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)

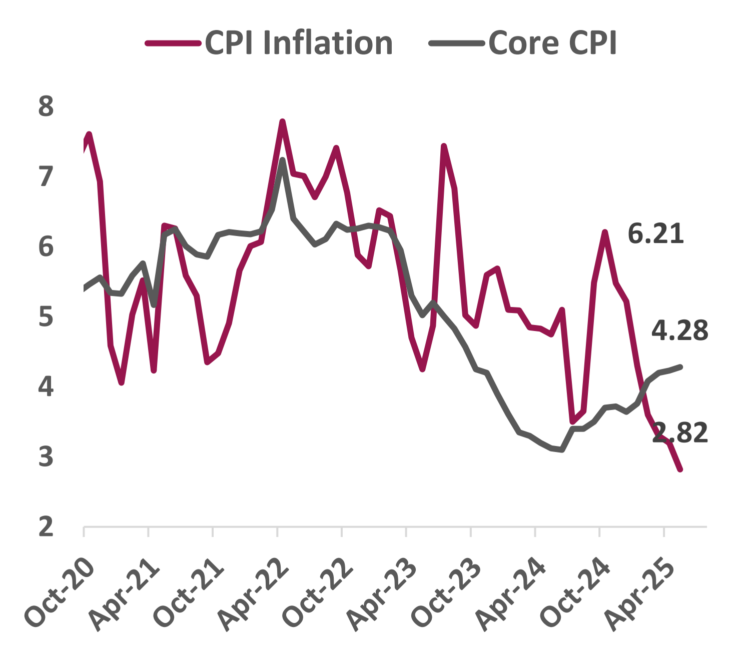
AXIS ASSET MANAGEMENT

Fixed Income Market Update

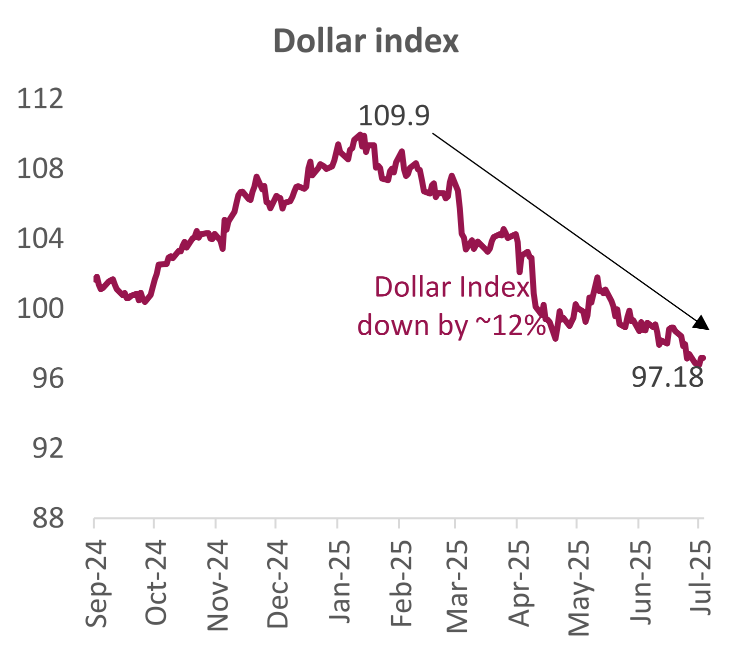
Way Forward

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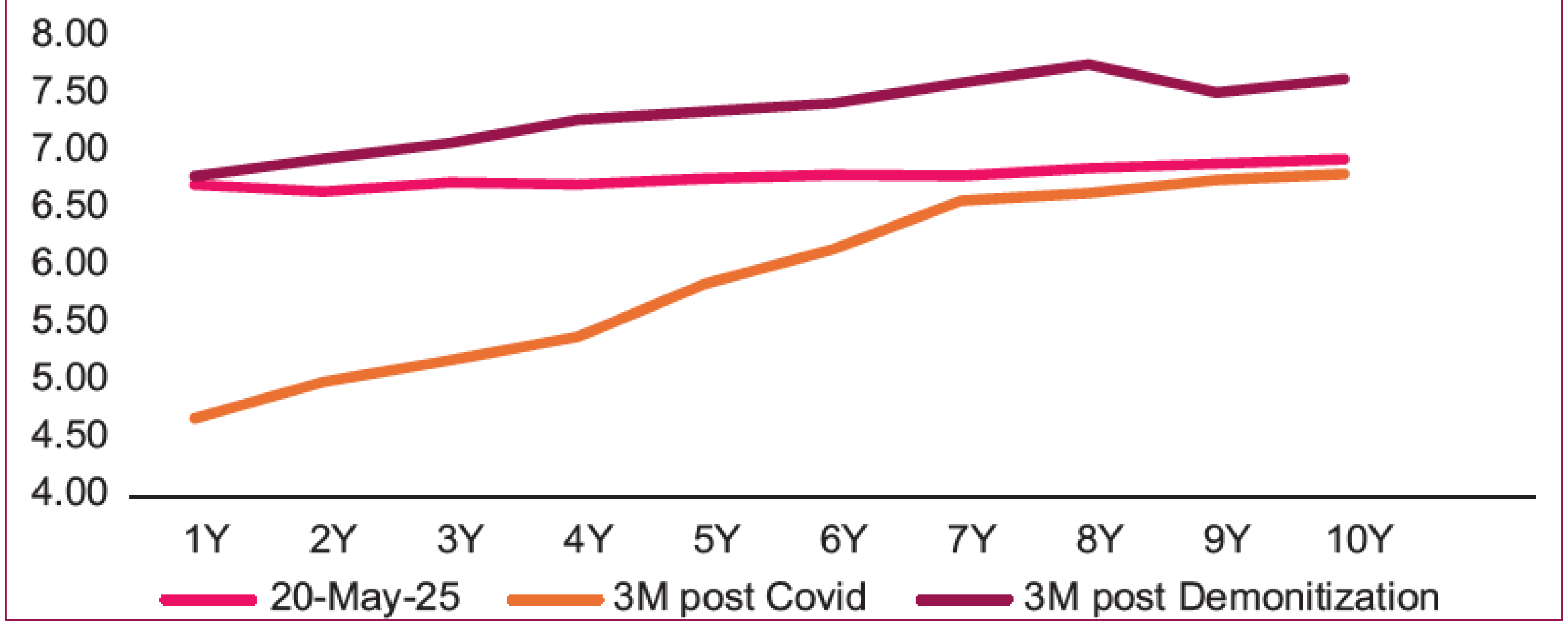
Opportunity for spread compression in 1–5-year corporate bonds



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

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

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Short term corporate bond to outperform

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

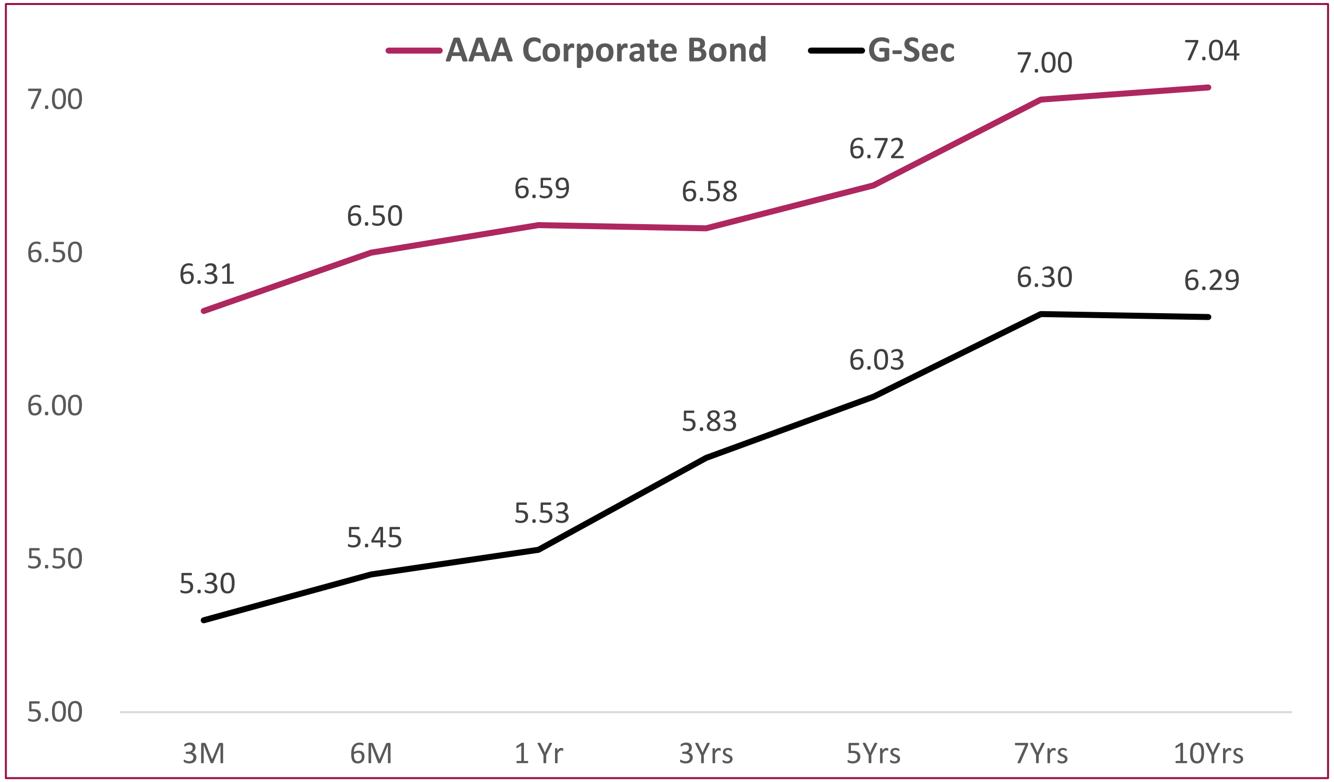
We were positive on long govt bonds throughout 2024 as demand supply dynamics for government bonds were favorable.

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 Strategic Bond Fund

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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.

As on 30th June 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.
Please refer to Scheme Information Document (SID) for detailed asset allocation and investment strategy on our website www.axismf.com

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

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Increased exposure to SOV/AAA amidst credit caution

Core book of Corporate Bonds

Expected Credit Quality*

50% : AAA/A1+

50% : Sub AAA

Medium term horizon

Invests across rating curve

Average Maturity in the range of 2-4 years

Rating	30th June 2025	Current Target
Sovereign/ AAA & equivalent*	44%	50-60%
AA(+/-)	48%	40-50%
A(+/-)	8%	0-5%

The fund maintained a higher allocation to 10–15-year government bonds till March 2025 to take benefit of rate cut cycle and due to positive demand supply dynamics for government bonds. Due to massive liquidity injection by RBI over the last quarter, fund has trimmed some G-Secs allocation and moved to 1–5-year corporate bonds.

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

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Risk Mitigation Framework

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

Sector
- Controlled through diversification and stringent review of investable sectors;
- Regulatory limits on sector Exposure

Credit
- Focus on High Quality Issuer
- Investment universe based on credit research

Diversification
- Exposure to each issuer limited by its rating

Duration
- Strictly adhere to duration limits specified by the investment mandate & investment policy

Liquidity
- 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.

Active Management

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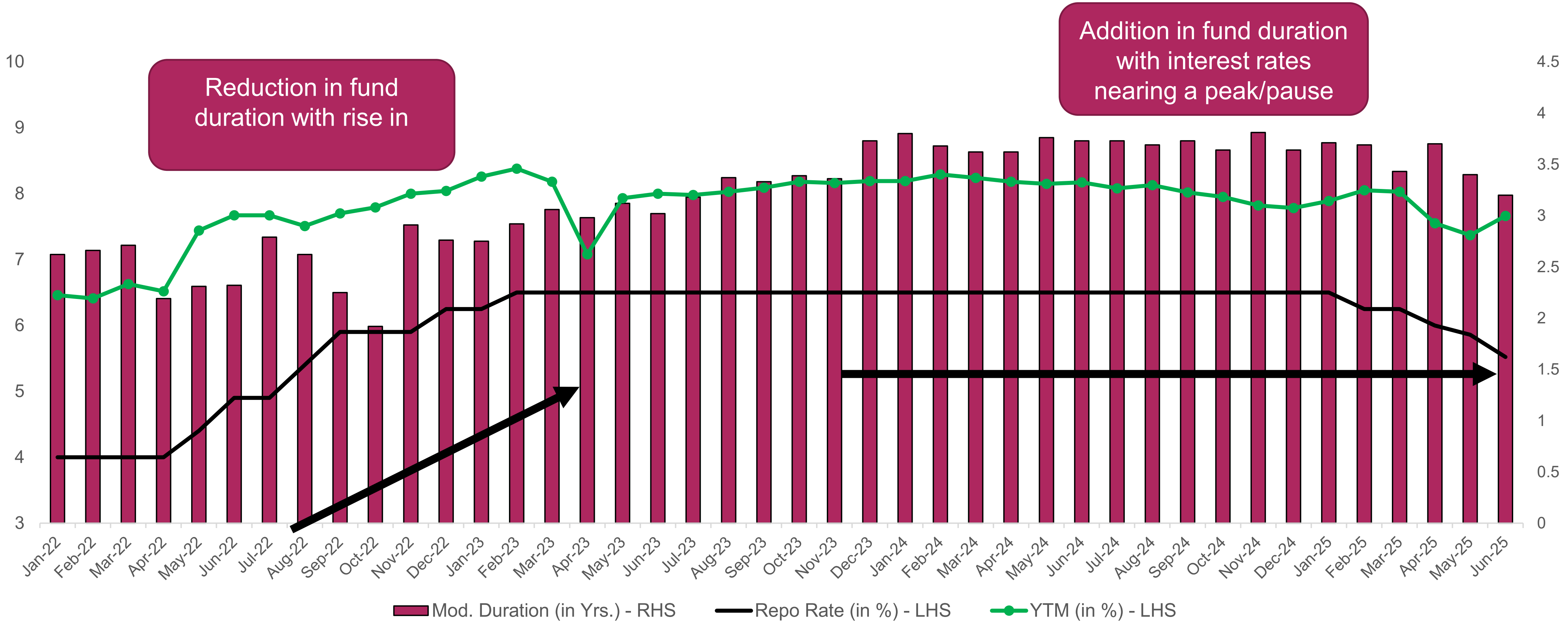
Fund management in various interest rate scenarios



Data as on 30th June 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.

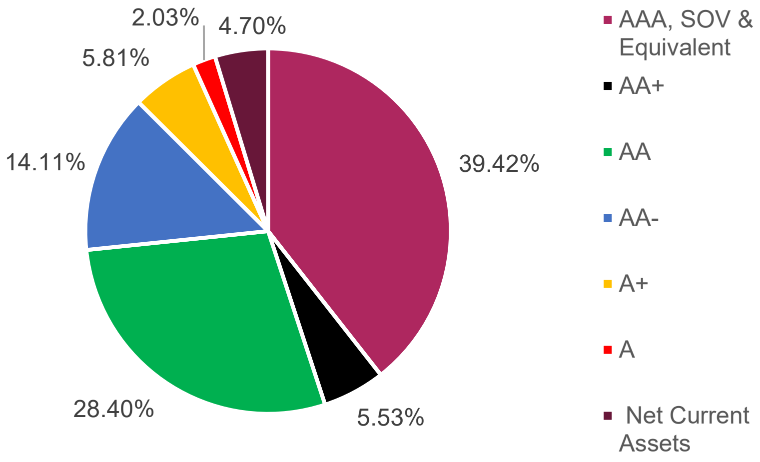
Portfolio Facts

30th June 2025

Features	Axis Strategic Bond Fund
Category	Medium Duration Fund
Residual Maturity	4.13 years
Macaulay Duration	3.36 years
Modified Duration	3.22 years
Annualized Portfolio YTM* (%)	7.66%
Asset Mix	Corporate Bond 64.29% Government Bond 25.46% Zero Coupon Bond 5.00% InvIT 0.29% Pass Through Cert 0.27% NCA 4.68%

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%

Rating Profile



*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 for full portfolio details of the scheme. $AAA & Equivalent includes AAA/A1+-rated papers.

Portfolio Granularity

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Highly Diversified Corporate Bond Portfolio With Tight Position Limits

Top 10 non-AAA exposures (30th June 2025)		
Issuer Name	**Rating**	**% of NAV**
Vedanta Limited	CRISIL AA/ICRA AA	3.62%
Jubilant Beverages Limited	CRISIL AA	3.42%
GMR Hyderabad International Airport Limited	IND AA+	3.42%
Delhi International Airport Limited	ICRA AA	3.42%
Nirma Limited	CRISIL AA	3.14%
Aditya Birla Digital Fashion Ventures Limited	CRISIL AA-	3.10%
Nuvama Wealth Finance Limited	CARE AA-	2.99%
Aadhar Housing Finance Limited	ICRA AA/IND AA	2.98%
IndoStar Capital Finance Limited	CARE AA-	2.83%
Tata Projects Limited	CRISIL AA/IND AA	2.61%

Top 10 Non-AAA constitute 32% of the portfolio. Total non-AAA exposure is 56%

Data as on 30th June 2025. 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 for full portfolio details of the scheme 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.

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 Strategic Bond Fund - Regular Plan – Growth	28-Mar-12	9.52%	10,958	8.16%	12,657	7.08%	14,084	8.10%	28,088
NIFTY Medium Duration Debt Index A-III (Benchmark)		9.72%	10,977	8.03%	12,609	6.23%	13,532	8.10%	28,118
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		11.25%	11,132	9.32%	13,070	5.51%	13,080	7.07%	24,748

Past performance may or may not be sustained in future. 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 & 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 28th March 2012.

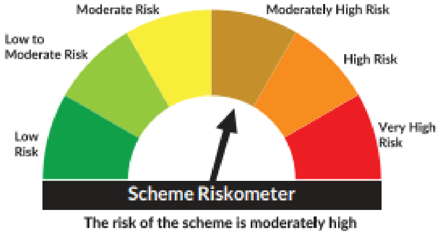
Calculations are based on Regular Plan - Growth Option NAV and Direct Plan - Growth Option NAV, as applicable. Different plans have different expense structure.

Please click on link https://www.axismf.com/cms/sites/default/files/Statutory/WDP_Annexure_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

<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 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</td>
<td>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</td>
<td>
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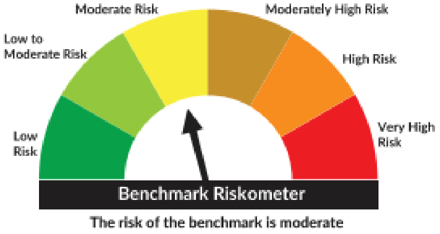
<td>
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<tr><th colspan="4">Potential Risk Class</th></tr>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><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></td><td>C-III</td></tr>
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Statutory Details and Risk Factors

Data as on 30th June 2025

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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

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