

Target high-quality* securities for your portfolio.

AXIS CRISIL-IBX AAA BOND FINANCIAL SERVICES – SEP 2027 INDEX FUND

NFO PERIOD: 8th Nov to 21st Nov 2024



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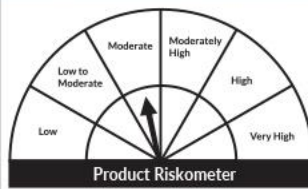
Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund

Benchmark: CRISIL-IBX AAA Financial Services Index – Sep 2027

This product is suitable for investors who are seeking*:

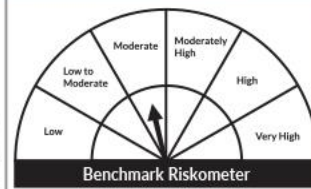
- Income over the target maturity period.
- An open ended target maturity index fund tracking CRISIL-IBX AAA Financial Services Index – Sep 2027, subject to tracking error/tracking difference.

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



Product Riskometer

Investors understand that their principal will be at Moderate risk



Benchmark Riskometer

CRISIL-IBX AAA Financial Services Index – Sep 2027

Potential Risk Class

	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Credit Risk →			
Interest Rate Risk ↓			
Relatively Low (Class I)			
Moderate (Class II)	A-II		
Relatively High (Class III)			

* - AAA Bond



The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made.

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

Sectoral Target Maturity Funds



SEBI recently permitted launch of sector-based Target Maturity Funds on defined sectors



Average Maturity: **~2.80 years**



Asset Quality*: **95-100% AAA**



Break-up: NBFCs: **45%** | HFCs: **20%** | Fls: **30%** | Pvt Sector Banks: **5%**



Higher carry without diluting the credit profile vis-à-vis active debt funds with similar duration/ rating profile

Axis CRISIL-IBX
AAA Bond Financial
Services – Sep 2027
Index Fund

Understanding Sectoral Target Maturity Funds

How does the portfolio construct of Sectoral Target Maturity Funds differ from other Debt Funds?

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

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

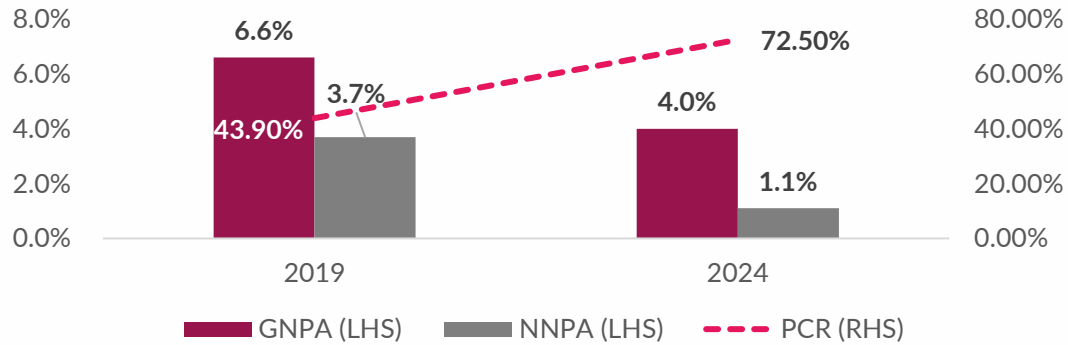
*Based on currently live indices.

Why invest in 3-year Financial Services Target Maturity Fund?

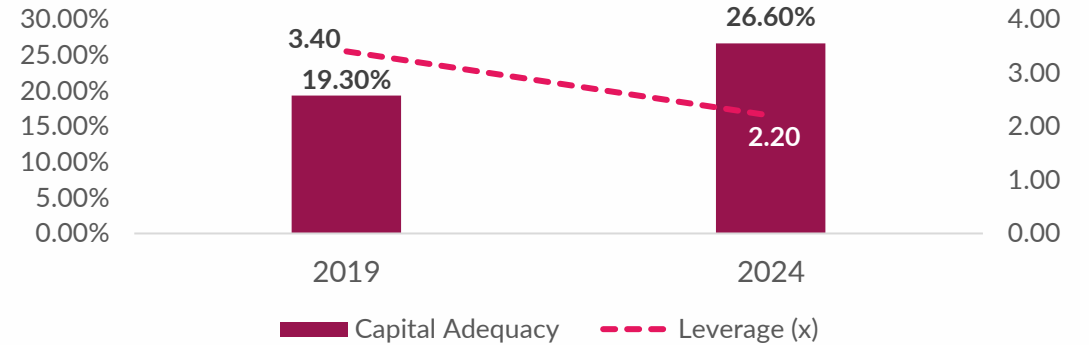


Change in NBFC landscape over the last 5 years

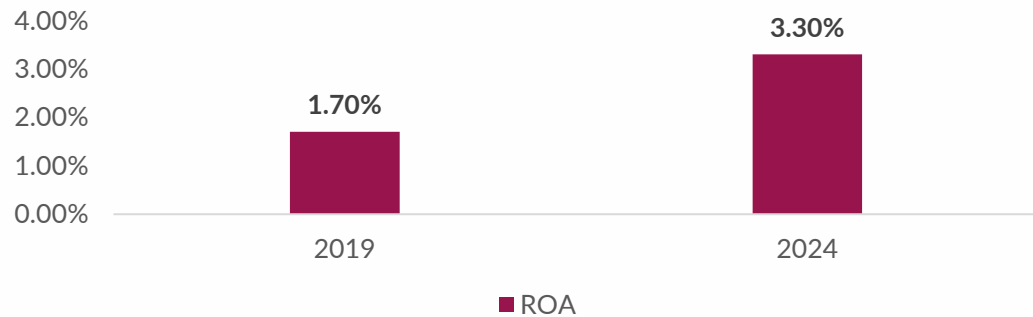
Asset Quality has improved and so has Provision Coverage*



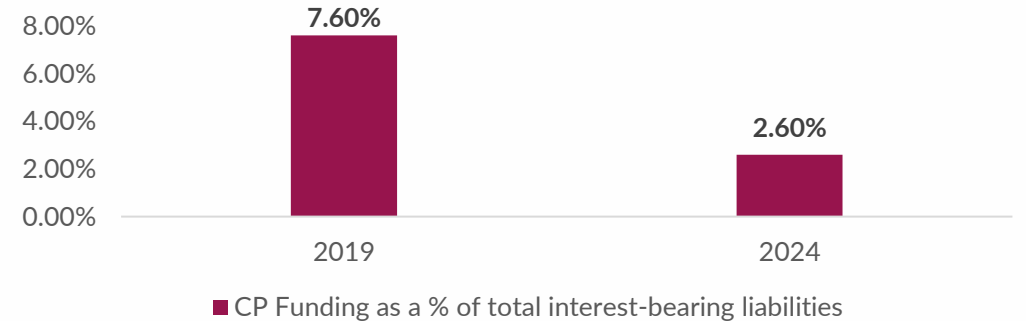
Capitalization has improved and Leverage levels have reduced



Better profitability - aids in building up cushion for future**



Funding mix has significantly improved with lower reliance on short term borrowings



Proactive regulations are ensuring long-term stability of the sector



RBI's Scale-Based Regulation for NBFCs



Tightening of provisioning norms



Tightening of Liquidity Risk Management Framework for NBFC's & CIC's.

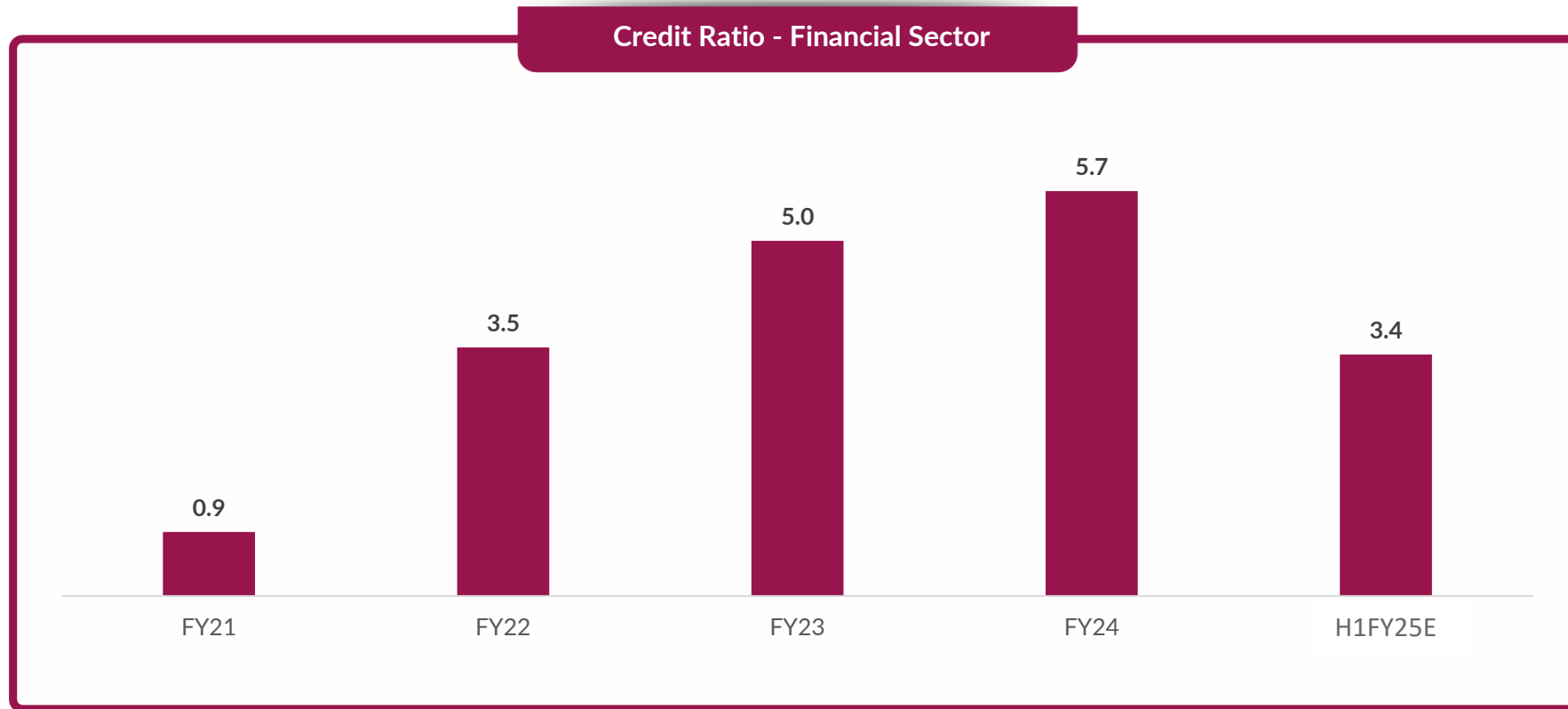
Source: RBI, Axis MF Research. *Terminologies used: GNPA - Gross Non-Performing Assets, NNPA - Net Non-Performing Assets, PCR - Provisioning Coverage Ratio. **ROA - Return on Assets.

Banking Sector in best of health



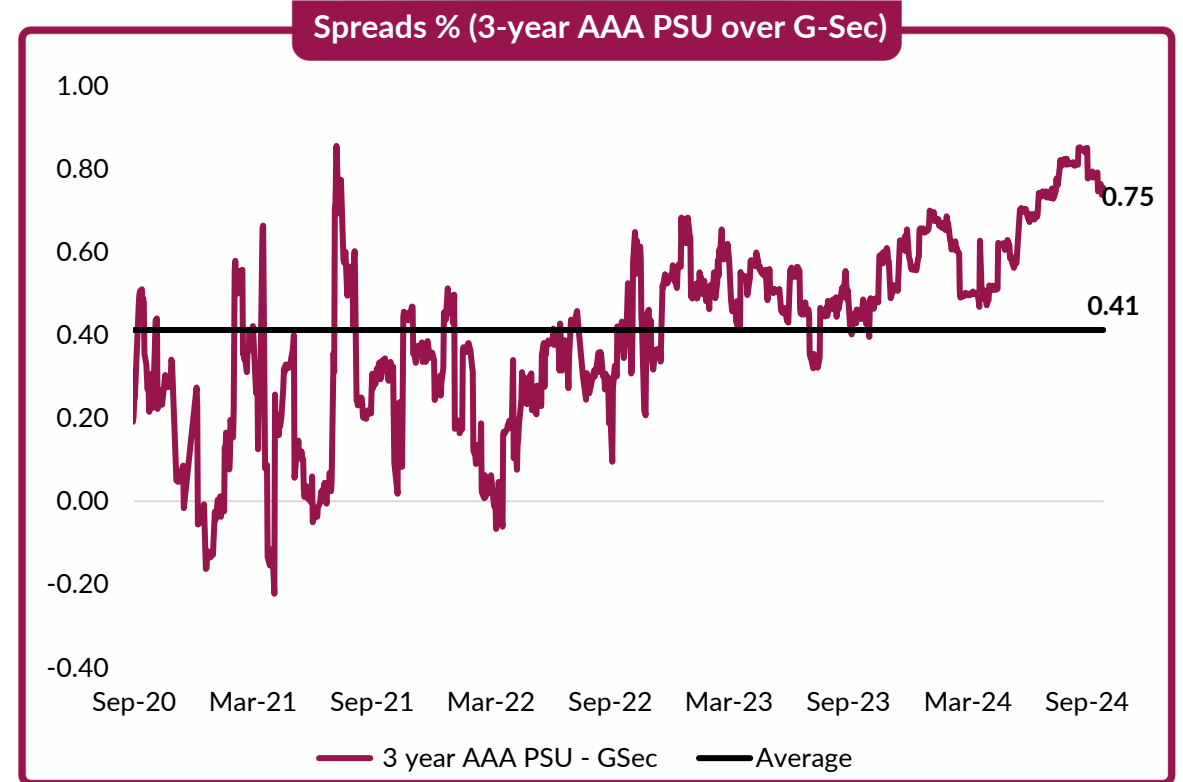
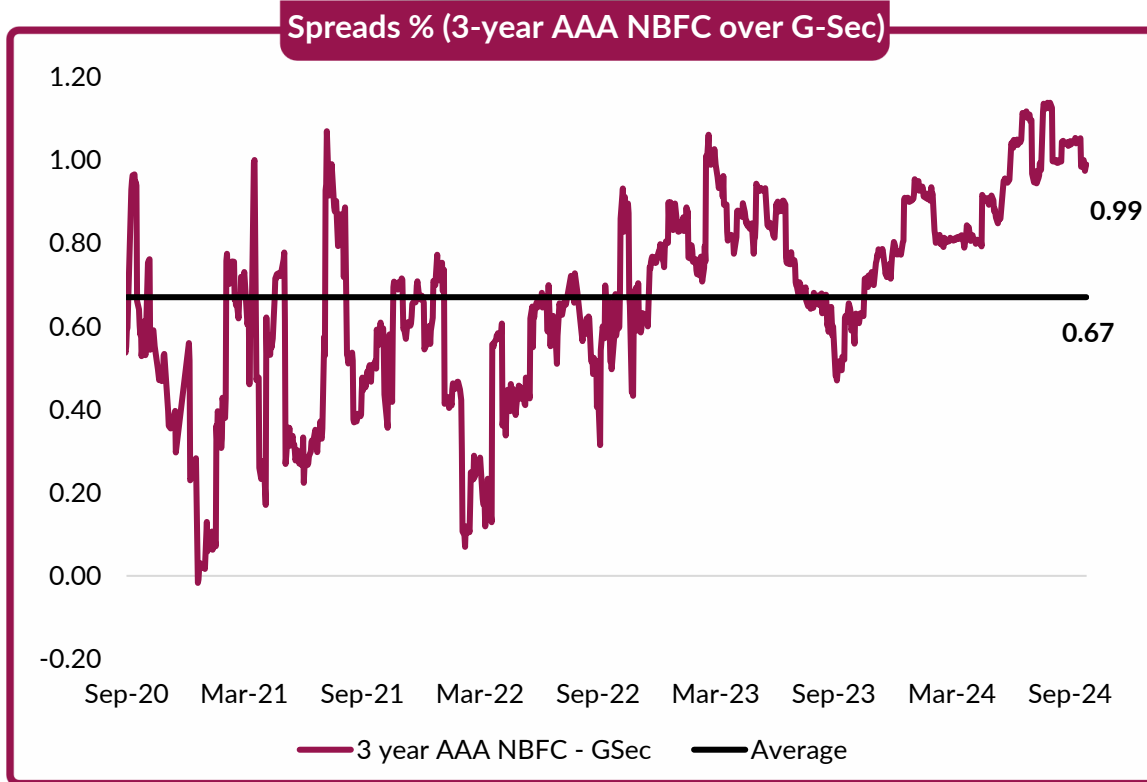
Favorable Credit Ratio

Significantly higher upgrades than downgrades



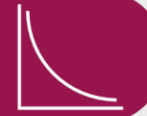
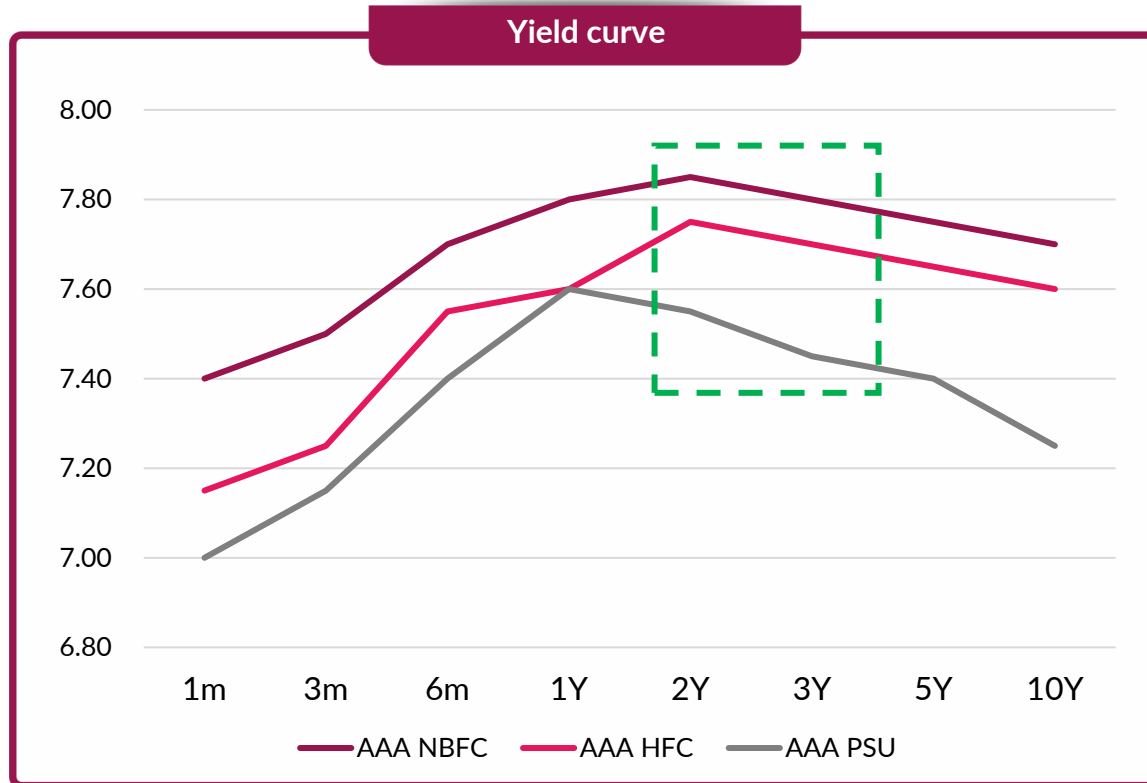
Financial Services spreads are currently attractive

Risk-reward remains favorable due to strong fundamentals



3 years – Sweet Spot on the yield curve

Well placed in the current market context



Corporate Bond yield curve is currently inverted



3-year segment is a sweet spot as it offers a combination of higher absolute yields and potential for capital gains due to:

- Anticipated Rate cuts
- Easy Liquidity Conditions

CRISIL-IBX AAA Financial Services Index – Sep 2027

Details as of 03rd Nov 2024



CRISIL-IBX AAA Financial Services Index – Sep 2027 is a sectoral target maturity index that seeks to track the performance of AAA issuers from the financial services sector maturing near target date of the index

Constituents

Index Attributes

Issuer	Weights	Stats	
L&T Finance Ltd.	5%	YTM	7.72%
Tata Capital Ltd.	5%	Modified Duration	2.39 years
Tata Capital Housing Finance Ltd.	5%	Average Maturity	~2.80 years
Small Industries Development Bank Of India	5%		
Rural Electrification Corporation Ltd.	5%		
Power Finance Corporation Ltd.	5%		
National Housing Bank	5%		
National Bank for Agriculture & Rural Development	5%		
Mahindra & Mahindra Financial Services Ltd.	5%		
LIC Housing Finance Ltd.	5%		
Aditya Birla Finance Ltd.	5%		
Kotak Mahindra Prime Ltd.	5%		
Kotak Mahindra Investments Ltd.	5%		
Indian Railway Finance Corporation Ltd.	5%		
HDFC Bank Ltd.	5%		
HDB Financial Services Ltd.	5%		
Bajaj Housing Finance Ltd.	5%		
Bajaj Finance Ltd.	5%		
Axis Finance Ltd.	5%		
Aditya Birla Housing Finance Ltd.	5%		

Source: Crisil. The sectors mentioned are currently part of underlying Index. It should not be construed as investment advice / recommendation to any party. Past performance may or may not be sustained in future. For complete details of the index including methodology, refer [here](#).

About the fund

Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund



Investment Philosophy

Target maturity index fund following 'Buy and Hold' investment approach subject to semi-annual index rebalancing



Interest Rate Risk

Duration of the securities will reduce as the scheme nears maturity; over the life of the product duration risk is minimized



Asset Quality

100% allocation to AAA rated issuers from financial services sector only



Defined Maturity

Upon the scheme maturity in Sep 2027, the investment proceeds along with the potential returns will be paid back to the investors

Identifying which product is right for you?

Financial Services Target Maturity Funds vs other investment avenues

	Financial Services Target Maturity Funds	Actively Managed Debt Mutual Funds	Individual Bonds	Small Savings Schemes	Fixed Deposits
Visibility of potential returns*	✓	✗	✓	✓	✓
Liquidity	✓	✓	✗ [#]	✗	✗ ^{**}
Diversification	✓	✓	✗	✗	✗
Professional Management	✓	✓	✗	NA	✗
Defined Maturity	✓	✗	✓	✓	✓

Source: Axis MF Research. *At Maturity #Bond liquidity may vary due to vagaries of debt markets**Penalty for premature withdrawal. There can be no assurance that the investment objective of the Scheme will be achieved. Investors must consult their financial advisors regarding portfolio allocation and suitability of funds depending on the risk profile of the investor.

To summarise

Why should investors consider Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund?



Higher carry vis-à-vis active debt funds with similar maturity/rating profile



High quality portfolio – 100% AAA rated corporate bonds from Financial Services Sector only



Visibility of potential returns, when held till maturity



Tactical play to benefit from falling interest rates



Liquidity – Open ended scheme with no exit load



Relatively lower expense ratio – The scheme being passively managed

Key Scheme Details



Fund Manager
Aditya Pagaria



Plans
Direct and Regular



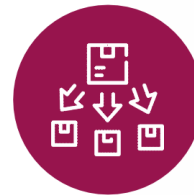
Min Application Amount
` 5,000 and in multiples of ` 1/- thereof



Exit Load
Nil



Benchmark
CRISIL-IBX AAA Financial Services Index –
Sep 2027



Options
Growth and IDCW (Payout and Re-investment)

Annexure



Target Maturity Funds



Target Maturity Funds are open ended passive debt mutual fund schemes tracking an underlying bond index having a pre-defined maturity



Portfolio constituents have in aggregate, key characteristics of the underlying index



Maturity of individual securities is lower than the index's stated maturity



These funds follow a buy and hold approach. Coupons are reinvested, which adds to the compounding benefit and leads to deferment of taxes.

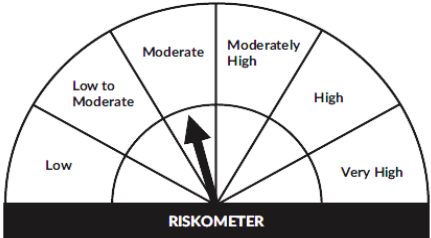
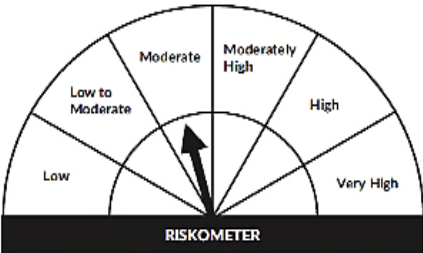


Units of the scheme are automatically redeemed at the applicable NAV on the maturity date



Minimal interest rate risk over the defined maturity

Product Labelling

Product Label	Product Risk-o-meter	Benchmark Risk-o-meter	Potential Risk Class Matrix																								
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> Income over the target maturity period An open ended target maturity index fund tracking CRISIL-IBX AAA Financial Services Index – Sep 2027, subject to tracking error/tracking difference 	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at moderate risk</p>	 <p>RISKOMETER</p> <p>CRISIL-IBX AAA Financial Services Index – Sep 2027</p>	<table border="1"> <thead> <tr> <th colspan="4">POTENTIAL RISK CLASS</th> </tr> <tr> <th>Credit Risk →</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> </thead> <tbody> <tr> <th>Interest Rate Risk ↓</th> <td></td> <td></td> <td></td> </tr> <tr> <th>Relatively Low (Class I)</th> <td></td> <td></td> <td></td> </tr> <tr> <th>Moderate (Class II)</th> <td>A-II</td> <td></td> <td></td> </tr> <tr> <th>Relatively High (Class III)</th> <td></td> <td></td> <td></td> </tr> </tbody> </table>	POTENTIAL RISK CLASS				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)	A-II			Relatively High (Class III)			
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