burgundy

by AXIS BANK

INVESTMENT PERSPECTIVES

January – March 2016

CONTENTS

INDIA EQUITY IN 2015

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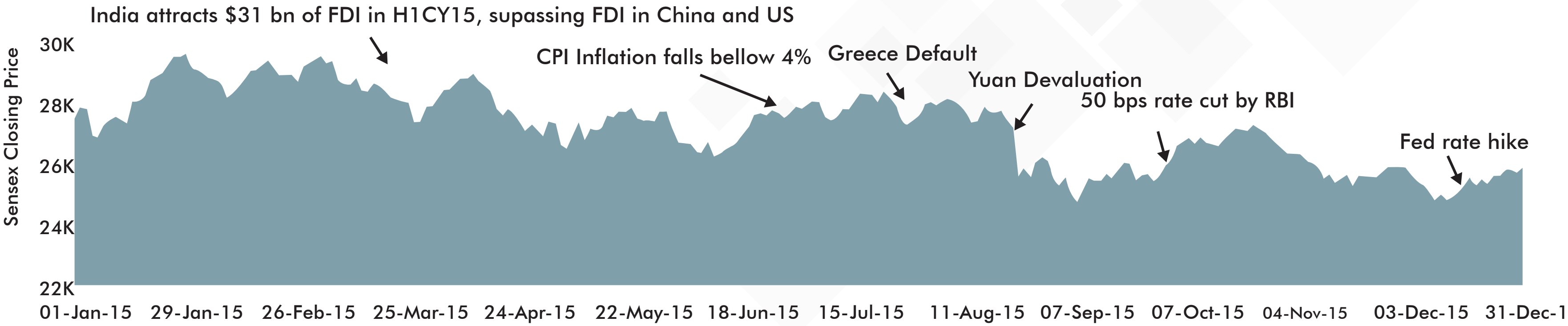
- The Sensex lost 5.03% during CY 2015, the Midcap index gained 9.95%, while Smallcap index gained 6.10%
- CY 2015 also witnessed a slew of policy measures such as UDAY(Power sector reform), Digital India, Make in India, Smart Cities scheme, PSU Banks Reforms, Inflation control, Higher FDI limits in Defence and Insurance

S&P BSE Sensex in 2015



July-15, Greece default

- In a dramatic, but widely expected step, Greece formally defaulted on a USD 1.6 bn payment to the IMF. Greece became the first developed country to default to the IMF

Aug-15, China devalued its currency

- China devalued its currency in a bid to make its exchange rate better reflect market forces. But the real reason may have had to do with its falling exports

Sep-15, RBI cut the repo rate of 50 bps

- RBI cut the repo rate by a higher-than-expected 50 bps to 6.75%, seeking to ease borrowing costs and stimulate economic growth.

Dec-15, US Fed hikes rate for the first time in 9 years

- The Fed's policy-setting committee raised the range of its benchmark interest rate by a quarter of a percentage citing that the US economy has rebounded enough since the Great Recession of 2007-08 and that the rate should begin rising, albeit slowly

CRUDE OIL TAKES CENTER-STAGE

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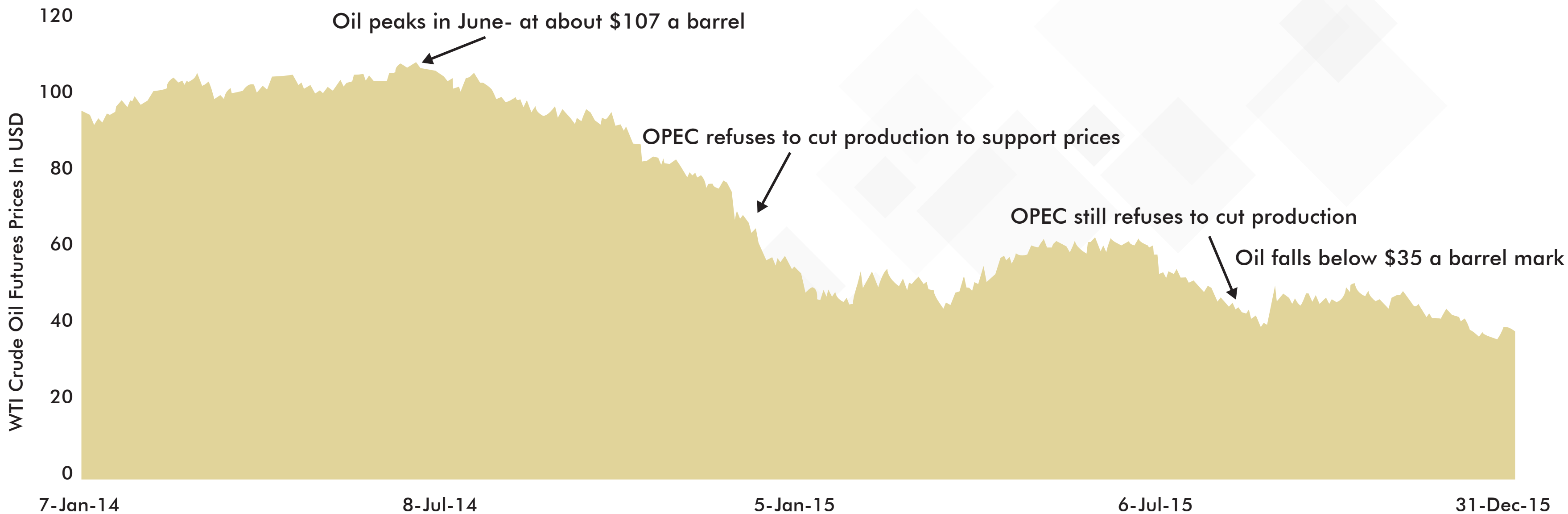

- Oil suffered one of its worst years in the past decade, as a combination of severe over-capacity and weak demand forced oil prices to their lowest levels, adversely affecting the financial markets
- In Dec-15, crude breached the lowest levels in six years to fall below $35 a barrel. Over the past 18 months alone, oil prices fell over 50 per cent

What it means for India?

- India imports 75% of its oil. With oil correcting significantly in the last 18 months, it has resulted in huge savings on import costs for the country and helped safeguard its forex reserves
- Manufacturers and oil marketing companies using crude oil as a key raw material have benefited from the price correction

INDIA DEBT MARKET IN 2015

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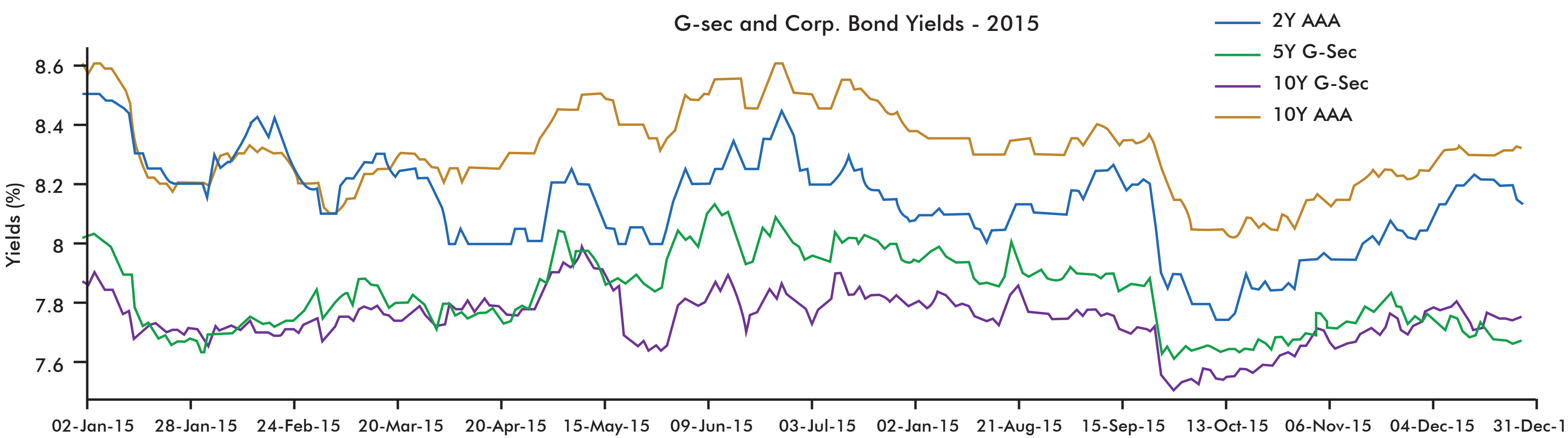

- **RBI cuts repo rate by a higher than expected 125 bps** – With CPI inflation staying well below the January 2016 target of 6%, RBI cut repo rate on 4 occasions by a cumulative 125bps to 6.75% in the calendar year
- **RBI provided a road-map for SLR holdings** – SLR ratio, currently at 21.5% of NDTL is to be brought down by 25 bps every quarter till March 2017. Although banks are currently maintaining a SLR ratio of 28.3%, given that SLR requirements will be lower going forward, it is possible that demand for G-Sec may weaken if credit growth picks up quickly
- **RBI announced a similar road-map for HTM** – HTM to be brought down to 21.5% w.e.f the fortnight beginning 9th January 2016, and subsequently to be brought down by 25 bps every quarter till March 2017. As all excess G-Sec holdings held outside a bank's HTM book is subject to mark to market, this may weaken their incremental appetite for G-Sec going forward
- **FPI G-Sec investment limits to be increased in phases** – The RBI on 29th Sep 2015 announced its strategy of raising FPI limits in G-Sec in phases to reach 5% of outstanding stock by March 2018, a move that is likely to bring in an additional ₹1.2 lakh crores

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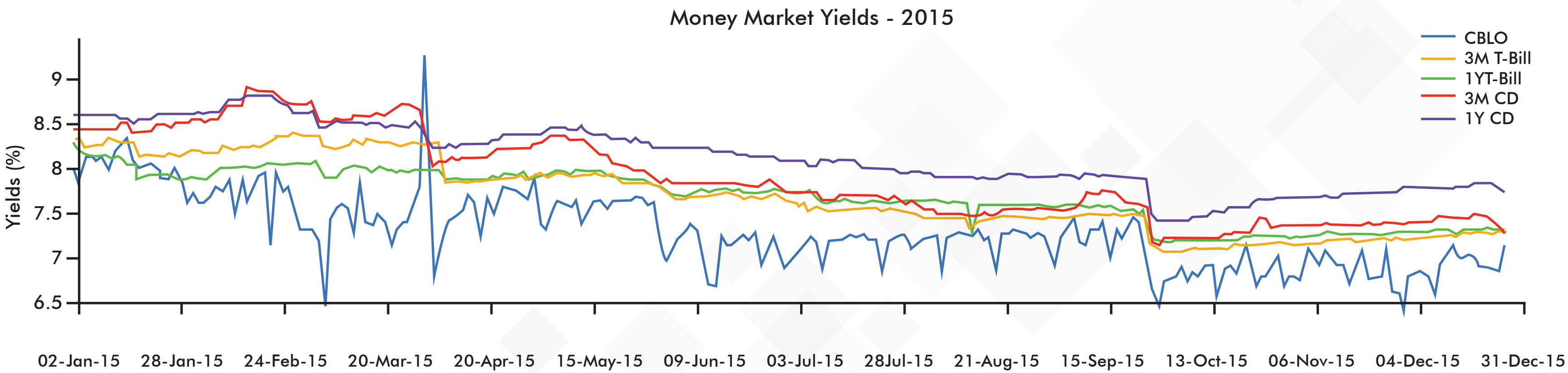

- **FPIs continue to log net inflows in corporate bonds** – As FPI investment limits in G-Sec continued to stay exhausted through the year, FPI registered net inflows of ₹35,631crores in corporate bonds in the calendar year. However, this was lower than the previous year's net inflow figure of ₹75,408 crores. SEBI regulations in February restricting FPI investments in corporate bonds with a residual maturity below three years, likely dampened further inflows
- **Sovereign gold bonds** – Launched on 30th Nov 2015, sovereign gold bonds were slated to garner ₹15000 crores within the borrowing calendar; RBI managed to raise ₹246 crores in the first tranche
- **7th Pay commission panel report** – The report recommended increasing government employee salaries by 23.55%, potentially an additional burden of ~₹1.02 lakh crores on the nation's fiscal math. This impacts the RBI's future inflation trajectory and fiscal deficit targets
- **Monetary policy stance continues to be accommodative** –The Reserve Bank stated in the 5th bi-monthly monetary policy in December, that they will use the space for further accommodation, when available, while keeping the economy anchored to the projected disinflation path that should take inflation down to 5% by March 2017

MARKETS OVERVIEW

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- Indian equity markets lagged behind its global peers. On the domestic front, small caps (BSE smallcap: 7%) outperformed both, large caps (Sensex: -0.4%) and midcaps (BSE Midcap: 3%)
- Indian economy is on the path to recovery, backed by robust indirect tax collection, rising industrial production, controlled inflation, current account deficit & fiscal deficit pointing towards return to a healthy balance sheet
- Early signs of growth amidst rising demand are seen in the economy. The corporate results are in the process of bottoming out and expected to post growth by the end of first half of FY17.
- We maintain a positive bias towards India equity. Investors can consider investing in equities with a 3 to 5 year investment perspective
- In spite of the Repo rate cuts, G-sec yields continued to rise. There was limited demand from banks despite recent OMO purchase. Risks to supply were seen in the form of weak demand for gold sovereign bonds and the 7th pay commission payouts
- Yields may remain range bound in the near term. However, we are positive from a medium to long term perspective with a pro-active inflation targeting RBI and a credible government at the Centre
- Investors who have an investment horizon of at least 18 to 24 months can look at investing in long term income and gilt funds or dynamic bond funds
- Investors can look at short term income funds with an investment horizon of at least 12 to 18 months

EQUITY MARKET UPDATE

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RECAP FOR THE QUARTER

- The Sensex lost 0.39% during the period Oct to Dec 2015, the Midcap index gained by 3.0%, while Small-cap Index gained 7.19%
- During the same period, the top performing sectors were were Consumer Durables (10%), Oil & Gas (9.79%) & Metals (8.39%). Capital Goods (-7.19%), Healthcare (-6.29%) and IT (-4.24%) were the laggards
- Among the Sensex stocks Tata Motors (31.7%), GAIL (27.6%) & Tata Steel (22.3%) were the top performers. The top losers were Dr Reddy's (-26.6%), BHEL(-15.2%) & Adani Port (-14.5%)
- In this last quarter for CY 2015, FIIs were net sellers of equity to the tune of ₹3,481 crores Domestic institutions, on the other hand, were net buyers to the tune of ₹13,392 crores, largely a result of the domestic MFs which bought equity worth ₹13,661 crores

RECAP FOR CALENDAR YEAR

- The Sensex lost by 5.03% during 1st Jan 2015 to 31st Dec 2015, the Midcap index gained by 9.95%, while Smallcap Index gained 6.10%
- On the sectoral front, the Top performers between 1st Jan 2015 to 31st Dec 2015 were Consumer Durables (24.02%), HC (15.31%) & IT (4.26%), while Metal (-31.20%), PSU(-17.18%) and Realty(-13.55%) were laggards
- Among Sensex stocks, Maruti, Lupin & Asian Paints were the top performers with gains of 38.7%, 28.7% & 17.6% respectively during 1st Jan 2015 to 31st Dec 2015, while BHEL, Tata Steel & ONGC were laggards with declines of -36.1%, -35%, -29.1% respectively
- During the calendar year, FIIs were net buyers of equity to the tune of ₹17,234 crores, DIIs were net buyers to the tune of ₹67,261 crores & the domestic MFs bought ₹69,502 crores worth of equity

EQUITY MARKET OUTLOOK

- US Fed has commenced its normalization process after 9 years. They finally raised interest rates by 25 bps. Rate hikes in the US often lead to re-allocation among all the asset classes & markets. Historically, the flight of safety to US markets have negatively impacted Emerging markets, especially the countries with huge USD denominated debt, high fiscal & current account deficits and high inflation, which manifested into volatility in the currency. India had been affected on similar lines back in 2013 post tapering of the QE programme. However, the underlying macros In India have undergone a sea change in the last 2 years - low fiscal deficit, controlled current account deficit, soft inflation. Hence, we believe, risk aversion will impact the asset classes & markets, but India is better positioned & is likely to weather the storm
- Contrary to some expectation build up after the PM's tea meeting with the Congress leaders, the winter session of Parliament was a wash out with very little business activities undertaken. The Government was successful in introducing the bankruptcy bill, seen as the 2nd biggest reform & ease of doing business initiative after the proposed GST bill. The GST bill, unfortunately, was not taken up for deliberations, thus pushing its implementation even further
- Global forecasters expect the La Nina phenomenon (responsible for strong monsoon across Asia) to play out in the upcoming monsoon season as against the El Nino, which had been responsible for the monsoon failure during the last 2 seasons. A bountiful monsoon can enable growth in the rural economy, which if supported by the urban consumption can take India's GDP growth to new highs
- Early signs of growth amidst rising demand are seen in the economy. The corporate results are in the process of bottoming out & are expected to post growth by the end of first half of FY17. The VII Pay commission pay-outs coupled with OROP payments / arrears is expected to kick start the consumption cycle this year. FY17 is expected to be the inflection point when the consumption led recovery will coincide with the rise in strength of the ruling party in Rajya Sabha, thus giving them more ammunition to clear the pending bills

LARGE CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS FOCUSED 25 FUND	3.91	20.07	15.12
BIRLA SUN LIFE FRONTLINE EQUITY FUND	1.10	20.96	16.93
BIRLA SUN LIFE TOP 100 FUND	-0.05	22.00	17.56
DSP BLACKROCK FOCUS 25 FUND	1.98	23.65	15.14
ICICI PRUDENTIAL FOCUSED BLUECHIP EQUITY FUND	-0.21	18.66	15.78
RELIANCE TOP 200 FUND	1.11	25.05	17.65
SBI MAGNUM EQUITY FUND	2.43	20.88	15.53
NIFTY 50	**-4.06**	**12.27**	**10.40**
CATEGORY*	**-0.98**	**17.86**	**13.84**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

AXIS SELECT

EQUITY ORIENTED SCHEMES

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DIVERSIFIED EQUITY FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS EQUITY FUND	-1.24	17.94	16.44
BIRLA SUN LIFE EQUITY FUND	2.93	26.97	19.97
BIRLA SUN LIFE LONG TERM ADVANTAGE FUND	1.55	25.42	19.64
FRANKLIN INDIA HIGH GROWTH COMPANIES FUND	1.49	35.00	25.79
FRANKLIN INDIA PRIMA PLUS	4.38	27.93	19.98
HDFC CAPITAL BUILDER FUND	4.61	26.08	20.61
ICICI PRUDENTIAL VALUE DISCOVERY FUND	5.44	35.35	25.66
KOTAK SELECT FOCUS FUND	2.96	27.49	19.93
RELIANCE EQUITY OPPORTUNITIES FUND	0.51	26.68	18.83
SBI BLUECHIP FUND	7.99	26.36	19.76
SBI MAGNUM MULTI CAP FUND	9.81	30.87	21.69
SBI MAGNUM MULTIPLIER FUND	11.05	28.31	22.09
NIFTY 500	**-0.72**	**16.97**	**12.34**
CATEGORY*	**3.09**	**25.75**	**18.37**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

SMALL & MIDCAP EQUITY FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS MIDCAP FUND	0.85	33.43	22.82
FRANKLIN INDIA PRIMA FUND	6.81	37.94	26.90
FRANKLIN INDIA SMALLER COMPANIES FUND	9.56	44.25	33.06
HDFC SMALL AND MID CAP FUND	6.42	26.97	20.12
SBI MAGNUM GLOBAL FUND 94	7.92	34.07	25.40
TATA MID CAP GROWTH FUND	10.83	41.26	28.59
NIFTY MIDCAP 100	**6.46**	**28.83**	**16.35**
CATEGORY*	**8.36**	**38.87**	**26.41**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

EQUITY LINKED SAVINGS SCHEMES (ELSS)

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS LONG TERM EQUITY FUND	6.70	33.16	27.36
BIRLA SUN LIFE TAX RELIEF 96	9.19	29.90	22.56
DSP BLACKROCK TAX SAVER FUND	4.40	26.06	19.24
FRANKLIN INDIA TAXSHIELD	4.05	27.78	20.12
ICICI PRUDENTIAL LONG TERM EQUITY FUND	4.33	25.44	20.12
SBI MAGNUM TAX GAIN SCHEME 93	3.20	24.06	18.11
NIFTY 500	**-0.72**	**16.97**	**12.34**
CATEGORY*	**3.78**	**25.98**	**19.51**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

BALANCED FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
BIRLA SUN LIFE BALANCED 95	3.36	23.91	17.67
FRANKLIN INDIA BALANCED FUND	4.85	24.17	18.03
HDFC BALANCED FUND	3.01	24.91	19.28
ICICI PRUDENTIAL BALANCED	2.10	21.91	18.22
SBI MAGNUM BALANCED FUND	7.36	24.01	19.82
CRISIL BALANCE FUND INDEX	**0.48**	**12.23**	**10.13**
CATEGORY*	**4.16**	**23.35**	**17.40**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

ASSET ALLOCATION

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEAR	3 YEAR
AXIS EQUITY SAVER FUND	–	–	–
ICICI PRUDENTIAL BALANCED ADVANTAGE FUND	6.70	17.34	15.16
IDFC DYNAMIC EQUITY FUND	1.54	–	–
KOTAK EQUITY SAVINGS FUND	6.44	–	–
SBI EQUITY SAVINGS FUND	–	–	–
CRISIL MIP BLENDED INDEX	**6.79**	**11.70**	**9.21**
CATEGORY*	**4.89**	**17.34**	**15.16**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

HIGH CONVICTION EQUITY IDEAS*

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HIGH CONVICTION STOCK IDEAS	COMPANY NAME	CMP#	TARGET PRICE
	ASHOK LEYLAND	₹88	₹108
	INDUSIND BANK	₹968.75	₹1120

ASHOK LEYLAND

- **M&HCV demand witnessing a strong growth momentum:** M&HCV segment grew by 16% during FY15 led by improving fleet operator profitability. The demand momentum is likely to continue given several Govt initiatives such as ambitious road projects, opening up of mining sector and government's focus on infrastructure
- **Revamp of product portfolio driving market share gains:** New product launches in § HCV and LCV (Boss, Dost and Partner) is driving market share gains for Ashok Leyland (ALL). ALL's market share in M&HCV improved by 570 bps YoY to 32.8% in 1HFY16 (truck segment up 550 bps YoY to 31.1% and passenger segment up 700bps YoY to 42%)
- **Margin expansion due to several initiatives:** Increased net realizations due to calibrated price hikes, richer product mix towards higher tonnage segment, operating § and financial leverage (due to debt reduction) has driven margin expansion for ALL – EBIDTA margins expanded by 504 bps to 11.2% during 1HFY16

INDUSIND BANK

- **Phase III – Transitioning to the next level:** This Phase (2014 -17) is focused towards growth wherein loan growth is targeted at 25 – 30%, fee income growth > loan growth, double branch network from 602 (FY14) and also double customer base
- **IIB is in a sweet spot to leverage:** 1) an uptick in the CV segment (sales and asset quality) and 2) a sharp fall in the cost of wholesale deposits; the recent capital raise and buyout of loans will also boost growth
- Overall asset quality remained healthy with Gross NPA's at 0.77% (down 2 bps QOQ) and Net NPA's at 0.31% (unchanged QoQ)
- Over FY1518E, we expect IIB to report a 28% CAGR in profit / 23% in EPS, aided by an uptick in loan growth and recent capital addition

AXIS DIRECT

* Source: Axis Direct

#CMP is the Current Market Price as on 31st December, 2015.
High Conviction Stocks recommended with Investment horizon of 12 months and above.

DEBT AND MACROECONOMIC UPDATE

Lower CPI inflation confirms room for an RBI repo rate cut

GROWTH EXPECTATIONS

Oct IIP growth sharply higher at 9.8% YoY on account of fewer working days in Oct 2014

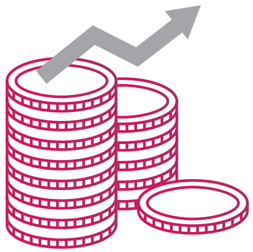
- Strong contributions seen from electricity (thermal power) and gems & jewellery (partly base effect)
- Adjusting for working day effect, growth closer to trend below 5%

INFLATION

Nov 15 CPI inflation at 5.4% YoY (Oct 5%), supported by higher prices of food articles

- Food prices rose across categories. Exceptions were vegetables and fruits, which witnessed lower than seasonal fall
- Core inflation also higher (at 4.62%) across the board, except for household goods and health

DEBT AND MACROECONOMIC UPDATE



TRADE

Nov trade deficit at USD 9.8 bn (Oct 9.8 bn), higher gold imports countered by others

- Exports continue to contract, weakness in engineering goods export continues
- Weak capital flows in the year also squeeze inflows, allowing USD/INR to rise

FISCAL DEFICIT

Markets worry about the fiscal impact of 7th pay commission recommendations

- Impact of around 50 bps likely on CPI inflation by Mar’17, but RBI has said it will look through this
- Meeting the 3.5% target requires higher PSU dividends & disinvestment, constricted spending growth

DEBT AND MACROECONOMIC UPDATE

FEDERAL OPEN MARKET COMMITTEE (FOMC)

Fed hikes rates 25 bps as expected, market preparedness leads to a relief rally after event

- Statement neutral with dovish tilt provided by slightly lower dotplot medians for 2017 and 2018
- Long end rate remains at 3.5%, though this is not captured by the traded US rate curve

DEBT AND MACROECONOMIC OUTLOOK

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by AXIS BANK

DEBT MARKET OUTLOOK

- G-sec yields continued to rise with limited demand from banks despite recent OMO purchase, risks to supply were seen in the form of weak demand for gold sovereign bonds and 7th pay commission
- Demand will most likely be seen in Q4 given seasonal increase in bank books, end of GOI supply and fresh FPI activity
- However, heavy issuance in FY17 (Rs. 2.3 tn maturities) can halt any rally
- Liquidity remains in deficit, with payment of taxes. Term Repo auctions and OMO purchases from RBI is likely to prevent money market rates from rising
- Yields may remain range bound in the near term. However, we are positive from a medium to long term perspective with a pro-active inflation targeting RBI and a credible government at the Centre
- Investors who have an investment horizon of at least 18 to 24 months can look at investing in long term income, gilt funds and dynamic bond funds
- Investors can look at short term income funds with an investment horizon of at least 12 to 18 months
- Short term funds, via active fund management, can take advantage of current yields by investing in G-Secs, corporate bonds, CPs & CDs to gain from high accruals & capital appreciation, if any

LONG-TERM INCOME FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS INCOME FUND	6.76	10.81	8.74
BIRLA SUN LIFE INCOME PLUS	4.56	10.15	7.59
IDFC SSIF - INVT PLAN	5.93	10.63	8.61
TATA INCOME FUND	6.90	9.89	9.00
UTI BOND FUND	6.31	10.86	8.51
CRISIL COMPOSITE BOND FUND INDEX	**8.63**	**11.61**	**8.82**
CATEGORY*	**6.26**	**10.65**	**8.17**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

LONG-TERM GILT FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
BIRLA SUN LIFE GOVT. SECURITIES LONG TERM FUND	5.49	11.35	8.51
IDFC GOVERNMENT SECURITIES FUND - INVESTMENT PLAN	5.99	11.10	9.50
RELIANCE G SEC FUND	6.24	12.27	9.18
SBI MAGNUM GILT FUND - LONG TERM	7.35	13.45	11.06
TATA GILT SECURITIES FUND	5.91	11.65	9.45
UTI GILT ADVANTAGE FUND - LONG TERM	6.10	12.74	9.74
CRISIL 10 YEAR GILT INDEX	**7.39**	**10.71**	**6.78**
CATEGORY*	**6.03**	**11.80**	**8.67**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

DYNAMIC BOND FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

FUND NAME	1 YEAR	2 YEARS	3 YEARS
AXIS DYNAMIC BOND FUND	6.75	10.34	8.51
BIRLA SUN LIFE DYNAMIC BOND FUND	7.44	11.08	9.63
HDFC HIF - DYNAMIC	5.51	10.70	8.88
IDFC DYNAMIC BOND FUND	6.11	10.86	8.77
TATA DYNAMIC BOND FUND	7.10	10.46	10.34
UTI DYNAMIC BOND FUND	6.91	10.76	9.70
CRISIL COMPOSITE BOND FUND INDEX	**8.63**	**11.43**	**8.82**
CATEGORY*	**6.59**	**10.50**	**8.98**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

MIPS - AGGRESSIVE FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
AXIS INCOME SAVER FUND	6.27	13.24	10.71
BIRLA SUN LIFE MONTHLY INCOME PLAN II - WEALTH 25	5.40	16.01	12.80
FRANKLIN INDIA MONTHLY INCOME PLAN	5.77	13.77	11.11
ICICI PRUDENTIAL MIP 25	6.42	14.19	11.34
IDFC MONTHLY INCOME PLAN	7.10	13.39	10.16
CRISIL MIP BLENDED INDEX	**6.79**	**11.70**	**9.21**
CATEGORY*	**5.83**	**13.66**	**10.77**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

MIPS - CONSERVATIVE FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 YEAR	2 YEARS	3 YEARS
BIRLA SUN LIFE MONTHLY INCOME PLAN II - SAVINGS 5 PLAN	6.16	12.30	10.16
ICICI PRUDENTIAL MONTHLY INCOME PLAN	4.75	12.60	10.14
SBI MAGNUM INCOME PLAN	8.20	13.00	9.94
CRISIL MIP BLENDED INDEX	**6.79**	**11.70**	**9.21**
CATEGORY*	**5.58**	**11.67**	**9.50**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

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SHORT-TERM INCOME FUNDS - AGGRESSIVE

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	9 MONTHS	1 YEAR	2 YEARS
AXIS FIXED INCOME OPPORTUNITIES FUND	8.28	8.70	–
TATA SHORT TERM BOND FUND	7.57	8.23	9.39
UTI SHORT TERM INCOME FUND	7.60	8.07	9.48
CRISIL SHORT TERM BOND FUND INDEX	**8.17**	**8.66**	**9.56**
CATEGORY*	**7.75**	**8.19**	**9.29**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

SHORT-TERM INCOME FUNDS - CONSERVATIVE

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	9 MONTHS	1 YEAR	2 YEARS
AXIS SHORT TERM FUND	7.65	8.11	9.07
BIRLA SUN LIFE SHORT TERM FUND	8.36	8.89	9.89
HDFC SHORT TERM OPPORTUNITIES FUND	8.25	8.70	9.55
CRISIL SHORT TERM BOND FUND INDEX	**8.17**	**8.66**	**9.56**
CATEGORY*	**7.75**	**8.19**	**9.29**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

LIQUID FUNDS

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 MONTH	3 MONTHS	6 MONTHS
AXIS LIQUID FUND	7.50	7.55	7.77
BIRLA SUN LIFE CASH PLUS	7.46	7.51	7.76
HDFC LIQUID FUND	7.47	7.55	7.77
ICICI PRUDENTIAL LIQUID FUND	7.46	7.50	7.74
IDFC CASH FUND	7.43	7.50	7.75
RELIANCE LIQUID FUND - TREASURY PLAN	7.43	7.53	7.74
SBI PREMIER LIQUID FUND	7.44	7.48	7.71
UTI LIQUID FUND - CASH PLAN	6.83	6.80	7.04
CRISIL LIQUID FUND INDEX	**7.53**	**7.24**	**7.64**
CATEGORY*	**7.26**	**7.31**	**7.53**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

ULTRA SHORT-TERM FUNDS - CONSERVATIVE

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

CAGR (%)	1 MONTH	3 MONTHS	6 MONTHS
BIRLA SUN LIFE SAVINGS FUND	6.94	7.62	8.37
HDFCFRIF-STF	6.70	7.30	8.05
ICICI PRUDENTIAL FLEXIBLE INCOME PLAN	7.12	7.52	8.29
RELIANCE MONEY MANAGER FUND	6.30	7.14	7.88
SBI SHDF - ULTRA SHORT TERM	6.68	7.05	8.01
TATA FLOATER FUND	6.40	7.09	8.01
UTI TREASURY ADVANTAGE FUND	6.56	7.01	7.72
CRISIL LIQUID FUND INDEX	**7.53**	**7.24**	**7.64**
CATEGORY*	**6.53**	**7.15**	**8.02**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

ULTRA SHORT-TERM FUNDS - MODERATE

PAST PERFORMANCE (CAGR% RETURNS AS ON 31st DECEMBER, 2015)

FUND NAME	1 MONTH	3 MONTHS	6 MONTHS
RELIANCE MEDIUM TERM FUND	5.38	6.91	8.19
SBI SAVINGS FUND	6.30	6.80	7.80
CRISIL LIQUID FUND INDEX	**7.53**	**7.24**	**7.64**
CATEGORY*	**5.77**	**6.57**	**8.28**

*Category refers to Axis Bank's internally defined peer group average.
Data Source: ICRA MFI Explorer

SPECIAL ECONOMIC UPDATE

Fed (finally!) hikes rates by 25 bps, markets unwind short positions leading to a mini rally

Fed statement upbeat, downplays slightly weaker data

- Strong rise in household consumption, business investment and improvement in housing
- Appreciable improvement in labour underutilization
- Even though inflation is currently low, the Fed expressed confidence that inflation will rise to 2% in the medium term
- Dr.Yellen says that inflation will rise even if oil does not recover
- Fed officials kept expected Fed funds rate for 2016 end at 1.25 to 1.5%, but lowers slightly for the years after that
- Lower future interest rates helped provide dovish tilt as expected by the market

Normal Fed funds rate held steady at 3.5% against market expectations

- Future hikes to be driven by wide range of indicators
- Labour markets, inflation and international developments explicitly mentioned
- Anticipates that hikes will be gradual and rate will remain below normal for "some time"

Outlook: Expecting 2-3 more hikes in 2016, but long end is still under-priced

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