

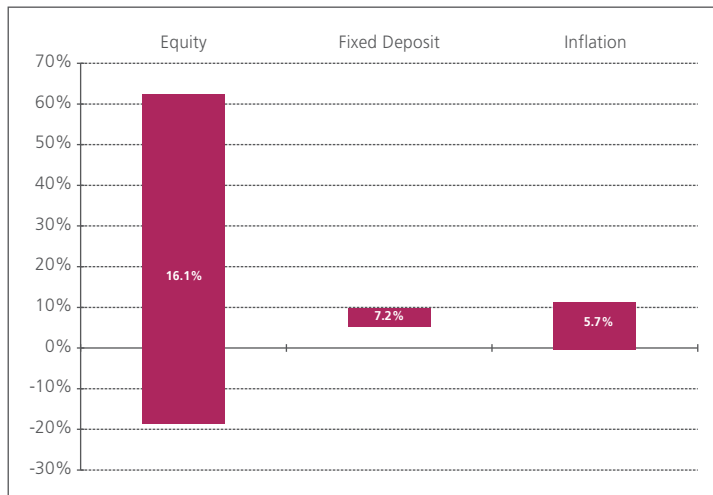


AXIS HYBRID FUND Series 3

A 3-YEAR CLOSE ENDED INCOME SCHEME

EQUITY PARTICIPATION WITH STABILITY OF FIXED INCOME

Typically, equity as an asset class offers the best long term growth prospects and protection against inflation. This is evidenced by an average three year return of 16.1% p.a. offered by equity in the last ten years - far superior to fixed deposits. The chart below shows the average three year return from equity & fixed deposit along with the average inflation rate in the last 10 years.



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. Source of Data: Bloomberg

However, equity investments tend to be volatile and carry significant risk of principal loss. In the same period of 16.1% average returns as mentioned above, the worst performance of equity has been -18.5% p.a. (which translates to a cumulative three-year return of -45.9%). Negative returns in equity over 3 year holding periods have been observed in about one in five periods as highlighted in the table below.

Period: 31st July 2001 to 31st 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%

Returns are compounded annualized. Source of Data: Bloomberg

What do you do if you want to participate in the equity markets while shielding your investment from large downside risks? What happens if you mix the relative stability of debt with equity participation?

INTRODUCING AXIS HYBRID FUND - SERIES 3 : A BLEND OF EQUITY RETURNS WITH STABILITY

Axis Hybrid Fund - Series 3 attempts to generate income by investing in high quality fixed income securities along with capital appreciation through investments in equity & equity related instruments. The scheme looks to use the cushion of income earned through fixed income securities to bring down the downside risk from equity allocations.

The fixed income portion will follow a passive investment strategy. Investments will be made in fixed income securities which mature largely in line with the maturity of the scheme. The equity component will be allocated to equity & equity related instruments including exchange traded index options. The advantage of investing in exchange traded options is that they restrict the maximum loss from equity to the premium paid for the purchase of the option.

The hybrid fund is advantageous as it is able to recover all or part of the cost of the premium from the coupon received from the fixed income allocation. This strategy allows the portfolio to participate in equity upside while limiting downside risk.*

- 3 reasons to invest in Axis Hybrid Fund - Series 3**
1. Blends equity participation with relative stability of debt
 2. Offers an attractive route to take equity allocation for conservative investors
 3. For long term growth, equity is a far superior option to fixed deposits.

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	16th September 2011 to 30th 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.

*No capital guarantee

HOW DOES AN OPTION STRATEGY WORK?

Buying call options gives you the right, but not the obligation, to purchase the Index at a future date. When one buys a call option, we are purchasing the right to buy the Index at a specified price viz., strike price at a specified future date. A premium is paid to buy the option. Exposure in equity taken through direct investments will have a higher volatility/ downside risk compared with exposure taken through call options.

INDICATIVE ILLUSTRATION TO EXPLAIN AN OPTION STRATEGY

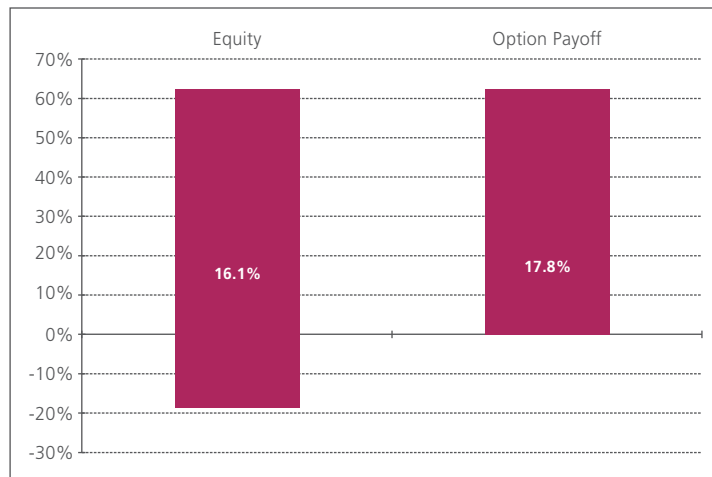
Let's assume an exposure of ₹ 100 for 3 years in 2 separate portfolios – one through investment in direct equity & the other through 3 year exchange traded options. In the case of the option portfolio, the ₹ 100 exposure is achieved by paying a premium which is assumed at ₹ 19. The illustration doesn't assume any income from the balance ₹ 81.

The performance of both the portfolios will be a function of the equity market returns, but the advantage of using options is in limiting the downside from equity to the premium paid for the options.

Based on the above mentioned assumptions, the table below illustrates various scenarios:

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%

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



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.

As shown above, an option strategy is able to deliver an average return which is slightly higher than direct equity.

While options allocation will not have any losses from equity market movement, the option premium paid is the cost of implementing the strategy. A hybrid strategy is advantageous because all or a part of the cost of the premium can be recovered from the coupon received from the fixed income allocation.

AXIS MUTUAL FUND HELPS YOU RELAX WITH,



- Simple website that makes investing really easy
- Invest online without any prior registration
- Complete your investment in less than 7 minutes
- Track your investments instantly

Risk
Managed
Products



1800 3000 3300

Allows you to buy or sell without PINs or Passwords

relax. IT'S AXIS.



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 ₹ 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 ₹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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