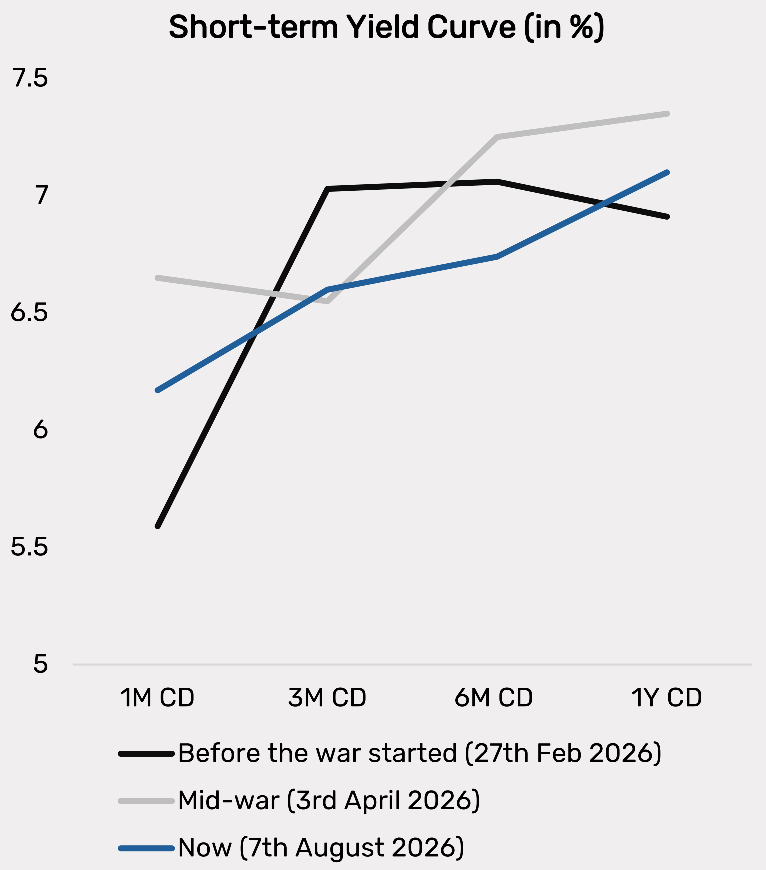
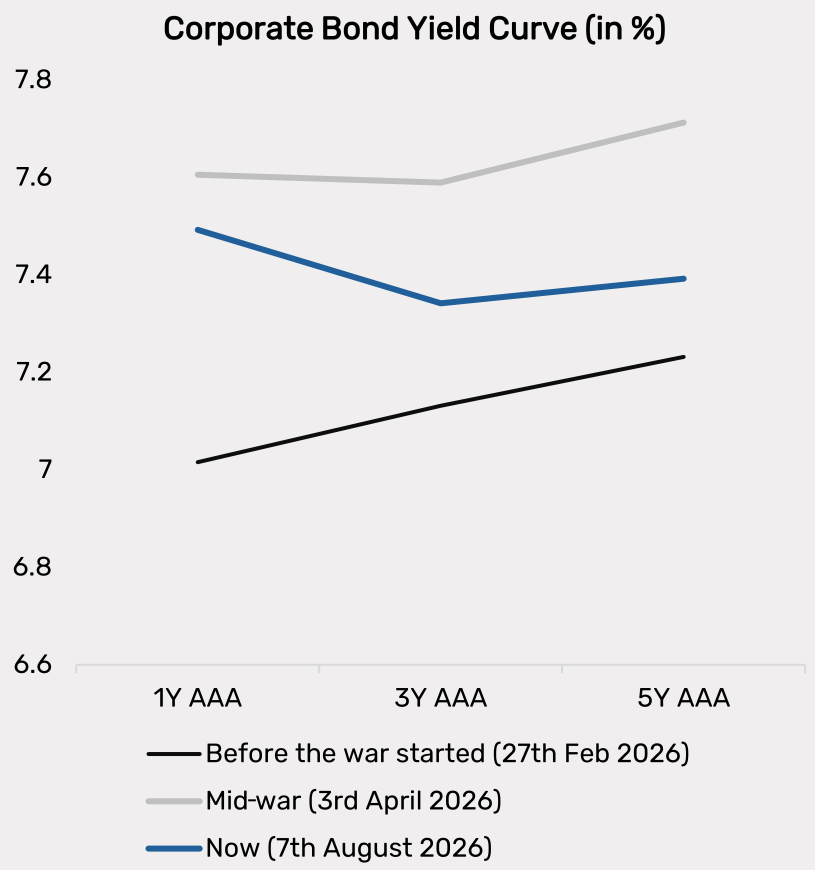
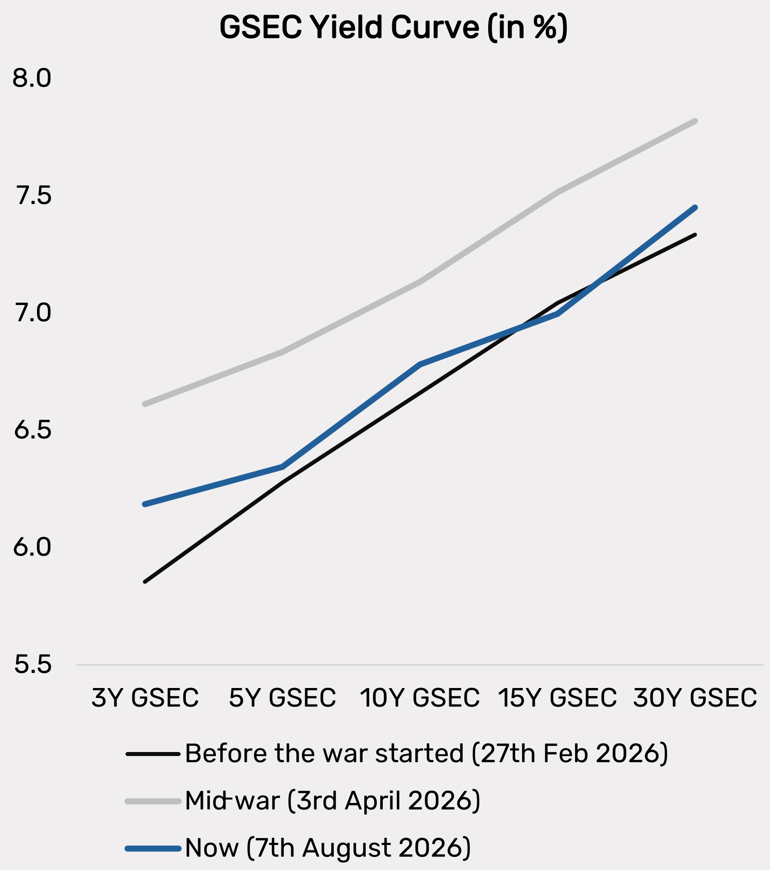
BAJAJ AMC FIXED INCOME OUTLOOK (August 2026)

Name of MF – Bajaj Finserv Mutual Fund | Registration no. – MF/078/23/04

ELEVATED YIELDS, EMERGING TAILWINDS: AN ATTRACTIVE ENTRY POINT







- Yields have begun easing from their early-April peaks as risk perceptions have moderated yet remain above pre-war levels.
- This has created an attractive entry point at the short end, combining elevated carry with potential capital gains as supportive macroeconomic and policy triggers could drive yields lower.

Past performance may or may not be sustained in future.

Source: Bloomberg, Data as on 7th August 2026.

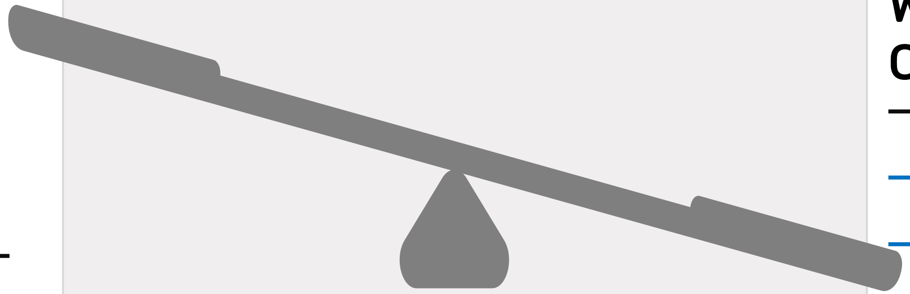
KEY TRIGGERS

TRIGGER 1: DOMESTIC RESILIENCE CUSHIONS NEAR-TERM RISKS

WHAT KEEPS THE OUTLOOK CAUTIOUS

- Global uncertainty
- Food and fuel inflation generalizing
- Rupee depreciation
- Crude volatility

Near-term risks remain



WHAT PROVIDES THE CUSHION

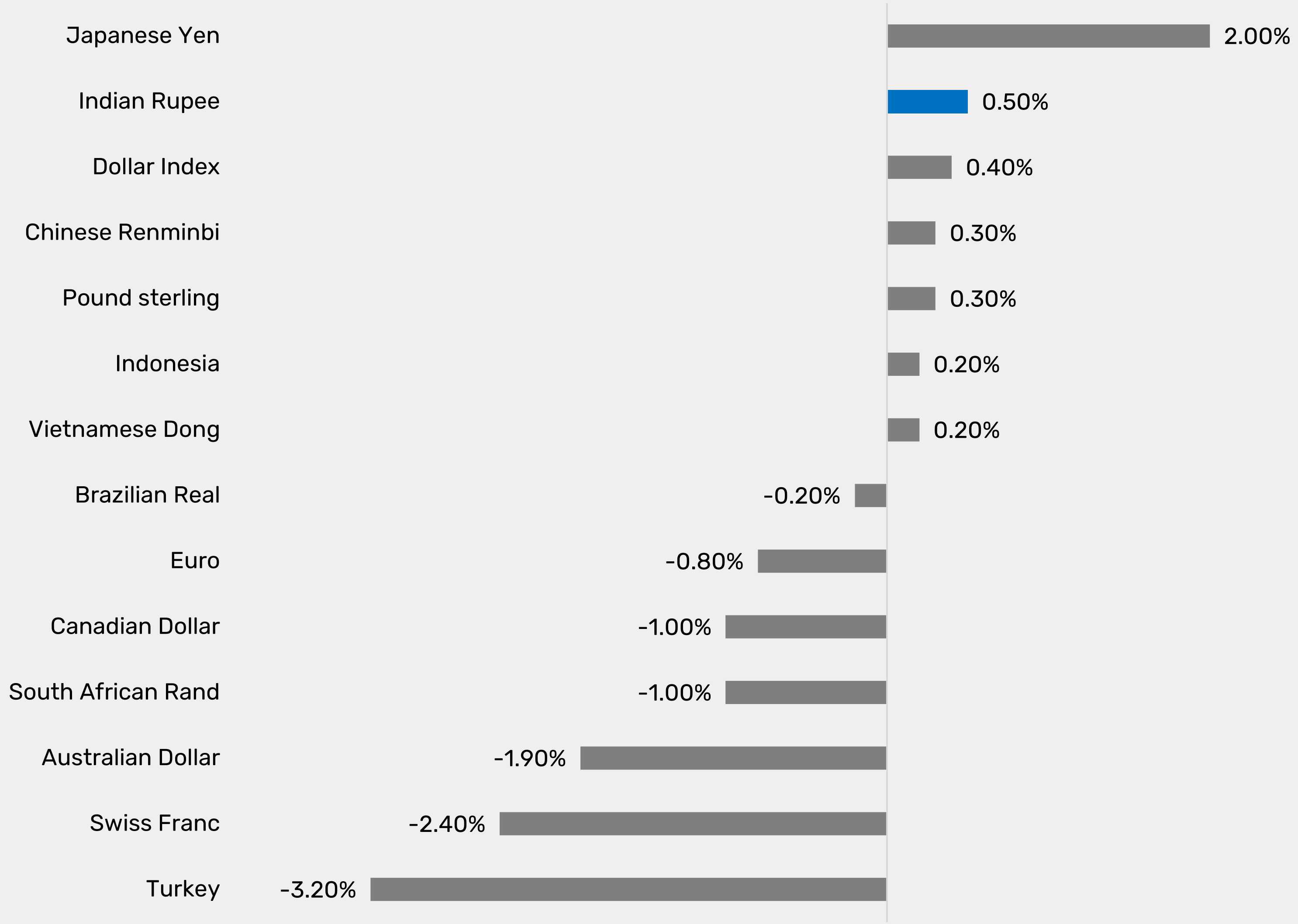
- Healthy forex reserves and improving BoP
- Improved banking system liquidity
- RBI and GoI Measures to Boost Foreign Capital Inflows

Domestic resilience providing support

Source: Internal Analysis. Data as on 5th August 2026.

TRIGGER 2: EARLY SIGNS OF RUPEE STABILIZATION EMERGE

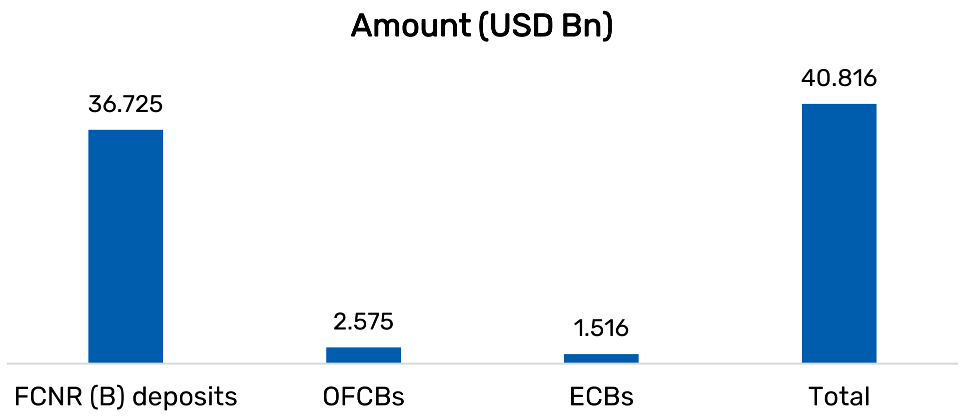
Currency movement since RBI's policy measures on 4th June 2026.



- Since the RBI's policy measures on 4th June 2026, the Rupee has appreciated by around 0.5%, despite a 0.4% rise in the Dollar Index, making it one of the better-performing currencies over the period.
- While FCNR(B) swap flows do not translate directly into spot-market dollar supply, they reinforce the RBI's foreign exchange buffers, facilitate the orderly unwinding of forward obligations and temper depreciation pressures. The resulting cushion may therefore not be immediately visible in the spot INR exchange rate.
- Nevertheless, two factors could provide support to the Rupee: its favorable real effective exchange rate (REER) valuation which is well below its long-term average and continued foreign capital inflows.
- The Rupee is likely to remain range-bound amid inflation, crude-price risks and adjustments to the RBI's forward book, with a revival in capital flows providing support.

Source: Bloomberg, CareEdge. Data as on 31st July 2026.

TRIGGER 3: FCNR INFLOWS TO STRENGTHEN THE RUPEE AND SUPPORT BONDS



Over $40 billion has been mobilised under the RBI's capital flow measures, led by approximately $37 billion through FCNR(B) deposits.

The initial inflows have primarily supported balance sheet repair, helping settle around $20 billion of short-dollar forward commitments, meeting higher oil-related demand and rebalancing banks' overseas liabilities. This has resulted in strengthening of the external position even before the impact becomes visible in reserves or the Rupee.

WHAT CHANGES FROM HERE?

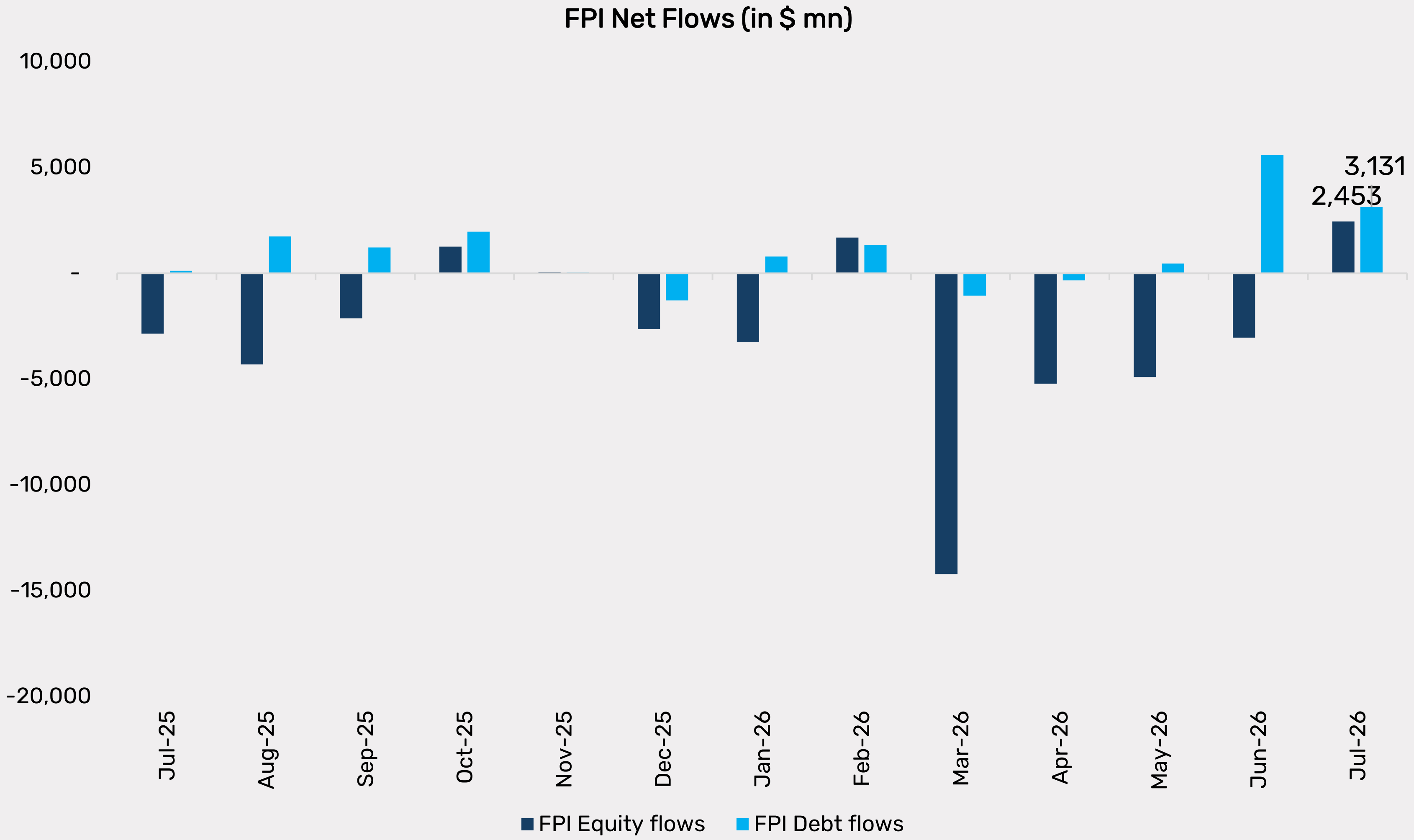
- The RBI's remaining forward maturities are now smaller and spread more evenly over the next 12 months.
- As this pressure eases, a larger share of incremental FCNR(B), ECB and other capital inflows can be retained in spot reserves.
- While swap flows do not directly enter the currency market, stronger Dollar buffers can reduce depreciation pressure and support greater Rupee stability.
- With total inflows estimated at $75-100 billion, the Rupee is expected to stabilise over the course of the year.

WHY IT MATTERS FOR FIXED INCOME?

- For fixed income, the benefit extends beyond additional liquidity.
- A stronger reserve position and a more stable Rupee reduces imported-inflation and external-funding risks, lowering the probability that the RBI needs to respond through aggressive monetary tightening.
- This can moderate the risk premium embedded in yields and create a more supportive environment for duration.

Source: Mint, Avendus Spark. Data as on 31st July 2026.

TRIGGER 4: FOREIGN FLOWS TURN POSITIVE

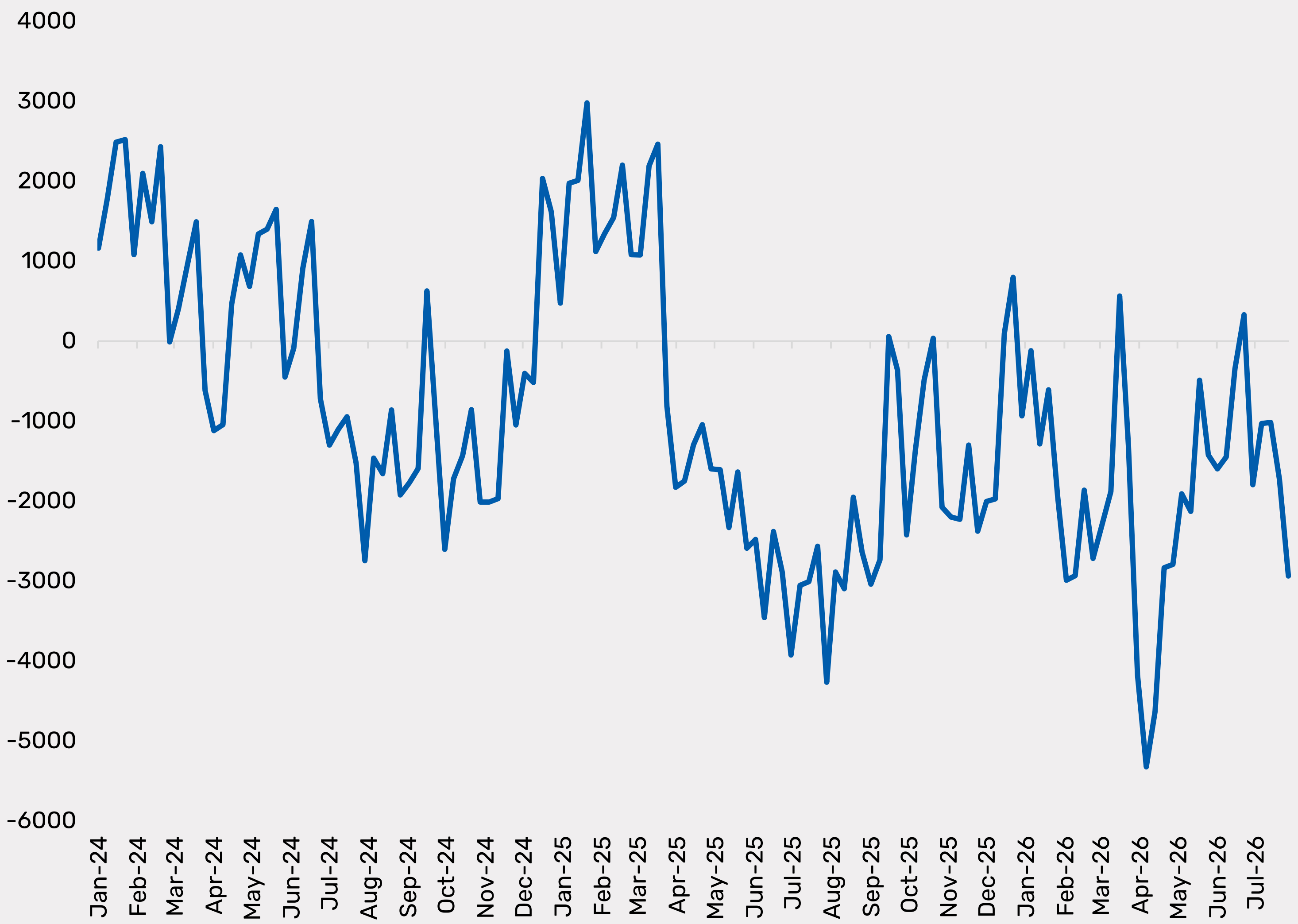


- Positive debt flows were partly offset by equity outflows through several months, limiting the overall support from foreign portfolio capital to the currency and domestic liquidity.
- In July, both segments turned positive, with $2.45 billion entering equities and $3.13 billion entering debt, taking net portfolio inflows to approximately $5.6 billion.
- Foreign demand for Indian debt is gaining structural support from tax concessions and wider market access.
- While the delay in Bloomberg index inclusion may defer index-linked allocations, it does not materially alter the medium-term outlook for debt inflows.

Source: Elara. Data as on 31st July 2026.

TRIGGER 5: LIQUIDITY CONDITIONS TURN SUPPORTIVE FOR LOWER YIELDS

Banking System Liquidity (in INR crore)



- System liquidity is expected to remain comfortable in the near term, supported by FCNR(B), ECB and other foreign capital inflows.
- The RBI expects the surplus to peak in Q2FY27 and subsequently moderate as the FCNR window closes and currency demand and business credit absorb liquidity.
- Importantly, the RBI views the current surplus as a liquidity management issue rather than an inflation concern, favouring temporary absorption operations over a monetary policy response.
- Comfortable liquidity should keep money market rates anchored, ease bank funding pressure and improve transmission across the short end of the curve.

Source: Bloomberg. Data as on 31st July 2026.

THE WAY AHEAD: POLICY OUTLOOK

EXTENDED POLICY PAUSE SHIFTS THE FOCUS TO LIQUIDITY

Policy Rates remain unchanged	
Policy Repo Rate	5.25%
Standing Deposit Facility (SDF)	5.00%
Marginal Standing Facility (MSF)	5.50%

Period	GDP Growth Estimates		CPI Inflation Estimates	
	Jun-26	Aug-26	Jun-26	Aug-26
1QFY27	6.6%	7% ↑	4.2%	
2QFY27	6.3%	6.4% ↑	5.1%	4.7% ↓
3QFY27	6.5%	6.5% →	5.9%	5.9% →
4QFY27	6.8%	6.8% →	5.4%	5.5% ↑
FY2027	6.6%	6.7% ↑	5.1%	5% ↓

- The RBI is expected to remain on hold in the near term, with the repo rate at 5.25%.
- The growth outlook has strengthened, with the FY27 GDP forecast raised to 6.7%, supported by domestic demand, manufacturing and exports. At the same time, the FY27 inflation forecast has been lowered to 5.0%, with core inflation remaining contained.
- With inflation largely concentrated in food and energy rather than broad-based demand pressures, an immediate rate hike appears unlikely.
- As the FCNR window closes, credit growth should facilitate an orderly absorption of surplus liquidity, limiting the need for sharper liquidity-tightening measures such as a CRR increase.
- Accordingly, the base case remains an extended pause for the year, with the market's focus shifting from the repo rate to liquidity conditions.

Source: RBI, PIB. Data as on 5th August 2026.

WHY NOW?

ELEVATED CARRY + **STRONGER MACRO & EXTERNAL BUFFERS** + **SUPPORTIVE FLOWS & LIQUIDITY** + **POLICY VISIBILITY** = **FAVORABLE FIXED-INCOME RISK-REWARD**

- **ELEVATED CARRY**: Yields remain attractive
- **STRONGER MACRO & EXTERNAL BUFFERS**: Growth resilient • INR stabilizing
- **SUPPORTIVE FLOWS & LIQUIDITY**: FCNR • ECB • FPI inflows
- **POLICY VISIBILITY**: Extended RBI pause

Carry today + potential capital gains if yields soften

Source: Internal Analysis. Data as on 31st July 2026. FCNR is Foreign Currency Non-Resident, ECB is External Commercial Borrowing and FPI is Foreign Portfolio Investors.

DEBT OUTLOOK: WHERE IS THE OPPORTUNITY

For fixed-income investors, the environment remains constructive, but portfolio positioning requires balance. Recent market dislocations have created pockets of mispricing, opening selective opportunities across money market securities.

The front end of the curve remains supported by comfortable system liquidity and reduced fears of near-term policy tightening. Liquid, money-market and low-duration strategies are well placed to capture prevailing yields while limiting sensitivity to broader interest-rate movements.

As FCNR inflows rise, banking-system liquidity may improve, potentially reducing banks' reliance on bulk deposits and certificates of deposit (CDs). Lower CD issuance, coupled with comfortable liquidity could drive short-term rates lower.

A 2–3-year duration exposure offers favorable carry and roll-down potential, along with scope for capital appreciation as yields moderate.

Gilt strategies offer an opportunity to add duration. A dovish RBI, limited evidence of second-round inflation effects and improving external buffers support the domestic duration outlook. However, sensitivity to elevated global yields, fiscal risks and term premia warrants a measured approach. Long-term investors may consider gradually building exposure, as elevated spreads at the longer end of the curve offer a compelling entry point.

Source: Internal Analysis. Data as on 31st July 2026.

OUR RECOMMENDATIONS

Scheme Name	Quants			Portfolio Positioning				
	YTM	Average Maturity	Modified Duration	A1+/AAA	AA+	Sovereign	Cash & Others	Total
Bajaj Finserv Liquid Fund	6.22%	39 days	37 days	77.59%	-	14.79%	7.62%	100%
Bajaj Finserv Money Market Fund	6.78%	184 days	172 days	85.56%	-	8.09%	6.35%	100%
Bajaj Finserv Low Duration Fund	6.86%	345 days	304 days	71.15%	8.53%	-	20.32%	100%
Bajaj Finserv Banking and PSU Fund	7.08%	2.38 years	1.99 years	85.18%	-	0.82%	14%	100%

Favorable for Parking money

Favorable for Short term investment

Bajaj AMC Portfolios as on 31st July 2026.

Potential Risk Class (PRC)

Bajaj Finserv Liquid Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)		B-I	
Moderate (Class II)			
Relatively High (Class III)			
B-I – A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk			

Bajaj Finserv Money Market Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)		B-I	
Moderate (Class II)			
Relatively High (Class III)			
B-I – A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk			

Bajaj Finserv Overnight Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			
A-I – A Scheme with Relatively Low Interest Rate Risk and Relatively Low Credit Risk.			

Potential Risk Class (PRC)

Bajaj Finserv Low Duration Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	
B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk			

Bajaj Finserv Gilt Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		
A-III - A Scheme with Relatively High Interest Rate Risk and Relatively Low Credit Risk			

Bajaj Finserv Banking and PSU Fund

POTENTIAL RISK CLASS (Maximum risk the scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)		B-III	
B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk			

Risk-o-meter and Product Label

Bajaj Finserv Liquid Fund

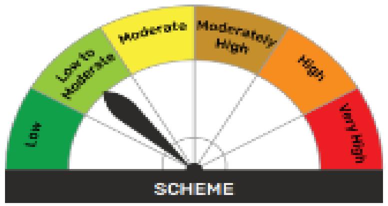
An open ended Liquid scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk

This product is suitable for investors who are seeking*:

- Regular income over short term.
- Investment in money market and debt instruments, with maturity up to 91 days

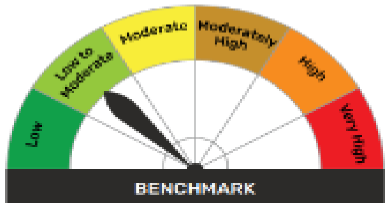
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

SCHEME RISK-O-METER



The risk of the scheme is Low to Moderate

BENCHMARK RISK-O-METER



The risk of the benchmark i.e. NIFTY Liquid Index A-I is Low to Moderate

Bajaj Finserv Money Market Fund

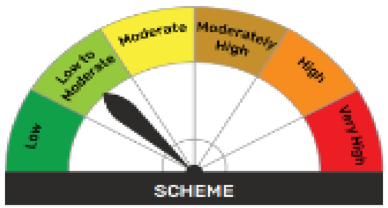
An open ended debt scheme investing in money market instruments with Relatively Low Interest Rate Risk and Moderate Credit Risk.

This product is suitable for investors who are seeking*:

- Income over short term.
- Investment in money market instruments that seeks to provide reasonable returns, commensurate with low risk while providing a high level of liquidity

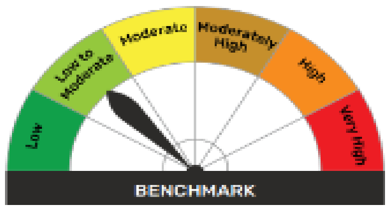
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

SCHEME RISK-O-METER



The risk of the scheme is Low to Moderate

BENCHMARK RISK-O-METER

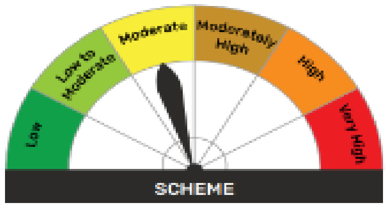
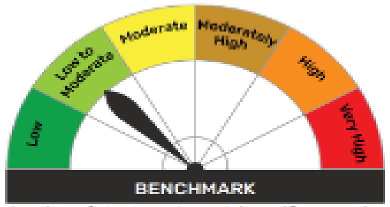


The risk of the benchmark i.e. NIFTY Money Market Index A-I is Low to Moderate

Risk-o-meter and Product Label

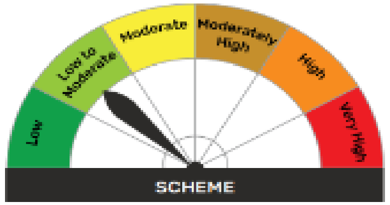
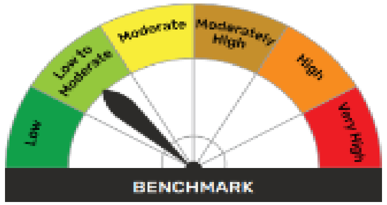
Bajaj Finserv Banking and PSU Fund

An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds with relatively high interest rate risk and moderate credit risk.

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: • Income over short to medium term • Investment primarily in securities issued by Scheduled Commercial Banks (SCBs), Public Sector undertakings (PSUs), Public Financial Institutions (PFIs), Municipal Corporations and such other bodies *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 The risk of the scheme is Moderate	 The risk of the benchmark i.e. Nifty Banking & PSU Debt Index A-II is Low to Moderate

Bajaj Finserv Low Duration Fund

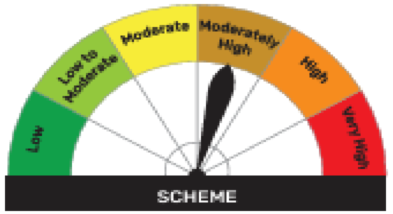
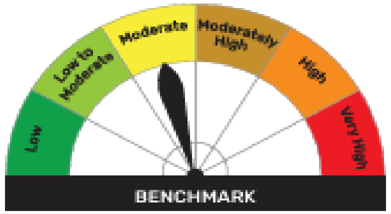
An open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months to 12 months

	SCHEME RISK-O-METER*	BENCHMARK RISK-O-METER*
This product is suitable for investors who are seeking*: • income over short term • to generate income/capital appreciation through investments in low duration debt and money market instruments *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 The risk of the scheme is Low to Moderate	 The risk of the benchmark i.e. NIFTY Low Duration Debt Index A-I is Low to Moderate

Risk-o-meter and Product Label

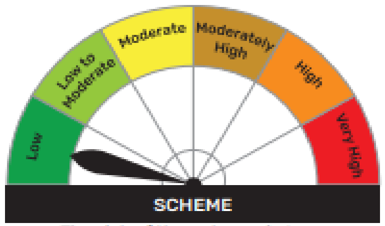
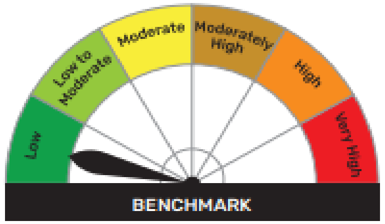
Bajaj Finserv Gilt Fund

An open ended debt scheme investing in government securities across maturity with relatively high interest rate risk and relatively low credit risk

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: • credit risk free returns over medium to long term • investments mainly in government securities of various maturities *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 The risk of the scheme is Moderately High	 The risk of the benchmark i.e. CRISIL Dynamic Gilt Index is Moderate

Bajaj Finserv Overnight Fund

An open ended debt scheme investing in overnight securities with Relatively Low Interest Rate Risk and Relatively Low Credit Risk.

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: • Regular income over short term that may be in line with the overnight call rates. • Investment in money market and debt instruments, with overnight maturity *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 The risk of the scheme is Low	 The risk of the benchmark i.e. CRISIL Liquid Overnight Index is low

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