
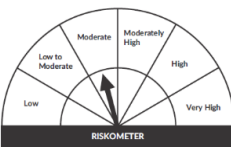


## SCHEME INFORMATION DOCUMENT

### Axis Floater Fund

(An open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk)

| This product is suitable for investors who are seeking*:   | Scheme Risk-o-meter   | Benchmark Risk-o-meter  | POTENTIAL RISK CLASS        |                          |                    |                           |
|--|---|---|-----------------------------|--------------------------|--------------------|---------------------------|
|  |   |   | Credit Risk →               | Relatively Low (Class A) | Moderate (Class B) | Relatively High (Class C) |
| <ul style="list-style-type: none"> <li>Regular income over short term investment horizon.</li> <li>To invest predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/derivatives)</li> </ul> |  |  | Interest Rate Risk ↓        |                          |                    |                           |
|  |   |   | Relatively Low (Class I)    |                          |                    |                           |
|  |   |   | Moderate (Class II)         |                          |                    |                           |
|  |   |   | Relatively High (Class III) |                          | <b>B-III</b>       |                           |

**\*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><a href="http://www.axismf.com">www.axismf.com</a> |
| Name of the 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](http://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 29, 2024.

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

| Sr. No | Title                                 | Description  |
|--------|---------------------------------------|--|
| I.     | <b>Name of the scheme</b>             | Axis Floater Fund ('the Scheme')   |
| II.    | <b>Category of the Scheme</b>         | Floater Fund   |
| III.   | <b>Scheme type</b>                    | An open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk.   |
| IV.    | <b>Scheme code</b>                    | AXIS/O/D/FLF/21/03/0053  |
| V.     | <b>Investment objective</b>           | <p>To generate regular income through investment in a portfolio comprising predominantly of floating rate instruments and fixed rate instruments swapped for floating rate returns. The Scheme may also invest a portion of its net assets in fixed rate debt and money market instruments.</p> <p>There can be no assurance that the investment objective of the scheme would be achieved.</p>  |
| VI.    | <b>Liquidity/listing-details</b>      | <p>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.</p>  |
| VII.   | <b>Benchmark (Total Return Index)</b> | <p><b>AMFI Tier 1 Benchmark:</b> Nifty Long Duration Debt Index A-III</p> <p><b>Justifications of Benchmark:</b></p> <p>Based on the maturity profile of the proposed scheme, the benchmark has been selected as the underlying constituents of the benchmark will most closely resemble the actual portfolio and hence justify performance comparison.</p> <p>Hence, Nifty Long Duration Debt Index A-III being the most appropriate of the available benchmarks is being used as a benchmark for the Scheme.</p> <p><b>Tier 2 Benchmark:</b> Not Applicable</p> <p>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.</p> |
| VIII.  | <b>NAV disclosure</b>                 | <p>By 11.00 p.m. on every Business Day on AMC (<a href="http://www.axismf.com">www.axismf.com</a>) and AMFI website.</p> <p>Further Details in Section II.</p>   |
| IX.    | <b>Applicable timelines</b>           | <p>Timeline for</p> <p><b>Dispatch of redemption proceeds:</b></p> <p>Under normal circumstances the AMC shall dispatch the redemption proceeds within three (3) working days from the date of receipt of request</p>  |

|           |  | <p>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.</p> <p><b>Dispatch of IDCW:</b><br/>The warrants/cheque/demand draft shall be dispatched to the Unit holders within 7 working days from the record date</p>  |   |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
|-----------|--|--|---|----------------------|-------------------|--------------|--------|-----|----|----|------|----------------------|----------------------------|-------|------------------------------------|---------|--------------------------------|--------------------------------------|-----------|---|---------------------------------|--------|------|
| <b>X.</b> | <b>Plans and Options</b><br>Plans/Options and sub options under the Scheme | <p><b>Plans</b></p> <ol style="list-style-type: none"> <li>1. Axis Floater Fund - Regular Plan</li> <li>2. Axis Floater Fund - Direct Plan</li> </ol> <p><b>Direct Plan</b><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.</p> <p><b>Regular Plan</b><br/>Regular Plan is available for investors who purchase /subscribe Units in a Scheme through a Distributor.</p> <p>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.</p> <p>All the plans will have a common portfolio.</p> <p>Each plan offers the following options:</p> <ul style="list-style-type: none"> <li>• Growth option</li> <li>• Income Distribution cum Capital Withdrawal (IDCW) option</li> </ul> <table border="1" data-bbox="491 1171 1445 1637"> <thead> <tr> <th>Options</th> <th>Sub-options/Facility</th> <th>Frequency of IDCW</th> <th>Record date*</th> </tr> </thead> <tbody> <tr> <td>Growth</td> <td>Nil</td> <td>NA</td> <td>NA</td> </tr> <tr> <td rowspan="4">IDCW</td> <td>Daily(Re-investment)</td> <td>Daily (every business day)</td> <td>Daily</td> </tr> <tr> <td>Monthly (Payout and Re-investment)</td> <td>Monthly</td> <td>25<sup>th</sup> of the month*</td> </tr> <tr> <td>Quarterly (Payout and Re-investment)</td> <td>Quarterly</td> <td>25<sup>th</sup> of March, June, September and December</td> </tr> <tr> <td>Annual (Payout &amp; Re-investment)</td> <td>Annual</td> <td>N.A.</td> </tr> </tbody> </table> <p>* Next business day if record date happens to be a non business day.</p> <p><b>Eligible investors / modes for applying</b><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}.</p> <p>All the plans will have a common portfolio.</p> | Options   | Sub-options/Facility | Frequency of IDCW | Record date* | Growth | Nil | NA | NA | IDCW | Daily(Re-investment) | Daily (every business day) | Daily | Monthly (Payout and Re-investment) | Monthly | 25 <sup>th</sup> of the month* | Quarterly (Payout and Re-investment) | Quarterly | 25 <sup>th</sup> of March, June, September and December | Annual (Payout & Re-investment) | Annual | N.A. |
| Options   | Sub-options/Facility   | Frequency of IDCW  | Record date*  |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
| Growth    | Nil  | NA   | NA  |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
| IDCW      | Daily(Re-investment)   | Daily (every business day)   | Daily   |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
|           | Monthly (Payout and Re-investment)   | Monthly  | 25 <sup>th</sup> of the month*                          |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
|           | Quarterly (Payout and Re-investment)                                       | Quarterly  | 25 <sup>th</sup> of March, June, September and December |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |
|           | Annual (Payout & Re-investment)  | Annual   | N.A.  |                      |                   |              |        |     |    |    |      |                      |                            |       |                                    |         |                                |                                      |           |   |                                 |        |      |

|        |   |   |
|--------|---|---|
|        |   | <p><b>Default Plan/ Option/Facility</b></p> <p>The investor must clearly specify his choice of plan. Investors subscribing under Direct Plan of a Scheme will have to indicate "Direct Plan" against the Scheme name in the application form e.g. "Axis Floater Fund – Direct Plan". Investors should also indicate "Direct" in the ARN column of the application form.</p> <p>Default Option - Growth Option<br/>Default sub option - Daily<br/>Default Facility - IDCW Reinvestment facility (between IDCW Reinvestment and IDCW Payout facility).</p> <p>For detailed disclosure on default plans and options, kindly refer SAI.</p> |
| XI.    | <b>Load Structure</b>                       | <p><b>Entry Load: Not Applicable</b></p> <p>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.</p> <p><b>Exit Load: NIL</b></p> <p>For more details on Load Structure, please refer paragraph "Load Structure".</p>  |
| XII.   | <b>Minimum Application Amount/switch in</b> | <p><b><u>Minimum Application Amount/switch in</u></b></p> <p>Rs. 5000 and in multiples of Re. 1/- thereafter</p> <p>Minimum application amount is applicable at the time of creation of new folio and at the time of first investment in a plan.</p> <p>"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".</p>   |
| XIII . | <b>Minimum Additional Purchase Amount</b>   | <p>Rs.1000 and in multiples of Re. 1/- thereafter</p> <p>"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".</p>   |
| XI V.  | <b>Minimum Redemption/switch out amount</b> | <p>There will be no minimum redemption criterion.</p>   |
| XV .   | <b>New Fund Offer Period</b>                | <p>This section does not apply to the Scheme as it has already been launched.</p> <p>The New Fund Offer opened on July 12, 2021 and closed on July 26, 2021. The units under the Scheme were allotted on July 29, 2021.</p> <p>The Scheme is now available for Subscription and Redemption at NAV based prices on all Business Days.</p>  |
| XV I.  | <b>New Fund Offer Price</b>                 | <p>This section does not apply to the Scheme as it has already been launched.</p> <p>The Scheme is now available for Subscription and Redemption at NAV based prices on all Business Days.</p>  |

|                |   |  |
|----------------|---|--|
| <b>XV II.</b>  | <b>Segregated portfolio/pocketing disclosure side</b>                         | The Scheme has provision for segregated portfolio. For Details, kindly refer SAI.  |
| <b>XV III.</b> | <b>Swing pricing disclosure</b>   | The Scheme has provision for swing pricing disclosure. For Details, kindly refer SAI.  |
| <b>XI X.</b>   | <b>Stock lending/short selling</b>  | The Scheme shall not engage in stock lending / short selling subject to disclosure as specified in asset allocation. For Details, kindly refer SAI.  |
| <b>XX .</b>    | <b>How to Apply and other details</b>   | <p>Investors can undertake transactions in the Schemes of Axis Mutual Fund either through physical or electronic mode as mentioned below or any other mode as may be prescribed from time to time.</p> <p><b>Physical Transactions</b><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. <a href="http://www.axismf.com">www.axismf.com</a>.</p> <p><b>Online / Electronic Transactions</b><br/>Investors can undertake transactions via electronic mode including through the various online facilities offered by Axis AMC from time to time.</p> <p>Details in section II</p>   |
| <b>XX I.</b>   | <b>Investor services</b>  | <p><b>Contact details for general service requests and complaints:</b><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) 6649 6100 (at local call rate for enquiring at AMC ISC's) or email – <a href="mailto:customerservice@axismf.com">customerservice@axismf.com</a>. 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.</p> <p><b>Investor Relations Officer:</b><br/>Mr. C P Sivakumar Nair<br/>Address : Axis Asset Management Company Ltd.<br/>One Lodha Place, 22nd &amp; 23rd Floor, Senapati Bapat Marg, Lower Parel, Mumbai, Maharashtra, Pin Code – 400013<br/>Phone no.: (022) 6649 6102</p> <p>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.</p> |
| <b>XX II.</b>  | <b>Specific attribute of the scheme</b>                                       | Not Applicable.  |
| <b>XX III.</b> | <b>Special product/facility available during the NFO and on ongoing basis</b> | <p>The facilities offered under the Scheme are as follows:</p> <p>A. SYSTEMATIC INVESTMENTS</p> <ol style="list-style-type: none"> <li>1) Systematic Investment Plan (SIP)</li> <li>2) Systematic Investment Plan (SIP) Switch Facility</li> <li>3) Systematic Investment Plan (SIP) Top-Up Facility</li> <li>4) Systematic Investment Plan (SIP) Pause / Unpause facility</li> <li>5) FLEX - SYSTEMATIC INVESTMENT PLAN ("FLEX SIP")</li> </ol>   |

|                              |   | <p>B. SYSTEMATIC TRANSFERS</p> <ol style="list-style-type: none"> <li>1) SYSTEMATIC TRANSFER PLAN</li> <li>2) CAPITAL APPRECIATION SYSTEMATIC TRANSFER PLAN ("CAPSTP")</li> <li>3) FLEX - SYSTEMATIC TRANSFER PLAN ("FLEX STP")</li> </ol> <p>C. SYSTEMATIC WITHDRAWAL PLAN (SWP)</p> <p>D. TRANSFER OF INCOME DISTRIBUTION CUM CAPITAL WITHDRAWAL PLAN (IDCW TRANSFER PLAN)</p> <p>E. SWITCHING OPTIONS</p> <ol style="list-style-type: none"> <li>1) Inter – Scheme Switching option</li> <li>2) Intra –Scheme Switching option</li> </ol> <p>F. ONLINE SCHEDULE TRANSACTION FACILITY</p> <p>G. TRIGGER FACILITY</p> <p>The details pertaining to Frequency / Minimum installments / Minimum amount of SIP / SWP / STP are as follows:</p> <p><b>1. Systematic Investment Plan</b></p> <p>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:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Frequency under SIP Facility</th> <th style="text-align: center;">Minimum Installments</th> <th style="text-align: center;">Minimum SIP amount</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>6 Installments</td> <td>Rs. 100/- and in multiple of Re. 1/-</td> </tr> <tr> <td>Weekly</td> <td>6 Installments</td> <td>Rs. 100/- and in multiple of Re. 1/-</td> </tr> <tr> <td>Monthly</td> <td>6 Installments</td> <td>Rs. 1,000/- and in multiple of Re. 1/-</td> </tr> <tr> <td>Yearly</td> <td>3 Installments</td> <td>Rs. 12,000/- and in multiple of Re. 1/-</td> </tr> </tbody> </table> <p><b>2. Systematic Transfer Plan</b></p> <p>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.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">STP Frequency</th> <th style="text-align: center;">Cycle Date</th> <th style="text-align: center;">Minimum Amount* (in Rs.)</th> <th style="text-align: center;">Minimum Installment</th> </tr> </thead> <tbody> <tr> <td>Daily</td> <td>Monday To Friday</td> <td>1,000/-</td> <td>6</td> </tr> <tr> <td>Weekly</td> <td>Monday To Friday</td> <td>1,000/-</td> <td>6</td> </tr> <tr> <td>Fortnightly</td> <td>Alternate Wednesday</td> <td>1,000/-</td> <td>6</td> </tr> <tr> <td>Monthly</td> <td>1<sup>st</sup>, 7<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup></td> <td>1,000/-</td> <td>6</td> </tr> <tr> <td>Quarterly</td> <td>1<sup>st</sup>, 7<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup></td> <td>3,000/-</td> <td>2</td> </tr> </tbody> </table> <p><b>3. Systematic Withdrawal Plan</b></p> | 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. 1,000/- and in multiple of Re. 1/- | Yearly | 3 Installments | Rs. 12,000/- and in multiple of Re. 1/- | 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 | 1 <sup>st</sup> , 7 <sup>th</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> or 25 <sup>th</sup> | 1,000/- | 6 | Quarterly | 1 <sup>st</sup> , 7 <sup>th</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> or 25 <sup>th</sup> | 3,000/- | 2 |
|------------------------------|---|--|------------------------------|----------------------|--------------------|-------|----------------|--------------------------------------|--------|----------------|--------------------------------------|---------|----------------|--|--------|----------------|---|---------------|------------|--------------------------|---------------------|-------|------------------|---------|---|--------|------------------|---------|---|-------------|---------------------|---------|---|---------|---|---------|---|-----------|---|---------|---|
| 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. 1,000/- and in multiple of Re. 1/-   |                              |                      |                    |       |                |                                      |        |                |                                      |         |                |  |        |                |   |               |            |                          |                     |       |                  |         |   |        |                  |         |   |             |                     |         |   |         |   |         |   |           |   |         |   |
| Yearly                       | 3 Installments  | Rs. 12,000/- and in multiple of Re. 1/-  |                              |                      |                    |       |                |                                      |        |                |                                      |         |                |  |        |                |   |               |            |                          |                     |       |                  |         |   |        |                  |         |   |             |                     |         |   |         |   |         |   |           |   |         |   |
| 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                      | 1 <sup>st</sup> , 7 <sup>th</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> or 25 <sup>th</sup> | 1,000/-  | 6                            |                      |                    |       |                |                                      |        |                |                                      |         |                |  |        |                |   |               |            |                          |                     |       |                  |         |   |        |                  |         |   |             |                     |         |   |         |   |         |   |           |   |         |   |
| Quarterly                    | 1 <sup>st</sup> , 7 <sup>th</sup> , 10 <sup>th</sup> , 15 <sup>th</sup> or 25 <sup>th</sup> | 3,000/-  | 2                            |                      |                    |       |                |                                      |        |                |                                      |         |                |  |        |                |   |               |            |                          |                     |       |                  |         |   |        |                  |         |   |             |                     |         |   |         |   |         |   |           |   |         |   |

|                                   |                  | <p>There are five options available under SWP viz. Weekly option, Monthly option, quarterly option, Half Yearly and Yearly option. The details of which are given below:</p> <table border="1"> <thead> <tr> <th></th> <th>Weekly Option</th> <th>Monthly Option</th> <th>Quarterly Option</th> <th>Half Yearly Option</th> <th>Yearly Option</th> </tr> </thead> <tbody> <tr> <td>Minimum value of SWP</td> <td colspan="5">Rs. 1,000/-</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> </tbody> </table> <p>* In the event that such a day is a holiday, the withdrawals would be affected on the next business day.</p> <p>For detail terms and condition of above facilities kindly refer SAI.</p> |                  | Weekly Option      | Monthly Option | Quarterly Option | Half Yearly Option | Yearly Option | Minimum value of SWP | Rs. 1,000/- |  |  |  |  | Additional amount in multiples of | Re.1 |  |  |  |  | Dates of SWP Installment | Any Business Day | 1/5/10/15/25* |  |  |  | Minimum No. of SWP | Five | Six | Four | Four | Two |
|-----------------------------------|------------------|--|------------------|--------------------|----------------|------------------|--------------------|---------------|----------------------|-------------|--|--|--|--|-----------------------------------|------|--|--|--|--|--------------------------|------------------|---------------|--|--|--|--------------------|------|-----|------|------|-----|
|                                   | Weekly Option    | Monthly Option   | Quarterly Option | Half Yearly Option | Yearly Option  |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |
| Minimum value of SWP              | Rs. 1,000/-      |  |                  |                    |                |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |
| Additional amount in multiples of | Re.1             |  |                  |                    |                |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |
| Dates of SWP Installment          | Any Business Day | 1/5/10/15/25*  |                  |                    |                |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |
| Minimum No. of SWP                | Five             | Six  | Four             | Four               | Two            |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |
| <b>XX IV.</b>                     | <b>Weblink</b>   | <ul style="list-style-type: none"> <li><b>TER for last 6 months / Daily TER:</b><br/>For details, please refer our website:<br/><a href="https://www.axismf.com/total-expense-ratio">https://www.axismf.com/total-expense-ratio</a></li> <li><b>Scheme factsheet:</b><br/>For details, please refer our website:<br/><a href="https://www.axismf.com/downloads">https://www.axismf.com/downloads</a></li> </ul>  |                  |                    |                |                  |                    |               |                      |             |  |  |  |  |                                   |      |  |  |  |  |                          |                  |               |  |  |  |                    |      |     |      |      |     |

### 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) A confirmation that 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 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.

**Date: November 29, 2024**  
**Place: Mumbai**

**Name: Darshan Kapadia**  
**Designation: Compliance Officer**

## Part II. INFORMATION ABOUT THE SCHEME

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

Under normal circumstances, the asset allocation pattern will be:

| Instruments  | Indicative allocations<br>(% of total assets) |         |
|--|---|---------|
|  | Minimum                                       | Maximum |
| Floating Rate Debt Instruments (including Fixed Rate Debt Instruments swapped for floating rate returns) | 65  | 100     |
| Debt and Money Market Instruments  | 0   | 35      |
| Units issued by REITs & InvITs   | 0   | 10      |

#### Derivatives

Investment in derivatives instruments shall be to the extent of 100% of the Net Assets as permitted by Regulations / guidelines issued by SEBI from time to time. The Scheme may use derivatives for such purposes as maybe 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 and any such other derivative instruments permitted by SEBI/RBI from time to time.

The cumulative gross exposure through debt, units issued by REITs & InvITs and derivative position should not exceed 100% of the net assets of the Scheme in with Para 12.24 of SEBI Master Circular as amended from time to time.

#### Securitized debt

Investment in Securitized debt (excluding foreign securitized debt), if undertaken, would not exceed 50% of the net assets of the Scheme.

#### 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:

The scheme will invest in debt instruments having structured obligations / credit enhancement as per limit prescribed by SEBI and as amended from time to time.

#### Debt instruments having Special Features

The Scheme shall invest in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption referred in para 12.2 of SEBI Mater Circular for Mutual Funds. The Scheme shall not invest more than 10% of its NAV of the debt portfolio of the scheme in such instruments and not more than 5% of its NAV of the debt portfolio of the Scheme in such instruments issued by a single issuer or within such limits as may be revised by SEBI from time to time.

#### Investment in Short Term Deposits

Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of the Scheduled Commercial Banks, subject to the guidelines issued by SEBI from time to time.

The Scheme shall not invest in foreign securitized debt and Credit Default Swaps.

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

### Investment in Mutual Fund units

The Scheme may seek exposure in Mutual Fund units of debt schemes subject to applicable Regulations. Such investment shall not exceed 35% of the net assets of the Scheme.

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with chapter 16A of SEBI Master Circular for Mutual Funds on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF') within 10 working days from the request of CDMDF. Further, an incremental contribution to CDMDF shall be made every six months within 10 working days from the end of half year starting from December 2023 to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

However, in case of winding up of contributing Scheme, inter-scheme transfers within the same Mutual Fund or across Mutual Funds may be undertaken.

Further, investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF.

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

| Sr. No. | Type of Instrument                                     | Percentage of exposure  | Circular references   |
|---------|--|---|---|
| 1       | 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, 7.6 & Para 12.25 of SEBI Master Circular for Mutual Funds |
| 2       | Securitized Debt                                       | Investment in Securitized debt (excluding foreign securitized debt), if undertaken, would not exceed 50% of the net assets of the Scheme.   | Para 12.15 of SEBI Master Circular for Mutual Funds.                |
| 3       | REITS and InVITS                                       | Upto 10% of the net assets of the Scheme.   | Para 12.21 of SEBI Master Circular for Mutual Funds.                |
| 4       | Debt instruments with special features AT1 & AT2 Bonds | The Scheme shall invest in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption referred in para 12.2 of SEBI Mater Circular for Mutual Funds fund. The Scheme shall not invest more than 10% of its NAV of the debt portfolio of the scheme in such instruments and not more than 5% of its NAV of the debt portfolio of the Scheme in such instruments issued by a single issuer or within such limits as may be revised by SEBI from time to time. | Para 12.2.2 of SEBI Master Circular for Mutual Funds.               |
| 5       | Credit Enhancement /Structured Obligations             | The scheme will invest in debt instruments having structured obligations / credit enhancement as per limit prescribed by SEBI and as amended from time to time.   | Para 12.3 of SEBI Master Circular for Mutual Funds.                 |

|   |   |   |   |
|---|---|---|---|
| 6 | Tri party Repo  | Allocation may be made to TREPS from any amounts that are pending deployment or on account of any adverse market situation.   | -   |
| 7 | Mutual Fund Units   | The Scheme may seek exposure in Mutual Fund units of debt schemes subject to applicable Regulations. Such investment shall not exceed 35% of the net assets of the Scheme.  | Clause 4 of Seventh Schedule of SEBI (MF) Regulations, 1996 |
| 8 | 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. 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. | Para 12.18 of SEBI Master Circular for Mutual Funds.        |
| 9 | Units of Corporate Debt Market Development Fund ('CDMDF') | The Scheme shall invest 25 bps of their AUM in the units of CDMDF. The scheme shall, every six months, additionally contribute to CDMDF as their AUM increases, to ensure 25 bps of scheme AUM is invested in units of CDMDF.   | Chapter 16A 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       | Overseas Securities                              |
| 3       | Securities Lending and borrowing & Short Selling |

**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 which may include substantial subscription/redemption, adverse market conditions etc. 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 transitional 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. In case of deviations on account of exogenous factors, the fund manager will endeavor 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, 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 mentioned in the SID due to passive breaches,

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?**

The Scheme will invest in following instruments:

- Derivatives
- Debt instruments & Money Market instruments
- Units of REITs and INVITs
- Securitized Assets
- Units of debt and liquid Mutual Fund Schemes
- Short Term Deposit
- Investment in CDMDF

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

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

## **C. WHAT ARE THE INVESTMENT STRATEGIES?**

The Scheme follows an Active investment strategy.

The Scheme will aim to generate regular income and reduce interest rate risk through investment in a portfolio comprising predominantly of floating rate debt / money market instruments (including fixed rate instruments converted to floating rate exposures using swaps/ derivatives). The Scheme may also invest a portion of its net assets in fixed rate debt securities and money market instruments.

However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved. The fund manager will try to achieve an optimal risk return balance for the investors of the Scheme.

The investment process will focus on macro-economic research, credit risk and liquidity management. As part of credit risk assessment, the Scheme will also apply its credit evaluation process besides taking guidance from ratings of rating agencies.

The investment decision will be a function of fund manager's view on prevailing interest rate scenario, maturity & liquidity of the instrument, quality of management and any other related factors.

### **Derivatives Strategy:**

The scheme proposes to invest in a diversified portfolio of high quality debt and money market securities to generate stable risk adjusted returns with a low risk strategy.

The Indian debt market is in a phase of rapid transformation with liquidity and investment opportunities arising in various debt segments along with the introduction of new instruments. The fund manager will try to allocate assets of the scheme between various fixed income securities with the objective of achieving

optimal risk adjusted returns. After doing a thorough research on the general macroeconomic condition, political environment, systemic liquidity, inflationary expectations, corporate performance and other economic and market considerations the portfolio duration and credit exposures will be decided.

The Schemes portfolio construction will seek to play out the shape of the yield curve of different issuer classes. The fund manager will seek to look for investment opportunities at different maturities of the same yield curve (e.g. the government securities yield curve) as well as look at the differentiated levels of risk premium offered by the market to different class of issuers (e.g. 2 year yields offered by a government security, an NBFC and a manufacturing corporate).

The investment team of the AMC will carry out rigorous in depth credit evaluation of the money market and debt instruments 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.

### **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, 2022 to December 1, 2022. 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, 2022 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, 2022 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, 2022, 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, 2022, 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, 2022. If the interest rates are likely to remain stable or decline after July 31, 2022, 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, 2022:

He can receive 1 X 2 FRA on June 30, 2022 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, 2022 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 .

**12<sup>th</sup> October 2020**

- A government security 6.88% 2020, is trading at INR 98.00 at a yield of 7.19%.
- December 2020 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.

### 25<sup>th</sup> November 2020

- 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 2020 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 2020 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 2022
- Futures Delivery date – 1st January 2023
- Current Futures Price- Rs. 97.50
- Futures Bond Yield- 8.21%
- Trader sell 250 contracts of the January 2023- 10 Year futures contract on NSE on 1st December 2022 at Rs. 97.50

Assuming the price moves to Rs. 97.15 on December 9, 2022, net MTM gain would be Rs. 1,75,000 ( $250 \times 2000 \times 97.50 - 97.15$ ) (I)

### Closing out the Position

- 10th December 2022 - 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  $250 \times 2000 \times (97.15 - 96.70)$  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 2022

Spot price of GOI Security: Rs 105.05

Futures price of IRF Contract: Rs 105.12

On 01-December 2022 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 2023 Interest Rate Futures contracts at Rs 105.12

On 16-January 2023 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  $(104.24 - 105.05) * 2000 = \text{Rs } 1620$

Profit in the Futures market will be  $(104.28 - 105.12) * 2000 = \text{Rs } 1680$

### **Imperfect Hedging**

The Scheme may use Interest 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:

| <b>Security</b> | <b>Amount (crs)</b> | <b>Price (Rs)</b> |
|-----------------|---------------------|-------------------|
| IGB 7.17% 2028  | 100                 | 97.5              |
| IGB 6.79% 2027  | 50                  | 94.07             |
| IGB 8.33% 2026  | 25                  | 103.05            |
| Cash            | 25                  |                   |
| <b>Total</b>    | <b>200</b>          |                   |

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

| <b>90 day historical correlation</b> | <b>IGB 7.17% 2028</b> | <b>IGB 6.79% 2027</b> | <b>IGB 8.33% 2026</b> |
|--------------------------------------|-----------------------|-----------------------|-----------------------|
| 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:

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

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           |                          |                                 |       | -                |
| <b>Without IRF</b>    |              |                          |                                 |       | <b>18.75</b>     |
| IGB 7.17% 2028        | 140          | 97.45                    | 100.6                           | -0.15 | (21.00)          |
| <b>Total With IRF</b> | <b>200</b>   |                          |                                 |       | <b>(2.25)</b>    |

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) |
|-----------------------|--------------|----------------------|---------------------------------|-------|------------------|
| ssIGB 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           |                      |                                 |       | -                |
| <b>Without IRF</b>    |              |                      |                                 |       | <b>(17.25)</b>   |
| IGB 7.17% 2028        | 140          | 97.45                | 97.4                            | 0.05  | 7.00             |
| <b>Total With IRF</b> | <b>200</b>   |                      |                                 |       | <b>(10.25)</b>   |

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

$$= 100 * 0.9780$$

$$= \text{Rs. } 97.8000$$

Under the strategy, the trader has earned a return of

$$= (97.800 - 97.2485) / 97.2485 * 365 / 23$$

$$= 9.00 \% \text{ (implied repo rate)}$$

(Note: For simplicity accrued interest is not considered for calculation)

Against its funding cost of 8.00% (borrowing rate), thereby earning risk free arbitrage.

### **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?

| Name of Fund Manager  | Age and Qualification   | Experience of the Fund Manager in the last 10 years   | Names of other schemes under his management  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
|---|---|---|--|------------------------------|---|-------------------|----------------|---|--------------------------|---|--|------------------|--------------------------|------------------------------|------------------------|---|-----------------------------|---------------|-----------------|----------------------------------|---|---|---|
| Mr. Aditya Pagaria  | 40 years,<br><br>Bachelor in Management Studies, Post Graduate Diploma in Business Management | "Total number of years of experience: 17 years, his last 10 years' experience are as follows:<br><ul style="list-style-type: none"> <li>• Axis Asset Management Company Ltd. (Fund Manager - Fixed Income) - (August 1, 2016 till date)</li> <li>• ICICI Prudential Asset Management Company Ltd. (Fund Manager -Fixed Income) - (Nov. 30, 2011 - July 26, 2016) (Operations)- (May 03, 2007 - Nov. 29, 2011)"</li> </ul> | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>Axis Banking &amp; PSU Debt Fund</td></tr> <tr><td>Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF</td></tr> <tr><td>Axis Floater Fund</td></tr> <tr><td>Axis Gold Fund</td></tr> <tr><td>Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF FOF</td></tr> <tr><td>Axis Silver Fund of Fund</td></tr> <tr><td>Axis Nifty SDL September 2026 Debt Index Fund</td></tr> <tr><td>Axis CRISIL IBX50:50 Gilt Plus SDL Sep 2027 Index Fund</td></tr> <tr><td>Axis Liquid Fund</td></tr> <tr><td>Axis Short Duration Fund</td></tr> <tr><td>Axis Treasury Advantage Fund</td></tr> <tr><td>Axis Money Market Fund</td></tr> <tr><td>Axis CRISIL IBX SDL May 2027 Index Fund</td></tr> <tr><td>Axis Aggressive Hybrid Fund</td></tr> <tr><td>Axis Gold ETF</td></tr> <tr><td>Axis Silver ETF</td></tr> <tr><td>Axis Multi Asset Allocation Fund</td></tr> <tr><td>Axis Fixed Term Plan - Series 113 (1228 Days)</td></tr> <tr><td>Axis Crisil IBX AAA NBFC Index June 2027 Fund</td></tr> <tr><td>Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund</td></tr> </table> | Axis Banking & PSU Debt Fund | Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF | Axis Floater Fund | Axis Gold Fund | Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF FOF | Axis Silver Fund of Fund | Axis Nifty SDL September 2026 Debt Index Fund | Axis CRISIL IBX50:50 Gilt Plus SDL Sep 2027 Index Fund | Axis Liquid Fund | Axis Short Duration Fund | Axis Treasury Advantage Fund | Axis Money Market Fund | Axis CRISIL IBX SDL May 2027 Index Fund | Axis Aggressive Hybrid Fund | Axis Gold ETF | Axis Silver ETF | Axis Multi Asset Allocation Fund | Axis Fixed Term Plan - Series 113 (1228 Days) | Axis Crisil IBX AAA NBFC Index June 2027 Fund | Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund |
| Axis Banking & PSU Debt Fund                                      |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF                   |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Floater Fund   |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Gold Fund  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Nifty AAA Bond Plus SDL Apr 2026 50:50 ETF FOF               |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Silver Fund of Fund  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Nifty SDL September 2026 Debt Index Fund                     |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis CRISIL IBX50:50 Gilt Plus SDL Sep 2027 Index Fund            |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Liquid Fund  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Short Duration Fund  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Treasury Advantage Fund                                      |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Money Market Fund  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis CRISIL IBX SDL May 2027 Index Fund                           |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Aggressive Hybrid Fund                                       |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Gold ETF   |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Silver ETF   |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Multi Asset Allocation Fund                                  |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Fixed Term Plan - Series 113 (1228 Days)                     |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis Crisil IBX AAA NBFC Index June 2027 Fund                     |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |
| Axis CRISIL-IBX AAA Bond Financial Services – Sep 2027 Index Fund |   |   |  |                              |   |                   |                |   |                          |   |  |                  |                          |                              |                        |   |                             |               |                 |                                  |   |   |   |

|   |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
|---|-----------------------------------|--|---|---|---|---|------------------------------|-------------------|--------------------------|------------------------|-------------------------------------|-------------------------|------------------------------|----------------------------------|----------------------|--|-------------------------------------|--|---|--------------------------|--------------------------------|
| Mr. Hardik Shah   | 39 Years, MBA (Finance), B.E(I.T) | <p>"Total number of years of experience: 14 years, his last 10 years' experience are as follows:</p> <ul style="list-style-type: none"> <li>• Axis Asset Management Company Ltd (January 2022 – Present )</li> <li>• SBI LIFE Insurance Co. Ltd. (June 2020 – January 2022 )</li> <li>• Nippon India Asset Management Co. Ltd. ( erst. Reliance Mutual Fund ) ( July 2013 – June 2020 )</li> <li>• Quantum Mutual Fund (Nov 2009 – July 2013 )"</li> </ul> | <table border="1"> <tr><td>Axis CRISIL IBX SDL May 2027 Index Fund</td></tr> <tr><td>Axis CRISIL IBX50:50 Gilt Plus SDL June 2028 Index Fund</td></tr> <tr><td>Axis CRISIL IBX SDL June 2034 Debt Index Fund</td></tr> <tr><td>Axis Banking &amp; PSU Debt Fund</td></tr> <tr><td>Axis Floater Fund</td></tr> <tr><td>Axis Corporate Bond Fund</td></tr> <tr><td>Axis Dynamic Bond Fund</td></tr> <tr><td>Axis All Seasons Debt Fund of Funds</td></tr> <tr><td>Axis Long Duration Fund</td></tr> <tr><td>Axis Balanced Advantage Fund</td></tr> <tr><td>Axis Multi Asset Allocation Fund</td></tr> <tr><td>Axis Children's Fund</td></tr> <tr><td>Axis Retirement Fund - Aggressive Plan</td></tr> <tr><td>Axis Retirement Fund - Dynamic Plan</td></tr> <tr><td>Axis Retirement Fund - Conservative Plan</td></tr> <tr><td>Axis Fixed Term Plan - Series 112 (1143 Days)</td></tr> <tr><td>Axis Equity Savings Fund</td></tr> <tr><td>Axis Ultra Short Duration Fund</td></tr> </table> | Axis CRISIL IBX SDL May 2027 Index Fund | Axis CRISIL IBX50:50 Gilt Plus SDL June 2028 Index Fund | Axis CRISIL IBX SDL June 2034 Debt Index Fund | Axis Banking & PSU Debt Fund | Axis Floater Fund | Axis Corporate Bond Fund | Axis Dynamic Bond Fund | Axis All Seasons Debt Fund of Funds | Axis Long Duration Fund | Axis Balanced Advantage Fund | Axis Multi Asset Allocation Fund | Axis Children's Fund | Axis Retirement Fund - Aggressive Plan | Axis Retirement Fund - Dynamic Plan | Axis Retirement Fund - Conservative Plan | Axis Fixed Term Plan - Series 112 (1143 Days) | Axis Equity Savings Fund | Axis Ultra Short Duration Fund |
| Axis CRISIL IBX SDL May 2027 Index Fund                 |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis CRISIL IBX50:50 Gilt Plus SDL June 2028 Index Fund |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis CRISIL IBX SDL June 2034 Debt Index Fund           |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Banking & PSU Debt Fund                            |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Floater Fund                                       |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Corporate Bond Fund                                |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Dynamic Bond Fund                                  |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis All Seasons Debt Fund of Funds                     |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Long Duration Fund                                 |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Balanced Advantage Fund                            |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Multi Asset Allocation Fund                        |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Children's Fund                                    |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Retirement Fund - Aggressive Plan                  |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Retirement Fund - Dynamic Plan                     |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Retirement Fund - Conservative Plan                |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Fixed Term Plan - Series 112 (1143 Days)           |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Equity Savings Fund                                |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |
| Axis Ultra Short Duration Fund                          |                                   |  |   |   |   |   |                              |                   |                          |                        |                                     |                         |                              |                                  |                      |  |                                     |  |   |                          |                                |

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

Axis Floater Fund, an open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk, is a new scheme offered by the Fund and is not a minor modification of any other existing scheme/product of the Fund. Differentiation is as follows:

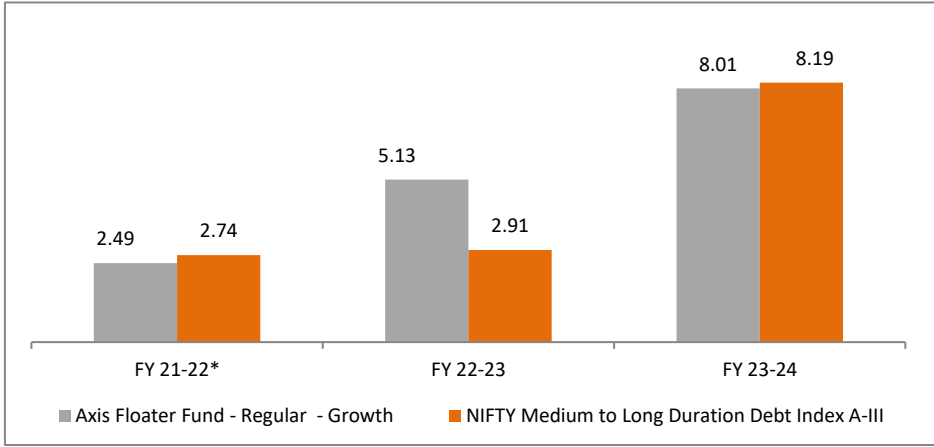
a. Reference list of existing open ended debt schemes of Axis Mutual Fund are as follows:

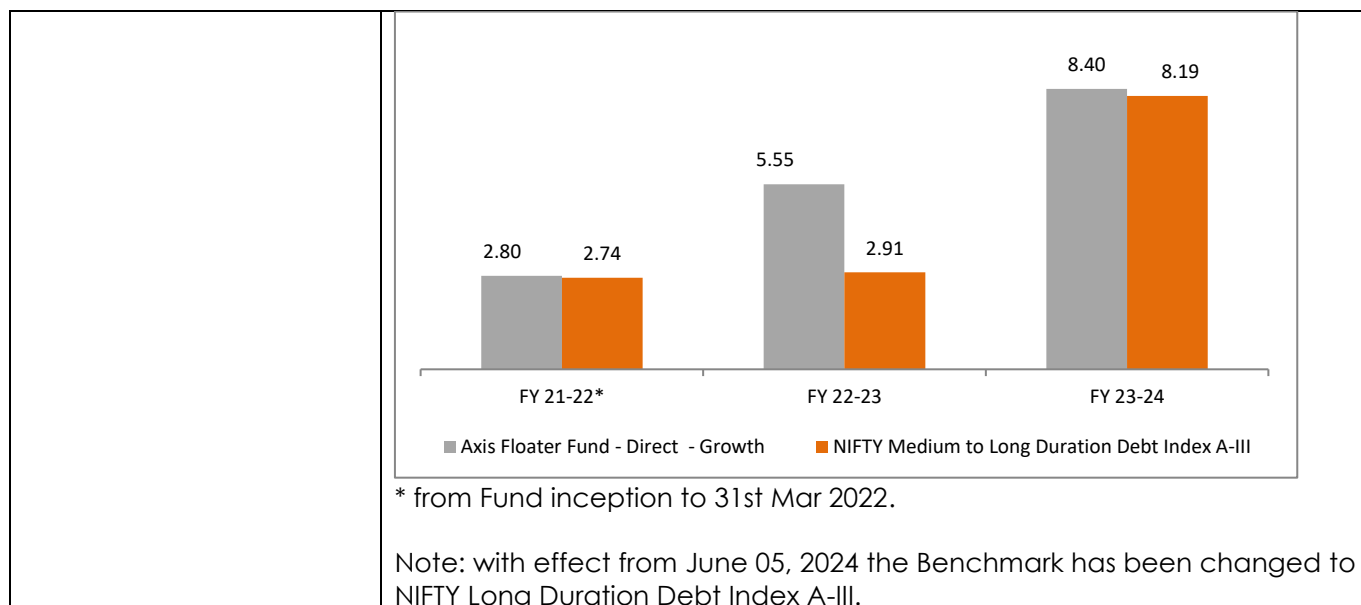
| Sr. No. | Name of the scheme(s)          |
|---------|--------------------------------|
| 1       | Axis Short Duration Fund       |
| 2       | Axis Treasury Advantage Fund   |
| 3       | Axis Dynamic Bond Fund         |
| 4       | Axis Gilt Fund                 |
| 5       | Axis Strategic Bond Fund       |
| 6       | Axis Credit Risk Fund          |
| 7       | Axis Banking & PSU Debt Fund   |
| 8       | Axis Corporate Bond Fund       |
| 9       | Axis Liquid Fund               |
| 10      | Axis Ultra Short Duration Fund |

|    |                         |
|----|-------------------------|
| 11 | Axis Overnight Fund     |
| 12 | Axis Money Market Fund  |
| 13 | Axis Floater Fund       |
| 14 | Axis Long Duration 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

| <p>Performance of Axis Floater Fund – Regular Plan – Growth Option as on September 30, 2024 is as follows:</p> | <table border="1" data-bbox="512 607 1479 853"> <thead> <tr> <th>Period</th> <th>Axis Floater Fund - Regular Plan - Growth Option<sup>^</sup></th> <th>Nifty Long Duration Debt Index A-III</th> </tr> </thead> <tbody> <tr> <td>1 Year returns</td> <td>10.46%</td> <td>11.81%</td> </tr> <tr> <td>3 Year returns</td> <td>6.87%</td> <td>6.54%</td> </tr> <tr> <td>5 Year returns</td> <td>-</td> <td>-</td> </tr> <tr> <td>Returns since Inception (29-Jul-21)</td> <td>6.75%</td> <td>6.79%</td> </tr> </tbody> </table> <p data-bbox="497 887 1038 913"><b>Absolute Returns for Last 5 Financial Years</b></p>  <p data-bbox="497 1395 995 1422">* from Fund inception to 31st Mar 2022</p> <p data-bbox="497 1458 1479 1525">Note: with effect from June 05, 2024 the Benchmark has been changed to NIFTY Long Duration Debt Index A-III.</p> | Period                               | Axis Floater Fund - Regular Plan - Growth Option <sup>^</sup> | Nifty Long Duration Debt Index A-III | 1 Year returns | 10.46% | 11.81% | 3 Year returns | 6.87% | 6.54% | 5 Year returns | - | - | Returns since Inception (29-Jul-21) | 6.75% | 6.79% |
|--|--|--------------------------------------|---|--------------------------------------|----------------|--------|--------|----------------|-------|-------|----------------|---|---|-------------------------------------|-------|-------|
| Period   | Axis Floater Fund - Regular Plan - Growth Option <sup>^</sup>  | Nifty Long Duration Debt Index A-III |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 1 Year returns   | 10.46%   | 11.81%                               |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 3 Year returns   | 6.87%  | 6.54%                                |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 5 Year returns   | -  | -                                    |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| Returns since Inception (29-Jul-21)  | 6.75%  | 6.79%                                |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| <p>Performance of Axis Floater Fund –Direct Plan – Growth Option as at September 30, 2024 is as follows:</p>   | <table border="1" data-bbox="512 1599 1479 1845"> <thead> <tr> <th>Period</th> <th>Axis Floater Fund - Direct Plan - Growth Option<sup>^</sup></th> <th>Nifty Long Duration Debt Index A-III</th> </tr> </thead> <tbody> <tr> <td>1 Year returns</td> <td>10.84%</td> <td>11.81%</td> </tr> <tr> <td>3 Year returns</td> <td>7.27%</td> <td>6.54%</td> </tr> <tr> <td>5 Year returns</td> <td>-</td> <td>-</td> </tr> <tr> <td>Returns since Inception (29-Jul-21)</td> <td>7.16%</td> <td>6.79%</td> </tr> </tbody> </table> <p data-bbox="497 1850 1023 1877"><b>Absolute returns for last 5 financial years</b></p>   | Period                               | Axis Floater Fund - Direct Plan - Growth Option <sup>^</sup>  | Nifty Long Duration Debt Index A-III | 1 Year returns | 10.84% | 11.81% | 3 Year returns | 7.27% | 6.54% | 5 Year returns | - | - | Returns since Inception (29-Jul-21) | 7.16% | 6.79% |
| Period   | Axis Floater Fund - Direct Plan - Growth Option <sup>^</sup>   | Nifty Long Duration Debt Index A-III |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 1 Year returns   | 10.84%   | 11.81%                               |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 3 Year returns   | 7.27%  | 6.54%                                |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| 5 Year returns   | -  | -                                    |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |
| Returns since Inception (29-Jul-21)  | 7.16%  | 6.79%                                |   |                                      |                |        |        |                |       |       |                |   |   |                                     |       |       |



**▲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, and Para 6.14 of SEBI Master Circular on Mutual Funds as amended from time to time.

#### H. ADDITIONAL SCHEME RELATED DISCLOSURES

- 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.
- 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
- Functional website link for Portfolio Disclosure - Fortnightly / Monthly/ Half Yearly - Please refer the AMC website (<https://www.axismf.com/statutory-disclosures>) for said details
- Portfolio turnover ratio for the one-year period ended September 30, 2024: Not Applicable
- Aggregate investment in the Scheme by Concerned scheme's Fund Manager(s):

| Sr. No. | Category of Persons (Axis Floater Fund – Fund Manager(s)) | Net Value* |                    | Market Value* (in Rs.) |
|---------|---|------------|--------------------|------------------------|
|         |   | Units      | NAV (Rs. per unit) |                        |
| 1.      | Axis Floater Fund –Direct Plan – Growth Option            | 267.02     | 1245.71            | 3,32,630.34            |

\*as on September 30, 2024

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

- 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.

**Investment by the AMC in the in units of Corporate Debt Market Development Fund**

Pursuant to regulation 43A of SEBI (Mutual Funds) Regulations, 1996 and chapter 16A of SEBI Master Circular for Mutual Funds on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, AMC shall make a one-time contribution equivalent to 2 bps of the AUM of the specified debt oriented schemes as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF') within 10 working days of request from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

In case of delay in contribution by the Scheme and AMC, the AMC shall be liable to pay interest at fifteen percent (15%) per annum for the period of delay.

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.

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 four decimal places. Separate NAV will be calculated and disclosed for each Option.

The NAVs will be calculated and disclosed 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:  $10,45,34,345.34 / 100,00,000 = \text{Rs. } 10.4534$  per unit (rounded off to four decimals)

The Mutual Fund will ensure that the Redemption Price will not be lower than 95% of the Applicable NAV.

For other details such as policies w.r.t computation of NAV, rounding off, 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 2.00%            |



|  |                   |
|--|-------------------|
| 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 & Services 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*  |                   |
| <b>Maximum total expense ratio (TER) permissible under Regulation 52(6)(c)</b>                           | <b>Upto 2.00%</b> |
| Additional expenses under regulation 52(6A)(c)^  | Upto 0.05%        |
| Additional expenses for gross new inflows from specified cities under regulation 52(6A)(b)#              | Upto 0.30%        |

\*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.

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

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 are fungible in nature. 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:

| <b>Assets under management Slab (In Rs. crore)</b>  | <b>Total expense ratio limits</b> |
|---|-----------------------------------|
| On the first Rs. 500 crores of the daily net assets | 2.00%                             |
| On the next Rs. 250 crores of the daily net assets  | 1.75%                             |
| On the next Rs. 1250 crores of the daily net assets | 1.50%                             |
| On the next Rs. 3000 crores of the daily net assets | 1.35%                             |
| On the next Rs. 5000 crores of the daily net assets | 1.25%                             |

|   |  |
|---|--|
| 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                          | 0.80%  |

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 from time to time and amendments thereto.

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

**Expenses charged to the Scheme:**

A. In addition to the limits as specified in Regulation 52(6) of SEBI (MF) Regulations 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 for gross new inflows from specified cities**

- a. expenses not exceeding of 0.30 per cent of daily net assets, if the new inflows from such cities as specified by SEBI/AMFI from time to time are at least -
  - (i) 30 per cent of gross new inflows in the Scheme, or;
  - (ii) 15 per cent of the average assets under management (year to date) of the Scheme, whichever is higher:

Provided that if inflows from such cities is less than the higher of sub-clause (i) or sub-clause (ii), such expenses on daily net assets of the Scheme shall be charged on proportionate basis.

Provided further that, expenses charged under this clause shall be utilised for distribution expenses incurred for bringing inflows from such cities.

Provided further that, amount incurred as expense on account of inflows from such cities shall be credited back to the Scheme in case the said inflows are redeemed within a period of one year from the date of investment.

Provided further that, additional TER can be charged based on inflows only from retail investors in terms of Para 10.1 of SEBI Master Circular for Mutual Funds and as amended from time to time . For this purpose inflows of amount upto Rs 2,00,000/- per transaction, by individual investors shall be considered as inflows from "retail investor".

#Note: Pursuant to SEBI letter dated February 24, 2023 read with AMFI communication dated March 02, 2023, w.e.f March 01, 2023 no additional expense shall be charged on the new inflows received on or after March 01, 2023 from specified cities as per Regulation 52 (6A) (b) till any further guidance is received from SEBI in this regard.

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

- b. 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;
- c. 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 will be charged 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.

The mutual fund would update notice of change in base TER on its website ([www.axismf.com](http://www.axismf.com)) at least 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.       | <b>Returns after expenses at the end of the year (Rs.) [B – (C + D)]</b> | <b>1300</b>  | <b>1450</b>  |
|          | <b>Returns after expenses at the end of the year (in %) [(E/A) – 1]</b>  | <b>13%</b>   | <b>14.5%</b> |

**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](http://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 SEBI Master Circular For Mutual Funds as amended from time to time 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 IDCW shall not be subject to Load. No load shall be levied on switches between options and sub-options of the Scheme.

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. However, for switches between the Plans i.e. between Regular and Direct Plan or vice versa, 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.

As per para 10.4.1 of SEBI Master Circular for Mutual Funds, 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 Centres.

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 95% 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. The aforesaid conditions should be complied with in each calendar quarter on an average basis. In case the Scheme does not have a minimum of 20 Investors on an ongoing basis for each calendar quarter, 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. 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 Fund 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

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

**Interest-Rate Risk:** Fixed income securities such as government bonds, corporate bonds, money market instruments and derivatives 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.

**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.

**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.

**Liquidity Risk:** The liquidity of a bond may change, depending on market conditions leading to changes in the liquidity premium attached to the price of the bond. 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 debenture/bond or 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 investment in Derivatives**

**Credit Risk**: The credit risk is the risk that the counter party will default in it's obligations and is generally small as in a Derivative transaction there is generally no exchange of the principal amount.

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

**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.

**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.

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

**Trade Execution**: Risk where the final execution price is different from the screen price leading to dilution in the spreads and hence impacting the profitability of the reverse arbitrage strategy.

**Systemic Risk:** For Derivatives, especially OTC ones the failure of one Counter Party can put the whole system at risk and the whole system can come to a halt.

**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.

Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the Investor. Execution of strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty 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.

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.

### **Risks Associated with Directional trading**

Although hedging with interest rate futures allows investors to reduce interest rate risk, it generally cannot completely eliminate risk. All hedges generally contain some residual, or basis, risk. Moreover, hedging also introduces some other risks. Some of those risks are credit risk, marking to market risk, and managerial risk.

Basis risk:

The risk that remains after an investor hedges his portfolio is called basis risk. An investor who hedges his portfolio with interest rate futures bears basis risk because, when interest rates change, the change in the price of the futures contract does not perfectly offset the change in the price of the asset being hedged. Fixed income asset prices can change for reasons other than changes in interest rates. As a result, the basis risk in a hedge will be relatively high when factors other than interest rates are an important source of the changes in the price of the asset being hedged.

For example, an asset's price will fall if the issuer's credit rating falls or if the asset is relatively illiquid and a large amount is sold. Since these factors would not affect the prices of interest rate futures, such as Treasury bond futures, interest rate futures cannot offset price changes caused by such factors. In fact, that is why Treasury bond futures proved to be a less effective hedging instrument for the corporate bond than for the Treasury bond portfolio.

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 unhedged 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 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).

**Risks associated with Creation of Segregated portfolio**

1. Investor holding units of segregated portfolio may not be 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.

**Risk Factor associated with investing in Tier I and Tier II Bonds:****Tier I and Tier II Bonds are unsecured and the RBI prescribes certain restrictions in relation to the terms of these Bonds:**

Tier I and Tier II bonds are unsecured in nature. The claims of the Bondholders shall (i) be subordinated to the claims of all depositors and general creditors of the Bank; (ii) neither be secured nor covered by any guarantee of the Issuer or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis-a-vis creditors of the Bank; (iii) Unless the terms of any subsequent issuance of bonds/debentures by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the Bonds issued under the Disclosure Document or unless the RBI specifies otherwise in its guidelines, the claims of the Bondholders shall be pari passu with claims of holders of such subsequent debentures/bond issuances of the Bank; (iv) rank pari passu without preference amongst themselves and other subordinated debt eligible for inclusion in Tier 1 / Tier 2 Capital as the case may be. The Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.

The Bonds (including all claims, demands on the Bonds and interest thereon, whether accrued or contingent) are issued subject to loss absorbency features applicable for non-equity capital instruments issued in terms of Basel III Guidelines including in compliance with the requirements of Annex 5 thereof and are subject to certain loss absorbency features as described in bond prospectus and required of Tier 1 / Tier 2 instruments at the Point of Non Viability as provided for in Annex 16 of the aforesaid Basel III Guidelines as amended from time to time.

The Bonds are essentially non-equity regulatory instruments, forming part of a Bank's capital, governed by Reserve Bank of India (RBI) guidelines and issued under the issuance and listing framework given under Chapter VI of the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 ("NCRPS Regulations"). These instruments have certain unique features which, inter-alia, grant the issuer (i.e. banks, in consultation with RBI) a discretion in terms of writing down the principal/ interest, to skip interest payments, to make an early recall etc. without commensurate right for investors to legal recourse, even if such actions of the issuer might result in potential loss to investors. Payment of coupon on the Bonds is subject to the terms of Information Memorandum, including Coupon Discretion, Dividend Stopper Clause, Loss Absorption as contained in the Information Memorandum. The Bonds are subject to loss absorption features as per the guidelines prescribed by RBI.

**There may be no active market for the Bonds on the platform of the Stock Exchanges. As a result, the liquidity and market prices of the Bonds may fail to develop and may accordingly be adversely affected:**

There is no assurance that a trading market for the Bonds will exist and no assurance as to the liquidity of any trading market. Although an application will be made to list the Bonds on the NSE and/or BSE, there



can be no assurance that an active market for the Bonds will develop, and if such a market were to develop, there is no obligation on the issuer to maintain such a market. The liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions, financial condition and prospects and other factors that generally influence market price of such instruments. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which one purchases these Bonds.

**Issuer is not required to and will not create or maintain a Debenture Redemption Reserve (DRR) for the Bonds issued under this Disclosure Document:**

As per the Companies (Share Capital and Debentures) Rules, 2014, as amended, no Debenture Redemption Reserve is required to be created by Banking Companies issuing debentures.

**There is no assurance that the Tier I / Tier II bonds will not be downgraded:**

The Rating agencies, which rate the Bonds, have a slightly different rating methodology for Tier I and Tier II bonds. In the event of deterioration of the financial health of the Issuer or due to other reasons, the rating of the Bonds may be downgraded whilst the ratings of other bonds issued by the issuer may remain constant. In such a scenario, for Tier I and Tier II Bond holders may incur losses on their investment.

**Risks associated with transaction in Units through stock exchange(s)**

In respect of transaction in Units of the Scheme through BSE and / or NSE, allotment and redemption of Units on any Business Day will depend upon the order processing / settlement by BSE and / or NSE and their respective clearing corporations on which the Fund has no control.

**Risks Associated with Interest Rate Futures**

Although hedging with interest rate futures allows investors to reduce interest rate risk, it generally cannot completely eliminate risk. All hedges generally contain some residual, or basis, risk. Moreover, hedging also introduces some other risks. Some of those risks are credit risk, marking to market risk, and managerial risk.

**Basis risk:**

The risk that remains after an investor hedges his portfolio is called basis risk. An investor who hedges his portfolio with interest rate futures bears basis risk because, when interest rates change, the change in the price of the futures contract does not perfectly offset the change in the price of the asset being hedged. Fixed income asset prices can change for reasons other than changes in interest rates. As a result, the basis risk in a hedge will be relatively high when factors other than interest rates are an important source of the changes in the price of the asset being hedged.

For example, an asset's price will fall if the issuer's credit rating falls or if the asset is relatively illiquid and a large amount is sold. Since these factors would not affect the prices of interest rate futures, such as Treasury bond futures, interest rate futures cannot offset price changes caused by such factors. In fact, that is why Treasury bond futures proved to be a less effective hedging instrument for the corporate bond than for the Treasury bond portfolio.

**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 unhedged 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.

**Risk 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 IDCW 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.

#### **Backstop facility in form of investment in Corporate Debt Market Development Fund (CDMDF):**

CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund ('AIF') in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility to instill confidence amongst the market participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors (i.e., specified debt-oriented MF schemes to begin with) and sell as markets recover. The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus this backstop facility will help fund managers of the aforementioned Schemes to better generate liquidity during market dislocation to help the schemes fulfill liquidity obligations under stress situation.

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with chapter 16A of SEBI Master Circular for Mutual Funds on Investment by Mutual Fund Schemes in units of Corporate Debt Market Development Fund, the aforementioned schemes shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund ('CDMDF'). An incremental contribution to CDMDF shall be made every six months to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF.

We would further like to bring to the notice of the investors that investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF.

Investors are requested to read details disclosure on investment of the schemes in the CDMDF as listed in section "How will the Scheme allocate its assets?" Section "Where will the Scheme Invest".

## **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. 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 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 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 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 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.

### **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 market 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 not expected to be a large portion of the portfolio value. The Investment Manager also relies on their own research as well as third party research. The analysis will focus, amongst others, on the predictability and strength of cash flows, value of assets, capital structure, business prospects, policy environment, strength of management, responsiveness to business conditions, etc.

**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.

### **Liquidity Risk Management Framework**

Potential Risk Matrix (PRC) & Risk-o-meter: Investors are requested to review this scheme's Potential Risk Matrix (PRC) to understand the maximum risk that this scheme will run as per design and & Risk-o-meter to understand periodical measurement of that risk on a regular basis. Investors are suggested to read about various disclosures under the section "PERIODIC DISCLOSURES" pertaining to "Potential Risk Class Matrix" & "Risk-o-meter" to understand in detail the disclosure frequency and remedial measures in case of breaches in the boundaries.

Liquidity risk management framework: AMC has put in place a liquidity risk management policy in accordance with SEBI circular and AMFI guidelines (issued from time to time) which monitors liquidity risk for all its open ended debt schemes (except overnight fund, gilt fund and gilt fund with 10 year constant duration). The Key objectives of the liquidity risk management is primarily to help estimate liquidity requirement by determining liquidity risk arising from the liability side under stressed market conditions in order to honor its redemption requests.

As per the prescribed guidelines, the liquidity ratios are calculated and liquid assets are maintained on a daily basis at scheme level for all mandated schemes. These ratios address the potential liquidity risk scenarios up to agreed confidence interval and has mandated remedial measures both for managing the risk on an ongoing basis (LRaR & LCRaR) as well as action plan in case there is a difference between actual

outcome and projected outcome. Further, the AMC monitors asset-liability mismatch requirement which addresses potential liquidity requirement over a 90-day period and relevant asset side liquidity to be maintained as prescribed by the SEBI circular.

Investors can refer to the circular 135/ BP/93/ 2021-22 dated July 24, 2021 and subsequent circulars for detail understanding on the Liquidity Risk Management Framework.

**Stress testing the scheme portfolio:** The investment manager periodically stress tests the scheme portfolio to address the asset side risk from an Interest Rate, Credit and Liquidity Risk perspective at an aggregate portfolio level and evaluate the stress in terms of its impact on the NAV of the scheme. The stress test is performed using the methodology and periodicity as mandated by AMFI in consultation to SEBI.

**Swing Pricing:** The AMC has a Swing Pricing policy in place to help in case of severe liquidity stress at an AMC level or a severe dysfunction at market level, the Swing Pricing offers the contingency plan in case of extreme exigencies. Investors are suggested to read the detail disclosure pertaining to this policy in "Swing Pricing Framework".

## **II. Information about the scheme:**

### **A. Where will the scheme invest –**

The corpus of the Scheme will be invested in Debt Instruments, Money Market Instruments and other permitted securities which will include but not limited to:

#### **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**

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 reverse 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 and Bonds**

Non-convertible debentures as well as bonds 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 have fixed or floating rate coupon. 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. The Scheme may also invest in the non-convertible part of convertible debt securities.

#### **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.

#### **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 years | Up to 3 years                                 | Up to 3 years | Up to 3 years | NA                    | NA               | Refer Note 1      | Refer Note 2 |
| 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 months      | >3 months                                     | >3 months     | >3 months     | 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 debts 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 and 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.

### **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

### **Investment in Short Term Deposits**

Pending deployment of funds as per the investment objective of the Scheme, the Funds may be parked in short term deposits of the Scheduled Commercial Banks, subject to guidelines and limits specified by SEBI.

### **Investments in units of Mutual Fund schemes**

The scheme may invest in units of debt and liquid mutual fund schemes of Axis AMC or in the schemes of any 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.

### **Investment in CDMDF**

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with chapter 16A of SEBI Master Circular for Mutual Funds on Investment by Mutual Fund Schemes and AMCs in units of Corporate Debt Market Development Fund, scheme shall invest 25 bps of its AUM.

### **CDMDF Framework**

CDMDF shall comply with the Guarantee Scheme for Corporate Debt (GSCD) as notified by Ministry of Finance vide notification no. G.S.R. 559(E) dated July 26, 2023 and chapter 16A of SEBI Master Circular for Mutual Funds and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time, which includes the framework for corporate debt market development fund. The framework will inclusive of following points-

- a) The CDMDF shall deal only in following securities during normal times:
  - Low duration Government Securities
  - Treasury bills
  - Tri-party Repo on G-sec
  - Guaranteed corporate bond repo with maturity not exceeding 7 days
- b) The fees and expenses of CDMDF shall be as follows:
  - During Normal times: (0.15% + tax) of the Portfolio Value charged on daily pro-rata basis.
  - During Market stress: (0.20% + tax) of the Portfolio Value charged on daily pro-rata basis.
  - "Portfolio Value" means the aggregate amount of portfolio of investments including cash balance without netting off of leverage undertaken by the CDMDF.
- c) Corporate debt securities to be bought by CDMDF during market dislocation include listed money market instruments. 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.
- d) CDMDF shall follow the Fair Pricing document, while purchase of corporate debt securities during market dislocation as specified in chapter 16A of SEBI Master Circular for Mutual Funds and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time
- e) CDMDF shall follow the loss waterfall accounting and guidelines w.r.t. purchase allocation and trade settlement of corporate debt securities bought by CDMDF, specified in chapter 16A of SEBI Master Circular for Mutual Funds and circulars / guidelines/ Letters issued by SEBI and AMFI from time to time.

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, etc. Further investments in debentures, bonds and other 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".

Details of various derivative strategies/examples of use of derivatives have been provided under the paragraph "Derivatives Strategy"

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.

### **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, 2024 on some of the instruments and further illustrates this point.

| <b>Instrument</b>          | <b>Current Yield range (%)</b> |
|----------------------------|--------------------------------|
| Tri-party Repo             | 6.50-6.60                      |
| Repo                       | 6.50-6.60                      |
| 3M T-bill                  | 6.65-6.70                      |
| 1Y T-bill                  | 6.50-6.55                      |
| 10Y G-sec                  | 6.75-6.80                      |
| 3m PSU Bank CD             | 7.00-7.10                      |
| 3m Manufacturing co. CP    | 7.20-7.25                      |
| 1Y PSU Bank CD             | 7.50-7.55                      |
| 1Y NBFC CP                 | 7.80-7.85                      |
| 1Y Manufacturing co. CP    | 7.60-7.65                      |
| 5Y AAA Institutional Bond  | 7.35-7.40                      |
| 10Y AAA Institutional Bond | 7.20-7.25                      |

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% 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 that such limit shall not be applicable for investment in Government Securities, treasury bills and triparty repo on Government securities or treasury bills.

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.

2. A mutual fund scheme shall not invest more than:

- 10% of its NAV in debt and money market securities rated AAA; or

- 8% of its NAV in debt and money market securities rated AA; or
- 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.

3. The Mutual Funds can participate in repos on following corporate debt securities:
- (i) Listed AA and above rated corporate debt securities
  - (ii) Commercial Papers (CPs) and Certificate of Deposits (CDs)

For the purpose of consideration of credit rating of exposure on repo transactions for various purposes including for Potential Risk Class (PRC) matrix, liquidity ratios, Risk-o-meter etc., the same shall be as that of the underlying securities, i.e., on a look through basis.

For transactions where settlement is guaranteed by a Clearing Corporation, the exposure shall not be considered for the purpose of determination of investment limits for single issuer, group issuer and sector level limits

4. The Scheme shall not invest in unlisted debt instruments including commercial papers, except Government Securities, money market instruments and derivative products such as Interest Rate Swaps, Interest Rate Futures, etc. which are used by mutual fund for hedging.

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.

5. 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.

6. Investment in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a minimum cover of 4 times considering the market value of such shares.
7. 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.
8. The Scheme shall not make any investment in:
- any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the sponsor; or
  - the listed securities of group companies of the sponsor which is in excess of 25% of the net assets.

9. 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.
10. 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 SEBI Master Circular for Mutual Funds and as amended from time to time.

11. 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:

The scheme shall not engage in short selling of securities or carry forward transactions.

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 RBI in this regard.

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

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 Unit or payment of interest and/or IDCW to the Unit holder.

Provided that the Scheme 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.

16. Para 12.25 of SEBI Master Circular for Mutual Funds and para 12.25.9 of SEBI Master Circular for Mutual Funds as amended from time to time has prescribed the following investment restrictions w.r.t. investment in derivatives:

- i. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
- ii. To reduce interest rate risk in a debt portfolio, mutual funds may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below:  

$$\frac{(\text{Portfolio Modified Duration} * \text{Market Value of the Portfolio})}{(\text{Futures Modified Duration} * \text{Futures Prices} / \text{PAR})}$$
- iii. In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging.
- iv. Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, upto maximum of 20% of the net assets of the scheme, subject to the following:
  - a. Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio.
  - b. Mutual Funds are permitted to resort to imperfect hedging, without it being considered under the gross exposure limits, if and only if, the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is atleast 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 working days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Para 3 of SEBI circular dated August 18, 2010. The correlation should be calculated for a period of last 90 days.

Explanation: If the fund manager intends to do imperfect hedging upto 15% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with:

- i. The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or
- ii. The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 15% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9.
- c. At no point of time, the net modified duration of part of the portfolio being hedged should be negative.
- d. The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Para 3 of SEBI circular dated August 18, 2010.
- v. The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration.

Explanation: In case of long term bond fund, after hedging the portfolio based on the modified duration of the portfolio, the net modified duration should not be less than the minimum modified duration of the portfolio as required to consider the fund as a long term bond fund.

The interest rate hedging of the portfolio should be in the interest of the investors.

17. The total exposure in a particular sector (excluding investments in Bank CDs, triparty repo on Government securities, Government Securities, T-Bills, short term deposits of scheduled commercial banks and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the Scheme.

Provided that an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net assets of the Scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only;

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/exposure in HFCs shall not exceed 20% of the net assets of the Scheme.

Further, an additional exposure of 5% of the net assets of the Scheme shall be allowed for investments in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio.

18. The total exposure in a particular group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the Scheme. Such investment limit may be extended to 25% of the net assets of the Scheme with the prior approval of the Board of Trustees.

For this purpose, a group means a group as defined under regulation 2(mm) of SEBI (MF) Regulations and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

Further, limit for investment in debt and money market instruments of group companies of both the sponsor and AMC shall not exceed 10% of the net assets of the Scheme. Such investment limit can be extended to 15% with the prior approval of the Board of Trustees.

19. In terms of requirement of para 4.6 of SEBI Master Circular for Mutual Funds, the Scheme shall hold at least 10% of its net assets in liquid assets. For this purpose, 'liquid assets' shall include Cash, Government Securities, T-bills and Repo on Government Securities.

20. In terms of requirement of para 12.2 of SEBI Master Circular for Mutual Funds prescribing norms for investments in debt instruments with special features viz. subordination to equity (absorbs losses before equity capital) and /or convertible to equity upon trigger of a pre-specified event for loss absorption (Additional Tier I bonds and Tier 2 bonds issued under Basel III framework are some instruments which may have above referred special features), the following limit shall be applicable:

- a) No Mutual Fund under all its schemes shall own more than 10% of such instruments issued by a single issuer.
- b) The scheme shall not invest –
  - i. more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
  - ii. more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer.

The above investment limit for a mutual fund scheme shall be within the overall limit for debt instruments issued by a single issuer.

21. 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. 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 and derivatives shall not exceed 100% of the net assets of the Scheme.
- (iii) The Scheme shall participate in repo transactions only in 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 inter alia 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



(vii) 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.

(viii) 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.

(ix) 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.

22. The mutual fund under all its schemes shall not own more than 10% of units issued by a single issuer of REIT and InvIT.

23. 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.

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.

24. 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.

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

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

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 Clause 1.14 of SEBI Master Circular for Mutual Funds:

#### **(i) Type of a scheme**

- An open ended debt scheme predominantly investing in floating rate instruments. A relatively high interest rate risk and moderate credit risk.

#### **(ii) Investment Objective**

- Main Objective: To generate regular income through investment in a portfolio comprising predominantly of floating rate instruments and fixed rate instruments swapped for floating rate returns. The Scheme may also invest a portion of its net assets in fixed rate debt and money market instruments.

There can be no assurance that the investment objective of the scheme would 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 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 para 13.6.2 of SEBI master circular for mutual funds (only for close ended debt schemes) – Not Applicable**

**G. Other Scheme Specific Disclosures:**

|                               |  |
|-------------------------------|--|
| Listing and transfer of units | <p><b>Listing</b><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.</p> <p><b>Transferability of units:</b><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.</p>   |
| Dematerialization of units    | <p>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.</p> <p>Investors desirous of having the Units of the Scheme in dematerialized form should contact the ISCs of the AMC/Registrar.</p> <p>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.</p> <p>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 along with 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.</p> <p>The demat option is provided to all schemes and options of Axis Mutual Fund except for all daily and weekly IDCW options under all debt and liquid schemes.</p> <p>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 as per the settlement calendar.</p> <p>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 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.</p> <p>For details, Investors may contact any of the Investor Service Centres of the AMC.</p> |

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| Minimum Target amount                | Not Applicable   |
| Maximum Amount to be raised (if any) | Not Applicable   |
| Dividend Policy (IDCW)               | <p>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 holders as to the rate of IDCW nor that it will be paid regularly.</p> <p>The AMC/Trustee reserves the right to change the frequency of declaration of IDCW or may provide for additional frequency for declaration of IDCW.</p> <p><b>IDCW Distribution Procedure</b></p> <p>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:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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 holder for receiving IDCW.</li> <li>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).</li> <li>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.</li> <li>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.</li> <li>7. With respect to declaration of IDCW up to monthly frequency, the trustees can delegate to the officials of AMC to declare and fix the record date as well as decide the quantum of IDCW, subject to the following; <ol style="list-style-type: none"> <li>I. Record date is specified in the offer document and the same is adhered to.</li> <li>II. Such delegation to AMC officials shall mandatorily include CEO of AMC and making him responsible for such declaration of IDCW, subject to adhering to the policy framework as approved by Trustees.</li> <li>III. The policy shall specify appropriate parameters or factors to be considered prior to deciding the quantum.</li> <li>IV. Actual IDCW declared to be ratified by the Trustees in its immediately following Board meeting.</li> </ol> </li> </ol> <p>However, the requirement of giving notice shall not be applicable for IDCW options having frequency up to one month.</p> |
| Allotment (Detailed procedure)       | <ul style="list-style-type: none"> <li>• 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.</li> </ul>   |

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|  | <ul style="list-style-type: none"> <li>• 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.</li> <li>• For those Unit holders who have provided an e-mail address, the AMC will send the account statement by e-mail.</li> <li>• 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 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.</li> <li>• 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.</li> <li>• In cases where the email does not reach the Unit holder, the Fund / its Registrar &amp; 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 &amp; Transfer Agent about any changes in his e-mail address.</li> </ul> |
| Refund   | <p>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.</p> <p>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.</p> <p>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</p>  |
| <p>Who can invest</p> <p>This is an indicative list and investors shall consult their financial advisor to ascertain whether the scheme is suitable to their risk profile.</p> | <p>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:</p> <ol style="list-style-type: none"> <li>1. Resident adult individuals either singly or jointly (not exceeding three) or on an Anyone or Survivor basis;</li> <li>2. Hindu Undivided Family (HUF) through Karta;</li> <li>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;</li> <li>4. Partnership Firms;</li> <li>5. Limited liability partnership firms;</li> <li>6. Proprietorship in the name of the sole proprietor;</li> <li>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);</li> <li>8. Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;</li> <li>9. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as "Public Securities" as required) and Private trusts authorised to invest in mutual fund schemes under their trust deeds;</li> </ol>   |

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|                          | <ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>12. Army, Air Force, Navy and other para-military units and bodies created by such institutions;</li> <li>13. Scientific and Industrial Research Organisations;</li> <li>14. Multilateral Funding Agencies / Bodies Corporate incorporated outside India with the permission of Government of India / RBI;</li> <li>15. Provident/ Pension/ Gratuity Fund to the extent they are permitted;</li> <li>16. Other schemes of Axis Mutual Fund or any other mutual fund subject to the conditions and limits prescribed by SEBI Regulations;</li> <li>17. Schemes of Alternative Investment Funds;</li> <li>18. The Trustee, AMC or Sponsor or their associates may subscribe to Units under the Scheme;</li> <li>19. Such other category of person(s) permitted to make investments and as may be specified by the AMC / Trustee from time to time.</li> </ol> <p>Subject to SEBI (Mutual Funds) Regulations, 1996, any application for subscription of units may be accepted or rejected in the sole and absolute discretion of the AMC/ Trustee company. The AMC/ Trustee company may also reject any application for subscription of units if the application is invalid, incomplete, or if the AMC/ Trustee company for any other reason does not believe that it would be in the interest of the scheme or its unitholders to accept such an application.</p> |
| <p>Who cannot invest</p> | <ol style="list-style-type: none"> <li>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.</li> <li>2. Pursuant to RBI A.P. (DIR Series) circular no. 14 dated September 16, 2003, Overseas Corporate Bodies (OCBs) cannot invest in Mutual Funds.</li> <li>3. NRIs residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force (FATF), from time to time.</li> <li>4. U.S. Persons and Residents of Canada as defined under the applicable laws of U.S. and Canada except the following: <ol style="list-style-type: none"> <li>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</li> <li>b. FPIs</li> </ol> </li> <li>5. Such other persons as may be specified by AMC from time to time.</li> </ol> <p>These investors need to submit a physical transaction request along with such documents as may be prescribed by the AMC/ the Trustee/ the Fund from time to time.</p> <p>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.</p> <p>Axis Mutual Fund Trustee Ltd./ the AMC reserve the right to change/ modify the above provisions at a later date.</p>                             |

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| <p>How to Apply and other details (where can you submit the filled up applications including purchase/redemption switches be submitted.)</p>                            | <p>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.</p> <p><b>Physical Transactions</b><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. <a href="http://www.axismf.com">www.axismf.com</a>.</p> <p><b>Online / Electronic Transactions</b><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.</p> <p>For name, address and contact no. of Registrar and Transfer Agent (R&amp;T), email id of R&amp;T, website address of R&amp;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.<br/>Please refer to the SAI and Application form for the instructions.</p>  |
| <p>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.</p> | <p>Units once redeemed will be extinguished and will not be reissued.</p>   |
| <p>Restrictions, if any, on the right to freely retain or dispose of units being offered.</p>   | <p><b>Pledge of Units</b><br/>The Unit under the Scheme (subject to completion of Lock in Period, if any) may be offered as security by way of a pledge / 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 Units. The AMC shall mark a 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.</p> <p>The Pledger will not be able to redeem Units that are pledged until the entity to which the Units are pledged provides written authorisation to the Mutual Fund that the pledge / lien charge may be removed. As long as Units are pledged, the Pledgee will have complete authority to redeem such Units. IDCW declared on Units under lien will be paid / re-invested to the credit of the Unit Holder and not the lien holder unless specified otherwise in the lien letter.</p> <p><b>Lien on Units</b><br/>On an ongoing basis, when existing and new Investors make Subscriptions, a lien on Units allotted will be created and such unit shall not be available for redemption until the payment proceeds are realised by the Scheme. In case a unit holder redeems units soon after making purchases, the redemption cheque will not be dispatched until sufficient time has elapsed to provide reasonable assurance that cheques or drafts for Units purchased have been cleared.</p> |

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|  | <p>In case the cheque / draft is dishonoured by the bank, the transaction shall be reversed and the Units allotted earlier shall be cancelled, and a fresh Account Statement / Confirmation slip shall be dispatched to the Unit holder. 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 request. However, the AMC reserves the right to change operational guidelines for lien on Units from time to time.</p> <p><b>Suspension/Restriction on Redemption of Units of the Scheme</b><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:</p> <ul style="list-style-type: none"> <li>a) <b>Liquidity issues:</b> when market at large becomes illiquid affecting almost all securities rather than any issuer specific security;</li> <li>b) <b>Market failures, exchange closures:</b> 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;</li> <li>c) <b>Operational issues:</b> when exceptional circumstances are caused by force majeure, unpredictable operational problems and technical failures (e.g. a black out).</li> </ul> <p>Restriction on / suspension of redemption of Units of the Scheme may be imposed for a specified period of time not exceeding 3 working days in any 90 days period.</p> <p>When restriction on / suspension of redemption of Units of the Scheme is imposed, the following procedure shall be applied:</p> <ul style="list-style-type: none"> <li>i. No redemption / switch-out requests upto Rs. 2 lakhs shall be subject to such restriction.</li> <li>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.</li> </ul> <p>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.</p> <p>In case of any of the above eventualities, the general time limits for processing requests for redemption of Units will not be applicable.</p> |
| <p>Cut off timing for subscriptions/ redemptions/ switches</p> <p>This is the time before which your application (complete in all respects) should reach the</p> | <p><b>Subscriptions/Purchases including Switch - ins:</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>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;</li> <li>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;</li> </ul>  |



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| <p>official points of acceptance.</p>  | <p>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.</p> <p>For determining the applicable NAV for allotment of units in respect of purchase / switch in the Scheme, it shall be ensured that:</p> <ol style="list-style-type: none"> <li>i. Application is received before the applicable cut-off time.</li> <li>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.</li> <li>iii. The funds are available for utilization before the cut-off time.</li> <li>iv. The aforesaid provisions shall also be applicable to systematic transactions like Systematic Investment Plan, Systematic Transfer Plan, etc offered by scheme.</li> </ol> <p><b>Redemptions including Switch - outs:</b></p> <p>The following cut-off timings shall be observed by the Mutual Fund in respect of Repurchase of units:</p> <ol style="list-style-type: none"> <li>a. where the application received upto 3.00 pm – closing NAV of the day of receipt of application; and</li> <li>b. an application received after 3.00 pm – closing NAV of the next Business Day.</li> </ol> <p>The above mentioned cut off timing shall also be applicable to transactions through the online trading platform.</p> <p>In case of Transaction through Stock Exchange Infrastructure, the Date of Acceptance will be reckoned as per the date &amp; time; the transaction is entered in stock exchange's infrastructure for which a system generated confirmation slip will be issued to the investor.</p> |
| <p>Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors. This is the price you need to pay for purchase/switch-in.</p>         | <p>At the applicable NAV</p> <p>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. Hence, no entry load is levied for subscription transactions by the Scheme.</p> <p>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</p>  |
| <p>Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors.</p> <p>This is the price you will receive for redemptions/switch outs.</p> | <p>At the Applicable NAV subject to prevailing Exit Load.</p> <p>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.</p> <p>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. 9.90</p>  |

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|   | <p>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.</p> <p>Any change in Load structure will be effective on prospective basis and will not affect the existing Unit holder in any manner.</p> <p>However, the Mutual Fund will ensure that the Redemption Price will not be lower than 95% of the Applicable NAV. The Purchase Price shall be at applicable NAV.</p>   |
| Minimum amount for purchase / redemption / switches | <p><b>Refer Section I – Part I for Minimum amount for purchase/redemption/switches.</b></p> <p><b>Minimum Redemption Amount/Switch Out</b></p> <p>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 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.</p> <p>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.</p> <p>The AMC/ Trustee reserves the right to change/ modify the terms of minimum redemption amount/switch-out.</p> |
| Accounts Statements                                 | <p>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).</p> <p>A Consolidated Account Statement (CAS) detailing all the transactions across all mutual funds (including transaction charges paid to the distributor) 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.</p> <p>Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable</p> <p>For further details, refer SAI.</p>   |
| Dividend/ IDCW                                      | <p>The warrants/cheque/demand draft shall be dispatched to the Unit holders within 7 working days from the record date.</p> <p>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 dispatch of IDCW payments within the stipulated time period calculated from the record date.</p>  |
| Redemption  | <p>The redemption or repurchase proceeds shall be dispatched to the unitholders within three working days from the date of redemption or repurchase.</p>   |

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|  | <p>For list of exceptional circumstances refer para 14.1.3 of SEBI Master Circular for Mutual Funds.</p> <p>For detailed procedure on how to redeem, kindly refer SAI.</p>   |
| Bank Mandate   | <p>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.</p>   |
| Delay in payment of redemption / repurchase proceeds / dividend            | <p>The Asset Management Company shall be liable to pay interest to the unitholders at rate as specified vide para 14.2 of SEBI Master Circular for Mutual Funds by SEBI for the period of such delay.</p> <p>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.</p> <p>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.</p>  |
| Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount | <p>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.</p> <p>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 Overnight scheme/Liquid scheme/Money market mutual fund scheme floated by Mutual Funds specifically for deployment of the unclaimed Redemption and IDCW amounts.</p> |
| Disclosure w.r.t investment by minors                                      | <p>Following is the process for investments made in the name of a Minor through a Guardian: -</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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'.</li> <li>• 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.</li> </ul>   |

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|  | <ul style="list-style-type: none"> <li>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.</li> </ul> |
| Any other disclosure in terms of Consolidated Checklist on Standard Observations | -   |

### 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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| <p>Fortnightly, Monthly and Half yearly Disclosures: Portfolio / Financial Results</p> <p>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.</p> | <p>The AMC will disclose the portfolio of the Scheme (alongwith ISIN) on fortnightly, monthly and half yearly basis on the website of the Mutual Fund and AMFI within 5 days of every fortnight and within 10 days from the close of each month and 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.</p> <p>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.</p> <p>For details, please refer our website: <a href="https://www.axismf.com/statutory-disclosures">https://www.axismf.com/statutory-disclosures</a></p> |
| Half Yearly Results   | <p>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.</p> <p>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.</p> <p>The unaudited financial results will also be displayed on the website of the AMC and AMFI.</p> <p>For details, please refer our website: <a href="https://www.axismf.com/statutory-disclosures">https://www.axismf.com/statutory-disclosures</a></p>   |
| Annual Report   | <p>The Scheme wise 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 AMC (<a href="http://www.axismf.com">www.axismf.com</a>) and Association of Mutual Funds in India (<a href="http://www.amfiindia.com">www.amfiindia.com</a>).</p>  |

|  |   |
|--|---|
|  | <p>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.</p> <p>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.</p> <p>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.</p> <p>For details, please refer our website: <a href="https://www.axismf.com/statutory-disclosures">https://www.axismf.com/statutory-disclosures</a></p>  |
| Risk-o-meter   | <p>The AMC shall review Risk-o-meters on a monthly basis based on evaluation of risk level of Scheme's month end portfolio. Changes in Risk-o-meter, if any, shall be communicated by way of Notice cum Addendum. Investors may also refer to the website/portfolio disclosure for the latest Risk-o-meter of the Scheme.</p>   |
| Disclosure of Potential Risk Class (PRC) Matrix                            | <p>Pursuant to the para 17.5 of SEBI Master Circular for Mutual funds, all debt schemes are required to be classified in terms of a Potential Risk Class matrix consisting of parameters based on maximum interest rate risk (measured by Macaulay Duration (MD) of the scheme) and maximum credit risk (measured by Credit Risk Value (CRV) of the scheme). Mutual Funds are required to disclose the PRC matrix (i.e. maximum risk that a fund manager can take in a Scheme) along with the mark for the cell in which the Scheme resides on the front page of initial offering application form, SID, KIM, common application form and scheme advertisements in the manner as prescribed in the said circular. The scheme would have the flexibility to take interest rate risk and credit risk below the maximum risk as stated in the PRC matrix. Subsequently, once a PRC cell selection is done by the Scheme, any change in the positioning of the Scheme into a cell resulting in a risk (in terms of credit risk or duration risk) which is higher than the maximum risk specified for the chosen PRC cell, shall be considered as a fundamental attribute change of the Scheme in terms of Regulation 18(15A) of SEBI (Mutual Fund) Regulations, 1996.</p> <p>The Mutual Funds shall be required to inform the unitholders about the PRC classification and subsequent changes, if any, through SMS and by providing a link on their website referring to the said change.</p> <p>The Mutual Fund/ AMC shall also publish the PRC Matrix in the scheme wise Annual Reports and Abridged summary.</p> <p>For details, please refer our website: <a href="https://www.axismf.com/statutory-disclosures">https://www.axismf.com/statutory-disclosures</a></p> |
| Any disclosure in terms of consolidated checklist of standard observations | -   |

### C. Transparency/NAV Disclosure

The NAVs will be calculated and disclosed on all the Business Days. The AMC shall update the NAVs on the website Association of Mutual Funds in India - AMFI ([www.amfiindia.com](http://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](http://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.

In case NAV of Corporate Debt Market Development Fund ('CDMDF') units is not available by 9:30 p.m. of same Business Day, NAV declaration timing for Mutual Fund Schemes holding units of CDMDF shall be 10 a.m. on next business day instead of 11 p.m. on same Business Day.

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 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 Specified Mutual Fund other than Equity-Oriented Mutual Funds (Rates applicable for the Financial Year 2024-25)**

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 arising out of his or her participation in the schemes.

| Particulars  | Taxability in the hands of Individuals / Non-corporates / Corporates   |  |
|--|--|--|
|  | Resident   | Non-Resident   |
| <b>Tax on distributed income (dividend income)</b>               | Taxed in the hands of unitholders at applicable rate under the provisions of the Income-tax Act, 1961 (Act)                                | 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)  |
| <b>Acquired before 1 April 2023 and sold before 23 July 2024</b> |  |  |
| <b>Long term capital gains</b>                                   |  |  |
| Listed units<br>(Holding period > 36 months)                     | 20% (plus applicable surcharge and health and education cess) with indexation benefit  | 20% (plus applicable surcharge and health and education cess) without foreign currency benefit but with indexation benefit                 |
| Unlisted units<br>(Holding period > 36 months)                   | 20% (plus applicable surcharge and health and education cess) with indexation benefit  | 10% (plus applicable surcharge and health and education cess) without foreign currency benefit and indexation benefit                      |
| <b>Short term capital gains</b>                                  |  |  |
| Listed/ Unlisted units<br>(Holding period <= 36 months)          | Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess) | Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess) |
| <b>Acquired before 1 April 2023 and sold after 23 July 2024</b>  |  |  |
| <b>Long term capital gains</b>                                   |  |  |
| Listed units<br>(Holding period > 12 months)                     | 12.5% (plus applicable surcharge and health and education cess) without indexation benefit   | 12.5% (plus applicable surcharge and health and education cess) without foreign currency benefit and indexation benefit                    |
| Unlisted units<br>(Holding period > 24 months)                   |  |  |

|  |   |  |
|--|---|--|
| <p><b>Short term capital gains</b></p> <p>Listed (Holding period &lt;= 12 months)/<br/>Unlisted units (Holding period &lt;= 24 months)</p> | <p>12.5% (plus applicable surcharge and health and education cess) without indexation benefit</p> <p>Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess)</p> | <p>12.5% (plus applicable surcharge and health and education cess) without foreign currency benefit and indexation benefit</p> <p>Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess)</p> |
| <b>Acquired on or after 1 April 2023</b>   |   |  |
| <p>Capital Gains on Specified Mutual Funds irrespective of period of holding<br/>(Refer Note 2)</p>  | <p>Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess)</p>   | <p>Will be taxed at the applicable rates depending upon the slab of each individual (plus applicable surcharge and health and education cess)</p>  |

Note –

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. Finance Act 2023 has inserted Section 50AA with effect from financial year 2023-24 which provides taxation of units of Specified Mutual Funds acquired on or after 1 April 2023. Explanation (ii) to Section 50AA of the Act provides definition of Specified Mutual Fund as under:

'Specified Mutual Fund' is defined to mean a mutual fund scheme where not more than thirty-five per cent of its total proceeds is invested in the equity shares of domestic companies. The said definition is applicable to units which are sold on or before 31 March 2025

Further, the Finance Act (No.2) 2024 has amended the definition of 'specified mutual fund' with effect from financial year 2025-26 to mean:

- (i) a mutual fund scheme which invest more than sixty five percent of its total proceeds is invested debt and money market instruments; or
- (ii) a fund which invests sixty five per cent or more of its total proceeds in units of fund referred above.

The aforesaid definition will be applicable to units which will be sold from 1 April 2025.

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



| <b>Particulars</b>   | <b>Income slab</b>   | <b>Rate of tax</b>  |
|--|--|---|
| 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%  |   |
| Domestic Corporate (where the total turnover or gross receipts of such company for financial year 2022-23 exceeds Rs 400 crores)/ Partnership firm/ LLP/ Local authority/ FPIs | 30%  |   |
| Domestic company, where the total turnover or gross receipts of such company   | 25%  |   |

|   |   |
|---|---|
| for financial year 2022-23 does not exceed Rs 400 crores  |   |
| 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):

| <b>Income slab</b>  | <b>Tax rate</b>   |
|---|---|
| Where total income for a tax year (April to March) is less than or equal to Rs 3,00,000 (the basic exemption limit) | Nil   |
| Where such total income is more than Rs 3,00,000 but is less than or equal to Rs 7,00,000                           | 5% of the amount by which the total income exceeds Rs 3,00,000                    |
| Where such total income is more than Rs 7,00,000 but is less than or equal to Rs 10,00,000                          | Rs 20,000 plus 10% of the amount by which the total income exceeds Rs 7,00,000    |
| Where such total income is more than Rs 10,00,000 but is less than or equal to Rs 12,00,000                         | Rs 50,000 plus 15% of the amount by which the total income exceeds Rs 10,00,000   |
| Where such total income is more than Rs 12,00,000 but is less than or equal to Rs 15,00,000                         | Rs 80,000 plus 20% of the amount by which the total income exceeds Rs 12,00,000   |
| Where such total income is more than Rs 15,00,000   | Rs 1,40,000 plus 30% of the amount by which the total income exceeds Rs 15,00,000 |

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

| <b>Income</b>   | <b>Individual/ HUF / non-corporate non-firm unit holders</b> |
|---|--|
| (a) Above Rs 50 lakh upto Rs 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, 112 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 opting for new tax regime under section 115BAC of the Act.

5. Surcharge rates for Companies

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

\*Surcharge rate shall be 10% in case resident companies opting taxation under section 115BAA and section 115BAB on any income earned.

In case of firm with total income exceeding Rs.1 crore, surcharge rate shall be 12%.

6. Health and Education cess @ 4% on aggregate of base tax and surcharge.
7. Withholding of Taxation by Mutual Fund will be as per applicable withholding tax rate.
8. All the above non-resident investors may also claim the tax treaty benefits available, if any.

**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 October 16, 2020. 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 29, 2024**

One Lodha Place, 22nd & 23rd Floor, Senapati Bapat Marg, Lower Parel, Mumbai, Maharashtra, Pin Code – 400013

TEL 022 6649 6100 and contact number 8108622211 (Chargeable) EMAIL [customerservice@axismf.com](mailto:customerservice@axismf.com) WEB [www.axismf.com](http://www.axismf.com)

**Statutory Details:** Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to Rs. 1 Lakh). **Trustee:** Axis Mutual Fund Trustee Ltd. **Investment Manager:** Axis Asset Management Co. Ltd. (the AMC) **Risk Factors:** 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.**