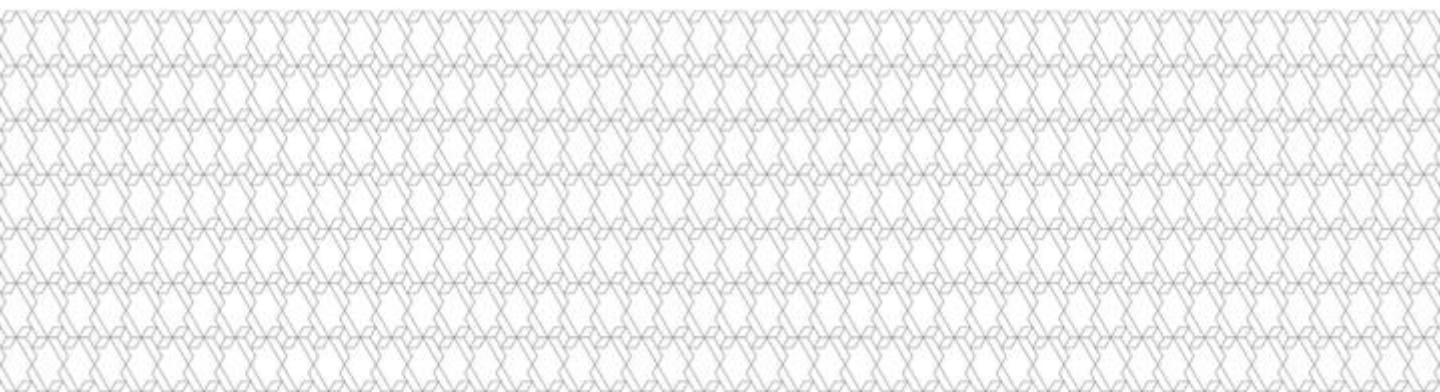


Burgundy

Wealth Management | Axis Bank

INVESTMENT PERSPECTIVES

October – December 2020



MARKET **OVERVIEW**



MARKET OVERVIEW



Indian equity markets witnessed decent performance for the quarter ended September 2020. This was in the midst of volatility due to tensions at the Indo-China border, weaker than expected economic recovery, fears of fresh pandemic restrictions and lockdown in European countries, which kept domestic investors jittery. Heavy global selloff was witnessed towards the end of the quarter.



Equity markets (S&P BSE Sensex) registered a gain of 9.03% during the quarter and closed at 38,067 level. Some consolidation was witnessed by the markets after it made a high of ~39,500 by the end of August. For H1FY21, market saw a sharp rally and gained 29.18%.



Going ahead, market volatility may continue as a series of events will unfold in Q3FY21 both domestically as well as globally. Key events shall be the US Election, MPC meeting, Q2 Earnings, Supreme court decision on Moratorium, Bihar elections and news flows related to the pandemic.



Q2 earnings are likely to be a mixed bag with IT, Pharma and Consumer staples likely to report good numbers while BFSI could be a mixed bag. Management commentary shall be watched keenly. Auto numbers have seen improvement in the Q2FY21 quarter with good volumes in September. However, progress on festive season will be critical to understand the economic recovery.



The IMF, MD stated that the global economy recovered faster than expected in second and third quarter, but still faces a lengthy and arduous return to pre-covid levels.



We maintain a positive bias towards India equity. Investors can consider investing in equities with a 3 to 5 year investment perspective



- India's debt picture is marked by multiple policy issues with RBI trying to play a balancing act between yields, inflation and forex markets.
- The downward trend in Indian sovereign bond yields has taken a U-turn, and the benchmark yield rose by around 15 bps to 6% a month back, spiked further up to 6.25% in between and has stabilized at around 6% currently. The upward movement in the yield curve has been lower to the extent of around 5-10 bps at the shorter end and higher to the extent of 25-30 bps at the longer end. The benchmark yield traded in a tight range of 20 bps (5.85% – 6.05%) during the quarter.
- The growth outlook has turned weaker resulting in lower tax collections and mounting pressure on central and state government to borrow more. Though, the government has stuck to its borrowing plan pegged at an unprecedented Rs.12tn (unchanged from earlier), but space has been retained to increase it later. Moreover, fiscal support is likely to be needed, given the rising growth headwinds worsening the fiscal outlook that may weigh on near-term sentiment.
- The RBI is likely to ensure surplus liquidity in the banking system predominantly via OMOs with a dual objective of improving financial conditions and managing the yield curve. Rates may remain benign, however, and volatility might continue given the impact on growth, fiscal dynamics and government borrowings.



We remain constructive on the shorter end of the yield curve. Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Money Market funds, Low Duration funds and Ultra Short Duration funds can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile and possible capital appreciation in case of a fall in yields. Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.

EQUITY MARKET UPDATE



EQUITY MARKET RECAP

Wealth Management | Axis Bank



Indian equity markets ended the September 2020 quarter in positive terrain. Markets have rallied for two consecutive quarters after witnessing a sell-off in March 2020. Mid Cap and Small Cap indices outperformed compared to their Large Cap counterparts. The S&P BSE Sensex was up by 9.03% during the quarter ended September 2020, while the S&P BSE Mid Cap and the S&P BSE Small Cap index were up by 12.64% and 20.08%, respectively.

For H1FY21, S&P BSE Sensex was up by 29.18%, whereas S&P BSE Midcap and S&P BSE Small Cap index was up by 39.12% and 54.72%, respectively.



On the sectoral front, majority of sectors ended in green for the quarter ended September 2020. IT (+34.21%), Healthcare (+21.74%) and Consumer Durable (+19.37%) were the top performers. However, the bottom 3 sectors were Telecom (-20.73%), Oil & Gas (-3.36%) & FMCG (-1.84%).

For H1FY21, all the sectors were in positive territory. Auto (+66.35%), Healthcare (+62.98%) and IT (+55.57%) were the top gainers, while Telecom (+6.54%), FMCG (+7.77%) and Bankex (10.45%) were at the bottom.



Among S&P BSE Sensex stocks for the quarter ended September 2020, HCL Tech (+45.89%), Tech Mahindra (+45.68%) and Infosys (+36.98%) were the top performers, while Bharti Airtel (-24.79%), ONGC (-14.86%) & ITC (-11.74%) were laggards.

For H1FY21, Mahindra & Mahindra (+113.21%), Reliance Industries (+102.71%) and HCL technologies (+85.83%) were the top performers, while Hindustan Unilever (-10.00%), State Bank of India (-5.86%) and Bharti Airtel (-4.47%) were laggards.



During the quarter ended September 2020, FIIs were net buyers of equity to the tune of Rs 12,322.31 Cr while DIIs were net sellers to the tune of Rs 18,510.00 Cr & the domestic MFs sold Rs 22,097.44 Cr worth of equity.

For H1FY21, FIIs were net buyers of equity to the tune of Rs 20,292.12 Cr while DIIs were net seller to the tune of Rs 7,978.59 Cr and the domestic MFs sold Rs 23,540.44 Cr worth of equity.

EQUITY MARKET OUTLOOK

Wealth Management | Axis Bank



Indian equity markets witnessed decent performance for the quarter ended September 2020. This was in the midst of volatility due to tensions at the Indo-China border, weaker than expected economic recovery, fears of fresh pandemic restrictions and lockdown in European countries, which kept domestic investors jittery. Heavy global selloff was witnessed towards the end of the quarter. Equity markets (S&P BSE Sensex) registered a gain of 9.03% during the quarter and closed at 38,067 level. Some consolidation was witnessed by the markets after it made a high of ~39,500 by the end of August. For H1FY21, market saw a sharp rally and gained 29.18%.



New margin trading norms were introduced by SEBI from 1st September which affected the overall retail market volumes but the impact on stock prices was not very significant. Most brokers have managed to implement the new margin norms well by the mid of the month; however, number of active customers seems to have declined. SEBI also introduced major changes in the guidelines for Multicap category mutual funds with limits on holding large (25%), mid (25%) and small cap (25%) stocks. The mid and small caps stocks rallied post the announcement of new norms but the rally fizzled out with rise in global volatility.



Recovery across the economy in the month of September is appearing strong with growth in electricity consumption, improving PMI and traction in E-way bill generation. Auto monthly numbers were also very strong for passenger vehicles in the buildup to the festival season. The BFSI sector started the month on a good note but the sector saw significant correction by the mid of the month and continues to remain a laggard as concerns of spike in NPAs and growth challenges continue to linger. IT and Pharmaceuticals continue to perform well. HCL tech's mid month guidance was constructive for the sector; TCS will consider buyback in the upcoming board meeting which is another positive. Pharma sector saw good rally during the month with positive news flow in key stocks like Dr Reddy and Biocon.



India's Covid tally had surpassed 6.5 million cases on 4th October 2020. Opening up of the economy in Unlock 4.0 & increased Virus testing across the country resulted in more than 90,000 new cases on a daily basis in the month of September; however daily additions have remained below 90,000 in the last 14 days. Currently, 62% of the total Covid cases are in the 6 states of India which contribute 47% of India's GDP. Vaccine development is in advanced stages across countries. 44 candidates are working on the development of the Covid vaccine, out of which 8 are now in phase 3 trials (final phase of the vaccine development). Now the discussion has progressed towards the production and distribution of the vaccine. As per the government's estimate, one out of five Indians may be vaccinated by July 2021. Government is also preparing a list of 'priority population group' to get the vaccine first.

EQUITY MARKET OUTLOOK

Wealth Management | Axis Bank



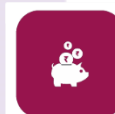
CY20 monsoon ended 9% above LPA, which also indicates the second consecutive year of above-normal monsoons. Rural economy was aided by above-average monsoon season, Kharif sowing was higher 5% YoY with higher sowing for rice, pulses, oilseeds, etc. The most significant domestic development was the continued intent to use the crisis to push through structural reforms as the legislature passed farm bills and labour codes. The agri bills passed by the parliament in September 2020 is a positive for the sector and may accelerate growth in the sector through private sector investment in building infrastructure and supply chains for farm produce in national and global markets. They are intended to help farmers who don't have means to either bargain for their produce to get a better price or invest in technology to improve the productivity of farms. The labor bills will make significant changes in labour laws making them less rigid for industry while strengthening the safety net of workers and hence may aid in improving the ease of doing business in India.



Going ahead, we expect market volatility to continue as a series of events shall unfold in Q3FY21 both domestically as well as globally. Key events shall be US Elections, MPC meeting, Q2 Earnings, Supreme court decision on Moratorium, Bihar elections and news flows related to the pandemic.



The IMF MD recently stated that the global economy recovered faster than expected in second and third quarter, but still faces a lengthy and arduous return to pre-covid levels. It is likely to make a "small upward revision" to its 2020 growth forecast in the coming week after estimating a 4.9% annual contraction in June. The latest economic data points indicate the pace of recovery has slowed, thus, the shape of recovery in the world economy in Q42020 and beyond remains uncertain. There may be large divergences between countries given large differences in the number of virus cases and the size of fiscal and monetary policy responses and other political (e.g., US election) and geopolitical factors (e.g., global trade relations). The current crisis will entail a more expansionary fiscal policy by the US and other major economies, which should help in an economic reflation. This may be positive for global growth and EMs like India.



Investors can look at accumulating equities with a 3 to 5 year investment perspective



EQUITY ORIENTED SCHEMES



LARGE CAP EQUITY FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Bluechip Fund	-1.28	7.54	8.97
ICICI Prudential Bluechip Fund	-3.49	0.39	2.89
Mirae Asset Large Cap Fund	1.01	4.06	5.15
Nippon India Large Cap Fund	-11.95	-4.57	-0.42
UTI Mastershare Unit Scheme	1.07	2.88	4.87
Category Average	-3.22	1.58	2.87
Nifty 50 TRI	-0.97	2.61	6.02

Data Source: ICRA MFI Explorer

MULTI CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Equity Fund	-0.34	2.44	1.29
Axis Multicap Fund	-2.09	7.08	--
ICICI Prudential Multicap Fund	-7.65	-3.96	0.63
Kotak Standard Multicap Fund	-2.23	3.10	3.54
SBI Magnum Multi Cap Fund	-6.40	1.52	1.50
Tata Multicap Fund	2.41	6.10	--
UTI Equity Fund	10.06	7.67	8.66
Category Average	-3.29	1.44	1.67
Nifty 500 TRI	1.02	2.35	3.97

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

LARGE & MID CAP EQUITY FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Growth Opportunities Fund	9.88	--	--
DSP Equity Opportunities Fund	-2.20	2.87	1.89
IDFC Core Equity Fund	-0.98	-0.31	0.75
Invesco India Growth Opportunities Fund	1.09	4.18	5.36
Kotak Equity Opportunities Fund	4.92	6.57	4.29
L&T Large and Midcap Fund	4.23	2.22	1.36
Mirae Asset Emerging Bluechip Fund	8.53	9.89	7.12
Category Average	-1.11	0.98	3.25
NIFTY Large Midcap 250 TRI	4.78	3.10	3.78

Data Source: ICRA MFI Explorer

FOCUSED EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Focused Equity Fund	-0.84	2.32	1.93
Axis Focused 25 Fund	-0.37	4.59	6.17
DSP Focus Fund	-2.02	4.72	2.31
Kotak Focused Equity Fund	-0.64	--	--
L&T Focused Equity Fund	6.40	--	--
SBI Focused Equity Fund	-1.49	5.90	6.33
Tata Focused Equity Fund	--	--	--
Category Average	-0.43	1.27	1.83
Nifty 50 TRI	-0.97	2.61	6.02

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

MID CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Midcap Fund	12.24	11.09	11.42
DSP Midcap Fund	13.73	10.51	5.54
Franklin India Prima Fund	-1.39	1.16	0.25
Invesco India Mid Cap Fund	13.86	7.60	6.61
Kotak Emerging Equity Fund	7.52	7.25	3.37
L&T Midcap Fund	7.94	3.03	0.55
Mirae Asset Midcap Fund	8.49	--	--
Category Average	7.60	5.40	2.56
S&P BSE Mid Cap TRI	5.38	0.84	-0.61

Data Source: ICRA MFI Explorer

SMALL CAP EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Small Cap Fund	9.44	13.55	9.01
HDFC Small Cap Fund	-2.24	-4.38	0.11
ICICI Prudential Smallcap Fund	5.14	6.71	-0.10
Kotak Small Cap Fund	13.87	8.08	3.01
SBI Small Cap Fund	12.21	8.04	5.80
Category Average	6.85	2.72	0.41
S&P BSE Small Cap TRI	14.05	2.56	-1.72

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

EQUITY LINKED SAVINGS SCHEME (ELSS)

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Tax Relief 96	4.33	1.43	3.24
Axis Long Term Equity Fund	-0.77	5.45	6.31
DSP Tax Saver Fund	-2.82	4.35	2.62
Kotak Tax Saver Fund	2.26	5.37	4.37
L&T Tax Advantage Fund	0.56	-0.24	0.18
Mirae Asset Tax Saver Fund	6.95	7.87	7.47
Category Average	-1.11	0.98	3.25
Nifty 500 TRI	1.02	2.35	3.97

Data Source: ICRA MFI Explorer

VALUE EQUITY FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
HDFC Capital Builder Value Fund	-3.47	-3.38	0.14
Invesco India Contra Fund	4.46	3.01	5.95
Tata Equity P/E Fund	-0.50	0.79	0.15
UTI Value Opportunities Fund	3.26	2.44	4.19
Category Average	0.55	1.51	3.33
Nifty 500 TRI	1.02	2.35	3.97

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

AGGRESSIVE HYBRID FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Equity Hybrid Fund	0.09	6.19	--
HDFC Hybrid Equity Fund	-2.92	1.90	0.44
ICICI Prudential Equity & Debt Fund	-4.50	-0.80	1.31
L&T Hybrid Equity Fund	2.21	2.43	2.00
Mirae Asset Hybrid - Equity Fund	3.29	5.46	5.59
SBI Equity Hybrid Fund	-0.85	5.55	5.57
Category Average	-1.55	2.21	1.79
NIFTY 50 Hybrid Composite Debt 65:35 Index	4.84	6.92	7.59

Data Source: ICRA MFI Explorer

DYNAMIC ASSET ALLOCATION / BALANCED ADVANTAGE FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Dynamic Equity Fund	0.71	2.63	3.90
DSP Dynamic Asset Allocation Fund	4.80	6.99	5.53
ICICI Prudential Balanced Advantage Fund	3.66	6.34	5.77
Kotak Balanced Advantage Fund	8.50	8.84	--
L&T Balanced Advantage Fund	9.26	7.42	7.16
Nippon India Balanced Advantage Fund	1.59	4.08	4.19
Tata Balanced Advantage Fund	7.56	--	--
Category Average	3.27	4.27	4.20
NIFTY 50 Hybrid Composite Debt 65:35 Index	4.84	6.92	7.59

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

EQUITY SAVINGS FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Equity Savings Fund	4.12	4.65	2.95
Axis Equity Saver Fund	1.36	4.41	5.26
HDFC Equity Savings Fund	-0.39	1.88	2.62
ICICI Prudential Equity Savings Fund	1.06	4.66	4.66
Kotak Equity Savings Fund	6.04	5.89	6.00
UTI Equity Savings Fund	2.08	2.67	--
Category Average	1.68	2.32	2.40
1/3rd %age each of CRISIL Short Term Bond Fund Index + Nifty 50 TRI + Nifty 50 Arbitrage Index	3.95	5.87	6.29

Data Source: ICRA MFI Explorer

MULTI ASSET ALLOCATION FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Triple Advantage Fund	4.24	8.74	6.33
ICICI Prudential Multi-Asset Fund	-3.20	-0.22	1.93
Nippon India Multi Asset Fund	--	--	--
Tata Multi Asset Opportunities Fund	--	--	--
Category Average	4.82	5.67	4.79

Data Source: ICRA MFI Explorer



EQUITY ORIENTED SCHEMES

THEMATIC FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Tata Ethical Fund	9.04	6.13	5.52
Nifty 500 Shariah TRI	14.97	8.61	7.21

CAGR	1 Year	2 Years	3 Years
Axis ESG Equity Fund	--	--	--
ICICI Prudential Bharat Consumption	-2.63	--	--
ICICI Prudential ESG Fund	--	--	--
ICICI Prudential Bharat Consumption Fund	-8.37	--	--
Nifty 500 TRI	1.02	2.35	3.97

Data Source: ICRA MFI Explorer

ARBITRAGE FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Arbitrage Fund	4.63	5.44	5.60
Axis Arbitrage Fund	4.62	5.38	5.54
IDFC Arbitrage Fund	4.14	5.27	5.53
Kotak Equity Arbitrage Fund	4.73	5.48	5.72
Nippon India Arbitrage Fund	4.72	5.55	5.85
SBI Arbitrage Opportunities Fund	3.96	5.09	5.45
Category Average	4.60	5.39	5.58
Nifty 50 Arbitrage Index	2.96	4.74	4.64

Data Source: ICRA MFI Explorer

EQUITY ORIENTED SCHEMES

DEBT AND **MACRO ECONOMIC UPDATE**



DEBT AND MACRO ECONOMIC OUTLOOK



August CPI inflation at 6.69% YoY, lower than market expectations, on softer food inflation & downward revision of July reading

- CPI inflation remained above 6% for the 5th consecutive month, but eased from 6.73% previously (revised from 6.93%).
- Price moderated in vegetables (mainly tomatoes). Miscellaneous segment picked up on household goods and services, petrol & diesel prices, recreation and precious metals, keeping core inflation elevated at 5.44% in August vs 5.37% in July.
- WPI inflation came in at 0.16% YoY vs -0.58% previous, in line with minerals and crude petroleum.



July IIP contracted at a softer but still-steep 10.4%, with modest improvement reported in manufacturing & electricity

- Numbers show softer contraction across the board from near standstill conditions in certain sectors.
- Recovery was comparatively slow in auto, while pharma and tobacco rose back into expansion territory.
- India August core sector output fell 8.5% YoY, with negative contribution most pronounced in refinery products.



India merchandise trade deficit narrowed in September driven by renewed rise in exports despite no base effects

- The deficit narrowed to USD 2.9 bn vs 6.8 bn prev, in line with increase in exports of engineering goods, electronics, pharma and jewellery exports. Non-oil Imports remained subdued in line with weak domestic demand.



India Q1 FY21 current account came in at surplus of USD 19.8 bn vs 0.6 bn previously, on sharp fall in merchandise trade deficit

- Bulk of the improvement on the merchandise trade deficit narrowing to just USD 10 bn vs USD 35 bn previously, The services surplus was lower in line with drop in travel receipts. Remittance inflows weakened, and dividend payments rose.
- The financial account surplus (ex reserve assets) narrowed to just USD 1.3 bn, in line with net FDI outflows.



India Apr-Aug fiscal deficit widened to Rs 8.7 trln or 109.3% of BE FY21, but show signs of expenditure rationalisation

- Tax collections remained very weak, despite improved indirect tax collections on higher excise levies on fuels. Non—tax receipts AGR and non-debt capital receipts (disinvestments) were also very weak.
- Expenditure in growth slowed, with some of the rationalization finally being seen.

DEBT AND MACRO ECONOMIC OUTLOOK

Wealth Management | Axis Bank



USD/INR was bought early in the month in line with the strong USD following better than expected economic data. This upside sustained in early half of the month following the India-China border standoff and sharp correction in local equities. Buying momentum was seen in the second half along with USD/EMFX, tracking weakness in TRY and RUB following conflict in the Caucasus. September also recorded continued RBI intervention to INR appreciation. However, the later part of the month saw spot drifting lower with USD amid signs of global economic recovery entering a weaker phase following surge in infections and imposition of fresh restrictions. The US political landscape entered uncharted territory after US president Trump tested COVID-19 positive just a month ahead of elections. Markets will continue to watch developments on Mr. Trump's health and his ability to campaign, along with political and market implications.



G-sec yields drifted lower early in the month after RBI stepped in with a series of measures comprising operation twists, variable rate term repos and a temporary HTM increase. This downside did not last for long and yields shot up quickly following border tensions between India and China. Apart from this, yields remained elevated on fear that G-sec market borrowing might exceed the calendar of Rs 12 trillion in FY21 owing to weak tax collections. The month also recorded a pickup in RBI intervention in the secondary bond market to limit upside in bond yields as several weekly auctions reported devolvement (signaling weak demand appetite). Nevertheless, the H2 issuance size was retained as per the borrowing calendar, with some chances of additional borrowing seen in Feb and March. Going ahead, markets will be guided by the RBI-MPC meeting in October and stance of new members will be watched.



We remain constructive on the shorter end of the yield curve. Short Duration funds, Corporate Bond funds, Banking & PSU Debt funds, Money Market funds, Low Duration funds and Ultra Short Duration funds can be considered by investors with an investment horizon commensurate with the maturity and duration of the schemes, due to their steady accrual profile and possible capital appreciation in case of a fall in yields. **Having said this, one should consider aspects such as exit load, capital gains tax and asset allocation amongst others while evaluating their investment options.**

SPECIAL ECONOMIC UPDATE



SPECIAL ECONOMIC UPDATE

Wealth Management | Axis Bank



- Food inflation has been a consistent driver of higher and sticky inflation over past cycles. This has been driven by potato, onion and tomatoes- among vegetables and also pulses. Apart from this, cereals and other protein rich items have also kept inflation elevated in past cycles.
- Strong rabi harvest and above LPA monsoons are likely to keep inflation for cereals and pulses capped in the near term while fruits and vegetables are expected to remain volatile. Nevertheless, inflation is expected to soften in H2 mainly on a large, favorable base effect.
- Higher upside risks to inflation despite bumper rabi harvest and good monsoon showers has compressed space for additional easing with primacy of inflation taking over growth.
- Modest resumption in economic activity, coupled with higher domestic taxes on petroleum products and higher global precious metal prices have supported core inflation. This can be partly explained by a weaker USD, limited appreciation in INR and stockpiling of base metals by China.
- However, even after factoring out impact of government policy (higher VAT and excise duty on petroleum products), core inflation has risen back to 4%, not entirely reflecting weak demand conditions.
- India policy rates are likely to remain unchanged in the near term despite weak growth conditions, as outlook still remains unclear over duration of virus. Central bank projections on inflation and growth in October meeting are awaited, to gauge prospects of easing, if any.

MONETARY POLICY UPDATE

Wealth Management | Axis Bank



MPC votes unanimously to hold rates, stance receives an ECB style calendar tweak

- Stance to remain accommodative as long as necessary to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring inflation remains within target going forward.
- Accommodative stance to continue at least through the current FY, and into FY22

RBI Inflation projections moving close to 4% in FY22, growth projections show shallow recovery

- Inflation projected at 4.5-5.4% in H2 and 4.3% in Q1FY22 with risks broadly balanced. FY22 inflation projected at 4.1-4.4% with risks appearing broadly balanced, but this is below Axis Bank's own estimates.
- Vegetable prices coming off with Kharif arrivals, weak pricing power, and easing of lockdowns back projections
- GDP to contract 9.5% in FY21 with risks to downside – Q2 -9.8%, Q3 -5.6% and Q4 +0.5%. Q1FY22 growth at 20.6%, FY22 at 10.1% on vaccine availability, restored supply chains, a normal monsoon and no shocks.

Revival of the economy from COVID-19 assumes primacy, supply shocks to dissipate over ensuing months

- To await easing of inflationary pressures to use space available for further growth support.

Thrust of the policy on yield curve management – strong language multiple steps, but limited response

- Borrowing programme for centre and states for the rest of FY21 to be completed in a non-disruptive manner without compromising on price and financial stability
- Size of outright and special OMOs raised to Rs. 200 bn, SDL OMOs as a special case in current FY,
- Markets need to take a broader time perspective and display bidding behaviour that reflects sensitivity to signals from RBI

On-tap TLTRO – similar to the BOE's funding for lending scheme

- Tenor of upto 3 years, floating repo rate to be applicable – to be invested in paper or issued as loans to companies in specific sectors. To be exempted from HTM and LEF limits

Increase in HTM limit for SLR paper to 22% from 19.5% now extended until Mar 2022 from Mar 2021 earlier

- HTM limit to be restored to 19.5% in phases starting Jun 2022 onwards

MAJOR MEASURES ANNOUNCED BY RBI

Wealth Management | Axis Bank

March'20	April'20
<ul style="list-style-type: none"> Repo Rate cut by 75 bps, Reverse Repo by 90 bps, CRR cut to 3% TLTRO for Rs 1 tn for investment in bonds, NCDs and CPs Three month moratorium on payment of instalments for term loans outstanding as on March 1, 2020 Deferment of last tranche of 0.625% of CCB to Sep'20 Increase in MSF availability to 3% of NDTL Implementation of Net Stable Funding Ratio (NSFR) deferred by 6 months 	<ul style="list-style-type: none"> Fixed rate Reverse Repo reduced by another 25 bps TLTRO 2.0 of Rs.500 bn crore to be invested in bonds, CPs and NCDs of NBFCs with 50% to small and mid size NBFCs Special refinance of Rs 500 bn to NABARD, SIDBI and NHB Asset classification standstill for all accounts which lending institutions decide to grant moratorium Rs 500 bn Special Liquidity Facility for Mutual Funds (SLF-MF) LCR requirements of SCBs brought down from 100% to 80% with immediate effect

May'20	Aug-Sep'20
<ul style="list-style-type: none"> Repo, Reverse Repo and MSF rate reduced by 40 bps Moratorium 2 - Extended for another three months, from June 1, 2020 to August 31, 2020. Rs 150 bn line of credit to the EXIM Bank for a period of 90 days Increase in bank's exposure to a group of connected counterparties from 25% to 30% of the eligible capital base Extension of resolution timeline by excluding moratorium period from 30 day review or 180 day resolution period Increase in maximum permissible period of pre-shipment and post-shipment export credit 	<ul style="list-style-type: none"> Repo, Reverse Repo and MSF rate unchanged RBI allowed lenders to implement a resolution plan for corporate exposures and personal loans while classifying such exposures as Standard Restructuring of MSME debt provided the account was classified as standard with the lender as on March 1, 2020. Increase in LTV ratio for loans against gold for non-agricultural purposes from 75% to 90% Review of Priority Sector Lending Guidelines Increase in HTM limits from 19.5% to 22% of NDTL, in respect of SLR securities acquired after 1st Sep'20

FIXED INCOME ORIENTED SCHEMES



LONG DURATION FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Long Term Bond Fund	10.56	13.16	8.57
Nippon India Nivesh Lakshya Fund	11.99	16.05	--
Category Average	11.28	14.61	8.57
ICRA Composite Bond Fund Index	12.38	13.62	9.28

Data Source: ICRA MFI Explorer

GILT FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Gilt Fund	11.87	11.70	8.29
IDFC G Sec Fund	12.62	14.82	9.59
Nippon India Gilt Securities Fund	10.40	13.19	8.98
SBI Magnum Gilt Fund	10.76	13.04	8.36
UTI Gilt Fund	9.20	11.78	7.97
Category Average	10.03	12.15	7.80
ICRA Composite Gilt Index	11.67	13.93	9.40

Data Source: ICRA MFI Explorer



DYNAMIC BOND FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Dynamic Bond Fund	11.55	11.95	8.51
ICICI Prudential All Seasons Bond Fund	11.75	10.90	8.13
IDFC Dynamic Bond Fund	11.45	12.85	8.52
Kotak Dynamic Bond Fund	10.40	11.68	8.91
Nippon Dynamic Bond Fund	8.27	9.79	6.35
SBI Dynamic Bond Fund	9.97	11.92	8.04
Category Average	8.02	9.02	6.44
ICRA Composite Bond Fund Index	12.38	13.62	9.28

Data Source: ICRA MFI Explorer

MEDIUM TO LONG DURATION FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
ICICI Prudential Bond Fund	11.30	11.37	7.96
IDFC Bond Fund - Income Plan	10.10	12.06	7.83
SBI Magnum Income Fund	12.43	11.83	8.26
Category Average	9.12	9.77	6.44
ICRA Composite Bond Fund Index	12.38	13.62	9.28

Data Source: ICRA MFI Explorer



FIXED INCOME ORIENTED SCHEMES

SHORT DURATION FUNDS

Wealth Management | Axis Bank

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Short Term Fund	10.16	10.12	8.20
HDFC Short Term Debt Fund	10.75	10.35	8.63
IDFC Bond Fund - Short Term Plan	9.89	10.20	8.17
L&T Short Term Bond Fund	9.54	9.75	7.99
Nippon India Short Term Fund	9.18	9.48	7.40
SBI Short Term Debt Fund	9.44	9.70	7.77
Category Average	8.28	8.42	6.89
CRISIL Short Term Bond Fund Index	9.86	10.26	8.23

Data Source: ICRA MFI Explorer

CORPORATE BOND FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Corporate Bond Fund	11.13	10.85	8.81
Axis Corporate Debt Fund	11.26	8.87	8.04
HDFC Corporate Bond Fund	10.82	11.09	8.67
IDFC Corporate Bond Fund	10.09	9.80	7.90
Kotak Corporate Bond Fund	9.34	9.73	8.48
L&T Triple Ace Bond Fund	11.83	13.09	9.16
UTI Corporate Bond Fund	11.20	11.34	--
Category Average	8.51	10.44	8.18
CRISIL Short Term Bond Fund Index	9.86	10.26	8.23

Data Source: ICRA MFI Explorer



BANKING & PSU DEBT FUNDS

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PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Aditya Birla Sun Life Banking & PSU Debt Fund	10.22	10.45	8.36
Axis Banking & PSU Debt Fund	9.86	10.87	9.01
HDFC Banking and PSU Debt Fund	10.21	10.53	8.21
IDFC Banking & PSU Debt Fund	10.94	11.87	9.25
LIC MF Banking & PSU Debt Fund	8.65	9.82	8.27
Mirae Asset Banking and PSU Debt Fund	--	--	--
Category Average	9.83	9.96	8.14
CRISIL Short Term Bond Fund Index	9.86	10.26	8.23

Data Source: ICRA MFI Explorer

CONSERVATIVE HYBRID FUNDS

PAST PERFORMANCE (CAGR % RETURNS AS ON 30th SEPTEMBER, 2020)

CAGR	1 Year	2 Years	3 Years
Axis Regular Saver Fund	8.03	4.86	4.53
Franklin India Debt Hybrid Fund	2.98	5.40	4.30
ICICI Prudential Regular Savings Fund	8.54	8.99	7.33
Category Average	3.90	5.32	3.87
NIFTY 50 Hybrid Composite Debt 15:85 Index	10.27	11.45	8.44

Data Source: ICRA MFI Explorer



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