

Axis Hybrid Fund – Series 3

Equity participation with stability of fixed income



3 reasons to invest in Axis Hybrid Fund – Series 3

The investment objective of the fund is to generate income by investing in high quality fixed income securities along with capital appreciation through investments in equity & equity related instruments.

1

Offers an attractive route to take equity allocation for conservative investors

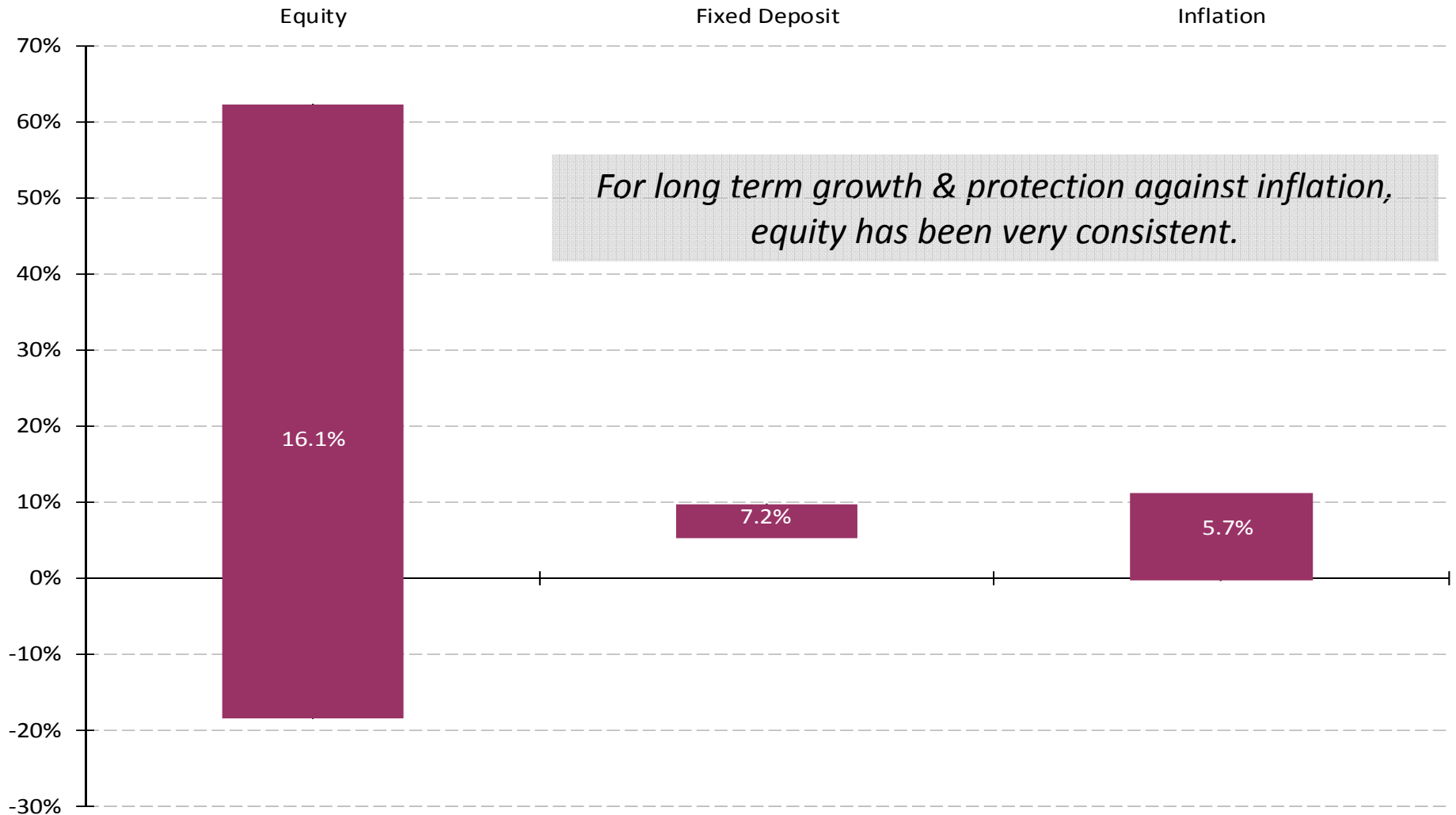
2

For long term growth, equity is a far superior option to fixed deposits.

3

Blends equity participation with the relative stability of debt

Equities are usually the best long term bet



High, Low and Average rolling 3-Year returns is for the period 31st July 2001 to 31st July 2011. Equity is taken as BSE Sensex. Returns are compounded annualized. Fixed Deposit is taken as 3 year SBI Fixed Deposit rate. Average inflation rate in the last 10 years. Source of Data: Bloomberg

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Periods of underperformance followed by superior returns

When BSE Sensex has performed below 10% over 3 years, what happens to the equity markets in the next 3 years?

3 Years Ended	Sensex Returns (% p.a.)	Returns in subsequent 3 years (% p.a.)
31-Mar-88	4.03%	43.12%
31-Mar-89	7.52%	81.76%
31-Mar-95	-8.70%	6.08%
31-Mar-97	-3.83%	14.17%
31-Mar-98	6.08%	-2.53%
31-Mar-99	3.57%	-2.47%
31-Mar-01	-2.53%	15.76%
31-Mar-02	-2.47%	23.23%
31-Mar-03	-15.21%	54.67%
Average returns during subsequent periods		25.98%
31-Mar-11	7.52%	

Past performance may or may not be sustained in future.

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Equity is taken as BSE Sensex. Returns are compounded annualized.. Period - March 1980 to March 2011. Source of Data: Bloomberg

But equity markets tend to be volatile

*What is the risk of negative returns from equities over a 3 year holding period?
Answer: Historically about 1 in 5 times*

Period: 31 st July 2001 to 31 st July 2011	Rolling 3 year BSE Sensex returns (% p.a.)
Average Returns	16.1%
Maximum Return	62.3%
Minimum Return	-18.5%
% times negative returns	21%

Is there a strategy that participates in equities without the risk of negative market returns?

Past performance may or may not be sustained in future.

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Equity is taken as BSE Sensex. Returns are compounded annualized. Source of Data: Bloomberg

What is an Option Strategy? How does it work?

When you buy a call option, you purchase the right to buy the Index at a specified future date and specified price.

Advantage options:

In case of positive returns, it delivers returns in line with markets

In case of negative returns the option payoff is nil, i.e. there is no negative participation

Illustration:

Equity Market Returns (% p.a.)	-30%	-20%	-10%	0%	10%	20%	30%
Option Payoff (%p.a.)	0%	0%	0%	0%	10%	20%	30%
Option Premium (₹)	19	19	19	19	19	19	19
Option Strategy Returns - net of premium (% p.a.)	-7%	-7%	-7%	-7%	4%	15%	26%

Using options limits the downside to the premium paid for the options.

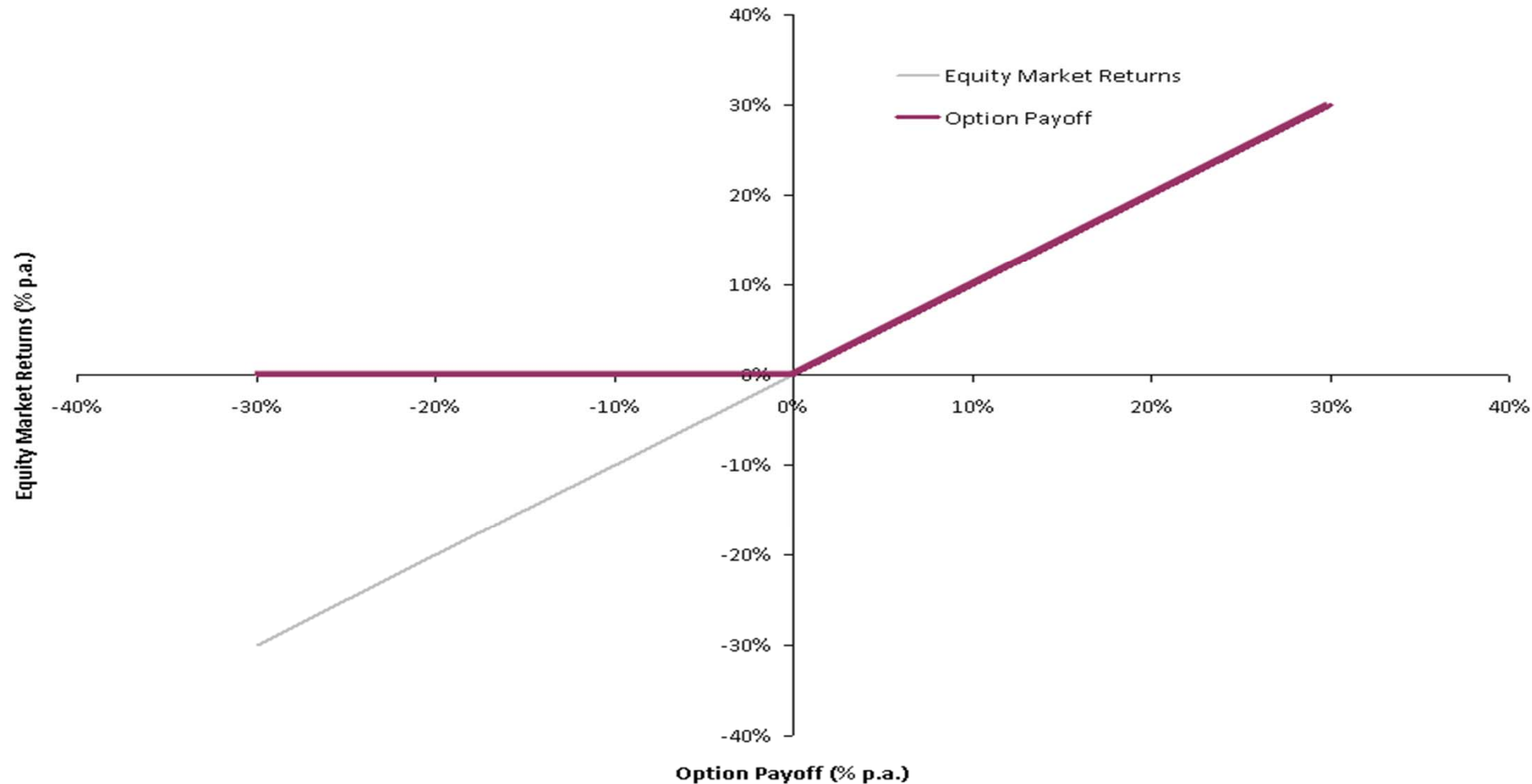
All or part of the cost of the premium can be recovered from the coupon received on the fixed income allocation.

The above table is only for illustration purposes, purely to explain the concept of the option strategy and should not be taken as any indication of either capital protection or equity market returns. The actual allocation can be different within the Asset Allocation and Investment Pattern mentioned in the SID. Source of data: Bloomberg. Assumes ₹ 19 invested in 3 year exchange traded options. In this strategy, to get the ₹100 exposure, it is assumed that a premium of ₹19 is paid. No income is assumed on the balance ₹ 81.

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Equity v/s Option payoff



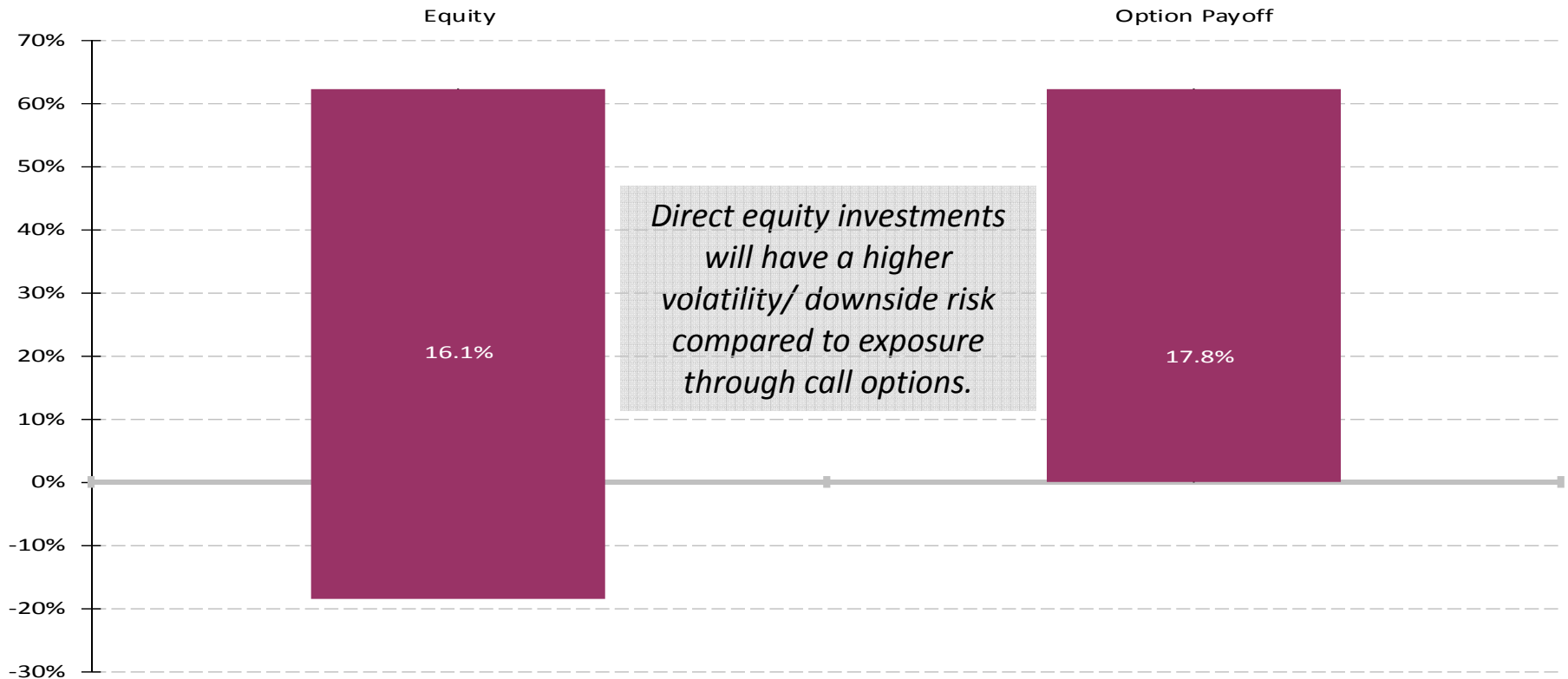
Option premium is the cost of implementing the strategy. The above table is only for illustration purposes, purely to explain the concept of the option strategy and should not be taken as any indication of either capital protection or equity market returns. The actual allocation can be different within the Asset Allocation and Investment Pattern mentioned in the SID. Source of data: Bloomberg. Assumes ₹19 invested in 3 year exchange traded options. In this strategy, to get the ₹100 exposure, it is assumed that a premium of ₹19 is paid. No income is assumed on the balance ₹81.

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Why do an Option Strategy?

Buying call options gives the right without the obligation to buy the index at a future date and a specified price.



The option premium paid will be the cost of implementing the strategy.

Data as on 31st July 2011. High, Low and Average rolling 3-Year equity returns is for the period 31st July 2001 to 31st July 2011. Returns are compounded annualized. Source of Data: Bloomberg

The option payoff is purely to explain the concept of the option strategy and should not be taken as any indication of either capital protection or equity market returns.

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AXIS MUTUAL FUND

Introducing Axis Hybrid Fund – Series 3

A blend of equity returns with stability

Investment Objective

To generate income by investing in high quality fixed income securities along with capital appreciation through investments in equity & equity related instruments.

Equity Portion

- Allocated to equity & equity related instruments including exchange traded index options
- Investing in equity exchange traded options restricts the maximum loss from equity to the premium paid for purchasing the option

Fixed Income Portion

- Passive investment strategy
- Invests in fixed income securities which mature largely in line with the maturity of the scheme
- Uses the cushion of income earned through fixed income securities to bring down the downside risk from equity allocations.

Hybrid

- In case investment is made in options, will be able to recover all or part of the cost of the premium from the coupon received on the fixed income allocation

Key Features

Type of Scheme	A 3 year close ended income scheme
Tenure	3 years from the date of allotment including the date of allotment
Benchmark	Crisil MIP Blended Fund Index
Asset Allocation	Debt and money market instruments – 65% - 95% Equity and Equity Related instruments – 5% - 35%
Fund Manager	R. Sivakumar – Head – Fixed Income & Products Jinesh Gopani – Fund Manager, Equity
New Fund Offer (NFO) Period	16 th September 2011 to 30 th September 2011
Minimum Application Amount	₹ 5,000 and in multiples of ₹ 10 thereafter
Plans/ Options Offered	Growth Dividend Payout Facility
Liquidity	No redemption / repurchase of units shall be allowed by the mutual fund, prior to the maturity of the scheme. The units of the scheme are proposed to be listed on the NSE to provide liquidity to investors post the NFO period.

Disclosures & Statutory Details:

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: All Mutual funds and securities investments are subject to market risks and there is no guarantee that the investment objective of the scheme will be achieved. The NAV of the units issued by the Mutual Fund under the scheme can go up or down depending on various factors and forces affecting securities markets. Past performance of the Sponsor, its affiliates/the AMC/the mutual fund or its schemes does not indicate the future performance of the scheme. The sponsor is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. Investments in the scheme are subject to various investment risks such as trading volumes, settlement risk, liquidity risk, default risk, interest rate risk, re-investment risk, basis risk, credit risk, spread risk, prepayment risk, risk of possible loss of principal, etc. Equity and equity related instruments are volatile by nature. For detailed risk factors, please refer to the SID.

Axis Hybrid Fund – Series 3 is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospect and returns. Axis Hybrid Fund – Series 3 (a 3 year close ended income scheme) Investment objective: The primary objective is to generate income by investing in high quality fixed income securities whilst the secondary objective is to generate capital appreciation by investing in equity and equity related instruments. **Asset Allocation:** Debt and money market instruments including securitized debt – 65% - 95%, Equity and Equity Related instruments – 5% - 35% including securitized debt up to 50%, derivatives instruments to the extent of 75% and foreign securities up to 50% of the net assets The Scheme shall not invest in foreign securitized debt. **Load Structure:** Entry load – NA Exit load – NA. . **Terms of issue and sale and redemption of units:** Issue of Units of Rs. 10/- each for cash during the new fund offer. As the Scheme is a close ended income scheme, investors will not be able to redeem their units during the tenure of the Scheme. Units under the scheme will be compulsorily and without any further act by the Unit holder(s) redeemed on the Maturity Date of the scheme. After the closure of NFO, the units of the Scheme will be listed on the Stock Exchange(s) and the same can be purchased / sold in round lots of 1 unit during the trading hours of the Stock Exchange(s) like any other publicly traded stock. The NAV of the scheme would be calculated for all business days. The SID & SAI/ Key Information Memorandum cum Application form are available at AMC and Registrar offices and Investor Service Centres / AMC web-site - www.axismf.com / Distributors.

Mutual Fund Investments are subject to market risks. Please read the Scheme Information Document and Statement of Additional Information (SID & SAI) carefully before investing. Disclaimer of NSE: It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the Scheme Information Document has been cleared or approved by NSE nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Scheme Information Document. The investors are advised to refer to the Scheme Information Document for the full text of 'Disclaimer clause of NSE'.

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