easing-  
Lower GDP  
and benign  
CPI

Surplus  
Liquidity

Steep Yield  
Curve – fog  
end of rate  
cut cycle

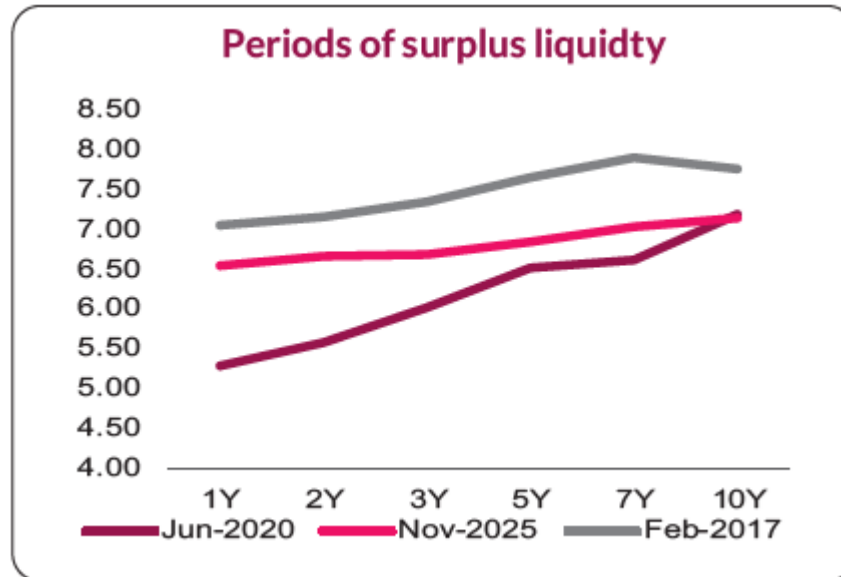
**3 – 5 year  
corporate  
bonds**  
outperformed

## G-Sec, SDL curves and Corporate Bond Curve Steepened



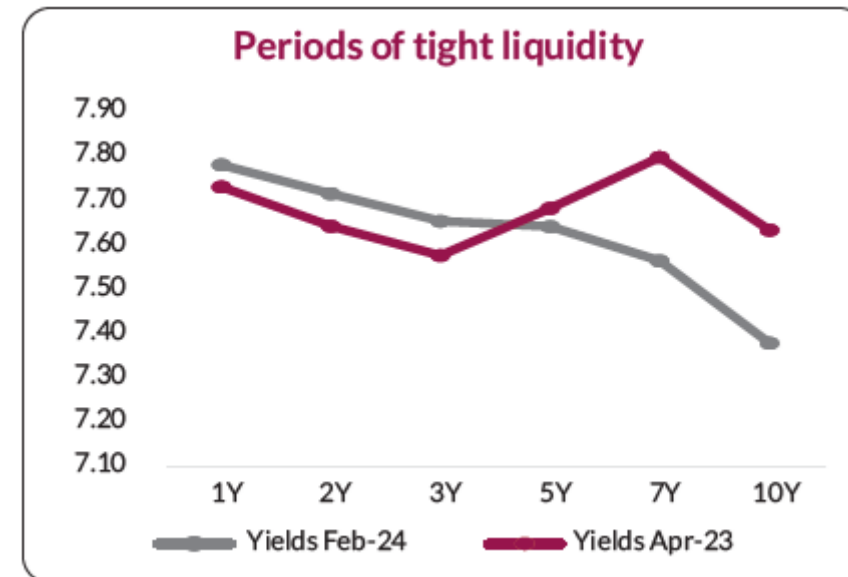
# Yield Curve to flatten

Driven by neutral liquidity and increase in credit growth



**Steep yield curve**

Excess funds keep short-term rates suppressed



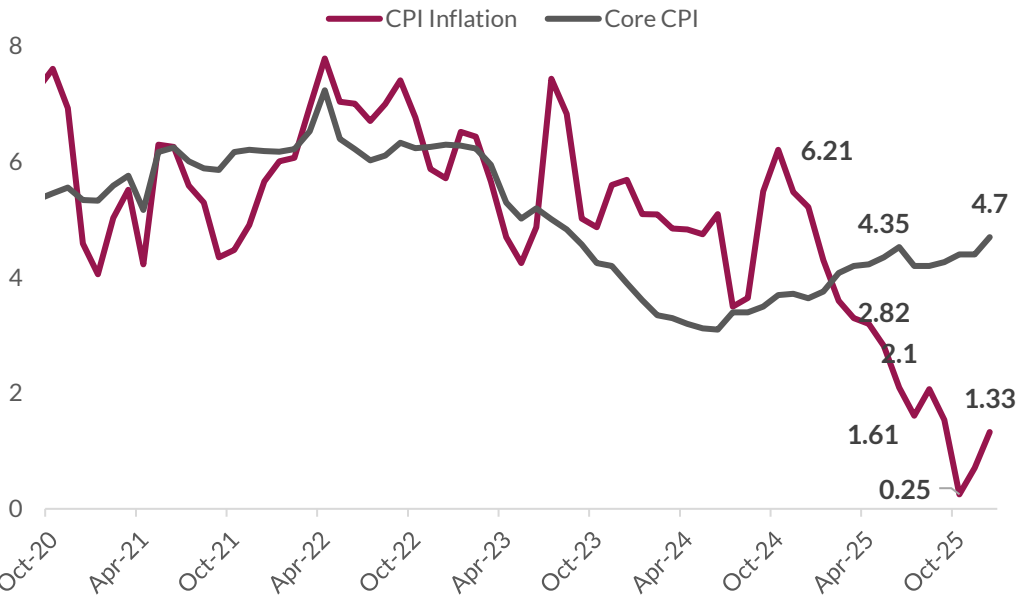
**Flat yield curve**

Short-term rates rise relative to long-term rates

# 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%.

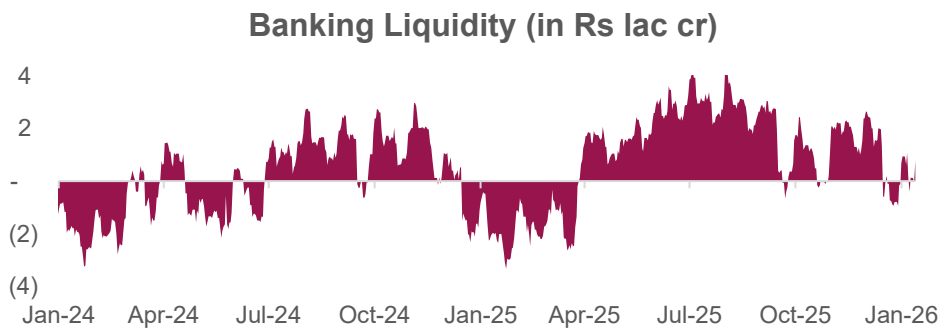
Inflation is anticipated to rise over the next two quarters. FY26 and Q1FY27 projections have been revised down by 50–60 basis points. The inflation projection for FY26 now stands at 2%, down from 2.6% and for Q1FY27 at 3.9%, down from 4.5%, both comfortably below the RBI’s threshold.



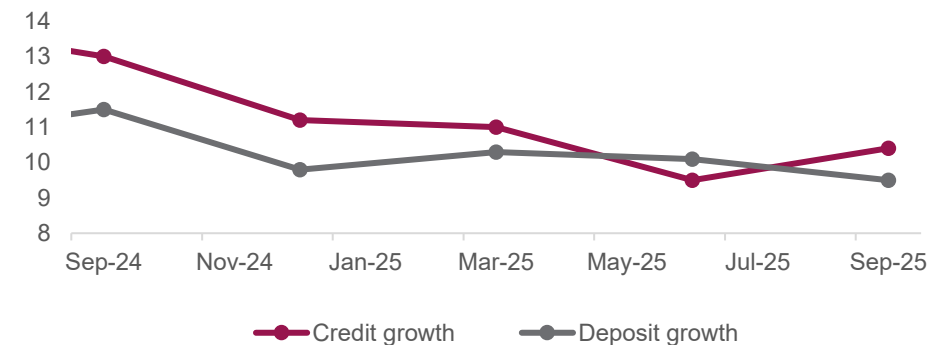
# Best of Liquidity behind us?

RBI interventions will keep liquidity positive

Liquidity to remain positive till March 2026



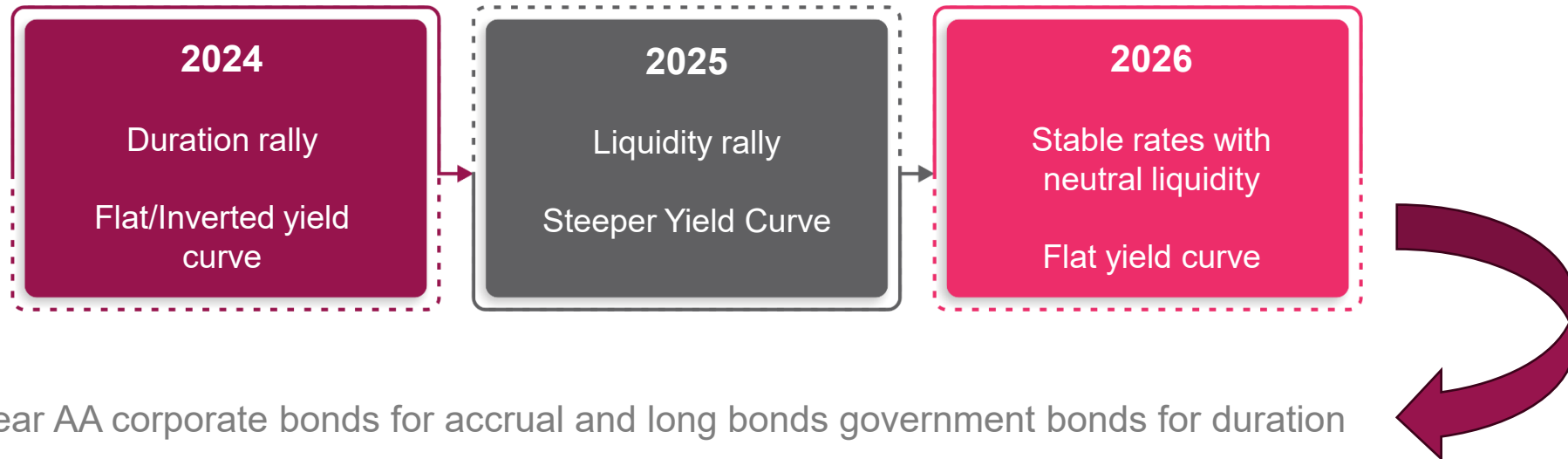
Credit growth accelerating



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



	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

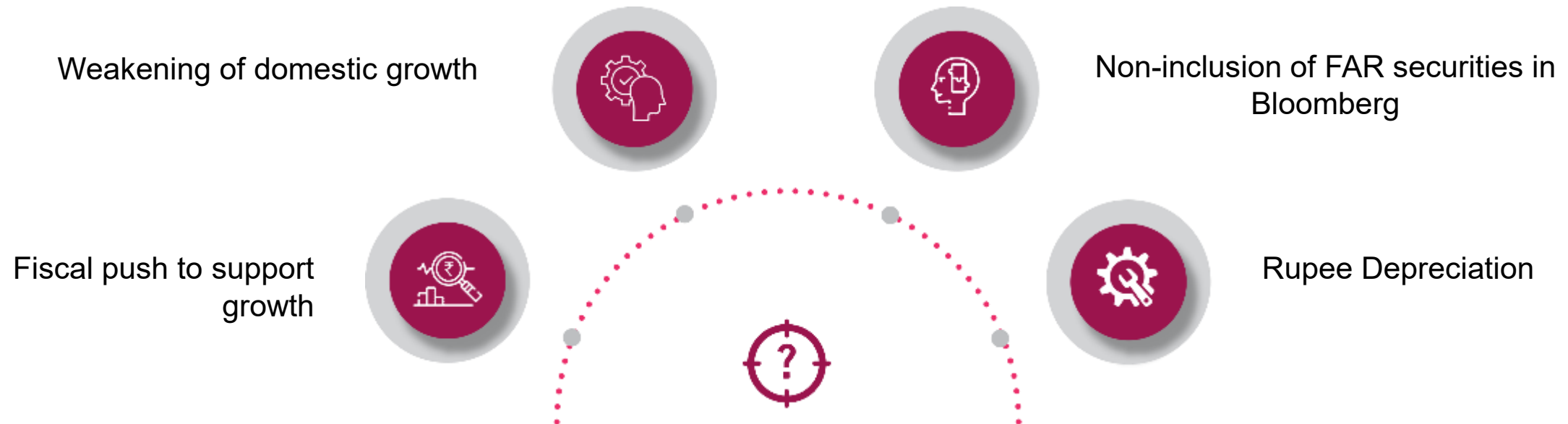
Long bonds provide meaningful protection at current levels

**Inclusion in Bloomberg Global Aggregate Index could attract US\$25-30 bn inflows could lead to tactical rally in bond markets**



# Key Risks to our view

## Potential Headwinds



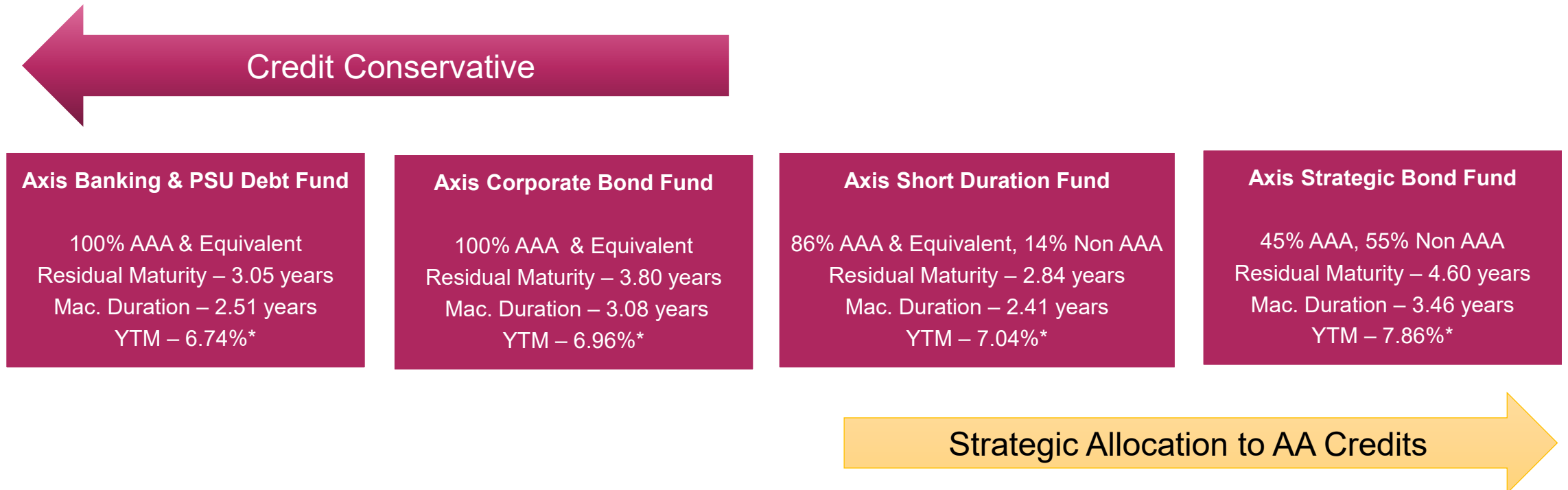
# Axis Strategic Bond Fund

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# Product Offerings

## Fund Positioning



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 31<sup>st</sup> December 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.

# Approach to 'Credits'

We follow a clearly defined process targeting Risk



**Well researched  
credit universe**

- Based on Liquidity analysis, In-depth review of company financials and regular interactions with the management



**Spread the exposure  
across sectors**

- Very cautious at selecting sectors
- Diversifying the exposure to manage potential risk



**Lower maturity  
credits**

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

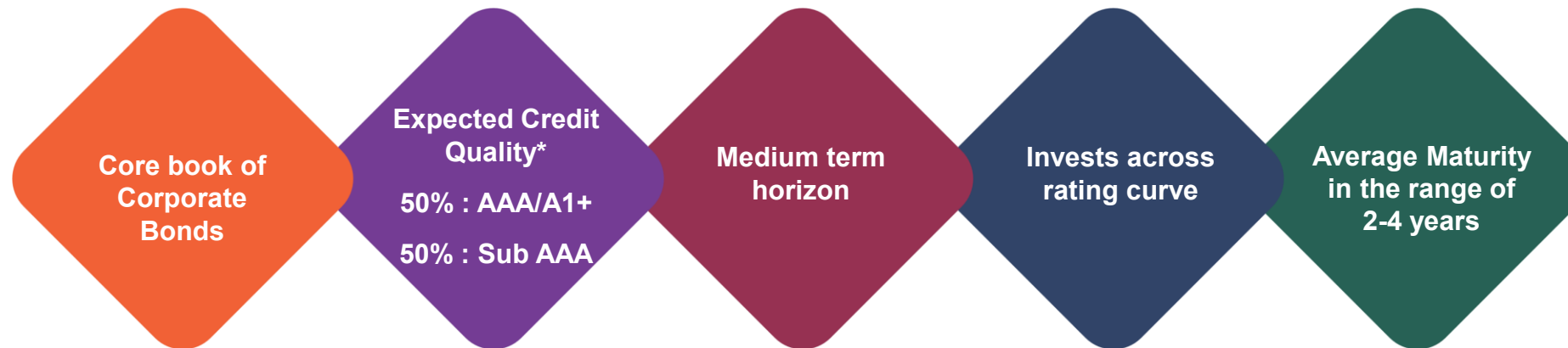


**Exposure Limits**

- Strict internal limits at issuer level and rating level

# Current Portfolio Strategy

## Increased exposure to sub-AAA rated assets



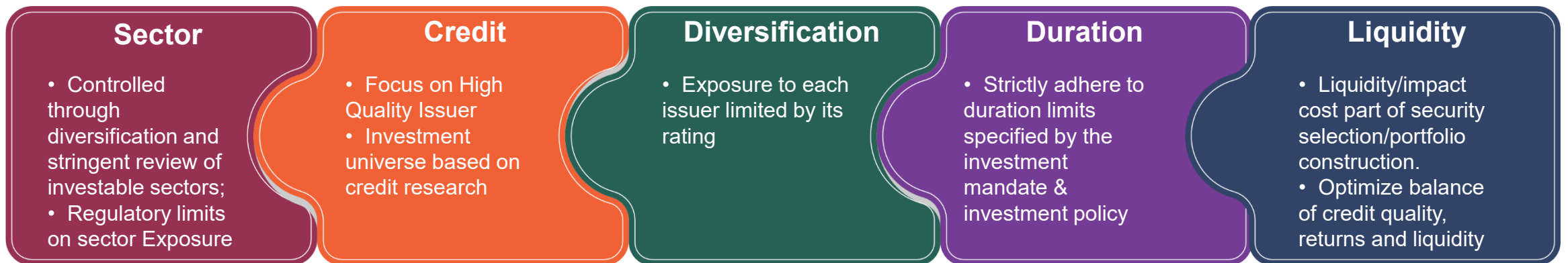
Rating	31 <sup>st</sup> December 2025	Current Target
Sovereign/ AAA & equivalent*	45%	50-60%
AA(+/-)	43%	40-50%
A(+/-)	12%	0-5%

Allocation & maturity is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. 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. \*High Rated Papers refers to instruments which are rated AAA/A1+ & equivalent or G-sec.

# Risk Management

## Risk Mitigation Framework

- **Tight Duration Range**
- **Stringent credit review**
- **Control credit risk through diversification and strict limits on issuer weighting based on rating**



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

# Axis Strategic Bond Fund

## Portfolio Construct

Actively managed; investing in **medium-term corporate bonds** in the 2–4-year space

**Diversified portfolio**  
across fixed income market

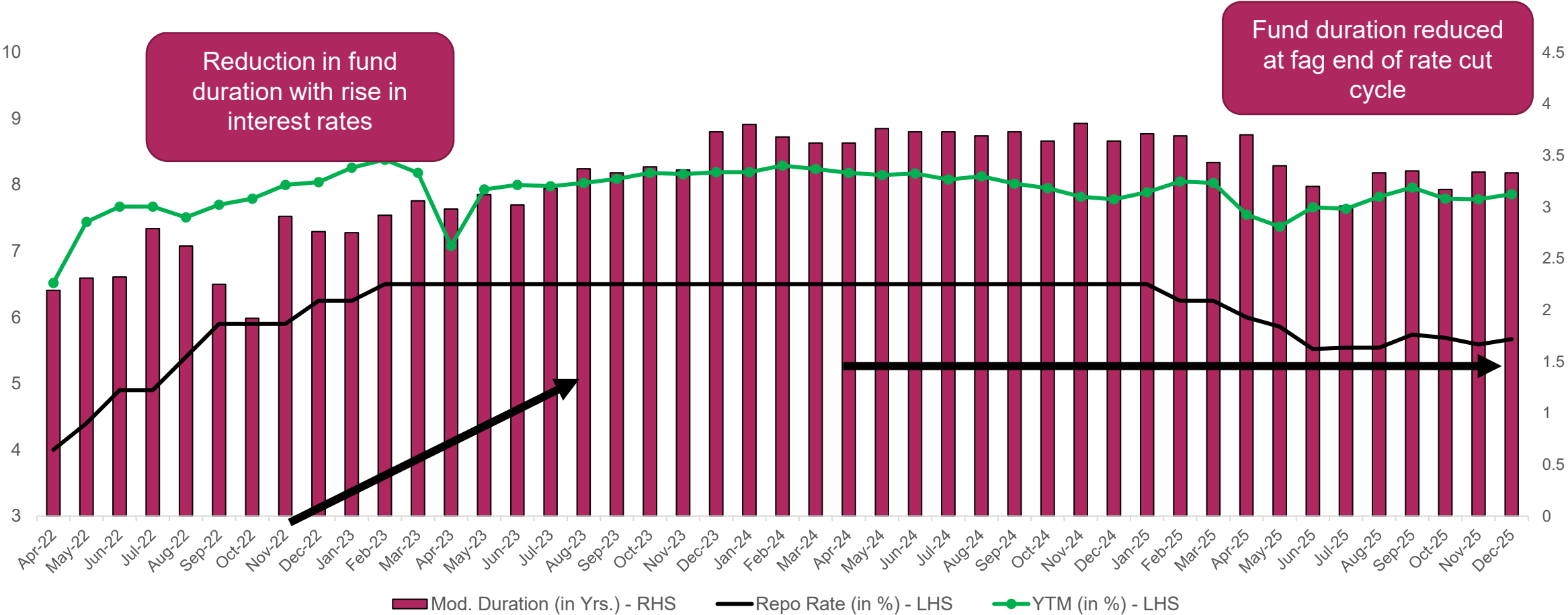
Targets **stable risk-return** profile

- The fund, as part of its investment mandate, aims to invest 40-60% in AAA bonds with the rest in a well-diversified credit portfolio, with an overall duration target range of 3-4 years
- The portfolio design should help generate stable returns while bringing down volatility relative to a longer duration fund. Currently, the fund has Mod duration of 3.22 years.
- The fund has focused on selective exposure to credits and maintained a diversified portfolio. Incremental allocation to non-AAA asset securities, depending on the attractiveness of spreads, with non-AAA allocation increasing from 40% in Dec-24 to 56% in Jun-25.



# Active Management

## Fund management in various interest rate scenarios



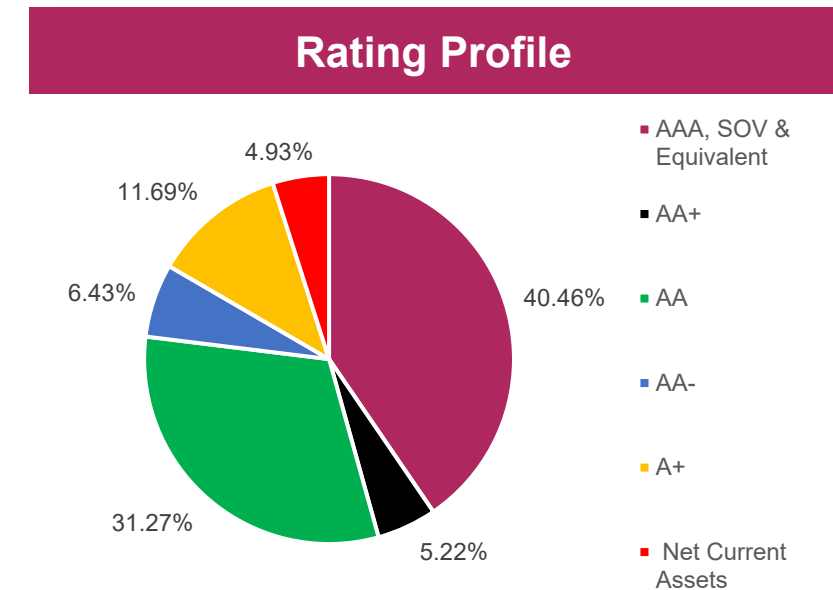
Data as on 31<sup>st</sup> December 2025. Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets.

# Portfolio Facts

31<sup>st</sup> December 2025

Features	Axis Strategic Bond Fund																
Category	Medium Duration Fund																
Residual Maturity	4.60 years																
Macaulay Duration	3.46 years																
Modified Duration	3.33 years																
Annualized Portfolio YTM* (%)	7.86%																
Asset Mix	<table> <tr> <td>Corporate Bond</td><td>52.94%</td></tr> <tr> <td>Government Bond</td><td>27.94%</td></tr> <tr> <td>Zero Coupon Bond</td><td>8.00%</td></tr> <tr> <td>Pass Through Cert</td><td>2.44%</td></tr> <tr> <td>Certificate Of Deposit</td><td>2.40%</td></tr> <tr> <td>INVIT</td><td>1.05%</td></tr> <tr> <td>REIT</td><td>0.37%</td></tr> <tr> <td>NCA</td><td>4.86%</td></tr> </table>	Corporate Bond	52.94%	Government Bond	27.94%	Zero Coupon Bond	8.00%	Pass Through Cert	2.44%	Certificate Of Deposit	2.40%	INVIT	1.05%	REIT	0.37%	NCA	4.86%
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Maturity Bucket	Axis Strategic Bond Fund
0-1 years	19.42%
1-3 years	36.99%
3-5 years	13.42%
5-10 Years	29.86%
10 Years and above	0.31%



\*In case of semi-annualized YTM, it will be annualized. Data is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. Please refer to the factsheet / visit [www.axismf.com](http://www.axismf.com) for full portfolio details of the scheme. \$AAA & Equivalent includes AAA/A1+-rated papers.

# Performance

31<sup>st</sup> December 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 Strategic Bond Fund - Regular Plan – Growth		8.25%	10,825	8.05%	12,622	6.63%	13,784	8.02%	28,936
NIFTY Medium Duration Debt Index A-III (Benchmark)	28-Mar-12	7.74%	10,774	7.51%	12,433	5.71%	13,202	7.97%	28,739
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		6.85%	10,685	8.14%	12,651	5.17%	12,871	6.86%	24,918

Past performance may or may not be sustained in future. Different plans have different expense structure. Devang Shah is managing the scheme since 5<sup>th</sup> November 2012 and he manages 23 schemes of Axis Mutual Fund & Akhil Thakker is managing the scheme since 1st February 2023 and he manages 2 schemes of Axis Mutual Fund & Sachin Jain is managing the scheme since 1st February 2023 and he manages 13 schemes of Axis Mutual Fund Inception date of the fund 28<sup>th</sup> March 2012.

Calculations are based on Regular Plan - Growth Option NAV and Direct Plan - Growth Option NAV, as applicable. Different plans have different expense structure.

Please click on link [https://www.axismf.com/cms/sites/default/files/Statutory/WDP\\_Annexure\\_Dec.pdf](https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_Dec.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

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
<p><b>Axis Strategic Bond Fund</b></p> <p>(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. )</p> <p><b>Benchmark:</b> NIFTY Medium Duration Debt Index A-III</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>• Optimal returns over medium term</li><li>• Investment in diversified portfolio of debt and money market securities to generate optimal risk adjusted returns while maintaining liquidity.</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 moderately high</p>	 <p><b>Benchmark Riskometer</b></p> <p>The risk of the benchmark is moderate</p>	<table><tr><th colspan="4">Potential Risk Class</th></tr><tr><td>Credit Risk →</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Interest Rate Risk ↓</td><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></td><td>C-III</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)			C-III
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# Statutory Details and Risk Factors



**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

