Axis Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). A relatively high interest rate risk and relatively high credit risk)

Fixed Income Market Outlook

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RBI steps up support for INR

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A coordinated package targets spot-dollar demand, speculative FX positioning and banking-system liquidity

MEASURES ANNOUNCED

1 PSU OMC dollar window

RBI meets the entire daily dollar requirement through designated banks from 12 Oct.

Removes US$10–12bn of monthly demand from spot FX markets.

2 20% FERR on larger hedges

Applies to INR derivative contracts above US$2mn where users buy FX.

Could lock up ₹400–500bn and lift hedging costs by 1–1.5%.

3 Rebooking restrictions

Cancelled INR-linked deliverable / non-deliverable contracts cannot be rebooked.

Reduces repeated positioning but also lowers hedging flexibility.

4 Lower no-underlying threshold

Threshold cut to US$5mn from US$100mn across dealers and exchanges.

Constrains positions not backed by genuine exposure.

5 Higher daily CRR maintenance

Daily maintenance raised to 99% from 90% from the 16 Oct fortnight.

Reduces banks' daily liquidity cushion and should align call rate closer to repo.

6 OMO sales

₹250bn announced for October, with scope for additional sales.

Withdraws durable liquidity while retaining flexibility.

EXPECTED TRANSMISSION

Policy impact map

Near-term relief, with medium-term vulnerabilities still present

SPOT FX DEMAND — **US$10–12bn**

monthly demand shifted away from the spot market

DURABLE LIQUIDITY — **> ₹1.5tn**

potential monthly withdrawal from the system

USD–INR — **97 → below 95**

near-term support range described in the report

Watchpoint Higher hedging costs may reduce importer hedging and defer some pressure to the spot market.

Source: Kotak Institutional Equities

RBI measures ensure 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 (USD 40 Bn FX forward Maturity up to 3 months)	(380,000)
	OMO supply	(125,000)
Inflows	FCNR + ECB Deposit Mobilization	12,35,000
	Closing Durable Liquidity as of Dec 2026	**12,15,500**
	Durable Liquidity required as per 1% of NDTL liquidity	250,000
	Excess Liquidity	**13,20,500**

- Policy measures to bring in foreign flows have improved the liquidity outlook
- **If oil prices remain above USD 90/ bbl, BoP drain can wipe out excess liquidity (around USD 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 15th October 2026

Macro Backdrop

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Best of interest rate cycle is behind us

Rate-hike cycle beginning

The rate hike cycle has started, and we expect the RBI to raise rates by another 50-75 bps

Growth is strong

Resilient domestic activity gives the central bank room to prioritise inflation control.

Concerns over inflation

Tailwind fading as crude, commodities and higher global food prices push prices up.

Global central banks hiking

Resilient US growth, sticky inflation and hawkish Fed expectations reinforced the higher-for-longer rates narrative

Potential fiscal slippages

Little room left to consolidate further; crude prices and pay commission adds to spending pressure.

Heavy H2 borrowing supply

H2 FY27 supply of ~Rs 8 lakh cr G-Sec and ~Rs 8 lakh cr SDL weighs on yields.

Source: Axis MF Fixed Income house view, Sep 2026. For internal consumption only.

Interest Rate Outlook

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+75 bps

Expected policy rate hikes over the next 6-12 months

+20-30 bps

Expected rise in absolute yields on G-Sec and corporate bonds

Flatter

Yield curve expected to flatten as the short-end reprices faster

Excess FCNR liquidity will be drained by the RBI

Over the next 2-3 months the surplus liquidity from FCNR flows is expected to be absorbed through **OMO sales** and **FX sell-buy swaps** — reinforcing the tightening bias at the short end.

Key Risks to our view

- Prolonged West Asia conflict
- Hawkish Fed and global rise in yields
- Hawkish Fed policy
- Excessive Rupee depreciation

Source: Axis MF Fixed Income house view, Sep 2026. For internal consumption only.

Are Credits offering an opportunity?

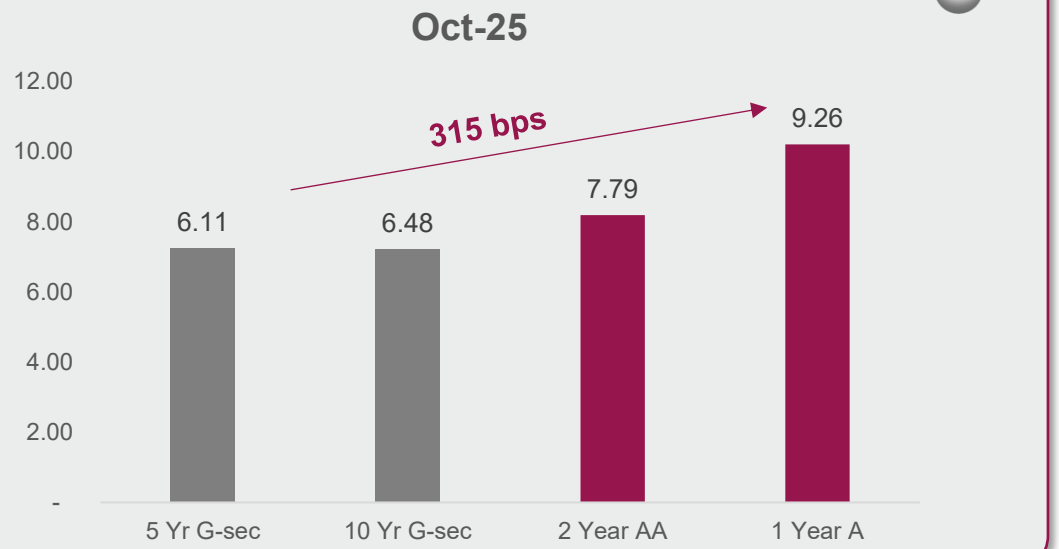
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Low default risk & Attractive Spreads

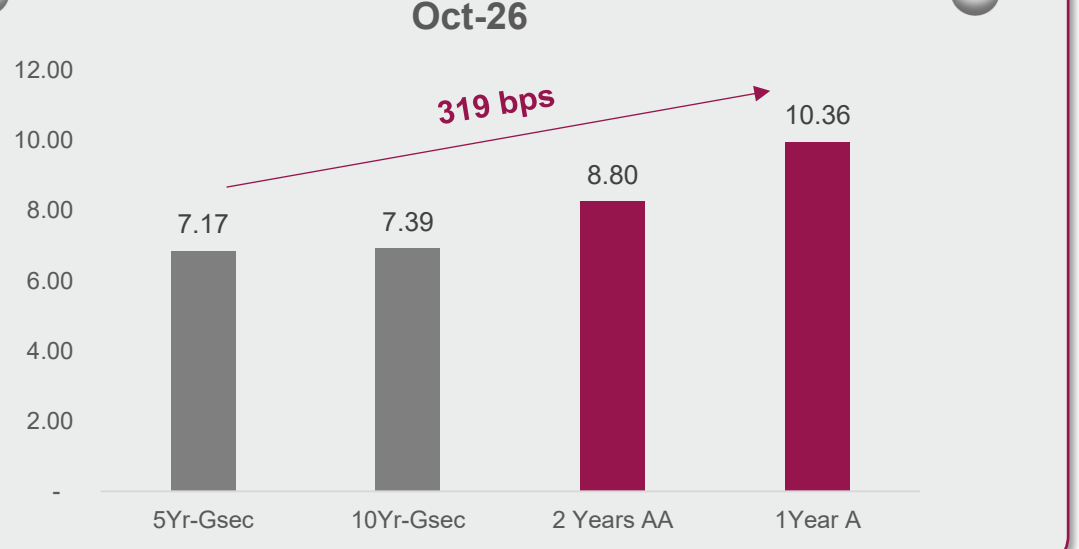
Opportunity for spread compression in 1–5-year corporate bonds

With ~264 bps of spread between a 5-Yr G-Sec and 1-Yr A rated paper, credits still offer a yield kicker to portfolios

Previous Year Spreads



Current Spreads



Data as of 15th Oct 2026. Source: Bloomberg, CRISIL. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. YTMs are not an indication of return.

Axis Credit Risk Fund

(An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds). A relatively high interest rate risk and relatively high credit risk)

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Investment Strategy

The fund takes advantage of opportunities arising from the credit spectrum. Some of the strategies that we may follow are as follows:

- Opportunity from credit spreads between AAA and AA rated fixed income instruments
- Opportunity from migration of ratings

Our accrual strategies follow 4 main traits:

- Diversification
- Self-liquidating nature of portfolios
- Buy when the spreads between AA/A and AAA are attractive from risk reward perspective
- Buy & Hold approach

Investing in Credits

Discipline is the key

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Diversification



- Cautious at selecting sectors
- Diversifying the exposure to manage potential risk
- Strict issuer/ rating limits

Credit play different from duration play



- Pure ‘carry’ play with buy and hold approach
- No active duration call in lower rated papers

Valuation



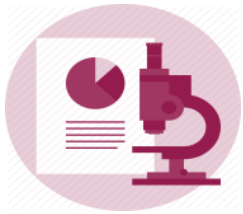
- Look at credit exposure only during favorable valuation scenario

Strategy followed is based on the current market conditions and is subject to changes depending on the fund manager’s view of the markets.

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

Axis Credit Risk Fund

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Portfolio Construct



- An open-ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)
- Positioned in short term space. Typical maturity range of 2-4 years
- Core book (>70%) in corporate debt instruments while 20-30% is managed dynamically based on market conditions
- Aims to capture higher yields / spread compression in 1-3 year corporate bonds

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.

Risk Management

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- Tight Duration Range (3 years)
- Stringent credit review
- Control credit risk through diversification and strict limits on issuer weighting based on rating

Risk Mitigation Framework

Sector	Credit	Diversification	Duration	Liquidity
• Controlled through diversification and stringent review of investable sectors; • Regulatory limits on sector Exposure	• Focus on High Quality Issuer • Investment universe based on credit research	• Exposure to each issuer limited by its rating	• Strictly adhere to duration limits specified by the investment mandate & investment policy	• 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.

Portfolio Granularity

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Highly Diversified Corporate Bond Portfolio With Tight Position Limits

Top 10 non-AAA exposures (30th September 2026)		
Issuer Name	**Rating**	**% of NAV**
GMR Airports Limited	CRISIL AA-	4.79%
Jubilant Bevco Limited	CRISIL AA	4.46%
JTPM Metal Traders Limited	CRISIL AA	4.28%
Narayana Hrudayalaya Limited	ICRA AA	3.95%
Aditya Birla Digital Fashion Ventures Limited	CRISIL AA-	3.95%
Godrej Seeds & Genetics Limited	CRISIL AA	3.25%
Vedanta Aluminium Metal Limited	ICRA AA+	3.18%
Adani Airport Holdings Limited	CRISIL AA-	3.14%
IKF Finance Limited	CARE AA-	3.08%
JSW Kalinga Steel Limited	CRISIL AA	2.75%

Top 10 Non-AAA constitute ~37% of the portfolio. Total non-AAA exposure is ~82%.

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.

Maturity Profile & Rating Transition

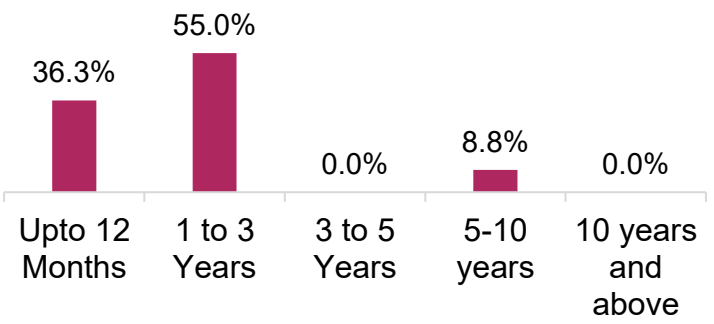
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Endeavour to build Self Liquidating Credit Portfolios

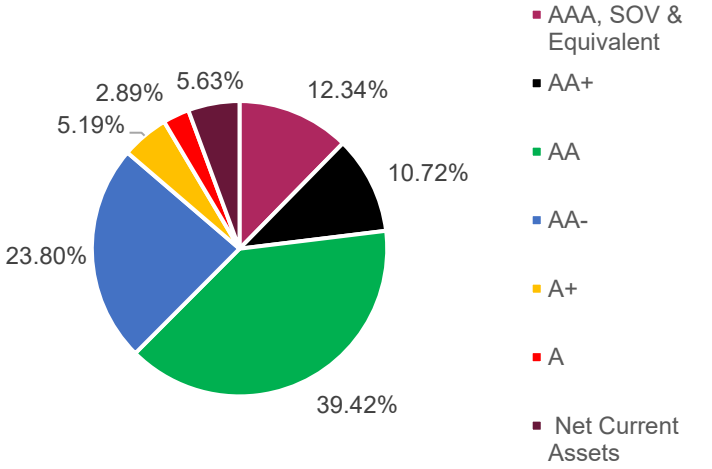
- Credit exposure is typically through short tenor instruments with frequent resets. This ensures frequent liquidity events in the portfolio
- Duration management is achieved through exposure in Sovereign/AAA Securities

Portfolio Stats	
Average Maturity	2.20 Years
Macaulay Duration	2.04 Years
Modified Duration	1.95 Years
YTM	8.83%

Maturity Mix



Rating Profile



Strategy followed & Target Range is based on the current market conditions and is subject to changes depending on the fund manager's view of the markets. AAA & Equivalent includes SOV, AAA/A1+ rated papers. Data as on 30th September 2026

Performance

30th September 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 Credit Risk Fund - Regular Plan - Growth	15-Jul-14	7.26%	10,726	7.93%	12,577	6.80%	13,899	7.22%	23,434
CRISIL Credit Risk Debt B-II Index (Benchmark)		6.85%	10,685	7.83%	12,542	7.21%	14,168	8.28%	26,427
NIFTY 10 yr Benchmark G-Sec (Additional Benchmark)		1.76%	10,176	6.38%	12,044	5.05%	12,795	6.70%	22,081

Past performance may or may not be sustained in future. Since inception (15th July 2014). Different plans have different expense structure. Devang Shah is managing the scheme since 15th July 2014, and he manages 23 schemes of Axis Mutual Fund & Akhil Thakker is managing the scheme since 9th November 2021 and he manages 3 schemes of Axis Mutual Fund .Returns greater https://www.axismf.com/1/5/464/627/WDP_Annexure_Sep_2026_b590564ebc.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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<table>
<tr><th>Fund Name & Benchmark</th><th>Product Labelling</th><th>Product Riskometer</th><th>Benchmark Riskometer</th><th>Potential Risk Matrix (PRC)</th></tr>
<tr>
<td>Axis Credit Risk Fund

(An Open Ended Debt Scheme Predominantly Investing In AA And Below Rated Corporate Bonds (Excluding AA+ Rated Corporate Bonds). A relatively high interest rate risk and relatively high credit risk))

Benchmark: CRISIL Credit Risk Debt B-II Index</td>
<td>This product is suitable for investors who are seeking*
• Stable returns in the short to medium term.
• Investment in debt and money market instruments across the yield curve and credit spectrum

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them</td>
<td>

The risk of the scheme is high</td>
<td>

The risk of the benchmark is moderately high</td>
<td>
<table>
<tr><th colspan="4">Potential Risk Class</th></tr>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</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></td><td>C-III</td></tr>
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Statutory Details and Risk Factors

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.

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

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