

AXIS ASSET MANAGEMENT COMPANY LIMITED (Axis AMC)

**Axis Small Cap Fund and Axis Midcap Fund Liquidity Risk
Management Policy**

Sr. No.	Version No.	Date	Key Changes
1.	Version 1	March 2024	This policy is implemented for the first time in March 2024

Background

AMFI in consultation with SEBI, vide its letter dated February 27, 2024, has instructed AMC to put a policy in place to protect the interest of all investors of Small-cap and Mid-Cap Schemes in context of froth building up in the small and mid-cap segments of the market and the continuing flows in the small and mid-cap schemes of Mutual Funds.

The Policy shall inter alia contain the following:

- i. Appropriate and proactive measures to be taken by AMCs and Fund Managers to protect investors, including but not limited to moderating inflows, portfolio rebalancing, etc.
- ii. Steps to ensure that investors are protected from the first mover advantage of redeeming investors.

Objective

The purpose of this policy is to outline guidelines for managing liquidity risk in Axis Small Cap Fund and Axis Midcap Fund. By implementing these measures, Axis AMC aims to safeguard the interests of the investors while maintaining the funds' performance.

Monitoring and Measures

Axis AMC aims to continuously monitor and adhere to the following key parameters:

1. **One-Day Liquidity:** Axis AMC will assess the percentage of the portfolio that can be liquidated within a single day. This measure enhances flexibility and responsiveness during redemption requests.
2. **Scenario Analysis:** 3x of one day redemption. To address high redemption scenarios, Axis AMC will consider three cases:
 - o **Best Case Scenario:** Based on the average one-day redemption since 2020, we evaluate liquidity needs.
 - o **Base Case Scenario:** Axis AMC will analyse liquidity requirements using the highest one-day redemption in a one year rolling period.
 - o **Worst Case Scenario:** Liquidity planning considering the highest one-day redemption since 2020.
3. **Investor and Distributor Concentration:** Axis AMC will monitor investor and distributor concentration levels to ensure sufficient liquidity to meet redemption demands without adversely affecting the fund's performance.
4. **Portfolio Liquidity Days:** In alignment with AMFI recommendations, we will assess numbers of days need for liquidating 25% and 50% of the portfolio.

Additionally, based on AMFI letter dated February 28, 2024, AMC will disclose, on a monthly basis, the risk parameters with respect to Axis Small Cap Fund and Axis Midcap Fund in the prescribed format on the AMC website as well as on AMFI website.

With respect to ensuring that investors are protected from the first mover advantage of redeeming investors, the AMC shall ensure that all unitholders are treated equally and shall follow the requirements of the Mutual Fund Regulations, as amended from time to time. Further, the AMC may also determine additional steps such as obtaining pre-clearance from the AMC for its pre-determined set of employees with respect to redemptions above a particular threshold for small and midcap funds, as may be decided by the AMC from time to time.

This policy aims to ensure liquidity and investor protection in the Axis Small Cap Fund and Axis Midcap Fund, while also aligning with SEBI regulations and industry best practices. The AMC will regularly review and update this policy to address changing market conditions and regulatory requirements.

Monthly Evaluations

The AMC will conduct regular evaluations of the above parameters and present the findings and decide appropriate action in the Investment Committee (IC) and note the same in the Executive Risk Management Committee (ERMC). Decisions, including potential flow restrictions and adjustments to portfolio concentration, if any, will be made based on these assessments.

Policy Owner

This Policy is owned by Chief Risk Officer.

Deviation/Waiver

Deviations / Waiver must be approved by the MD & CEO, Chief Investment Officer and Chief Risk Officer.