

1st

**NBFC sector based debt
mutual fund scheme in India**

Axis CRISIL-IBX AAA NBFC Index – Jun 2027 Fund

(An open-ended Target Maturity Index Fund investing in constituents of CRISIL-IBX AAA NBFC Index – Jun 2027. A moderate interest rate risk and relatively low credit risk)

NFO Opens : 13th Sep 2024
NFO Closes : 23rd Sep 2024



SEBI recently introduced new category of Target Maturity Funds based on defined sectors

Axis CRISIL-IBX AAA NBFC Index – Jun 2027 Fund

First NBFC sector based debt mutual fund scheme in India

- Average Maturity: ~2.68 years
- Asset Quality: 100% AAA
- **Higher carry without diluting the credit profile** vis-à-vis active debt funds with similar duration/rating profile

Understanding Sectoral Target Maturity Funds

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

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

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

*Based on currently live indices.

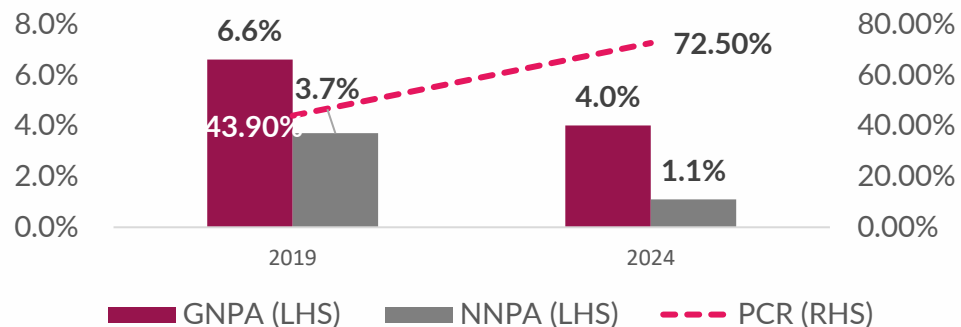
Why invest in 3 year NBFC Target Maturity Fund?



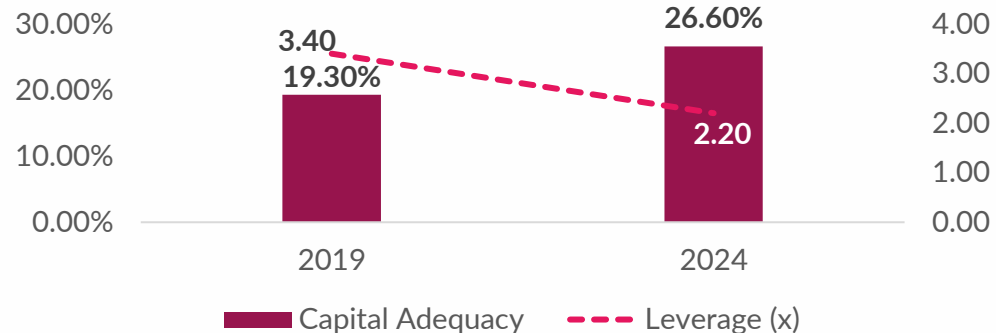
Change in NBFC landscape over the last 5 years

Fundamentals on a strong footing

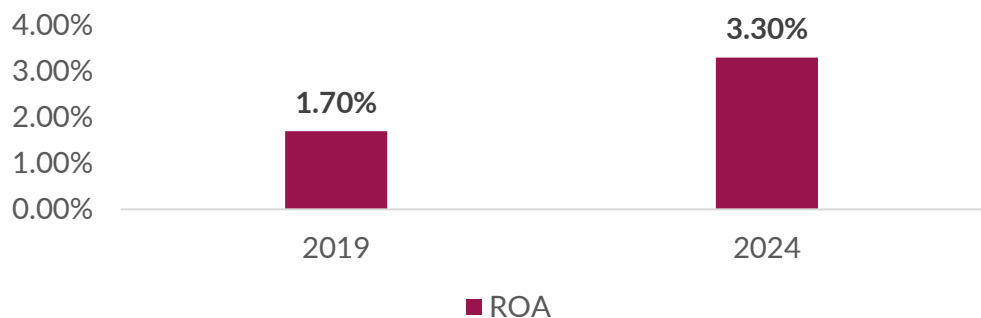
Asset Quality has improved and so has Provision Coverage



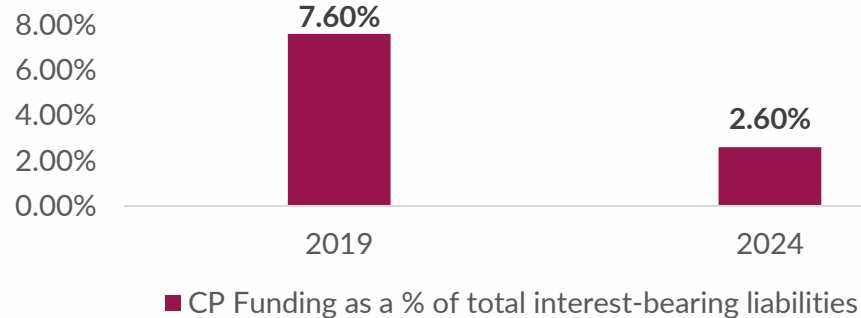
Capitalization has improved and Leverage levels have reduced



Better profitability - aids in building up cushion for future



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



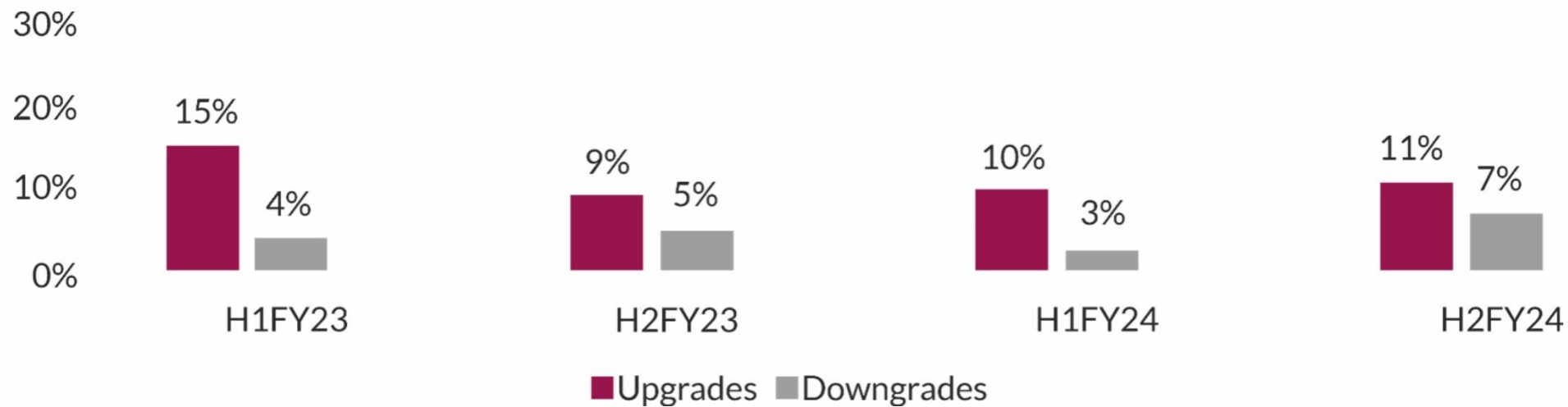
Proactive regulations are ensuring long-term stability of the sector

- RBI's Scale-Based Regulation for NBFCs
- Tightening of provisioning norms
- Tightening of Liquidity Risk Management Framework for NBFC's & CIC's.

Credit Ratio

Significantly higher upgrades than downgrades

NBFC - % of rating actions



NBFC spreads are currently attractive

Risk-reward remains favourable due to strong fundamentals

Spreads % (3 year AAA NBFC over G-Sec)



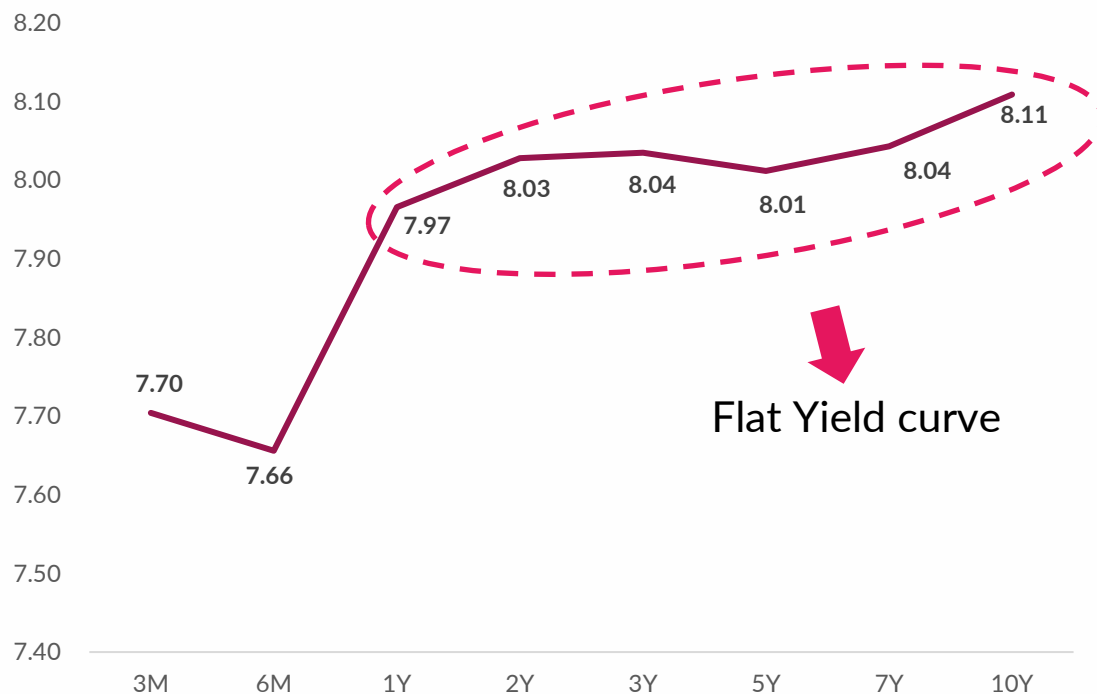
Spreads % (3 year AAA NBFC over AAA PSU)



3 years – Sweet Spot on the yield curve

Well placed in the current market context

AAA NBFC yield curve



- Currently, 1 – 10 year segment of the NBFC yield curve is flat
- 3 year NBFC yields are attractive on an absolute basis and may benefit from:
 - Better liquidity conditions
 - Potential rate cuts
 - Steepening of the yield curve

Axis CRISIL-IBX AAA NBFC Index – Jun 2027 Fund



CRISIL-IBX AAA NBFC Index – Jun 2027

Details as on 9th Sep 2024



CRISIL-IBX AAA NBFC Index – Jun 2027 is a sectoral/thematic target maturity index that seeks to track the performance of AAA issuers from the NBFC sector only, maturing near target date of the index

Constituents

Issuer	Weights
Tata Capital Ltd.	15.01%
Mahindra & Mahindra Financial Services Ltd.	15.01%
Aditya Birla Finance Ltd.	14.99%
Bajaj Finance Ltd.	14.99%
HDB Financial Services Ltd.	10.32%
Kotak Mahindra Prime Ltd.	8.95%
Axis Finance Ltd.	7.86%
L&T Finance Holdings Ltd.	7.10%
Kotak Mahindra Investments Ltd.	5.78%

Index Attributes

Stats

YTM	8.05 – 8.10%
Modified Duration	2.25 years
Average Maturity	2.68 years

About the fund

Axis CRISIL-IBX AAA NBFC Index – Jun 2027 Fund



Investment Philosophy

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



ASSET QUALITY

100% allocation to AAA rated NBFC issuers



Interest Rate Risk

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



ISSUER LIMIT

Single issuer limit of 15%



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

Identifying which product is right for you?

NBFC Target Maturity Funds vs other investment avenues

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

*At Maturity #Bond liquidity may vary due to vagaries of debt markets**penalty for premature withdrawal

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

Investors must consult their financial advisors regarding portfolio allocation and suitability of funds depending on the risk profile of the investor.

Source: Axis MF Research

To summarise

Why should investors consider Axis CRISIL-IBX AAA NBFC Index – Jun 2027 Fund?



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



Tactical play to benefit from falling interest rates



High quality portfolio – 100% AAA



Liquidity – Open ended scheme with no exit load

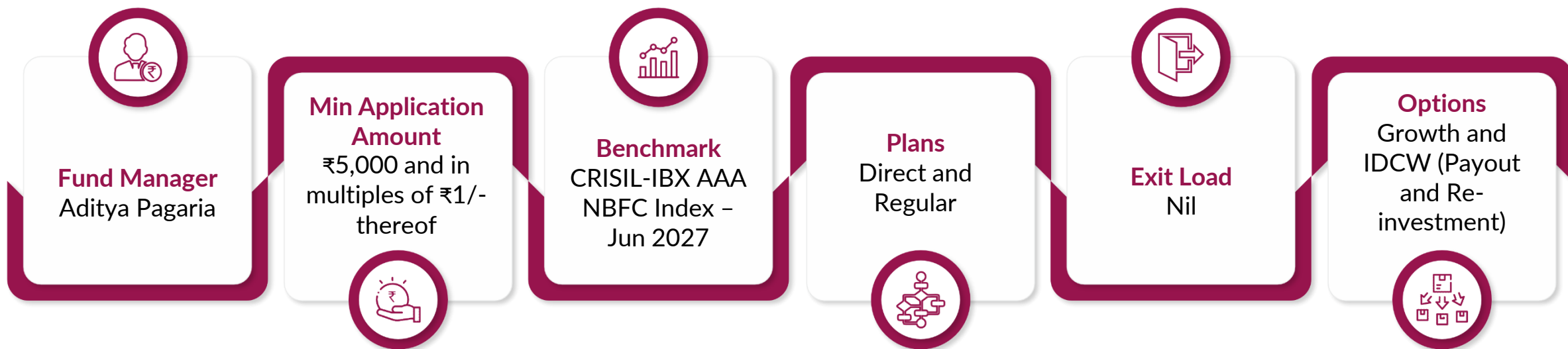


Visibility of potential returns, when held till maturity



Relatively lower expense ratio – The scheme being passively managed

Key Scheme Details



Annexure



Concept



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



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



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



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

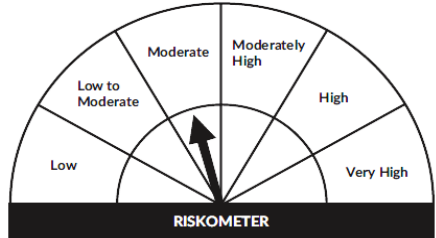
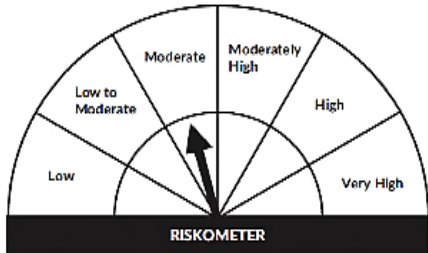


Units of the scheme are automatically redeemed at the applicable NAV on the maturity date



Minimal interest rate risk over the defined maturity

Product Labelling

Product Label	Product Risk-o-meter	Benchmark Risk-o-meter	Potential Risk Class Matrix																								
<p>This product is suitable for investors who are seeking*:</p> <ul style="list-style-type: none"> Income over the target maturity period An open ended target maturity index fund tracking CRISIL-IBX AAA NBFC Index – Jun 2027, subject to tracking error 	 <p>RISKOMETER</p> <p>Investors understand that their principal will be at moderate risk</p>	 <p>RISKOMETER</p> <p>CRISIL-IBX AAA NBFC Index – Jun 2027</p>	<table border="1"> <thead> <tr> <th colspan="4">POTENTIAL RISK CLASS</th> </tr> <tr> <th>Credit Risk →</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> </thead> <tbody> <tr> <th>Interest Rate Risk ↓</th> <td></td> <td></td> <td></td> </tr> <tr> <th>Relatively Low (Class I)</th> <td></td> <td></td> <td></td> </tr> <tr> <th>Moderate (Class II)</th> <td>A-II</td> <td></td> <td></td> </tr> <tr> <th>Relatively High (Class III)</th> <td></td> <td></td> <td></td> </tr> </tbody> </table>	POTENTIAL RISK CLASS				Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓				Relatively Low (Class I)				Moderate (Class II)	A-II			Relatively High (Class III)			
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(The product labelling assigned during the New Fund Offer is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made).

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

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