

Axis CRISIL-IBX AAA Bond NBFC-HFC – Jun 2027 Index Fund

An open-ended Target Maturity Index Fund investing in constituents of CRISIL-IBX AAA NBFC-HFC Index – Jun 2027. A moderate interest rate risk and relatively low credit risk

NFO Opens - 6th Dec 2024 | NFO Closes - 10th Dec 2024



AXIS MUTUAL FUND

15 YEARS AS YOUR INVESTMENT PARTNER

SEBI recently allowed AMCs to launch Sectoral Target Maturity Funds. By virtue of their portfolio construct, these funds offer **higher carry without diluting the credit profile** vis-à-vis active debt funds with similar duration/rating profile, thereby making them an ideal investment proposition in the current interest rate environment.

Portfolio Construct of Sectoral TMFs vs other Debt Mfs:

Parameter	Sectoral TMFs	Traditional TMFs	Active Debt Funds
Instruments	AAA Bonds of defined sectors*	AAA Bonds (diversified across sectors), G-Secs, SDLs	Depends on the scheme type and its mandate
Sectoral limit	✗	✓	✓
Portfolio Liquidity norms	✗	✗	✓

*Based on currently live schemes

- Sector limits and portfolio liquidity norms lead to a drag on the YTM of active debt funds
- Traditional Target Maturity Funds have sector limits and generally invest in G-Secs/SDLs/AAA PSU bonds, thereby having a limited exposure to high quality carry assets

Why should investors consider 3 year NBFC-HFC Target Maturity Fund?

a) Strong Fundamentals

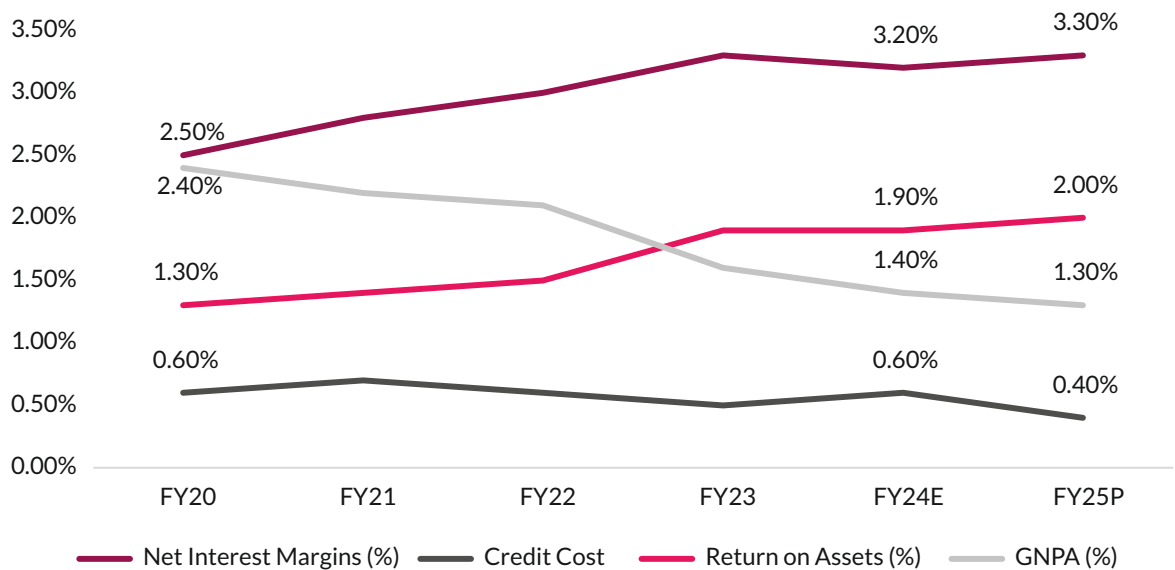
NBFC landscape has witnessed a drastic transformation over the last 5 years with improvement in metrics like capitalisation, asset quality, provision coverage, profitability and funding mix (lower reliance on short term borrowings). Proactive regulations are ensuring long-term stability of the sector.

Parameter	2019	2024
Asset Quality		
GNPA	6.6%	4.0%
NNPA	3.7%	1.1%
PCR	43.9%	72.5%
Capitalisation		
Capital Adequacy	19.3%	26.6%
Leverage	3.4x	2.2x

Parameter	2019	2024
Profitability		
ROA	1.7%	3.3%
Funding Mix		
CP funding as a % of total interest-bearing liabilities	7.6%	2.6%

Source: RBI, Axis MF Research

HFCs over the years have recorded improved asset quality, better profitability and high growth in credit disbursements. As per CRISIL, home loans are expected to maintain steady CAGR of 13-14% over next two-years fiscal 2025 and 2026.



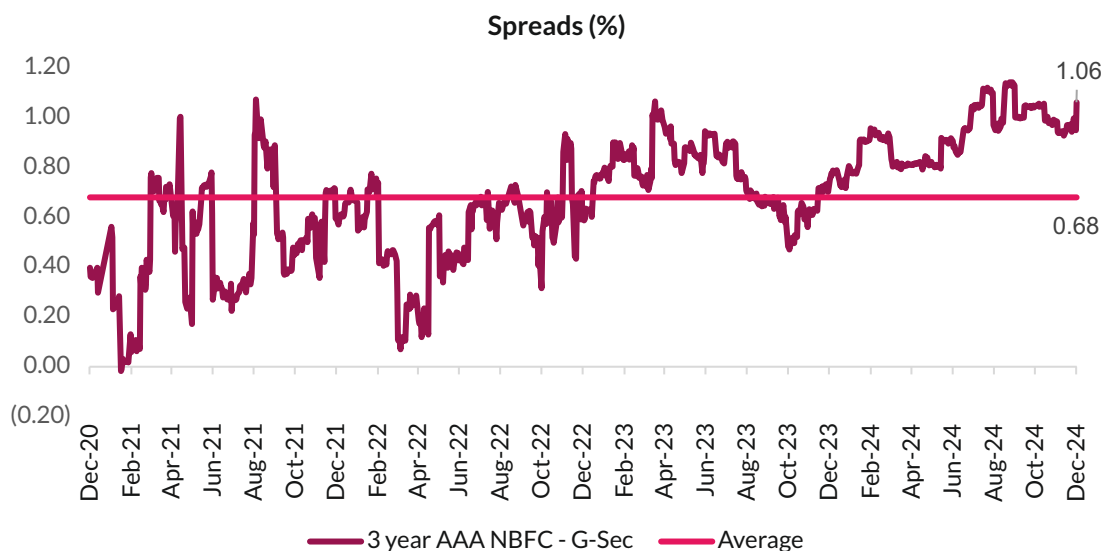
Source: CRISIL, Axis MF Research, Company Reports

Going forward, government's emphasis on affordable housing, favourable demographics and rising urbanisation are expected to support housing demand. HFCs are likely to play a significant role in this regard.

b) Attractive Spreads - Risk-reward remains favourable

While fundamentals of the sector remain strong, we have seen widening of spreads due to:

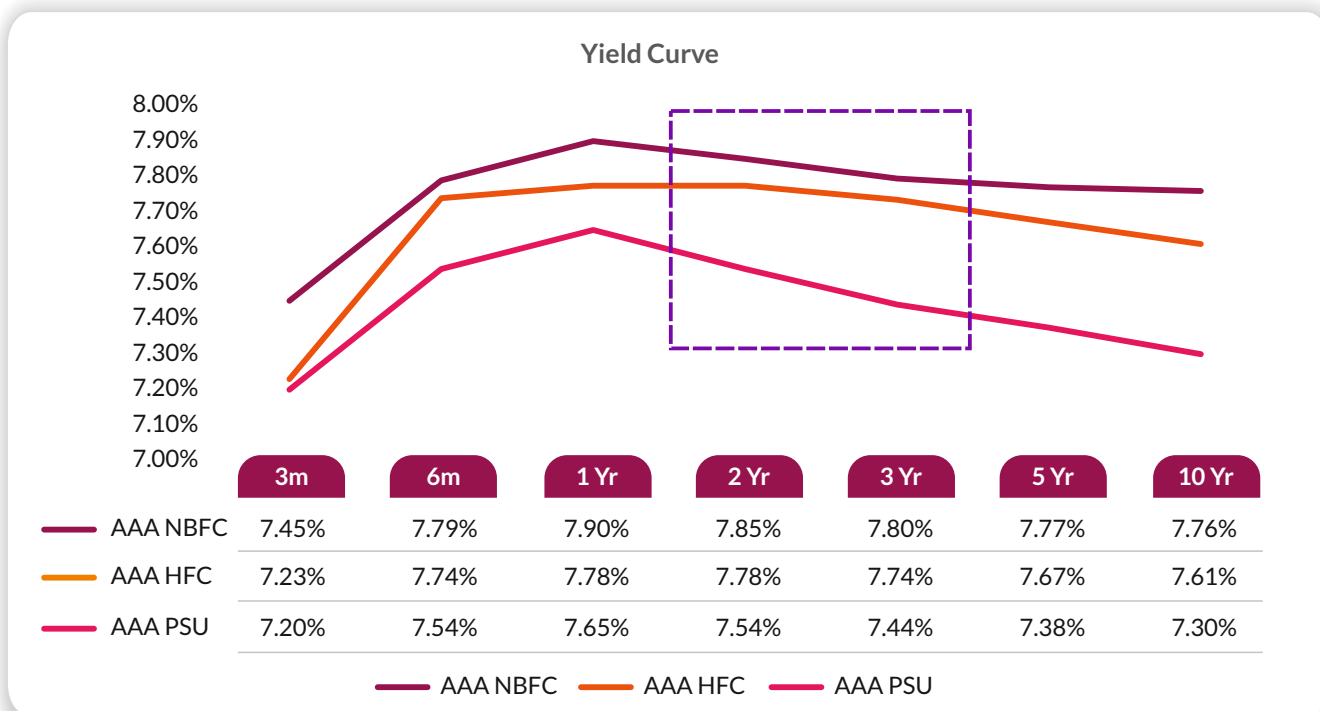
- Higher Corporate Bonds supply
- Expected change in LCR guidelines
- Tighter banking system liquidity for most of the first half led to higher money market yields which in turn was the reason for corporate bond spreads to widen



Source: Bloomberg, data as of 3rd Dec 2024

c) 3 years – Sweet Spot on the yield curve

Currently, the corporate Bond yield curve is inverted. 3-year segment is a sweet spot as it offers a **combination of higher absolute yields and potential for capital gains** due to anticipated rate cuts and curve steepening.



Source: Axis MF Research, data as of 3rd Dec 2024; Yields of Bajaj Finance, Bajaj Housing Finance and REC have been considered for NBFC, HFC and PSU respectively.

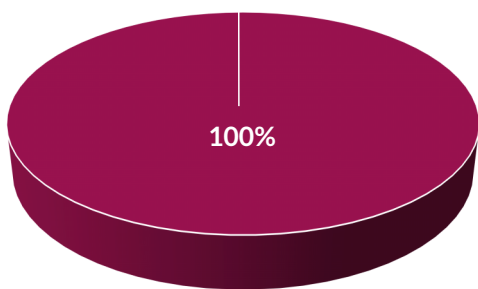
CRISIL-IBX AAA NBFC-HFC Index – Jun 2027

Key Characteristics (As of 3rd Dec 2024):

YTM	~7.70 – 7.75%
Average Maturity	2.50 years

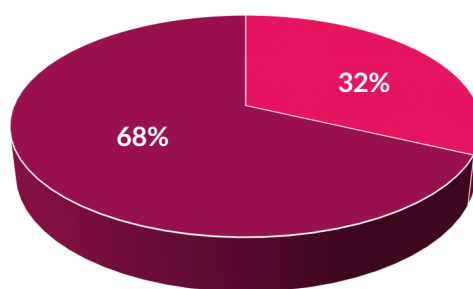
Modified Duration	2.13 years
Target Maturity Date	30 th June 2027

Asset Allocation



■ AAA Corporate Bonds

Sectoral break-up



■ NBFCs ■ HFCs

Constituents:

Issuer	Weights
LIC Housing Finance Ltd.	15.00%
Bajaj Finance Ltd.	13.05%
Aditya Birla Finance Ltd.	10.37%
India Infradebt Ltd.	7.25%
Tata Capital Housing Finance Ltd.	7.20%
Tata Capital Ltd.	7.11%
Mahindra & Mahindra Financial Services Ltd.	6.21%
Kotak Mahindra Prime Ltd.	5.27%
Aditya Birla Housing Finance Ltd.	4.78%
Bajaj Housing Finance Ltd.	4.53%
HDB Financial Services Ltd.	4.28%
L&T Finance Ltd.	4.01%
Axis Finance Ltd.	3.63%
Kotak Mahindra Investments Ltd.	3.23%
SMFG India Credit Co. Ltd.	3.17%
ICICI Home Finance Co. Ltd.	0.91%

Source: Crisil. For index methodology, kindly refer [here](#).

The issuers mentioned herein are currently part of the underlying Index. It should not be construed as investment advice or recommendation to any party. Past performance may or may not be sustained in future.

To Summarise:

Axis CRISIL-IBX AAA Bond NBFC-HFC – Jun 2027 Index Fund is high quality - high carry product offering visibility of returns over the next ~2.5 years. Given the tactical spread widening, despite the robust health of the sector, the fund is an attractive proposition from a risk-reward perspective.



Product Label and PRC

Product Labelling	Scheme Risk-o-meter	Benchmark Risk-o-meter	Potential Risk Class Matrix																				
This product is suitable for investors who are seeking* - Income over the target maturity period. - An open ended target maturity index fund tracking CRISIL-IBX AAA NBFC-HFC Index – Jun 2027, subject to tracking error. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	SCHEME RISKOMETER The risk of the scheme is moderate	BENCHMARK RISKOMETER The risk of the benchmark is moderate	<table border="1"> <thead> <tr> <th>Credit Risk</th><th>Relatively Low (Class A)</th><th>Moderate (Class B)</th><th>Relatively High (Class C)</th></tr> </thead> <tbody> <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>A-II</td><td></td><td></td></tr> <tr> <td>Relatively High (Class III)</td><td></td><td></td><td></td></tr> </tbody> </table>	Credit Risk	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk				Relatively Low (Class I)				Moderate (Class II)	A-II			Relatively High (Class III)			
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(The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made)

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