HDFC
MUTUAL FUND
BHAROSA APNO KA

HDFC MF

YEARBOOK 2024

INDIA
in Amritkaal

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NurtureNature

Greetings,

Like last year, in line with the spirit of our ***#NurtureNature*** campaign, we have gone digital and avoided printing copies of the Yearbook. We encourage you to download and share the digital copy. If you do wish to read a printed version, please scan the QR code, fill in the requisite details and we shall arrange to send a printed copy to your registered address.

Hope you find this Yearbook interesting and insightful. Wishing you a very happy and prosperous 2024!

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Foreword

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The Year 2023 has been full of surprises, mostly positive ones. Defying all odds of a slowdown and beating most expectations, global growth surprised on the upside mainly driven by a tenacious US economy. On the other hand, the impact of war, high interest rates and weak consumer sentiments weighed on Europe and the UK. Post re-opening, the Chinese economy stuttered, reeling under the pressure of a languid real estate sector and slowing exports. High interest rates and prospects of a slowdown in next year adversely impacted commodity markets. Gold bucked the commodity downturn and broke off its usual inverse correlation with the USD and Equities.

On the domestic front, India's growth turned out to be better than even the most optimistic forecast. The positivity around India and conviction in its long-term growth potential reached new heights. In an uncertain global economy, India's macro economic stability stands out - tenable growth, moderate inflation and a comfortable external sector. From a long-term perspective, structural tailwinds like favorable demographics, prospective shift in global supply chain and a supportive policy environment positions India well for sustained growth.

Coming to capital markets, Indian equities continued its dream run and the NIFTY registered its 8th consecutive year of positive returns. The rally was broad based and market capitalization crossed the USD 4 trillion milestone making India the 5th largest equity market globally. The rise in retail investors participation directly and through mutual funds has not only improved market depth but has also reduced volatility. Cashing in on this buoyancy, 2023 saw a flurry of IPOs and secondary offerings in both the main as well as SME platform. While aggregate valuations are now higher than historical averages, one should also view the same in context of resilient growth, relatively better outlook and healthy corporate profitability. We remain convinced on India's growth story over the medium term and constructive on equities from a long-term perspective.

In fixed income markets, yields in advanced economies (AEs) saw volatility last seen during the 1980s. As inflation moderated and the US Fed signaled the end of the rate hike cycle, yields in AEs ended the year at similar or lower levels. While rates have moderated, they remain elevated compared to that of the last decade. Indian yields, however, saw remarkable resilience and moved within a relatively narrow range through out the year. India's inclusion in global bond indices reflects its growing prominence within emerging markets. RBI managed stability well - pausing before market expectations, draining liquidity, managing INR volatility and raising risk weights on unsecured consumer credit. The outlook on yields, especially for the long end of the curve, is favourable in view of an imminent rate easing cycle, manageable inflation, comfortable external sector and expected flows due to bond index inclusion.

With these thoughts, we present to you the Yearbook 2024 containing our views / observations on the global and Indian economy as well as on equity and fixed income markets. As a tribute to the legendary investor, Charlie Munger, we have dedicated a few slides reminiscing his quotes. Wishing you and your family a very happy and prosperous new year!

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The Year Gone By…

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2023 : A year of reversal

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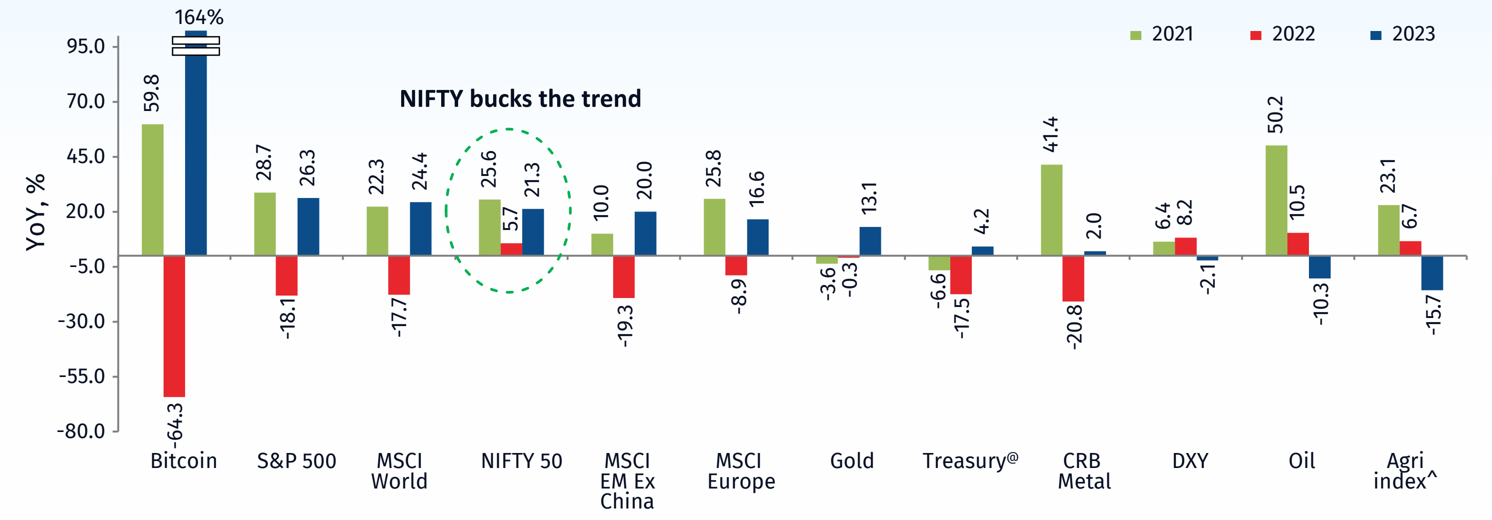
- Most of the asset classes which performed poorly in 2022 did well in 2023 and vice versa
- In long term, equities is the best performing asset class

Asset Class	10 Year CAGR(%)
NIFTY 50	14.6
S&P 500	12.0
MSCI World	9.2
MSCI Europe	7.1
Gold	5.6
MSCI EM Ex China	3.9
Agri Index	2.0
CRB Metal	1.0
Treasury@	-0.3
Oil	-3.6

Returns of key asset classes



^ Bloomberg agri index; @ Bloomberg Global Aggregate Treasury Total return Index USD unhedged
All the equity indices returns are in local currency; Returns for Gold, Agri, Metal, Treasury and Oil are calculated on USD terms, Source: Bloomberg
Past Performance may or may not be sustained in future and is not a guarantee of any future returns.
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Global Equities – DMs outperform EMs

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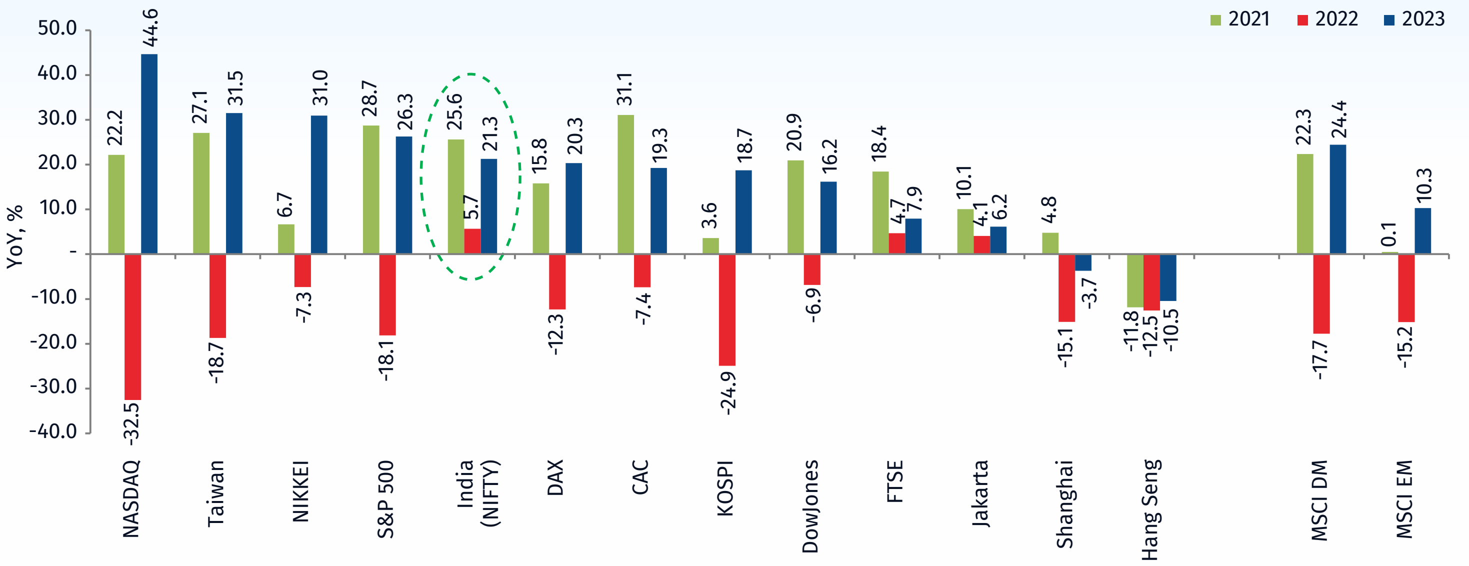
- After a poor performance in 2022, Global equities performed well led by DMs
  - China is a key exception as growth surprised adversely
- Indian markets^ performed strongly and have delivered positive returns in **9 out of last 10 years**

Return of Key Global Equity Indices



^NIFTY 50 performance has been considered, Source: Bloomberg, DM – Developed Market, EM – Emerging Market,
All the equity indices returns are in local currency. **Past Performance may or may not be sustained in future and is not a guarantee of any future returns.**
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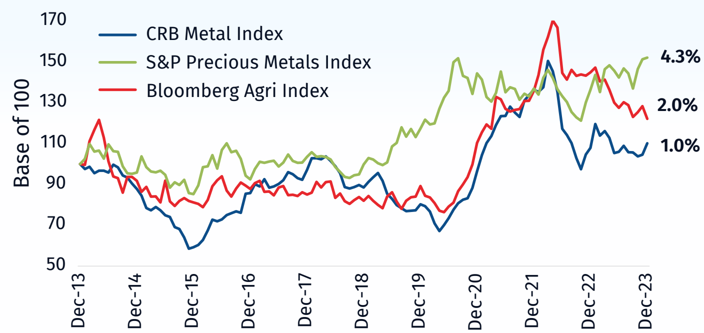
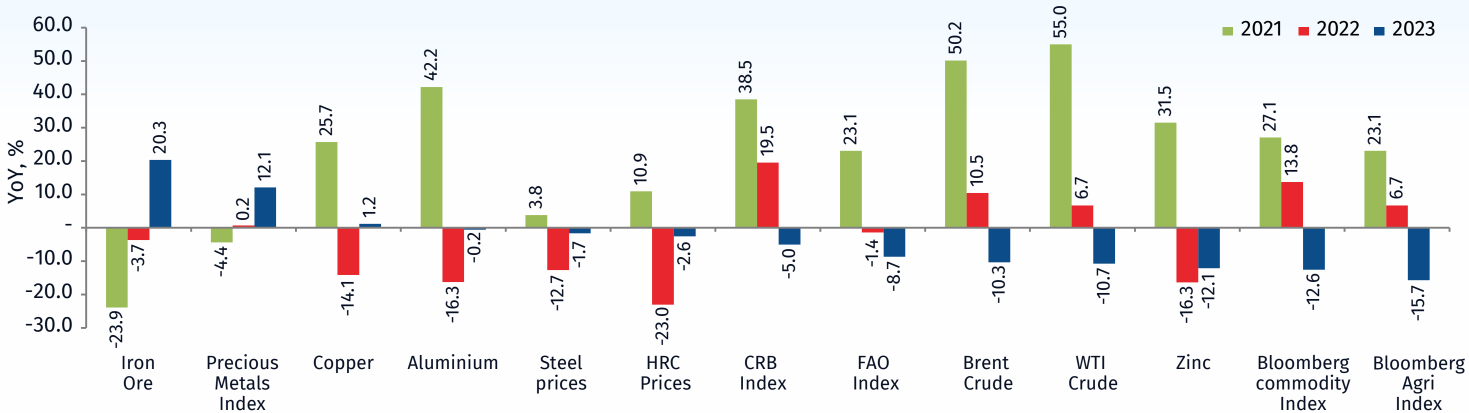
Commodities – Overall weakness

- A majority of commodities corrected in 2023 except Gold and Iron Ore
- China's growth slowed as the recovery in demand post Covid reopening disappointed
- Oil remained rangebound during most part of the year
  - Rally post breakout of Israel Hamas conflict did not last as global demand weakened
- 10 year returns of commodities is muted (2-4% CAGR)

Metal, Agri and Precious Commodities



Commodity Price Movement (%)



Source: Bloomberg
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“The first rule of compounding is to never interrupt it unnecessarily.”

“If you want to succeed in investments, start early and try hard and keep doing it. All success comes that way, by and large.”

Charlie Munger

Global Economy

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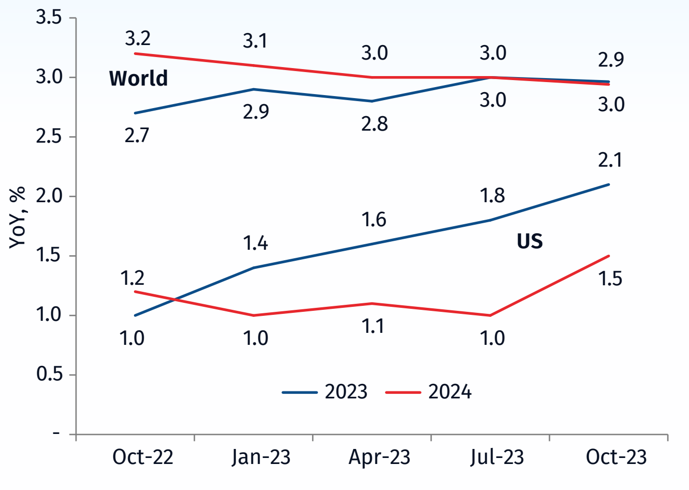
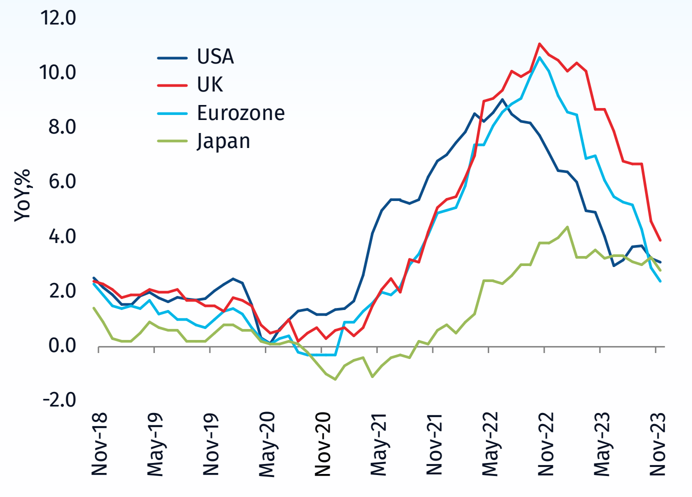
Global Economy

- World economic growth in 2023 fared better than expected
  - US growth surprised on the upside while China disappointed. EU remained lackluster
- Global inflation eased in response to monetary tightening and supply chain normalization

Growth estimates



Broad based easing in inflation in Advanced Economies



Source: IMF; Bloomberg.

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US: Growth surprises on the upside

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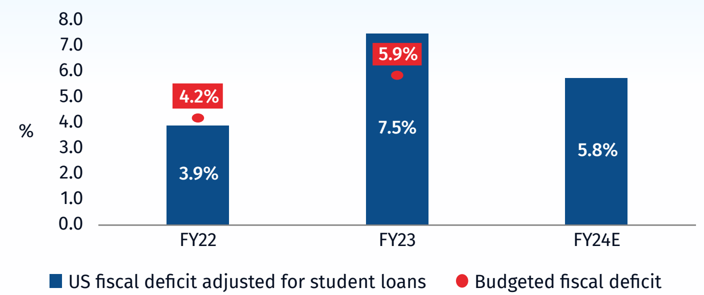
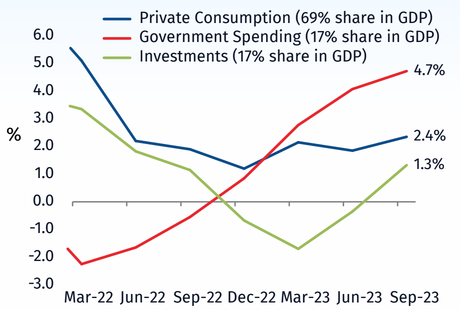
- Private consumption held up better than expected despite rapid monetary tightening
  - Labor market surprised positively; strong services sector and reluctance to layoff aided tightness; wages growth was resilient
  - US Household net worth rose equivalent to ~150% of GDP since end-March 2020; Real estate (~40%) and financial assets (~60%) both contributed*
  - Accumulated savings from Covid supported consumption
- US fiscal deficit widened sharply and boosted growth further
  - Deficit was higher by ~USD 1 trillion in 2023 (vis-à-vis 2022) driven by fall in income taxes

US Fiscal Deficit widens sharply



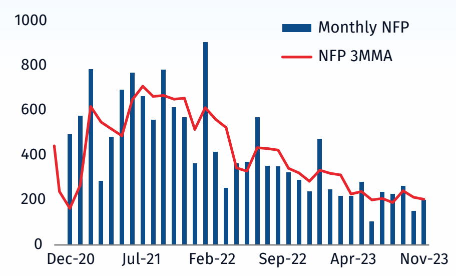
Source: Brookings.edu; https://www.brookings.edu/articles/why-did-the-budget-deficit-grow-so-much-in-fy-2023-and-what-does-this-imply-about-the-future-debt-trajectory/

US Growth (4QMA)



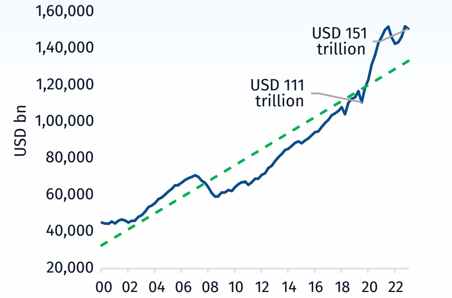
Source: Ambit Capital

^NFP - Monthly Change ('000)



Source: Bloomberg

US HH Networth grew at above trend rate



Source: Bloomberg

*data as on 30-09-2023, ^NFP – Non-Farm payroll- measures the change in the number of people employed during the prior month, excluding workers in the farming industry. US Government's student loan forgiveness program boosted the deficit in FY22 when it was announced and decreased it in FY 2023 when it was ruled unconstitutional by the court. The above chart depict the US fiscal deficit without making any adjustment for student loan in any of the year.

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US: Growth is likely to slow in 2024

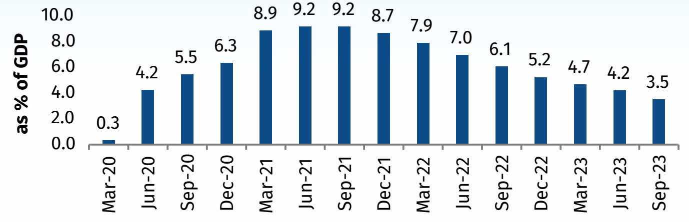
Excess accumulated savings has largely been drained out in past couple of years; likely to slowdown private consumption spending

US Real yields have turned positive and is likely to remain elevated in CY24

- Positive real yields incentivize savings and drags down consumption

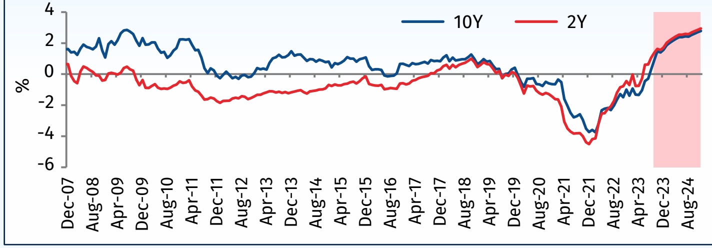
US Housing sector likely to remain under pressure as elevated mortgage rates likely to keep housing demand subdued

US Household accumulated excess savings



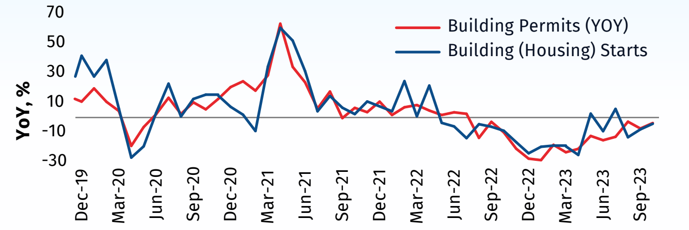
Source: UBS

Real yields on Core PCE inflation



Source: Bloomberg

Housing sector is under pressure



Source: Bloomberg

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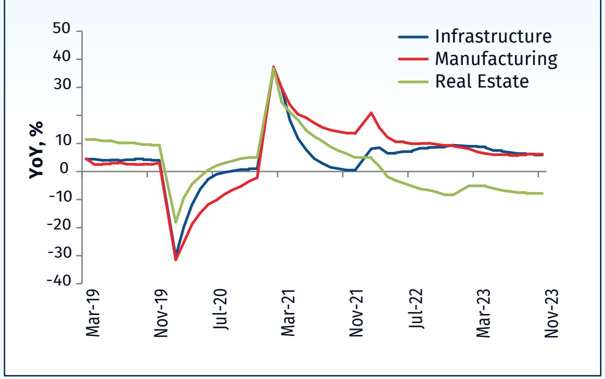
China : Growth disappointed after Covid re-opening

- **Most measures of growth have disappointed**
  - **Real estate –** Weakness in housing sales and prices along with fragile health of property developers weighed on the sector
  - **Exports –** remained weak as global demand remains a challenge
  - **Consumption –** steady led by services and pent-up demand
  - **Investments –** robust growth in infrastructure investment supported by government

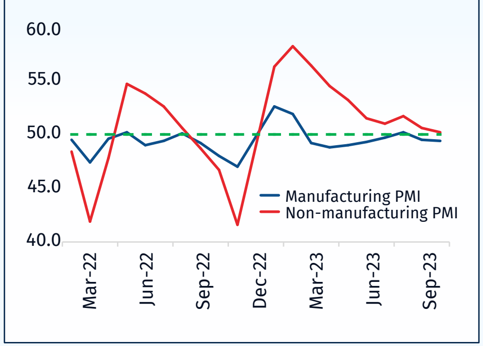
- **Stimulus measures** – Government responded by announcing a slew of reforms / stimulus
  - Reduced downpayment ratio to 20% (from 30%) for 1st home and 30% (from 40%) for 2nd home
  - Income Tax cuts announced and extended VAT exemption scheme for small businesses
  - Local governments asked to front load their infrastructure spending
  - Monetary easing done by cutting benchmark rates and reducing reserve requirement ratio

Fixed asset Investments by sectors



Source: Bloomberg

PMI hints at fatigue in growth momentum

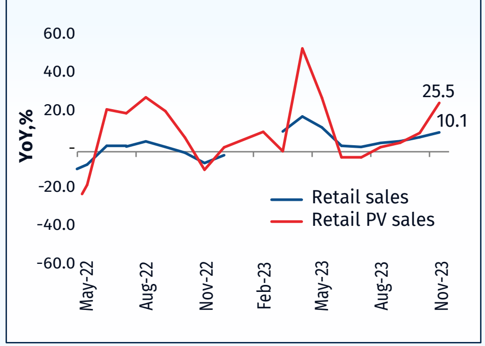


Source: Bloomberg

Contraction in exports has bottomed out

Source: Bloomberg

Consumption bounces back

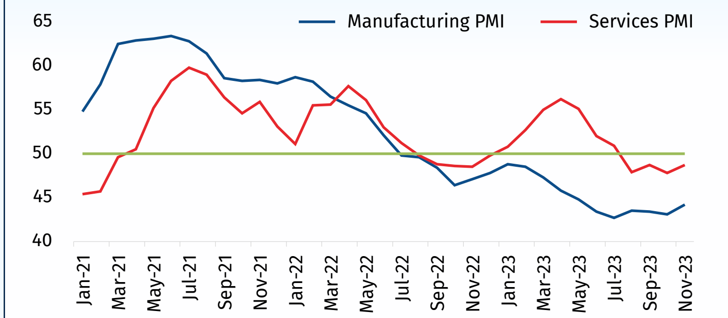


Source: Bloomberg

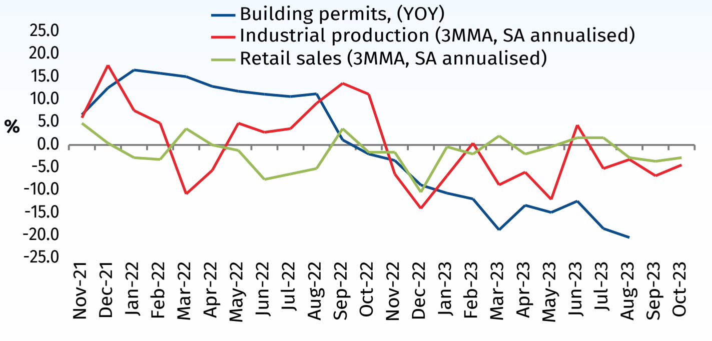
Eurozone: Broad based slowdown

- Eurozone growth has been significantly impacted on the back of increase in natural gas prices, weak consumer sentiments, Ukraine war and modest China recovery
- **Economic activity indicators saw across the board weakness**
  - **Industrial -** Manufacturing PMI is in contractionary territory since July 2022 and industrial production weak
  - **Housing -** Under pressure as new housing contracted sharply
  - **Consumption -** Retail sales, credit impulse to Households (HHs) and weak Services PMI indicate benign consumption

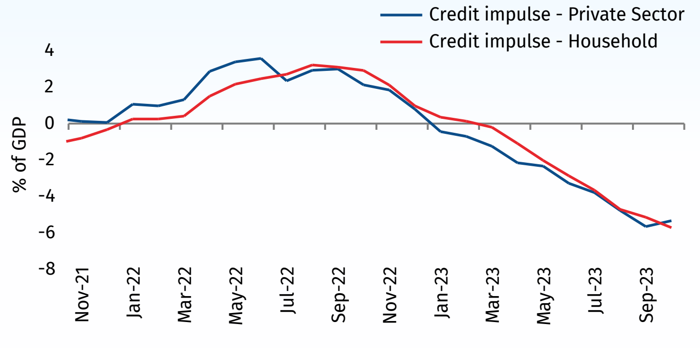
Eurozone PMI



Economic indicators indicate weakness



Credit impulse*



*Credit impulse indicate the change in new credit issued as a % of GDP. HH - Households

Source: Bloomberg

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The big money is not in the buying and selling ...
but in the waiting."

"Great investing requires a lot of delayed gratification."

Charlie Munger

Indian Economy

Foundation of multi-year strong growth has been laid

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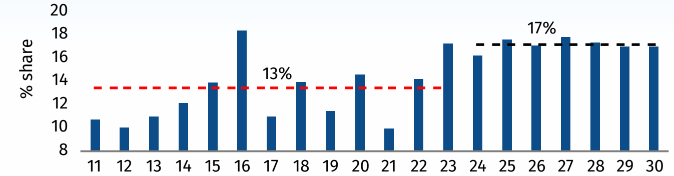
India: The best is yet to come

- Indian economy is set to become 3rd largest economy within next 5 years
- **India to retain the crown of fastest growing major economy; To grow at twice the rate of world growth for next 5 years**

GDP Ranking	2013	2023E	2026E	2027E
1	US	US	US	US
2	China	China	China	China
3	Japan	Germany	Germany	India
4	Germany	Japan	India	Germany
5	France	India	Japan	Japan
6	UK	UK	UK	UK
7	Brazil	France	France	France
8	Russia	Italy	Brazil	Brazil
9	Italy	Brazil	Canada	Canada
10	India	Canada	Italy	Italy
11	Canada	Russia	Mexico	Mexico
12	Australia	Mexico	Russia	Korea
13	Korea	Korea	Korea	Russia
14	Spain	Australia	Australia	Australia
15	Mexico	Spain	Spain	Indonesia

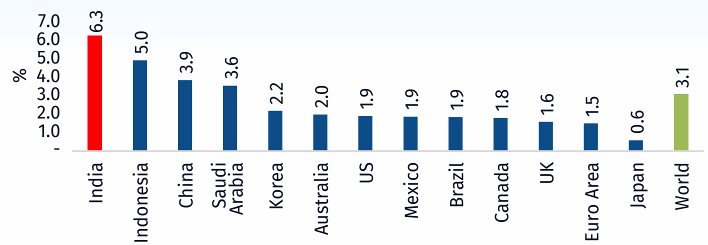
Source: IMF

India's contribution to global growth is likely to average ~17% over 2024-30 vs 13% in 2014-23



Source: Morgan Stanley; contribution is calculated based on GDP calculated on purchasing power parity basis

Average real* GDP growth expected over 2024-28



Source: IMF

In my last 50 years of working life in India, I have never been as optimistic about the future potential of our country as I am today: Deepak Parekh, Former Chairman, Housing Development Finance Corporation

India has more promise than any other large country: Elon Musk, CEO, Tesla

This (India) is the most important country in the world to me: Joe Biden, US President

*Real growth rate is based on GDP (USD constant currency)

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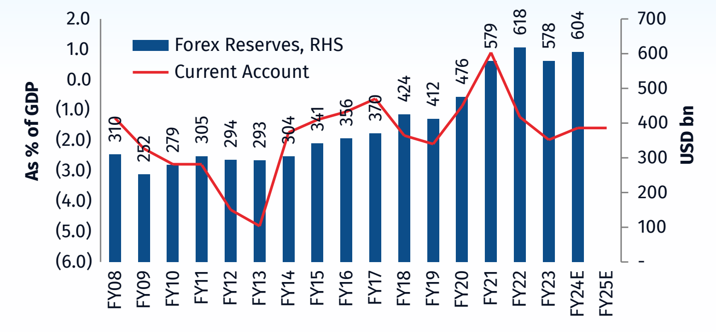
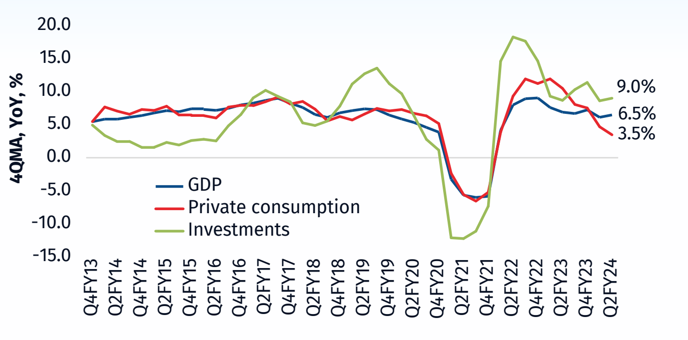
India's macro stability is a key differentiator

- **Strong growth -** Investment led growth driven by government and household capex
- **External sector -** Current account within manageable limit and forex reserves adequate
- **Inflation** has largely remained within target range of 2%-6%; Core CPI has eased significantly too

Comfortable External Sector



GDP growth supported by Investments



Source: CMIE, Kotak Institutional Equities

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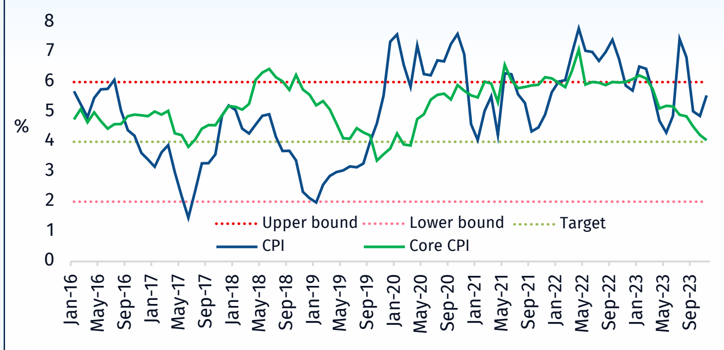
Inflation within target range, likely to trend lower

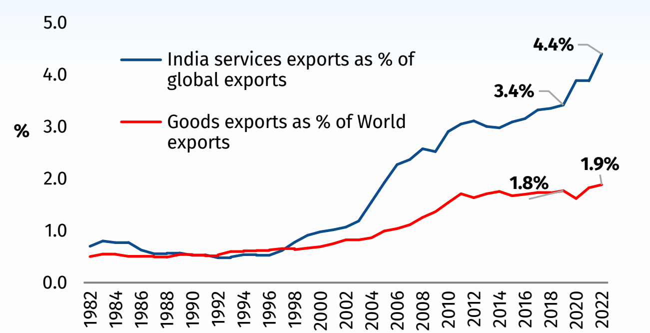


Source: CMIE

External Sector:
Rising services exports to stabilize current account

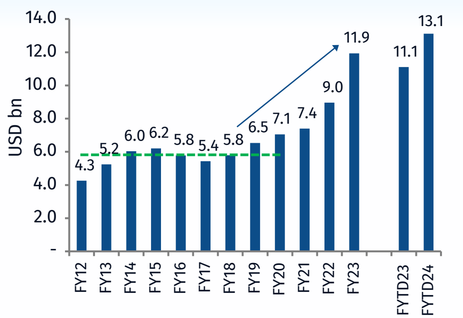
- Overall IT spend continue to do well, last 3 years has seen a significant increase in GCC exports
- **GCC has increased significantly post pandemic and resulted in other business services exports rising to 0.8% of GDP (on TTM basis)**
  - Trend of outsourcing of higher value-added services to India appears to be structural
  - Availability of large talent pool, cost advantage, labour tightness in AEs, acceptability of remote working, etc. bodes well for outlook of growth in GCC
  - This could provide a cushion to CAD against considerable rise in oil prices

India exports as % of global exports



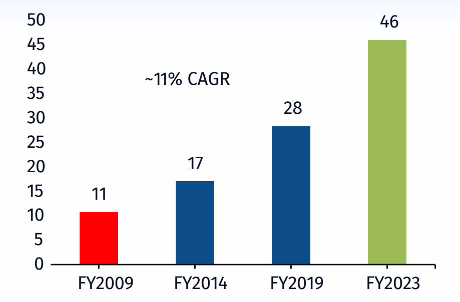
Source: World Bank

Average Monthly net services exports



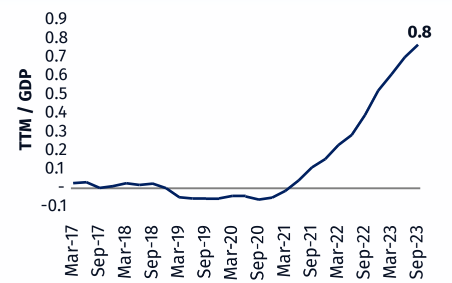
Source: CMIE
Updated till November 2023 for FYTD24
GCC – Global Capability Centers;
Refer disclaimers on slide 76

GCC Revenues (in USD billion)



Source: Morgan Stanley

Other business services exports as % of GDP (TTM / GDP)



Source: CMIE

Consumption: Structural demand drivers to boost growth

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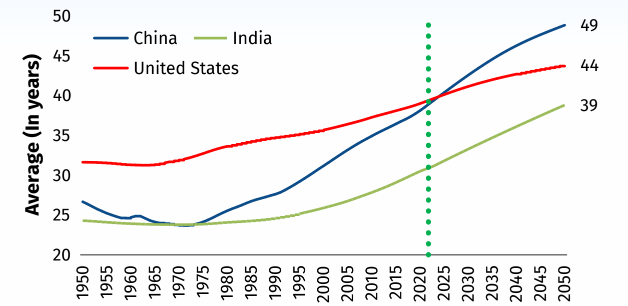
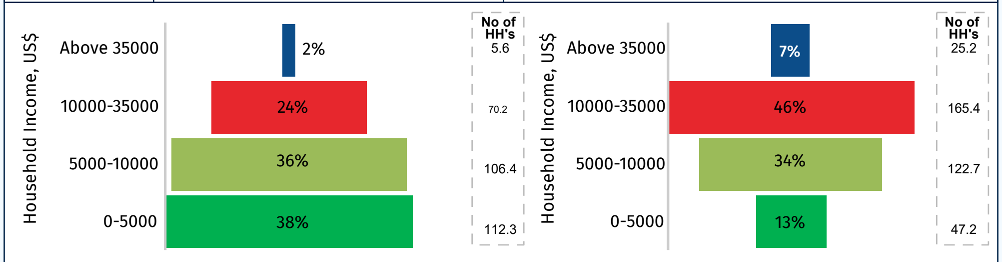
- Largest and young population with median age of 28 years (vs 39 for China); likely to remain amongst the youngest countries over the next 25 years
- Large proportion of population to transition into upper middle income and rich income groups over the next decade
  - India's per capita is set to more than double in next 8 years
  - As the per capita income rises, consumer spend is likely to rise; Under penetration in key categories, especially in lower tier cities and rural regions
- Rising penetration of consumer finance and relatively underleveraged households provides immense growth potential

India to remain as youngest country amongst major economies



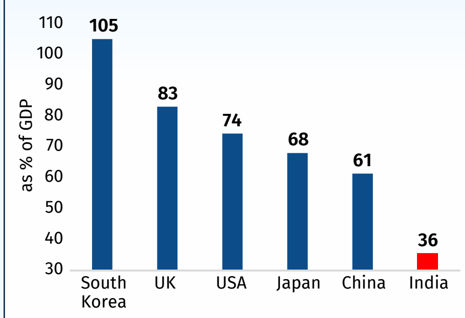
Source: UN population database

	2021 Households by Income Distribution	2031 Households by Income Distribution
Households	294.8mn	360.5mn
GDP per capita	$2,278	$5,242



Source: Morgan Stanley

India's HH Debt amongst the lowest



Source: Bank of International Settlement; as on 30 Sep 2023

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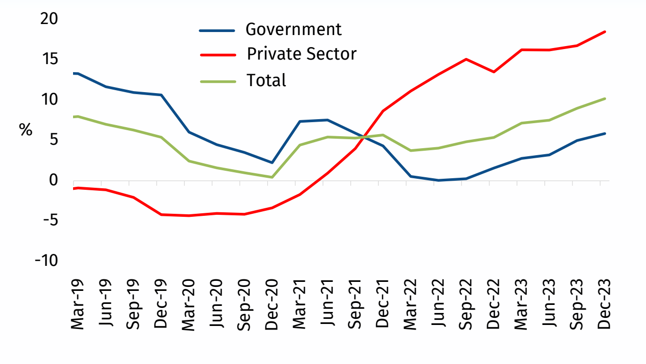
Investments: Government capex strong, Private sector could pick up

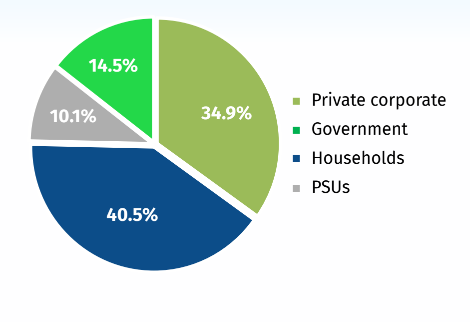
- **Government capex** has risen sharply post pandemic and Centre + state capex is estimated to rise to ~6% of GDP in FY24 from 3.6% in FY20
- **Household capex** i.e. Real estate investments are on the upswing with new sales and launches near decadal highs
  - Policy push (RERA), wealth effect, affordable mortgage rates, rising aspirations, urbanization trend, and young population supportive of real estate demand
- **Private sector capex** while muted, could pick up in view of rise in projects under implementation and growth in announcement of greenfield FDI projects
  - China+1, PLI, make in India policies, low corporate tax, deleveraged balance sheets, improving ease of doing business, etc. could drive corporate capex higher over the medium term

Projects under implementation - (4QMA, YoY)



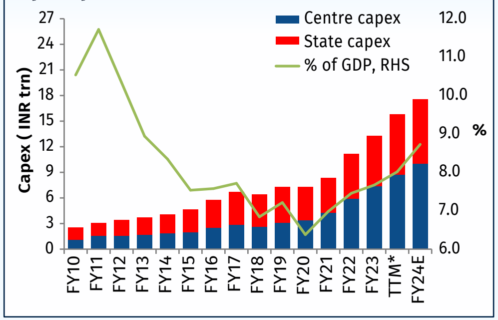
Source: CMIE, Morgan Stanley

Share in Capex (FY22)



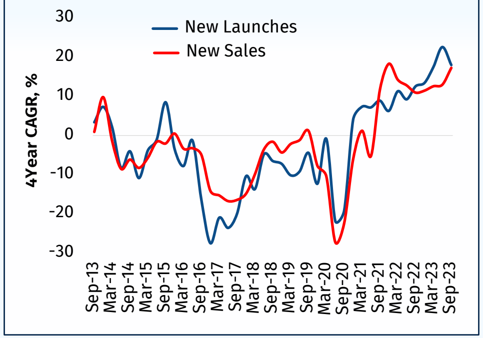
Source: CMIE

Sharp increase in government capex post pandemic



Source: ICICI Securities;
Updated till October 2023 for TTM

Residential real estate



Source: Morgan Stanley
4 year CAGR used to compare the growth with pre-pandemic period

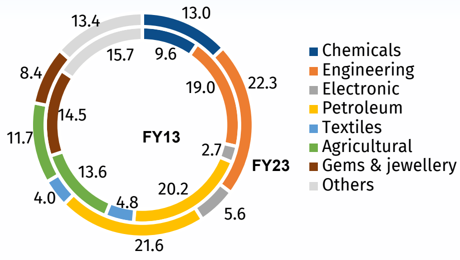
Manufacturing: Resurgence likely

- Optimistic outlook for manufacturing sector and exports: Diversification of supply chain from China, favourable policy environment, geopolitical tensions, relatively lower cost and large labour force support manufacturing prospects
- **India set to benefit from supply chain diversification –**
  - **As of end-CY22, number of greenfield FDI projects announced were nearly equal to China, Vietnam and Mexico combined; by value, FDI announcement are near all-time highs and higher than other major EMs**
  - Targeted PLI schemes can help achieve self sufficiency and make India a major manufacturing hub
- India is transitioning from traditional labour intensive exports to higher value added products
  - New sectors like Chemicals, Electronics and Engineering exports are driving export growth vis-à-vis traditional sectors like agricultural items, textiles, Gems and Jewellery

Snapshot of PLI Scheme	
Number of sectors	14
Actual Investment till FY23	Rs 62,500 Crore
Incremental Production till FY23	Rs 6,75,000 Crore
Exports boost till FY23	Rs 2,56,000 Crore
Employment Generation till FY23	3,25,000
Key Sectors - Large-scale electronics manufacturing, pharmaceuticals, telecom and networking products, food processing, and white goods.	

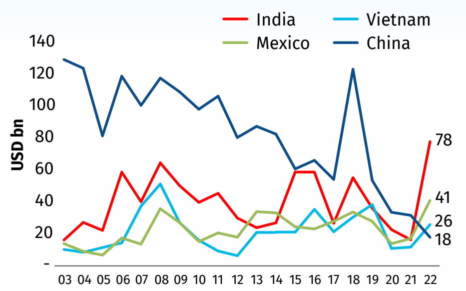
Source: Morgan Stanley, PIB

Product-wise share in exports (%)



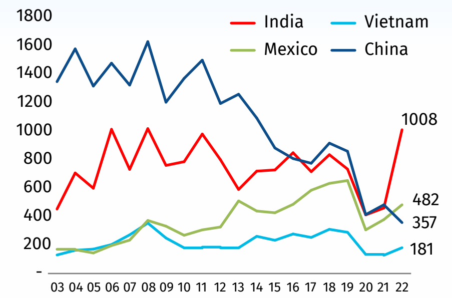
Source: CMIE, Morgan Stanley, PIB

Value of announced greenfield FDI projects



Source: Nirmal Bang

Number of announced greenfield FDI projects



Source: Nirmal Bang

“I think all good investing is value investing, and it's just that some people look for values in strong companies and some look for values in weak companies, but every value investor tries to get more value than he pays for.”

“Its Waiting that helps you as an Investor, and a lot of people just can’t stand to wait.”

Charlie Munger

Refer disclaimers on slide 76

Indian Economy in the near term

Economic activity is holding up well

Refer disclaimers on slide 76

India's Growth: Robust despite soft global growth and monetary tightening

India's growth has shown remarkable resilience with **most high frequency indicators growing at steady pace**

- Key sectors / areas showing signs of improvement are – Construction, Capex, Urban consumption and Services
- Key sectors / areas witnessing some growth deceleration – Rural and pockets of manufacturing

YoY, %	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Manufacturing													
PMI manufacturing	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0
Credit growth (industry)	13.1	8.6	8.7	7.0	5.7	7.0	6.0	8.0	5.7	6.6	7.1	5.9	0.0
Petroleum products consumption (industrials)	5.2	11.7	3.4	7.5	17.3	(8.8)	15.0	9.5	(1.3)	13.7	12.2	(6.0)	(4.7)
IIP manufacturing	6.7	3.6	4.5	5.9	1.5	5.5	6.3	3.5	5.0	9.3	4.5		
Railways freight traffic	4.3	6.0	6.4	4.7	3.0	(0.6)	(2.1)	(7.6)	(3.5)	2.2	4.2	4.6	0.0
Steel production	4.6	0.5	9.3	14.3	11.6	6.5	15.3	13.8	14.6	16.6	14.6	14.1	18.5
Construction													
Steel consumption	10.4	12.0	9.7	21.6	20.8	8.0	7.8	15.8	17.6	21.5	18.7	15.3	13.5
IIP cement	29.1	9.5	4.7	7.4	(0.2)	12.4	15.9	9.9	6.9	19.3	4.6	17.4	(3.6)
Core infrastructure	5.7	8.3	9.7	7.4	4.2	4.6	5.2	8.4	8.5	12.5	9.2	12.0	7.8
Credit growth (home loans)*	16.2	16.0	15.5	15.0	15.0	14.3	14.6	15.0	13.2	13.7	13.7	14.5	
Services													
PMI services	56.4	58.5	57.2	59.4	57.8	62.0	61.2	58.5	62.3	60.1	61.0	58.4	56.9
Credit growth (services)*	21.5	19.5	21.4	20.5	19.7	21.5	21.3	26.6	20.0	20.7	21.3	20.1	
Domestic air passenger traffic	11.5	14.2	95.6	56.8	21.4	22.2	15.2	18.8	24.7	22.8	18.4	10.8	9.0
Airport cargo	(2.3)	(5.9)	(3.7)	2.1	1.4	0.0	(0.3)	(0.8)	(1.2)	6.9	(0.3)	13.1	6.6
Consumption													
Credit growth (personal loans)	19.6	20.0	20.7	20.6	21.0	19.7	19.5	21.2	18.2	18.4	18.3	18.0	
Passenger vehicle sales	28.1	7.2	17.2	11.0	4.5	31.7	13.5	2.0	19.2	27.7	17.7	33.9	21.0
Non-oil imports	4.8	(4.5)	(8.1)	(8.6)	2.3	(12.5)	(5.9)	(9.9)	(8.9)	2.0	(13.0)	13.9	(2.7)
Diesel consumption	19.2	6.6	12.7	7.4	1.1	8.6	12.8	3.0	3.8	5.2	3.8	9.3	(3.0)
Rural													
Two wheeler sales	17.7	3.9	5.0	8.8	9.0	16.5	17.4	1.7	(7.2)	0.6	0.8	20.2	31.3
Tractor sales	4.4	19.2	16.0	11.8	10.1	(13.0)	(2.4)	(0.7)	(0.0)	(4.1)	(15.6)	(5.3)	1.5
Employment demanded under MNREGA	30.3	27.7	26.5	24.9	27.2	29.4	30.8	29.5	29.7	28.8	29.1	29.0	28.9
Fertilizer sales	2.0	0.6	18.0	9.9	19.0	(13.9)	2.1	1.7	4.4	2.7	5.7	10.4	(5.5)
All India unemployment rate (%)	8.0	8.3	7.1	7.5	8.1	8.5	7.7	8.5	8.0	8.1	7.1	10.1	9.2

Color code: > (Mean + 1SD) | >= Mean & <= (Mean + 1SD) | < Mean >= (Mean -1SD) | < (Mean - 1SD)

Source: Kotak Institutional Equities; *Adjusted for HDFC Limited merger with HDFC Bank

Refer disclaimers on slide 76

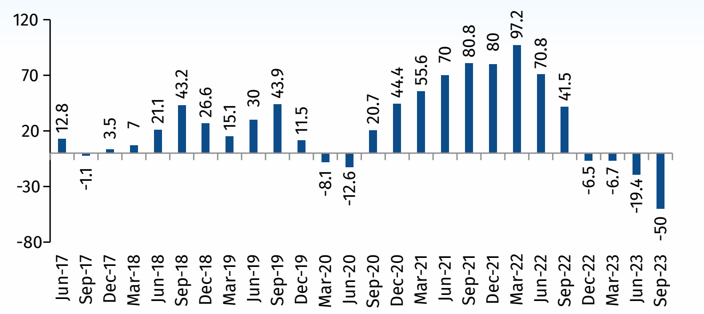
Outlook: Steady growth likely; tailwinds offsets headwinds

Factors likely to act as drag on growth

Urban consumption to trend lower

- Drawdown in savings, weakness in IT sector employment (net hiring negative for last 4 quarters), waning pent up demand, etc. to weigh on urban consumption

Net hiring by IT sector ('000)



Source: Spark Capital, IT company results

Government spending growth to moderate

- Government targets to reduce fiscal deficit to <4.5% of GDP by FY26; thus, an average consolidation of 0.7% of GDP is required

Lagged impact of monetary policy tightening

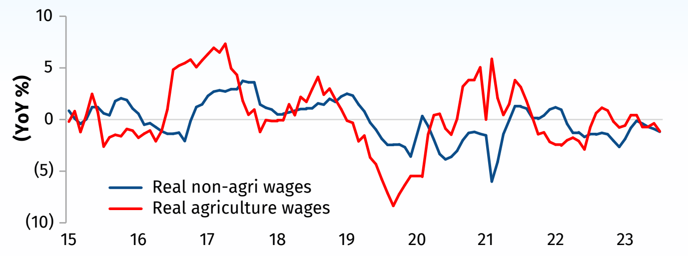
- Real policy rates (Repo rate - core CPI) are likely to rise further in 2024 as inflation eases and may impact private consumption

Factors to support growth

Rural sector may have bottomed out

- High inflation and consequently weak real rural wages, uneven and deficient monsoon weighed on rural consumption in 2023
- Outlook appears better in view of easing inflation, elevated food grain prices, and lower input costs (seeds, fertilizer). Upcoming general elections should also support rural activities

Real rural wages likely to pickup as inflation ease



Source: Elara Capital

State government spending

- State government spending likely to continue to grow at a healthy pace

Prospects of private capex recovery

- Private sector capex can surprise on the upside post elections as risk of policy uncertainty recedes; Prospects of FDI improvement could further support private capex

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“All successful investment involves trying to get into something where it’s worth more than you’re paying.”

“If you’re going to invest in stocks for the long term, or real estate, of course, there are going to be periods when there's a lot of agony and other periods when there's a boom. I think you just have to learn to live through them.”

Charlie Munger

Indian Equity Markets

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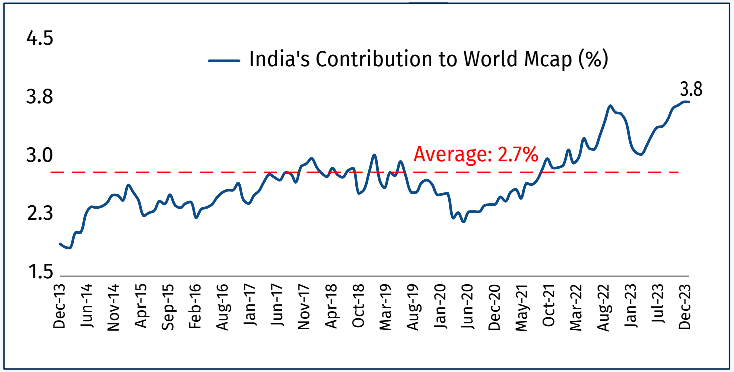
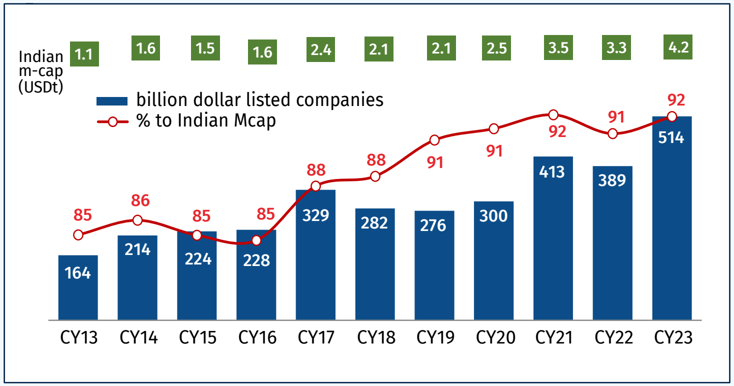
Indian Equities long term trends

HDFC MUTUAL FUND
BHAROSA APNO KA

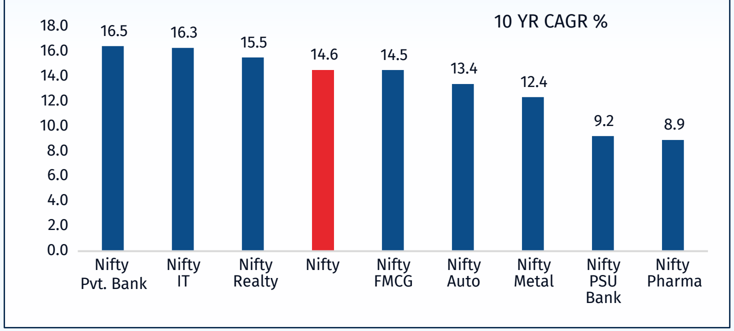


Market Capitalization (Trillion USD)

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
United States	22.3	24.4	23.5	25.2	29.6	26.9	34.4	42.6	53.8	41.1	50.7
China	3.4	5.0	7.1	6.5	7.7	5.4	7.3	10.9	13.0	10.1	9.5
Japan	4.6	4.4	5.0	5.1	6.3	5.4	6.3	6.8	6.6	5.5	6.2
Hong Kong	3.5	4.2	4.1	4.0	5.4	4.8	5.5	6.5	6.1	5.2	4.7
India	**1.1**	**1.6**	**1.5**	**1.6**	**2.4**	**2.1**	**2.1**	**2.5**	**3.5**	**3.3**	**4.2**
India Ranking	12	10	10	9	8	7	9	8	7	5	5



The outperformers in last 10 years – Private Banks, Realty, IT and Auto



Source: Motilal Oswal Securities, CAGR – Compounded Annual Growth Rate,
Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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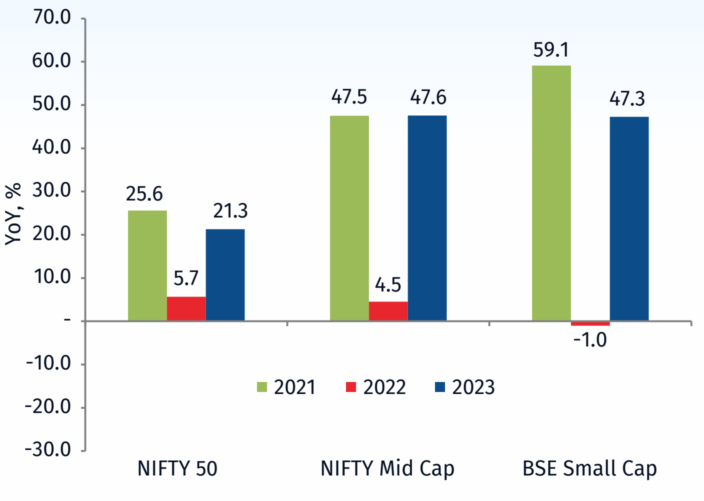
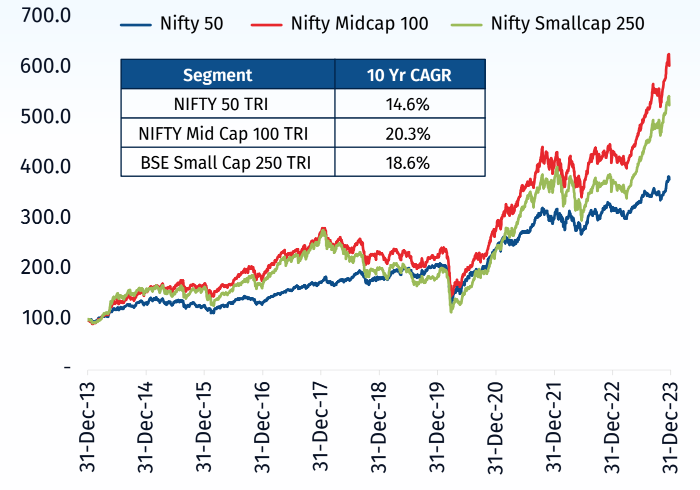
Indian Equities continue to perform well

- Performance of Indian equities was supported by resilient growth outlook, strong corporate earnings and steady DII flows
  - *NIFTY 50 delivered 8th consecutive years of positive return, a first since the inception of the index*
- Mid and Small Caps outperformed the market significantly

Indian Equities



10 year return



Segment	10 Yr CAGR
NIFTY 50 TRI	14.6%
NIFTY Mid Cap 100 TRI	20.3%
BSE Small Cap 250 TRI	18.6%

Source: Bloomberg, DII – Domestic Institutional Investors,

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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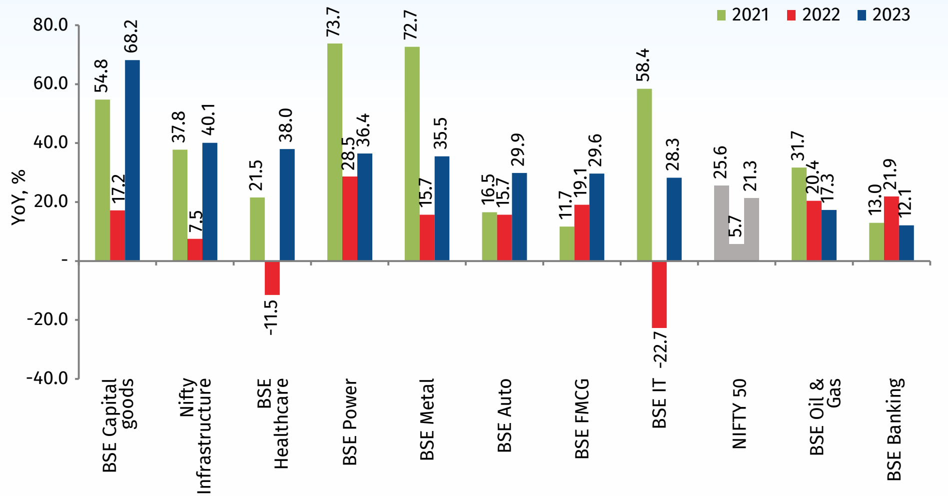
Indian Equities: Sectoral performance

- All major sectors ended 2023 with positive returns
  - Capital Goods did better due to government's continued focus on capex. Auto, Healthcare, Infra had large outperformance
  - Banking and Oil & Gas sectors underperformed

India's Sectoral indices



Sector	10 Year CAGR(%)
BSE Auto	12.4%
BSE Banking	16.1%
BSE Capital goods	19.7%
BSE FMCG**	14.7%
BSE Healthcare**	8.8%
BSE IT**	18.2%
BSE Metal	15.2%
BSE Oil & Gas	13.8%
BSE Power	15.7%
NIFTY 50	**14.6%**
Nifty Infrastructure	13.1%

Source: Bloomberg

** 8 year CAGR; 10 Year TRI data is not available for IT, FMCG and Healthcare indices

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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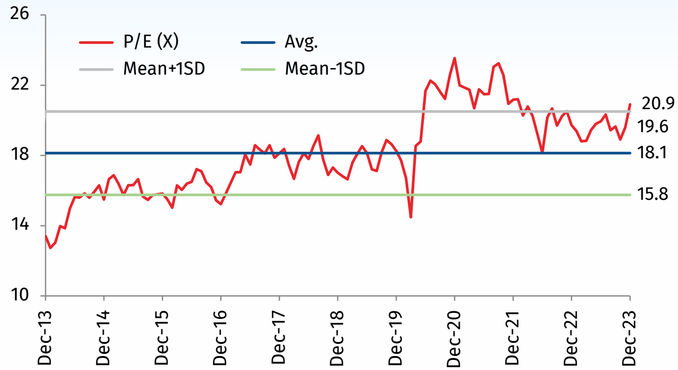
Market valuations: Large Caps

- NIFTY trades at moderate premium to its historical average
- However, ~48% of the Index is trading at 10% premium or less^

Discount/premium for FY2025 PE vs 10 yr avg PE	Weight
>20% premium	28.1
10 to 20%	23.3
0 to 10%	13.7
0 to -10%	6.0
-10% to -20%	20.8
>-20% discount	8.2
Total	**100**

Source: Kotak Institutional Equities

NIFTY Price to Earnings multiple (x)



Source: Kotak Institutional Equities, 1 year forward P/E ratio

	12 months forward Price To Earnings		
	Dec-23	LTA	Discount / Premium^
Electric Utilities	16.4	10.5	56.2
IT services	25.0	20.1	24.6
PSU Banks@	1.3	1.1	18.4
Consumer staples	40.6	34.5	17.7
Metals	11.6	9.9	17.0
Pharma	25.9	23.4	10.6
Oil and gas$	13.0	11.9	9.3
Auto	19.7	19.0	4.0
Private Banks@	2.5	2.6	-2.5

Source: Kotak Institutional Equities. Stocks are part of Kotak Institutional Equities universe. $-Oil & Gas sector PE is high mainly due to one company. Excluding that, the multiple is 5.6x vs 10-year average multiple of 8.2x. LTA – 10 Years average. Cells in green are sectors which are trading at premium. All figures are calculated based on 12 months forward estimates. ^to Long term (LT) average, @-Price to Book value.

LTA – Long term average, ^ as compared to 10 year average

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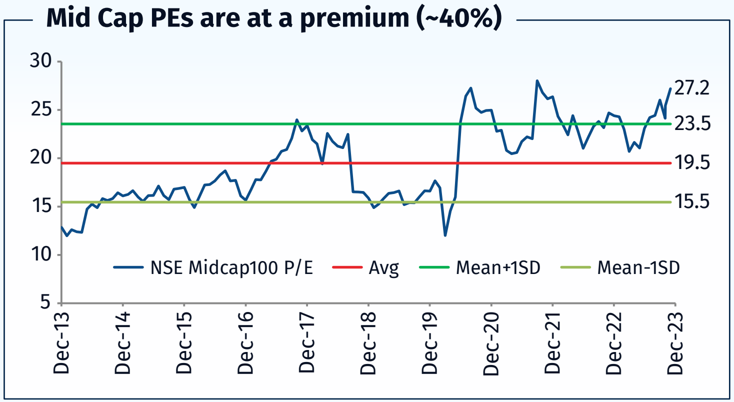
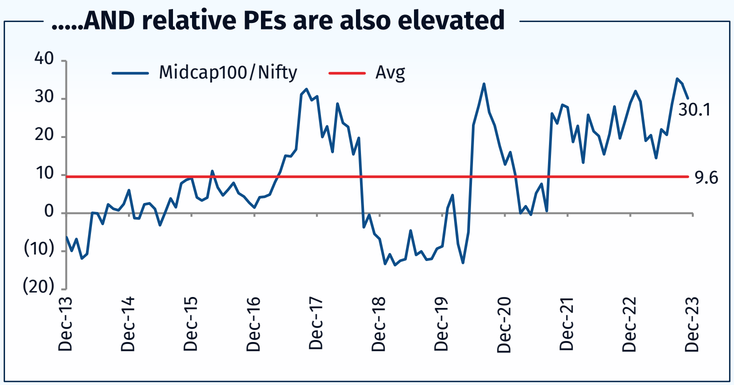
Market valuations: Mid Caps



	Absolute returns	CAGR Returns %			
	6M	**1 year**	**3 years**	**5 years**	**10 years**
Nifty 50 TRI	13.8	21.3	17.2	16.2	14.6
Nifty Midcap 100 TRI	29.7	47.6	31.5	22.0	20.3
Outperformance vs NIFTY 50	**15.9**	**26.3**	**14.3**	**5.8**	**5.7**
Nifty Smallcap 100 TRI	30.3	47.3	32.4	22.1	18.6
Outperformance vs NIFTY 50	**16.4**	**26.0**	**15.2**	**5.9**	**4.1**

Source: Bloomberg

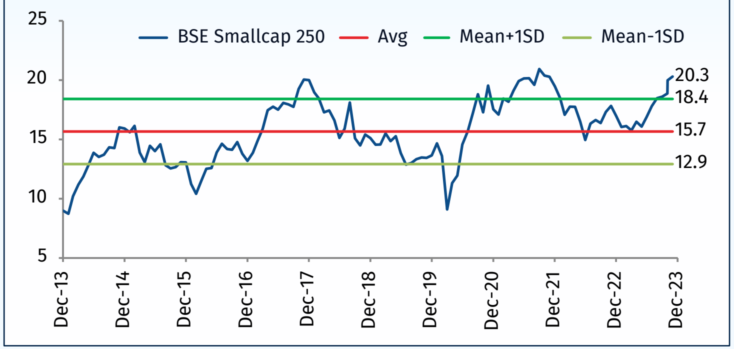
- In last one year, only 7/100 of the stocks have delivered negative returns
- 53/100 stocks have delivered >40% returns



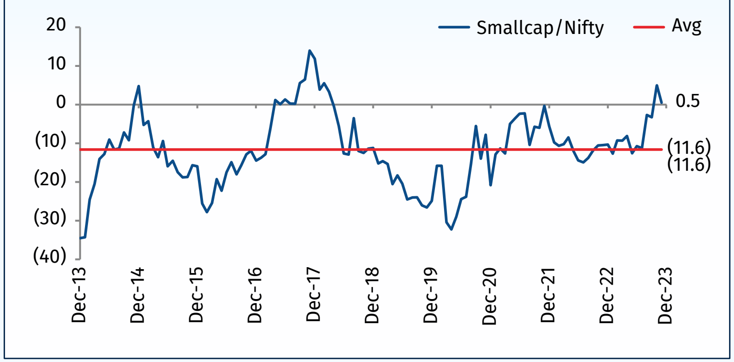
Source: Kotak Institutional Equities, NIFTY Midcap 100 Index used as proxy for Mid-Caps., PE – Price / Earnings Ratio
1 Year forward PE Ratio
Refer disclaimers on slide 76

Market valuations: Small Caps

Small Cap PEs are at also at a premium (~30%)



.....AND relative PEs are at a premium

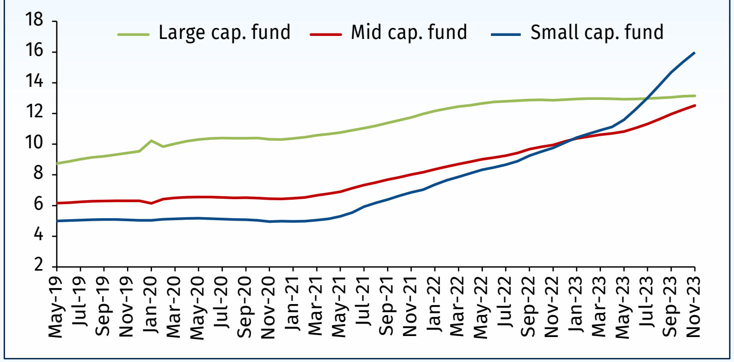


Strong inflows into mid and small cap funds

Flows into equity MFs(Rs bn)

Category	2020	2021	2022	CYTD^
Flexi Cap / Multi Cap	(48)	416	401	288
Large Cap	(24)	29	137	(27)
Large & Mid Cap Fund	18	87	200	165
Mid Cap Fund	**5**	**106**	**205**	**215**
Small Cap Fund	**14**	**38**	**198**	**372**
Sectoral/Thematic Funds	83	255	209	248
Others	42	36	261	184
Total	91	967	1,610	1,446
Mid/Small Share %	**21%**	**15%**	**25%**	**41%**

No. of Folios (mn) has grown rapidly

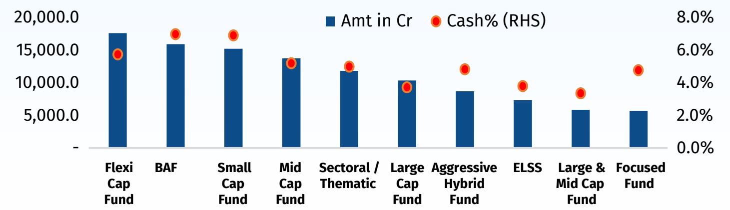


Source: Kotak Institutional Equities, MF – Mutual Fund, PE – Price / Earnings Ratio, ^ Till Nov 2023
1 year forward P/E ratio

Strong Capital Market Activity: Institutional Flows

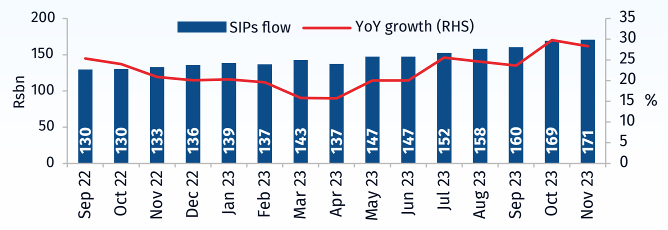
- **Mutual Funds**
  - Number of investor folios have increased ~3x in the last decade
  - Monthly SIPs have increased to >Rs.17,000 crore, **SIPs account for ~40%* of** AUM for the industry for Equity oriented schemes
  - MF ownership in NSE listed companies has increased to **8.8%** in Sep 23 vis-à-vis 6.4% in Sep 18**
  - Total cash^ with mutual fund industry in Equity/equity-oriented hybrid schemes is ~INR 1,43,000 crore (~5.5% of equity AUM)

Cash^ holdings of largest 10 MF categories



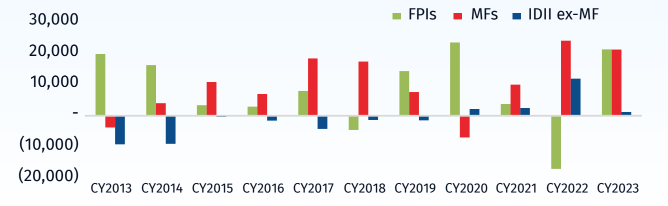
Source: NAV India, Internal computation

- Turnaround in FPI Flows
  - FY24 has been one of the very few years wherein FPIs and DIIs have positive flows
- Primary market activity has picked up but remains below peak levels



Source: CLSA

Flows in US $



Source: Kotak Institutional Equities. Insurance^ includes Bank, DFIs, Insurance, New Pension Scheme

INR bn	IPOs	FPOs	OFS	QIPs	Total
CY13	13	70	240	81	403
CY14	12	5	50	317	384
CY15	136	-	356	191	682
CY16	265	-	131	47	443
CY17	671	-	181	611	1,464
CY18	310	-	107	166	582
CY19	124	-	260	352	736
CY20	266	150	209	808	1,433
CY21	1,187	-	229	420	1,836
CY22	593	43	113	117	866
CY23	494	-	193	543	1,231

Source: DAM Capital

Data for Nov 23
Source: ^cash (Cash / Net Current Assets) +money market instruments such as CD, CP, T Bills, reverse repo, CBLO, etc,*Source - AMFI, ** NSE, Macquarie,
SIP – Systematic Investment Plan, AUM – Assets under management, FPI – Foreign Portfolio Investors, IPO – Initial Public Offer,
FPO – Further Public Offer, OFS – Offer for Sale, QIP – Qualified Institutional Placement
Refer disclaimers on slide 76

Capital Markets Activity: Rise of the Retail Investor

- Number of Demat accounts in India have increased from 36 mn in Apr 2019 to 135 mn in Nov 2023 which is ~3.8x increase in less than 5 years

- Last few years have witnessed a sharp increase in F&O activity driven predominantly by retail investors. Cash volumes as a % of daily volumes have fallen to record low

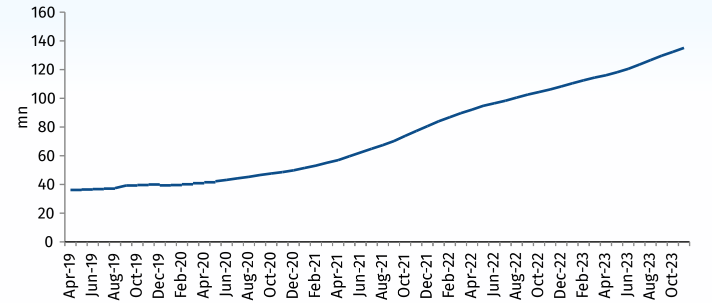
- Derivatives to cash ratio of India is the highest in the world as compared to other major exchanges

Exchange	Country	Derivatives to Cash Ratio*
NSE	India	~400x
Deutsche Boerse AG	Germany	~35x
Korea Exchange	Korea	~12x
HK Exchanges and Clearing	Hong Kong	~5x
Euronext	Eurozone	~2x

*Derivate to cash ratio has been computed after considering the sum of notional value of stock / index futures and options divided by the sum of value of equity trades for the respective exchange
Source: ICICI Securities, World Exchanges Organization

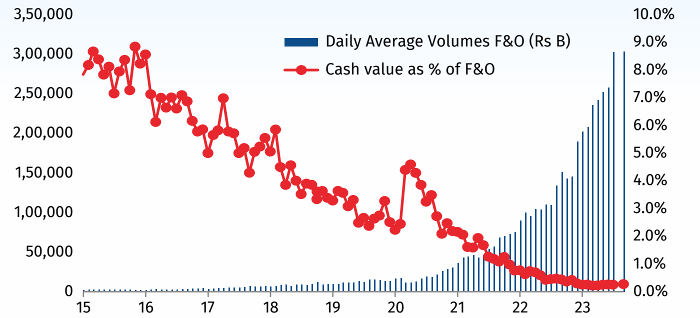
- Retail ownership in the NSE listed companies has increased to 9.7% in Sep 23 as compared to 8.6% in Sep 18**

Demat Accounts



Source: B&K Securities, CDSL, NSDL

Sharp increase in F&O volumes



Source: Motilal Oswal, NSE, BSE

**Source: NSE, Macquarie, F&O – Futures and Options
Refer disclaimers on slide 76

Capital Markets Activity: SME Market

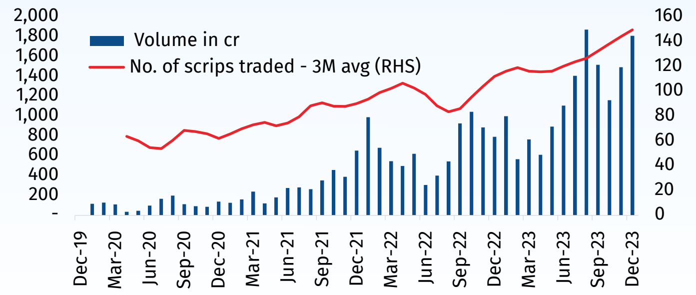
- SME Market has seen a sharp jump in activity with increase in volume and number of scrips traded on BSE SME
- Daily trading volumes on the BSE SME platform have increased to > Rs.100 cr from <Rs.10 cr in 2019
- Total Market Cap of companies listed on BSE and NSE SME platform has increased substantially

Mkt Cap in Cr.	BSE^	NSE
Mar-20	2,044	6,123
Mar-21	2,470	5,433
Mar-22	5,951	11,882
Mar-23	13,804	21,525
Dec-23	31,908	49,064

^Total market cap of the companies currently listed on BSE SME
Source: BSE SME, NSE, Bloomberg

- IPO activity on the SME exchange has also increased with total fund raise of more than Rs.4,500 cr in 2023 with multi-fold rise in subscriptions

Monthly trading volume on BSE SME



Source: BSE SME

SME IPO

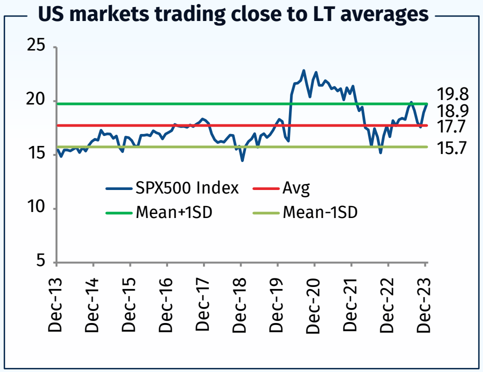
Year	No. of Issues	Amt raised in crore	Average oversubscription	Average Listing gain (%)
2016	66	NA	NA	5.5%
2017	131	NA	NA	9.8%
2018	145	2,358	10	4.4%
2019	50	673	2	2.3%
2020	31	200	2	0.9%
2021	56	759	12	14.7%
2022	109	1,981	59	32.1%
2023	**183**	**4,949**	**102**	**36.4%**

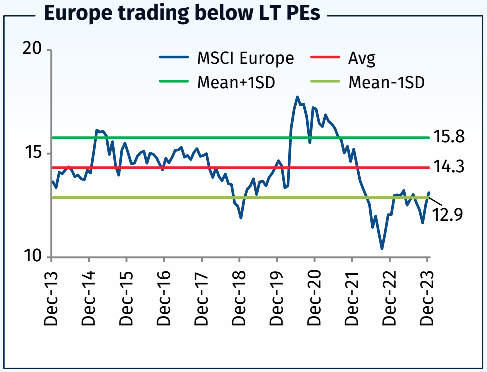
Source: Chittorgarh.com

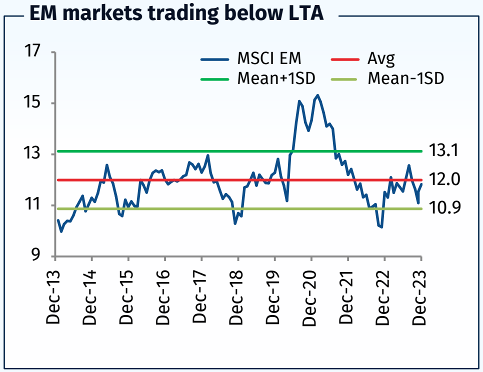
SME listing - Companies with paid up capital upto Rs.25 cr can be listed on SME exchange.
Refer disclaimers on slide 76

Global Valuation Summary

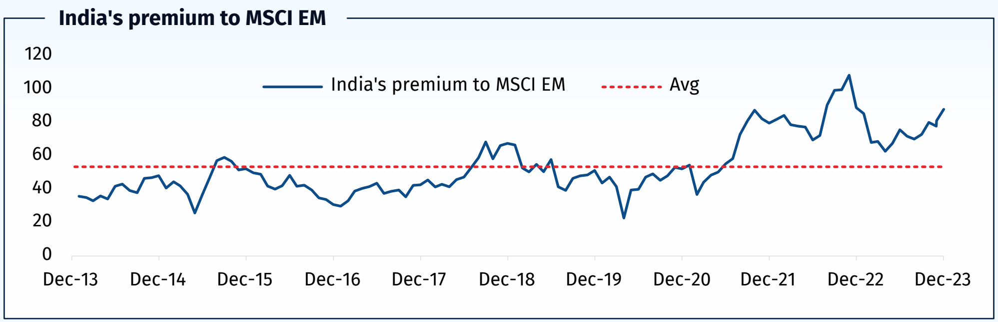
- Most major markets are trading at close/lower to historical averages
- US trades at above long term averages while Europe and EMs are trading below LTAs







India continues to trade at a premium to MSCI EM driven by better economic resilience



Source: Kotak Institutional Equities, Bloomberg, LT – Long Term, PE – Price to Earnings Ratio, MSCI EM – MSCI Emerging Markets Index, 1 year forward P/E Ratio

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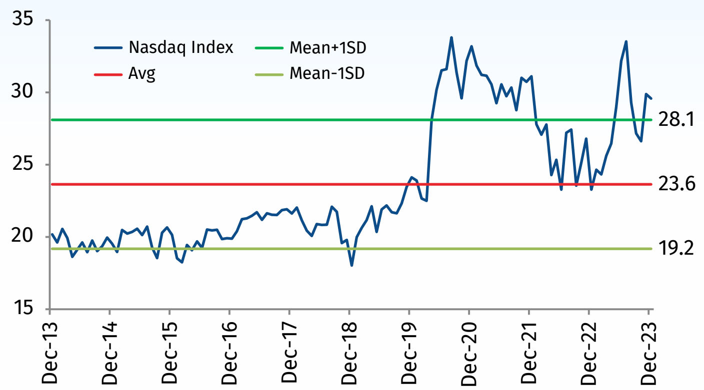
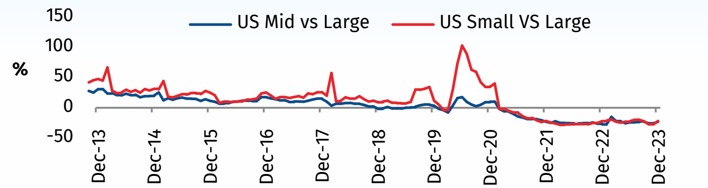
Global Valuation Summary

- Globally, Mid caps trade at a moderate discount to large caps
- NASDAQ has almost recovered the correction of 2022 and is nearing its peak of 2021
- Rally in NASDAQ in the last 1 year has been led by a handful of stocks with Top 5 / 10 stocks contributing to ~58% / 77% of the returns

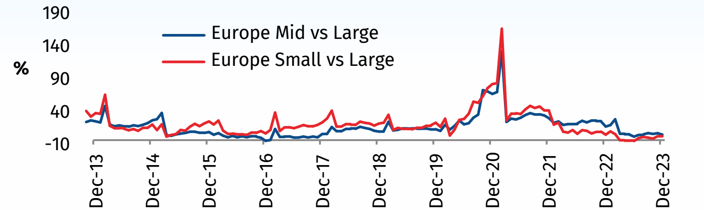
NASDAQ P/E



US Premium/Discount to Large Caps



Europe - Premium/Discount to Large Caps



Top 5 Nasdaq movers have added $4trn to Mcap..more than India's total market

Company	% Change	Contribution to Change	Change in Mkt Cap ($ bn)
Microsoft	58	14	1.007
Apple	49	14	927
Nvidia	239	12	864
Amazon	81	9	713
Meta	194	7	594

Source: Kotak Institutional Equities, Bloomberg, Mcap – Market Capitalization
1 Year forward P/E ratio
Refer disclaimers on slide 76

“Good investing requires a weird combination of patience and aggression. And not many people have it.”

“Understanding both the power of compound return and the difficulty getting it is the heart and soul of understanding a lot of things.”

Charlie Munger

Sectoral Outlook

Refer disclaimers on slide 76

Sector Overview : Automobile OEMs

Background / Characteristics	• Industry has witnessed growth across segments although 2nd half of 2023 witnessed demand moderation in tractor and commercial vehicle segments. • While PV and 2W witnessed ~8% retail growth, 2W sales are still below 2018 peak.
Recent Business performance / developments	• CY23 4W/2W/CV domestic sales volume improved YoY by 8%/8%/15% on a strong base of CY22 although exports of both OEMs and suppliers have fallen due to global inventory de-stocking. • 50% reduction in FAME II demand incentive (upto 20% of the vehicle prices) by central government along with stringent localization norms to avail demand incentive led to EVs penetration stagnating at ~4.5% in 2Ws during CY23 • Benign commodity cost environment has started benefiting OEMs and suppliers margins
What's changing ?	• Pace of electrification is slowing down in both Indian and western geographies as govt and industry across the world are worried about supply chain control by China • Benign input costs such as steel, aluminum, rubber, energy costs and freight rates may continue to support margins • Global economic recession and benign input costs environment may restrict pricing inflation of end product and we could witness return of demand incentives and weakening pricing power of OEMs
Prospects / Key Drivers / Risks	• Government's stringent localisation norms has brought back focus on incumbents as majority of new players in electric 2W/3Ws space are facing challenges due to lack of technology investment and localisation to claim government incentives. However, few new OEMs are also emerging as potential players in the EV space due to significant investments on technology and product. • China is emerging as the biggest automotive exporter of EVs at the expense of Japan and Europe • Impact of high consumer inflation and interest rate may weigh on pace of industry growth in 2024
Valuation	• Valuation divergence between players with EV story and perceived laggards has narrowed down significantly with aggressive comeback of incumbents on EV and new technology products • Sector valuation is marginally above its historical average of ~20x PER

2W – 2 Wheelers; 4W – 4 wheelers; PV – Passenger vehicles; UV – Utility vehicles; BS – Bharat Stage emission standards; OEM – Original Equipment Manufacturer; NEVs – New Energy Vehicle; MHCV – Medium and Heavy Commercial Vehicles

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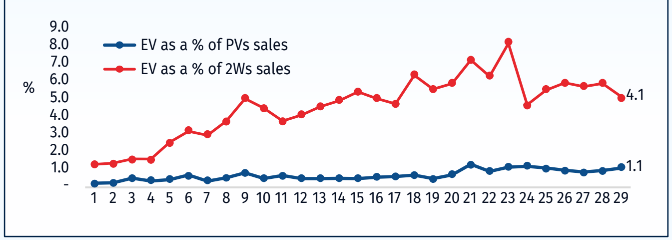
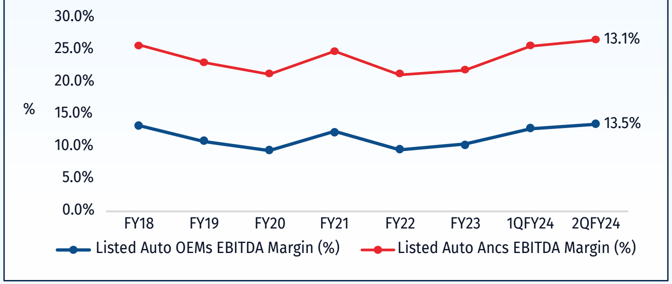
EV 2W and 4W sales penetration



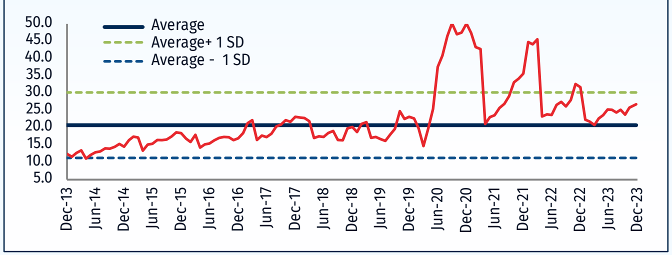
Sources –Vahan Database

OEMs recovered from margin pressure with benign inflation



Sources – Company disclosures

Sector Valuation



Source: Kotak Institutional Equities
1 year forward P/E ratio

Sector Overview : Banking & Financial Services

Background / Characteristics	➤ Liability franchise, asset quality, operating costs & technology are key drivers for profitability of banking sector ➤ Asset quality is cyclical & industry growth is linked to GDP growth ➤ Over time, private banks have gained market share at the cost of PSU banks (ex of SBI) ➤ Adoption of digital payments and financialization of savings have accelerated post Covid driven by digital channels
Recent Business performance / developments	➤ Net NPA cycle peaked in 2018 and is currently benign (chart 1). Banks have a stronger balance sheet with high capital adequacy, lower net NPA and higher profitability vs the past decade ➤ Capital market intermediaries have done well with increased financialization of savings reflected in higher capital market activity, SIP flows, exchange volumes, and demat accounts
What's changing ?	➤ Sector is consolidating with larger banks gaining market share ➤ Digitization of processes and payments is driving a paradigm shift in Retail & MSME underwriting and collections ➤ Digital payments (P2M) as a % of PFCE has more than doubled in last 3 years from 18% to 40%, driven by UPI
Prospects / Key Drivers	➤ India's system credit to GDP at 70% (Chart 2) is low compared to developed markets such as US at >150%, which should drive higher credit growth as our credit penetration increases further ➤ Retail credit growth has been high, with stable mortgage growth and higher growth in unsecured advances
Valuation / Risks	➤ Sector valuations are at a discount to long term average (~10%) with better than historical profitability ➤ Deposit growth has lagged loan growth. This may lead to increase in deposit costs and/or moderation in growth trajectory ➤ RBI has tightened regulations around unsecured retail loans. This may lead to slower growth but is a good step from a long term systemic asset quality perspective

MSME: Micro, Small and Medium enterprises, NPA: Non performing Asset, PCR: Provision Coverage Ratio, PSU: Public Sector Undertaking, PFCE: Private Final Consumption Expenditure
NNPA: Net Non performing Assets
Refer disclaimers on slide 76

Chart 1

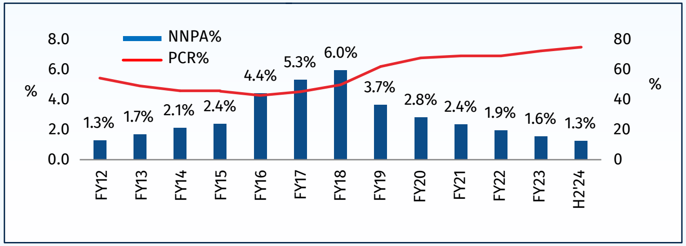


Chart 2

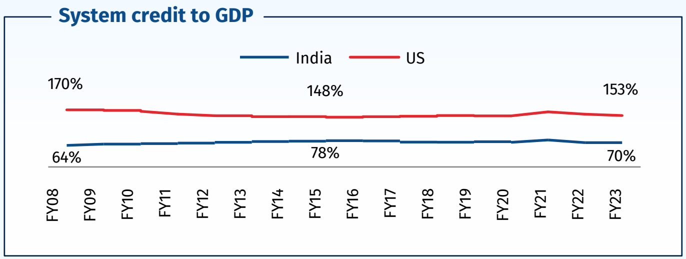
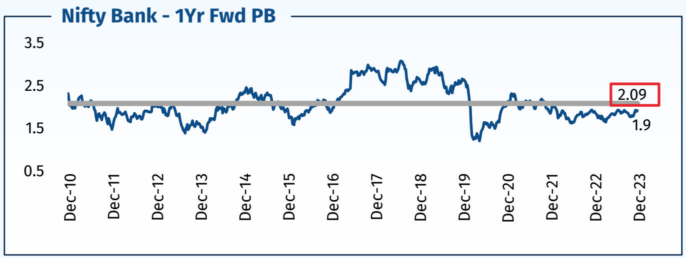


Chart 2

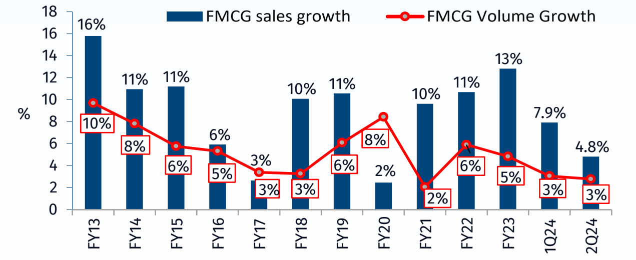


Sources: Investec, RBI, IBBI

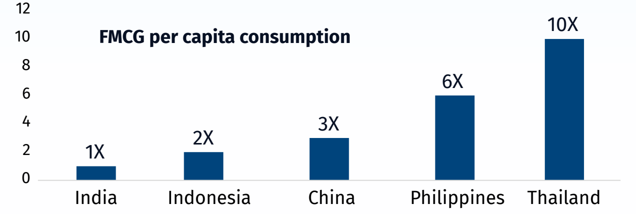
Sector Overview : Consumer Staples (FMCG)

Background / Characteristics	➤ Relatively stable, predictable and profitable businesses. Less capital intensive with high return ratios. ➤ Barriers to entry are low, but barrier to succeed are high due to presence of established brands and tough to build distribution. ➤ Dominant market shares of leaders in many categories.
Recent Business performance / developments	➤ Volume growth of the sector has come down in the last 1 year on account of higher inflation impacting demand. ➤ High Inflation has impacted rural growth more than urban growth. Rural growth is below urban growth in the last 2 years. ➤ Higher inflation has led to higher product price increases by the companies in the last 2 years. ➤ Any moderation in inflation could stimulate rural demand. Urban demand may moderate as excess savings wear off.
What's changing?	➤ Raw material prices have come down in the last few quarters leading to EBITDA margin recovery. ➤ Smaller/ regional players have gained market share post the pandemic with raw material prices coming down. ➤ Distribution landscape is changing with online channel contributing much higher and increasing direct to consumer (D2C) products.
Prospects / Key Drivers / Risks	➤ FMCG per capita consumption in India is much below Asian peers. Higher per capita consumption and premiumization opportunities remain long term growth drivers for the industry. ➤ Risks: High penetration in large categories can lead to lower growth. Rising share of private label brands of modern trade and online channel (D2C players) are key monitorables.
Valuation	➤ FMCG 1-year fwd PER valuations at 40x broadly in-line with the last 5 years average valuation. Higher visibility of earnings growth over medium to longer term and strong return ratios support the high multiples for the sector.

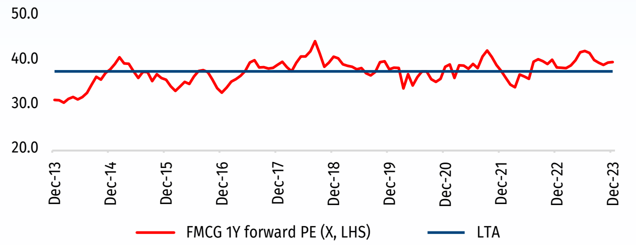
FMCG volume growth (YoY) has moderated in the last 1 year



FMCG per capita consumption in India remains low



FMCG 1 yr fwd PER - is broadly in-line with the last 5 years average



Sources: Bloomberg, Company presentations, Kotak Institutional Equities estimates

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Sector Overview : Capital Goods

Background / Characteristics	➤ Cyclical sector dependent on capex outlook. Capacity utilization of underlying industries/balance sheet strength a key driver for capex. ➤ Companies increasingly adopting advanced solutions such as automation, robotics, digitalization and rely on data to glean efficiencies. ➤ Green energy transition changing nature of capex—renewable technologies gaining wider acceptance.
Recent Business performance / developments	➤ While capital outlay growth of State governments has remained steady, Central government capital outlay has seen strong growth in recent years (Chart 1). ➤ Private/PSU capex growth was muted at 5% CAGR over last decade due to leveraged balance sheets of companies and over-capacity in some sectors; recent RBI loan sanction data reflects improvement potential (Chart 2).
What's changing?	➤ Government spending on power, transportation, water, airports, urban infrastructure likely to continue and improvement in private sector capex can add to growth potential. ➤ **Green capex to aid spending.** Investments in renewable energy such as Green Hydrogen, Solar Energy, Wind Energy will add to capex growth. ➤ Export potential for Indian capital good companies improving as products gain wider acceptance in markets such as Europe, Middle East, USA, etc.
Prospects / Key Drivers	➤ Private capex cycle in India can see improvement after a muted decade led by revival from core industries/new age manufacturing as well as growth in exports of products as countries look to diversify/widen supply chains. ➤ Public capex has remained strong over last few years but can see further improvement with strong focus of Central and State Governments.
Valuation / Risks	➤ Current valuations are higher than long term average (Chart 3).

Chart 1

Capital outlay by Central government accelerated; State capex remains strong

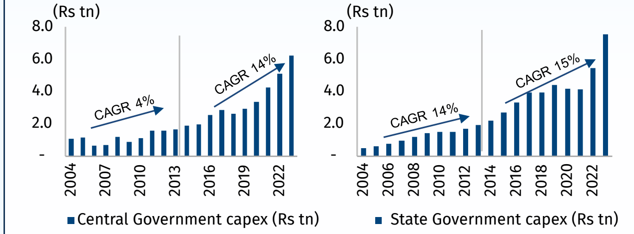


Chart 2

Project sanctions for private sector has increased in 2023, per data from RBI

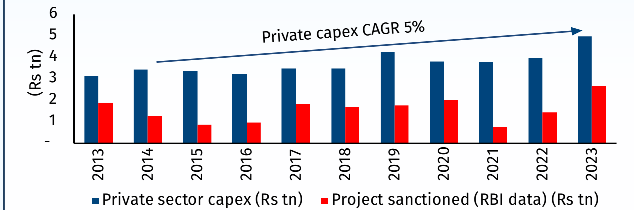
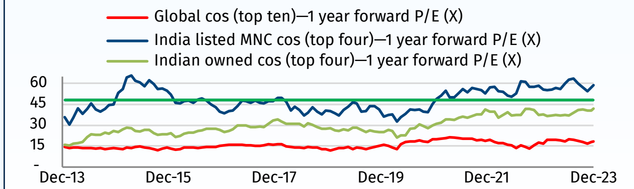


Chart 3



Source: India Budget Documents, Capitaline, RBI, NIP

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Sector Overview : Metals

Background / Characteristics	➤ Cyclical sector dependent on global prices. China is a dominant producer/consumer and has been key influence in global demand-supply, price determination. Other key metal consuming regions globally including Europe, US. ➤ Cost efficiencies and good balance-sheet are key to growth.
Recent Business performance / developments	➤ Global construction demand negatively impacted due to high interest rates and high-cost environment—impact was higher in residential sector. However, Infrastructure demand is positive across regions and cushioning the impact (Chart 2). ➤ Developed markets may continue to see demand weakness due to lagged impact of tightening financial conditions and rising debt service burdens (as debt matures) in a high interest rate environment. ➤ China policy aiming at structural reforms rather than cyclical measures to revive the economy with continued challenges including insufficient demand, overcapacity in some industries, weak social expectations, etc.
What's changing?	➤ De-carbonization in the metals sector gaining foothold especially in Europe, China. ➤ China looking to export less of commodity grade material and more of value-added material which has lessened risk of large-scale dumping. ➤ Strong India demand led by higher infrastructure spending and improved prospects in real estate sector.
Prospects / Key Drivers	➤ Prospect for 2024 will be led by differing scale of opposing regional outcomes (a) a slow recovery in advanced economies due to delayed effect of tightening monetary policy, (b) emerging Asia resilience, (c) China looking at structural transition rather that cyclical measures to revive the economy. ➤ Key risk is weak demand and related weakening of metal prices
Valuation / Risks	➤ Sector valuations are closer to longer term averages for domestic metal companies (Chart 3).

Chart 1

Metal prices declined in 2022 due to weaker demand

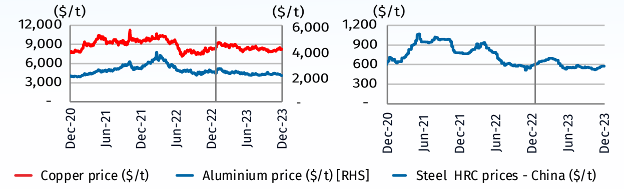


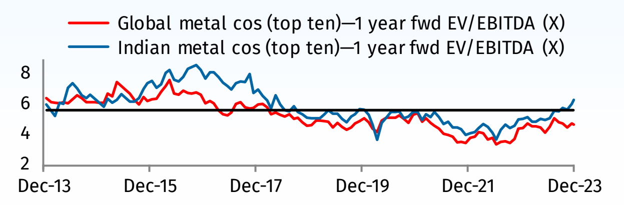
Chart 2

High inflation/interest rates impacted demand; infrastructure demand positive

Metals—global demand & supply estimates (mn tons)

	mn tons			yoy growth rates (%)		
Metals demand-supply	2022	2023 (f)	2024 (f)	2022	2023 (f)	2024 (f)
Steel: global demand	1,783	1,815	1,849	(3.3)	1.8	1.9
China steel demand	921	939	939	(3.5)	2.0	-
Aluminum: global demand	69.3	69.6	70.4	0.4	0.5	1.2
Aluminum: global supply	68.8	70.2	70.6	2.1	2.0	0.6
Global market balance (surplus/(deficit))	(0.4)	0.6	0.2			
Copper: global demand	25.8	26.4	27.1	2.5	2.0	2.7
Copper: global supply	25.4	26.3	27.5	1.7	3.8	4.6
Global market balance (surplus/(deficit))	(0.5)	(0.0)	0.5			

Chart 3



Cost curve percentiles: Cost Curve shows how much output (of total global demand) can suppliers produce at a given cost (per unit) . Beyond 90th percentile are projects that produce 10% of global output at highest cost and considered "marginal producers". If prices fall below costs for sustained period, they may stop producing to bring supply demand in balance.

Source: World Steel Association, Macquarie Capital Securities, Bloomberg, ILZSG, ICSG, Kotak Institutional equities

Sector Overview : Indian IT Services

Background / Characteristics	➤ Globally, IT Services is a fragmented industry. Top-10 companies have ~25% market share only. ➤ Indian IT-BPM revenue was $245Bn in FY23. Exports contribute to ~80% of Indian IT-BPM revenues. USA (~62%), UK (~17%) and EU (~11%) account for ~90% of exports. ➤ Indian IT-BPM sector had an employee base of 5.4 million in FY23.
Recent Business performance / developments	➤ Indian IT services revenue growth has slowed down to low-to-mid single digits in H1FY24 as clients pulled back on discretionary spends due to concerns of a global economic slowdown. ➤ Weak demand visibility has led to headcount declines and deferral/no wage hikes for FY24 at many firms
What's changing?	➤ Global IT services spending is expected to remain above pre-covid levels (chart 1) due to increasing penetration of technology across sectors. ➤ Near term demand visibility remains low, as evidenced by the headcount decline across the industry (chart 2) over the past 4 quarters. ➤ Employee retention has improved post the deterioration in CY21/22 and is back to pre-covid level
Prospects / Key Drivers	➤ In the near-term, economic outlook of developed markets, mainly the US, is key for growth ➤ Higher mix of digital services and comfort with offshoring could aid growth of Indian IT Services sector in the medium term. ➤ Normalization in employee attrition relative to CY21/22 and potential for improvement in utilization (efficiency) could aid margins.
Valuation / Risks	➤ Post the re-rating seen in H2 2020/21, sector valuation derated meaningfully in 2022/H1 2023 (Chart 3) due to margin deterioration and growth concerns amidst global weakness. ➤ However, in H2CY23, the sector has rerated driven by the up move in the broader market and expectations of a revenue recovery in FY25. ➤ Current valuations are ~25% above long-term averages. Midcaps are at a higher premium compared to historic averages.

Chart 1

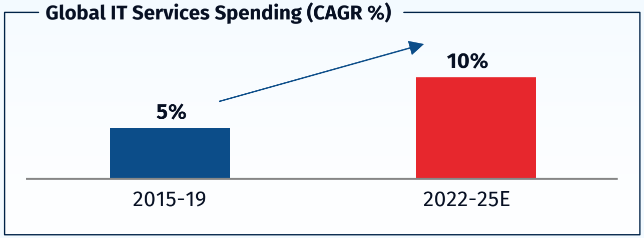


Chart 2

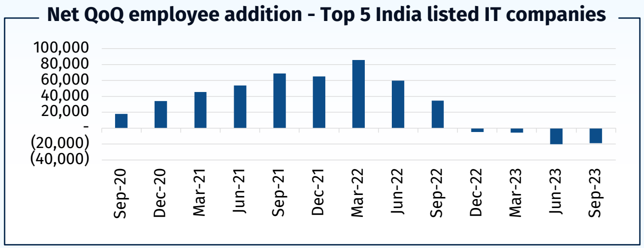
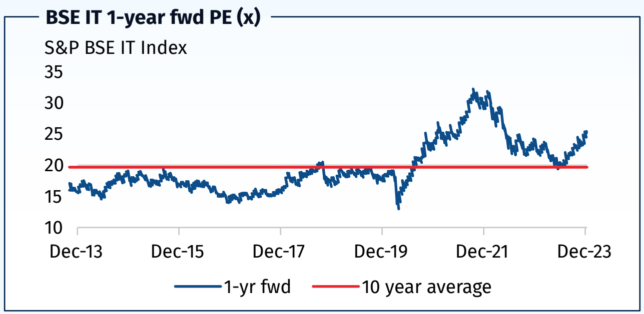


Chart 3



Sources: Gartner, Bloomberg, Kotak Institutional equities

Sector Overview : Oil & Gas

HDFC MUTUAL FUND
BHAROSA APNO KA

Background / Characteristics	➤ Highly capital-intensive nature of business ➤ India is positioned to be a major hub of oil demand growth (~1/3rd of incremental demand) in the current decade.
Recent Business performance / developments	➤ Oil prices have been volatile during the year due to uncertainties on both demand and supply amidst geopolitical issues ➤ After 3 years of strong demand growth, demand is now back above pre-COVID levels (102mb/d) ➤ Most industry forecasts pegs demand growth likely to normalize in 2024 (1-1.2 mb/d) ➤ Uncertainty around China's demand is a key concern as China contributed half of global demand growth in the last decade ➤ On the supply side, US Shale which was the largest source of growth(~100%) in the last decade is slowing down ➤ EVs impact on oil demand has been limited as they are just ~3-4% of overall fleet. However, with increasing adoption, (EVs now ~17-18% of new car sales globally) some impact to become noticeable in coming years
What's changing?	➤ Global oil demand likely to peak in the next 5-10 years but even in 2040 demand is expected to be close to current levels ➤ As auto fuel demand declines, oil demand is likely to get converted to chemicals ➤ Capex resurgence is missing as managements are prioritizing return of capital to shareholders over growth ➤ Risk remains that the current run rate of capex proves to be insufficient to meet long-term demand ➤ India putting thrust on natural gas consumption; developing infrastructure for the same.
Prospects / Key Drivers	➤ Competitive intensity is low in auto fuel retailing – margins have headroom to expand in the long run ➤ Diversification by companies towards petrochemical and natural gas to gradually reduce earnings volatility
Valuation / Risks	The S&P BSE Oil & Gas Index is trading near bottom range of 10 year 1-yr forward P/E

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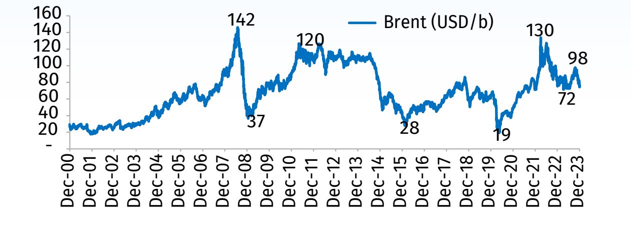
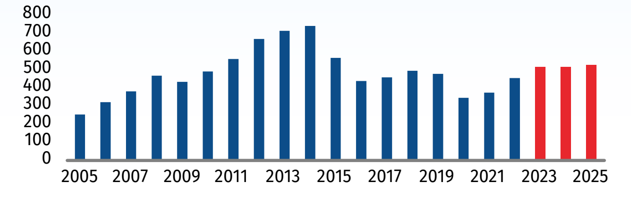
Oil prices are volatile but moving in many short cycles

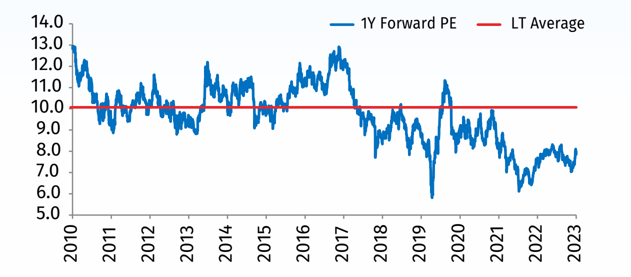


Source: Bloomberg

Global Upstream Capex (US$bn)



S&P Bse Oil & Gas Index

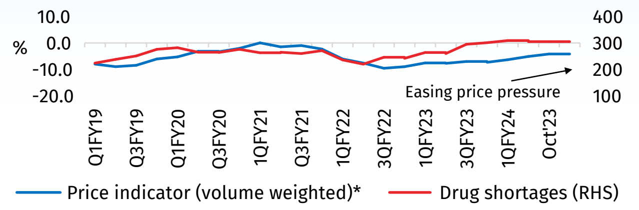


Sources: Bloomberg, Morgan Stanley Research

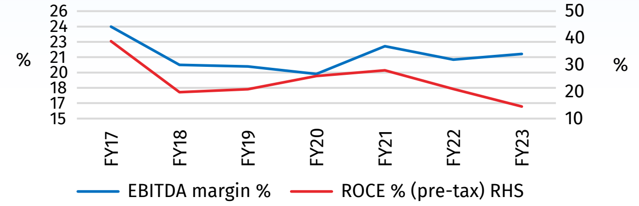
Sector Overview : Pharmaceuticals

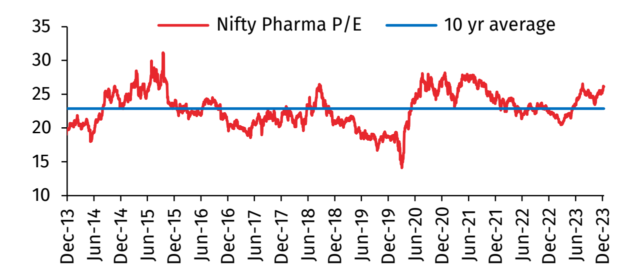
Background / Characteristics	➤ US is the key export market; Indian companies hold ~45% volume share in US generics ➤ US is a highly regulated market, having a long gestation period that requires upfront investments in manufacturing & product development ➤ **Indian pharma market is growing well (10-11%)** and need limited capital but considerable marketing spend ➤ Biosimilars is an evolving area, but complex approval pathway and branded nature of commercialization is inhibiting scale-up
Recent Business performance / developments	➤ **US generics pricing erosion has eased from >10% levels in CY2022 to ~5% levels currently** ➤ Pricing improvement driven by lower competition and is resulting in drug shortages ➤ Indian market growth in FY24 is 10-11%, in line with long term trend ➤ Companies witnessing margin expansion due to easing commodity inflation and lower freight ➤ Absorption of marketing costs in the domestic market after heavy investments in FY23 may also aid margins
What's changing?	➤ Companies are de-risking their business models by leveraging US R&D capabilities in other markets like Europe/China ➤ US pricing pressure could continue to be below trend in the near term ➤ Domestic market should continue with trend level 10-11% growth ➤ API restocking could result in better growth and margins as well
Prospects / Key Drivers / Risks	➤ Easing cost pressures and sustained below trend-level US pricing erosion may result in better profitability ➤ However, investment opportunities will be selective given companies' idiosyncratic growth drivers and differing investment cycles
Valuation	➤ Sector is trading at 26x 1-year forward P/E, a ~14% premium to its 10-year average

US generic pricing



Pharma sector**





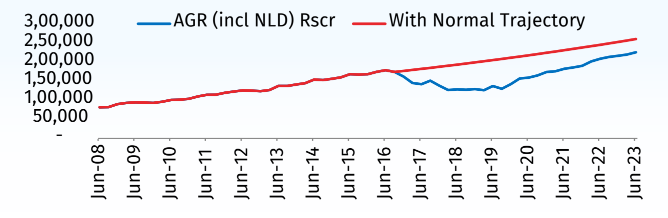
Sources: Bloomberg, Investec Equities estimates; *Volume weighted YoY price change for top 100 molecules, **Companies considered include Sun Pharma, Dr. Reddy's Labs, Cipla, Zydus Lifesciences, Aurobindo Pharma, Lupin and Gland

Sector Overview : Telecom

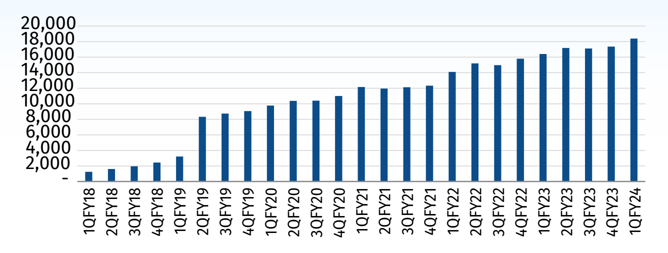
HDFC MUTUAL FUND
BHAROSA APNO KA

Background / Characteristics	➤ Capital intensive with high entry barriers ➤ Normally, a predictable and reasonably profitable business when market share settles ➤ Indian market is an oligopoly; Top-2 players enjoy ~80% market share ➤ India has cheapest wireless data pricing in the world (Rs 5-7/GB)
Recent Business performance / developments	➤ Industry revenue growing steadily (8-10%); smartphone penetration (~67-72%) keeps increasing ➤ Revenues crossing earlier highs however still below their normalized trajectory implying more price hikes are possible ➤ Last meaningful price hike took place at the end of CY21 ➤ Policy environment remains favorable
What's changing?	➤ Data consumption post Covid-19 has increased by ~45% 5G adoption to accelerate in 2024 which is expected to drive data consumption ever higher ➤ Smartphone penetration is increasing steadily with 5G phones already ~53% of shipments ➤ Adoption of digital applications in areas like education, healthcare, financial services to support 5G penetration
Prospects / Key Drivers / Risks	➤ Global examples suggest that as 5G adoption picks up, average data consumption per user doubles compared to 4G ➤ Accelerate 5G adoption could drive revenue growth as customers upgrades to higher data allowances
Valuation	➤ Indian Telecom Sector trades at EV/EBITDA of 9x FY25e which is 12% higher than its historical average. Global valuation are closer to 6-7x EV/EBITDA.

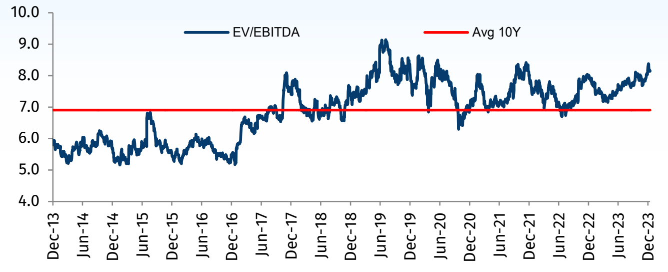
India Telecom Industry Revenues (INR crs)



Data per user/Month (MB)



Telecom Industry Valuation



Sources: Bloomberg, TRAI, ICICI Securities Research
AGR - Adjusted Gross Revenue""NLD - National Long Distance

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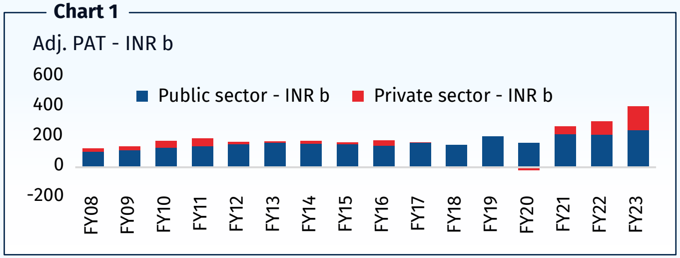
Sector Overview : Utilities

Background / Characteristics	➤ Utilities sector primarily operates on a cost-plus regulated return model. Earnings are fairly steady and predictable. Renewable assets are on competitive bidding model. ➤ The sector is highly capital intensive. Capitalization and capex are the key drivers of earnings ➤ Execution and ability to source debt at lower cost are key
Recent Business performance / developments	➤ Earnings have recovered from the lows as demand has improved significantly (Chart 1) ➤ Over the long term, performance of PSUs has been steadier than private sector ➤ Electricity generation (read demand) improved in last few years on a weak base and improving economic activity. Demand continues to show healthy trends in FY24. Higher demand and lack of new dispatchable capacities is reflecting in higher short-term power prices
What's changing?	➤ New generation capacity addition has moderated while demand is expected to grow. PLF of coal-based plants is thus improving (Chart 2) ➤ Government is focusing on 24x7 power and quality power. There is increasing focus on renewable energy generation. ➤ Reforms are being implemented to improve the financial health of distribution companies
Prospects / Key Drivers / Risks	➤ India’s per capita electricity consumption is just 1/3rd of global average. As economic activity improves, income level increases demand should growth. Long-term electricity demand to GDP is ~0.9x. ➤ Key drivers: Increase in share of manufacturing in GDP, industrial activity, sale of household appliances
Valuation	Sector valuations are now higher than historical average

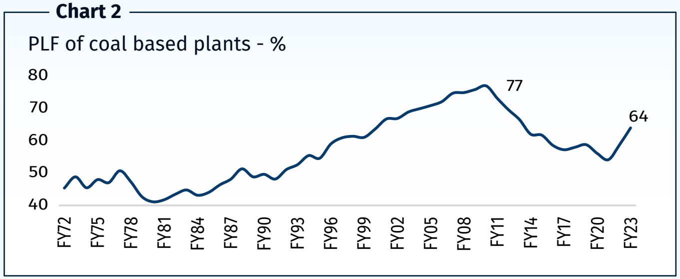
PLF – Plant Load Factors; Conventional generation incl. coal, gas, nuclear and hydro,
CEA – Central Electricity Authority

Chart 1



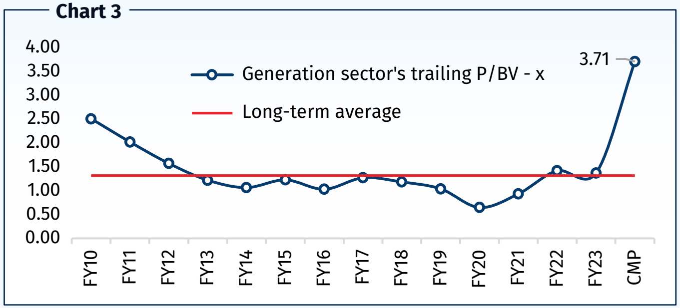
Source: Capitaline

Chart 2



Source: CEA

Chart 3



Source: Bloomberg

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"I'm constantly making mistakes where I can, in retrospect, realize that I should have decided differently. And I think that that is inevitable because it's difficult to be a good investor."

We have three baskets for investing: yes, no, and too tough to understand.

Charlie Munger

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Fixed Income Markets

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Global yields : Much awaited Fed Pivot arrives

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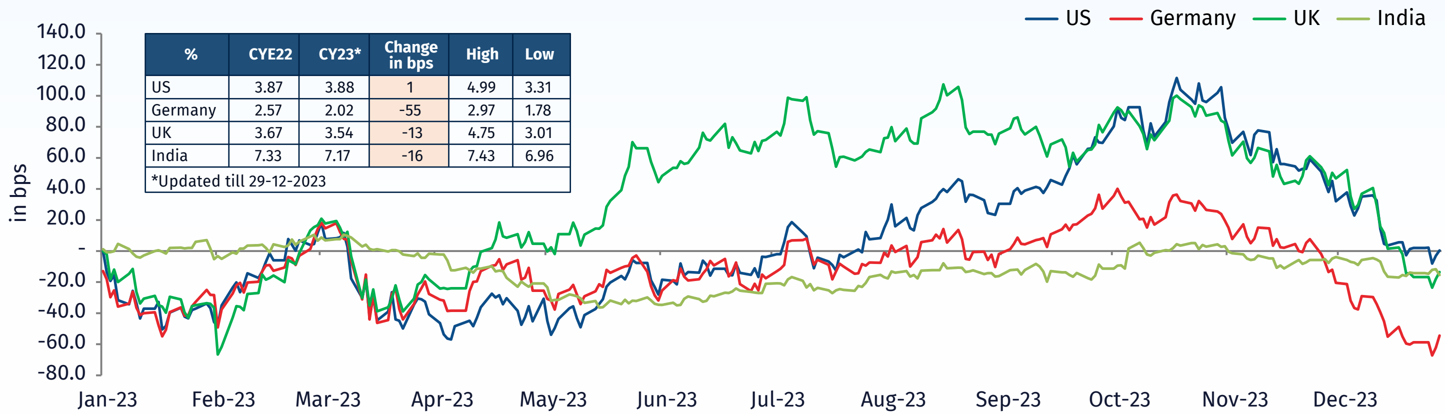
Cumulative 10Y yield movement in CY23



%	CYE22	CY23*	Change in bps	High	Low
US	3.87	3.88	1	4.99	3.31
Germany	2.57	2.02	-55	2.97	1.78
UK	3.67	3.54	-13	4.75	3.01
India	7.33	7.17	-16	7.43	6.96

*Updated till 29-12-2023

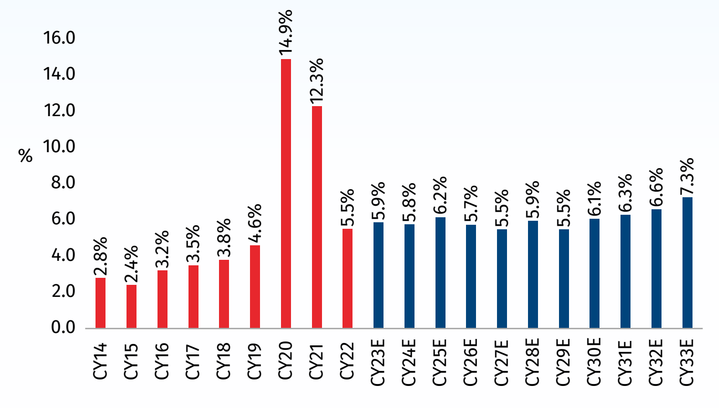
Source: Bloomberg.

- US yields had a roller coaster 2023; after swinging in the range of 3.3% to 5% i.e. 170 bps, it ended the year unchanged from last year
  - Fitch downgraded the sovereign rating of the US by a notch to AA+ as debt levels have risen significantly
  - Miss on fiscal revenue, higher spending and extra borrowings to replenish government cash balances led to significantly higher than expected supply of USTs
  - After hawkish Sep-2023 FOMC, US FOMC took a U-turn in its Dec-2023 meeting and hinted at end of rate hike cycle; revised down its year end rate forecast
- Yields in Eurozone and UK largely mirrored US as Fed pivot, easing inflation and weak economic data had a rub off effect

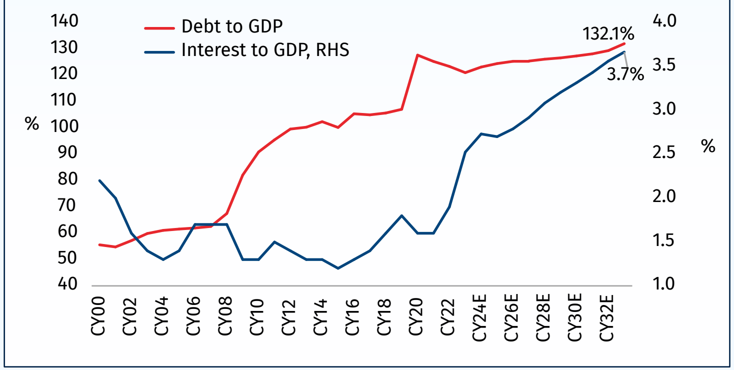
Era of high US fiscal deficit …

- US fiscal deficit expected to average ~6% of GDP over next 10 years against 3.5% in 5 years prior to pandemic
- Consequently, US sovereign debt is set to rise to over 130% of GDP by FY33, highest level seen since world war II
  - Hence, US interest cost is estimated to rise to ~3.7% of GDP by FY33 and ***is likely to account for 50% of fiscal deficit and 20% of revenues***
- ***High interest cost and debt can eventually weigh on US fiscal policy decision over long term***

US Fiscal deficit to GDP



Rise in US Government debt to result in high interest cost



Source: US Congress budget office forecast

… to end era of very low US yields?

- Historically, rise in US Fiscal deficit had limited impact on yields; Additional USTs was generally absorbed by global Central banks, US Fed and financial investors.

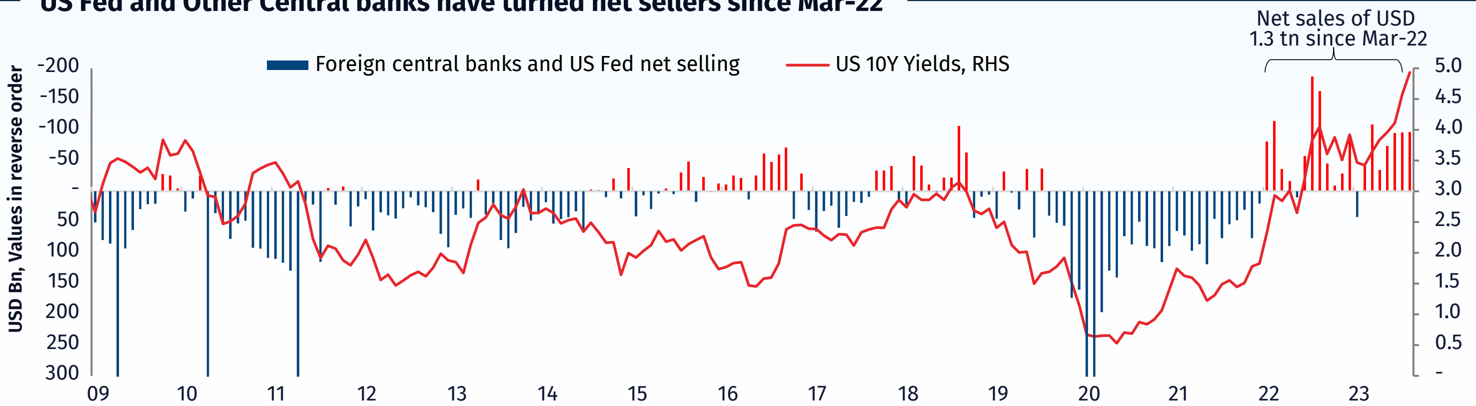
What happened in 2023? Yields rose sharply on convergence of higher supply and lower demand from traditional buyers like global central banks and US Fed

- Higher than expected fiscal deficit and bunched up issuance in H2 to shore up depleted government cash balances pushed US yields higher
- Demand remained subdued due to reduced interest of other central banks' and continuing Fed QT; downgrade in US sovereign credit rating also added to negative sentiments

Is the era of low US yields which started after GFC over ? May be

- Given the high US fiscal deficit and muted interest of Central banks to buy USTs, the fall in US yields is likely to be limited especially at the longer end
- Sans any crisis, unless core inflation falls on sustained basis below 2%, US fed is also likely to keep monetary policy tight

US Fed and Other Central banks have turned net sellers since Mar-22



Source: Bloomberg.

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Global Growth Outlook:
Scenario Analysis and implication on yields

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Global Growth scenarios

Hard Landing

- Global growth falls sharply; unemployment spikes, demand and inflation plunges
- Monetary policy likely to make a U-turn; sharp rate cuts and possibly restart of QE
- Fiscal policy could remain loose but additional supply likely to be absorbed by Central banks
- Yields likely to fall sharply; long end outperforms the short end of the curve

Soft Landing
(Current Consensus)

- Inflation trends lower close to target without significant sacrifice on growth
- Monetary policy delays the rate cuts and rates are likely to be "higher for longer"
- Fiscal policy remains accommodative
- Yields likely to take longer to head lower

No Landing
(Strong growth and high inflation)

- Global growth and inflation reaccelerates; labour market remains tight
- Central banks may need to raise rates more to bring down inflation;
- Fiscal response uncertain
- Yields likely to rise further

Indian Fixed Income Markets

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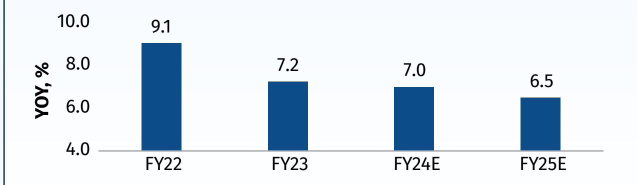
Growth: Likely to remain steady

GDP Growth

- **FY24E :** Growth surprised on the upside led by robust investments while private consumption growth benign
- **FY25E :** Economic growth is likely to remain steady and GDP is expected to grow at a healthy pace of ~6.5% in FY25 despite two consecutive years of strong growth; Recovery in rural consumption along with sustained HH capex to offset the impact of waning accumulated savings

Real GDP Growth

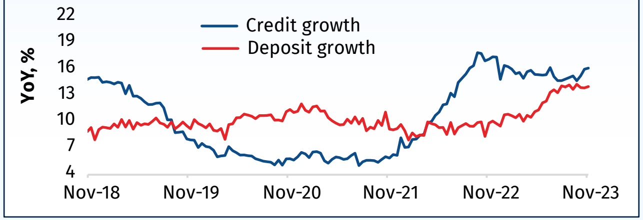


Source: CMIE; RBI, Morgan Stanley

Banking deposit and credit growth

- Credit growth has outpaced the deposit growth for past 2 years
- Deposit growth, however, is picking up and the gap is reducing

Credit growth continues to outpace deposit growth

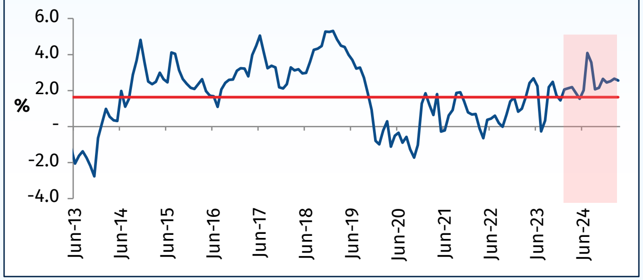


Source: CMIE; Credit growth is calculated after adjusting for merger of HDFC Limited with HDFC Bank

Risk to growth: Elevated real yields (Month end 10Y Gsec yield – CPI) likely to act as a headwind

- Expected easing in CPI (FY25E: 4.5%, RBI estimates) to result in real yields inching up and could weigh on consumption and growth

India's Real Yields close to long term average



Source: Bloomberg, Kotak Institutional Equities; LTA – Calculated since 1999. CPI-IW is used before Jan-2012 for the purpose of calculation

Inflation: Impact of uneven monsoon on food prices key risk

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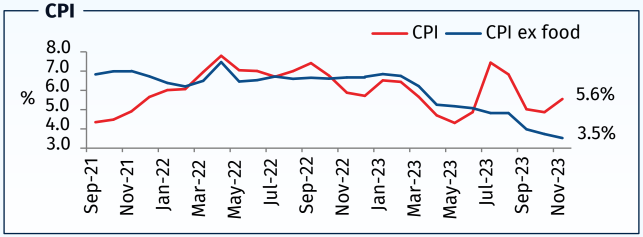
Headline CPI volatility is induced by food prices

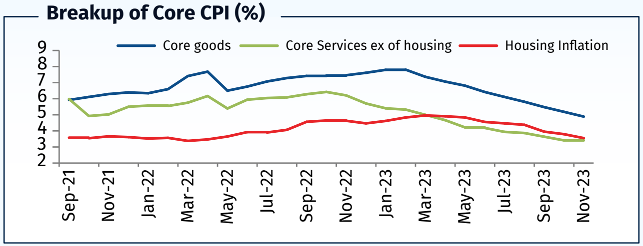
- Headline CPI has witnessed significant volatility throughout 2023 driven by food price especially vegetable and high inflation in other food items like pulses, cereals and spices
- Ex-food, CPI continues to trend lower (latest: 3.5%) and is off significantly from peak (7.5% in Apr-22)



Source: CMIE

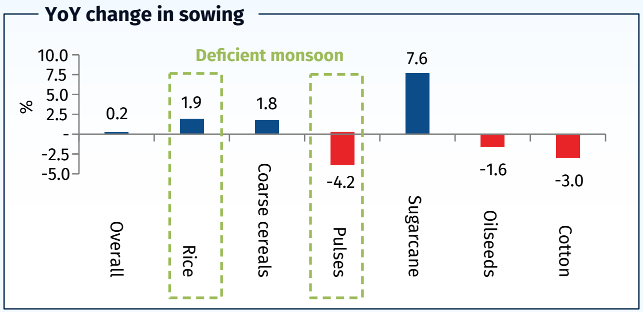
Core CPI (CPI ex Food and Energy) trending lower

- Core Goods and Services CPI has moderated substantially from peak on back of easing input prices
- Core CPI momentum remain low (latest: 0.27% MoM) as against pre-pandemic average of 0.4% MoM



Key risks to food inflation surprising on the upside

- Uneven monsoon and its impact on crop yields uncertain
  - Pulses and Rice areas have seen deficient rainfall and thus, crop yields could be low
  - Low reservoir levels likely to impact rabi sowing
- Government proactively taking steps like reducing import duties, stepping up imports, selling FCI stocks, imposing stock holding limits, etc. to reduce the impact on prices



CPI to trend lower on back of weak core CPI momentum and normalization of food prices

Source: CMIE; Kotak Institutional Equities
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External Sector: Services to provides stability

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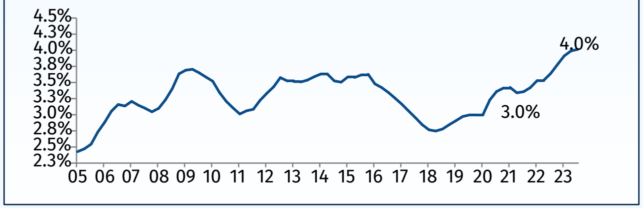
Resilient services exports offset India’s vulnerability of oil prices

- Services exports likely to provide significant defence against oil price volatility and current account is likely to remain within manageable level (~1.5% of GDP, source: *Kotak institutional equities)*

Services exports has shot up post pandemic

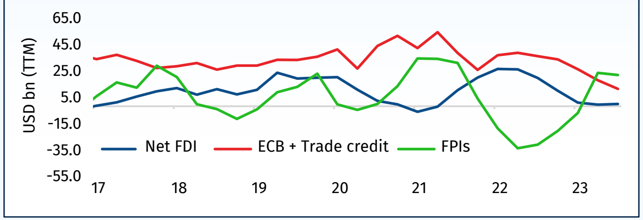


Source: CMIE; Updated till Sep 2023

Capital flows muted due to monetary tightening in AEs; Bond inclusion and strong FDI interest might offset the impact in CY24

- Net FDI inflows (partly due to foreign investors exiting IPOs) and rate sensitive flows like ECB, Trade credit, etc. remained muted;
- FPI flows in both debt and equities, however, off set the impact Outlook remains optimistic in view of expected flows due to bond inclusion and large FDI announced for greenfield projects

FDI and ECB flows weak; FPI inflows cushion the impact



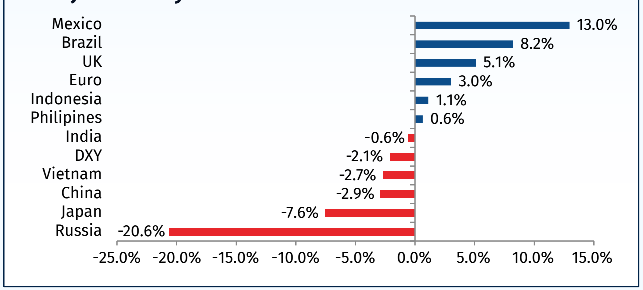
Source: CMIE; Updated till Sep 2023

INR – Manageable Current account and adequate foreign exchange reserves to mitigate the impact of monetary tightening globally

- INR was one of the least volatile currency during the year

Resilient external sector likely to ease pressure on RBI despite global monetary tightness

Major Currency Movements in CY23



*TTM – Trailing 12 months; ^assuming Oil @ USD 85 per barrel;
ECB – External Commercial Borrowing

Fiscal: Gradual fiscal consolidation likely; Demand outlook favourable

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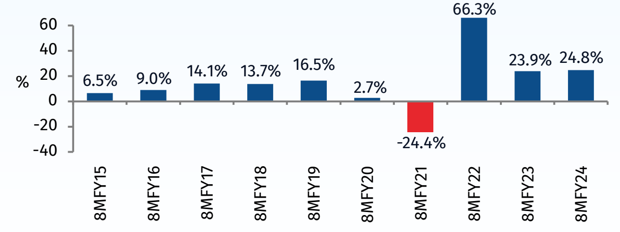
Fiscal deficit on track to achieve budget target

- Government has been fiscally prudent, in past, and aims to bring down the fiscal deficit to <4.5% by FY26
  - **FY24E :** Robust direct tax and GST collections along with higher-than-expected dividends from RBI and PSUs likely to offset lower than estimated divestment receipts and lower excise duties
  - **FY25E :** Tax buoyancy, widening tax base and normalization of capex spending growth rate to aid consolidation

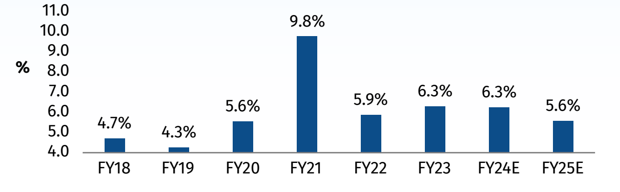
Growth in Direct Tax collections



Gsec Demand-supply well balanced

- **FY24E :** Low risk of fiscal slippage along with robust growth in small saving collections limits the risk of additional market borrowings; SDL supply higher than anticipated in H2FY24
- **FY25E :** Central government is expected to consolidate in FY25 and state fiscal deficit is likely to remain flat as % of GDP; Hence, absolute net SLR supply is likely to remain similar to FY24 levels

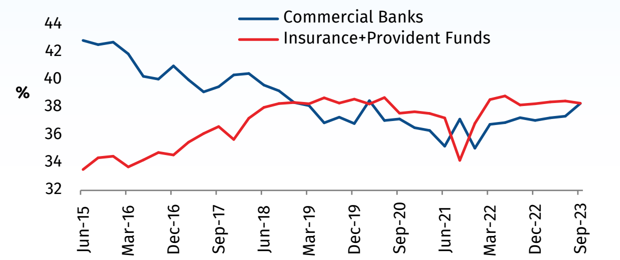
Net SLR supply as % of GDP



Rise in AUM of long-term buyers like Insurance and Provident funds provides stability

- Over the past decade, the AUMs of insurance companies and pension funds has increased significantly; Share of both taken together in outstanding dated securities (Gsec+ SDLs) is now equal to banks
- Structurally, the AUM is likely to continue rising and thus, demand of dated securities is likely to be steady from these segments, especially for longer duration bonds

Rising share of Long term buyers



Favourable demand and supply outlook bode well for yields

Source: CMIE; Kotak Institutional Equities
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Bond inclusion –
Positive for Indian Fixed Income markets

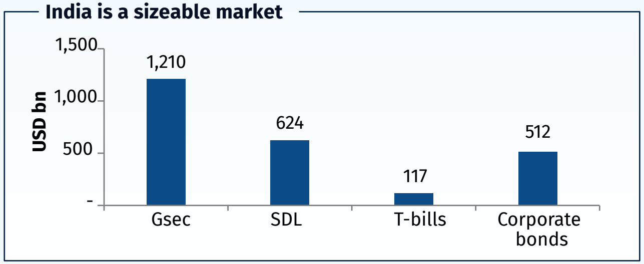
- JP Morgan announced inclusion of Indian Gsecs into its Global Bond Index – EM with weightage of 10%; Inclusion scheduled from Jun'24 with 1% being added every month till it reaches 10%.
  - **Inflows of ~USD 20-25 bn expected in FY25, ~2% of Gsec outstanding**

Advantages of Inclusion – Yields likely to trend lower over time as investor base set to diversify

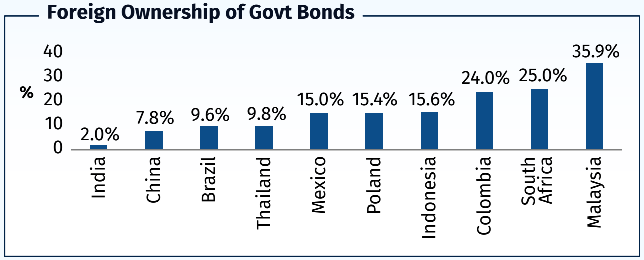
- Inflows estimated to be ~16% of net Gsec supply in FY25; but flows from FY26 may not be significant
- Enhances prospect of inclusion in Bloomberg Barclays global bond indices (AUM tracking ~USD 2-2.5 trillion); with expected weightage of 0.8% for India, it can result in **additional inflow of USD 16-20 bn (another ~12-16% of net Gsec supply for FY26)**
- **Enhances macroeconomic stability**
  - India's Fx reserves should get a boost as RBI likely to absorb substantial portion of inflows; provides additional stability for currency
  - Fiscal discipline may improve further as loose fiscal policy can result in rating downgrade which can lead to exclusion from Index
- **Unlike other EMs, low foreign ownership of Indian bonds limits the risk of Yield volatility**
  - Given adequate foreign exchange reserves with RBI and FPI holding likely to remain ~4% (post inclusion), the impact on yield volatility is likely to be limited

RBI may conduct OMO sales to manage liquidity

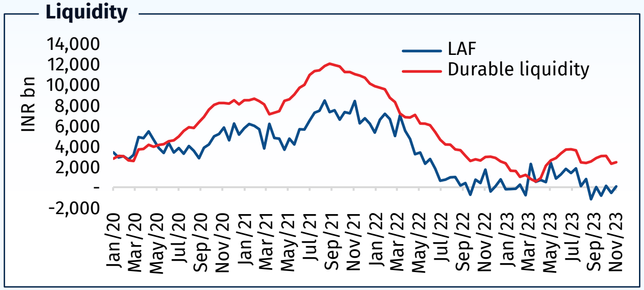
- In view of likely large inflows due to bond inclusion, RBI might conduct OMO sales to manage system liquidity keeping in mind the inflation and growth dynamics



Source: Morgan Stanley



Source: Morgan Stanley



Source: CMIE

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Corporate Credit quality: Healthy and likely to remain resilient

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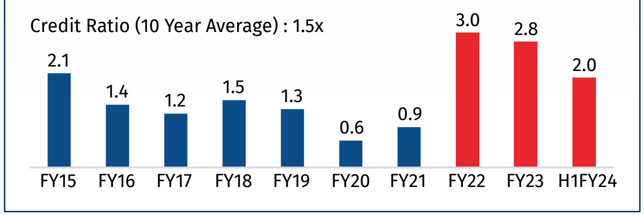
Credit quality continues to remain healthy

- Credit ratio^ continues to remain healthy driven by improvement in credit profile of companies in sectors like hospitality, infrastructure, financials, realty etc.

Trend in the Credit Ratio

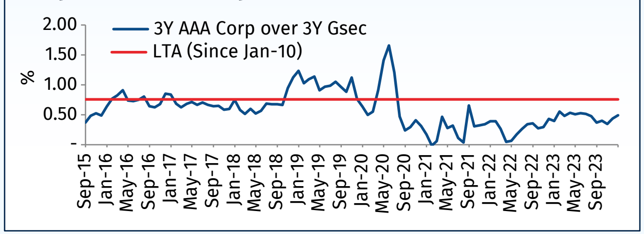


Source: Performance of ICRA assigned ratings H1FY24

Corporate credit spreads normalising

- Corporate credit spreads seems to have bottomed out but continue to remain lower than long term average

Spread of 3Y AAA Corp bond over 3Y Gsec

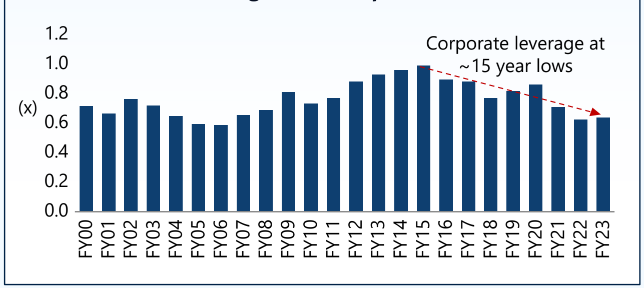


Source: Bloomberg

Steady balance sheet deleveraging for Corporate India

- Private capex poised to pick up over medium term
- Capex cycle could drive demand for credit and widen corporate spreads

Gross D/E ratio for large listed companies



Source: Jefferies

^ Credit Ratio is defined as ratio of number of upgrades to number of downgrades in a given period

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RBI measure to increase risk weights: Targeted towards fintech lending

Personal loans and NBFC credit saw a substantial increase in past couple of years

- Share of personal loans (ex housing) and NBFCs in incremental bank credit rose to more than 20% and 18% respectively
- Personal loans (ex housing) and NBFCs constituted nearly 28% of outstanding bank credit

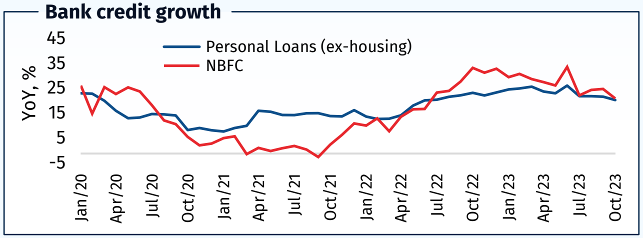
RBI increases risk-weights for unsecured lending

- RBI issued notification to all lenders (banks and NBFCs) to increase risk weights by 25% on
  - Unsecured consumer credit (excluding housing, education, vehicle and gold loans) and credit card exposure of banks and NBFCs
  - Banks credit to NBFCs for which the current risk weight assigned is less than 100%; loans to HFCs and PSL-compliant loans are excluded

Overall size of unsecured personal loans (covered by RBI notifications) remains low for the system

- RBI, on various forums, has voiced concern over small ticket size unsecured loans (less than INR 50,000) which are primarily given by NBFCs through fintech entities
  - Delinquency has been rising for these small ticket size loans, although on aggregate basis the outstanding amounts remain low (<1% of total outstanding credit)

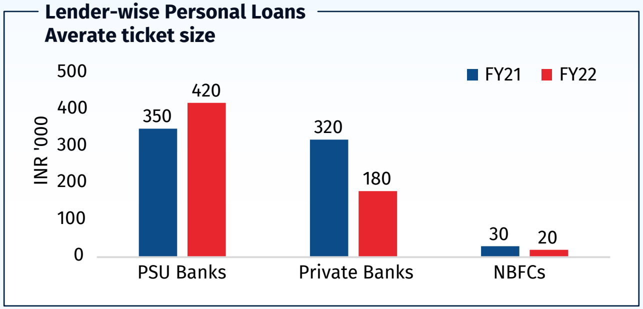
Impact on capital adequacy of banks and diversified NBFCs is likely to be limited



Source: RBI; Calculated after adjusting the impact of HDFC Limited merger with HDFC Bank

Type of Loan	Old risk weight	Revised risk weight
Unsecured consumer credit^	100%	125%
Credit card receivables	125% for banks 100% for NBFCs	150% for Banks 125% for NBFCs
Bank credit to NBFCs*	Risk weight as per credit rating	Risk weight as per credit rating + 25%

Source: RBI; *NBFCs whose current weight is 100% or more are excluded; ^Unsecured consumer credit excludes housing, education, vehicle and gold loans



Source: CRIF Highmark, Axis Capital

The Final Word: Factors align for favourable outlook ; Time to Increase Duration

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	Current	Outlook	Supportive of Yields falling ?
Global Growth	Better than expected due to low impact of interest rate hikes till now	Likely to slowdown as lagged impact of rate hikes comes into play	
Domestic growth	Holding up well on back of Urban and capex spending; Rural weak	Likely to remain steady on back of recovery in rural and investment spending; rise in real yields and soft urban consumption to weigh on growth	
Inflation	Trending lower but at a lower pace than expected	Likely to moderate further as supply chain eases and demand moderates	
External Sector	Services exports negating impact of goods slowdown	CAD likely to remain within manageable levels; Oil prices - a key risk. INR likely to remain stable	
Liquidity	Near neutral levels; durable liquidity normalizing	Likely to remain tight in the near term; short end yields can remain elevated	
Fiscal situation / Market borrowings	Low risk of additional borrowing; FY25 likely to see consolidation	Inclusion in Bond indices bodes well for Gsec demand in FY25	
Monetary policy	Most major central banks are done with rate hike cycle	Likely to maintain rate in the near term; Rate cuts likely in 2024	

Bond Index inclusion, softening inflation bode well for yields; Long end likely to outperform

"Live within your income and save so that you can invest. Learn what you need to learn."

"I think I'm pretty good at long run expectations, but I don't think I'm good at short-term wobbles. I don't have the faintest idea what's going to happen short term."

Charlie Munger

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Equity

Why HDFC Top 100 Fund?

- Exposure to large cap companies, which are well established and relatively less volatile
- Relative valuation edge for Large Caps vs Mid/Small Caps
- Track record of over 27 years

Why HDFC Flexi Cap Fund?

- Flexibility to invest across large cap, mid cap and small cap stocks
- Currently, well positioned in sectors, which in the view of the Fund Manager have prospects of earnings recovery with reasonable valuations
- Track record of successfully navigating multiple market cycles over 29 years

Why HDFC Multi Cap Fund?

- One Stop Solution for diversification across large, mid and small caps (min 25% each)
- Controlled exposure helps reduce volatility of portfolio
- Market Cap winners keep changing. Presence across Large, Mid and Small Caps ensures participation in opportunities across the equity universe

Hybrid

Why HDFC Balanced Advantage Fund?

- Flexibility to invest in Equity and Debt
- Less volatile compared to Equity funds, to the extent of Debt component
- The investment framework is based on valuations, assessment of macro scenario and bottom-up assessment of investment opportunities

Why Multi-Asset Fund?

- Financial model driven asset allocation across Equity, Debt and Gold related instruments
- Reduces dependency on a single asset class to generate returns
- Combining negatively correlated/ less correlated asset classes to mitigate volatility of portfolio

Refer disclaimers on slide 76

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Debt

Actively Managed open-ended debt funds universe

Less than 1 year MD

Schemes

- HDFC Liquid Fund
- HDFC Money Market Fund
- HDFC Ultra Short Term Fund
- HDFC Low Duration Fund

1 to 4 years MD

Schemes

- HDFC Floating Rate Debt Fund
- HDFC Short Term Debt Fund
- HDFC Banking and PSU Debt Fund
- HDFC Corporate Bond Fund
- HDFC Medium Term Debt Fund*
- HDFC Credit Risk Debt Fund*

More than 4 years MD

Schemes

- HDFC Dynamic Debt Fund
- HDFC Gilt Fund
- HDFC Income Fund
- HDFC Long Duration Debt Fund

Time to add duration

Time to add duration

Based on individual risk appetite, one may consider enhancing duration on his/her debt portfolio

MD - Macaulay Duration
*these schemes have Relatively High Credit Risk

Refer disclaimers on slide 76

Meet our Investment Team

Equities

- **Chirag Setalvad**, Head - Equities
- **Roshi Jain**, Senior Equity Fund Manager
- **Rahul Baijal**, Senior Equity Fund Manager
- **Gopal Agarwal**, Senior Equity Fund Manager
- **Srinivasan Ramamurthy**, Equity Fund Manager
- **Rakesh Vyas**, Equity Fund Manager and Infrastructure Analyst
- **Anand Laddha**, Equity Fund Manager and BFSI analyst
- **Abhishek Poddar**, Equity Fund Manager and Metal, Industrial & Defence analyst
- **Amit Sinha**, Equity Fund Manager and Consumer & Retail analyst
- **Rakesh Sethia**, Oil & Gas, Consumer durable and Telecom analyst
- **Nikhil Mathur**, Equity Fund Manager and Pharma & Healthcare analyst
- **Dhruv Muchhal**, Utilities and Chemical analyst
- **Priya Ranjan**, Equity Fund Manager and Auto Analyst
- **Balakumar B**, Equity Fund Manager and IT Analyst
- **Bhagyesh Kagalkar**, Fund Manager and Media & Pipes analyst
- **Mohit Surana**, BFSI Analyst
- **Arun Agarwal**, Fund Manager – Passive and Dealer-Equity
- **Nirman Morakhia**, Fund Manager – Passive and Dealer-Equity
- **Abhishek Mor**, Fund Manager – Passive and Dealer-Equity
- **Monish Ghodke**, Textile / Building material analyst and Backup Dealer - Equity
- **Nandita Menezes**, Investment Process control and Backup Dealer - Equity

Fixed Income

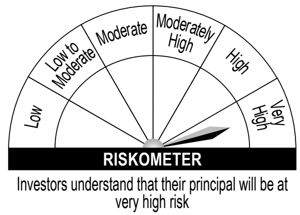
- **Shobhit Mehrotra**, Head - Fixed Income
- **Anil Bamboli**, Senior Fixed Income Fund manager
- **Anupam Joshi**, Senior Fixed Income Fund Manager
- **Vikash Agarwal**, Fixed Income Fund manager and Dealer
- **Praveen Jain**, Credit Analyst and Co-fund Manager - Low duration Fund
- **Swapnil Jangam**, Co-fund manager - Liquid Fund and Dealer
- **Bhavyesh Divecha**, Credit Analyst and Backup dealer- Fixed Income
- **Sankalp Baid**, Economist and Backup dealer - Fixed Income

Support

- **Sadanand Moily**, Assistant for Investment Department
- **Sanjay Bhagat**, Assistant for Investment Department

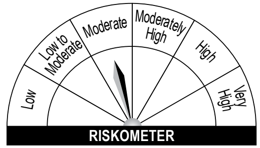
Refer disclaimers on slide 76

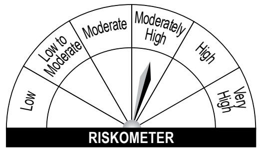
Scheme Riskometers

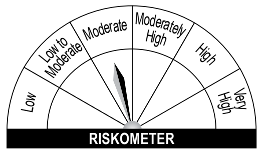
Name of Scheme	This product is suitable for investors who are seeking*	Riskometer#
HDFC Top 100 Fund	• To generate long-term capital appreciation / income • Investment predominantly in Large-Cap companies	
HDFC Flexi Cap Fund	• To generate long-term capitalappreciation / income • Investment predominantly in equity & equity related instruments	
HDFC Multi Cap Fund	• To generate long-term capital appreciation/ income • Investment in equity and equity related securities of large cap, mid cap and small cap companies	
HDFC Balanced Advantage Fund	• To generate long-term capital appreciation / income • Investments in a mix of equity and debt instruments	
HDFC Multi-Asset Fund	• To generate long-term capital appreciation/income • Investments in a diversified portfolio of equity & equity related instruments, debt & money market instruments and Gold related instruments	

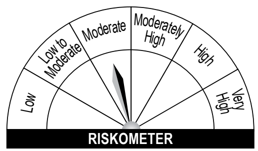
*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.
For latest Riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. **www.hdfcfund.com**

HDFC MUTUAL FUND
BHAROSA APNO KA

<table>
<tr><th>Name of Scheme</th><th>This product is suitable for investors who are seeking*</th><th>Riskometer#</th><th>Potential Risk Class
(Maximum risk the Scheme can take)</th></tr>
<tr><td>HDFC Medium Term Debt Fund</td><td>• Income over medium term
• To generate income / capital appreciation through investments in Debt and Money Market Instruments</td><td>

Investors understand that their principal will be at moderate risk</td><td><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr>
<tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr>
<tr><td>Relatively High (Class III)</td><td></td><td></td><td>C-III</td></tr>
<tr><td colspan="4">C-III - A Scheme with Relatively High Interest Rate Risk and Relatively High Credit Risk.</td></tr>
</table></td></tr>
<tr><td>HDFC Credit Risk Debt Fund</td><td>• Income over short to medium term
• To generate income/capital appreciation by investing predominantly in AA and below rated corporate debt (excluding AA+ rated corporate bonds)</td><td>

Investors understand that their principal will be at moderately high risk</td><td><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr>
<tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr>
<tr><td>Relatively High (Class III)</td><td></td><td></td><td>C-III</td></tr>
<tr><td colspan="4">C-III - A Scheme with Relatively High Interest Rate Risk and Relatively High Credit Risk.</td></tr>
</table></td></tr>
<tr><td>HDFC Money Market Fund</td><td>• Income over short term
• To generate income / capital appreciation by investing in money market instruments</td><td>

Investors understand that their principal will be at moderate risk</td><td><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td>B-I</td><td></td></tr>
<tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr>
<tr><td>Relatively High (Class III)</td><td></td><td></td><td></td></tr>
<tr><td colspan="4">B-I - A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk.</td></tr>
</table></td></tr>
<tr><td>HDFC Ultra Short Term Fund</td><td>• Income over short term
• Income/capital appreciation through investment in debt securities and money market instruments</td><td>

Investors understand that their principal will be at moderate risk</td><td><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr>
<tr><td>Moderate (Class II)</td><td></td><td>B-II</td><td></td></tr>
<tr><td>Relatively High (Class III)</td><td></td><td></td><td></td></tr>
<tr><td colspan="4">B-II - A Scheme with Moderate Interest Rate Risk and Moderate Credit Risk.</td></tr>
</table></td></tr>
</table>

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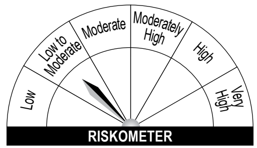
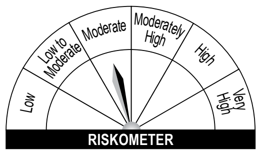
HDFC MUTUAL FUND
BHAROSA APNO KA

<table>
<tr><th>Name of Scheme</th><th>This product is suitable for investors who are seeking*</th><th>Riskometer#</th><th>Potential Risk Class
(Maximum risk the Scheme can take)</th></tr>
<tr><td>HDFC Liquid Fund</td><td>• Regular income over short term
• To generate income through a portfolio comprising money market and debt instruments</td><td>

Investors understand that their principal will be at low to moderate risk</td><td><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td>B-I</td><td></td></tr>
<tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr>
<tr><td>Relatively High (Class III)</td><td></td><td></td><td></td></tr>
<tr><td colspan="4">B-I - A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk.</td></tr>
</table></td></tr>
<tr><td>HDFC Short Term Debt Fund</td><td>• Income over short term.
• To generate income / capital appreciation through investments in Debt and Money Market Instruments</td><td rowspan="5">

Investors understand that their principal will be at moderate risk</td><td rowspan="5"><table>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr>
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<tr><td>Relatively High (Class III)</td><td></td><td>B-III</td><td></td></tr>
<tr><td colspan="4">B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk.</td></tr>
</table></td></tr>
<tr><td>HDFC Banking and PSU Debt Fund</td><td>• Income over short to medium term.
• To generate income / capital appreciation through investments in debt and money market instruments consisting predominantly of securities issued by entities such as Scheduled Commercial Banks (SCBs), Public Sector undertakings (PSUs), Public Financial Institutions (PFIs), Municipal Corporations and such other bodies</td></tr>
<tr><td>HDFC Corporate Bond Fund</td><td>• Income over short to medium term
• To generate income/capitalappreciation through investments predominantly in AA+ and above rated corporate bonds</td></tr>
<tr><td>HDFC Dynamic Debt Fund</td><td>• Income over medium to long term
• To generate income / capital appreciation by investing in a range of debt and money market instruments</td></tr>
<tr><td>HDFC Income Fund</td><td>• Income over medium to long term
• To generate income / capital appreciation through investments in debt and money market instruments</td></tr>
</table>

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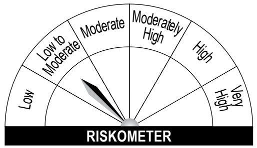
<tr><th>Name of Scheme</th><th>This product is suitable for investors who are seeking*</th><th>Riskometer#</th><th>Potential Risk Class
(Maximum risk the Scheme can take)</th></tr>
<tr><td>HDFC Low Duration Fund</td><td>• Income over short term.
• To generate income / capital appreciation through investment in debt securities and money market instruments</td><td>

Investors understand that their principal will be at low to moderate risk</td><td><table><tr><td>Credit Risk →
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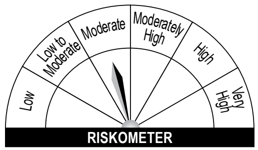
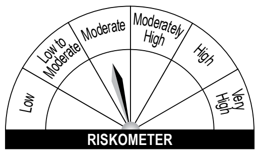
<tr><td>HDFC Floating Rate Debt Fund</td><td>• Income over short term
• To generate income / capital appreciation through investment in a portfolio comprising substantially of floating rate debt, fixed rate debt instruments swapped for floating rate returns and money market instruments</td><td>

Investors understand that their principal will be at moderate risk</td><td><table><tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td></td><td>B-III</td><td></td></tr><tr><td colspan="4">B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk.</td></tr></table></td></tr>
<tr><td>HDFC Long Duration Debt Fund</td><td>• Income over the long term
• To generate income / capital appreciation through investments in debt and money market instruments</td><td rowspan="2">

Investors understand that their principal will be at moderate risk</td><td rowspan="2"><table><tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr><tr><td>Relatively Low (Class I)</td><td></td><td></td><td></td></tr><tr><td>Moderate (Class II)</td><td></td><td></td><td></td></tr><tr><td>Relatively High (Class III)</td><td>A-III</td><td></td><td></td></tr><tr><td colspan="4">A-III - A Scheme with Relatively High Interest Rate Risk and Relatively Low Credit Risk.</td></tr></table></td></tr>
<tr><td>HDFC Gilt Fund</td><td>• Credit risk free returns over medium to long term
• To generate credit risk-free returns through investments in sovereign securities issued by the Central Government and / or State Government</td></tr>
<tr><td colspan="4">*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.
For latest Riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com</td></tr>
</table>

Disclaimer

The views are based on internal data, publicly available information and other sources believed to be reliable. Any calculations made are approximations, meant as guidelines only, which you must confirm before relying on them. The information given is for general purposes only. Past Performance may or may not be sustained in future and is not a guarantee of any future returns. The statements are given in summary form and do not purport to be complete. The views / information provided do not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this information. The information/ data herein alone are not sufficient and should not be used for the development or implementation of an investment strategy. The statements contained herein are based on our current views and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Stocks/Sectors referred above are illustrative and not recommended by HDFC Mutual Fund / AMC. The Fund may or may not have any present or future positions in these sectors. The above has been prepared on the basis of information which is already available in publicly accessible media. The above should not be construed as an investment advice or a research report or a recommendation by HDFC Mutual Fund/HDFC AMC to buy or sell the stock or any other security covered under the respective sector/s. HDFC Mutual Fund/AMC is not guaranteeing any returns on investments made in the Scheme(s). Neither HDFC AMC and HDFC Mutual Fund nor any person connected with them, accepts any liability arising from the use of this document. The recipient(s) before acting on any information herein should make his/her/their own investigation and seek appropriate professional advice and shall alone be fully responsible / liable for any decision taken on the basis of information contained herein.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

WE WISH YOU A

happy new year

2024

Hope you enjoyed reading the Yearbook 2024.
Request you to scan the QR code to share your feedback.

Thank You