

# Axis Banking ETF

(An Open Ended scheme replicating / tracking NIFTY Bank Index)

**Invest in the biggest banks  
in India at your pace**

**NFO Opens**  
16<sup>th</sup> October 2020

**NFO Closes**  
29<sup>th</sup> October 2020

# Introduction to Passive Investing

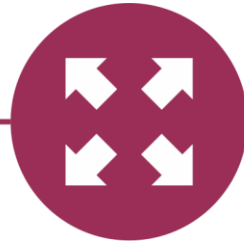
**Passive Investing is a low friction investment strategy tracking a specific index as closely as possible**



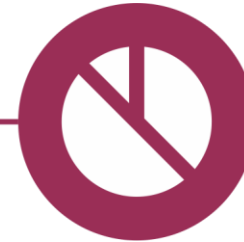
Efficient low cost strategy



Removes the risk of security selection



Relies on broader market wisdom



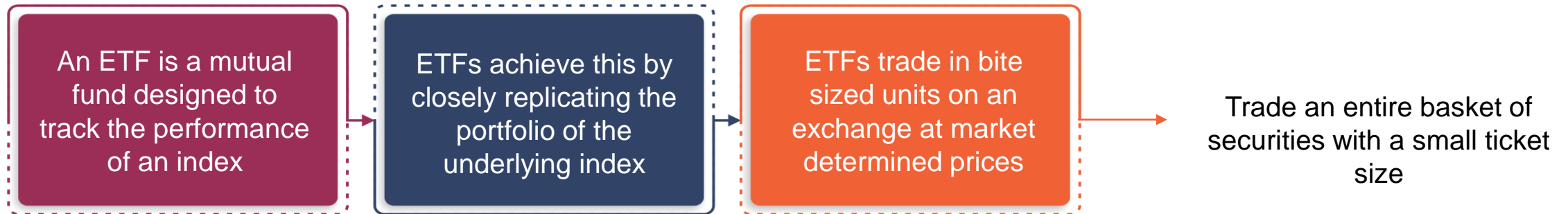
Participates in the constituents in the same proportion as the index



ETFs and Index Funds are popular vehicles to passive investing

# What is an ETF?

## The Basics



Key Differences	ETFs	Active Mutual Funds
What's on Offer?	Track an Index	Portfolio aimed to beat broad market indices
Trading Frequency	Actively traded on an exchange	Trade once a day on NAV Prices
Style of Management	Passive	Active
Costs	Less Expensive	More Expensive

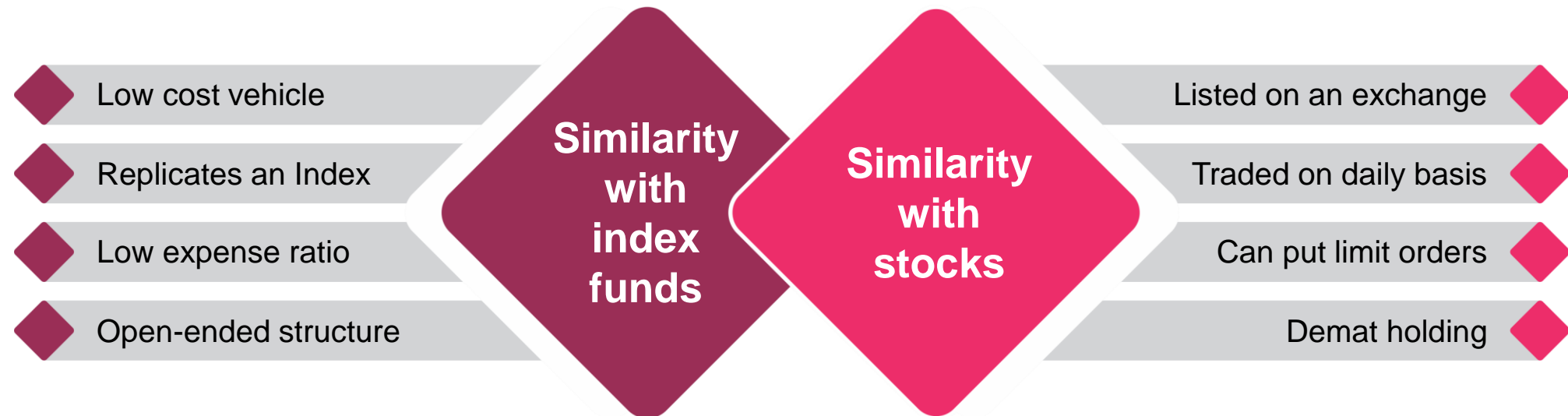
\*Actively managed equity funds do not include index funds

Like Actively managed equity funds, ETFs carry price risks. In view of the individual circumstances and risk profile, each investor is advised to consult his / her professional advisor before making a decision to invest.

# ETF Investing

The best of both worlds

**Combines benefits of index based investing  
with stock listing**



# Benefits of ETFs



## **Exchange-traded**

Investor invests at nearly the real-time prices as opposed to end of day price



## **Removes bias**

Best suited to earn asset class performance-linked return



## **Efficient**

Protects long-term investors from the inflows and outflows of short-term investors



## **Flexible**

Tool for gaining instant exposure to the markets, equitizing cash

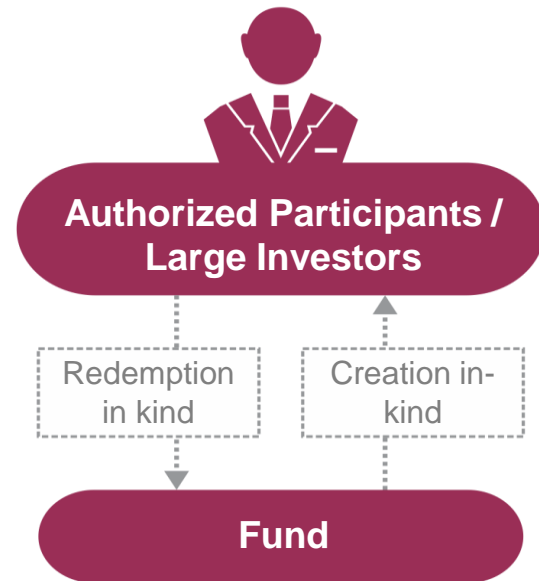


## **Cost**

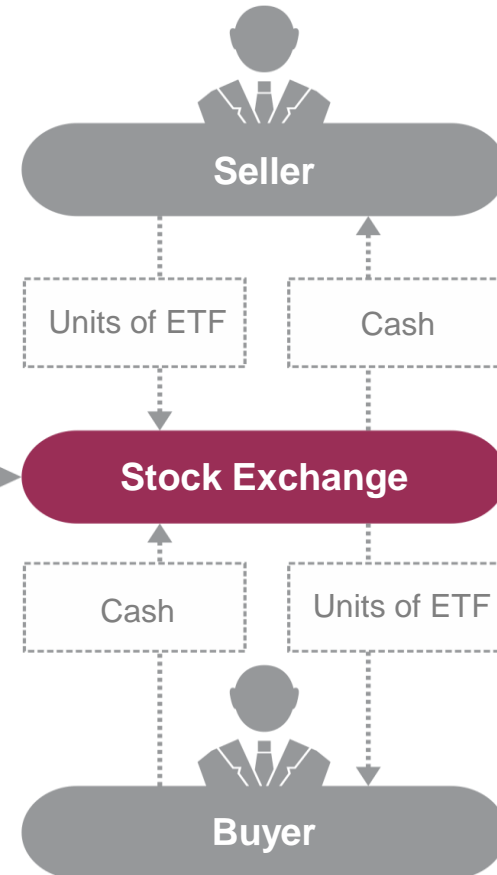
Low expense ratio

# The ETF Mechanism

## Primary Market



## Secondary Market

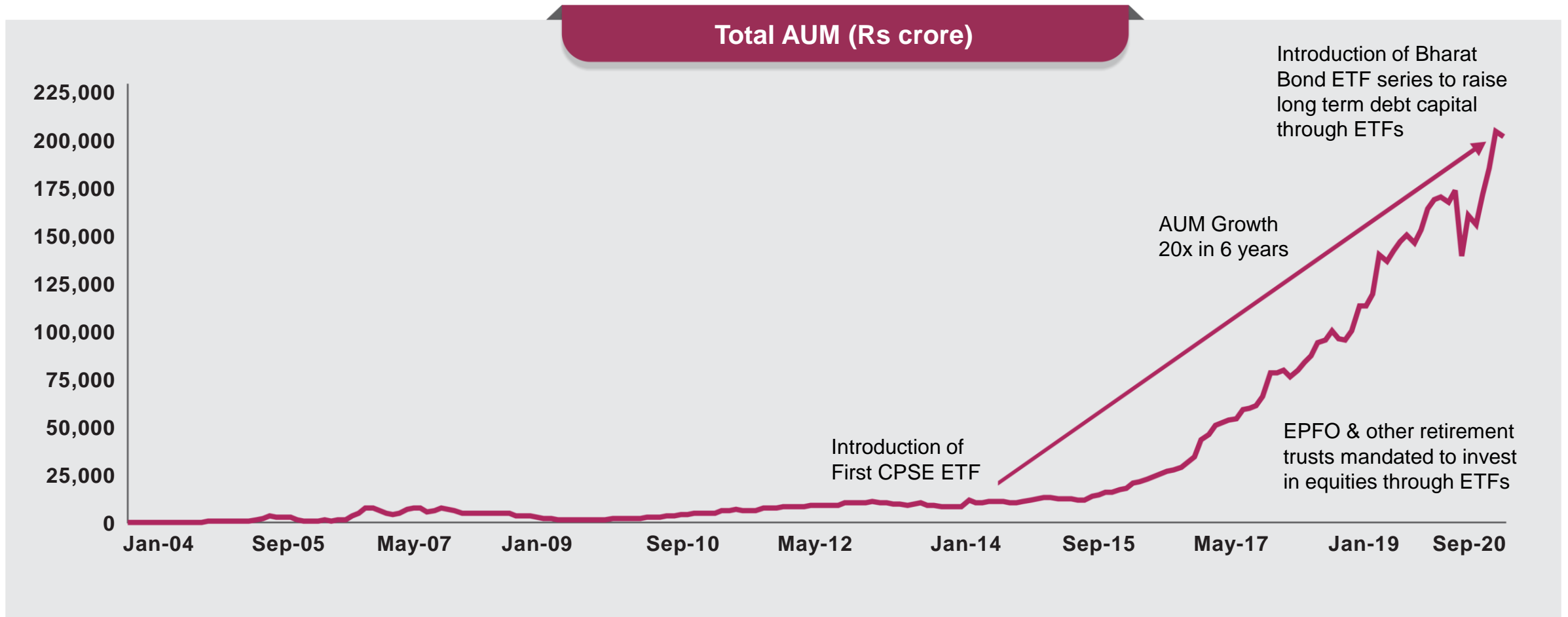


Market Making  
Buy/Sell

The process outlined will be in effect once the fund reopens post the NFO launch. During the NFO investors may subscribe through all physical channels and through distribution agents of Axis Mutual funds and at ISCs.

# ETFs In India

Passive Investing has been gaining traction in India due to wider participation of retirement trusts and increasing investor awareness



Source: Axis Capital, ICRA MFI Explorer, Axis MF Research. Data as of September 30<sup>th</sup> 2020

# Sector Investing

## ETF V/s Sector Funds

Sector ETFs	Differences	Sector Funds
Systematic allocation to a basket of stocks within the sector	<b>Investing Strategy</b>	Limited active call on portfolio stocks within a sector
No Limits	<b>Limits to Investing</b>	Sector funds subject to 20/25 rule*
Nil	<b>Exit Load</b>	Applicable
Available	<b>Intra day trading</b>	Not Available
On demand trading through exchange	<b>Tradability</b>	Transact with the mutual fund
Low cost products	<b>Costs</b>	Higher costs products

Current sector universe may add limited scope to active management and hence a sector ETFs can add value at low cost

\*Mutual funds are required to have at least 20 investors and a maximum of 25% of fund corpus from a single investor.

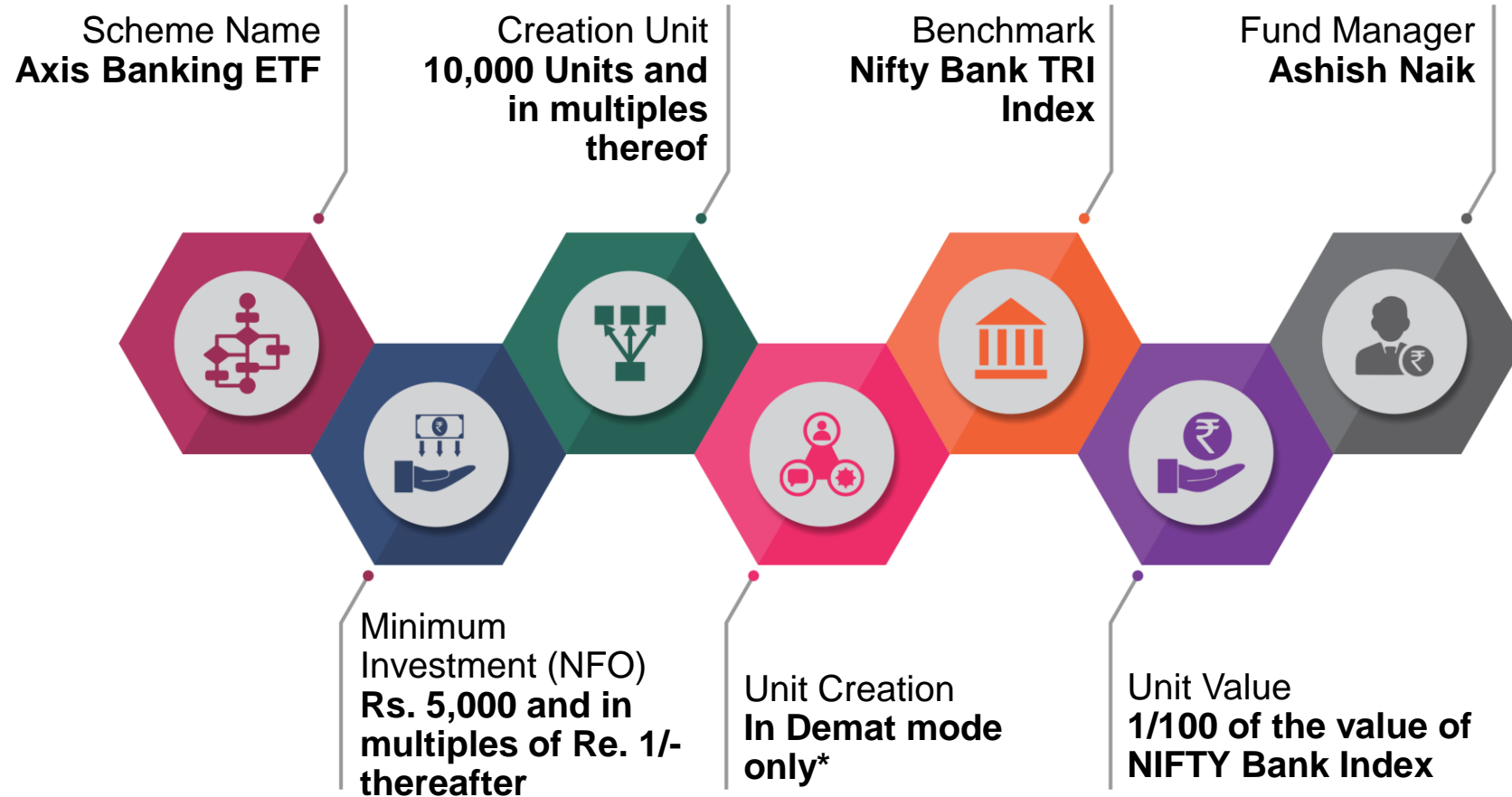


# Introducing Axis Banking ETF



# Axis Banking ETF

An Open Ended scheme replicating / tracking NIFTY Bank Index



\*Units of the Scheme will be available in Dematerialized (electronic) form only. The applicant under the Scheme will be required to have a beneficiary account with a Depository Participant of NSDL/CDSL and will be required to indicate it in the application form.

# Why Axis Banking ETF

Take Exposure to the biggest bank names all in a neatly packed bite sized exchange traded fund



Source; NSE, Axis MF Research  
 Stock prices taken as of close on September 30th 2020. Axis Banking ETF unit value will correspond to roughly 1/100th value of NIFTY Bank Index. Value of NIFTY Bank Index as on close of September 30th 2020 was Rs 21,451. Price of Axis Banking ETF mentioned above for illustrative purposes only. Allotment price and subsequent price upon listing may vary from illustrative price.

# About NIFTY Bank Index

The Most Active<sup>\$</sup> Sector Index In India

- The NIFTY Bank Index is designed to track the performance of the most liquid largest banks listed on NSE.
- Only banking stocks that are allowed to trade in F&O segment are only eligible to be constituent of the Index
- The Index is predominantly a large cap Index with approx. 95.2% exposure to large cap and 4.7% to mid cap segment (as on September 30, 2020)\*
- The Index comprise of 88.3% exposure to Private Banks and ~ 11.7% exposure to PSU Banks.

Parameters	NIFTY Bank Index
Index Inception Date	15 Sep 2003
Base Date	1-Jan 2000
Average Market Cap	Rs 2,04,153 Cr
Number of Stocks	12
Top Stock Weight (%)	28.83%
Top 3 Stocks Weight (%)	63.33%
Top 5 Stocks Weight (%)	88.13%
Correlation (NIFTY 50)	0.83
Beta (Nifty 50)	1.08

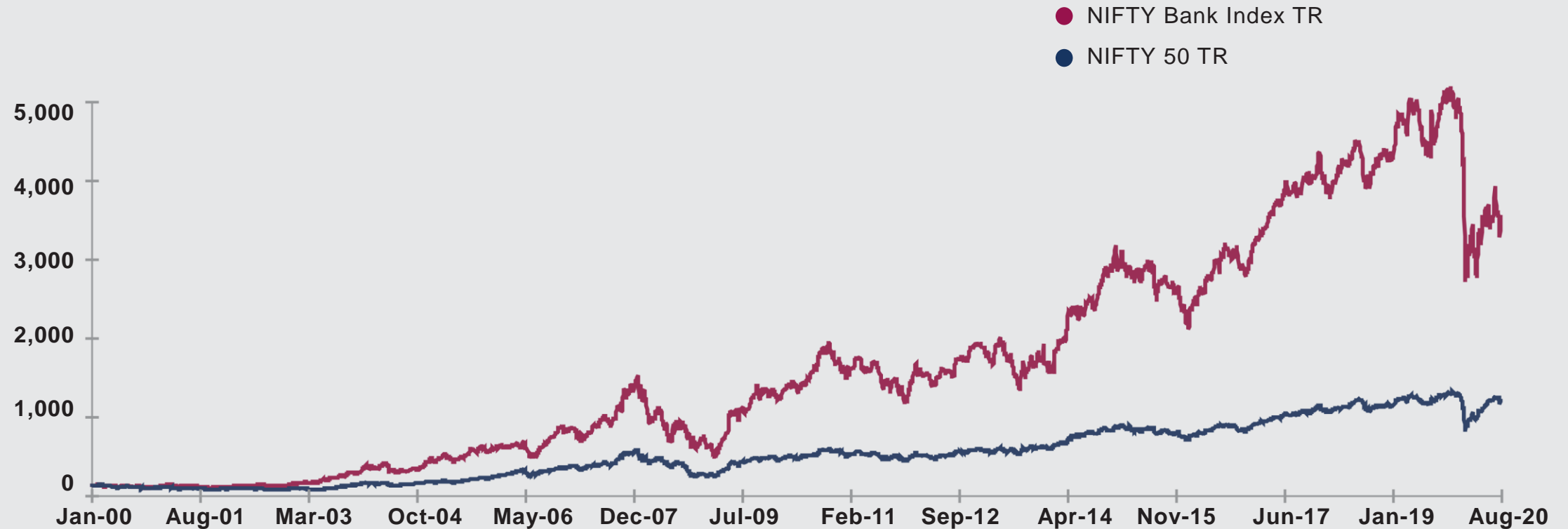
Source: niftyindices.com. NSE, Axis MF Research, Data as of 30<sup>th</sup> September 2020

<sup>\$</sup>On the basis of average weekly option open interest traded on NSE

\*Classification as per SEBI circular (SEBI / HO/ IMD/ DF3/ CIR/ P/ 2017/ 114) dated October 6, 2017, the universe of " Large Cap " shall consist of first 100 companies in terms of full market capitalization & "Mid Cap" shall consist of 101st to 250th company in terms of full market capitalization.

# Performance

NIFTY Bank Index has been a Long Term Wealth Creator



Past performance may or may not be sustained in the future. Values normalized to 100 as on Jan 1<sup>st</sup> 2000. Data as of 30<sup>th</sup> September 2020.



# Why Banking Sector?



# Banking Sector Has Been Resilient

While many industries are slowing

Sector	Metric	10 year Growth	5 Year Growth	
Banking & Financials	Credit Growth Retail	13.3	13.6	↑
Pharma Domestic	Sales	11.0	10.2	↓
Information Technology	Sales (USD)	11.2	9.3	↓
Auto 2 Wheeler	Volume	11.2	7.4	↓
Auto Passenger Vehicle	Volume	8.1	6.2	↓
Cement	Volume	6.4	6.2	↓
Industrials	Order Inflow for top listed companies	9.7	6.1	↓
Banking & Financials	Credit Growth Corporate	11.6	5.0	↓
Oil & Gas	Petrol & Diesel Consumption Volume	5.9	5.5	↓
Auto Tractor	Volume	9.9	4.4	↓
Pharma US Exports	Sales (USD)	17.2	4.3	↓
Real Estate	# of Units Sold in Top 5 Cities	2.5	2.1	↓
Auto Commercial Vehicle	Volume	5.8	1.6	↓

Source: Bloomberg, RBI, Axis MF Research. Data as on 30<sup>th</sup> June 2020.

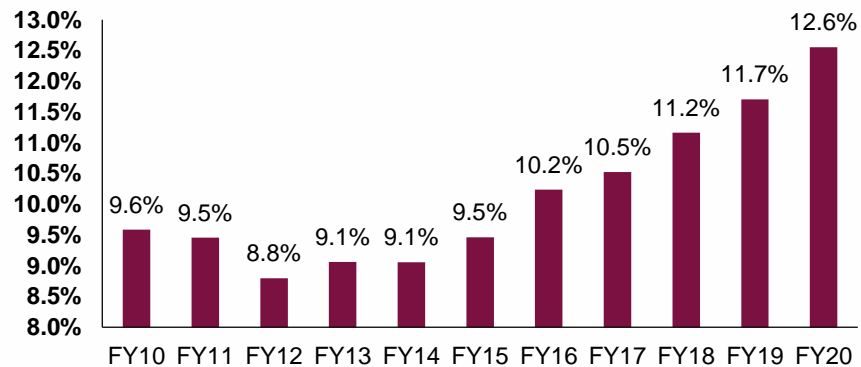
**Past performance may or may not be sustained in the future.** Sector(s) mentioned above are for the purpose of illustration and should not be construed as recommendation. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s).

# Changing Face of Finance In India

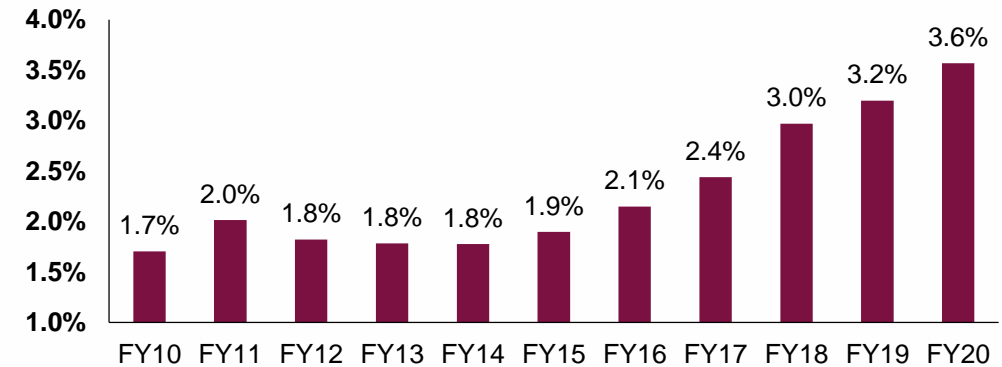
## Banks increasingly funding retail masses

- Banks historically lent to corporates and wholesale borrowers. Post 2000, that trend has changed in favor of retail assets
- Retail centric loans including mortgages have seen large growth over the last decade.
- Increasing retailization and increasing penetration bodes well for the banking sector

■ Share of retail loans in Nominal GDP



■ Personal loans to GDP





# Changing Face of Finance In India

Banks Increasingly funding retail masses

Retail Driving Volume Growth	Individual Borrowers (In Mn)	Total Borrowers (In Mn)
Mar-14	4.74	11.73
Mar-15	4.69	12.20
Mar-16	5.22	13.90
Mar-17	5.81	14.83
Mar-18	6.63	17.20
Mar-19	8.30	20.67
Mar-20	10.24	24.71
<b>6 Year CAGR (%)</b>	<b>13.7%</b>	<b>13.2%</b>

# Value of Subsidiaries

Many banks hold significant ownership in their financial services arms

Many banks in India offer financial services apart from traditional banking services through subsidiaries

01

Services include mutual funds, insurance, brokerage services and even investment banking!

02

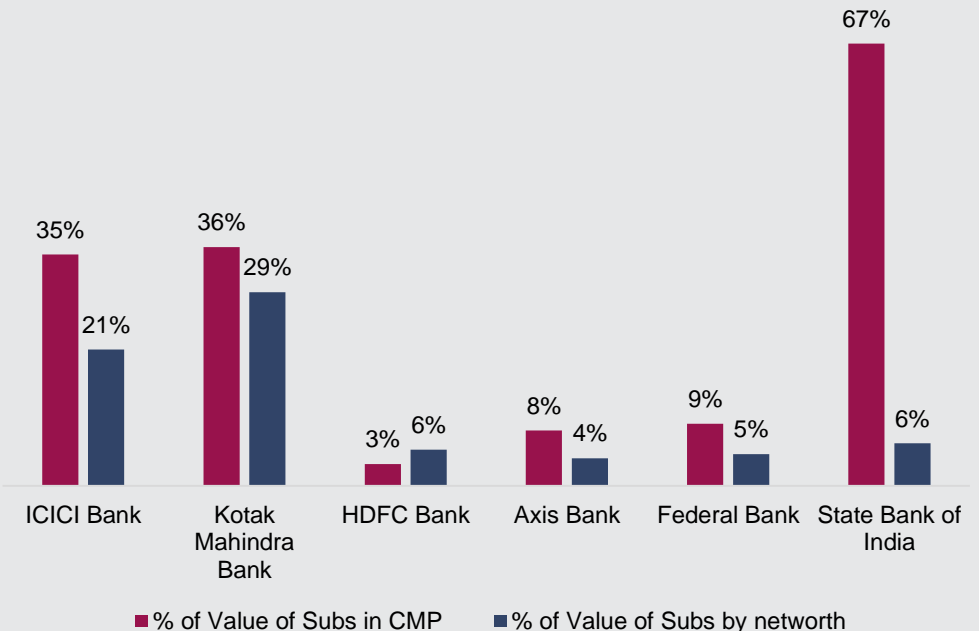
Given their scale of operations and their ability to scale up operations, these subsidiaries have also become large companies in their own right.

03

By virtue of investing these companies your investments may also benefit from indirect ownership of these subsidiary companies

04

## Subsidiaries an Important part of Bank valuations



Source: Axis MF Research, Annual reports of banks as of March 2020.

Valuation of subsidiaries basis internal valuation done on the basis of fair valuation where subsidiaries are unlisted. Listed subsidiaries valued at market prices as of March 31<sup>st</sup> 2020. Stocks mentioned are not an indication or a recommendation to buy..

# NIFTY Bank – A Growing Part of NIFTY 50

Sector weightage in NIFTY	2014	2015	2016	2017	2018	2019	2020*
<b>Finance</b>	<b>27</b>	<b>32</b>	<b>29</b>	<b>33</b>	<b>36</b>	<b>39</b>	<b>33</b>
<b>Information Technology</b>	16	17	18	13	12	14	17
<b>Oil &amp; Gas</b>	11	8	9	11	12	13	17
<b>Consumer</b>	13	10	10	10	10	11	12
<b>Autos &amp; Logistics</b>	9	9	11	11	9	6	6
<b>Capital Goods, Engineering &amp; Construction</b>	6	5	5	5	5	4	4
<b>Metal, Metal Products &amp; Mining</b>	4	4	2	3	4	4	2
<b>Healthcare</b>	5	7	7	6	3	2	2
<b>Infrastructure &amp; Power</b>	3	3	3	3	2	2	2
<b>Cement &amp; Building Materials</b>	3	3	3	3	2	2	2
<b>Telecom</b>	2	2	2	2	2	2	2
<b>Agro Inputs &amp; Chemical</b>					1	1	1
<b>Media &amp; Publishing</b>		1	1	1	1	1	1

Source: MFI Explorer, Bloomberg, Constituents as on March End of every Year. 2020 values as of Sep 30<sup>th</sup> 2020.

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# Product Labelling

## Axis Banking ETF

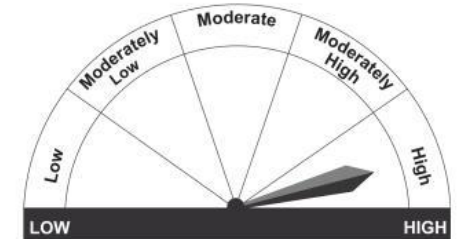
(An Open Ended scheme replicating / tracking NIFTY Bank Index)

This product is suitable for investors who are seeking\*:

- Long term wealth creation solution
- An index fund that seeks to track returns by investing in a basket of NIFTY Bank Index stocks and aims to achieve returns of the stated index, subject to tracking error

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

## Riskometer



Investors understand that their principal will be at High Risk

# Statutory Details and Risk Factors

**Past performance may or may not be sustained in the future.**

Sector(s) / Stock(s) / Issuer(s) mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation. The fund manager(s) may or may not choose to hold the stock mentioned, from time to time.

Axis Banking ETF offered by Axis Mutual Fund is not sponsored, endorsed, sold or promoted by NSE INDICES LIMITED (formerly known as India Index Services & Products Limited (IISL)). NSE INDICES LIMITED does not make any representation or warranty, express or implied (including warranties of merchantability or fitness for particular purpose or use) and disclaims all liability to the owners of Axis Banking ETF or any member of the public regarding the advisability of investing in securities generally or in the Axis Banking ETF linked to the NIFTY Bank Index or particularly in the ability of the NIFTY Bank Index to track general stock market performance in India. Please read the full Disclaimers in relation to the NIFTY Bank Index in the in the Offer Document / Prospectus / Information Statement.”

**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. This document represents the views of Axis Asset Management Co. Ltd. and must not be taken as the basis for an investment decision. Neither Axis Mutual Fund, Axis Mutual Fund Trustee Limited nor Axis Asset Management Company Limited, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. The AMC reserves the right to make modifications and alterations to this statement as may be required from time to time.

**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**

# Thank You