

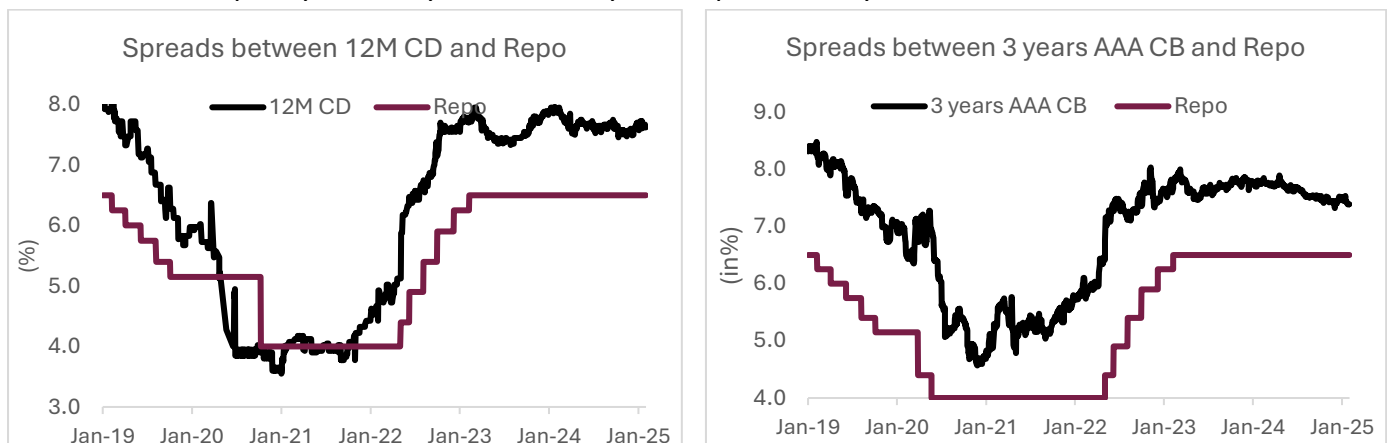
# Axis Treasury Advantage Fund: A Strategic Investment Opportunity

(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 to 12 months. A relatively high interest rate risk and moderate credit risk)

## Market View

Banking liquidity has fallen to a deficit of Rs. 1,56,827 Crore (as on 31<sup>st</sup> Jan 2025) due to FII outflows and increase in currency in circulation. Durable Liquidity also turned deficit and in the last 10 years, whenever we have witnessed deficit(negative) core/ durable liquidity (E.g. 2016- 2018/19), RBI has done core liquidity infusion of more than INR 1- 2 trillion through OMOs/ other liquidity tools.

In response to the tight liquidity conditions, the RBI announced several measures spread over a period to inject durable liquidity into the banking system. These measures include OMO auction of Rs. 90,000 Crore (30,000 done in Jan 2025 and 60,000 announced), 56 days VRR of Rs. 50,000 crore and currency swap of \$5 billion. This action aligns with our expectation, and we anticipate liquidity to remain neutral to deficit for some time due to CIC growth and FX outflows. Hence, we expect the RBI to implement additional liquidity measures, such as CRR cut. This tight liquidity situation has led to attractive spreads on short end of the curve and infusion of liquidity will likely lead to a rally in this part of the yield curve.



Source: Bloomberg, as on 31<sup>st</sup> Jan, 2025. CD- Certificate of Deposit and CB – Corporate Bond

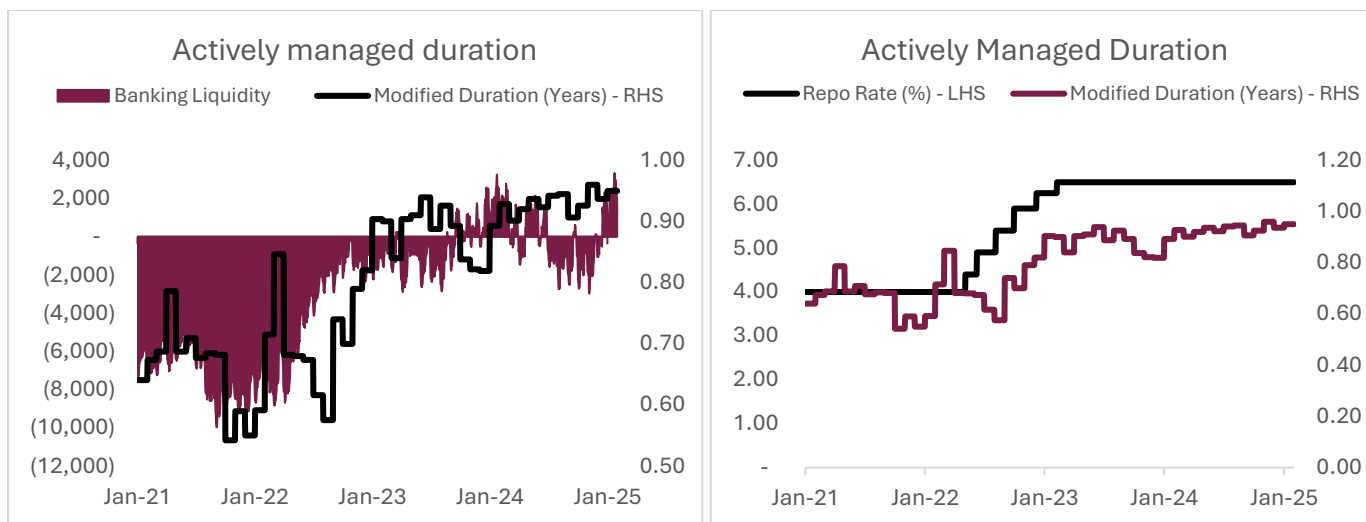
Along with this, lower GDP growth rate, controlled inflation and fiscal consolidation have paved path for monetary policy easing which will also contribute to improved liquidity in the market and support a favourable environment for short-term debt instruments. We anticipate a 50-bps rate cut by the RBI over the next 6 to 12 months.

## Axis Treasury Advantage Fund

The Fund is an actively managed low duration category fund which manoeuvres its duration profile based on its view on banking liquidity and maintains a quality bias towards its investments.

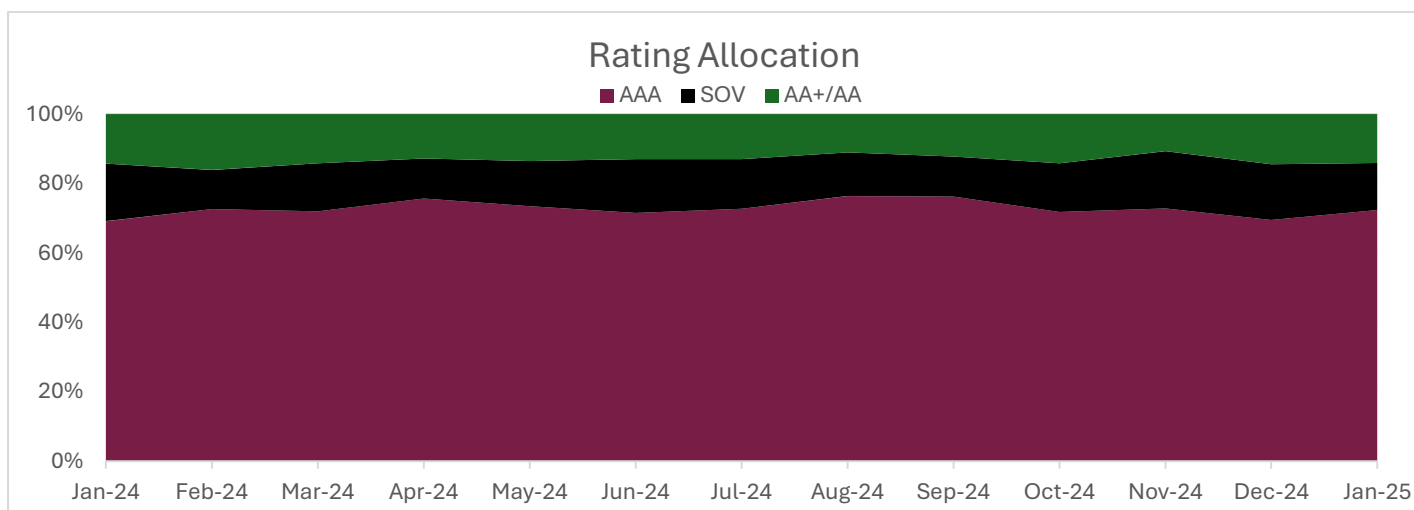
The Fund actively manages its Macaulay duration in the range of 6 months to 1 year and is expected to benefit from the anticipated rally in the shorter end of the yield curve. Historically, the fund has dynamically managed duration based on Repo rate and banking Liquidity.

Currently, to capitalize on neutral to tight banking liquidity, attractive spreads and outlook of improving liquidity we are running duration close to the upper limit (0.95 years) of the mandate. The current YTM of the fund is at 7.70%.



Source: Bloomberg and Axis MF internal research, as on 31<sup>st</sup> Jan, 2025.

The fund takes exposure to high quality assets with exposure to AAA rated assets for atleast 80% of the portfolio (excl. bank CDs). For the remaining 20%, the fund doesn't take exposure to below AA rated assets. This tight mandate helps to improve the risk-adjusted performance. Currently, the fund is running 86% in high quality papers (SOV/AAA & equivalent) and 14% in AA+/AA papers.



Source: ACEMF, as on 31<sup>st</sup> Jan, 2025.

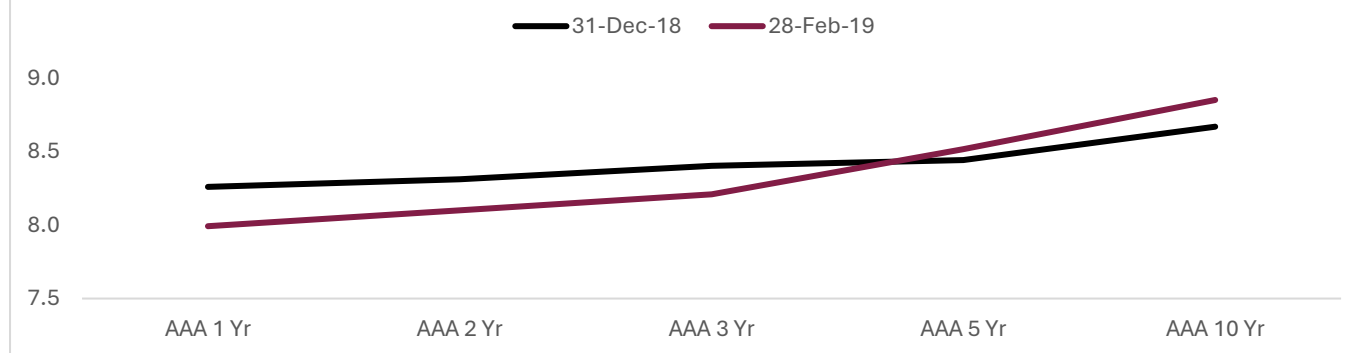
While the Fund is strategically positioned to benefit from the expected rate cuts going forward, its active management allows it to adjust its portfolio to capitalize on the expected decrease in yields.

### Why Invest now?

Investing in the Axis Treasury Advantage Fund now offers a strategic opportunity to benefit from attractive spreads, anticipated liquidity infusing measures by the Central Bank, and favourable market conditions driven by monetary easing. The current neutral to tight liquidity scenario is conflicting with RBI's stated 'neutral' monetary policy stance. Historically, we have seen that in many cases the shorter end of the yield curve steepens with the first rate cut. We anticipate the same to happen and hence the fund positioning can benefit the investors.

For instance, below is the chart showing the steepening of the yield curve, when the first rate cut happened on 7<sup>th</sup> Feb 2019.

## Steepen Yield curve at shorter end with first rate cut



Source: Bloomberg, as on 31<sup>st</sup> Jan, 2025.

It is important to acknowledge that the pressure on currency may keep RBI on a cautious mode and there might be risk of continued dollar appreciation despite RBI's intervention. The anticipated liquidity and rate actions may also get delayed.

However, since the fund is actively managed, it will be watchful for how the risks play out, and the investments will be accordingly modified to take advantage of the emerging scenario. Further, the fund aims to maintain a predominantly AAA/sovereign-oriented portfolio, making it an ideal choice for investors seeking relatively stable returns with high liquidity.

## Disclaimer and Product Labelling

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
<p><b>Axis Treasury Advantage Fund</b></p> <p>(An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the portfolio is between 6 to 12 months. A relatively high interest rate risk and moderate credit risk)</p> <p><b>Benchmark:</b> NIFTY Low Duration Debt Index A-I</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"><li>Regular income over short term.</li><li>Investment in debt and money market instruments.</li></ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	<p>The risk of the scheme is low to moderate</p>	<p>The risk of the benchmark is low to 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>B-III</td><td></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)		B-III	
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Data as on 31<sup>st</sup> Jan, 2025.

Refer SID for concept of Macaulay duration.

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 issuer mentioned, from time to time. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). Past performance may or may not be sustained in the future. Risk Factors: Axis Bank Ltd is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. This document represents the views of Axis Asset Management Co. Ltd. and must not be taken as the basis for an investment decision. Neither Axis Mutual Fund, Axis Mutual Fund Trustee Ltd nor Axis Asset Management Company Ltd, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. The AMC reserves the right to make modifications and alterations to this statement as may be required from time to time.

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