Axis Banking & PSU Debt Fund

(An Open-Ended Debt Scheme Predominantly Investing In Debt Instruments Of Banks, Public Sector Undertakings & Public Financial Institutions. A relatively high interest rate risk and moderate credit risk)

AXIS ASSET MANAGEMENT

Registration Number: MF/061/09/02

*For riskometer and Product Labelling, please refer slide no.17

Fixed Income Market Outlook

Higher Crude Prices put a crack on macros

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Every $10/bbl rise adds ~50bps to CPI and ~27bps to the fiscal deficit; higher crude widens CAD and weakens BoP

Impact of Higher Crude Prices

Central macro shock transmitted across 4 channels

Widening CAD

2.0–2.5%

Higher import bill widens current account deficit and pressures BoP

Fiscal Deficit Breach

+0.3–0.4%

Subsidy / excise support can push fiscal deficit above target path

INR Depreciation

5–10%

Oil shock and outflows can pressure INR via external-account stress

CPI Inflation

~5.5%

Higher crude feeds into fuel, freight and broader inflation expectations

Crude below $90/bbl keeps the BoP equation manageable; a move toward $100/bbl materially widens CAD to ~2.2% of GDP and turns BoP negative.

Source: Bloomberg, Axis MF Research, data as on 20th Jul 2026

A Master Stroke from the Regulator

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Coordinated RBI and Government measures in response to widening external gap

PRESSURE ON EXTERNAL ACCOUNT

~$44Bn
Net FPI Outflow since Sep-24

~$30Bn
FY26 BoP Deficit

Crude-led CAD Pressure

RBI POLICY RESPONSE

$50–65Bn
FCNR(B) deposits

~$10Bn
ECB support

GOVERNMENT MEASURES

Tax neutrality

FAR expansion

Bloomberg Bond Index Inclusion

External stress from FPI outflows, higher crude import bill and global allocator rotation toward developed markets.

Policy Intervention

RBI and Government measures aim to pull durable debt flows back into India and cushion external-account pressure.

RBI's approach to attracting capital inflows is both timely and appropriate, and India's inclusion into Bloomberg Global Aggregate Bond Index; we expect these measures to collectively attract inflows to the tune of ~$80-100Bn

Source: Bloomberg, Axis MF Research, data as on 20th Jul 2026

RBI measures Keep Ample Banking Liquidity

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Oil remains the key trigger for any RBI liquidity absorption measures

Change in Durable Liquidity (July-Dec 2026, in INR Cr.)		
	Net Durable Liquidity as of June 2026	**500,000**
Outflows	Currency In circulation Growth (July- Dec 2026 Seasonal trend)	(100,000)
	Increase in CRR maintenance on Deposit Growth (3% on 12 Lacs Cr.)	(40,000)
	FX intervention ($40Bn FX forward Maturity up to 3 months)	(380,000)
Inflows	FCNR + ECB Deposit Mobilization (Assumed $65Bn)	617,500
	Closing Durable Liquidity as of Dec 2026	**597,500**
	Durable Liquidity required as per 1% of NDTL liquidity	250,000
	Excess Liquidity	**3,47,500**

- Policy measures to bring in foreign flows have improved the liquidity outlook
- **If oil prices remain above $90/ bbl, BoP drain can wipe out excess liquidity (around $30/35Bn)**
- **Any measures to absorb excess liquidity by RBI (OMO sales, CRR hike) likely to be contingent on inflationary risks (crude, el-nino)**

Source: Bloomberg, RBI, Axis MF Research, data as on 20th Jul 2026

Market Concerns & Volatility

Oil and US policy risks to be key drivers of market volatility

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Potential headwinds: oil risk premium ion and a hawkish Fed-led global yield volatility

OIL

Crude-led Volatility

MOU breached

- Brent moved from ~$70 to above $90 levels
- Hormuz risk premium is back

Raises inflation risk and limits room for policy easing

FED

Fed & Global Yields

Policy uncertainty

- New Fed Chair, policy pivot uncertainty and sticky inflation keep markets on edge
- US 10Y yields touched 4.62%

Higher global yields can cap FI and risk-asset rallies

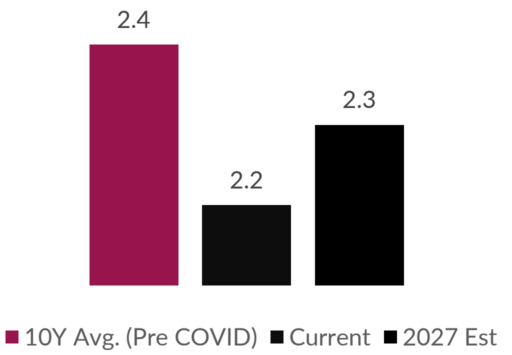
Source: Bloomberg, Axis MF Internal Research; data as on 20th Jul 2026

Crude-led Volatility

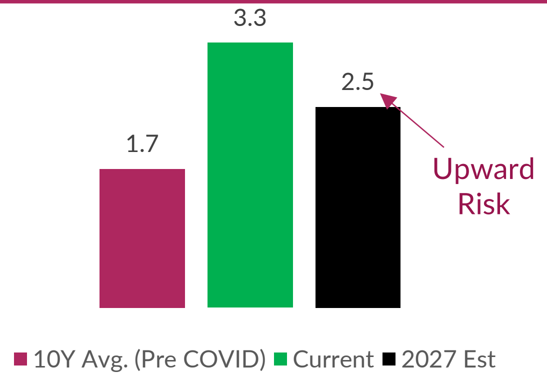
Will Crude go above $100/bbl, again?

Why US can't afford a prolonged war

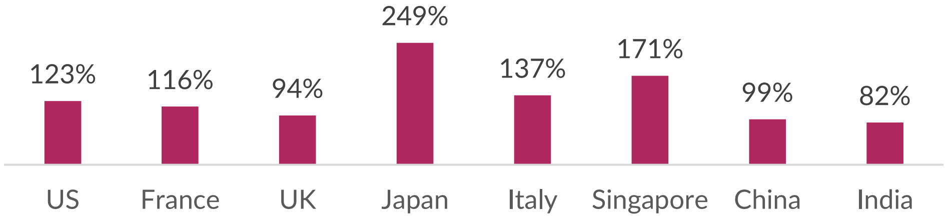
Moderating GDP growth



Inflation sticky



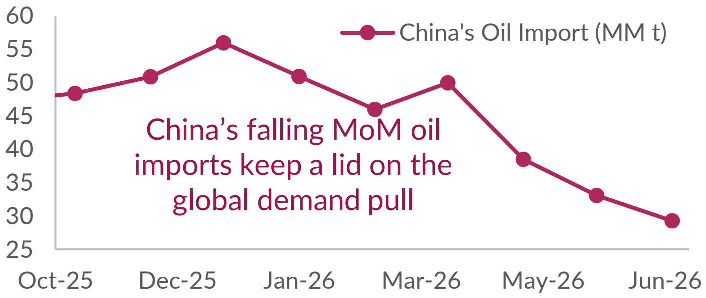
High Debt remain a concern



2026 Midterm Elections

A sustained energy-price shock is politically costly for US heading into 2026 midterms

China — A Demand Stabiliser



Supply Glut Building: Venezuela & OPEC+

- CY27 supply could outpace demand by ~5%
- Pre-war excess (~3.0) + UAE (post-OPEC exit) (+1.4) + Venezuela (+0.6)
- OPEC ramp-up adds further ~0.3%

US midterm elections, **rising bond yields**, **slower growth**, **increasing debt** and **expanding oil supply**—will make a sustained move above $100/bbl unlikely.

Source: Bloomberg, Reuters, Avendus Spark, Axis MF Internal Research; data as on 20th Jul 2026

Policy Uncertainty: Fed & Global Yields

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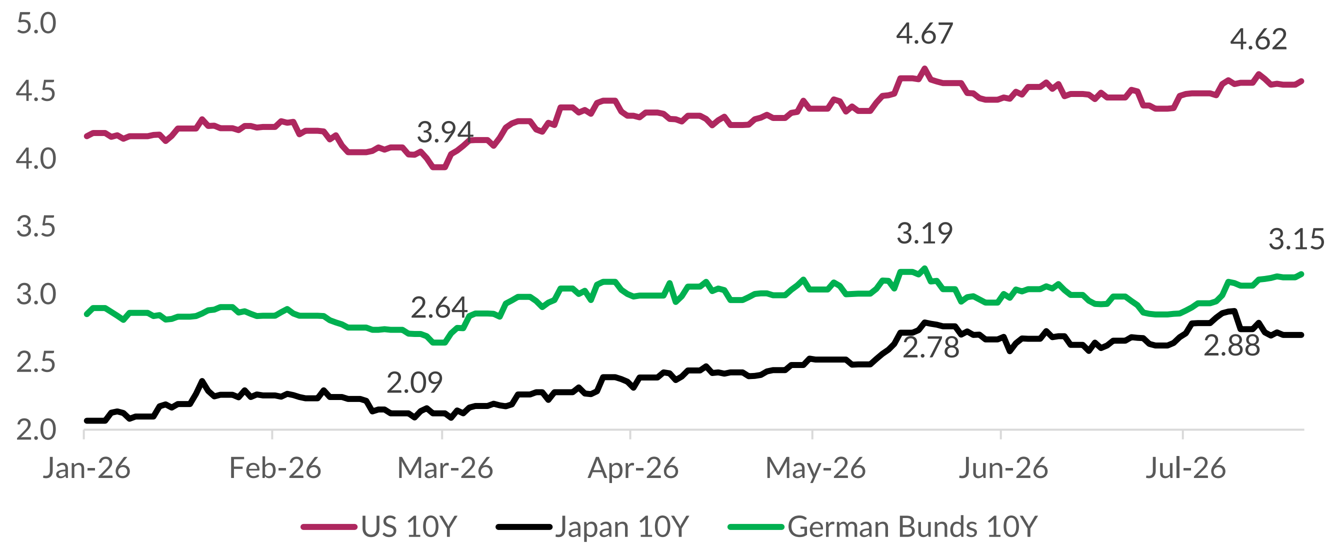
Global Rise in Bond Yields: Still a Crude Story

The next leg in global yields is likely to be driven less by growth and more by oil-linked inflation risk.

Global Benchmark Yields



Change in Global Yields (since Feb-26)

Market	Benchmark	Change
US	10Y Treasury	**~+75 bps**
Japan	10Y JGB	**~+80 bps**
Germany	10Y Bund	**~+55 bps**

What it means?

- Higher oil can delay the disinflation path
- Central banks may stay cautious on easing
- Higher discount rates cap FI and risk-asset rallies

Unless the oil shock fades quickly; global yields may remain sticky — limiting the scope for a sustained rally in bonds and broader risk assets.

Source: Bloomberg, Avendus Spark, Axis MF Internal Research; data as on 20th Jul 2026

Our View

Attractive yields amid resilient domestic fundamentals

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1

Resilient macro backdrop

Growth outlook remains resilient, supported by comfortable liquidity conditions and strengthening external buffers.

2

External variables to watch

Crude oil prices, geopolitical developments and elevated global bond yields remain key variables for fixed income markets.

3

Where the opportunity lies

Current yield levels continue to offer attractive opportunities in 3–5-year high-quality corporate bonds and select SDLs where favorable carry, ample liquidity and limited CD issuance create a better risk reward balance.

4

Areas of caution

Government securities warrant a neutral stance owing to absence of near-term OMO purchases, potential fiscal slippages and continued supply pressure; Long-duration SDLs also remain less compelling due to risks arising from the 8th Pay Commission, weaker growth, softer tax collections and subsidy pressures.

Short-duration, accrual-focused target-maturity strategies are particularly well positioned in the current macro environment. Higher yields, combined with supportive liquidity conditions, enhance the potential for better risk-adjusted returns and predictability when held to maturity.

Source: Axis MF Internal Research; views as on 31st Jul 2026

Key Risks to our view

Potential Headwinds

Hawkish Fed and global rise in yields

Fiscal slippage due to lower growth

Risks to Red Sea disruptions

Policy Risks; Excessive Rupee depreciation

Source: Axis MF Internal Research; views as on 20th Jul 2026

Axis Banking & PSU Debt Fund Overview

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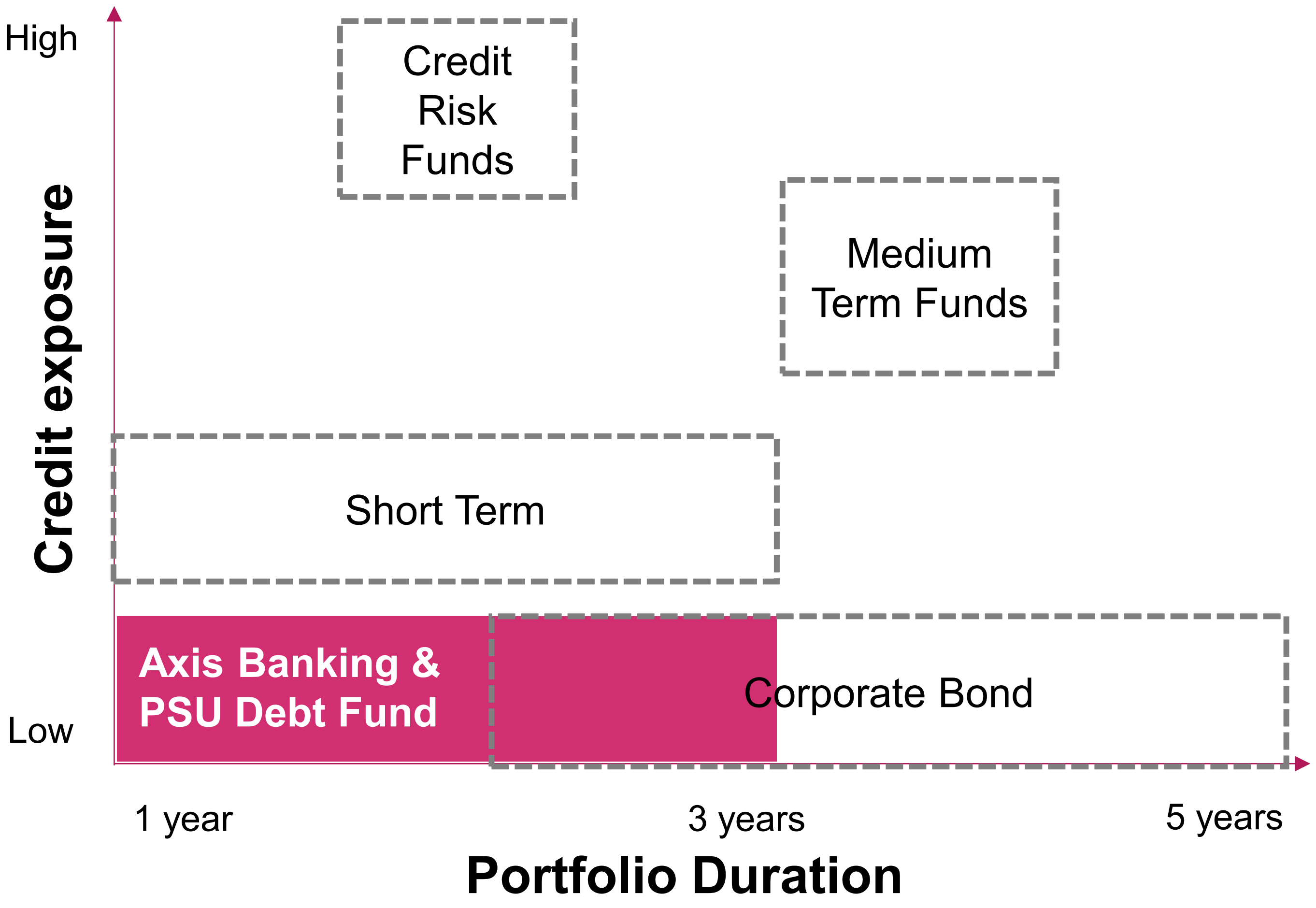
Fund Positioning



Allocation and maturity 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.

Portfolio Construct

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Actively managed High Quality Short Duration Portfolio

Duration

The fund will typically maintain Macaulay Duration in the range of **1 - 3 years**

Securities

In the current market scenario, while the fund will primarily invest in securities with maturity in the range of 1 – 5 years, there will be **no restriction** at individual security level.

Asset Quality

100% allocation to **AAA/A1+ & equivalent** rated assets

Asset Allocation

Investments primarily in debt and money market securities issued by **Banks, PSUs and PFIs**. Tactical exposure up to 20% to **G-Secs/SDLs** depending on the market opportunity

Allocation and maturity 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.

Why consider Axis Banking & PSU Debt Fund?

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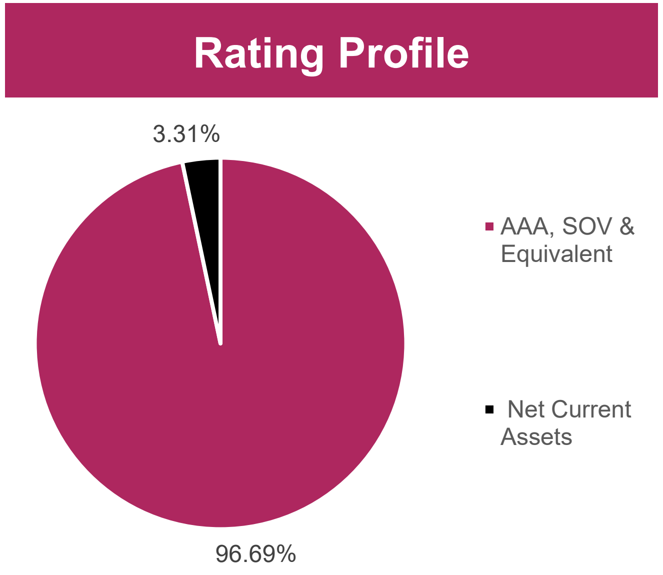
- Moderate volatility over the medium term
- High quality portfolio
- Investment Horizon: 1 year and beyond
- High liquidity by virtue of nature of underlying securities
- Positioned to benefit from carry opportunity at the shorter end of the yield curve

Portfolio Characteristics

31st July 2026



Portfolio Characteristics (31st July 2026)	
Residual Maturity	3.29 Years
Macaulay Duration	2.62 years
Modified Duration	2.46 years
Annualized Portfolio YTM*	7.24%

Allocation & maturity is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. *In case of semi-annualized YTM, it will be annualized. The yield to maturity given above is based on the portfolio of funds as on date given above. 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. For all scheme related information, please refer to SID/KIM on our website www.axismf.com

Performance

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31st July 2026

		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 Banking & PSU Debt Fund - Regular Plan - Growth	8-Jun-12	5.09%	10,509	6.89%	12,215	5.93%	13,344	7.53%	27,945
Nifty Banking & PSU Debt Index A-II (Benchmark)		4.82%	10,482	6.81%	12,188	5.73%	13,217	7.42%	27,537
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		2.71%	10,271	7.06%	12,274	5.50%	13,075	6.57%	24,609

Past performance may or may not be sustained in future. Different plans have different expense structure. Aditya Pagaria is managing the scheme since 13th August 2016, manages 22 schemes at Axis Mutual Fund & Hardik Shah is managing the scheme since 03rd July 2023, manages 16 schemes at Axis Mutual Fund. Returns greater than 1 year are Compounded Annual Growth Rates (CAGR). Face Value per unit is Rs 1,000.

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/1/5/464/627/WDP_Annexure_Jul_2026.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. Source: AxisMF Research.

Product Labelling

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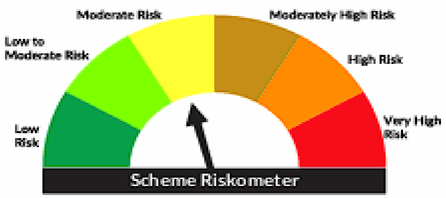
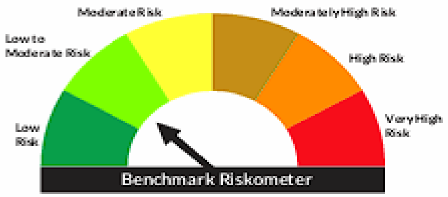
Fund Name & Benchmark	Product Labelling	Product Riskometer	Benchmark Riskometer	Potential Risk Matrix (PRC)
Axis Banking & PSU Debt Fund (An Open Ended Debt Scheme Predominantly Investing In Debt Instruments Of Banks, Public Sector Undertakings & Public Financial Institutions. A relatively high interest rate risk and moderate credit risk.) **Benchmark:** Nifty Banking & PSU Debt Index A-II	This product is suitable for investors who are seeking* • Regular income over short to medium term • Investment in debt and money market instruments issued by banks, PFIs & PSUs *Investors should consult their financial advisers if in doubt about whether the product is suitable for them			See Potential Risk Class table below

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)		B-III	

Disclaimer and Risk Factors

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Disclaimer: 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. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s).

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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