

Axis Arbitrage Fund

(An open-ended scheme investing in arbitrage opportunities)

Fund Manager: Karthik Kumar, Devang Shah & Sachin Jain

Fund Facts - As of 30th May 2025

- Month-end arbitrage exposure – 66%
- Average net rolls for the current month – 52 bps

Monthly Recap

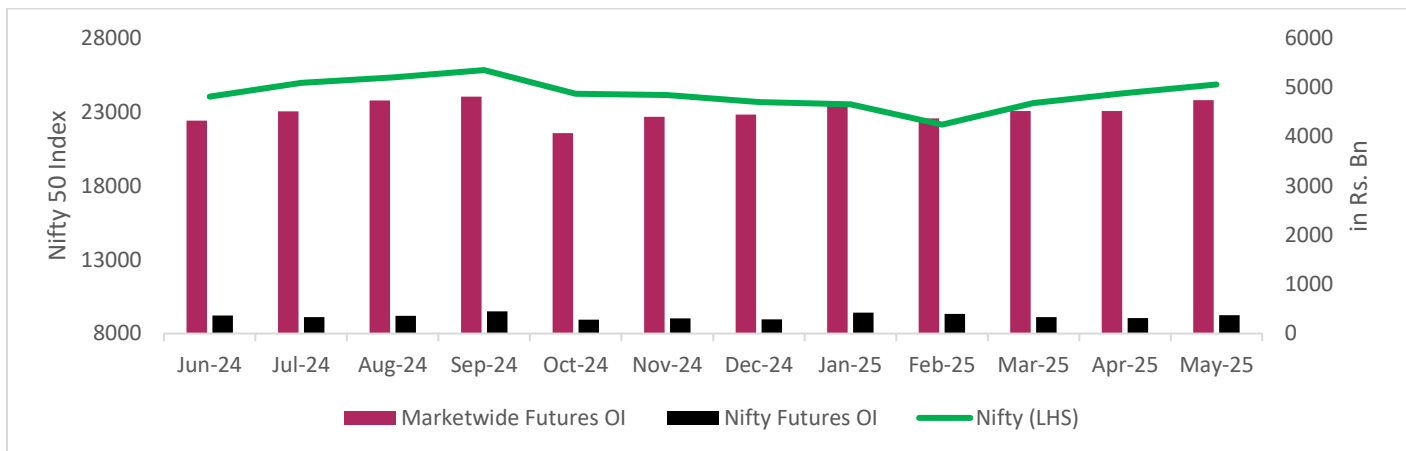
From the lowest point in end February 2025, equities have recouped close to three fourths of their losses. The SMIDs have recovered 17-18% since February 2025. this has been despite a relatively subdued growth environment. FY25 Q4 Earnings season has largely been in line to better than expected, especially when compared to earlier concerns.

This supportive earnings backdrop and ease in global tensions further fueled the strong upward momentum in the Indian equity markets. FIIs were net buyers to the tune of USD 2.3 Bn, while DIIs continued to support the market with a deployment of USD 6.3 Bn.

Spreads have experienced some compression, primarily driven by increased corporate activity last month, particularly dividend declarations and a decline in interest rates.

Source: Nuvama, Bloomberg and Internal, as on 31st May 2025

For the June series, Market-wide OI and Nifty OI (open interest) increased.



Source: Nuvama Alternative & Quantitative Research; NSE. Data as of 29th May 2025. OI in INR Bn

Nifty futures rollovers stood at 79% vs 80% (last three series). Market-wide futures open interest at the start of the June series stood at Rs. 4,737 Bn. Market-wide rollovers stood at 90%, higher than 3 months average of 89%. Stock futures rollovers stood at 92%, higher than with average rollovers of last three series at 91%. Most frontline names saw their roll cost hovering around 55 bps (Gross)

Month Series	Average Arbitrage Rolls (In bps)	Portfolio yield Annualized %
June-25	52	6.70%
May-25	61	6.47%
April-25	64	7.94%
Mar-25	49	6.72%
Feb-25	55	7.29%
Jan-25	69	7.29%
Dec-24	57	7.43%
Nov-24	61	7.95%

Oct-24	67	7.12%
Sept-24	57	7.45%
Aug-24	67	7.14%
July-24	68	8.43%
June-24	71	8.81%

Source: Bloomberg, Axis MF Research. Roll spreads and Portfolio Yield are not an indication of overall fund returns. Portfolio yield includes annualized yield of the debt portion and annualized Roll spreads for expiry tenure.

Debt Allocation

The allocations in debt are largely marginable securities. The fund today holds investments primarily in the Axis Money Market Fund. The fund also holds high rated money market instruments with a 9 - 12 month maturity profile.

The fund continues to run a conservative portfolio and invest in high quality instruments only. The debt portfolio for the fund will continue to remain actively managed to maximize return potential across the portfolio.

Debt Quants

Residual Maturity	Macaulay Duration	YTM (%)*
228 days	213 days	6.55%

The yield to maturity given above is based on the debt portion of the portfolio of funds as on 30th May 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. The calculations are based on the invested corpus. * in case of semi annual YTM, it will be annualised

Going Forward


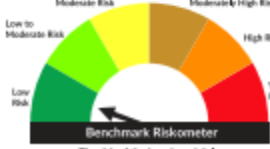
Going forward, tariff war and uncertainty related to it could be a key trigger for global and Indian markets. The impact on India's exports may be muted in near-term but global growth and trade slowdown will be negative for India over the medium-term.

FII's have significantly added Index Shorts while they reduced SSF Long. The HNI/Retail segment has unwounded shorts in Index while adding SSF longs.

As of month end, the fund allocation to hedged equity exposure stands at 66%. Additionally, the remaining allocation continues to be in high-quality papers for the debt portion. We will continue to monitor our allocations closely throughout the month to ensure optimal performance. Timing the entry and exit in arbitrage funds is critical, and investors must remain vigilant throughout their investment cycle in this space.

Source: Nuvama and Internal, as on 31st May 2025

Product Labelling & Disclaimers

Axis Arbitrage Fund (An Open Ended Scheme Investing In Arbitrage Opportunities) Benchmark: Nifty 50 Arbitrage Index	
This product is suitable for investors who are seeking* <ul style="list-style-type: none"> Income over short to medium term. Investment in arbitrage opportunities in the cash & derivatives segment of the equity market. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	
Riskometer	
Fund	Nifty 50 Arbitrage Index
 <p style="text-align: center;">Scheme Riskometer The risk of the scheme is low</p>	 <p style="text-align: center;">Benchmark Riskometer The risk of the benchmark is low</p>

Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)																								
Axis Money Market Fund (An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.) Benchmark: NIFTY Money Market Index A-I	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none">• Regular income over short term.• Investment in money market instruments with maturity up to one year. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</p>	 <p style="text-align: center;">Scheme Riskometer The risk of the scheme is low to moderate</p>	 <p style="text-align: center;">Benchmark Riskometer 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>B-I</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></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)		B-I		Moderate (Class II)				Relatively High (Class III)			
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Disclaimer

Past performance may or may not be sustained in the future. Instruments and companies mentioned may or may not form part of the portfolio and are subject to the discretion of the fund manager and the fund's current investment strategy. The note should not be treated as a recommendation and investors are advised to consult their financial advisers with regards to the suitability of the product in their financial portfolio.

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