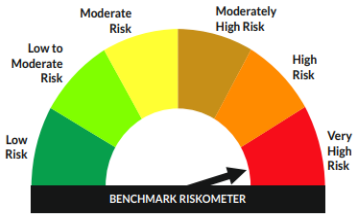
**SCHEME INFORMATION DOCUMENT**
**AXIS CONSUMPTION FUND**
(An open-ended equity scheme following consumption theme)

| This product is suitable for investors who are seeking*: | Scheme Risk-o-meter | Benchmark Risk-o-meter |
|---|---|---|
| • Capital appreciation over long term<br>• An equity scheme investing in equity & equity related securities of companies engaged in consumption and consumption related sector or allied sectors | <br>The risk of the scheme is very high |  <br>The risk of the benchmark is very high<br>**Nifty India Consumption TRI**<br>(AMFI Tier I Benchmark) |

***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**

Continuous offer for Units at NAV based prices

| | | |
|---|---|---|
| Name of Mutual Fund | : | Axis Mutual Fund |
| Name of Asset Management Company | : | Axis Asset Management Company Ltd. |
| Name of Trustee Company | : | Axis Mutual Fund Trustee Ltd |
| Addresses, Website of the entities | : | One Lodha Place, 22nd & 23rd Floor, Senapati Bapat Marg, Lower Parel, Mumbai, Maharashtra, Pin Code – 400013<br>www.axismf.com |
| Name of Sponsor | : | Axis Bank Ltd. |

**The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI(MF) Regulations) as amended till date and circulars issued thereunder filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.**

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of Axis Mutual Fund, Standard Risk Factors, Special Considerations, Tax and Legal issues and general information on www.axismf.com.**

**SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.**

**The Scheme Information Document (Section I and II) should be read in conjunction with the SAI and not in isolation.**

This Scheme Information Document is dated November 28, 2025.

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**SECTION I**

**Part I. HIGHLIGHTS/SUMMARY OF THE SCHEME**

| Sr. No. | Title | Description |
|---|---|---|
| I. | **Name of the scheme** | Axis Consumption Fund ('the Scheme') |
| II. | **Category of the Scheme** | Thematic Fund |
| III. | **Scheme type** | An open ended equity scheme following consumption theme. |
| IV. | **Scheme code** | AXIS/O/E/THE/24/06/0088 |
| V. | **Investment objective** | To provide long term capital appreciation from an actively managed portfolio of equity and equity related securities of companies engaged in consumption and consumption related sector or allied sectors.<br><br>There is no assurance that the investment objective of the Scheme will be achieved |
| VI. | **Liquidity~~/listing details~~** | The Scheme offers Units for Subscription and Redemption at NAV based prices on all Business Days. Under normal circumstances, the AMC shall dispatch the redemption proceeds within three (3) working days from the date of receipt of request from the Unit holder. The AMC shall adhere to guidelines published by AMFI /SEBI for exceptional circumstances under which the scheme is unable to transfer redemption or repurchase proceeds within prescribed timelines. |
| VII. | **Benchmark (Total Return Index)** | **AMFI Tier 1 Benchmark:** Nifty India Consumption TRI<br><br>**Justifications of Benchmark:**<br>The Nifty India Consumption Index is designed to reflect the behavior and performance of a diversified portfolio of companies representing the domestic consumption sector which includes sectors like Consumer Non-durables, Healthcare, Auto, Telecom Services, Pharmaceuticals, Hotels, Media & Entertainment, etc. The constituents of the Index reflect the fund's universe in the best possible way.<br><br>**Tier 2 Benchmark:** Not Applicable<br><br>The Trustee/AMC reserves the right to change the benchmark for the evaluation of the performance of the Scheme from time to time, keeping in mind the investment objective of the Scheme and the appropriateness of the benchmark, subject to SEBI guidelines and other prevalent guidelines. |
| VIII. | **NAV disclosure** | By 11.00 p.m. on every Business Day on AMC (www.axismf.com) and AMFI website.<br>Further Details in Section II. |
| IX. | **Applicable timelines** | Timeline for<br>**Dispatch of redemption proceeds:**<br>Under normal circumstances the AMC shall dispatch the redemption proceeds within three (3) working days from the date of receipt of request from the Unit holder. The AMC shall adhere to guidelines published by AMFI /SEBI for exceptional circumstances under which the scheme is unable to transfer redemption or repurchase proceeds within prescribed timelines.<br><br>**Dispatch of IDCW:**<br>The IDCW warrants/cheque/demand draft shall be dispatched to the Unit holders within seven (7) working days from the record date. |

| | | |
|---|---|---|
| **X.** | **Plans and Options**<br>Plans/Options and sub options under the Scheme | Plans<br>Axis Consumption Fund - Regular Plan<br>Axis Consumption Fund - Direct Plan<br><br>Options under each plans<br>Growth<br>Income Distribution cum Capital Withdrawal (IDCW) (Payout and Reinvestment Facility)<br><br>Direct Plan<br>Direct Plan is only for investors who purchase /subscribe Units in a Scheme directly with the Fund and is not available for investors who route their investments through a Distributor.<br><br>Regular Plan<br>Regular Plan is available for all type of investors investing through a Distributor.<br><br>All the plans will have a common portfolio.<br><br>Growth Option<br>IDCWs will not be declared under this option. The income attributable to Units under this option will continue to remain invested in the Scheme and will be reflected in the NAV of Units under this option.<br><br>IDCW Option<br>Under this option, IDCWs will be declared (subject to deduction of tax at source, if any) at specified frequencies at the discretion of the Trustee, subject to availability of distributable surplus calculated in accordance with SEBI (MF) Regulations. The amounts can be distributed out of investors capital (Equalization Reserve), which is part of sale price that represents realized gains. On payment of IDCW, the NAV of the Unit under IDCW option will fall to the extent of the IDCW payout and applicable statutory levies, if any.<br><br>It must be distinctly understood that the actual declaration of IDCW and frequency thereof is at the sole discretion of the Board of Directors of Trustee Company. There is no assurance or guarantee to the Unit holders as to the rate of IDCW distribution nor that it be paid regularly. The Trustee reserves the right to declare IDCW at any other frequency in addition to the frequencies mentioned above.<br><br>If IDCW payable under IDCW Payout option is equal to or less than Rs. 500/- then the IDCW would be compulsorily reinvested in the option of the Scheme.<br><br>Eligible investors / modes for applying<br>All categories of investors (whether existing or new Unitholders) as permitted under the Scheme Information Document of the Scheme are eligible to subscribe under Direct Plan. Investments under Direct Plan can be made through various modes offered by the Fund for investing directly with the Fund {except Platform(s) where investors' applications for subscription of units are routed through Distributors}.<br><br>All the plans will have a common portfolio.<br><br>Default Option/Facility<br>The investor must clearly specify his choice of option/facility. In the absence |

| | | |
|---|---|---|
| | | of such clear instruction, it will be assumed that the investor has opted for 'default' option / facility and the application will be processed accordingly. The default plan/ option / facility are:<br><br>Default Option: Growth (between Growth and IDCW)<br>Default Facility: IDCW Reinvestment facility (between IDCW Reinvestment and IDCW Payout facility)<br><br>For detailed disclosure on default plans and options, kindly refer SAI. |
| **XI.** | **Load Structure** | **Entry Load: Not Applicable**<br>Para 10.4 of SEBI Master Circular on Mutual Funds as amended from time to time has decided that there shall be no entry load for all Mutual Fund schemes.<br><br>**Exit Load:**<br><br>**If redeemed / switched-out within 90 days from the date of allotment:**<br>For 10% of investments: NIL<br>For remaining investments: 1%<br><br>**If redeemed / switched-out after 90 days from the date of allotment:** NIL<br><br>For more details on Load Structure, please refer paragraph "Load Structure". |
| **XII.** | **Minimum Application Amount/switch in** | **Minimum Application Amount/switch in:**<br>Rs. 100 and in multiples of Re. 1/- thereafter<br><br>Minimum application amount is applicable at the time of creation of new folio and at the time of first investment in a plan.<br><br>"Note – The aforesaid requirement of minimum application shall not be applicable on the mandatory investments made by the Designated Employees of Axis AMC in accordance with clause 6.10 of SEBI Master Circular on Mutual Funds". |
| **XIII.** | **Minimum Additional Purchase Amount** | Rs.100 and in multiples of Re. 1/- thereafter<br><br>"Note – The aforesaid requirement of minimum additional purchase amount shall not be applicable on the mandatory investments made by the Designated Employees of Axis AMC in accordance with clause 6.10 of SEBI Master Circular on Mutual Funds". |
| **XIV.** | **Minimum Redemption/ switch out amount** | There will be no minimum redemption criterion. |
| **XV.** | **New Fund Offer Period** | This section does not apply to the Scheme as it has already been launched.<br><br>The New Fund Offer opened on 23 August 2024 and closed on 06 September 2024. The units under the Scheme were allotted on September 12, 2024.<br><br>The Scheme is now available for Subscription and Redemption at NAV based prices on all Business Days. |
| **XVI.** | **New Fund Offer Price** | This section does not apply to the Scheme as it has already been launched.<br><br>The Scheme is now available for Subscription and Redemption at NAV based prices on all Business Days. |
| **XVII.** | **Segregated portfolio/ side pocketing** | The Scheme has provision for segregated portfolio. For details, please refer SAI. |

| | | |
|---|---|---|
| | **disclosure** | |
| **XVIII** | **Swing pricing disclosure** | The Scheme does not have provision for swing pricing |
| **XIX.** | **Stock lending/short selling** | The Scheme may engage in stock lending / short selling subject to disclosure as specified in asset allocation. For Details, kindly refer SAI. |
| **XX.** | **How to Apply and other details** | Investors can undertake transactions in the Schemes of Axis Mutual Fund either through physical, online / electronic mode or any other mode as may be prescribed from time to time.<br><br>**Physical Transactions**<br>For making application for subscription / redemption / switches, application form and Key Information Memorandum may be obtained from / submitted to the Official Points of Acceptance (OPAs) of AMC or downloaded from the website of AMC viz. www.axismf.com.<br><br>**Online / Electronic Transactions**<br>Investors can undertake transactions via electronic mode through various online facilities offered by Axis AMC / other platforms specified by AMC from time to time.<br><br>Please refer to the SAI and Application form for the instructions. |
| **XXI.** | **Investor services** | **Contact details for general service requests and complaints:**<br>Investors can lodge any service request or complaints or enquire about NAVs, Unit Holdings, IDCW, etc by calling the Investor line of the AMC at contact number 8108622211 (chargeable) from 9.00 am to 6.00 pm (Monday to Saturday) or (022) 6311 1001 (at local call rate for enquiring at AMC ISC's) or email – customerservice@axismf.com. The service representatives may require personal information of the Investor for verification of his / her identity in order to protect confidentiality of information. The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.<br><br>**Investor Relations Officer:**<br>Mr. C P Sivakumar Nair<br>Address : Axis Asset Management Company Ltd.<br>One Lodha Place, 22nd & 23rd Floor, Senapati Bapat Marg, Lower Parel, Mumbai, Maharashtra, Pin Code – 400013<br>Phone no.: (022) 6311 1205<br><br>For any grievances with respect to transactions through BSE StAR and / or NSE MFSS, the investors / Unit Holders should approach either the stock broker or the investor grievance cell of the respective stock exchange. |
| **XXII.** | **Specific attribute of the scheme** | Not Applicable |
| **XXIII.** | **Special product/facility available** | The facilities offered under the Scheme are as follows:<br><br>A. Systematic Investments<br>1) Systematic Investment Plan (SIP)<br>2) Atmanirbhar SIP<br>3) Systematic Investment Plan (SIP) Switch Facility<br>4) Systematic Investment Plan (SIP) Top-Up Facility<br>5) Systematic Investment Plan (SIP) Pause /un-pause facility:<br>6) FLEX - Systematic Investment Plan ("FLEX SIP")<br><br>B. Systematic Transfers<br>1) Systematic Transfer Plan (STP) |

2) Capital Appreciation Systematic Transfer Plan ("CAPSTP")
3) FLEX - Systematic Transfer Plan ("FLEX STP")

C. Systematic Withdrawal Plan (SWP)

D. Transfer Of Income Distribution Cum Capital Withdrawal Plan (IDCW Transfer Plan)

E. Switching Options
1) Inter – Scheme Switching option
2) Intra –Scheme Switching option

F. Online Schedule Transaction Facility

The details pertaining to Frequency / Minimum installments / Minimum amount of SIP / SWP / STP are as follows:

**1. Systematic Investment Plan**

An Investors shall have an option of choosing any date of the Month from 1st to 28th or last date of the Month as his SIP date. Minimum amount and minimum installments for daily, weekly, monthly and yearly frequency under SIP Facility is as follows:

| **Frequency under SIP Facility** | **Minimum Installments** | **Minimum SIP amount** |
|---|---|---|
| Daily | 6 Installments | Rs. 100/- and in multiple of Re. 1/- |
| Weekly | 6 Installments | Rs. 100/- and in multiple of Re. 1/- |
| Monthly | 6 Installments | Rs. 500/- and in multiple of Re. 1/- |
| Yearly | 3 Installments | Rs. 6,000/- and in multiple of Re. 1/- |

**2. Systematic Transfer Plan**

Investors can opt for the Systematic Transfer Plan by investing a lumpsum amount in one scheme of the Fund and providing a standing instruction to transfer sums at following intervals into any other scheme (as may be permitted by the Scheme Information Document of the respective schemes) of the Fund.

| **STP Frequency** | **Cycle Date** | **Minimum Amount* (in Rs.)** | **Minimum Installment** |
|---|---|---|---|
| Daily | Monday To Friday | 1,000/- | 6 |
| Weekly | Monday To Friday | 1,000/- | 6 |
| Fortnightly | Alternate Wednesday | 1,000/- | 6 |
| Monthly | 1st, 7th, 10th, 15th or 25th | 1,000/- | 6 |
| Quarterly | 1st, 7th, 10th, 15th or 25th | 3,000/- | 2 |

**3. Systematic Withdrawal Plan**

There are five options available under SWP viz. Weekly, Monthly option, quarterly option, Half Yearly and Yearly option. The details of which are given below:

| | **Weekly Option** | **Monthly Option** | **Quarterly Option** | **Half Yearly Option** | **Yearly Option** |
|---|---|---|---|---|---|
| Minimum value of | Rs. 1,000/- | | | | |

<table>
<tr><td></td><td></td><td>
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<tr><td>SWP</td><td colspan="5"></td></tr>
<tr><td>Additional amount in multiples of</td><td colspan="5">Re.1</td></tr>
<tr><td>Dates of SWP Installment</td><td>Any Business Day</td><td colspan="4">1/5/10/15/25*</td></tr>
<tr><td>Minimum No of SWP</td><td>Five</td><td>Six</td><td>Four</td><td>Four</td><td>Two</td></tr>
</table>
* In the event that such a day is a holiday, the withdrawals would be affected on the next business day.<br><br>For further details of special products / facilities / Modes of Transactions, kindly refer SAI.
</td></tr>
<tr><td>XXIV.</td><td>Weblink</td><td>
• TER for last 6 months / Daily TER:<br>For details, please refer our website:<br>https://www.axismf.com/total-expense-ratio<br><br>
• Scheme factsheet:<br>For details, please refer our website:<br>https://www.axismf.com/downloads
</td></tr>
</table>

**INTERPRETATION**

For all purposes of this Scheme Information Document, except as otherwise expressly provided or unless the context otherwise requires:

- all references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.
- all references to "dollars" or "$" refer to United States Dollars and "Rs" refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".
- all references to timings relate to Indian Standard Time (IST).
- References to a day are to a calendar day including a non-Business Day.
- All references to SEBI Master Circular would refer to SEBI Master Circular for Mutual Funds dated June 27, 2024, as amended from time to time

**DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

It is confirmed that:

(i) The Scheme Information Document submitted to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.

(ii) All legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.

(iii) The disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the Scheme.

(iv) The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

(v) The contents of the Scheme Information Document including figures, data, yields etc. have been checked and are factually correct

(vi) The AMC has complied with the compliance checklist applicable for Scheme Information Documents and other than cited deviations/ that there are no deviations from the regulations

(vii) Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

(viii) The Trustees have ensured that the Scheme approved by them is a new product offered by Axis Mutual Fund and is not a minor modification of any existing scheme/fund/product.

**Sd/-**
**Name: Darshan Kapadia**
**Designation: Compliance Officer**

**Date: November 28, 2025**
**Place: Mumbai**

## Part II. INFORMATION ABOUT THE SCHEME

### A. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

Under normal circumstances, the asset allocation will be:

| Instruments | Indicative Allocation (% of net assets) | |
|---|---|---|
| | Minimum | Maximum |
| Equity & Equity related instruments of companies engaged in consumption and consumption related sector or allied sectors #$ | 80 | 100 |
| Other Equity & Equity Related Instruments $ | 0 | 20 |
| Debt & Money Market Instruments*$ | 0 | 20 |
| Units issued by REITs & InVITs | 0 | 10 |

#For determining list of the companies eligible under consumption theme the AMC will consider the basic Industry list published by NSE Indices for NIFTY India Consumption Index. Please refer link https://www.niftyindices.com/Methodology/Method_NIFTY_Equity_Indices.pdf" for current index methodology document published by NSE Indices.

$Investment in derivatives instruments shall be to the extent of 45% of the equity portfolio allocation and 5% of the debt portfolio allocation as permitted by Regulations / guidelines issued by SEBI from time to time. The Scheme may use derivatives for such purposes as may be permitted by the Regulations, including for the purpose of hedging and portfolio balancing, based on the opportunities available and subject to guidelines issued by SEBI from time to time. Derivative instruments include Interest rate Swaps, Interest Rate Forwards, Interest Rate Futures, Forward Rate Agreements, stock options, Index options, Stock & Index futures/stock futures and any such other derivative instruments permitted by SEBI/RBI from time to time.

The cumulative gross exposure through equity, debt, units issued by REITs & InvITs and derivative position should not exceed 100% of the net assets of the Scheme in accordance with Para 12.24 of Master Circular of Mutual Fund and as amended from time to time. Cash or cash equivalents with residual maturity of less than 91 days shall be treated as not creating any exposure. SEBI vide letter dated November 3, 2021 has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities having residual maturity of less than 91 days.

***Securitized debt**
Investment in Securitized debt (excluding foreign securitized debt), if undertaken, would not exceed 40% of the debt portfolio allocation of the Scheme.

**Investment in Foreign Securities**
The Scheme may seek investment opportunities in foreign securities including ADRs / GDRs / Foreign equity and debt securities and overseas ETFs subject to SEBI (MF) Regulations. Such investment may not exceed 35% of the net assets of the Scheme.

**Investment in Units of Mutual Fund**
The Scheme may invest upto 5% of the net assets of the Scheme in units of mutual fund schemes of Axis AMC or in the Scheme of other mutual funds in conformity with the investment objective of the Scheme and in terms of the prevailing SEBI (MF) Regulations.

***Repo in Corporate debt securities**
The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. The gross exposure of the Scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the Scheme or such higher limit as may be specified by SEBI. Further, such investment shall be made subject to the guidelines which may be prescribed by the Board of Directors of the Asset Management Company and Trustee Company.

***Credit Enhancement / Structured Obligations:**
In accordance with the Para 12.3 of Master Circular for Mutual Funds, the investment by the Scheme in the following instruments shall not exceed 10% of the debt portfolio of the scheme and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the scheme:
a. Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and
b. Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.
These limits shall not be applicable on investments in securitized debt instruments, as defined in SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations 2008. The Scheme shall invest in abovementioned securities within such limits as may be revised by SEBI from time to time

**Stock Lending by the Scheme**
The Scheme shall adhere to the following limits should it engage in Stock Lending:
1. Not more than 20% of the net assets of the Scheme can generally be deployed in Stock Lending.
2. Not more than 5% of the net assets of the Scheme can generally be deployed in Stock Lending to any single counter party (as may be applicable).

**Short Selling by the Scheme**
The Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.

**Investment in Short Term Deposits**
Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may in terms of SEBI Para 12.16 of Master Circular for Mutual Fund Scheme as may be amended from time to time, park the funds of the Scheme in short term deposits of the Scheduled Commercial Banks

The Scheme shall not invest in Credit Default Swaps and debt instruments having special features as specified under Para 12.2 of Master circular for Mutual Fund Scheme.

The Scheme retains the flexibility to invest across all the securities in the equity, debt, money markets instruments, units issued by REITs & InvITs and mutual fund units.

Indicative Table (Actual instrument/percentages may vary subject to applicable SEBI circulars)

| Sr. No. | Type of Instrument | Percentage of exposure | Circular references |
|---|---|---|---|
| 1 | Securities Lending and borrowing & Short Selling | **Securities Lending:**<br><br>The Scheme shall adhere to the following limits should it engage in Stock Lending:<br>1. Not more than 20% of the net assets of the Scheme can generally be deployed in Stock Lending.<br>2. Not more than 5% of the net assets of the Scheme can generally be deployed in Stock Lending to any single counter party (as may be applicable).<br><br>**Short Selling by the Scheme:**<br>The Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. | Para 12.11 of SEBI Master Circular for Mutual Funds as amended from time to time. |
| 2 | Derivatives for non-hedging purposes | There is no separate limit for derivatives for non-hedging purposes. Please refer above para for exposure in derivatives | Para 7.5, Para 7.6 and Para 12.25 of SEBI Master |

| | | | |
|---|---|---|---|
| | | | Circular for Mutual Funds. |
| 3 | Securitized Debt (excluding foreign securitized debt) | Investment in Securitized debt (excluding foreign securitized debt), if undertaken, would not exceed 40% of the debt portfolio allocation of the Scheme. | Para 12.15 of SEBI Master Circular for Mutual Funds. |
| 4 | Overseas Securities | The Scheme may seek investment opportunities in foreign securities including ADRs / GDRs / Foreign equity and debt securities and overseas ETFs subject to SEBI (MF) Regulations. Such investment may not exceed 35% of the net assets of the Scheme. | Para 12.19 of SEBI Master Circular for Mutual Funds. |
| 5 | REITS and InVITS | Upto 10% of the net assets of the Scheme. | Para 12.21 of SEBI Master Circular for Mutual Funds. |
| 6 | Credit Enhancement /Structured Obligations | The investment by the Scheme in the following instruments shall not exceed 10% of the debt portfolio of the scheme and the group exposure in such instruments shall not exceed 5% of the debt portfolio of the scheme:<br>a) Unsupported rating of debt instruments (i.e. without factoring-in credit enhancements) is below investment grade and<br>b) Supported rating of debt instruments (i.e. after factoring-in credit enhancement) is above investment grade.<br>These limits shall not be applicable on investments in securitized debt instruments, as defined in SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations 2008. The Scheme shall invest in abovementioned securities within such limits as may be revised by SEBI from time to time. | Para 12.3 of SEBI Master Circular for Mutual Funds. |
| 7 | Tri party Repo | Allocation may be made to TREPS from any amounts that are pending deployment or on account of any adverse market situation. | - |
| 8 | Mutual Fund Units | The Scheme may invest upto 5% of the net assets of the Scheme in units of mutual fund schemes of Axis AMC or in the Scheme of other mutual funds in conformity with the investment objective of the Scheme and in terms of the prevailing SEBI (MF) Regulations. | Clause 4 of Seventh Schedule of SEBI (MF) Regulations, 1996 |
| 9 | Repo and Reverse repo in corporate debt securities | The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. The gross exposure of the Scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the Scheme or such higher limit as may be specified by SEBI. Such investment shall be made subject to the guidelines which may be prescribed by the Board of Directors of the Asset Management Company and Trustee Company. | Para 12.18 of SEBI Master Circular for Mutual Funds. |
| 10 | Covered Call Strategy | As per regulatory limit | Para 12.25.8 of SEBI Master Circular for Mutual Funds |

The limits given above shall be subject to Schedule VII of the Regulations / circulars issued by SEBI and shall stand revised to the extent of changes in the Regulations/ circulars from time to time.
The Scheme shall not invest in following instruments:

| Sl. No. | Type of Instrument |
|---|---|
| 1 | Credit default swaps |
| 2 | Debt instruments with special features AT1 & AT2 Bonds |

**Portfolio rebalancing due to short term defensive considerations:**
Subject to the SEBI (MF) Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. The Scheme may actively deviate from the stated asset allocation pattern outlined in the SID during extenuating circumstances. These instances may be beyond the control of the fund manager & the AMC and hence may require such deviations. Such changes in the investment pattern will be transitionary in nature and will be undertaken as defensive considerations only in accordance with Para 1.14.1.2 of SEBI Master circular for Mutual Fund and as amended from time to time. Defensive considerations may be determined by the fund manager and /or AMC from time to time. In case of deviations on account of exogenous factors, the fund manager will endeavour to rebalance the Scheme within 30 calendar days from the date of such deviation. The intention being at all times to seek to protect the interests of the Unit holders.

**Portfolio rebalancing due to passive breaches:**
In case of passive deviation from the asset allocation pattern or various prudential limits prescribed under SEBI (Mutual funds) regulations, 1996 and circulars issued thereunder the AMC shall follow process specified in Para 2.9 of SEBI Master circular for Mutual Fund as amended from time to time. In line with the circular, in the event of deviation from the mandated asset allocation limits mentioned in the SID or the prudential limits due to passive breaches such as corporate action, substantial rise/ fall in the price of an underlying scrip, maturity of any underlying security, large redemptions, etc., the portfolio would be rebalanced within 30 business days from the date of deviation. Where the portfolio is not rebalanced within mandated timelines, justification in writing including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period. In case the portfolio of the Scheme is not rebalanced within aforementioned mandated plus extended timelines AMC shall adhere to the requirements as laid down in the aforesaid SEBI circular. However, at all times, the portfolio will adhere to the overall investment objective of the scheme.

## B. WHERE WILL THE SCHEME INVEST?

Following are list of all instruments in which the scheme will invest:

- Equity and Equity Related Instruments
- Derivatives
- Debt Instruments & Money Market Instruments
- Units of REITs and INVITs
- Securitized Assets
- Foreign Securities
- Units of Mutual Fund Schemes
- Short Term Deposits

Investment in overseas securities shall be made in accordance with the requirements stipulated by SEBI and RBI from time to time.

The Scheme shall invest in any other instruments as may be permitted by SEBI/RBI from time to time.

For detailed definitions and applicable regulations/guidelines for each instruments in the Section II.

## C. WHAT ARE THE INVESTMENT STRATEGIES?

The Scheme aims to provide long-term capital growth from an actively managed diversified portfolio of equity & equity related securities of companies engaged in consumption and consumption related sector or allied sectors.
The indicative list of sectors that the scheme would invest in:

- FMCG
- Consumer Non-Durables
- Automobile and Auto Components
- Telecommunication
- Consumer Services
- Media & Entertainment
- Consumer Durables
- Textiles
- Healthcare
- Power
- Realty/Hotels

For determining list of the companies eligible under consumption theme the AMC will consider the basic Industry list published by NSE Indices for NIFTY India Consumption Index. Please refer link https://www.niftyindices.com/Methodology/Method_NIFTY_Equity_Indices.pdf" for current index methodology document published by NSE Indices.

We are witnessing increase in consumption in India given the shift from unorganized to organized, premium categories and narrowing rural and urban consumption gap. We believe this will drive strong consumption spends in the coming decade.

The Scheme will invest across market capitalization.–The fund manager will endeavor to allocate to companies using a bottom up approach while taking exposure in sectors which will benefit from the economic trends in consumption. The fund manager may at his discretion invest up to 20% of the scheme assets outside the consumption theme based on his qualitative and quantitative assessment of the investment opportunities.
The scheme can also invest in foreign securities or overseas ETF related to consumption theme.

The AMC employs a ""Fair value"" based research process to analyse the appreciation potential of each stock in its universe (Fair value is a measure of the intrinsic worth of a company). The universe of stocks is carefully selected to include companies having a robust business models and enjoying sustainable competitive advantages as compared to their competitors.
The term Consumption refers to the utilization of goods and services by individuals, households, corporates and government. It encompasses a wide range including but not limited to purchasing, using, and disposing of goods and services.

**Derivatives Strategy**
The Scheme may invest in various derivative instruments which are permissible under the applicable regulations. Such investments shall be subject to the investment objective and strategy of the Scheme and the internal limits if any, as laid down from time to time. These include but are not limited to futures (both stock and index) and options (stock and index).

Derivatives are financial contracts of pre-determined fixed duration, like stock futures/options and index futures and options, whose values are derived from the value of an underlying primary financial instrument such as: interest rates, exchange rates, commodities, and equities.

Derivatives can be either exchange traded or can be over the counter (OTC). Exchange traded derivatives are listed and traded on stock exchanges whereas OTC derivative transactions are generally structured between two counterparties.

The objectives of the various strategies include earning option premium/ hedge stock / portfolio against

market gyrations.

**Risks**

The risks associated with derivatives are similar to those associated with underlying investments. The additional risks of using derivative strategies could be on account of:

- Illiquidity;
- Potential mis - pricing of the Futures/Options;
- Lack of opportunity;
- Inability of derivatives to correlate perfectly with the underlying (Indices, Assets, Exchange Rates);
- Cost of hedge can be higher than adverse impact of market movements;
- An exposure to derivatives in excess of the hedging requirements can lead to losses;
- An exposure to derivatives can also limit the profits from a genuine investment transaction;
- The prices which are seen on the screen need not be the same at which execution will take place.

For detailed risks associated with use of derivatives, please refer paragraph "Scheme Specific Risk Factors". Exchange traded derivatives Contracts in stocks and indices in India are currently cash settled at the time of maturity.

Derivatives allowed for mutual funds are only exchange traded and not OTC.

Concepts and Examples of derivatives which may be used by the fund manager:

***Futures***

Futures (Index & Stocks) are forward contracts traded on the exchanges & have been introduced both by BSE and NSE. Generally futures of 1 month (near month), 2 months (next month) and 3 months (far month) are presently traded on these exchanges. These futures expire on the last working Thursday of the respective months.

Illustration with Index Futures

In case the Nifty 50 near month future contract is trading at say, Rs. 3,510, and the fund manager has a view that it will depreciate going forward; the Scheme can initiate a sale transaction of Nifty futures at Rs. 3,510 without holding a portfolio of equity stocks or any other underlying long equity position. Once the price falls to Rs. 3,400 after say, 20 days, the Scheme can initiate a square-up transaction by buying the said futures and book a profit of Rs. 110.

Correspondingly, if the fund manager has a positive view he can initiate a long position in the index / stock futures without an underlying cash/ cash equivalent subject to the extant regulations.

There are futures based on stock indices as mentioned above as also futures based on individual stocks. The profitability of index /stock future as compared to an individual security will inter-alia depends upon:

- The carrying cost,
- The interest available on surplus funds, and
- The transaction cost.

Example of a typical future trade and the associated costs

| Particulars | Index Future | Actual Purchase of Stocks |
|---|---|---|
| Index at the beginning of the month | 3500 | 3500 |
| Price of 1 month future | 3510 | |
| A. Execution cost: Carry and other index future costs | 10 | |
| B. Brokerage cost: Assumed at | 7.02 | 8.75 |
| 0.2% of Index Future | | |
| 0.25% for spot Stocks | | |
| C. Gains on surplus fund: (Assumed 8% p.a. return on 85% of he money left after paying 15% margin) (8%*3500*85%*30 days/365) | 19.56 | 0 |

| | | |
|---|---|---|
| Total Cost (A+B-C) | -2.54 | 8.75 |

For the purpose of portfolio rebalancing and efficient portfolio management it may be more prudent for the fund to take exposure through derivatives of the index itself or its constituent stocks in order to minimize the long term tracking error

Some strategies that employ stock /index futures and their objectives:

**Use of derivatives for portfolio rebalancing and efficient portfolio management**

(1) Selling spot and buying future: In case the Scheme holds the stock of a company "A" at say Rs. 100 while in the futures market it trades at a discount to the spot price say at Rs. 98, then the Scheme may sell the stock and buy the futures.

On the date of expiry of the stock future, the Scheme may reverse the transactions (i.e. buying at spot & selling futures) and earn a risk-free Rs. 2 (2% absolute) on its holdings without any dilution of the view of the fund manager on the underlying stock.

Further, the Scheme can still benefit from any movement of the price in the upward direction, i.e. if on the date of expiry of the futures, the stock trades at Rs. 110 which would be the price of the futures too, the Scheme will have a benefit of Rs 10 whereby the Scheme gets the 10% upside movement together with the 2% benefit on the arbitrage and thus getting a total return of 12%. The corresponding return in case of holding the stock would have been 10%.

Note: The same strategy can be replicated with a basket of Nifty- 50 stocks (Synthetic Nifty) and the Nifty future index.

(2) Buying spot and selling future: Where the stock of a company "A" is trading in the spot market at Rs. 100 while it trades at Rs. 102 in the futures market, then the Scheme may buy the stock at spot and sell in the futures market thereby earning Rs. 2.

Buying the stock in cash market and selling the futures results into a hedge where the Scheme has locked in a spread and is not affected by the price movement of cash market and futures market. The arbitrage position can be continued till expiry of the future contracts when there is a convergence between the cash market and the futures market. This convergence enables the Scheme to generate the arbitrage return locked in earlier.

Risk: On the date of expiry, when the arbitrage is to be unwound, it is not necessary for the stock price and its future contract to coincide. There could be a discrepancy in their prices even a minute before the market closes. Thus, there is a possibility that the arbitrage strategy gets unwound at different prices.

**(a) Buying/ Selling Stock future**

When the Scheme wants to initiate a long position in a stock whose spot price is at say, Rs.100 and futures is at 98, then the Scheme may just buy the futures contract instead of the spot thereby benefiting from a lower cost.

In case the Scheme has a bearish view on a stock which is trading in the spot market at Rs.98 and the futures market at say Rs. 100, the Scheme may subject to regulations, initiate a short position in the futures contract. In case the prices align with the view and the price depreciates to say Rs. 90, the Scheme can square up the short position thereby earning a profit of Rs.10 vis a vis a fall in stock price of Rs 8.

Risk: There is risk of not being able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets. Investments in index

futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.

**(b) Hedging**

The Scheme may use exchange-traded derivatives to hedge the equity portfolio. Both index and stock futures and options may be used to hedge the stocks in the portfolio.
Risk: This may involve a basic risk where the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risk may be inter-related also e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

**(c) Alpha Strategy**

The Scheme will seek to generate alpha by superior stock selection and removing market risks by selling appropriate index. For example, one can seek to generate positive alpha by buying a bank stock and selling Bank Nifty future.

Risk : Execution of these strategies depends upon the ability of the fund manager to identify and execute based on such opportunities. These involve significant uncertainties and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

***Option Contracts (Stock and Index)***

An Option gives the buyer the right, but not the obligation, to buy (call) or sell (put) a stock at an agreed-upon price during a certain period of time or on a specific date.

Options are used to manage risk or as an investment to generate income. The price at which underlying security is contracted to be purchased or sold is called the Strike Price.

Options that can be exercised on or before the expiration date are called American Options while, Options that can be exercised only on the expiration date are called European Options.

**Options Risk / Return Pay-off Table**

| | Stock / Index Options | Buy Call | Sell Call | Buy Put | Sell Put |
|---|---|---|---|---|---|
| 1 | View on underlying | Positive | Negative | Negative | Positive |
| 2 | Premium | Pay | Receive | Pay | Receive |
| 3 | Risk Potential | Limited to premium paid | Unlimited | Limited to premium paid | Unlimited |
| 4 | Return Potential | Unlimited | Premium Received | Unlimited | Premium Received |

Option contracts are of following two types - Call and Put.

**Call Option:** A call option gives the buyer, the right to buy specified quantity of the underlying asset at the set strike price on or before expiration date and the seller (writer) of call option however, has the obligation to sell the underlying asset if the buyer of the call option decides to exercise the option to buy.

**Put Option:** A put option gives the buyer the right to sell specified quantity of the underlying asset at the set strike price on or before expiration date and the seller (writer) of put option however, has the obligation to buy the underlying asset if the buyer of the put option decides to exercise his option to sell.

Risk: The options buyer's risk is limited to the premium paid. However the gains of an options writer are limited to the premiums earned. The exchange may impose restrictions on exercise of options and may also restrict the exercise of options at certain times in specified circumstances and this could impact the value of the portfolio. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price. The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.

**Index Options / Stock Options**

Index options / Stock options are termed to be an efficient way of buying / selling an index/stock compared to buying / selling a portfolio of physical shares representing an index for ease of execution and settlement. The participation can be done by buying / selling either Index futures or by buying a call/put option.

The risk are also different when index /stock futures are bought/sold visa- a- vis index/ stocks options as in case of an index future there is a mark to market variation and the risk is much higher as compared to buying an option, where the risk is limited to the extent of premium paid.

The illustration below explains how one can gain using Index call / put option. These same principles of profit / loss in an Index option apply in totality to that for a stock option.

**Call Option**
Suppose an investor buys a Call option on 1 lot of Nifty 50 (Lot Size: 50 units)
• Nifty index (European option).
• Nifty 1 Lot Size: 50 units
• Spot Price (S): 3500
• Strike Price (x): 3550 (Out-of-Money Call Option)
• Premium: 100
Total Amount paid by the investor as premium [50*100] =5,000
There are two possibilities i.e. either the index moves up over the strike price or remains below the strike price.

Case 1- The index goes up
• An investor sells the Nifty Option described above before expiry:
Suppose the Nifty 50 Index moves up to 3600 in the spot market and the premium has moved to Rs 200 and there are 15 days more left for the expiry. The investor decides to reverse his position in the market by selling his 1 Nifty call option as the option now is In the Money.

His gains are as follows:
• Nifty Spot: 3600
• Current Premium: Rs.200
• Premium paid: Rs.100
• Net Gain: Rs.200- Rs.100 = Rs.100 per unit
• Total gain on 1 lot of Nifty (50 units) = Rs.5,000 (50*100)
In this case the premium of Rs.200 has an intrinsic value of Rs.50 per unit and the remaining Rs.150 is the time value of the option.

• An investor exercises the Nifty Option at expiry
Suppose the Nifty index moves up to 3700 in the spot market on the expiry day and the investor decides to reverse his position in the market by exercising the Nifty call option as the option now is In The Money.
His gains are as follows:
• Nifty Spot: 3700
• Premium paid: Rs.100
• Exercise Price: 3550
• Receivable on exercise: 3700-3550 = 150
• Total Gain: Rs.2500 {(150-100)*50}
In this case the realised gain is only the intrinsic value, which is Rs.50, and there is no time value.

Case 2 - The Nifty index moves to any level below 3550
Then the investor does not gain anything but on the other hand his loss is limited to the premium paid:
Net Loss is Rs.5,000 (Loss is capped to the extent of Premium Paid)
(Rs 100 Premium paid*Lot Size: 50 units).

**Put Option**
Suppose an investor buys a Put option on 1 lot of Nifty 50.
• Nifty 1 Lot Size: 50 units
• Spot Price (S): 3,500

• Strike Price (x): 3,450 (Out-of-Money Put Option)
• Premium: 30
• Total Amount paid by the investor as premium [50*30] = Rs. 1,500
There are two possibilities i.e. either the index moves over the strike price or moves below the strike price.

Let us analyze these scenarios.

Case 1 - The index goes down
• An investor sells the Nifty Option before expiry:
Suppose the Nifty 50 Index moves down to 3400 in the spot market and the premium has moved to Rs. 80 and there are 15 days more left for the expiry. The investor decides to reverse his position in the market by selling his 1 Nifty Put Option as the option now is In The Money.

His gains are as follows:
• Nifty Spot: 3,400
• Premium paid: Rs.30
• Net Gain: Rs.80 - Rs.30 = Rs.50 per unit
• Total gain on 1 lot of Nifty (50 units) = Rs.2,500 (50*50)
In this case the premium of Rs.80 has an intrinsic value of Rs.50 per unit and the remaining Rs.30 is the time value of the option.

An investor exercises the Nifty Option at expiry (It is an European Option)
Suppose the Nifty index moves down to 3400 in the spot market on the expiry day and the investor decides to reverse his position in the market by exercising the Nifty Put Option as the option now is In The Money.

His gains are as follows:
• Nifty Spot: 3400
• Premium paid: Rs.30
• Exercise Price: 3450
• Gain on exercise: 3450-3400 = 50
• Total Gain: Rs.1,000 {(50-30)*50}

In this case the realised amount is only the intrinsic value, which is Rs.50, and there is no time value in this case.

Case 2 - If the Nifty 50 index stays over the strike price which is 3450, in the spot market then the investor does not gain anything but on the other hand his loss is limited to the premium paid.

• Nifty Spot: >3450
• Net Loss Rs.1500 (Loss is caped to the extent of Premium Paid)
(Rs 30 Premium paid*Lot Size: 50 units).

**Covered Call Strategy**
The covered call strategy is a strategy where a fund manager writes call options against an equivalent long position in an underlying stock thereby giving up a part of the upside from the long position. The strategy allows the fund manager to earn premium income from the option writing in addition being able to capture the remaining part of the upside.

Assumptions:
Current price of stock A: Rs. 27.87 per share
1 contract = 100 shares
Total no of contracts: 10
Strike price: Rs. 30/- per share
Premium: Rs. 0.35 per share

Suppose, on October 6, 2018, the writer of the call owns 1,000 shares of Company A, which is currently

trading at Rs. 27.87 per share. The writer of the call writes 10 call option contracts for company A with a strike price of Rs. 30 per share that expires in January 2019. The writer receives premium of 0.35 per share for the calls, which equals Rs. 35.00 per contract for a total of Rs. 350.00.

Total premium = (Rs. 0.35 per share) * (100 shares per contract) * (10 contracts) = Rs. 350.

The following can be the scenarios reflecting risks and benefits at the end of the option expiry:

Case 1 - Stock falls below current price of Rs. 27.87 per share: The option expires worthless. Hence the loss from the stock position gets reduced to the extent of the premium income.

Case 2 - Stock goes up above current price but remains below Rs. 30 per share (strike price): The option expires worthless. Hence the income from the gains in the stock price gets further boosted to the extent of the premium income.

Case 3 - Stock goes above Rs. 30 per share: Option position goes out of the money for the writer but the losses from the option position are matched by the gains from the underlying stock position above Rs. 30 per share. Hence the return from the position is equal to the return from stock upto the strike price of Rs. 30 per share and the premium income from the option.

**Benefits of using Covered Call Strategy in Mutual Funds:**
The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the Scheme. The strategy offers the following benefits:

a) Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.

b) Generating additional returns in the form of option premium in a range bound market. Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction

Risk associated with covered calls
The risk associated with covered calls is the loss of upside, i.e. if the shares are assigned (called away), the option seller forgoes any share price appreciation above the option strike price. Please refer risk factors section on detail derivatives risk factors.

**Fixed Income Derivative Instruments**
The Scheme may use Derivative instruments like interest rate swaps like overnight indexed swaps (OIS), forward rate agreements, interest rate futures (as and when permitted) or such other Derivative instruments as may be permitted under the applicable regulations. Derivatives will be used for the purpose of hedging, and portfolio balancing or such other purpose as may be permitted under the regulations and guidelines from time to time.

The Fund will be allowed to take exposure in interest rate swaps only on a non-leveraged basis. A swap will be undertaken only if there is an underlying asset in the portfolio. In terms of circular no. MFD.BC.191/07.01.279/1999-2000 and MPD.BC.187/07.01.279/1999- 2000 dated November 1, 1999 and July 7, 1999 respectively issued by RBI permitting participation by Mutual Funds in interest rate swaps and forward rate agreements, the Scheme will use Derivative instruments for the purpose of hedging and portfolio balancing. The Scheme may also use derivatives for such purposes as maybe permitted from time to time. Further, the guidelines issued by RBI from time to time for forward rate agreements and interest rate swaps and other derivative products would be adhered to by the Mutual Fund.

IRS and FRAs do also have inherent credit and settlement risks. However, these risks are substantially reduced as they are limited to the interest streams and not the notional principal amounts.

Investments in Derivatives will be in accordance with the extant SEBI Regulations / guidelines. Presently Derivatives shall be used for hedging and / or portfolio balancing purposes, as permitted under the Regulations. The circumstances under which such transactions would be entered into would be when,

for example using the IRS route it is possible to generate better returns / meet the objective of the Scheme at a lower cost. e.g. if buying a 2 Yr MIBOR based instrument and receiving the 2 Yr swap rate yields better return than the 2 Yr AAA corporate, the Scheme would endeavor to do that. Alternatively, the Scheme would also look to hedge existing fixed rate positions if the view on interest rates is that it would likely rise in the future.

The following information provides a basic idea as to the nature of the Derivative instruments proposed to be used by the Scheme and the benefits and risks attached therewith. Please note that the examples have been given for illustration purposes only.

**Using Overnight Indexed Swaps**
In a rising interest rate scenario, the Scheme may enhance returns for the Investor by hedging the risk on its fixed interest paying assets by entering into an OIS contract where the Scheme agrees to pay a fixed interest rate on a specified notional amount, for a pre determined tenor and receives floating interest rate payments on the same notional amount. The fixed returns from the Scheme assets and the fixed interest payments to be made by the Scheme on account of the OIS transaction offset each other and the Scheme benefits on the floating interest payments that it receives. The Scheme may enter into an opposite position in case of a falling interest rate scenario, i.e. to hedge the floating rate assets in its portfolio the Scheme enters into an OIS transaction wherein it receives a fixed interest rate on a specified notional amount for a specified time period and pays a floating interest rate on the same notional amount. The floating interest payments that the Scheme receives on its floating rate securities and the floating interest payments that the Scheme has to pay on account of the OIS transaction offset each other and the Scheme benefits on the fixed interest payments that it receives in such a scenario.

**Swap**
Assume that the Scheme has a Rs. 20 crore floating rate investment linked to MIBOR (Mumbai Inter Bank Offered Rate). Hence, the Scheme is currently running an interest rate risk and stands to lose if the interest rate moves down. To hedge this interest rate risk, the Scheme can enter into a 6 month MIBOR swap. Through this swap, the Scheme will receive a fixed predetermined rate (assume 12%) and pays the "benchmark rate" (MIBOR), which is fixed by the NSE or any other agency such as Reuters. This swap would effectively lock-in the rate of 12% for the next 6 months, eliminating the daily interest rate risk. This transaction is usually routed through an intermediary who runs a book and matches deals between various counterparties.

The steps will be as follows:
Assuming the swap is for Rs. 20 Crores for June 1, 2009 to December 1, 2009. The Scheme is a fixed rate receiver at 12% and the counterparty is a floating rate receiver at the overnight rate on a compounded basis (say NSE MIBOR).

On June 1, 2009 the Scheme and the counterparty will exchange only a contract of having entered this swap. This documentation would be as per International Swap Dealers Association (ISDA) norms.

On a daily basis, the benchmark rate fixed by NSE will be tracked by them.

On December 1, 2009 they will calculate the following:

- The Scheme is entitled to receive interest on Rs. 20 Crores at 12% for 184 days i.e. Rs. 1.21 Crores, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
- The counterparty is entitled to receive daily compounded call rate for 184 days & pay 12% fixed.
- On December 1, 2009, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 1.21 Crores, the Scheme will pay the difference to the counterparty. If the daily compounded benchmark rate is lower, then the counterparty will pay the Scheme the difference.
- Effectively the Scheme earns interest at the rate of 12% p.a. for six months without lending money for 6 months fixed, while the counterparty pays interest @ 12% p.a. for 6 months on Rs. 20 Crores, without borrowing for 6 months fixed.

The above example illustrates the use of Derivatives for hedging and optimizing the investment portfolio. Swaps have their own drawbacks like credit risk, settlement risk. However, these risks are substantially

reduced as the amount involved is interest streams and not principal.

**Forward Rate Agreement**
Assume that on June 30, 2009, the 30 day Commercial Paper (CP) rate is 4% and the Scheme has an investment in a CP of face value Rs. 50 Crores, which is going to mature on July 31, 2009. If the interest rates are likely to remain stable or decline after July 31, 2009, and if the fund manager, who wants to re-deploy the maturity proceeds for 1 more month does not want to take the risk of interest rates going down, he can then enter into a following Forward Rate Agreement (FRA) say as on June 30, 2009:

He can receive 1 X 2 FRA on June 30, 2009 at 4.00% (FRA rate for 1 months lending in 1 months time) on the notional amount of Rs. 50 Crores, with a reference rate of 30 day CP benchmark. If the CP benchmark on the settlement date i.e. July 30, 2009 falls to 3.75%, then the Scheme receives the difference 4.00 – 3.75 i.e. 25 basis points on the notional amount Rs. 50 Crores.

**Interest Rate Futures**
Assume that the Scheme holds an Indian ten year benchmark and the fund manager has a view that the yields will go up in the near future leading to decrease in value of the investment and subsequent decrease in Net Asset Value of the Scheme. The fund manager decides to use Interest Rate Futures to mitigate the risk of decline of Net Asset Value of the Scheme .

**12th October 2009**
- The benchmark ten year paper 6.88 2009, is trading at INR 98.00 at a yield of 7.19%.
- December 2009 futures contract on the ten year notional 7% coupon bearing Government paper is trading at a yield of 7.29% at a price of INR 98.50.
- The mutual fund decides to hedge the exposure by taking a short position in December 2009 interest rate futures contract.

**25th November 2009**
- As expected by the fund manager the yield of the benchmark ten year paper has increased to 8% and the price has decreased to 92.70.
- The December 2009 futures contract is trading at a price of INR 93.17 indicating a yield of 8.05%
- The mutual fund unwinds the short position by buying the December 2009 futures contract. The transaction results in profit from the futures position, against the corresponding loss from the Government of India security position.

**Directional Trading**
As there is an inverse relationship between interest rate movement and underlying bond prices, the futures price also moves in tandem with the underlying bond prices. If one has a strong view that interest rates will rise in the near future and wants to benefit from rise in interest rates; one can do so by taking short position in IRF contracts.

Example: A trader expects long-term interest rate to rise. He decides to sell Interest Rate Futures contracts as he shall benefit from falling future prices.

| Expectation | Position |
|---|---|
| Interest Rates going up | Short Futures |
| Interest Rates going down | Long Futures |

• Trade Date- 1st December 2015
• Futures Delivery date – 1st January 2016
• Current Futures Price- Rs. 97.50
• Futures Bond Yield- 8.21%
• Trader sell 250 contracts of the January 2016- 10 Year futures contract on NSE on 1st December 2015 at Rs. 97.50

Assuming the price moves to Rs. 97.15 on December 9, 2015, net MTM gain would be Rs. 1,75,000 (250*2000*97.50-97.15) (I)

Closing out the Position

- 10th December 2015 - Futures market Price – Rs. 96.70
- Trader buys 250 contracts of January 2016 at Rs. 96.70 and squares off his position
- Therefore total profit for trader 250*2000*(97.15-96.70) is Rs.2,25,000 (II)
- Total Profit on the trade = INR 4,00,000 (I & II)

**Hedging**

Holders of the GOI securities are exposed to the risk of rising interest rates, which in turn results in the reduction in the value of their portfolio. So in order to protect against a fall in the value of their portfolio due to falling bond prices, they can take short position in IRF contracts.

Example:
Date: 01-December 2015
Spot price of GOI Security: Rs 105.05
Futures price of IRF Contract: Rs 105.12

On 01-December 2015 XYZ bought 2000 GOI securities from spot market at Rs 105.07. He anticipates that the interest rate will rise in near future. Therefore to hedge the exposure in underlying market he may sell January 2016 Interest Rate Futures contracts at Rs 105.12

On 16-January 2016 due to increase in interest rate:
Spot price of GOI Security: Rs 104.24
Futures Price of IRF Contract: Rs 104.28
Loss in underlying market will be (104.24 - 105.05)*2000 = Rs 1620
Profit in the Futures market will be (104.28 – 105.12)*2000 = Rs 1680

**Imperfect Hedging**

The Scheme may use Interst Rate Future for imperfect hedging in accordance with the SEBI (Mutual Funds) Regulations, 1996 as amended from time to time. In such cases, the Underlying being hedged and the IRF contract has a 90-day correlation of closing prices of more than 90%. In case of correlation breaking at any time the derivative position would be counted as an exposure. SEBI allows maximum of 20% imperfect hedging.

For example, assume a portfolio comprising the following structure:

| Security | Amount | Price (Rs) |
|---|---|---|
| IGB 7.17% | 100 | 97.5 |
| IGB 6.79% | 50 | 94.07 |
| IGB 8.33% | 25 | 103.05 |
| Cash | 25 | |
| Total | 200 | |

Assuming the fund manager intends to hedge the portfolio using IRF and uses contracts on IGB 6.79% 2027 as it is most liquid.

Maximum imperfect hedging allowed, based on SEBI limit of 20% for the above fund is 200*20% = 40 crs

Maximum perfect hedging using 6.79% 2027 is 100 crs (as amount of 6.79% 2027 in the fund is 100 crs)

Total hedge the fund can do = 100 crs + 40 crs =140 crs

Assuming the 90-day historical correlation between the instruments in the portfolio are as follows

| 90 day historical | IGB 7.17% | IGB 6.79% | IGB 8.33% |
|---|---|---|---|
| IGB 7.17% 2028 | 1 | 0.95 | 0.80 |
| IGB 6.79% 2027 | 0.95 | 1 | 0.75 |
| IGB 8.33% 2026 | 0.80 | 0.75 | 1 |

Given that we are using IRF on 7,17% 2028, we can hedge 7.17% 2028 using IRFs as correlation is more than 90% up to 40 crs (based on the 20% limit of imperfect hedging).

Since one contract of IRF has a notional of Rs. 2 lakhs, in this example the fund manager sells Rs. 140 crores/2 lakhs = 7000 contracts, to hedge his position.

Hence after hedging the fund is as shown below:

| Security | Amou | Price (Rs) | Comments |
|---|---|---|---|
| IGB 7.17% 2028 | 100 | 97.5 | 100% hedged – Perfect |
| IGB 6.79% 2027 | 50 | 94.07 | 40% hedged – Imperfect |
| IGB 8.33% 2026 | 25 | 103.05 | Unhedged |
| Cash | 25 | | Unhedged |
| IGB 7.17% 2028 | 140 | 97.45 | |
| Total | 200 | | |

At maturity of the Interest Rate Futures

Case 1: bonds close higher than at the time the hedge was entered into

| Security | Amount (crs) | Price before hedging(Rs) | Price on maturity of hedge (Rs) | Gain | Net Gain (lakhs) |
|---|---|---|---|---|---|
| IGB 7.17% 2028 | 100 | 97.5 | 97.6 | 0.1 | 10.00 |
| IGB 6.79% 2027 | 50 | 94.07 | 94.22 | 0.15 | 7.50 |
| IGB 8.33% 2026 | 25 | 103.05 | 103.10 | 0.05 | 1.25 |
| Cash | 25 | | | | - |
| **Without IRF** | | | | | **18.75** |
| IGB 7.17% 2028 | 140 | 97.45 | 100.6 | -0.15 | (21.00) |
| **Total With IRF** | **200** | | | | **(2.25)** |

- Case 2: bonds close lower than at the time the hedge was entered into

| Security | Amount (crs) | Price before hedging | Price on maturity of hedge (Rs) | Gain | Net Gain (lakhs) |
|---|---|---|---|---|---|
| IGB 7.17% 2028 | 100 | 97.5 | 97.4 | -0.1 | (10.00) |
| IGB 6.79% 2027 | 50 | 94.07 | 93.95 | -0.12 | (6.00) |
| IGB 8.33% 2026 | 25 | 103.05 | 103.00 | -0.05 | (1.25) |
| Cash | 25 | | | | - |
| **Without IRF** | | | | | **(17.25)** |
| IGB 7.17% 2028 | 140 | 97.45 | 97.4 | 0.05 | 7.00 |
| **Total With IRF** | **200** | | | | **(10.25)** |

As can be seen in the cases above, in case yields move higher, IRFs help in reducing the loss to the fund.

**Arbitrage**

Arbitrage is the price difference between the bonds prices in underlying bond market and IRF contract without any view about the interest rate movement. One can earn the risk-less profit from realizing arbitrage opportunity and entering into the IRF contract.

Example:
On 18th December 2015 buy 6.35% GOI '20 at the current market price of Rs. 97.2485

Step 1 - Short the futures at the current futures price of Rs. 100.00 (9.00% Yield)
Step 2 - Fund the bond by borrowing up to the delivery period (assuming borrowing rate is 8.00%)
Step 3 - On 10th January 2016, give a notice of delivery to the exchange

Assuming the futures settlement price of Rs. 100.00, the invoice price would be
= 100 * 0.9780
= Rs. 97.8000
Under the strategy, the trader has earned a return of
= (97.800 – 97.2485) / 97.2485 * 365 / 23
= 9.00 % (implied repo rate)
(Note: For simplicity accrued interest is not considered for calculation)
Against its funding cost of 8.00% (borrowing rate), thereby earning risk free arbitrage.

Investment in derivatives are subject to certain risks, details of which are enumerated under section 'Risks associated with investments in derivatives'.

**PORTFOLIO TURNOVER**

The Scheme is an open-ended scheme. It is expected that there would be a number of subscriptions and redemptions on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

There may be an increase in transaction cost such as brokerage paid, if trading is done frequently. However, the cost would be negligible as compared to the total expenses of the Scheme. Frequent trading may increase the profits which will offset the increase in costs. The fund manager will endeavor to optimize portfolio turnover to maximize gains and minimize risks keeping in mind the cost associated with it. However, it is difficult to estimate with reasonable accuracy, the likely turnover in the portfolio of the Scheme. The Scheme has no specific target relating to portfolio turnover

For details pertaining to Risk Controls and Risk Mitigation refer Point no. C Part I of Section II of the Scheme Information Document.

**D. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?**

For details refer Point no. VII – Part I - Section I of the Scheme Information Document.

**E. WHO MANAGES THE SCHEME?**

| Sr. No | Name of Fund Manager | Age and Qualification | Experience of the Fund Manager | Names of other schemes under his/her management |
|---|---|---|---|---|
| 1 | Mr. Shreyash Devalkar<br><br>(Managing since 12th September 2024) | 47 years<br><br>Bachelor in Chemical Engineering & Masters in Management Studies | Total number of years of experience: 25 years, his last 10 years' experience are as follows:<br>· Fund Manager - Axis Asset Management Co. Ltd. (November 16, 2016 till date)<br>· Vice President – Research – IDFC Asset Management Company Ltd. (July 24, 2008 till January 14, 2011)<br>· Fund Manager – BNP Paribas Asset Management India Pvt. Ltd. (January 17, 2011 till November 15, 2016)<br>· Research Analyst – IDFC Securities Ltd. (September 07, 2005 till July 23, 2008) | Axis Large Cap Fund<br>Axis ELSS Tax Saver fund<br>Axis Midcap Fund<br>Axis Large & Mid Cap Fund<br>Axis Multicap Fund<br>Axis India Manufacturing Fund<br>Axis Services Oppportunities Fund<br>Axis Consumption Fund |
| 2 | Mr. Hitesh Das | 40 years<br><br>PGDM, | Total number of years of experience: 15 years, his last 10 years' experience are as | Axis Large & Mid Cap Fund<br>Axis Multicap Fund |

| | | | | |
|---|---|---|---|---|
| | (Managing since 12th September 2024) | M.Tech, B.Tech | follows:<br>· Equity Research Analyst – Barclays Securities India Pvt. Ltd. (January 2012 – June 2015)<br>· Equity Research Analyst – Credit Suisse Securities (India) Pvt. Ltd. (July 2011 – December 2012)<br>· Equity Research Analyst – Ebusinessware (India) Pvt. Ltd. (February 2011 – June 2011)<br>· Risk Analyst – Yes Bank (May 2010 – February 2011) | Axis Nifty500 Quality 50 Index Fund<br>Axis Consumption Fund |
| 3 | Ms. Krishnaa Narayan (For Foreign Securities)<br><br>(Managing since 12th September 2024) | 30 years<br><br>Chartered Accountant and Bachelor of Commerce (Accounts & Finance) | Total number of years of experience: 6 years<br><br>• Axis Asset Management Company Ltd. [Fund Manager - (For Foreign Securities)] - March 01, 2024 till date<br>• Axis Asset Management Company Ltd. (Junior Research Analyst – Equity) – May 12, 2021 – February 29, 2024<br>• Price Waterhouse & Co LLP - April 22, 2019 – May 07, 2021 | Axis Large Cap Fund<br>Axis Midcap Fund<br>Axis Focused Fund<br>Axis Small Cap Fund<br>Axis Flexi Cap Fund<br>Axis Large & Mid Cap Fund<br>Axis Aggressive Hybrid Fund<br>Axis Multi Asset Allocation Fund<br>Axis Innovation Fund<br>Axis ESG Integration Strategy Fund<br>Axis Quant Fund<br>Axis Global Innovation Fund of Fund<br>Axis Equity Savings Fund<br>Axis Global Equity Alpha Fund of Fund<br>Axis Children's Fund<br>Axis Retirement Fund - Aggressive Plan<br>Axis Retirement Fund - Dynamic Plan<br>Axis Value Fund<br>Axis Greater China Equity Fund of Fund<br>Axis Retirement Fund - Conservative Plan<br>Axis US Specific Equity Passive FOF<br>Axis US Specific Treasury Dynamic Debt Passive FOF<br>Axis Service Opportunities Fund<br>Axis Consumption Fund |

**F. HOW IS THE SCHEME DIFFERENT FROM EXISTING SCHEMES OF THE MUTUAL FUND?**

Axis Consumption Fund, an open-ended equity scheme following consumption theme is a new scheme offered by Axis Mutual Fund and is not a minor modification of any other existing scheme/product of Axis Mutual Fund

a. Reference list of existing open ended equity schemes of Axis Mutual Fund are as follows:

| Sr. No. | Name of the scheme(s) |
|---|---|
| 1 | Axis Midcap Fund |
| 2 | Axis Large Cap Fund |
| 3 | Axis Focused Fund |
| 4 | Axis Flexi Cap Fund |
| 5 | Axis Large & Mid Cap Fund |
| 6 | Axis Quant Fund |
| 7 | Axis Small Cap Fund |
| 8 | Axis Innovation Fund |
| 9 | Axis ELSS Tax Saver Fund |
| 10 | Axis Value Fund |
| 11 | Axis Multicap Fund |
| 12 | Axis Business Cycles Fund |
| 13 | Axis India Manufacturing Fund |
| 14 | Axis ESG Integration Strategy Fund |
| 15 | Axis Consumption Fund |
| 16 | Axis Momentum Fund |
| 17 | Axis Service Opportunities Fund |

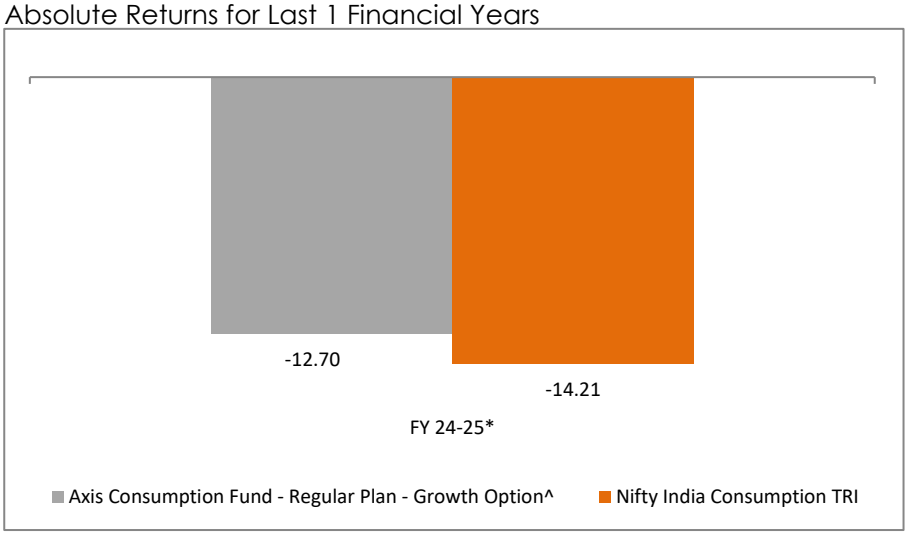
b. For detailed comparative table on 'How the Scheme is different from existing schemes of Axis Mutual Fund, please refer our website: https://www.axismf.com/statutory-disclosures

## G. HOW HAS THE SCHEME PERFORMED?

Performance of Axis Consumption Fund – Regular Plan - Growth Option on September 30, 2025 is as follows

| Period | Axis Consumption Fund - Regular Plan - Growth Option^ | Nifty India Consumption TRI |
|---|---|---|
| 1 Year returns | -6.07% | -4.99% |
| 3 Year returns | - | - |
| 5 Year returns | - | - |
| Returns since Inception (12-Sep-24) | -3.91% | -2.62% |

Absolute Returns for Last 1 Financial Years



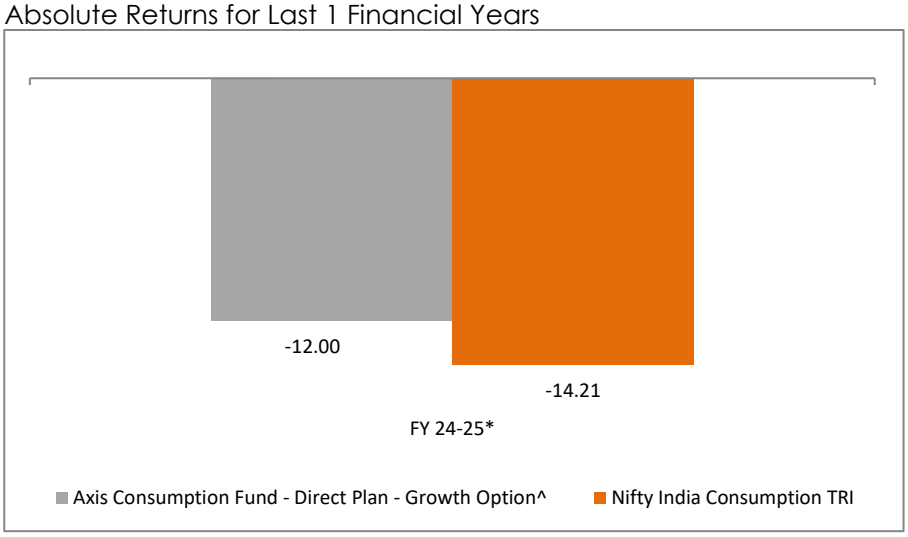

* from Fund inception to 31st Mar 2025

Performance of the Axis

Consumption Fund – Direct Plan – Growth Option as on September 30, 2025 is as follows:

| Period | Axis Consumption Fund - Direct Plan - Growth Option^ | Nifty India Consumption TRI |
|---|---|---|
| 1 Year returns | -4.70% | -4.99% |
| 3 Year returns | - | - |
| 5 Year returns | - | - |
| Returns since Inception (12-Sep-24) | -2.48% | -2.62% |

Absolute Returns for Last 1 Financial Years




* from Fund inception to 31st Mar 2025

For risk-o-meter and benchmark risk-o-meter refer cover page.

Returns for since inception period are absolute as scheme has not completed a year.

**^Past performance may or may not be sustained in future.** Returns are compounded annualized for period more than or equal to 1 year. Calculations are based on Growth Option NAVs. The performance of Scheme is benchmarked to the Total Return Variant (TRI) of the Benchmark Index in terms of Para 1.9, Para 6.13 and Para 6.14 of SEBI Master Circular on Mutual Funds as amended from time to time.

## H. ADDITIONAL SCHEME RELATED DISCLOSURES

i. Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors - Please refer the AMC website https://www.axismf.com/statutory-disclosures for said details.

ii. Disclosure of name and exposure to Top 7 issuers, stocks, groups and sectors as a percentage of NAV of the scheme in case of debt and equity ETFs/index funds through a functional website link that contains detailed description – Not Applicable.

iii. Functional website link for Portfolio Disclosure - ~~Fortnightly /~~ Monthly/ Half Yearly - Please refer the AMC website (https://www.axismf.com/statutory-disclosures) for said details

iv. Portfolio turnover ratio for the half-year period ended September 30, 2025: 0.26 times*

*Based on Equity, Equity derivatives and Fixed Income securities transactions only. TREPS/Repo/FD/Margin FD/MFU/SLB are not considered.

v. Aggregate investment in the Scheme by Concerned scheme's Fund Manager(s):

| Sr. No | Category of persons (Axis Consumption | Net Value^ | | Market Value (In Rs) |
|---|---|---|---|---|
| | | Units | NAV (Rs. per unit) | |

| . | Fund – Fund Manager(s)) | | | |
|---|---|---|---|---|
| | AXIS CONSUMPTION FUND Direct Growth | 50,198.85 | 9.74 | 4,88,936.75 |

^as on September 30, 2025

For any other disclosure w.r.t investments by key personnel and AMC directors including regulatory provisions in this regard kindly refer SAI.

vi. Investments of AMC in the Scheme:

Subject to the applicable Regulations, the AMC may invest either directly or indirectly, in the Scheme during Ongoing Offer Period. However, the AMC shall not charge any investment management fee on such investments in the Scheme.

Further, in terms of requirement of the Regulations, the AMC shall invest such amounts in Scheme, based on the risks associated with the Scheme, as may be specified by the SEBI from time to time.

Please refer the AMC website https://www.axismf.com/statutory-disclosures for detailed AMC Investments in Scheme(s) of Axis Mutual Fund.

## Part III. OTHER DETAILS

### A.COMPUTATION OF NAV

The Net Asset Value (NAV) per Unit under the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the valuation day. The Mutual Fund will value its investments according to the valuation norms, as specified in Schedule VIII of the SEBI (MF) Regulations, or such norms as may be specified by SEBI from time to time.

Valuation of Foreign Currency / Securities: On the valuation day, all the assets and liabilities denominated in foreign currency will be valued in Indian Rupees. The valuation price of the security will be converted to INR based on FBIL/any other designated agency, reference rate at the close of banking hours in India. If required, the AMC may change the source of determining the exchange rate. The Fund shall value its investments according to the valuation norms (Valuation Policy includes computation of NAV in case of investment in foreign securities), as specified in the Eighth Schedule of the Regulations, or such guidelines / recommendations as may be specified by SEBI from time to time. The broad valuation norms are detailed in the Statement of Additional Information.

The Net Assets Value (NAV) of the Units under the Scheme shall be calculated as shown below:

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's Investments} + \text{Current Assets including Accrued Income} - \text{Current Liabilities and Provisions}}{\text{No. of Units outstanding under Scheme on the Valuation Day}}$$

The NAV shall be calculated up to two decimal places. However, the AMC reserves the right to declare the NAVs up to additional decimal places as it deems appropriate. Separate NAV will be calculated and disclosed for each Option.

The AMC will calculate and disclose the NAV on all the Business Days.

**Illustration of Computation of NAV:**

The computation of NAV per unit using various components is explained as follows:

| Particulars | Amount in Rs |
|---|---|
| Market or Fair Value of Scheme's Investments ....(A) | 10,00,00,000.00 |
| Add: Current Assets including Accrued Income ...(B) | 75,34,345.00 |
| Less: Current Liabilities and Provisions. ..... (C) | (30,00,000.00) |

| | |
|---|---|
| Net Assets (A+B-C) | 10,45,34,345.00 |

No. of Units outstanding under Scheme on the Valuation Day: 100,00,000
The NAV per unit will be computed as follows: 10,45,34,345.34 / 100,00,000 = Rs. 10.45 per unit (rounded off to two decimals)

The Mutual Fund will ensure that the Redemption Price will not be lower than 97% of the Applicable NAV.

For other details such as policies w.r.t computation of NAV, rounding off, investment in foreign securities, procedure in case of delay in disclosure of NAV etc. refer to SAI

**B. NEW FUND OFFER (NFO) EXPENSES**

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationery, bank charges etc.

**C. ANNUAL SCHEME RECURRING EXPENSES**

These are the fees and expenses for operating the scheme. These expenses include but are not limited to Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below:

The AMC has estimated that following expenses will be charged to the Scheme as expenses as permitted under Regulation 52 of SEBI (MF) Regulations. For the actual current expenses being charged, the investor should refer to the website of the Mutual Fund.

| **Expense Head** | **% of daily Net Assets** |
|---|---|
| Investment Management and Advisory fees | Upto 2.25% |
| Trustee fees | |
| Audit fees | |
| Custodian fees | |
| RTA fees | |
| Marketing & Selling expense incl. agent commission | |
| Cost related to investor communications | |
| Cost of fund transfer from location to location | |
| Cost of providing account statements and IDCW redemption cheques and warrants | |
| Costs of statutory Advertisements | |
| Cost towards investor education & awareness (at least 2 bps) | |
| Brokerage & transaction cost over and above 12 bps and 5 bps for cash and derivative market trades resp. | |
| Goods & Service Tax (GST) on expenses other than investment and advisory fees | |
| GST on brokerage and transaction cost (over & above 12bps and 5bps limit mentioned above) | |
| Other Expenses* | |
| **Maximum total expense ratio (TER) permissible under Regulation 52(6)(c)** | **Upto 2.25%** |
| Additional expenses under regulation 52(6A)(c)^ | Upto 0.05% |

^The AMC shall not charge additional expenses under Regulation 52(6A)(c) in case exit load is not levied/ not applicable.

*Any other expenses which are directly attributable to the Scheme, may be charged with the approval of the Trustee within the overall limits as specified in the Regulations except those expenses which are specifically prohibited.

All fees and expenses charged in a Direct Plan (in percentage terms) under various heads including the investment and advisory fee shall not exceed the fees and expenses charged under such heads in other than Direct Plan.

Direct Plan shall have a lower expense ratio excluding distribution expenses, commission, etc. and no commission for distribution of Units will be paid/ charged under Direct Plan.

The expenses towards Investment Management and Advisory Fees under Regulation 52 (2) and the various sub-heads of recurring expenses mentioned under Regulation 52 (4) of SEBI (MF) Regulations can be apportioned under various expense heads/ sub heads without any sub limit, as permitted under the applicable regulations. Thus, there shall be no internal sub-limits within the expense ratio for expense heads mentioned under Regulation 52 (2) and (4) respectively. Further, the additional expenses under Regulation 52(6A)(c) may be incurred either towards investment & advisory fees and/or towards other expense heads as stated above.

These estimates have been made in good faith as per the information available to the Investment Manager and are subject to change inter-se or in total subject to prevailing Regulations.

The recurring expenses of the Scheme (including the Investment Management and Advisory Fees) shall be as per the limits prescribed under the SEBI (MF) Regulations. These are as follows:

| Assets under management Slab (In Rs. crore) | Total expense ratio limits |
|---|---|
| On the first Rs. 500 crores of the daily net assets | 2.25% |
| On the next Rs. 250 crores of the daily net assets | 2.00% |
| On the next Rs. 1250 crores of the daily net assets | 1.75% |
| On the next Rs. 3000 crores of the daily net assets | 1.60% |
| On the next Rs. 5000 crores of the daily net assets | 1.50% |
| On the next Rs. 40,000 crores of the daily net assets | Total expense ratio reduction of 0.05% for every increase of Rs. 5,000 crores of daily net assets or part thereof. |
| On the balance of the assets | 1.05% |

The total expenses of the Scheme(s) including the investment management and advisory fee shall not exceed the limit stated in Regulation 52(6) of the SEBI (MF) Regulations and amendments thereto.

The AMC will charge the Scheme such actual expenses incurred, subject to the statutory limit prescribed in the Regulations and amendments thereto.

**Expenses charged to the Scheme:**

A. In addition to the limits as specified in Regulation 52(6) of SEBI (MF) Regulations 1996 or the Total Recurring Expenses (Total Expense Limit) as specified above, the following costs or expenses may be charged to the Scheme namely-

**Additional expenses under regulation 52(6A)(c)**

a) additional expenses, incurred towards different heads mentioned under Regulations 52(2) and 52(4), not exceeding 0.05 per cent of daily net assets of the Scheme;

b) GST payable on investment and advisory service fees ('AMC fees') charged by Axis Asset Management Company Ltd.;

Brokerage and transaction cost incurred for the purpose of execution shall be charged to the schemes as provided under Regulation 52 (6A) (a) upto 12 bps and 5 bps for cash market transactions and derivatives transactions respectively. Any payment towards brokerage & transaction costs, over and above the said 12 bps and 5 bps for cash market transactions and derivatives transactions respectively within the maximum limit of Total Expense Ratio (TER) as prescribed under Regulation 52 of the Regulations

B. Within the Total Expense Limit chargeable to the scheme, following will be charged to the Scheme:

a) GST on other than investment and advisory fees, if any, shall be borne by the Scheme
b) Investor education and awareness initiative fees of at least 2 basis points on daily net assets of the Scheme.

C. AMC fees charged by Axis AMC to the scheme will be within the Total Expense Limit as prescribed by SEBI Regulations, as amended from time to time.

Expenses over and above the prescribed limit shall be charged / borne in accordance with the Regulations prevailing from time to time.

The mutual fund would update the notice of change in base TER on its website (www.axismf.com) atleast three working days prior to the effective date of the change. Investors can refer 'Total Expense Ratio of Mutual Fund Schemes' section on https://www.axismf.com/total-expense-ratio for Total Expense Ratio (TER) details.

**Illustration: Impact of Expense Ratio on Scheme's return:**
Expense ratio, normally expressed as a percentage of Average Assets under Management, is calculated by dividing the permissible expenses under the Regulations by the average net assets.

To further illustrate in rupee terms the above, for the Scheme under reference, suppose an Investor invested Rs. 10,000/- (after deduction of stamp duty and transaction charges, if any) under the Growth Option, the impact of expenses charged will be as under:

| Sr. No.1 | Particulars | Regular Plan | Direct Plan |
|---|---|---|---|
| A. | Amount invested at the beginning of the year (Rs.) | 10,000 | 10,000 |
| B. | Returns before expenses (Rs.) | 1,500 | 1,500 |
| C. | Expenses other than the expenses mentioned in 'D' below (Rs.) | 50 | 50 |
| D. | Marketing & Selling expense incl. agent commission (Rs.) | 150 | 0 |
| E. | **Returns after expenses at the end of the year (Rs.) [B – (C + D)]** | **1300** | **1450** |
| | **Returns after expenses at the end of the year (in %) [(E/A) – 1]** | **13%** | **14.5%** |

**Note(s):**

- The purpose of the above illustration is purely to explain the impact of expense ratio charged to the Plan(s) under the Scheme and should not be construed as providing any kind of investment advice or guarantee of returns on investments.
- It is assumed that the expenses charged are evenly distributed throughout the year.
- The expenses of the Direct Plan of the Scheme will be lower to the extent of the distribution expenses/ commission
- Any tax impact has not been considered in the above example, in view of the individual nature of the tax implications. Each investor is advised to seek appropriate advice.

## D. LOAD STRUCTURE

Load is an amount which is paid by the investor to redeem the Units from the Scheme. This amount is used by the AMC to pay commission to the distributors and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, investors may refer to the website of the AMC (www.axismf.com) or may call at contact number **8108622211** (Chargeable) from 9.00 am to 6.00 pm (Monday to Saturday) or can contact his distributor.

Para 10.4 of Master Circular for Mutual Funds has decided has decided that there shall be no Entry Load for all Mutual Fund schemes.

| Type of Load | Load chargeable (as %age of NAV) |
|---|---|
| Exit Load | For details refer Point no. XI of Part – I of Section I of the Scheme Information Document. |

Units issued on reinvestment of IDCWs shall not be subject to Load. No load shall be levied on switches between options and sub-options of the Scheme. For switches within the Scheme from Regular to Direct Plan or vice versa, no exit load shall be charged

The above mentioned load structure shall be equally applicable to the special products such as switches, STP, SWP, etc. offered by the AMC. Further, for switches between the Growth and IDCW Option, no load will be charged by the Scheme.

Exit load, if any, charged to the investors will be credited back to the Scheme net of GST. The Investor is requested to check the prevailing Load structure of the Scheme before investing.

Para 10.4 of Master Circular for Mutual Funds has decided that there shall be no Entry Load for all Mutual Fund schemes.

For any change in Load structure, AMC will issue an addendum and display it on the website/ Investor Service Centers.

Under the Scheme, the AMC/ Trustee reserves the right to change / modify the Load structure if it so deems fit in the interest of smooth and efficient functioning of the Mutual Fund. The AMC/ Trustee reserves the right to introduce / modify the Load depending upon the circumstances prevailing at that time subject to maximum limits as prescribed under the Regulations.

The Redemption Price however, will not be lower than 97% of the NAV. Any imposition or enhancement of Load in future shall be applicable on prospective investments only.

At the time of changing the Load Structure:

1. The AMC shall be required to issue an addendum and display the same on its website immediately;
2. The addendum shall be circulated to all the distributors / brokers so that the same can be attached to all Scheme Information Document and Key Information Memorandum already in stock.
3. Latest applicable addendum shall be a part of KIM and SID of the respective Scheme(s).
4. Further, the account statements shall continue to include applicable load structure.

The Trustee/AMC reserves the right to change the load structure subject to the limits prescribed under the Regulations. Any change in load structure shall be only on a prospective basis i.e. any such changes would be chargeable only for Redemptions from prospective purchases (applying first in first out basis).

## E. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

The Scheme shall have a minimum of 20 Investors and no single Investor shall account for more than 25% of the corpus of the Scheme. In case the Scheme does not have a minimum of 20 Investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme shall be wound up and the units would be redeemed at Applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any Investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days' notice to redeem his exposure over the 25% limit. Failure on the part of the said Investor to redeem his exposure over the 25% limit within the aforesaid 15 days would lead to automatic Redemption by the Mutual Fund at the Applicable NAV on the 15th day of the notice period. The Scheme shall adhere to the requirements prescribed by SEBI from time to time in this regard.

## Section II

## I. Introduction

### A. Definitions/interpretation

For details refer website of Axis Mutual Fund: https://www.axismf.com/statutory-disclosures.

### B. Risk factors

**Scheme Specific Risk Factors**

**i. Scheme Specific Risk Factors/ Thematic/Sector Fund**

The scheme shall seek to generate capital appreciation by investing in a diversified portfolio of companies that follow consumption and consumption related activity. Investing in a thematic fund is based on the premise that the Fund will seek to invest in companies belonging to specific theme. This will limit the ability of the Fund to invest in other sectors. The consumption theme based portfolio may result in higher level of volatility vis-à-vis other diversified equity oriented schemes. Since the scheme will predominantly be investing in Consumption theme based securities it is expected to have higher market liquidity risk compared to a regular diversified equity scheme. Also, in case of equity investing, there is the risk that companies in that specific sectors will not achieve its expected earnings results, or that an unexpected change in the market (due to Government Policies or Macro Economic factors) or within the company may occur, both of which may adversely affect investment results. Thus investing in a sector/thematic specific fund could involve potentially greater volatility and risk.

**ii. Risks associated with investments in Equities**

- Equity and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities purchases, due to settlement problems, could cause the Scheme to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme portfolio would result at times, in potential losses to the Scheme, should there be a subsequent decline in the value of securities held in the Scheme portfolio. Also, the value of the Scheme investments may be affected by interest rates, currency exchange rates, changes in law/policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual Securities, a specific sector or all sectors.

- Investments in equity and equity related securities involve a degree of risk and investors should not invest in the equity Scheme unless they can afford to take the risk of losing their investment.

**Risks associated with investments in Fixed Income Securities**

The following are the risks associated with investment in fixed income securities:

**Interest-Rate Risk**: Fixed income securities such as government bonds, Money Market Instruments run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.

**Basis Risk**: The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements, leading to loss of value of the portfolio.

**Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.

**Re-investment Risk:** Investments in fixed income securities carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.

**Liquidity Risk:** The liquidity of money market instruments may change, depending on market conditions leading to changes in the liquidity premium attached to the price of the instrument. At the time of selling the security, the security can become illiquid, leading to loss in value of the portfolio.

**Liquidity Risk on account of unlisted securities:** The liquidity and valuation of the Schemes' investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment. The unlisted security can go down in value before the divestment date and selling of these securities before the divestment date can lead to losses in the portfolio.

**Credit Risk:** This is the risk associated with the issuer of a Money Market Instrument defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is the safest. Corporate bonds carry a higher amount of credit risk than Government Securities. Within corporate bonds also there are different levels of safety and a bond rated higher by a particular rating agency is safer than a bond rated lower by the same rating agency.

**Settlement Risk:** Fixed income securities run the risk of settlement which can adversely affect the ability of the fund house to swiftly execute trading strategies which can lead to adverse movements in NAV

**Risk associated with Securitized Debt**

The Scheme may invest in domestic securitized debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). ABS are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. MBS are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties.

At present in Indian market, following types of loans are securitized:

1. Auto Loans (cars / commercial vehicles /two wheelers)
2. Residential Mortgages or Housing Loans
3. Consumer Durable Loans
4. Personal Loans
5. Corporate Loans

In terms of specific risks attached to securitization, each asset class would have different underlying risks. Residential Mortgages generally have lower default rates than other asset classes, but repossession becomes difficult. On the other hand, repossession and subsequent recovery of commercial vehicles and other auto assets is fairly easier and better compared to mortgages. Asset classes like personal loans, credit card receivables are unsecured and in an economic downturn may witness higher default. A corporate loan/receivable, depend upon the nature of the underlying security for the loan or the nature of the receivable and the risks correspondingly fluctuate.

The rating agencies define margins, over collateralisation and guarantees to bring risk in line with similar AAA rated securities. The factors typically analyzed for any pool are as follows:

a. Assets securitized and Size of the loan: This indicates the kind of assets financed with the loan and the average ticket size of the loan. A very low ticket size might mean more costs in originating and servicing of the assets.
b. Diversification: Diversification across geographical boundaries and ticket sizes might result in lower delinquency
c. Loan to Value Ratio: Indicates how much % value of the asset is financed by borrower's own equity. The lower this value the better it is. This suggests that where the borrowers own contribution of the asset cost is high; the chances of default are lower.
d. Average seasoning of the pool: This indicates whether borrowers have already displayed repayment discipline. The higher the number, the more superior it is.

The other main risks pertaining to Securitised debt are as follows:

Prepayment Risk: This arises when the borrower pays off the loan sooner than expected. When interest rates decline, borrowers tend to pay off high interest loans with money borrowed at a lower interest rate, which shortens the average maturity of ABS. However, there is some prepayment risk even if interest rates rise, such as when an owner pays off a mortgage when the house is sold or an auto loan is paid off when the car is sold.

Reinvestment Risk: Since prepayment risk increases when interest rates decline, this also introduces reinvestment risk, which is the risk that the principal can only be reinvested at a lower rate.

**Risks associated with investments in derivatives**

- The Scheme may invest in derivative products in accordance with and to the extent permitted under the Regulations and by RBI. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Trading in derivatives carries a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. Thus, derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.

- The derivatives market in India is nascent and does not have the volumes that may be seen in other developed markets, which may result in volatility to the values.

- Investment in derivatives also requires the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. Even a small price movement in the underlying security could have an impact on their value and consequently, on the NAV of the Units of the Scheme.

- The Scheme may face execution risk, whereby the rates seen on the screen may not be the rate at which the ultimate execution of the derivative transaction takes place.

- The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue.

- The options buyer's risk is limited to the premium paid, while the risk of an options writer is unlimited. However the gains of an options writer are limited to the premiums earned.

- The exchange may impose restrictions on exercise of options and may also restrict the exercise of options at certain times in specified circumstances and this could impact the value of the portfolio.

- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.

- The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.

- The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets.

- There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. The counter party may default on a transaction before settlement and therefore, the Scheme is compelled to negotiate with another counterparty at the then prevailing (possibly unfavourable) market price.

- Derivatives also carry a market liquidity risk where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.

- Where derivatives are used for hedging, such use may involve a basis risk where the instrument used as a hedge does not match the movement in the instrument/underlying asset being hedged. The risk may be inter-related also e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

- Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor / unitholder. Execution of investment strategies depends upon the ability of the fund manager(s) to identify such opportunities which may not be available at all times. Identification and execution of the strategies to be pursued by the fund manager(s) involve uncertainty and decision of fund manager(s) may not always be profitable. No assurance can be given that the fund manager(s) will be able to identify or execute such strategies.

- The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

The following are certain additional risks involved with use of fixed income derivatives:

**Interest rate risk**: Derivatives carry the risk of adverse changes in the price due to change in interest rates.

**Liquidity risk:** - This occurs where the derivatives cannot be transacted due to limited trading volumes and/or the transaction is completed with a severe price impact.

**Counter party Risk :** This occurs when a counterparty fails to abide by its contractual obligations and therefore, the Scheme are compelled to negotiate with another counter party, at the then prevailing (possibly unfavourable) market price. For exchange traded derivatives, the risk is mitigated as the exchange provides the guaranteed settlement but one takes the performance risk on the exchange.

**Basis Risk :** Basis Risk associated with imperfect hedging using Interest Rate Futures (IRF): The imperfect correlation between the prices of securities in the portfolio and the IRF contract used to hedge part of the portfolio leads to basis risk. Thus, the loss on the portfolio may not exactly match the gain from the hedge position entered using the IRF.

**Model Risk**
The risk of mis-pricing or improper valuation of derivatives.

**Credit risk:**
Individuals do not have to be concerned about the opposite party defaulting on a futures contract because every futures exchange has a clearing organization that is a party to every futures contract in order to guarantee the integrity of the contract. That is, the clearing house is the seller in every contract bought and the buyer in every contract sold. But the risk remains that an investor will end up with an un-hedged open futures position if there is a default on the asset being hedged.
For example, suppose an investor in corporate bonds hedges his portfolio against changes in interest rates by selling interest rate futures. If interest rates fall, the prices of the bond and futures will rise. Since futures were sold, the investor would suffer losses on the futures, but those losses would be offset by the gains on the bonds. If the bond issuer defaults, though, the investor would have the losses on his futures

position but no gains to offset the losses.

**Risks associated with Covered Call Strategy**

The risk associated with covered calls is the loss of upside, i.e. if the shares are assigned (called away), the option seller forgoes any share price appreciation above the option strike price.

The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity, or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.

The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.

The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options.

**Risks associated with Repo transactions in Corporate Bonds**

The Scheme may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase agreement. However, in repo transactions, the collateral may be sold and a loss is realized only if the sale price is less than the repo amount. The risk is further mitigated through over-collateralization (the value of the collateral being more than the repo amount).

**Risk Factors Associated with Investments in REITs and InvITS:**

- **Price-Risk or Interest-Rate Risk:** REITs & InvITs run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.
- **Credit Risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. REITs & InvITs are likely to have volatile cash flows as the repayment dates would not necessarily be pre scheduled.
- **Liquidity or Marketability Risk:** This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. As these products are new to the market they are likely to be exposed to liquidity risk.
- **Reinvestment Risk:** Investments in REITs & InvITs may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.
- **Risk of lower than expected distributions:** The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/ InvITs receives as IDCWs or the interest and principal payments from portfolio assets.

The above are some of the common risks associated with investments in REITs & InvITs. There can be no assurance that investment objectives will be achieved, or that there will be no loss of capital. Investment results may vary substantially on a monthly, quarterly or annual basis.

**Risks associated with segregated portfolio**

1. Investor holding units of segregated portfolio may not able to liquidate their holding till the time recovery of money from the issuer.
2. Security comprises of segregated portfolio may not realise any value.
3. Listing of units of segregated portfolio on recognised stock exchange does not necessarily guarantee their liquidity. There may not be active trading of units in the stock market. Further trading price of units on the stock market may be significantly lower than the prevailing NAV.

**Risk Factor associated with debt instruments having credit enhancement:**
The Scheme may invest in debt instruments having credit enhancement backed by equity shares/guarantees or other any assets as collateral. The profile of these issuers tend to be relatively weak and there may be a pledge of shares of a related party to enhance credit quality or guarantees provided or any other asset provided as security acceptable to lenders.
Where equity shares are provided as collateral there is the risk of sharp price volatility of underlying securities which may lead to erosion in value of collateral which may affect the ability of the fund to enforce collateral and recover capital and interest obligations. Also there is a possibility of guarantor going insolvent which also can impact the recovery value of exposure. In case of credit enhanced structures backed by equity share the liquidity of the underlying shares may be low leading to a lower recovery and a higher impact cost of liquidation. In case of other assets provided recovery value and enforce ability of asset can also be a risk factor which can lower the recovery value.

**Risks associated with Short Selling & Securities Lending**
Securities Lending is lending of securities through an approved intermediary to a borrower under an agreement for a specified period with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to the collateral, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon.

Short-selling is the sale of shares or securities that the seller does not own at the time of trading. Instead, he borrows it from someone who already owns it. Later, the short seller buys back the stock/security he shorted and returns the stock/security to the lender to close out the loan. The inherent risks are Counterparty risk and liquidity risk of the stock/security being borrowed. The security being short sold might be illiquid or become illiquid and covering of the security might occur at a much higher price level than anticipated, leading to losses.

**Risks associated with investing in foreign securities**
- Subject to necessary approvals and within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances.
- Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of such Scheme. To manage risks associated with foreign currency and interest rate exposure, the Scheme may use derivatives for efficient portfolio management and hedging and portfolio rebalancing and in accordance with conditions as may be stipulated under the Regulations and by RBI from time to time.
- Investment in Foreign Securities involves a currency risk. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

## C. Risk mitigation strategies

**Risk Control**

Risk management is going to be an integral part of the investment process. Effective risk management is critical to fund management for achieving financial soundness. Investments by the Scheme shall be made as per the investment objectives of the Scheme and provisions of the Regulations. The investment team of the AMC will carry out rigorous in depth credit evaluation of the money market and debt instruments (other than G-Secs) proposed to be invested in. The credit evaluation will essentially be a bottom up approach and include a study of the operating environment of the issuer, the past track record as well as the future prospects of the issuer and the short term / long term financial health of the issuer. The AMC would incorporate adequate safeguards for controlling risks in the portfolio construction process, which would be periodically evaluated. The Scheme will also use derivatives and other hedging instruments, as may be permitted by RBI, from time to time, in order to protect the value of the portfolio. Investments by the Scheme shall be made as per the investment objectives of the Scheme and provisions of SEBI regulations. AMC has implemented the Bloomberg Portfolio Order Management System as Front Office System (FOS). The system has incorporated all the investment restrictions as per SEBI guidelines and "soft" warning alerts at appropriate levels for preemptive monitoring. The system enables identifying & measuring the risk through various risk measurement tools like various risk ratios, average duration and analyzes the same and acts in a preventive manner.

**Risk control measures with respect to investment in Equity and Equity related instruments**

**Concentration Risk:** Concentration risk represents the probability of loss arising from heavy exposure to a particular group of sectors or securities. Being a thematic scheme, Scheme will seek to invest in companies belonging to specific theme / sector

Mitigation: The underlying schemes will try to mitigate this risk by diversifying the investment into the large number of companies belonging to the theme/sector and keep stock-specific concentration risk relatively moderate.

**Market Risk**: Equity and Equity related securities by nature are volatile and prone to price fluctuations on a daily basis due to both macro and micro factors.

Mitigation - Market risk is a risk which is inherent to an equity scheme. The scheme will try to reduce the market risk by undertaking active portfolio management as per the investment objective.

**Liquidity risk:** The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods

Mitigation- As such the liquidity of stocks that the underlying schemes invest into could be relatively low. The underlying schemes will try to maintain a proper asset-liability match to ensure redemption / Maturity payments are made on time.

**Risk control measures with respect to Debt & Money Market Instruments**

**Market Risk / Interest Rate Risk:** Changes in interest rates may affect the Scheme's Net Asset Value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. The price movement up and down in fixed income securities will lead to possible movements in the NAV.

Mitigation - In a rising interest rates scenario the Scheme / underlying scheme may increase its investment in money market securities whereas if the interest rates are expected to fall the allocation to debt securities with longer maturity may be increased thereby mitigating risk to that extent.

**Liquidity or Marketability Risk:** This refers to the ease with which a security can be sold at or near to its valuation yield-to-maturity (YTM).

Mitigation- The Scheme / underlying scheme may invest in government securities, corporate bonds and money market instruments. While the liquidity risk for government securities, money market

instruments and short maturity corporate bonds may be low, it may be high in case of medium to long maturity corporate bonds.

**Credit risk or default risk:** It refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Normally, the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.

Mitigation– Apart from the basic examination, management's past track record will also be studied. In order to assess financial risk a detailed assessment of the issuer's financial statements will be undertaken to review its ability to undergo stress on cash flows and asset quality. A detailed evaluation of accounting policies, off-balance sheet exposures, notes, auditors' comments and disclosure standards will also be made to assess the overall financial risk of the potential borrower. In case of securitized debt instruments, the Scheme will ensure that these instruments are sufficiently backed by assets.

**Risk control with respect to investment in REITs & InvITs**

**Market Risk:** REITs and InvITs are volatile and prone to price fluctuations on a daily basis owing to market movements. Investors may note that AMC/Fund Manager's investment decisions may not always be profitable, as actual market movements may be at variance with the anticipated trends. The NAV of the Scheme is vulnerable to movements in the prices of securities invested by the scheme, due to various market related factors like changes in the general market conditions, factors and forces affecting capital market, level of interest rates, trading volumes, Real Estate and Infrastructure sectors, settlement periods and transfer procedures.

Mitigation: The scheme will undertake active portfolio management as per the investment objective to reduce the marker risk.

**Reinvestment Risk:** Investments in REITs & InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of units or dividend pay-outs, etc. Consequently, the proceeds may get invested in assets providing lower returns.

Mitigation: The reinvestment risk will be limited as the proceeds are expected to be a small portion of the portfolio value.

**Concentration Risk:** Securities / Instruments of REITs and InvITs run concentration risk as currently there are only 3 issuers in India for investment in REITs and InvITs.

Mitigation- The scheme will undertake to diversify its allocation in REITs and InvITs which are held as a part of the overall diversified portfolio.

**Interest Rate Risk**: Securities / Instruments of REITs and InvITs run interest rate risk. Generally, when interest rates rise, prices of units fall and when interest rates drop, such prices increase.

Mitigation - In a rising interest rates scenario the Fund Manager may choose to invest in money market securities / debt securities with shorter maturity / floating rate bonds instead of REITs and INvITs thereby mitigating risk to that extent.

**Risk control with respect to derivatives**

As and when the Scheme trades in the derivatives market there are risk factors and issues concerning the use of derivatives since derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The Scheme may invest in derivative for the purpose of hedging, portfolio balancing and other purposes as may be permitted under the Regulations.

Mitigation- Exposure with respect to derivatives shall be in line with regulatory limits and the limits specified in the SID. All equity derivatives trade will be done only on the exchange with guaranteed settlement.

**Risk control with respect to investment in Foreign Securities**

Since the assets may be invested in securities denominated in foreign currency, the INR equivalent of the net assets, distributions and income may be adversely affected by changes / fluctuations in the value of the foreign currencies relative to the INR.

Mitigation - The scheme shall have the option to enter into permissible instruments (subject to applicable regulations by SEBI/RBI) for the purposes of hedging against the foreign exchange fluctuations.

## II. Information about the scheme:

### A. Where will the scheme invest –

**Equity and Equity Related Instruments**

1. Equity share is a security that represents ownership interest in a company.
2. Equity Related Instruments are securities which give the holder of the security right to receive Equity Shares on pre agreed terms. It includes convertible bonds, convertible debentures, equity warrants, convertible preference shares, etc.
3. Foreign Equity and Equity Related Instrument as may be permitted by SEBI/RBI from time to time.
4. Equity Derivatives are financial instruments, generally traded on an exchange, the price of which is directly dependent upon (i.e., "derived from") the value of equity shares or equity indices. Derivatives involve the trading of rights or obligations based on the underlying, but do not directly transfer property.

**Futures:**
Futures are exchange-traded contracts to sell or buy financial instruments for future delivery at an agreed price. There is an agreement to buy or sell a specified quantity of financial instrument on a designated future date at a price agreed upon by the buyer and seller at the time of entering into a contract. To make trading possible, the exchange specifies certain standardized features of the contract. A futures contract involves an obligation on both the parties to fulfill the terms of the contract.

SEBI has permitted futures contracts on indices and individual stocks with maturity of 1 month, 2 months and 3 months on a rolling basis. The futures contracts are settled on last Thursday (or immediately preceding trading day if Thursday is a trading holiday) of each month. The final settlement price is the closing price of the underlying stock(s)/index.

**Options:**
Option is a contract which provides the buyer of the option (also called holder) the right, without the obligation, to buy or sell a specified asset at the agreed price on or upto a particular date. For acquiring this privilege, the buyer pays premium (fee) to the seller. The seller on the other hand has the obligation to buy or sell specified asset at the agreed price and for this obligation he receives premium. The premium is determined considering number of factors such as the market price of the underlying asset/security, number of days to expiry, risk free rate of return, strike price of the option and the volatility of the underlying asset. Option contracts are of two types viz:

*Call Option -* The option that gives the buyer the right but not the obligation to buy specified quantity of the underlying asset at the strike price is a call option. The buyer of the call option (known as the holder of call option) can call upon the seller of the option (writer of the option) and buy from him the underlying asset at the agreed price at any time on or before the expiry of the option.

The seller (writer of the option) on the other hand has the obligation to sell the underlying asset if the

buyer of the call option decides to exercise his option to buy.

*Put Option –* The option that gives the buyer the right but not the obligation to sell is called put option. A Put option gives the holder (buyer) the right to sell specified quantity of the underlying asset at the strike price. The seller of the put option (one who is short Put) however, has the obligation to buy the underlying asset at the strike price if the buyer decides to exercise his option to sell.

There are two kind of options based on the date of exercise of right. The first is the European Option which can be exercised only on the maturity date. The second is the American Option which can be exercised on or before the maturity date.

**Debt Instruments & Money Market Instruments**

**Certificate of Deposit (CD)**

Certificate of Deposit (CD) is a negotiable money market instrument issued by scheduled commercial banks and select all-India Financial Institutions that have been permitted by the RBI to raise short term resources. The maturity period of CDs issued by the Banks is between 7 days to one year, whereas, in case of FIs, maturity is one year to 3 years from the date of issue.

**Commercial Paper (CP)**

Commercial Paper (CP) is an unsecured negotiable money market instrument issued in the form of a promissory note, generally issued by the corporates, primary dealers and all India Financial Institutions as an alternative source of short term borrowings. CP is traded in secondary market and can be freely bought and sold before maturity.

**Treasury Bill (T-Bill)**

Treasury Bills (T-Bills) are issued by the Government of India to meet their short term borrowing requirements. T-Bills are issued for maturities of 14 days, 91 days, 182 days and 364 days. The Scheme may also invest in Cash Management Bill (CMB) issued by the Government of India to meet their short term borrowing requirements. CMB are generally issued for maturities of less than 91 days.

**Commercial Usance Bills**

Bill (bills of exchange/promissory notes of public sector and private sector corporate entities) Rediscounting, usance bills and commercial bills.

**Repos**

Repo (Repurchase Agreement) or Reverse Repo is a transaction in which two parties agree to sell and purchase the same security with an agreement to purchase or sell the same security at a mutually decided future date and price. The transaction results in collateralized borrowing or lending of funds. Presently in India, corporate debt securities, Government Securities, State Government Securities and T-Bills are eligible for Repo/Reverse Repo.

Tri-party repo means a repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.

The Scheme may undertake repo or r repo transactions in accordance with the directions issued by RBI and SEBI from time to time. Such investment shall be made subject to the guidelines which may be prescribed by the Board of Directors of the Asset Management Company and Trustee Company.

**Securities created and issued by the Central and State Governments** as may be permitted by RBI, securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills). State Government securities (popularly known as State Development Loans or SDLs) are issued by the respective State Government in co-ordination with the RBI.

**Non -Convertible Debentures**

Non convertible debentures are securities issued by companies / institutions promoted / owned by the

Central or State Governments and statutory bodies which may or may not carry a Central/State Government guarantee, Public and private sector banks, all India Financial Institutions and Private Sector Companies. These instruments may be secured or unsecured against the assets of the Company and generally issued to meet the short term and long term fund requirements. These instruments may have fixed or floating rate coupon. The Scheme may also invest in the non convertible part of convertible debt securities.

**Securitized Assets**
Securitization is a structured finance process which involves pooling and repackaging of cash flow producing financial assets into securities that are then sold to investors. They are termed as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). ABS are backed by other assets such as credit card, automobile or consumer loan receivables, retail installment loans or participations in pools of leases. Credit support for these securities may be based on the underlying assets and/or provided through credit enhancements by a third party. MBS is an asset backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans. Such Mortgage could be either residential or commercial properties. ABS/MBS instrument reflect the undivided interest in the underlying assets and do not represent the obligation of the issuer of ABS/MBS or the originator of underlying receivables. Securitization often utilizes the services of SPV.

**Pass through Certificate (PTC)**
(Pay through or other Participation Certificates) represents beneficial interest in an underlying pool of cash flows. These cash flows represent dues against single or multiple loans originated by the sellers of these loans. These loans are given by banks or financial institutions to corporates. PTCs may be backed, but not exclusively, by receivables of personal loans, car loans, two wheeler loans and other assets subject to applicable regulations.
The following are certain additional disclosures w.r.t. investment in securitized debt:

**1. How the risk profile of securitized debt fits into the risk appetite of the Scheme**
Securitized debt is a form of conversion of normally non-tradable loans to transferable securities. This is done by assigning the loans to a special purpose vehicle (a trust), which in turn issues Pass-Through-Certificates (PTCs). These PTCs are transferable securities with fixed income characteristics. The risk of investing in securitized debt is similar to investing in debt securities. However it differs in two respects.

Typically the liquidity of securitized debt is less than similar debt securities. For certain types of securitized debt (backed by mortgages, personal loans, credit card debt, etc.), there is an additional pre-payment risk. Pre-payment risk refers to the possibility that loans are repaid before they are due, which may reduce returns if the re-investment rates are lower than initially envisaged.

Because of these additional risks, securitized debt typically offers higher yields than debt securities of similar credit rating and maturity. If the fund manager judges that the additional risks are suitably compensated by the higher returns, he may invest in securitized debt up to the limits specified in the asset allocation table above.

**2. Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitized debt, etc**
The originator is the person who has initially given the loan. The originator is also usually responsible for servicing the loan (i.e. collecting the interest and principal payments). An analysis of the originator is especially important in case of retail loans as this affects the credit quality and servicing of the PTC. The key risk is that of the underlying assets and not of the originator. For example, losses or performance of earlier issuances does not indicate quality of current series. However such past performance may be used as a guide to evaluate the loan standards, servicing capability and performance of the originator.

Originators may be: Banks, Non Banking Finance Companies, Housing Finance Companies, etc. The fund manager / credit analyst evaluates originators based on the following parameters
- Track record
- Willingness to pay, through credit enhancement facilities etc.
- Ability to pay
- Business risk assessment, wherein following factors are considered:

- Outlook for the economy (domestic and global)
- Outlook for the industry
- Company specific factors

In addition a detailed review and assessment of rating rationale is done including interactions with the originator as well as the credit rating agency.

The following additional evaluation parameters are used as applicable for the originator / underlying issuer for pool loan and single loan securitization transactions:

- Default track record/ frequent alteration of redemption conditions / covenants
- High leverage ratios of the ultimate borrower (for single-sell downs) – both on a standalone basis as well on a consolidated level/ group level
- Higher proportion of reschedulement of underlying assets of the pool or loan, as the case may be
- Higher proportion of overdue assets of the pool or the underlying loan, as the case may be
- Poor reputation in market
- Insufficient track record of servicing of the pool or the loan, as the case may be.

**3. Risk mitigation strategies for investments with each kind of originator**

An analysis of the originator is especially important in case of retail loans as the size and reach affects the credit quality and servicing of the PTC. In addition, the quality of the collection process, infrastructure and follow-up mechanism; quality of MIS; and credit enhancement mechanism are key risk mitigants for the better originators / servicers.

In case of securitization involving single loans or a small pool of loans, the credit risk of the underlying borrower is analyzed. In case of diversified pools of loans, the overall characteristic of the loans is analyzed to determine the credit risk. The credit analyst looks at ageing (i.e. how long the loan has been with the originator before securitization) as one way of evaluating the performance potential of the PTC. Securitization transactions may include some risk mitigants (to reduce credit risk). These may include interest subvention (difference in interest rates on the underlying loans and the PTC serving as margin against defaults), overcollateralization (issue of PTCs of lesser value than the underlying loans, thus even if some loans default, the PTC continues to remain protected), presence of an equity / subordinate tranche (issue of PTCs of differing seniority when it comes to repayment - the senior tranches get paid before the junior tranche) and / or guarantees.

**4. The level of diversification with respect to the underlying assets, and risk mitigation measures for less diversified investments**

In case of securitization involving single loans or a small pool of loans, the credit risk of the borrower is analyzed. In case of diversified pools of loans, the overall characteristic of the loans is analyzed to determine the credit risk.

The credit analyst looks at ageing (i.e. how long the loan has been with the originator before securitization) as one way of judging the performance potential of the PTC. Additional risk mitigants may include interest subvention, over collateralization, presence of an equity / subordinate tranche and / or guarantees. The credit analyst also uses analyses by credit rating agencies on the risk profile of the securitized debt.

Currently, the following parameters are used while evaluating investment decision relating to a pool securitization transaction. The Investment Review Committee may revise the parameters from time to time.

| **Characteristics/ Type of Pool** | **Mortgage Loan** | **Commercial Vehicle and Construction Equipment** | **CAR** | **2 wheelers** | **Micro Finance Pools *** | **Personal Loans *** | **Single Sell Downs** | **Others** |
|---|---|---|---|---|---|---|---|---|
| Approximate Average maturity (in Months) | Up to 10 year | Up to 3 years | Up to 3 years | Up to 3 years | NA | NA | Refer Note 1 | Refer Note 2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | s | | | | | | | |
| Collateral margin (including cash guarantees, excess interest spread, subordinate tranche) | >10 % | >10% | >10% | >10% | NA | NA | " | " |
| Average Loan to Value Ratio | <90 % | <80% | <80% | <80% | NA | NA | " | " |
| Average seasoning of the Pool | >3 mon ths | >3 months | >3 mont hs | >3 mont hs | NA | NA | " | " |
| Maximum single exposure range | <1% | <1% | <1% | <1% | NA | NA | " | " |
| Average single exposure range % | <1% | <1% | <1% | <1% | NA | NA | " | " |

*Currently, the Scheme will not invest in these types of securitized debt

Note 1: In case of securitization involving single loans or a small pool of loans, the credit risk of the borrower is analyzed. The investment limits applicable to the underlying borrower are applied to the single loan sell-down.
Note 2: Other investments will be decided on a case-to-case basis

The credit analyst may consider the following risk mitigating measures in his analysis of the securitized debt:
- Size of the loan
- Average original maturity of the pool
- Loan to Value Ratio
- Average seasoning of the pool
- Default rate distribution
- Geographical Distribution
- Credit enhancement facility
- Liquid facility
- Structure of the pool

**5. Minimum retention period of the debt by originator prior to securitization**
Issuance of securitized debt is governed by the Reserve Bank of India. RBI norms cover the "true sale" criteria including credit enhancement and liquidity enhancements. In addition, RBI has proposed minimum holding period of between nine and twelve months for assets before they can be securitized. The minimum holding period depends on the tenor of the securitization transaction. The Scheme will invest in securitized debt that are compliant with the laws and regulations.

**6. Minimum retention percentage by originator of debts to be securitized**
Issuance of securitized debt is governed by the Reserve Bank of India. RBI norms cover the "true sale" criteria including credit enhancement and liquidity enhancements, including maximum exposure by the originator in the PTCs. In addition, RBI has proposed minimum retention requirement of between five and ten percent of the book value of the loans by the originator. The minimum retention requirement depends on the tenor and structure of the securitization transaction. The Fund will invest in securitized debts that are compliant with the laws and regulations.

**7. The mechanism to tackle conflict of interest when the mutual fund invests in securitized debt of an originator and the originator in turn makes investments in that particular scheme of the fund**
The key risk is securitized debt relates to the underlying borrowers and not the originator. In a securitization transaction, the originator is the seller of the debt(s) and the fund is the buyer. However, the originator is also usually responsible for servicing the loan (i.e. collecting the interest nd principal payments). As the

originators may also invest in the scheme, the fund manager shall ensure that the investment decision is based on parameters as set by the Investment Review Committee (IRC) of the Asset Management Company and IRC shall review the same at regular interval.

**8. The resources and mechanism of individual risk assessment with the AMC for monitoring investment in securitized debt**

The fund management team including the credit analyst has the experience to analyze securitized debt. In addition, credit research agencies provide analysis of individual instruments and pools. On an on-going basis (typically monthly) the servicer provides reports regarding the performance of the pool. These reports would form the base for ongoing evaluation where applicable. In addition, rating reports indicating rating changes would be monitored for changes in rating agency opinion of the credit risk.

**Repo in Corporate debt securities**

The Scheme may undertake repo transactions in corporate debt securities in accordance with the directions issued by RBI and SEBI from time to time. The gross exposure of the Scheme to repo transactions in corporate debt securities shall not be more than 5% of the net assets of the Scheme or such higher limit as may be specified by SEBI. Further, such investment shall be made subject to the guidelines which may be prescribed by the Board of Directors of the Asset Management Company and Trustee Company.

**Real Estate Investment Trust (REITs) & Infrastructure Investment Trust (InvIT)**

REIT/ InvITs is a trust which holds real estate or infrastructure assets respectively which is managed by an investment manager. The unitholders in the trust have proportional interest in the underlying holdings of the trust.

**Debt derivative instruments**

**Interest Rate Swap**

An Interest Rate Swap (IRS) is a financial contract between two parties exchanging or swapping a stream of interest payments for a "notional principal" amount on multiple occasions during a specified period. Such contracts generally involve exchange of a "fixed to floating" or "floating to fixed rate" of interest. Accordingly, on each payment date that occurs during the swap period, cash payments based on fixed/ floating and floating rates are made by the parties to one another.

**Forward Rate Agreement**

A Forward Rate Agreement (FRA) is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed bench-mark/ reference rate prevailing on the settlement date.

**Interest Rate Futures:**

A futures contract is a standardized, legally binding agreement to buy or sell a commodity or a financial instrument in a designated future month at a market determined price (the futures price) by the buyer and seller. The contracts are traded on a futures exchange. An Interest Rate Future is a futures contract with an interest bearing instrument as the underlying asset.

**Characteristics of Interest Rate Futures**

1. Obligation to buy or sell a bond at a future date
2. Standardized contract.
3. Exchange traded
4. Physical settlement
5. Daily mark to market

**Foreign Securities**

The Scheme may also invest in suitable investment avenues in foreign securities in overseas financial markets for the purpose of diversification, commensurate with the Scheme objectives and subject to necessary stipulations by SEBI / RBI. Towards this end, the Mutual Fund may also appoint overseas investment advisors and other service providers, to the extent permissible under the Regulations.

The Scheme may, with the approval of SEBI / RBI, where required invest in:

- ADRs (American Depository Receipts)/ GDRs (Global Depository Receipts) issued by Indian or foreign companies
- Equity of overseas companies listed on recognized stock exchanges overseas
- Initial and follow on public offerings for listing at recognized stock exchanges overseas
- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade; repos shall not however, involve any borrowing of funds by the mutual funds
- Government securities where the countries are rated not below investment grade
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Short term deposits with banks overseas where the issuer is rated not below investment grade
- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, or (b) unlisted overseas securities (not exceeding 10% of their net assets).

Note: The Scheme will not invest in foreign securitized debt.

As per para 12.19 of SEBI Circular Master Circular, as amended from time to time, mutual fund can make overseas investments (other than overseas ETF) subject to a maximum of US $1 billion and in overseas ETF subject to a maximum $300 million or such limits as may be prescribed by SEBI from time to time. Subject to the approval of RBI / SEBI and conditions as may be prescribed by them, the Mutual Fund may open one or more foreign currency accounts abroad either directly, or through the custodian/sub-custodian, to facilitate investments and to enter into/deal in forward currency contracts, currency futures, interest rate futures / swaps, currency options for the purpose of hedging the risks of assets of a portfolio or for its efficient management. However, the use of such instruments shall be as permitted from time to time. All the requirement of the SEBI circulars as amended from time to time, would be adhered to by the AMC for investment in foreign securities. Investment in overseas securities shall be made in accordance with the requirements stipulated by SEBI and RBI from time to time.

The Fund Manager reserves the right to invest in such securities as maybe permitted from time to time and which are in line with the investment objectives of the scheme.

**Short Term Deposits**

Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may in terms of Para 12.16 of Master Circular for Mutual Fund Scheme as may be amended from time to time, park the funds of the Scheme in short term deposits of the Scheduled Commercial Bank

**Units of Mutual Fund schemes**

The scheme may invest in units of mutual fund schemes of Axis AMC or in the Scheme of other mutual funds in conformity with the investment objective of the Scheme and in terms of the prevailing SEBI (MF) Regulations. Provided that such investment will be within the limits specified under SEBI (MF) Regulations and will be done for cash management purposes.

The securities / instruments mentioned above and such other securities the Scheme is permitted to invest in could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity.

The securities may be acquired through initial public offering (IPOs), secondary market, private placement, rights offers, negotiated deals. Further investments in fixed income securities will be in instruments which have been assigned investment grade rating by the Credit Rating Agency.

Investment in unrated debt instruments shall be subject to complying with the norms as specified by Board from time to time. For applicable regulatory investment limits please refer paragraph "Investment Restrictions".

The Fund Manager may invest in any other security as maybe permitted from time to time and which are in line with the investment objectives of the Scheme.

**Debt and Money Markets in India**

The Indian debt market is today one of the largest in Asia and includes securities issued by the Government (Central & State Governments), public sector undertakings, other government bodies, financial institutions, banks and corporates. Government and public sector enterprises are the predominant borrowers in the markets. The major players in the Indian debt markets today are banks, financial institutions, mutual funds, insurance companies, primary dealers, trusts, pension funds and corporates. The Indian debt market is the largest segment of the Indian financial markets. The debt market comprises broadly two segments, viz. Government Securities market or G-Sec market and corporate debt market. The latter is further classified as market for PSU bonds and private sector bonds.

The Government Securities (G-Secs) market, consists of G-Sec outstanding of Rs. 80,59,921.302cr as on Feb 28, 2022 (State Govt securities - Rs 38,31,895.100 cr, (as on Feb'21) Source: CCIL), is the oldest and the largest component (50% share in market cap) of the Indian debt market in terms of market capitalization, outstanding securities and trading volumes. The G-Secs market plays a vital role in the Indian economy as it provides the benchmark for determining the level of interest rates in the country through the yields on the Government Securities which are referred to as the risk-free rate of return in any economy. Over the years, there have been new products introduced by the RBI like zero coupon bonds, floating rate bonds, inflation indexed bonds, etc.

The corporate bond market, in the sense of private corporate sector raising debt through public issuance in capital market, is only an insignificant part of the Indian Debt Market. A large part of the issuance in the non-Government debt market is currently on private placement basis.

The money markets in India essentially consist of the call money market (i.e. market for overnight and term money between banks and institutions), repo transactions (temporary sale with an agreement to buy back the securities at a future date at a specified price), commercial papers (CPs, short term unsecured promissory notes, generally issued by corporates), certificate of deposits (CDs, issued by banks) and Treasury Bills (issued by RBI). In a predominantly institutional market, the key money market players are banks, financial institutions, insurance companies, mutual funds, primary dealers and corporates. In money market, activity levels of the Government and nongovernment debt vary from time to time. Instruments that comprise a major portion of money market activity include but not limited to:

- Overnight Call
- Tri Party Repo
- Repo/Reverse Repo Agreement
- Treasury Bills
- Government securities with a residual maturity of < 1 year.
- Commercial Paper
- Certificate of Deposit

Apart from these, there are some other options available for short tenure investments that include MIBOR linked debentures with periodic exit options and other such instruments. Though not strictly classified as Money Market Instruments, PSU / DFI / Corporate paper with a residual maturity of < 1 year, are actively traded and offer a viable investment option.

The market has evolved in past 2-3 years in terms of risk premia attached to different class of issuers. Bank CDs have clearly emerged as popular asset class with increased acceptability in secondary market. PSU banks trade the tightest on the back of comfort from majority government holding. Highly rated manufacturing companies also command premium on account of limited supply. However, there has been increased activity in papers issued by private/foreign banks/NBFCs/companies in high-growth sector due to higher yields offered by them. Even though companies across these sectors might have been rated on a same scale, the difference in the yield on the papers for similar maturities reflects the perception of their respective credit profiles.

The following table gives approximate yields prevailing on September 30, 2025 on some of the instruments

and further illustrates this point.

| Instrument | Current Yield range (%) |
|---|---|
| Tri-party Repo | 5.40/5.45 |
| Repo | 5.40/5.45 |
| 3M T-bill | 5.40/5.45 |
| 1Y T-bill | 5.55/5.60 |
| 10Y G-sec | 6.50/6.55 |
| 3m PSU Bank CD | 5.85/5.90 |
| 3m Manufacturing co. CP | 5.90/5.95 |
| 1Y PSU Bank CD | 6.30/6.35 |
| 1Y NBFC CP | 6.75/6.85 |
| 1Y Manufacturing co. CP | 6.45/6.50 |
| 5Y AAA Institutional Bond | 6.90/6.95 |
| 10Y AAA Institutional Bond | 7.15/7.20 |

Source: Bloomberg

These yields are indicative and do not indicate yields that may be obtained in future as interest rates keep changing consequent to changes in macro-economic conditions and RBI policy. The price and yield on various debt instruments fluctuate from time to time depending upon the macro economic situation, inflation rate, overall liquidity position, foreign exchange scenario etc. Also, the price and yield vary according to maturity profile, credit risk etc.

**B. What are the investment restrictions?**

Pursuant to Regulations, specifically the Seventh Schedule and amendments thereto, the following investment restrictions are currently applicable to the Scheme:

1. The Scheme shall not invest more than 10 per cent of its NAV in the equity shares or equity related instruments of any company. Provided that the limit of 10% will not be applicable for the investment in case of Index Fund or sector or Industry specific Scheme. In case of sector or industry specific scheme, the upper ceiling on investments may be in accordance with the weightage of the scrips in the representative sectoral index or sub index as disclosed in the SID or 10% of the NAV of the scheme, whichever is higher. All investments by the Scheme in equity shares and equity related instruments shall only be made provided such securities are listed or to be listed.

2. The Mutual Fund under all its Scheme(s) shall not own more than ten per cent of any company's paid up capital carrying voting rights. Provided, investment in the asset management company or the trustee company of a mutual fund shall be governed by clause (a), of sub-regulation (1), of regulation 7B.

3. The Scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer, which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the SEBI Act, 1992. Such investment limit may be extended to 12% of the NAV of the Scheme with the prior approval of the Trustee and the Board of Directors of AMC.

   Provided further that such limit shall not be applicable for investment in Government Securities, treasury bills and collateralized borrowing and lending obligations.

Provided further that investments within such limit can be made in the mortgaged backed securitised debt, which are rated not below investment grade by a credit rating agency, registered with SEBI.

4. The scheme shall not invest more than:

a. 10% of its NAV in debt and money market securities rated AAA; or
b. 8% of its NAV in debt and money market securities rated AA; or
c. 6% of its NAV in debt and money market securities rated A and below issued by a single issuer.

The above investment limits may be extended by up to 2% of the NAV of the scheme with prior approval of the Board of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of Seventh Schedule of MF Regulation.

The long term rating of issuers shall be considered for the money market instruments. However, if there is no long term rating available for the same issuer, then based on credit rating mapping of CRAs between short term and long term ratings, the most conservative long term rating shall be taken for a given short term rating. Exposure to government money market instruments such as TREPS on G-Sec/ T-bills shall be treated as exposure to government securities.

Provided further that such limit shall not be applicable for investment in Government Securities, treasury bills and tri-party repo on government securities and treasury bills.

5. The Scheme shall not invest in unlisted debt instruments including commercial papers, except Government Securities and other money market instruments:

Provided that the Scheme may invest in unlisted non-convertible debentures up to a maximum of 10% of the debt portfolio of the Scheme subject to such conditions as may be specified by the Board from time to time:

Provided further that the Scheme shall comply with the norms under this clause within the time and in the manner as may be specified by the Board:

Provided further that the norms for investments by the Scheme in unrated debt instruments shall be as specified by the Board from time to time.

Further the investments by the Scheme shall be in compliance with Para 12.3 of Master circular for Mutual Funds and as amended by SEBI from time to time.

6. The Scheme may invest in other schemes of the Mutual Fund or any other mutual fund without charging any fees, provided the aggregate inter-scheme investment made by all the schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the Net Asset Value of the Fund.

7. The Scheme shall not make any investment in:
   1. any unlisted security of an associate or group company of the sponsor; or
   2. any security issued by way of private placement by an associate or group company of the sponsor; or
   3. the listed securities of group companies of the sponsor which is in excess of 25% of the net assets.

8. The Mutual Fund shall get the securities purchased transferred in the name of the Fund on account of the concerned Scheme, wherever investments are intended to be of a long-term nature.

9. Transfer of investments from one scheme to another scheme in the same Mutual Fund is permitted provided:

a) such transfers are done at the prevailing market price for quoted instruments on spot basis (spot basis shall have the same meaning as specified by a Stock Exchange for spot transactions); and
b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

Further, inter scheme transfers shall be in accordance with the guidelines issued by Para 12.30 of Master Circular of Mutual Fund as amended from time to time.

10. The Mutual Fund shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:

Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:

Provided further that the Mutual Fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.

Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.

11. The Scheme shall not make any investment in any fund of funds scheme.

12. The Scheme will comply with the following restrictions for trading in exchange traded derivatives, as specified by SEBI vide its circulars issued from time to time::

**i. Position limit for the Mutual Fund in equity index options contracts**

a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 500 crores or 15% of the total open interest of the market in index options, whichever is higher, per stock exchange.
b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

**ii. Position limit for the Mutual Fund in equity index futures contracts:**

a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs.500 crores or 15% of the total open interest of the market in index futures, whichever is higher, per stock exchange.
b. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

**iii. Additional position limit for hedging**

In addition to the position limits at point (i) and (ii) above, the Mutual Fund may take exposure in equity index derivatives subject to the following limits:

a. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
b. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, Treasury Bills and similar instruments.

**iv. Position limit for Mutual Fund for stock based derivative contracts**

The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL).

**v. Position limit for each scheme of a Mutual Fund**

The scheme-wise position limit / disclosure requirements shall be:

i. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a Mutual Fund shall not exceed the higher of 1% of the free float market capitalization (in terms of number of shares)

**or**

5% of the open interest in the derivative contract on a particular underlying stock (in terms of number of contracts).

ii. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
iii. For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

13. Pending deployment of the funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI:

The Scheme will comply with the following guidelines/restrictions for parking of funds in short term deposits:

i. "Short Term" for such parking of funds by the Scheme shall be treated as a period not exceeding 91 days. Such short-term deposits shall be held in the name of the Scheme.
ii. The Scheme shall not park more than 15% of the net assets in short term deposit(s) of all the scheduled commercial banks put together. However, such limit may be raised to 20% with prior approval of the Trustee.
iii. Parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits.
iv. The Scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
v. The Scheme shall not park funds in short term deposit (STD) of a bank which has invested in that Scheme. Further Trustees/ AMCs shall also ensure that the bank in which the Scheme has STD do not invest in the said scheme until the Scheme has STD with such bank.
vi. The AMC will not charge any investment management and advisory fees for funds parked in short term deposits of scheduled commercial banks.
However, the above provisions will not apply to term deposits placed as margins for trading in cash and derivatives market.

14. The Scheme shall not advance any loans.

15. The Scheme shall not borrow except to meet temporary liquidity needs of the Scheme for the purpose of repurchase/redemption of Units or payment of interest and/or IDCW to the Unit holders.

Provided that the Fund shall not borrow more than 20% of the net assets of the individual Scheme and the duration of the borrowing shall not exceed a period of 6 months.

The Scheme will comply with the other Regulations applicable to the investments of Mutual Funds from time to time.

16. Para 12.25 of SEBI Master Circular for Mutual Funds has prescribed as amended from time to time has prescribed the following investment restrictions w.r.t. investment in derivatives:

| | |
|---|---|
| 1 | The cumulative gross exposure through equity, debt and derivative positions shall not exceed 100% of the net assets of the scheme. Cash or cash equivalents with residual maturity of less than 91 days shall be treated as not creating any exposure. |
| 2 | The Scheme shall not write options or purchase instruments with embedded written options. |
| 3 | The total exposure related to option premium paid shall not exceed 20% of the net assets of the scheme. |
| 4 | Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:<br><br>a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.<br><br>b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.<br>c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged. |

<table>
<tr><td></td><td>d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.</td></tr>
<tr><td>5</td><td>Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 1.</td></tr>
<tr><td>6</td><td>Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:<br><br><table><tr><th>Position</th><th>Exposure</th></tr><tr><td>Long Future</td><td>Futures Price * Lot Size * Number of Contracts</td></tr><tr><td>Short Future</td><td>Futures Price * Lot Size * Number of Contracts</td></tr><tr><td>Option bought</td><td>Option Premium Paid * Lot Size * Number of Contracts.</td></tr></table></td></tr>
<tr><td>7</td><td>a. The Scheme may enter into plain vanilla interest rate swaps for hedging purposes. The value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme.<br>b. In case of participation in IRS is through over the counter transactions, the counter party has to be an entity recognized as a market maker by RBI and exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme. However, if mutual funds are transacting in IRS through an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.</td></tr>
</table>

17.The Scheme may write call options only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

(i) The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.

(ii) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.

(iii) At all points of time the Mutual Fund scheme shall comply with the provisions at paragraph (i) and (ii) above. In case of any passive breach of the requirement at paragraph (i), the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.

(iv) In case the Scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (i) and (ii) above while selling the securities.

(v) In no case, the scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.

(vi) The premium received shall be within the requirements prescribed in terms of paragraph 12.25.2 of Master circular for Mutual Funds i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.

(vii) The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph12.24.1 of Master Circular for Mutual Funds.

a. The Scheme shall participate in repos in corporate debt securities as per the guidelines issued by SEBI and/ or RBI from time to time and the guidelines framed by the Board of Directors of Trustee Company and the Asset Management Company, from time to time.

18. At present the following conditions and norms shall apply to repo in corporate debt securities:

(i) The gross exposure of the Scheme to repo transactions in corporate debt securities shall not be more than 10% of the net assets of the Scheme.

(ii) The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt, units issued by REITs & InvITs and derivatives shall not exceed 100% of the net assets of the Scheme.

(iii) The Scheme shall participate in repo transactions only in listed AA and above rated corporate debt securities.

(iv) The Scheme shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.

(v) The Trustee and the Asset Management Company have framed guidelines interalia considering the following aspects:
i. Category of counterparty
ii. Credit rating of counterparty
iii. Tenor of collateral
iv. Applicable haircuts

(vi) Counterparty selection & credit rating
The counterparty must be an acceptable counterparty for debt transactions. The Mutual Fund follows a counterparty empanelment process for fixed income transactions and the same shall be used for selection of counterparties for corporate bond repos. All repo transactions in corporate bonds will be governed by a repo agreement as specified by FIMMDA and / or other specified authorities.

(vii) Collateral tenor & quality
The exposure limit/investment restrictions prescribed under the Seventh Schedule of the Regulations and circulars issued there under (wherever applicable) shall be applicable to repo transactions in corporate bonds. The Scheme shall further follow guidelines framed by Trustee and the AMC from time to time.

(viii) Applicable haircuts
Currently mutual funds are permitted to carry out repo transactions in government securities without any haircuts. The Reserve Bank of India has notified a minimum haircut based on rating of the corporate bond and other securities. In addition, the Fixed Income and Money Market Dealers Association (FIMMDA) would maintain a rating-haircut matrix on an ongoing basis. The Scheme shall further follow guidelines framed by Trustee and the AMC from time to time.

The haircuts seek to protect the lender of funds from the event of the counterparty failing to honor the repurchase leg of the repo. In such a circumstance, the Fund would suffer a loss if the value of the collateral depreciates by more than the haircut. The fall in the value of the collateral could be on account of higher yields and/ or deterioration of credit quality.

As the typical tenor of repos is short (typically overnight), the haircuts represent a relatively high degree of safety in relation to the interest rate risk on the collateral. The risk of collateral depreciation based on historical volatility is given in the table below:

| Bond Tenor (yrs) | 1 | 3 | 5 | 10 |
|---|---|---|---|---|
| Price Volatility (%) (annualized) | 0.6 | 1.2 | 1.7 | 3.4 |
| Repo Tenor | Number of standard deviations needed to lose 10% | | | |
| 1 day | 258 | 136 | 94 | 48 |
| 7 days | 98 | 52 | 36 | 18 |

In the above table, the price volatility of a 10-year bond is about 3.4% annualized. That is a 10% price move represents nearly a 3-sigma event on an annualized basis. For overnight tenors, this represents a 48-sigma event (for comparison a 6-sigma event occurs about once in a million observations).

It is apparent that the haircuts stipulated by RBI are more than sufficient to mitigate interest rate risk. Credit event risk remains (the collateral could default during the tenor of the repo). This risk is to be mitigated by ensuring that the collateral is acceptable from a credit point of view.
The exposure limit/ investment restrictions prescribed under the Seventh Schedule of the Regulations and circulars issued there under (wherever applicable) shall be applicable to repo transactions in corporate bonds.

19. The mutual fund under all its schemes shall not own more than 10% of units issued by a single issuer of REIT and InvIT.
20. The Scheme shall not invest –
    i. more than 10% of its NAV in the units of REIT and InvIT; and
    ii. more than 5% of its NAV in the units of REIT and InvIT issued by a single issuer.

21. Investment in Partly Paid Debenture, if undertaken, will be subject to a cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme. However, once the Partly Paid Debentures are fully paid up, the cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme will not apply.

The Scheme will comply with the other Regulations applicable to the investments of Mutual Funds from time to time.

All the investment restrictions will be applicable at the time of making investments.

Apart from the investment restrictions prescribed under SEBI (MF) Regulations, the fund may follow any internal norms vis-à-vis limiting exposure to a particular scrip or sector, etc

The AMC/Trustee may alter these above stated restrictions from time to time to the extent the Regulations change, so as to permit the Scheme to make its investments in the full spectrum of permitted investments for mutual funds to achieve its respective investment objective.

## C. Fundamental Attributes

Following are the Fundamental Attributes of the Scheme, in terms of Para 1.14 of SEBI Master Circular for Mutual Funds:

**(i) Type of a Scheme**
An open ended equity scheme following consumption theme

**(ii) Investment Objective**
Main Objective: To provide long term capital appreciation from an actively managed portfolio of equity and equity related securities of companies engaged in consumption and consumption related sector or allied sectors.

There is no assurance that the investment objective of the Scheme will be achieved.

Investment Pattern: Please refer to Section – I Part – II A 'How will the Scheme Allocate its Assets?'.

**(iii) Terms of Issue**

- Liquidity provisions such as listing, Repurchase, Redemption. '(Please refer to relevant provisions on listing, repurchase, redemption in Section II - Part II - Point G 'Other Details').
- Aggregate fees and expenses charged to the Scheme (please refer to Section I – Part III C "Annual Scheme Recurring Expenses").
- Any safety or guarantee net provided. – Not applicable for the Scheme

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations and ) and Regulation 25(26) of the SEBI (MF) Regulations, read with clause 1.14.1.4 and 17.10 of SEBI Master Circular for Mutual Funds, the Trustees and AMC shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- SEBI has reviewed and provided its comments on the proposal
- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as

in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and

- The Unitholders are given an option for a period of at least 30 calendar days to exit at the prevailing Net Asset Value without any exit load.

**D. Index methodology (for index funds, ETFs and FOFs having one underlying domestic ETF)- Disclosures regarding the index, index eligibility criteria, methodology, index service provider, index constituents, impact cost of the constituents.**

– Not Applicable

**E. Principles of incentive structure for market makers (for ETFs)**

– Not Applicable

**F. Floors and ceiling within a range of 5% of the intended allocation against each sub class of asset, as per clause 13.6.2 of SEBI master circular for mutual funds (only for close ended debt schemes)**

– Not Applicable

**G. Other Scheme Specific Disclosures -**

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| Listing and transfer of units | **Listing**<br>The Scheme is an open ended scheme under which sale and repurchase will be made on a continuous basis and therefore listing on stock exchanges is not envisaged. However, the Trustee reserves the right to list the units as and when considered necessary in the interest of Unit holders of the Fund.<br><br>**Transferability of units:**<br>Units unless otherwise restricted or prohibited shall be freely transferable by act of parties or by operation of law. Transfer of units will be subject to submission of valid documents and fulfillment of the eligibility requirements by the unitholder/investor as stated under AMFI best Practice guideline No.135/BP/ 116 /2024-25 dated August 14, 2024 and AMC internal processes, if any.<br>For more details refer to the SAI. |
| Dematerialization of units | Investors shall have an option to receive allotment of Mutual Fund units in their demat account while subscribing to the Scheme in terms of the guidelines/ procedural requirements as laid by the Depositories (NSDL/CDSL) from time to time.<br>Investors desirous of having the Units of the Scheme in dematerialized form should contact the ISCs of the AMC/Registrar.<br><br>Where units are held by investor in dematerialized form, the demat statement issued by the Depository Participant would be deemed adequate compliance with the requirements in respect of dispatch of statements of account.<br><br>In case investors desire to convert their existing physical units (represented by statement of account) into dematerialized form or vice versa, the request for conversion of units held in physical form into Demat (electronic) form or vice versa should be submitted alongwith a Demat/Remat Request Form to their Depository Participants. In case the units are desired to be held by investor in dematerialized form, the KYC performed by Depository Participant shall be considered compliance of the applicable SEBI norms.<br><br>Further, demat option shall also be available for SIP transactions. Units will be allotted based on the applicable NAV as per Scheme Information Document and will be credited to investors Demat Account on weekly basis on realization of funds.<br><br>Units held in Demat form are freely transferable in accordance with the provisions of SEBI (Depositories and Participants) Regulations, as may be amended from time |

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| | to time. Transfer can be made only in favour of transferees who are capable of holding units and having a Demat Account. The delivery instructions for transfer of units will have to be lodged with the Depository Participant in requisite form as may be required from time to time and transfer will be affected in accordance with such rules / regulations as may be in force governing transfer of securities in dematerialized mode.<br><br>For details, Investors may contact any of the Investor Service Centres of the AMC. |
| Minimum Target amount | Not Applicable |
| Maximum Amount to be raised (if any) | Not Applicable |
| Dividend Policy (IDCW) | Under the IDCW option, the Trustee will have the discretion to declare the IDCW, subject to availability of distributable surplus calculated in accordance with the Regulations. The actual declaration of IDCW and frequency will inter-alia, depend on availability of distributable surplus calculated in accordance with SEBI (MF) Regulations and the decisions of the Trustee shall be final in this regard. There is no assurance or guarantee to the Unit holder as to the rate of IDCW nor that the IDCW will be paid regularly.<br><br>The AMC/Trustee reserves the right to change the frequency of declaration of IDCW or may provide for additional frequency for declaration of IDCW.<br><br>**IDCW Distribution Procedure**<br>In accordance with Chapter 11 of SEBI Master Circular on Mutual Funds as amended from time to time, the procedure for distribution would be as under:<br>1. Quantum of IDCW and the record date will be fixed by the Trustee. IDCW so decided shall be paid, subject to availability of distributable surplus.<br>2. Within one calendar day of the decision by the Trustees, AMC shall issue notice to the public communicating the decision including the record date. The record date shall be **two (2) working days** from the date of publication in at least one English newspaper or in a newspaper published in the language of the region where the Head Office of the mutual fund is situated, whichever is issued earlier.<br>3. Record date shall be the date, which will be considered for the purpose of determining the eligibility of investors whose names appear on the register of Unit holders for receiving IDCW.<br>4. The notice will, in font size 10, bold, categorically state that pursuant to payment of IDCW, the NAV of the Scheme would fall to the extent of payout and statutory levy (if applicable).<br>5. The NAV will be adjusted to the extent of IDCW distribution and statutory levy, if any, at the close of business hours on record date.<br>6. Before the issue of such notice, no communication indicating the probable date of IDCW declaration in any manner whatsoever will be issued by Mutual Fund.<br>However, the requirement of giving notice shall not be applicable for IDCW options having frequency up to one month. |
| Allotment (Detailed procedure) | • On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted by way of e-mail and/or SMS within 5 business days from the date of receipt of transaction request/allotment will be sent to the Unit Holders registered e-mail address and/or mobile number.<br>• In case of Unit Holders holding units in the dematerialized mode, the Fund will not send the account statement to the Unit Holders. The statement provided by the Depository Participant will be equivalent to the account statement.<br>• For those Unit holders who have provided an e-mail address, the AMC will send the account statement by e-mail.<br>• Unit holders will be required to download and print the documents after receiving e-mail from the Mutual Fund. Should the Unit holder experience any difficulty in accessing the electronically delivered documents, the Unit holder |

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| | shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. It is deemed that the Unit holder is aware of all security risks including possible third party interception of the documents and contents of the documents becoming known to third parties.<br>• The Unit holder may request for a physical account statement by writing/calling the AMC/ISC/Registrar. In case of specific request received from the Unit Holders, the AMC/Fund will provide the Account Statement to the Investors within 5 business days from the receipt of such request.<br>In cases where the email does not reach the Unit holder, the Fund / its Registrar & Transfer Agents will not be responsible, but the Unit holder can request for fresh statement. The Unit holder shall from time to time intimate the Fund / its Registrar & Transfer Agent about any changes in his e-mail address. |
| Refund | **Ongoing Offer period:**<br>The AMC will refund the subscription money to applicants whose applications are found to be incomplete, invalid or have been rejected for any other reason whatsoever in accordance with the AMFI best practice guidelines in the matter.<br><br>The AMC will endeavor to refund such amounts within 5 business days from the date of purchase transactions as per the timestamp / applicable NAV, where the application form / online transaction is received along with the payment and the funds have been realized. Where the subscription amount and the application/ online transaction are received separately, the period of 5 business days shall be reckoned from the later of the date of identifying the remitter details, based on the credit provided by the Bank or receipt and time stamping of application/ online transaction.<br>In the event of delay beyond 5 business days, the AMC in line with AMFI best practice guidelines on the matter, will pay interest at 15% per annum or such other rate of interest as may be prescribed from time to time. |
| Who can invest<br><br>This is an indicative list and investors shall consult their financial advisor to ascertain whether the scheme is Suitable to their risk profile. | The following persons (subject to, wherever relevant, purchase of units of mutual funds, being permitted under respective constitutions, and relevant statutory regulations) are eligible and may apply for Subscription to the units of the Scheme:<br>1. Resident adult individuals either singly or jointly (not exceeding three) or on an Anyone or Survivor basis;<br>2. Hindu Undivided Family (HUF) through Karta;<br>3. Minor (as the first and the sole holder only) through a natural guardian (i.e. father or mother, as the case may be) or a court appointed legal guardian. There shall not be any joint holding with minor investments;<br>4. Partnership Firms;<br>5. Limited liability partnership firms;<br>6. Proprietorship in the name of the sole proprietor;<br>7. Companies, Bodies Corporate, Public Sector Undertakings (PSUs.), Association of Persons (AOP) or Bodies of Individuals (BOI) and societies registered under the Societies Registration Act, 1860(so long as the purchase of Units is permitted under the respective constitutions);<br>8. Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;<br>9. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of requisite approvals wherever applicable) and Private trusts authorised to invest in mutual fund schemes under their trust deeds;<br>10. Non-Resident Indians (NRIs) / Persons of Indian origin (PIOs) )/ Overseas Citizens of India (OCI)residing abroad on repatriation basis or on non-repatriation basis;<br>11. Foreign Portfolio Investor (FPI) registered with SEBI on repatriation basis. These investments shall be subject to the conditions prescribed by SEBI, RBI, Income Tax authorities and the AMC, from time to time;<br>12. Army, Air Force, Navy and other para-military units and bodies created by such institutions;<br>13. Scientific and Industrial Research Organisations; |

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| | 14. Multilateral Funding Agencies / Bodies Corporate incorporated outside India with the permission of Government of India / RBI;<br>15. Provident/ Pension/ Gratuity Fund to the extent they are permitted;<br>16. Other schemes of Axis Mutual Fund or any other mutual fund subject to the conditions and limits prescribed by SEBI Regulations;<br>17. Schemes of Alternative Investment Funds;<br>18. The Trustee, AMC or Sponsor or their associates may subscribe to Units under the Scheme;<br>19. Such other category of person(s) permitted to make investments and as may be specified by the AMC / Trustee from time to time. |
| Who cannot invest | 1. Any individual who is a foreign national or any other entity that is not an Indian resident under the Foreign Exchange Management Act, 1999 (FEMA Act) except where registered with SEBI as a FPI or otherwise explicitly permitted under FEMA Act/ by RBI/ by any other applicable authority.<br>2. Pursuant to RBI A.P. (DIR Series) circular no. 14 dated September 16, 2003, Overseas Corporate Bodies (OCBs) cannot invest in Mutual Funds.<br>3. NRIs residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force (FATF), from time to time.<br>4. U.S. Persons and Residents of Canada as defined under the applicable laws of U.S. and Canada except the following:<br>a. subscriptions received by way of lump sum / switches / systematic transactions received from Non-resident Indians (NRIs) /Persons of Indian origin (PIO) / Overseas Citizen of India (OCI) who at the time of such investment, are present in India and<br>b. FPIs<br>5. Such other persons as may be specified by AMC from time to time.<br><br>These investors need to submit a physical transaction request along with such documents as may be prescribed by Axis Asset Management Company Ltd. ('AMC')/Axis Mutual Fund Trustee Ltd. ('the Trustee')/Axis Mutual Fund ('the Fund') from time to time.<br><br>The AMC reserves the right to put the transaction requests on hold/reject the transaction request/reverse allotted units, as the case may be, as and when identified by the AMC, which are not in compliance with the terms and conditions notified in this regard.<br><br>The Trustee / the AMC /the Fund reserve the right to change/ modify the above provisions at a later date. |
| How to Apply and other details (where can you submit the filled up applications including purchase/redemption switches be submitted.) | Investors can undertake transactions in the Schemes of Axis Mutual Fund either through physical, online / electronic mode or any other mode as may be prescribed from time to time.<br><br>**Physical Transactions**<br>For making application for subscription / redemption / switches, application form and Key Information Memorandum may be obtained from / submitted to the Official Points of Acceptance (OPAs) of AMC or downloaded from the website of AMC viz. www.axismf.com.<br><br>**Online / Electronic Transactions**<br>Investors can undertake transactions via electronic mode through various online facilities offered by Axis AMC / other platforms specified by AMC from time to time.<br><br>For name, address and contact no. of Registrar and Transfer Agent (R&T), email id of R&T, website address of R&T, official points of acceptance, collecting banker details etc. refer back cover page.<br>Please note it is mandatory for unitholders to mention their bank account numbers in their applications/requests for redemption. |

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| | Please refer to the SAI and Application form for the instructions. |
| The policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same. | Units once redeemed will be extinguished and will not be reissued. |
| Restrictions, if any, on the right to freely retain or dispose of units being offered. | **Pledge/Lien of Units**<br>The Unit under the Scheme may be offered as security by way of a pledge / lien/charge in favour of scheduled banks, financial institutions, non-banking finance companies (NBFCs), or any other person. The AMC and / or the ISC will note and record such Pledged/liened Units. The AMC shall mark a pledge/lien only upon receiving the duly completed form and documents as it may require. Disbursement of such loans will be at the entire discretion of the bank / financial institution / NBFC or any other person concerned and the Mutual Fund assumes no responsibility thereof.<br><br>The Pledger/ lienor will not be able to redeem/Switch-out Units that are pledged/liened until the entity to which the Units are pledged/liened provides written authorisation to the Mutual Fund that the pledge / lien charge may be removed. As long as Units are pledged/liened, the Pledgee/lienee will have complete authority to redeem / Switch-out such Units. IDCW declared on Units under lien/pledge will be paid / re-invested to the credit of the Unit Holder and not the lien holder unless specified otherwise in the lien letter.<br>If there are subsisting credit facilities secured by a duly created pledge/lien, I, the nominee(s) or legal heirs / legal representative(s) shall be required to obtain a due discharge certificate from the creditors at the time of transmission of units.<br><br>For NRIs, the Scheme may mark a lien on Units in case documents which need to be submitted are not given in addition to the application form and before the submission of the redemption / Switch-out request.<br><br>The Units held in demat mode can be pledged/ liened as per the provisions of Depositories Act and Depositories Rules and Regulations.<br>However, the AMC reserves the right to change operational guidelines for pledge/ lien on Units from time to time.<br><br>**Suspension/Restriction on Redemption of Units of the Scheme**<br>Subject to the approval of the Boards of the AMC and of the Trustee and subject also to necessary communication of the same to SEBI, the redemption of / switch-out of Units of Scheme, may be temporarily suspended/ restricted. In accordance with Para 1.12 of SEBI Master Circular on Mutual Funds as amended from time to time and subject to prevailing regulations, restriction on/suspension of redemptions / switch-out of Units of the Scheme, may be imposed when there are circumstances leading to systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets such as: |

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| | a) **Liquidity issues:** when market at large becomes illiquid affecting almost all securities rather than any issuer specific security;<br>b) **Market failures, exchange closures:** when markets are affected by unexpected events which impact the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies;<br>c) **Operational issues:** when exceptional circumstances are caused by force majeure, unpredictable operational problems and technical failures (e.g. a black out).<br><br>Restriction on / suspension of redemption of Units of the Scheme may be imposed for a specified period of time not exceeding 10 working days in any 90 days period.<br><br>When restriction on / suspension of redemption of Units of the Scheme is imposed, the following procedure shall be applied:<br>i. No redemption / switch-out requests upto Rs. 2 lakhs shall be subject to such restriction.<br>ii. Where redemption / switch-out requests are above Rs. 2 lakhs, the AMC shall redeem the first Rs. 2 lakhs without such restriction and remaining part over and above Rs. 2 lakhs shall be subject to such restriction.<br><br>In addition to the above, the AMC / Trustee may restrict / suspend redemptions / switch-out of Units of the Scheme pursuant to direction/ approval of SEBI.<br><br>In case of any of the above eventualities, the general time limits for processing requests for redemption of Units will not be applicable.<br><br>Also refer to the paragraph 'Suspension of Purchase and Redemption of Units' in the Statement of Additional Information. |
| Cut off timing for subscriptions/ redemptions/ switches<br><br>This is the time before which your application (complete in all respects) should reach the official points of acceptance. | **Subscriptions/Purchases including Switch - ins:**<br><br>The following cut-off timings shall be observed by the Mutual Fund in respect of purchase of units of the Scheme and the following NAVs shall be applied for such purchase:<br><br>1. where the application is received upto 3.00 pm on a Business day and funds are available for utilization before the cut-off time – the closing NAV of the Business day shall be applicable;<br>2. where the application is received after 3.00 pm on a Business day and funds are available for utilization on the same day or before the cut-off time of the next Business Day - the closing NAV of the next Business Day shall be applicable;<br>3. irrespective of the time of receipt of application, where the funds are not available for utilization before the cut-off time - the closing NAV of Business day on which the funds are available for utilization shall be applicable.<br><br>For determining the applicable NAV for allotment of units in respect of purchase / switch in the Scheme, it shall be ensured that:<br>i. Application is received before the applicable cut-off time.<br>ii. Funds for the entire amount of subscription/purchase as per the application are credited to the bank account of the Scheme before the cut-off time.<br>iii. The funds are available for utilization before the cut-off time.<br><br>The aforesaid provisions shall also be applicable to systematic transactions like Systematic Investment Plan, Systematic Transfer Plan, etc offered by scheme.<br><br>**Redemptions including Switch - outs:**<br><br>The following cut-off timings shall be observed by the Mutual Fund in respect of |

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| | Repurchase of units:<br>a. where the application received upto 3.00 pm – closing NAV of the day of receipt of application; and<br>b. an application received after 3.00 pm – closing NAV of the next Business Day.<br><br>The above mentioned cut off timing shall also be applicable to transactions through the online trading platform.<br><br>In case of Transaction through Stock Exchange Infrastructure, the Date of Acceptance will be reckoned as per the date & time; the transaction is entered in stock exchange's infrastructure for which a system generated confirmation slip will be issued to the investor. |
| Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors.<br>This is the price you need to pay for purchase/switch-in. | At the Applicable NAV.<br><br>Para 10.4 of Master Circular for Mutual Funds has decided has decided that there shall be no entry Load for all Mutual Fund Schemes. Hence, no entry load is levied for subscription transactions by the Scheme.<br><br>Methodology of calculating subscription price:<br>Subscription Price = Applicable NAV*(1+Entry Load, if any)<br>Example: If the Applicable NAV is Rs. 10, Entry Load is NIL then the subscription price will be:<br>= Rs. 10* (1+NIL)<br>= Rs. 10 |
| Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.<br><br>This is the price you will receive for redemptions/switch outs. | At the Applicable NAV subject to prevailing Exit Load.<br><br>Ongoing price for redemption /Switch out (to other Schemes/Plans of the Mutual Fund) is price which a Unit holder will receive for redemption/Switch-outs. During the continuous offer of the Scheme, the Unit holder can redeem the Units at Applicable NAV, subject to payment of Exit Load, if any.<br><br>Methodology of calculating repurchase price:<br>Redemption Price = Applicable NAV*(1-Exit Load, if any)<br>Example: If the Applicable NAV is Rs. 10, Exit Load is 1% then redemption price will be:<br>= Rs. 10* (1-0.01)<br>= Rs. 9.99<br><br>Investors/Unit holders should note that the AMC/Trustee has right to modify existing Load structure and to introduce Loads subject to a maximum limits prescribed under the SEBI Regulations.<br><br>Any change in Load structure will be effective on prospective basis and will not affect the existing Unit holder in any manner.<br><br>However, the Mutual Fund will ensure that the Redemption Price will not be lower than 97% of the Applicable NAV. The Purchase Price shall be at applicable NAV. |
| Minimum amount for purchase / redemption / switches | **Refer Section I – Part I for Minimum amount for purchase/redemption/switches**.<br>**Minimum Redemption Amount/Switch Out**<br>There will be no minimum redemption criterion. The Redemption / Switch-out would be permitted to the extent of credit balance in the Unit holder's account of the Plan(s) / Option(s) of the Scheme (subject to completion of Lock-in period or |

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| | release of pledge / lien or other encumbrances). The Redemption / Switch-out request can be made by specifying the rupee amount or by specifying the number of Units of the respective Plan(s) / Option(s) to be redeemed. In case a Redemption / Switch-out request received is for both, a specified rupee amount and a specified number of Units of the respective Plan(s)/ Option(s), the specified number of Units will be considered the definitive request. In case the value / number of available units held in the Unit holder's folio / account under the Plan / Option of the Scheme is less than the amount / number of units specified in the redemption / switch-out request, then the transaction shall be treated as an all units redemption and the entire balance of available Units in the folio / account of the Unit holder shall be redeemed.<br><br>In case of Units held in dematerialized mode, the Unit Holder can give a request for Redemption only in number of Units which can be fractional units also. Depository participants of registered Depositories can process only redemption request of units held in demat.<br><br>The AMC/ Trustee reserves the right to change/ modify the terms of minimum redemption amount/switch-out provision offered under the Scheme of the Fund. |
| Accounts Statements | The AMC shall send an allotment confirmation specifying the units allotted by way of email and/or SMS within 5 working days of receipt of valid application/transaction to the Unit holders registered e-mail address and/ or mobile number (whether units are held in demat mode or in account statement form).<br><br>The AMC/RTA shall dispatch a Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds and holding at the end of the month shall be sent to the Unit holders in whose folio(s) transaction(s) have taken place during the month by mail or email on or before 15th of the succeeding month.<br><br>For investor having demat account, the depositories shall dispatch a monthly consolidated statement with details across all schemes of mutual funds and securities held in dematerialized form across demat accounts and dispatch the same to investors who have opted for delivery via electronic mode (e-CAS) by the 12th day from the month end and to investors who have opted for delivery via physical mode by the 15th day from the month end.<br><br>For folios where there are no transactions during the half – year, the AMC/RTA shall dispatch a half – yearly CAS at the end of every six months (i.e. September/March) on or before the 21st day of the succeeding month for holdings across all mutual funds at the end of the half-year.<br><br>For folios where there are no transactions during the half – year , the depositories shall dispatch a consolidated statement (for investors having a demat account) i.e. half-yearly CAS at the end of every six months (i.e. September/ March) to investors that have opted for e-CAS on or before the 18th day of April and October and to investors who have opted for delivery via physical mode by the 21st day of April and October to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable<br><br>For further details, refer SAI. |
| Dividend/ IDCW | The payment of dividend/IDCW to the unitholders shall be made within seven working days from the record date.<br><br>The AMC shall be liable to pay interest to the Unit holders at 15% p.a. or such other rate as may be prescribed by SEBI from time to time, in the event of failure of despatch of dividend payments within the stipulated time period calculated from |

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| | the record date. |
| Redemption | The redemption or repurchase proceeds shall be dispatched to the unitholders within three working days from the date of redemption or repurchase.<br><br>For list of exceptional circumstances refer para 14.1.3 of SEBI Master Circular for Mutual Funds.<br><br>For detailed procedure on how to redeem, kindly refer SAI. |
| Bank Mandate | It is mandatory for investors to mention investor's bank account details on the form. Applications without this information are liable to be rejected. The Mutual Fund / AMC reserves the right to hold redemption proceeds in case requisite bank details are not submitted. |
| Delay in payment of redemption / repurchase proceeds / IDCW | The Asset Management Company shall be liable to pay interest to the unitholders at rate as specified vide clause 14.2 of SEBI Master Circular for Mutual Funds by SEBI for the period of such delay.<br><br>The AMC shall pay interest to the Unit holders at 15% or such other rate as may be prescribed by SEBI from time to time, in case the Redemption / Repurchase proceeds are not made within three (3) working Days of the date of Redemption / Repurchase.<br><br>However, the AMC will not be liable to pay any interest or compensation or any amount otherwise, in case the AMC / Trustee is required to obtain from the Investor / Unit holders verification of identity or such other details relating to Subscription for Units under any applicable law or as may be requested by a Regulatory Agency or any government authority, which may result in delay in processing the application. |
| Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount | As per Para 14.3 of SEBI Master Circular on Mutual Funds as amended from time to time, the unclaimed Redemption and IDCW amounts shall be deployed by the Fund in money market instruments and such other instruments/securities as maybe permitted from time to time. The investment management fee charged by the AMC for managing such unclaimed amounts shall not exceed 50 basis points. The circular also specifies that investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV. Thus, after a period of three years, this amount can be transferred to a pool account and the investors can claim the said amounts at the NAV prevailing at the end of the third year. In terms of the circular, the onus is on the AMC to make a continuous effort to remind investors through letters to take their unclaimed amounts. The details of such unclaimed amounts shall be disclosed in the annual report sent to the Unit Holders.<br><br>Further, according to Para 14.3 of SEBI Master Circular on Mutual Funds as amended from time to time the unclaimed Redemption and IDCW amounts may be deployed in separate plan of Liquid scheme/Money market mutual fund scheme floated by Mutual Funds specifically for deployment of the unclaimed Redemption and IDCW amounts. |
| Disclosure w.r.t investment by minors | Following is the process for investments made in the name of a Minor through a Guardian: -<br><br>• Payment for investment by any mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian.<br>• Mutual Fund will send an intimation to Unit holders advising the minor (on attaining majority) to submit an application form along with prescribed documents to change the status of the account from 'minor' to 'major'. |

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| | • All transactions / standing instructions / systematic transactions etc. will be suspended i.e. the Folio will be frozen for operation by the guardian from the date of beneficiary child completing 18 years of age, till the status of the minor is changed to major. Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled original cheque leaf of the new bank account.<br>• No investments (lumpsum/SIP/ switch in/ STP in etc.) in the scheme would be allowed once the minor attains majority i.e. 18 years of age till the status of the minor is changed to major. |
| Any other disclosure in terms of Consolidated Checklist on Standard Observations | NIL |

## III. Other Details

**A. In case of Fund of Funds Scheme, Details of Benchmark, Investment Objective, Investment Strategy, TER, AUM, Year wise performance, Top 10 Holding/ link to Top 10 holding of the underlying fund should be provided**- Not Applicable

**B. Periodic Disclosures**

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| Monthly and Half yearly Disclosures: Portfolio / Financial Results<br><br>This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures. | The AMC will disclose the portfolio of the Scheme (alongwith ISIN) as on the last day of the month / half year on the website of the Mutual Fund and AMFI within 10 days from the close of each month/ half year (i.e. 31st March and 30th September) respectively in a user-friendly and downloadable spreadsheet format. Further, AMC shall publish an advertisement in an all India edition of one national English daily newspaper and one Hindi newspaper, every half year, disclosing the hosting of the half-yearly statement of its schemes' portfolio on the website of the Mutual Fund and AMFI and the modes through which unitholder(s) can submit a request for a physical or electronic copy of the statement of scheme portfolio.<br><br>The AMC will also provide a dashboard, in a comparable, downloadable (spreadsheet) and machine readable format, providing performance and key disclosures like Scheme's AUM, investment objective, expense ratios, portfolio details, scheme's past performance etc. on website.<br><br>For details, please refer our website: https://www.axismf.com/statutory-disclosures |
| Half Yearly Results | The Mutual Fund shall within one month from the close of each half year, that is on 31st March and on 30th September, host a soft copy of its unaudited financial results on the website of the AMC and AMFI.<br><br>The mutual fund shall publish an advertisement disclosing the hosting of such financial results on their website, in atleast one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated.<br><br>The unaudited financial results will also be displayed on the website of the AMC and AMFI. |

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| | For details, please refer our website: https://www.axismf.com/statutory-disclosures |
| Annual Report | The Scheme annual report or an abridged summary thereof shall be mailed (emailed, where e mail id is provided unless otherwise required)) to all Unit holders not later than four months (or such other period as may be specified by SEBI from time to time) from the date of closure of the relevant accounting year (i.e. 31st March each year) and full annual report shall be available for inspection at the Head Office of the Mutual Fund and a copy shall be made available to the Unit holders on request on payment of nominal fees, if any. Scheme wise annual report shall also be displayed on the website of the Mutual Fund (www.axismf.com) and on the website of Association of Mutual Funds in India (www.amfiindia.com).<br><br>Unitholders whose email addresses are not registered with the Mutual Fund may 'opt-in' to receive a physical copy of the annual report or an abridged summary thereof.<br><br>Further, AMC shall provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on a specific request received from a unitholder.<br><br>AMC shall also publish an advertisement every year, in an all India edition of one national English daily newspaper and in one Hindi newspaper, disclosing the hosting of the scheme wise annual report on the website of the Mutual Fund and AMFI and the modes through which a unitholder can submit a request for a physical or electronic copy of the annual report or abridged summary thereof.<br><br>For details, please refer our website: https://www.axismf.com/statutory-disclosures |
| Risk-o-meter and Benchmark Risk-o-meter | The AMC shall review Risk-o-meters on a monthly basis based on evaluation of risk level of Scheme's month end portfolio. Any change in risk-o-meter of the scheme or its benchmark shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme. Investors may also refer to the website/portfolio disclosure for the latest Risk-o-meter of the Scheme. |
| Scheme Summary Document | The AMC has provided on its website Scheme Summary Document which is a standalone scheme document for all the Schemes which contains all the details of the Scheme viz. Scheme features, Fund Manager details, investment details, investment objective, expense ratios, portfolio details, etc.<br><br>For details, please refer our website: https://www.axismf.com/statutory-disclosures |
| Any disclosure in terms of consolidated checklist of standard observations | NIL |

**C. Transparency/NAV Disclosure**

The AMC will calculate and disclose the NAV of the Scheme on all the Business Days. The AMC shall update the NAVs on the website Association of Mutual Funds in India - AMFI (www.amfiindia.com) before 11.00 p.m. on every Business Day and shall also update the NAVs on the website of AMC (www.axismf.com) for a given business day. If the NAVs are not available before the commencement of Business Hours on the following day due to any reason, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAV.

Information regarding NAV can be obtained by the Unit holders / Investors by calling or visiting the nearest ISC.

**D. Transaction charges and stamp duty-**

**Transaction Charges**
**–** Not Applicable

**Stamp Duty**
Pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, stamp duty @0.005% of the transaction value would be levied on applicable mutual fund transactions.

Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including IDCW reinvestment) to the unitholders would be reduced to that extent.

For further details on Stamp Duty please refer SAI.

**E. Associate Transactions**
- Please refer to Statement of Additional Information (SAI)

**F. Taxation**
- For details on taxation please refer to the clause on Taxation in the SAI apart from the following:

**Taxation of Equity-Oriented Mutual Funds (Rates applicable for the Financial Year 2025-26)**
The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors / authorised dealers with respect to the specific amount of tax and other implications

| Particulars | Taxability in the hands of Individuals / Non-corporates / Corporates | |
|---|---|---|
| | **Resident** | **Non-Resident** |
| **Tax on distributed income** | Taxed in the hands of unitholders at applicable rate under the provisions of the Income-tax Act, 1961 (Act)<br>(Refer Note 3) | Taxed in the hands of unitholders at the rate of 20% u/s 115A/ 115AD of the Act (plus applicable surcharge and health and education cess) |
| **Capital Gains** | | |
| **Long Term Capital Gains:**<br>(Held for a period of more than 12 Months) | 12.5% (plus applicable surcharge and health and education cess) without indexation<br>(Refer Note 7) | 12.5% (plus applicable surcharge and health and education cess) without indexation<br>(Refer Note 7) |
| **Short Term Capital Gains**<br>(Held for a period of 12 months or less) | 20% (plus applicable surcharge and health and education cess) | 20% (plus applicable surcharge and health and education cess) |

**Notes –**

1. Axis Mutual Fund is a Mutual Fund registered with the Securities & Exchange Board of India and hence the entire income of the Mutual Fund will be exempt from income tax in accordance with the provisions of section 10(23D) of the Act.

2. An equity-oriented fund has been defined as:

   a) In case where the fund invests a minimum of 90% of the total proceeds in units of another fund, which is traded on recognized stock exchange, and such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on a recognized stock exchange; and

arising out of his or her participation in the schemes.

b) In any other case, a minimum of 65% of the total proceeds of such fund is invested in the equity shares of domestic companies listed on a recognized stock exchange.

Provided that the percentage of equity shareholding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

3. Applicable rates for individual, corporates and non-corporates are as under:

| Particulars | Income slab | Rate of tax |
|---|---|---|
| Individual/ Hindu Undivided Family (HUF)/ AOP/ BOI# | Where total income for a tax year (April to March) is less than or equal to Rs 2,50,000* (the basic exemption limit) | Nil |
| | Where such total income is more than Rs 2,50,000* but is less than or equal to Rs 5,00,000 | 5% of the amount by which the total income exceeds Rs 2,50,000* |
| | Where such total income is more than Rs 5,00,000* but is less than or equal to Rs 10,00,000 | Rs 12,500 plus 20% of the amount by which the total income exceeds Rs 5,00,000* |
| | Where such total income is more than Rs 10,00,000 | Rs 1,12,500 plus 30% of the amount by which the total income exceeds Rs 10,00,000 |
| Co-operative society | Where total income for a tax year (April to March) is less than or equal to Rs 10,000 | 10% of the total income |
| | Where such total income is more than Rs 10,000 but is less than or equal to Rs 20,000 | Rs 1,000 plus 20% of the amount by which the total income exceeds Rs 10,000 |
| | Where the total income exceeds Rs 20,000 | Rs 3,000 plus 30% of the amount by which the total income exceeds Rs 20,000 |
| Co-operative society availing concessional tax rate benefit (subject to prescribed conditions) under section 115BAD of the Act | 22% | |
| Co-operative society availing concessional tax rate benefit (subject to prescribed conditions) under section 115BAE of the Act | 15% | |

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| Domestic Corporate (where the total turnover or gross receipts of such company for financial year 2023-24 exceeds Rs 400 crores)/ Partnership firm/ LLP/ Local authority/ FPIs | 30% |
| Domestic company, where the total turnover or gross receipts of such company for financial year 2023-24 does not exceed Rs 400 crores | 25% |
| Domestic company availing concessional tax rate benefit (subject to prescribed conditions) under section 115BAA of the Act | 22% |
| Domestic company engaged solely in the business of manufacture/ production and availing concessional tax rate benefit (subject to prescribed conditions) under section 115BAB of the Act | 15% |
| AOP/ BOI | 30% or such higher rate of tax applicable to the individual members of the AOP/ BOI |
| Foreign Corporates | 35% |
| FPIs | 30% |

*In case of resident individuals of age 60 years or more, but less than 80 years, the basic exemption limit is Rs 3,00,000. Income between Rs 3,00,000 and Rs 500,000 will be taxable at the rate of 5%.

In case of resident individuals of age 80 years or more, the basic exemption limit is Rs 5.00,000. Income exceeding Rs 5,00,000 but less than or equal to Rs 10,00,000 will be taxable at the rate of 20%.

#Section 115BAC of the Act provides individuals and HUFs to pay tax in respect of their total income at the following rates (default regime):

| **Income slab** | **Tax rate** |
|---|---|
| Where total income for a tax year (April to March) is less than or equal to Rs 4,00,000 (the basic exemption limit) | Nil |
| Where such total income is more than Rs 4,00,000 but is less than or equal to Rs 8,00,000 | 5% of the amount by which the total income exceeds Rs 4,00,000 |

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| Where such total income is more than Rs 8,00,000 but is less than or equal to Rs 12,00,000 | Rs 20,000 plus 10% of the amount by which the total income exceeds Rs 8,00,000 |
| Where such total income is more than Rs 12,00,000 but is less than or equal to Rs 16,00,000 | Rs 60,000 plus 15% of the amount by which the total income exceeds Rs 12,00,000 |
| Where such total income is more than Rs 16,00,000 but is less than or equal to Rs 20,00,000 | Rs 1,20,000 plus 20% of the amount by which the total income exceeds Rs 16,00,000 |
| Where such total income is more than Rs 20,00,000 but is less than or equal to Rs 24,00,000 | Rs 2,00,000 plus 25% of the amount by which the total income exceeds Rs 20,00,000 |
| Where such total income is more than Rs 24,00,000 | Rs 3,00,000 plus 30% of the amount by which the total income exceeds Rs 24,00,000 |

Further, Finance Bill 2025 has proposed to enhance the threshold of total income for claiming the rebate under concessional tax regime (i.e. default regime) in case of resident individual from Rs 7,00,000 to Rs 12,00,000 and increased the limit of rebate from Rs 25,000 to Rs 60,000. However, the said rebate is not available on incomes chargeable to tax at special rates (for eg. capital gains under section 111A, 112 etc.).

4. Surcharge at the following rate to be levied in case of individual / HUF / non-corporate non-firm unit holders for equity oriented mutual fund:

| **Income** | **Individual /HUF / non-corporate non-firm unit holders** |
|---|---|
| (a) Above Rs 50 lakh upto 1 crore (including dividend income and capital gains income under section 111A, 112 and 112A of the Act) | 10% |
| (b) Above Rs 1 crore upto Rs 2 crores (including dividend income and capital gains income under section 111A and 112A of the Act) | 15% |
| (c) Above Rs 2 crores upto Rs 5 crores [excluding dividend income (dividend received from domestic companies only) and capital gains income under section 111A, 112 and 112A of the Act) | 25% |
| (d) Above Rs 5 crores [excluding dividend income (dividend received from domestic companies only) and capital gains income under section 111A, 112 and 112A of the Act) | 37%* |
| (e) Above Rs 2 crores [including dividend income (dividend received from domestic companies only) and capital gains income under section 111A, 112 and 112A of the Act)] but not covered in point (c) and (d) above | 15% |

*Surcharge rate shall not exceed 25% in case of individual and HUF pays tax under section 115BAC of the Act.

5. Surcharge rates for Companies/ firm

| **Total Income** | **Rate of Surcharge for Domestic companies*** | **Rate of Surcharge for Foreign Companies** |
|---|---|---|
| Above Rs 1 crore upto Rs 10 crores | 7% | 2% |
| Above Rs 10 crores | 12% | 5% |

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| | *Surcharge rate shall be 10% in case resident companies opting taxation under section 115BAA and section 115BAB of the Act on any income earned.<br><br>In case of firm with total income exceeding Rs 1 crore, surcharge rate shall be 12%.<br><br>6. Health and Education cess at 4% on aggregate of base tax and surcharge.<br><br>7. As per section 112A of the Act, long-term capital gains, exceeding Rs 1,25,000, arising from transfer of equity oriented mutual funds, shall be chargeable at the rate of 12.5%% (plus applicable surcharge and health and education cess).<br><br>8. The Scheme will attract securities transaction tax (STT) at 0.001% on the redemption value.<br><br>9. Withholding of Taxation by Mutual Fund will as per applicable withholding tax rate.<br><br>10. All the above non-resident investors may also claim the tax treaty benefits available, if any.<br><br>**For further details on taxation please refer to the clause on Taxation in the SAI** |

**G. Rights of Unitholders**
- Please refer to SAI for details.

**H. List of official points of acceptance**
: For Details of official points of acceptance, please refer our website: https://www.axismf.com/statutory-disclosures

**I. Penalties, Pending Litigation or Proceedings, Findings of Inspections or Investigations For Which Action May Have Been Taken Or Is In The Process Of Being Taken By Any Regulatory Authority**

For details, please refer our website: https://www.axismf.com/statutory-disclosures

The Scheme under this Scheme Information Document was approved by the Trustee Company on April 16, 2024. The Trustee has ensured that the Scheme is a new product offered by Axis Mutual Fund and is not a minor modification of its existing schemes.

**Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.**

**for and on behalf of Axis Asset Management Company**
**Sd/-**
**Gop Kumar Bhaskaran**
**Managing Director & Chief Executive Officer**

**Date: November 28, 2025**

Axis Asset Management Company Limited (Investment Manager to Axis Mutual Fund), One Lodha Place, 22nd & 23rd Floor, Senapati Bapat Marg, Lower Parel, Mumbai, Maharashtra, Pin Code – 400013, India.

TEL 022 6311 1001 and contact number 8108622211(Chargeable) EMAIL customerservice@axismf.com WEB www.axismf.com

The Sponsor: Axis Bank Limited is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.
**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**