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 Update

Lower for Longer and Barbell

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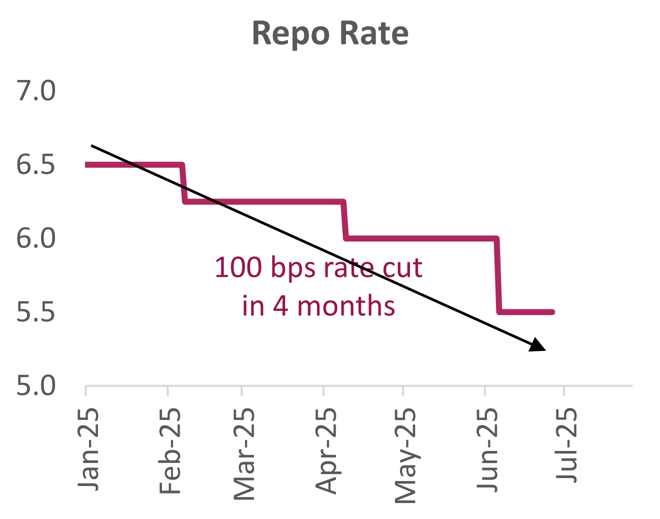
Front Loading of rate cuts & easing financial condition - Liquidity Infusion Tools and Tax Relief (Jan 2025)

Monitory Policy Tools



Liquidity Tool	Amount (INR Trillion)
VRR - 49 / 56 days	2
OMO Purchases	5
FX buy sell Swap – USD 25 BN	3.15
CRR Cut	2.5
Total Liquidity Support	12.65

Fiscal Tools

	Impact on GDP
GST Reforms	+ 0.3–0.4%
Trade Policies	+ 0.2–0.3%

GST reforms expected to **lower Inflation by 50-70 bps**

Credit Impulse

- Monetary and fiscal tools **stimulating the economy through credit impulse**
- **Easing regulatory stance** - reversal of higher risk-weights for NBFCs/microfinance, diversification of funding sources, and lifting restrictions after corrective actions.

Eyes on **Pay Commission** next year

Fiscal tools like **GST reforms and trade policies** will boost growth. Focus will also be on **Pay Commission** implementation.

Source: Bloomberg, RBI, Axis MF Research, data as on 20th August 2025

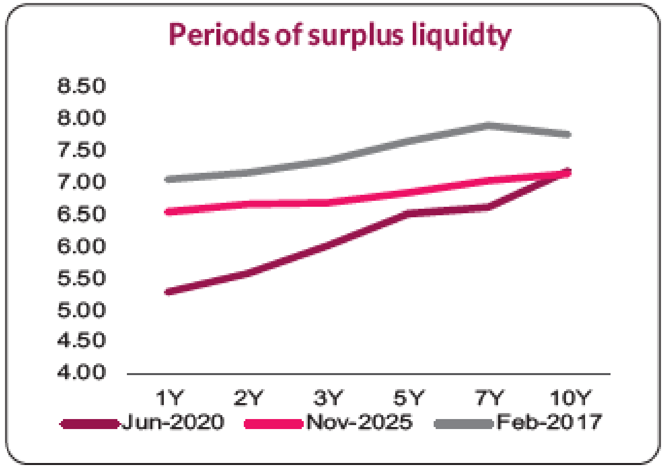
Shifting gears for 2026

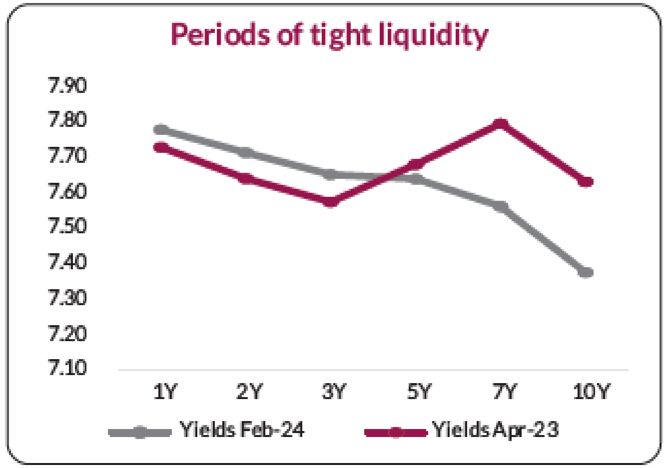
Themes that played out in the bond markets

Year	Themes	Alpha Strategy	Yields the across the curve (%)			
			Period	3-year AAA PSU	10-year Gsec	30-year Gsec
2024	Inclusion in JP Morgan indices Fiscal consolidation	Duration, Inverted yield curve	Jan 24 Dec 24	7.65 7.55 ↔	7.2 6.8 ↓	7.35 7.0 ↓
2025	Lower GDP, Lower CPI, Rate cuts, Abundant Liquidity	Liquidity, Steeper yield curve	Jan 25 Dec 25	7.55 6.7 ↓	6.8 6.45 ↓	7.0 7.25 ↑

Lower for longer and barbell

Periods of surplus and tight liquidity





Source: Axis MF Research, Bloomberg. Data as on 15th November 2025.

The past two years-2024 and 2025-were defined by distinct themes that shaped India's bond markets: global index inclusion, abundant liquidity and evolving macro conditions. These factors led to rally in bonds, with 'duration' and 'liquidity' dominating the narrative.

As we step into 2026, the landscape is changing. The focus now shifts towards 'Accrual' and 'Barbell strategies', supported by a stable rate environment, neutral liquidity, and structural demand-supply imbalances particularly for long bonds.

Past trends indicate that liquidity conditions have had a significant influence on the yield curve's shape. During periods of abundant liquidity, excess funds keep short-term rates suppressed, resulting in a steeper curve. Conversely, when liquidity shifts toward neutral, the curve tends to flatten as short-term rates rise relative to long-term rates.

Way Forward for Bond Markets

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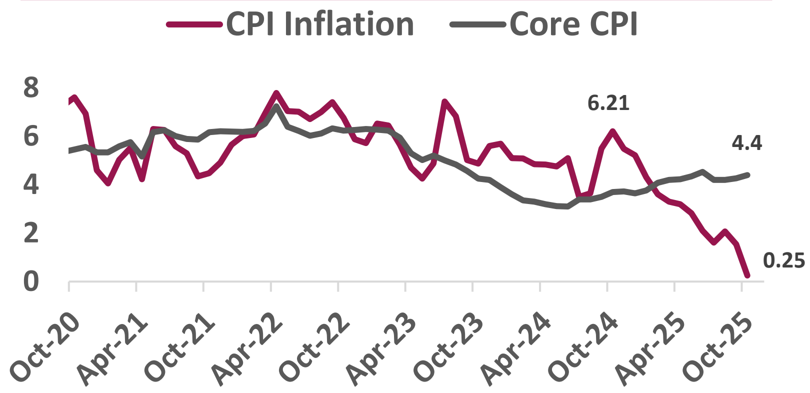
Stable rate regime, RBI to maintain extended pause after December 2025

CPI less than 4% for FY26E



GDP for FY26E to remain below 6.5%

Tenure	GDP Growth Projection
FY22	9.7%
FY23	7.6%
FY24	9.2%
FY25	6.5%
FY26E	6.5% (Downward biased)

Category Of Investor	Total Demand for GSec + SDL	% of Long Bond Holding / Allocation	Demand for Long bonds (CG+SDL)- 10 year & above
Insurance Companies	5,50,000	60%	3,30,000
Provident Funds	3,80,000	90%	3,42,000
Pension Funds	2,00,000	55%	1,10,000
			7,82,000
Maturities Rollover			3,00,000
Total Gross Demand			**10,82,000**
Total Gross Supply			**11,98,000**
Demand Supply Gap			**1,16,000**

Heightened nervousness in Bond Markets due to the **imbalance in demand and supply dynamics**.

- Strong disinflationary impulse is expected to continue in 2026 due to GST cuts
- Growth is expected to moderate (6.2–6.5%), with patchy demand recovery.

Source: Bloomberg, RBI, Axis MF Research, data as on 15th November 2025

Market View

Inflation falls below 2% - Headline inflation eased to 1.54% in September vs 2.07% in August supported by a favourable base effect and continued moderation in food prices.

Looking ahead, with limited scope for further aggressive rate cuts, we expect the RBI to maintain its accommodative liquidity stance (+1% NDTL).

Uncertainty around tariffs and expectations of a softer inflation trajectory—partly due to anticipated GST rate rationalization—have created room for additional rate cut.

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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Favor Short term bonds for Accrual

A stable interest rate cycle, sustained liquidity normalization and the expected inclusion of FAR securities in the Bloomberg Global Aggregate Index are likely to result in a flatter yield curve in 2026.

Alongside this, the OMO's aimed at maintaining durable liquidity would further help bridge the gap between issuance and demand, ensuring smoother absorption of supply.

Long Bonds are now trading at neutral spreads over the 10-year benchmark G-Sec, with absolute yields in the 7.40–7.50% range and expectations of no rate hikes over the next 12 months, these instruments offer a compelling safety cushion for long term investors.

Moreover, with the curve-flattening theme gaining traction, we expect long bonds at 7.4–7.5% yields to provide meaningful protection in the current environment.

Securities	Yields (10th Nov 2025)	1 yr returns given change in Interest rates (Yields)				
		-25 bps	-15 bps	0 bps	15 bps	25 bps
30 Year Gsec	7.26	10.02	8.92	7.26	5.60	4.49
10 Year Gsec	6.49	8.06	7.43	6.49	5.54	4.91
5 Year AAA Corp	6.82	7.81	7.41	6.82	6.22	5.83
3 Year AAA Corp	6.69	7.17	6.98	6.69	6.40	6.20
2 Year AA Corp	7.53	7.78	7.68	7.53	7.38	7.28

Against this backdrop, a barbell strategy—combining short-tenor bonds for accrual and long-duration bonds for tactical gains—will be the optimal approach, offering both steady accrual and potential upside. 2-year AA corporate bonds for accrual and long bonds government bonds for duration is the preferred strategy.

Source: Bloomberg, RBI, Axis MF Research, data as on 15th November 2025

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)

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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. As on 31st Oct 2025, the fund has Mod duration of 3.17 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 Oct-25.

As on 31st October 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’

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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	31st October 2025	Current Target
Sovereign/ AAA & equivalent*	44%	50-60%
AA(+/-)	45%	40-50%
A(+/-)	11%	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

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

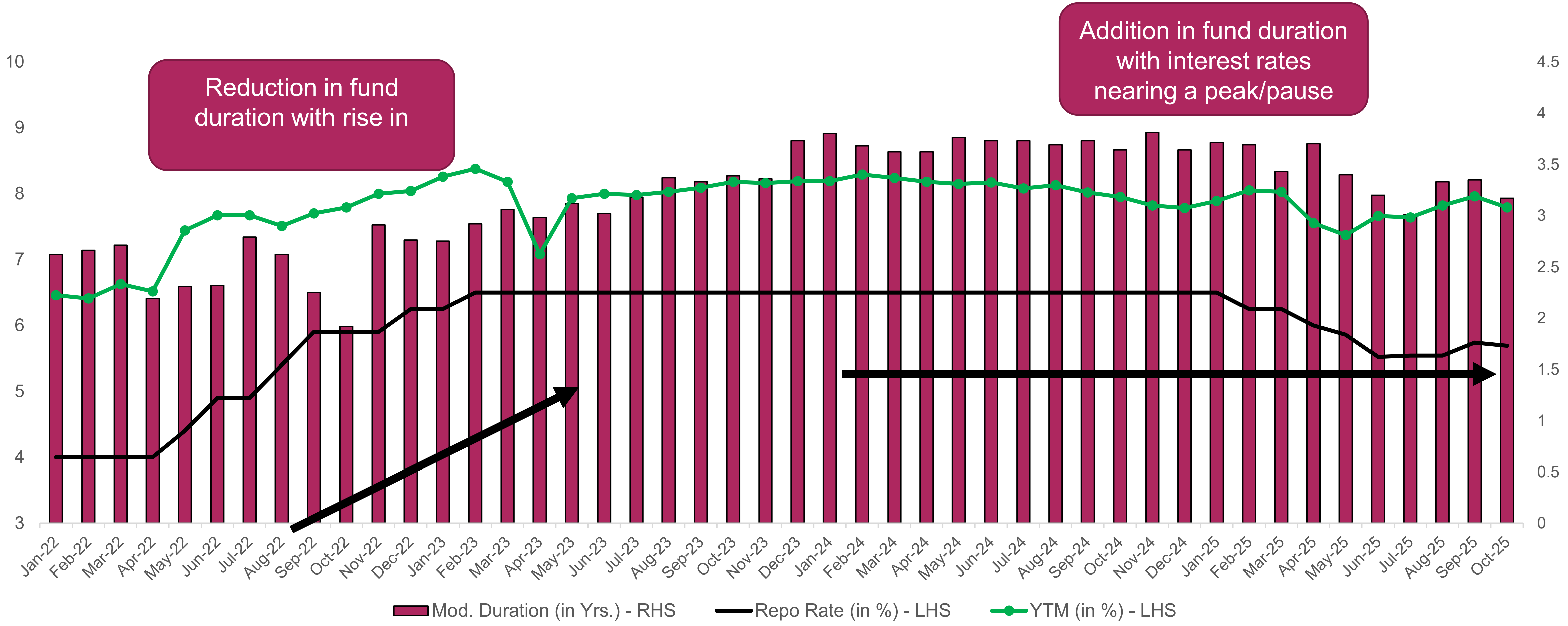
Liquidity

- 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

Fund management in various interest rate scenarios



Data as on 31st October 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.

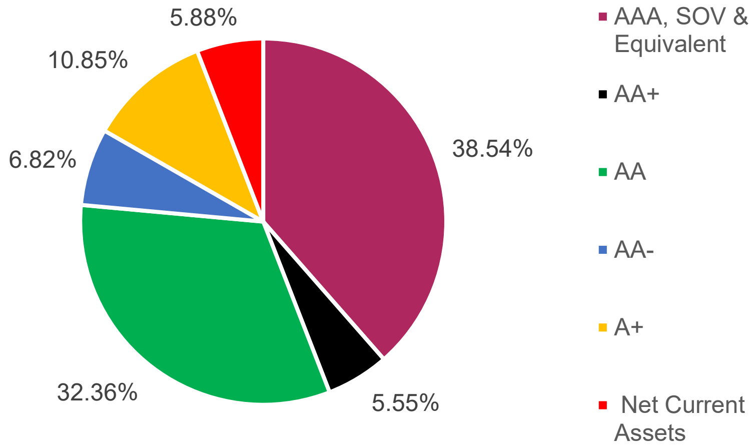
Portfolio Facts

31st October 2025

Features	Axis Strategic Bond Fund
Category	Medium Duration Fund
Residual Maturity	4.28 years
Macaulay Duration	3.31 years
Modified Duration	3.17 years
Annualized Portfolio YTM* (%)	7.79%
Asset Mix	Corporate Bond 59.50% Government Bond 24.28% Zero Coupon Bond 7.07% Pass Through Cert 2.71% REIT 0.60% NCA 5.84%

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 (31st October 2025)		
Issuer Name	**Rating**	**% of NAV**
Vedanta Limited	CRISIL AA/ICRA AA	3.65%
Jubilant Beverages Limited	CRISIL AA	3.57%
GMR Hyderabad International Airport Limited	ICRA AA+	3.41%
Nirma Limited	CRISIL AA	3.15%
Nuvama Wealth Finance Limited	CARE AA	3.03%
Aadhar Housing Finance Limited	IND AA/ICRA AA	3.00%
Delhi International Airport Limited	ICRA AA	2.93%
Aditya Birla Digital Fashion Ventures Limited	CRISIL AA-	2.87%
IndoStar Capital Finance Limited	CARE AA-	2.86%
IKF Finance Limited	CARE A+	2.32%

Top 10 Non-AAA constitute 31% of the portfolio. Total non-AAA exposure is 56%

Data as on 31st October 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

31st October 2025

	Inception	1 Year CAGR (%)	1 Year Current Value of investment of Rs. 10,000	3 Year CAGR (%)	3 Year Current Value of investment of Rs.10,000	5 Year CAGR (%)	5 Year Current Value of investment of Rs. 10,000	Since Inception CAGR (%)	Since Inception Current Value of investment of Rs. 10,000
Axis Strategic Bond Fund - Regular Plan – Growth	28-Mar-12	8.65%	10,865	8.19%	12,668	6.73%	13,857	8.05%	28,685
NIFTY Medium Duration Debt Index A-III (Benchmark)		8.28%	10,828	7.86%	12,550	5.89%	13,316	8.03%	28,582
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		8.27%	10,827	8.82%	12,888	5.28%	12,940	6.93%	24,884

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_Oct.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

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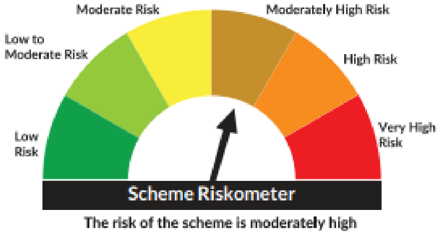
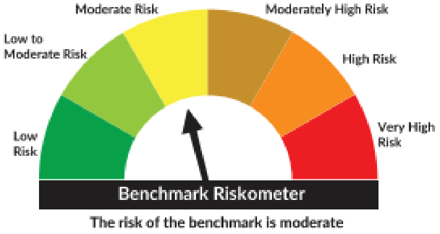
Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)
Axis Strategic Bond Fund (An open ended medium term debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 3 years to 4 years. A relatively high interest 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			

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)			C-III

Statutory Details and Risk Factors

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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

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