



OPPORTUNITY COMES IN VARIOUS SIZES



HDFC MULTI CAP FUND

- What are Multi Cap Funds? / Why Multi Cap Funds? 3 - 8

- Economic Outlook 9 - 27

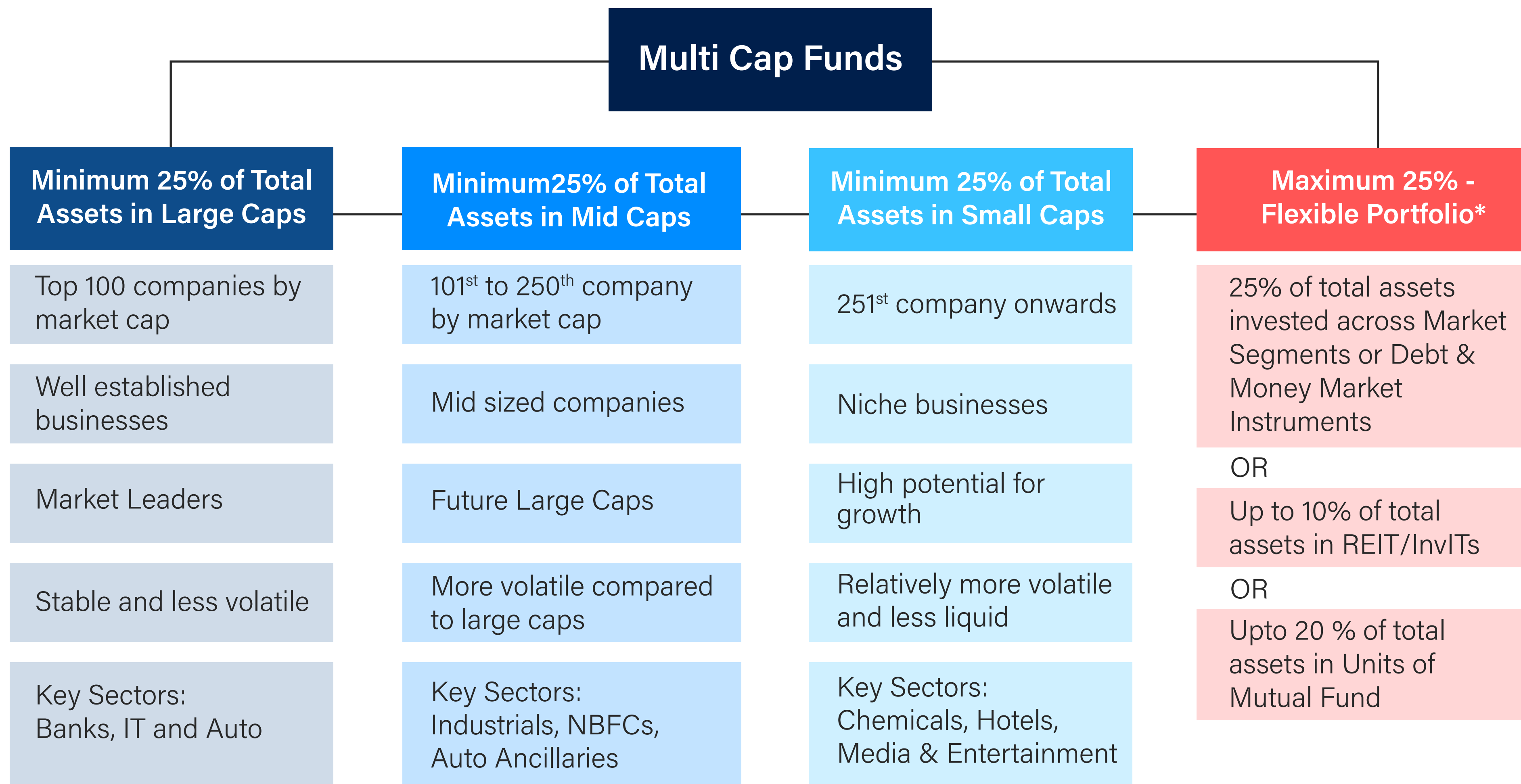
- Equity Market Outlook 28 - 34

- HDFC Multi Cap Fund 35 - 43

- Know your Fund Manager 44



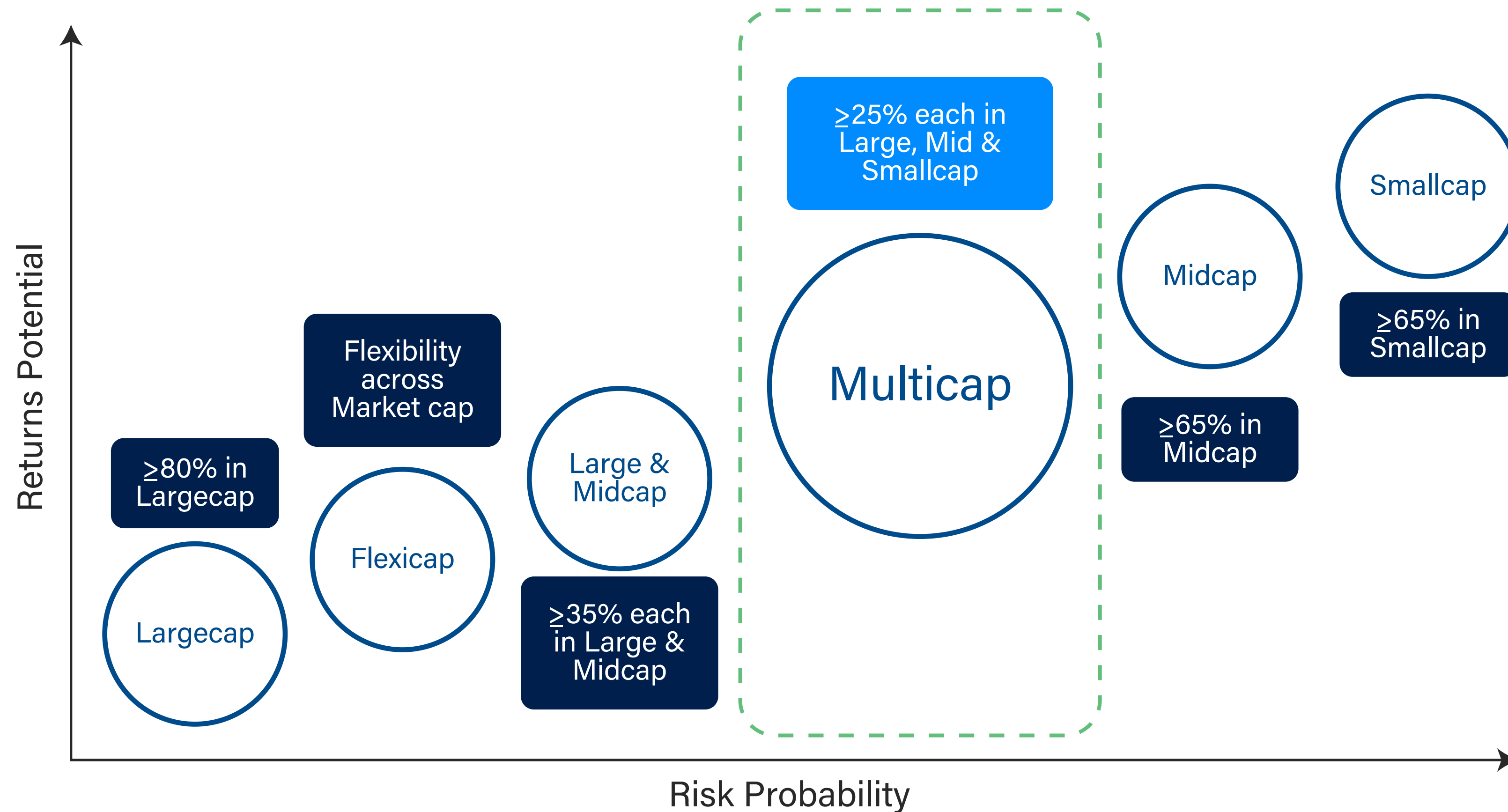
25:25:25 + Dynamism of the Fund Manager



* All investments are subject to permissible limits mentioned in the Scheme Information Document
REIT- Real Estate Investment Trust; InvIT – Infrastructure Investment Trust

Risk Return Profile

In terms of risk and return, Multi Cap Funds are positioned between Large & Midcap Funds and Midcap Funds



Industry Leadership* comes in all sizes

GICS Sub-Industry	Description	Market Cap Category
Consumer Finance	Largest financier of consumer durables	Large Cap
Construction & Engineering	India's premier infrastructure developer	Large Cap
Food Retails	Leading supermarket chain	Large Cap
Personal Products	Multinational FMCG: Leader in oral care products	Large Cap
Metals and Mining	Leading Mining company	Large Cap
Tires and Rubber	Largest Tyre manufacturer	Mid Cap
Auto Parts	Largest battery company	Mid Cap
Footwear	Leader in footwear industry	Mid Cap
Textiles, Apparel & Luxury Good	Leading Indian textile and branded apparel company	Small Cap
Health Care Services	Largest and only multinational chain of pathology labs	Small Cap
Application Software	Leading Cloud Communication Platform provider	Small Cap

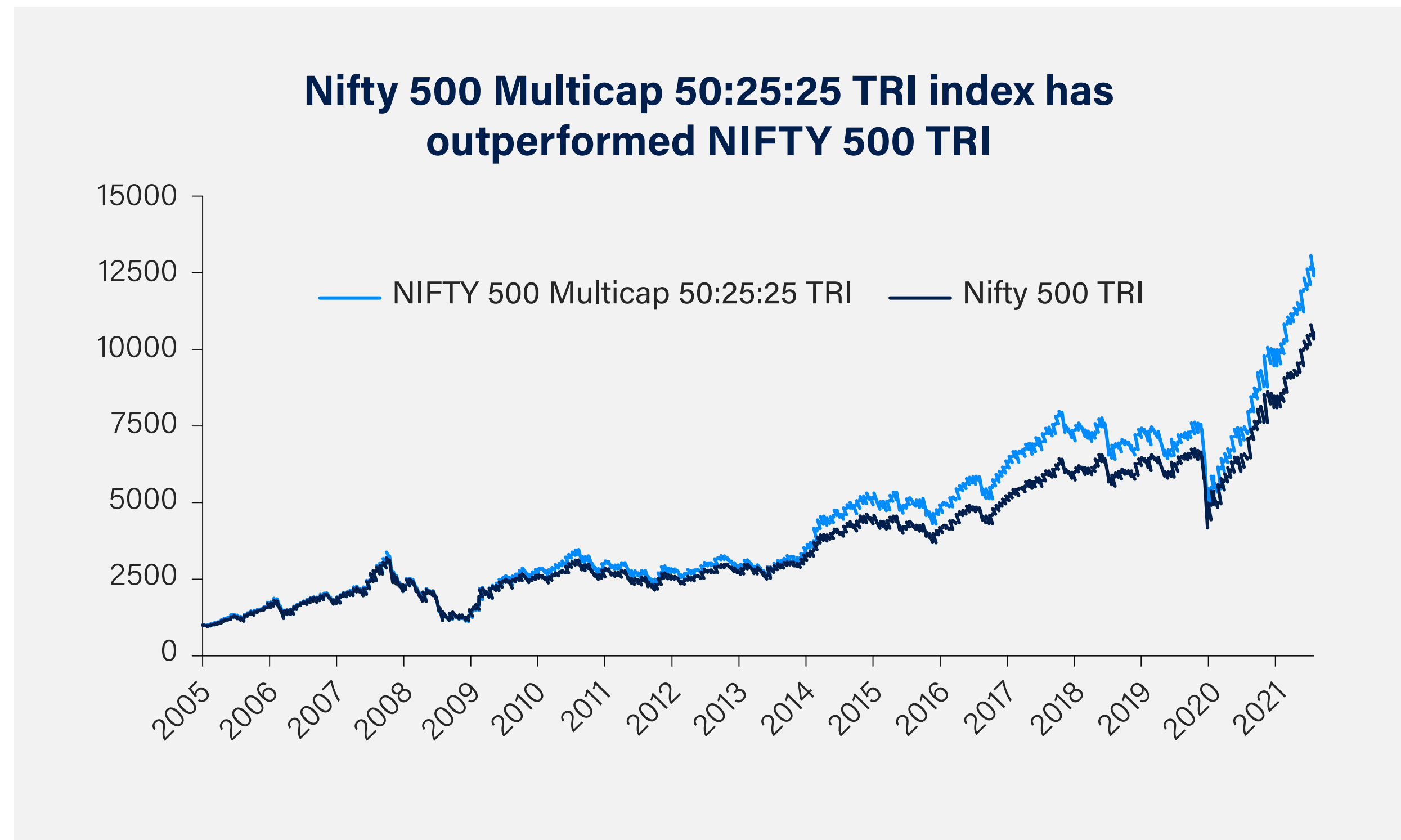
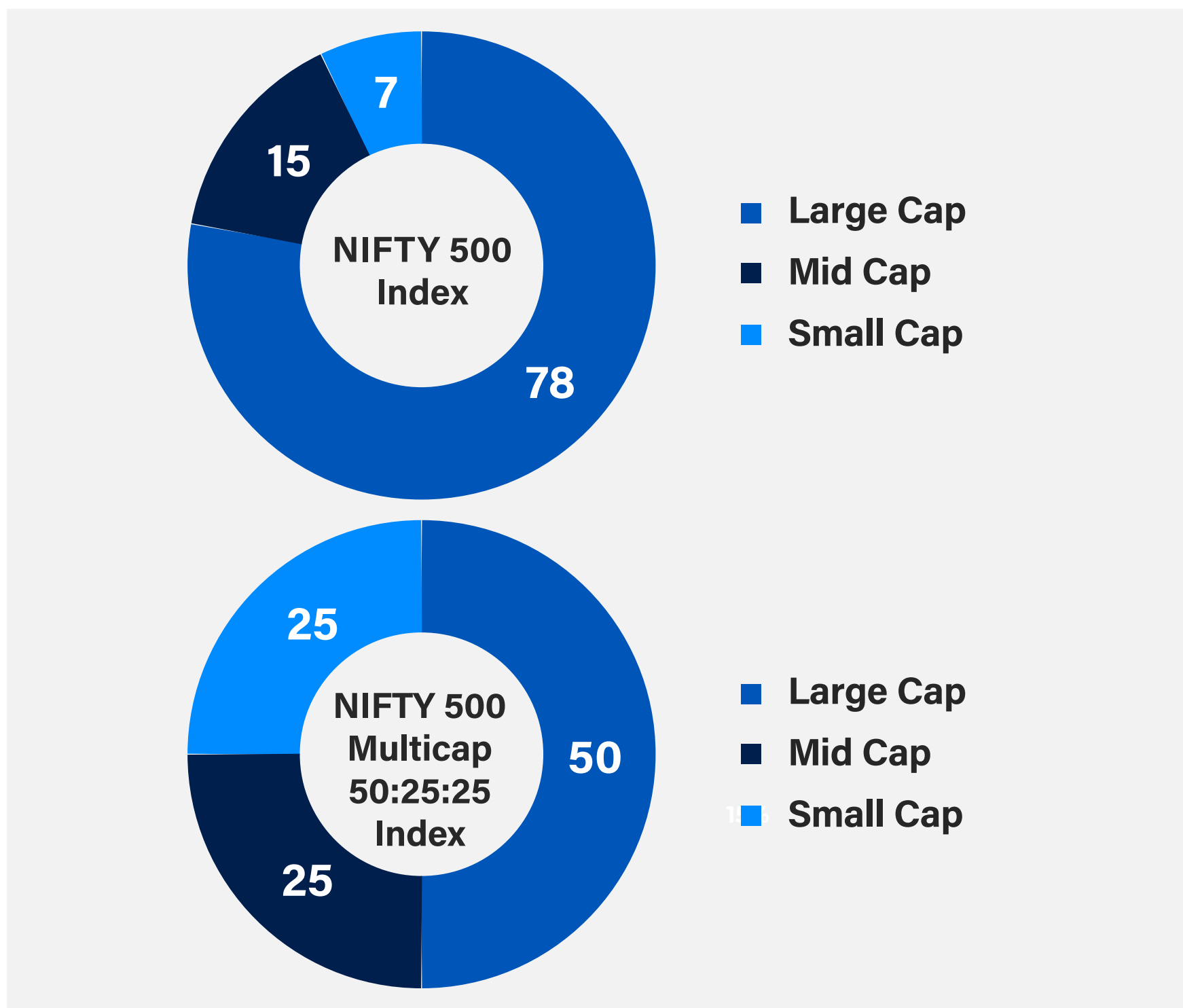
*Industry Leadership in terms of market share/ Sales/ Profitability considered.

Large Cap/Mid Cap/ Small Cap Classification as per SEBI circular (SEBI / HO/ IMD/ DF3/ CIR/ P/ 2017/ 114) dated October 6, 2017. Large Cap/Mid Cap/Small Cap List as of 30th June 2021. Sectors referred above are illustrative and are not recommended by HDFC Mutual Fund/AMC. The Fund may or may not have any present or future positions in these sectors. The above statements / analysis should not be construed as an investment advice or a research report or a recommendation to buy or sell any security covered under the respective sector/s. The same has been prepared on the basis of information which is already available in publicly accessible media.

NIFTY 500 Multi Cap 50:25:25[^] vs NIFTY 500

◆ NIFTY 500 Multicap 50:25:25 Index is relatively more balanced compared to NIFTY500 as Mid Caps and Small Cap account for 50% weightage

◆ NIFTY500 Multicap 50:25:25 Index provides diversification across market cap segments and has performed better than NIFTY 500 Index over the long term



Source: MFI explorer, 2005 Rebased to 1000

[^]Nifty 500 Multicap 50:25:25 TRI index is the benchmark for HDFC Multicap Fund

Different segments outperform each other at different times

FY Returns	Nifty 100 TRI	Nifty Midcap 150 TRI	Nifty Midcap 250 TRI
Mar-21	71.2	101.6	118.7
Mar-20	-24.7	-29.9	-39.9
Mar-19	13.9	-0.6	-12.4
Mar-18	12.3	16.8	13.0
Mar-17	22.6	37.2	40.6
Mar-16	-6.9	-1.7	-5.9
Mar-15	30.8	59.7	62.8
Mar-14	19.8	17.9	22.7
Mar-13	8.8	4.5	-5.3
Mar-12	-7.8	-4.6	-8.6
Mar-11	11.4	4.7	0.9
Mar-10	84.9	135.8	141.4
Mar-09	-36.6	-48.5	-54.9
Mar-08	23.7	21.4	31.1
Mar-07	13.6	-1.1	11.9
Mar-06	67.7	75.0	78.9

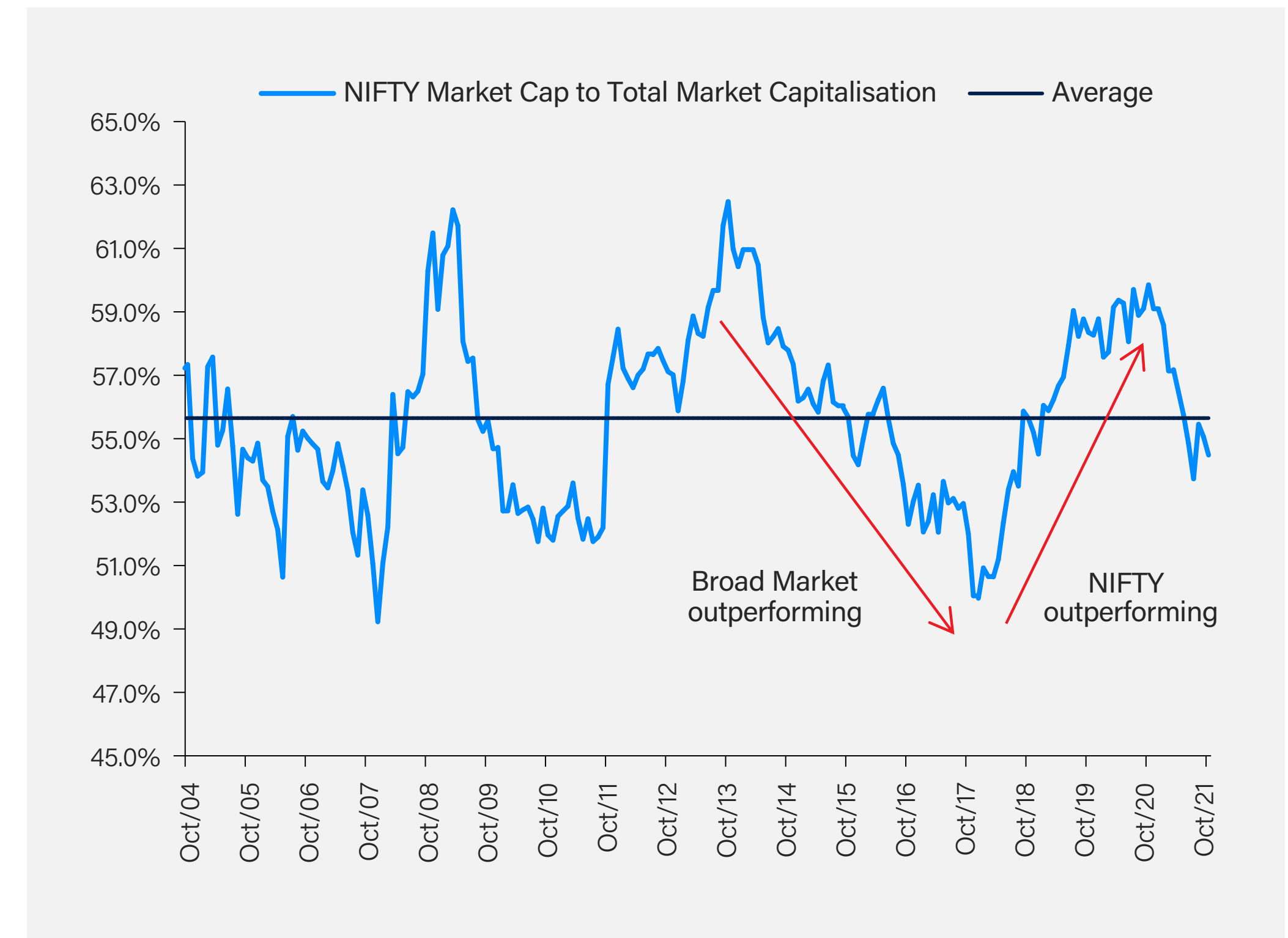
	Rank 1	Rank 2	Rank 3	Total
Large	6	3	7	16
Mid	3	10	3	16
Small	7	3	6	16

Diversification across market cap segments is important as different market segments outperform each other at different times

Importance of riding the Market cap phase right

Market Cycle	Jan 2004 to Jan 2008	Jan 2008 to May 2009	May 2009 to Oct 2010	Oct 2010 to Oct 2013	Oct 2013 to Jan 2018	Jan 2018 to Mar 2020	Mar 2020 to Oct 2021
<i>Rally Type</i>	<i>Broad</i>	<i>Narrow</i>	<i>Broad</i>	<i>Narrow</i>	<i>Broad</i>	<i>Narrow</i>	<i>Broad</i>
NIFTY50 % Returns 'a'	192	-12	35	7	84	-20	112
Small Caps % Returns 'b'	382	-39	64	-29	200	-58	205
Small Caps vs NIFTY50 (b-a)%	190	-27	29	-35	116	-38	93
Mid Caps % Returns 'c'	229	-25	75	-17	190	-42	164
Mid Caps vs NIFTY50 (c-a)%	37	-13	39	-24	106	-23	53

Returns in Absolute %
Source: MFI Explorer, Bloomberg.

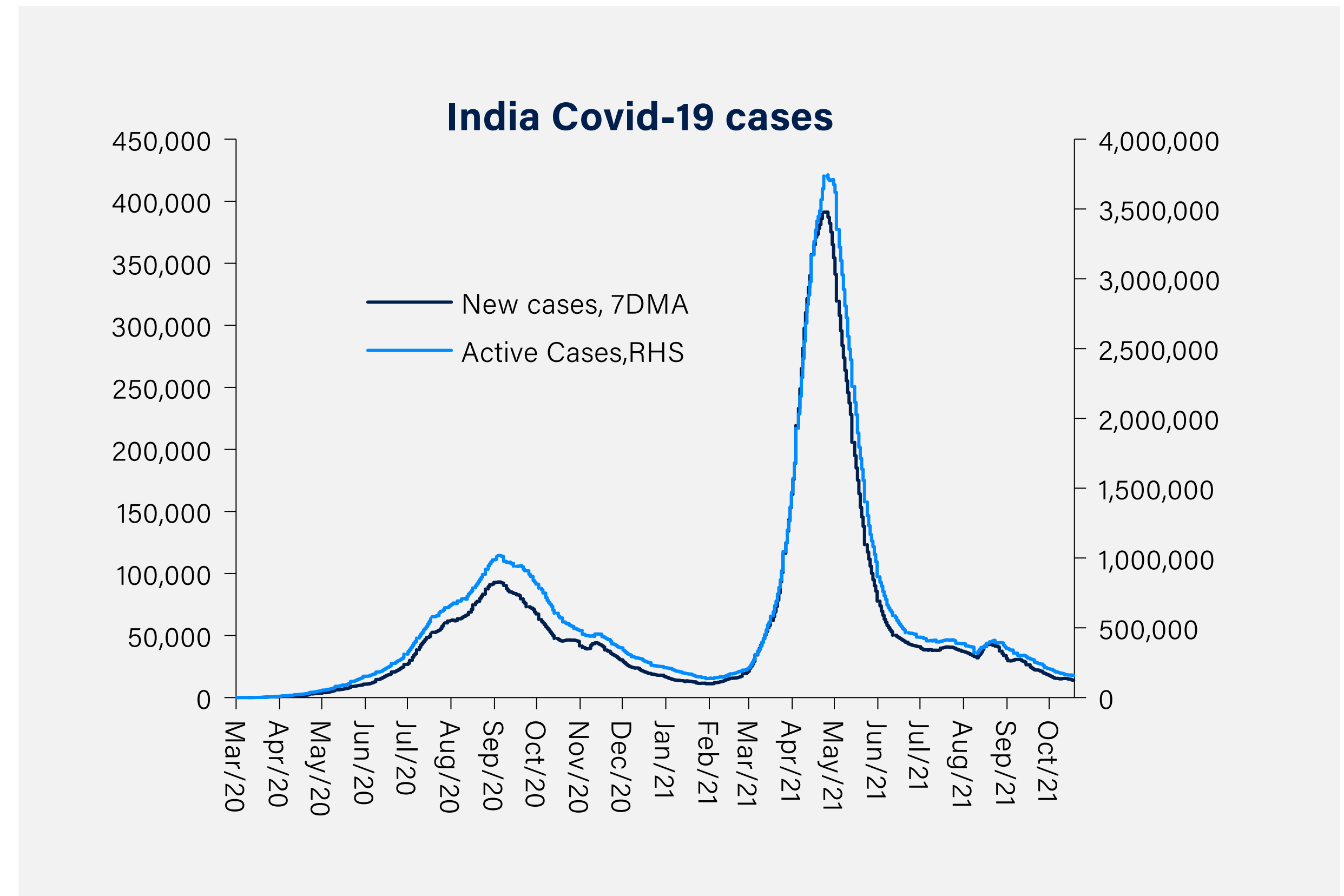


Market moves in phases and being in the right segment can generate Alpha !!!

Economic Outlook - Brighter than Pre-Covid

Indian economy healing at a fast pace, Covid-19 cases receding (1/2)

- ◆ After peaking in May 2021, the number of new as well as active Covid-19 cases has fallen sharply and continues to trend lower
 - ▶ Restrictions have largely eased and life is gradually returning to normalcy
 - ▶ 75% adult population has been given at least one dose of vaccine



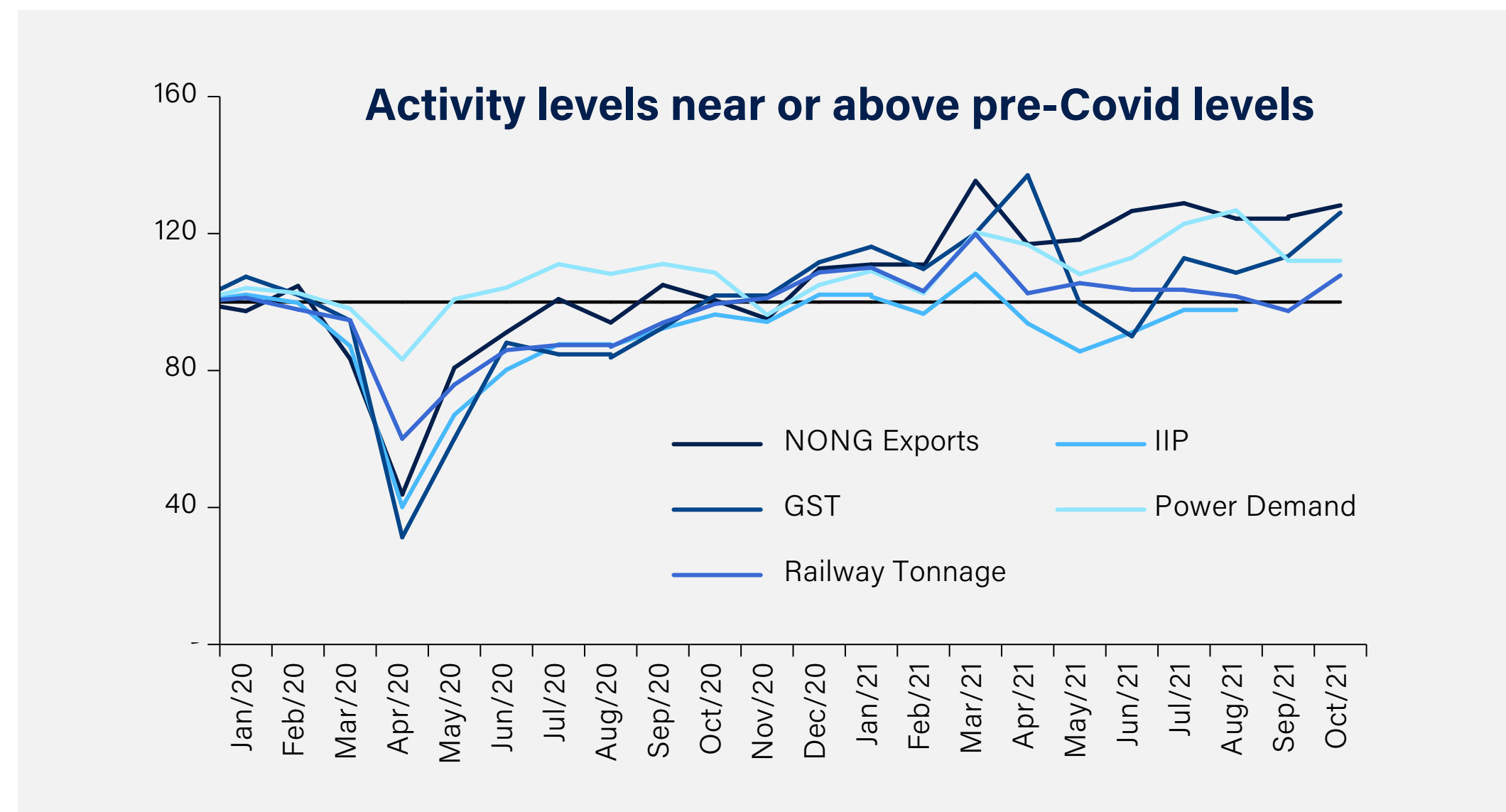
Source: Bloomberg



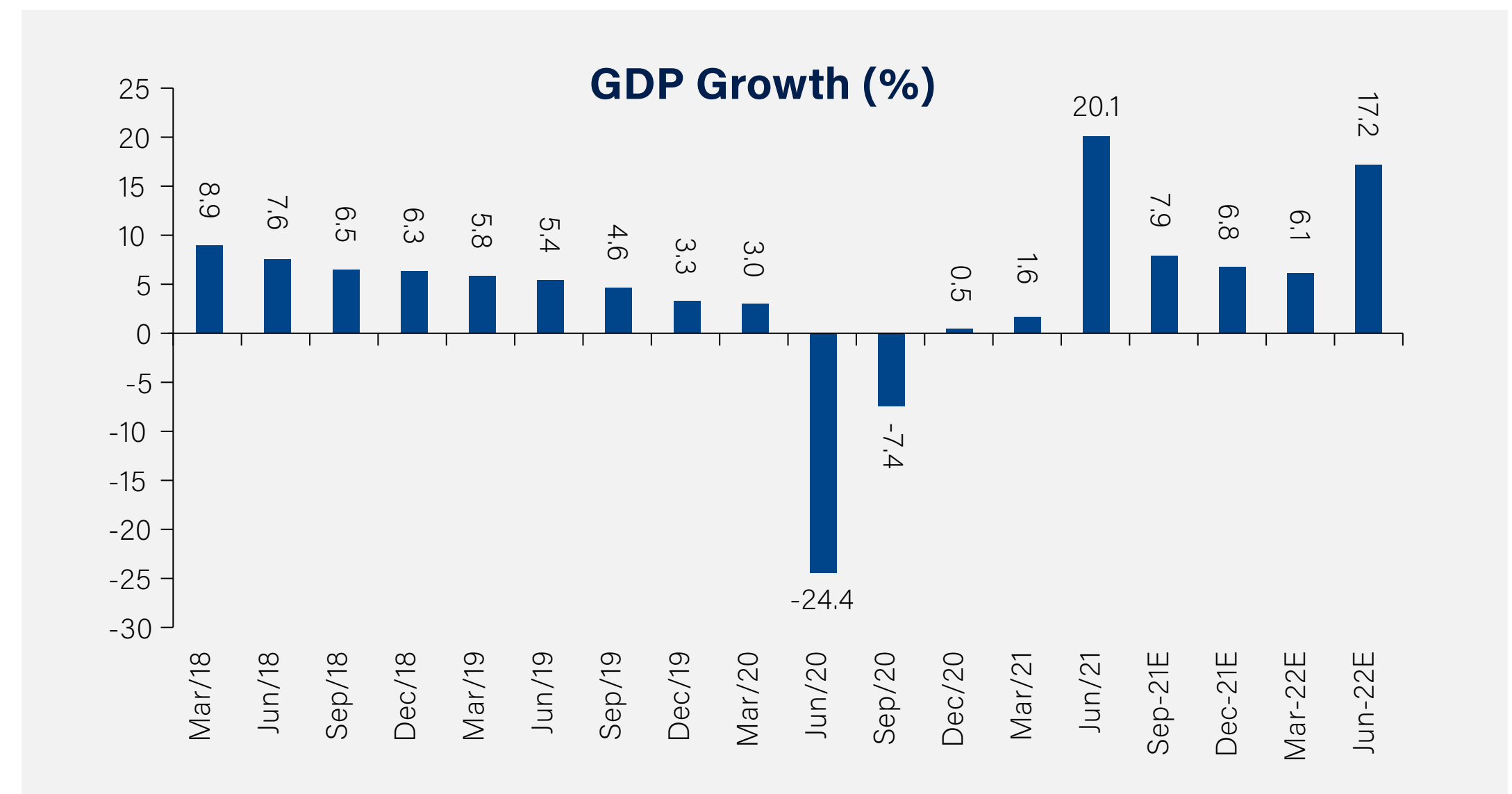
Indian economy healing at a fast pace, Covid-19 cases receding (2/2)

- ◆ Momentum of economic recovery, which softened in Q1FY22, has picked up and many indicators are now above pre-Covid -19 levels
 - ▶ Power demand, railway goods movement, GST, NONG exports, etc. have recovered above pre-pandemic level
 - ▶ Growth momentum remains strong

- ◆ Economic Impact of 2nd lockdown relatively lower and outlook positive
 - ▶ Resurgence of Covid-19 remains a key risk to growth



Source: CMIE, POSOCO, NONG - Non Oil Non Gold



Source: CMIE, RBI

Lower Covid-19 cases, recovery in economic activity, pent up demand and strong policy support bode well for growth

Indian Economy Outlook: Firing on multiple cylinders (1/2)

Consumption

- ◆ Employment near pre-covid levels and new hiring, especially in organized segment, improving at fast pace
- ◆ Digitization and improving financial access
- ◆ Near normal monsoon, higher crop sowing, pent up demand and higher savings

External Sector

- ◆ Schemes like PLI, increase in import duties, etc. should aid in improving exports and reducing imports
- ◆ NONG exports remains strong supported by higher exports of electronics, engineering and chemicals
- ◆ High Forex reserves provide stability to INR against USD

Infrastructure and capex revival

- ◆ Focus of government to boost infrastructure with national monetisation pipeline, Gati Shakti mission, etc.
- ◆ Private capex likely to pick up in medium term driven by robust demand, deleveraging and strong profitability
- ◆ Real estate likely to revive driven by high affordability, pent up demand, lower supply and benign interest rates

Indian Economy Outlook: Firing on multiple cylinders (2/2)

Diversification of Global Supply chain from China

- ◆ Trend of shift from China to other Asian countries likely to expedite and India could be a probable beneficiary
- ◆ Supportive government policies, large domestic market, improving ease of doing business, competitive cost, etc. are likely to act in India's favour

Favourable macro economic environment

- ◆ Low interest rate, domestically and globally, along with ample liquidity
- ◆ Fiscal deficit likely to moderate and reduce crowding out of private sector
- ◆ Inclusion in global bond indices to stabilize BoP, aid building of forex reserves and guard against INR volatility

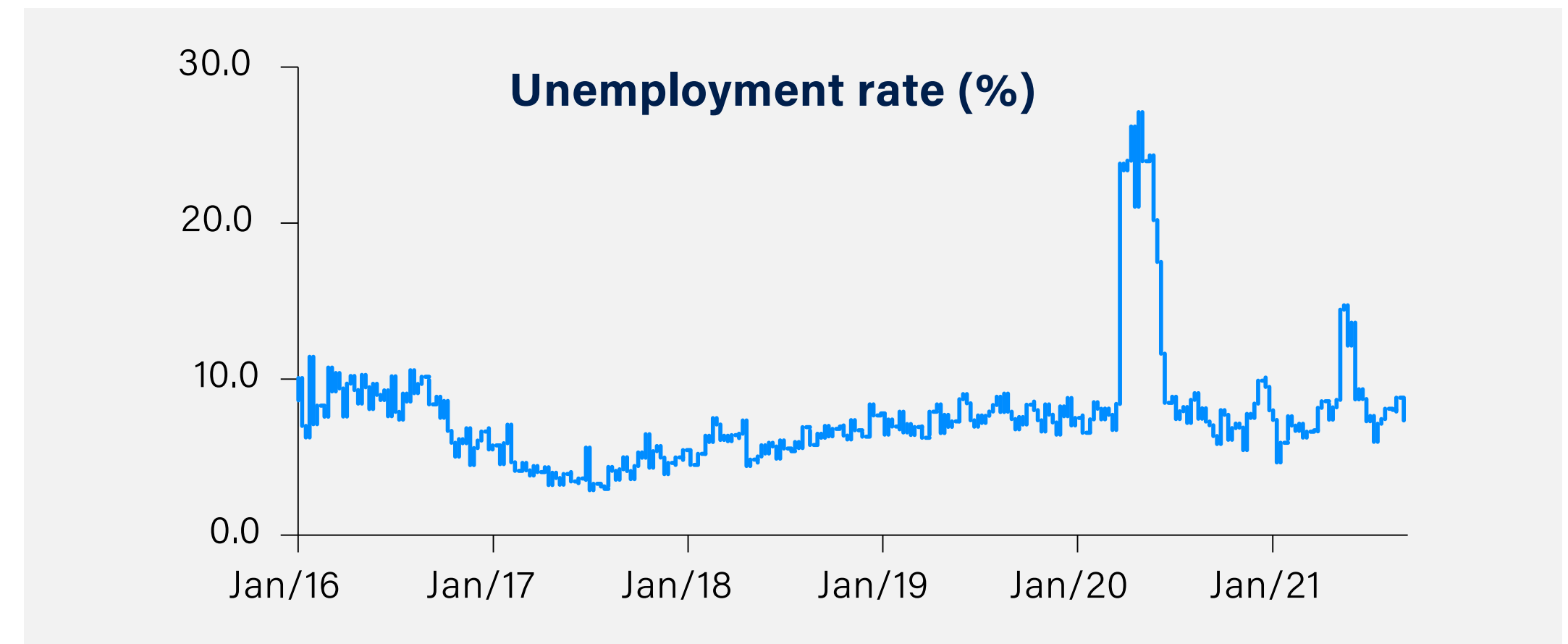
Government Reforms and Policy

- ◆ Government proactively pursuing policy measures to attract global manufacturing to India
- ◆ Targeted steps to enable environment for private capex; Sector specific reforms and reliefs also announced

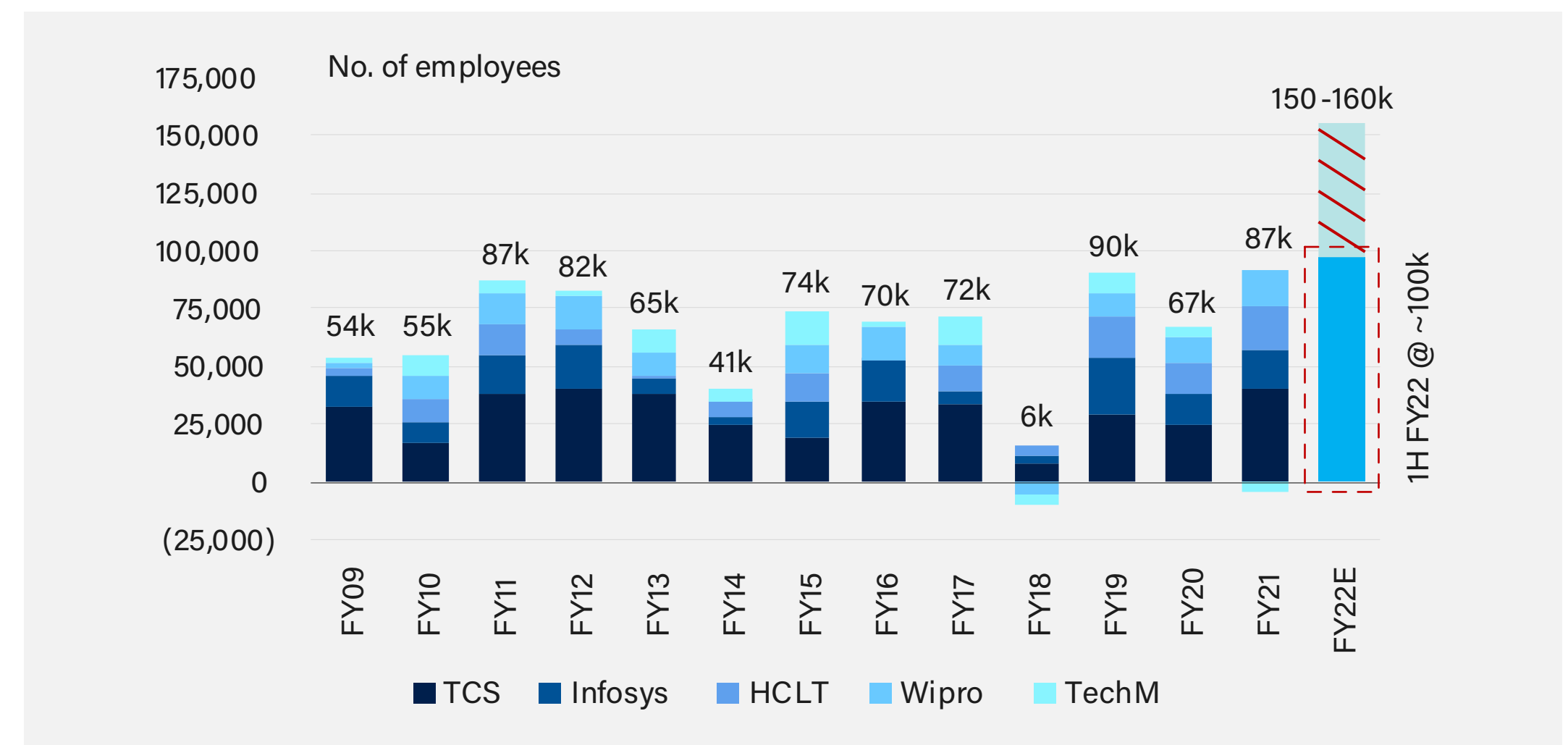
Structural growth drivers and supportive external environment bode well for India' secular growth story

Consumption: Tailwinds of improving employment and Digitization (1/2)

- ◆ Post easing of lockdowns, unemployment rate is now back to pre-Covid-19 levels supported by pick up in economic activity
- ◆ Hiring has been broad based, especially in organized sector
 - ▶ Despite pandemic, sample of 300 listed companies registered YoY increase in number of employees in FY21
 - ▶ Hiring has accelerated further in FY22 led by IT sector. 5 IT majors hired 50% more employees in H1FY22 than comparable period in last decade
- ◆ Strong hiring trends and increase in salaries across sectors is likely to drive consumption



Source: CMIE

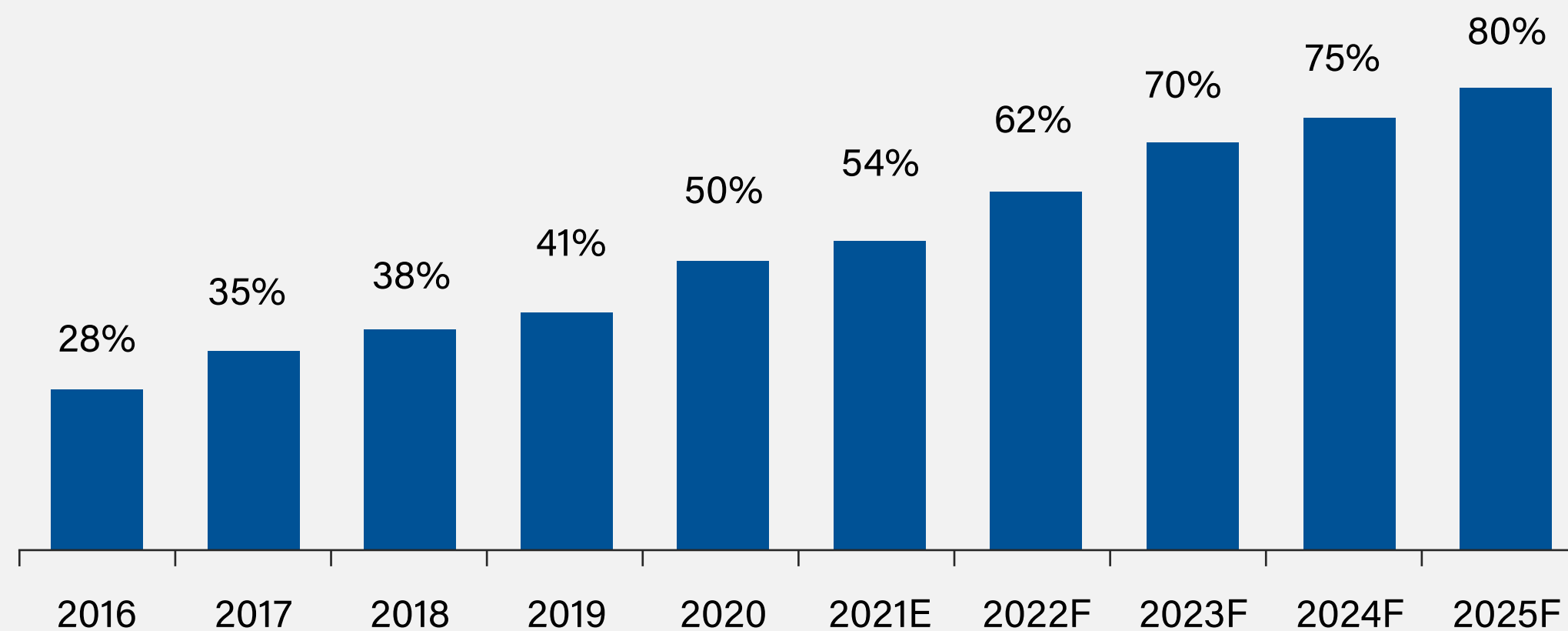


Source: Jefferies

Consumption: Tailwinds of improving employment and Digitization (2/2)

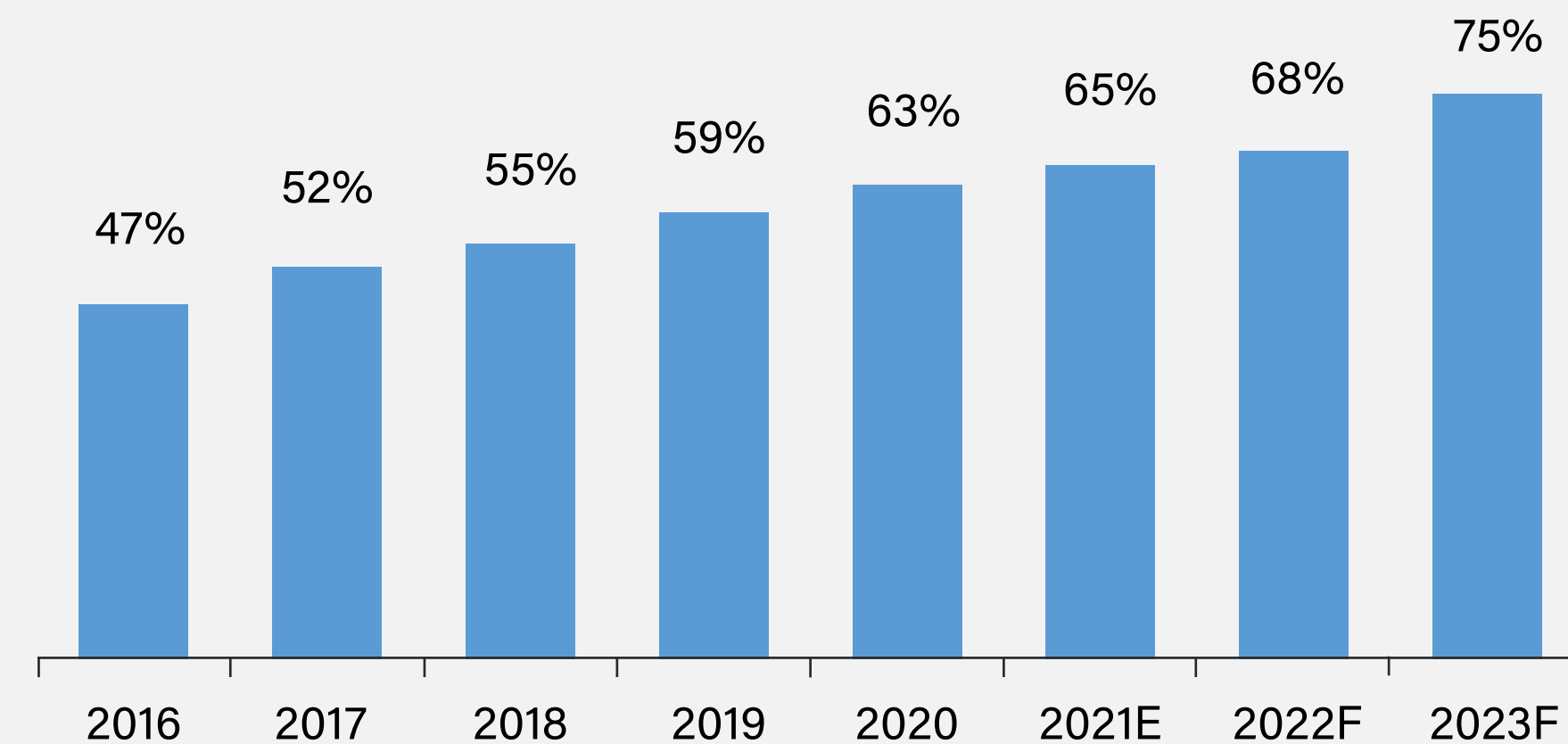
- ◆ India has 2nd largest mobile subscriber base as well as online market place; Penetration is likely to increase further
 - ▶ Rising internet penetration and smart phone usage have improved the access and could increase the targeted segment
 - ▶ Favourable financial condition, increasing credit offtake and trend of “Buy Now Pay Later” catching up

Internet Penetration, India - CY 2016-2025



Source: DRHP of CE Infosystem

Smartphone User Penetration, India - CY 2016-2023F

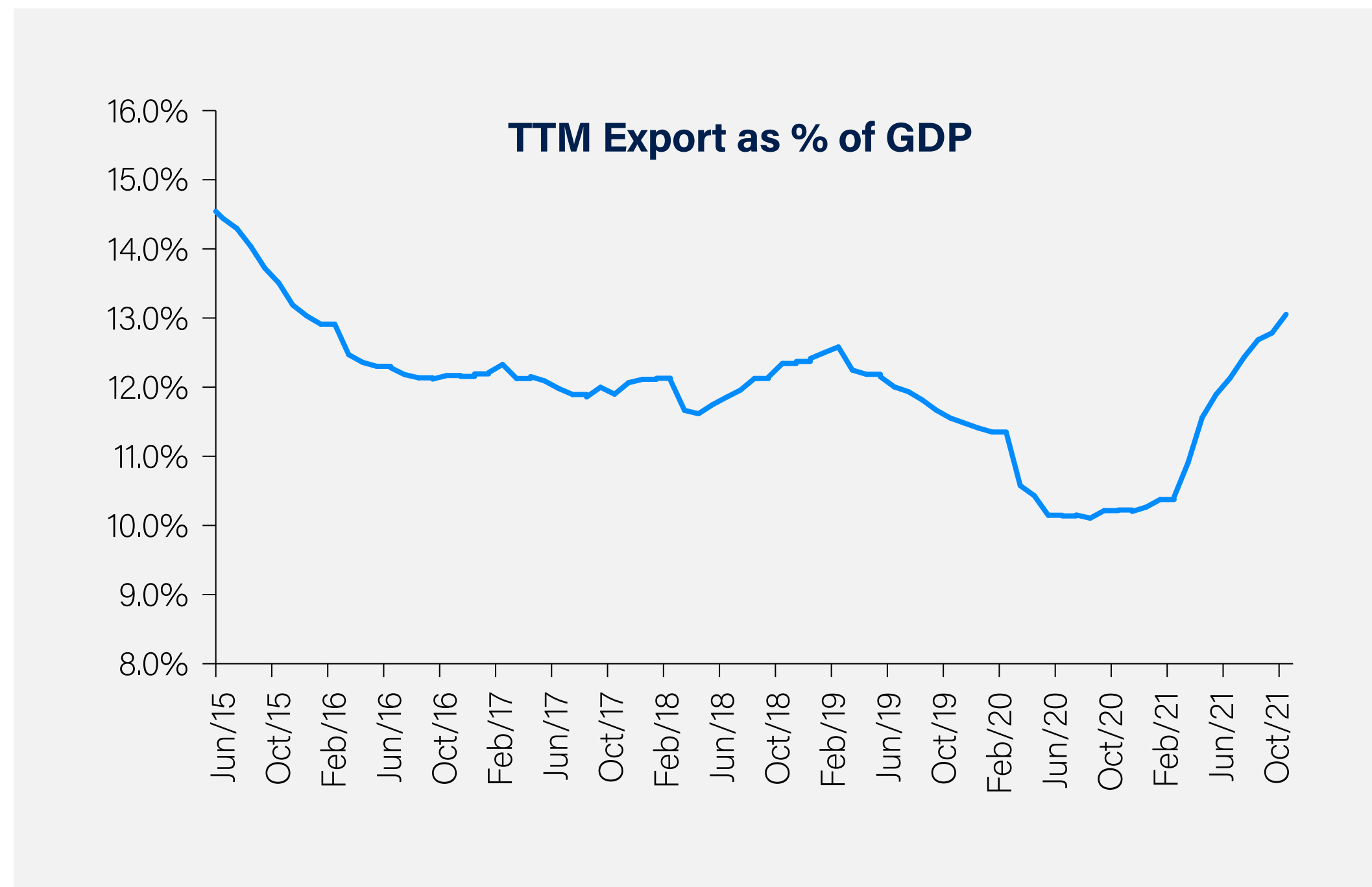


Source: DRHP of CE Infosystem

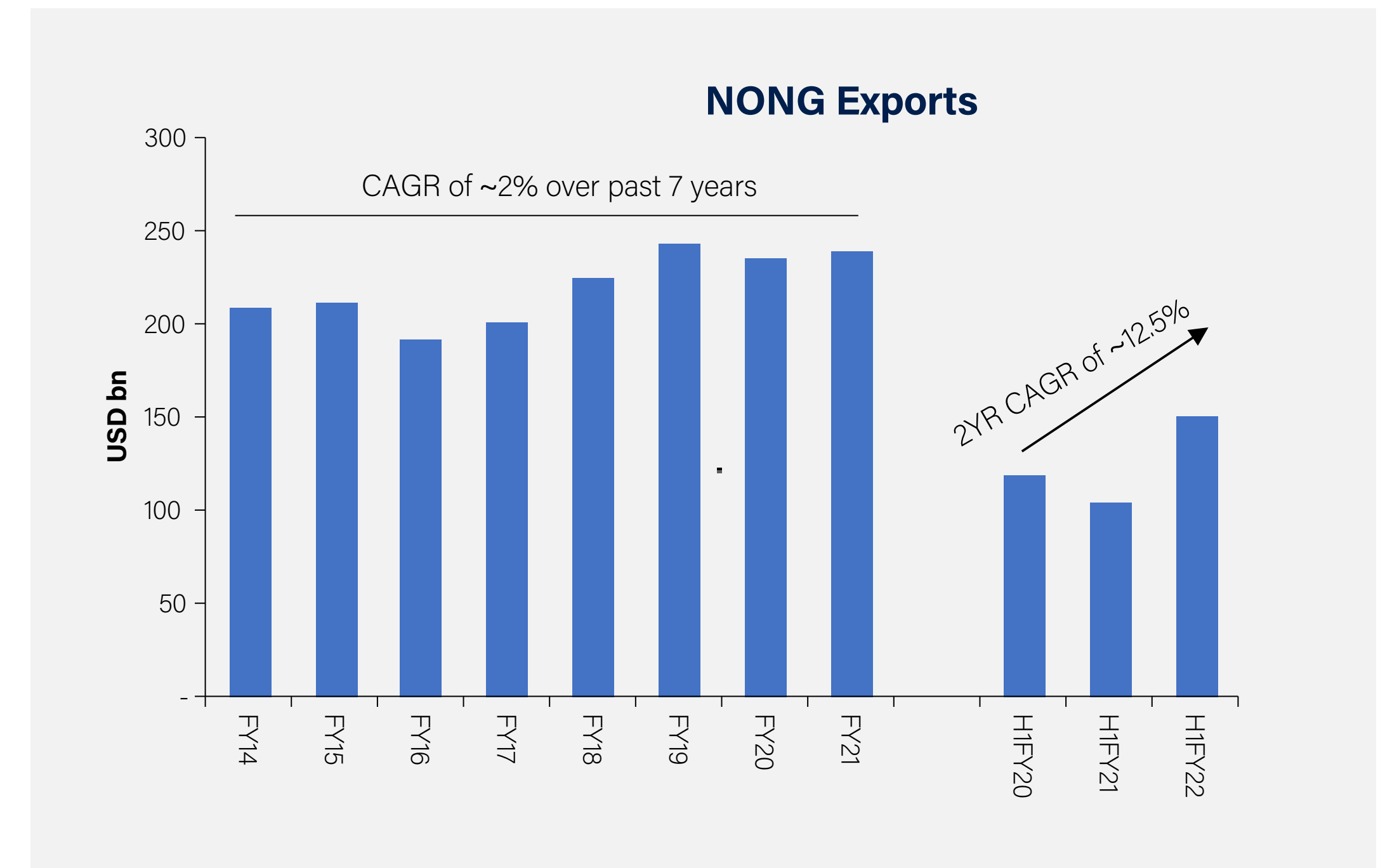
Exports showing signs of revival (1/2)

- ◆ Merchandise exports have increased significantly post-pandemic aided by
 - ▶ Shift of demand from discretionary services to goods
 - ▶ Strong improvement in global growth

- ◆ Services exports, especially IT services, remain robust



Source: CMIE



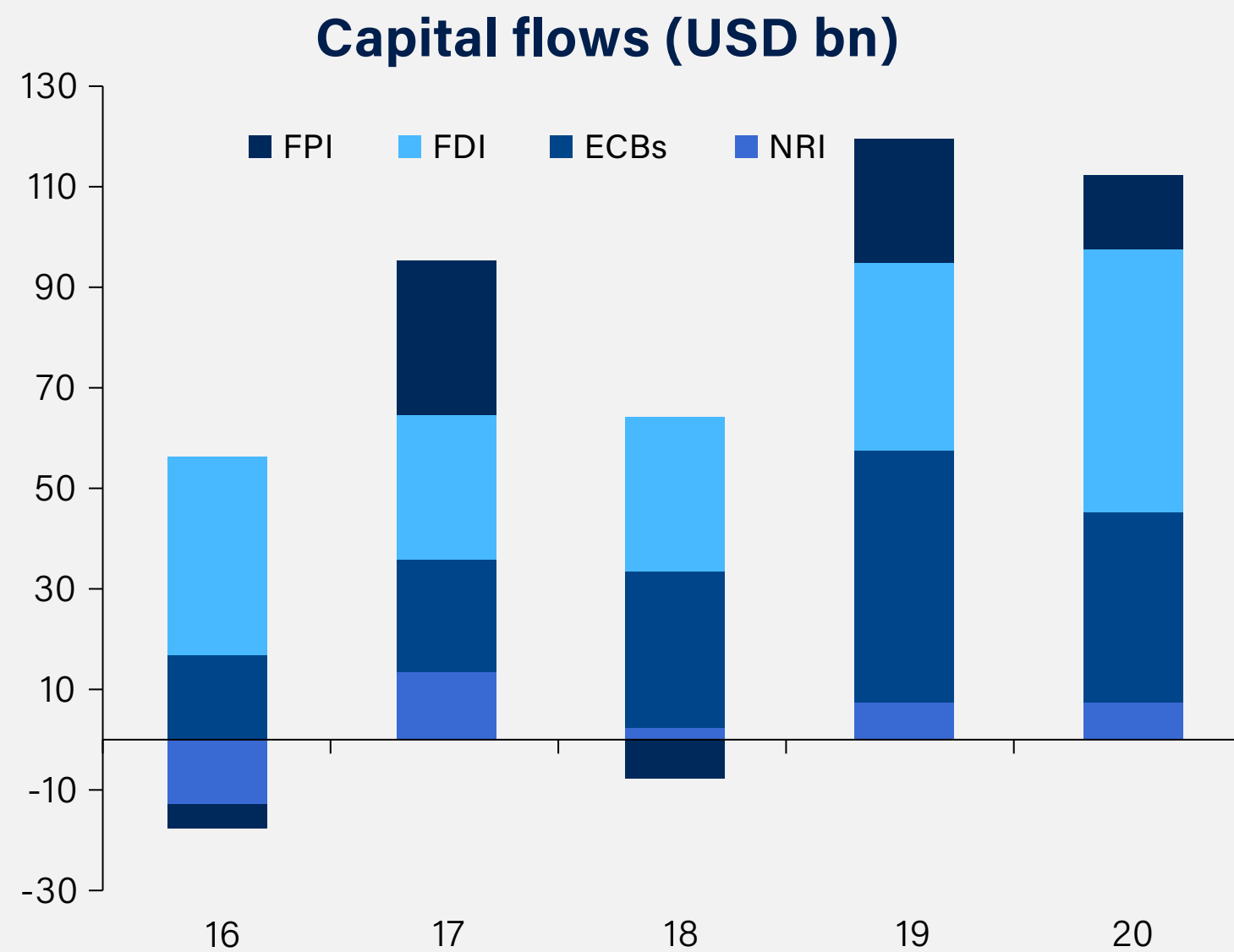
NONG - Non Oil Non Gold (including jewellery)

Exports showing signs of revival (2/2)

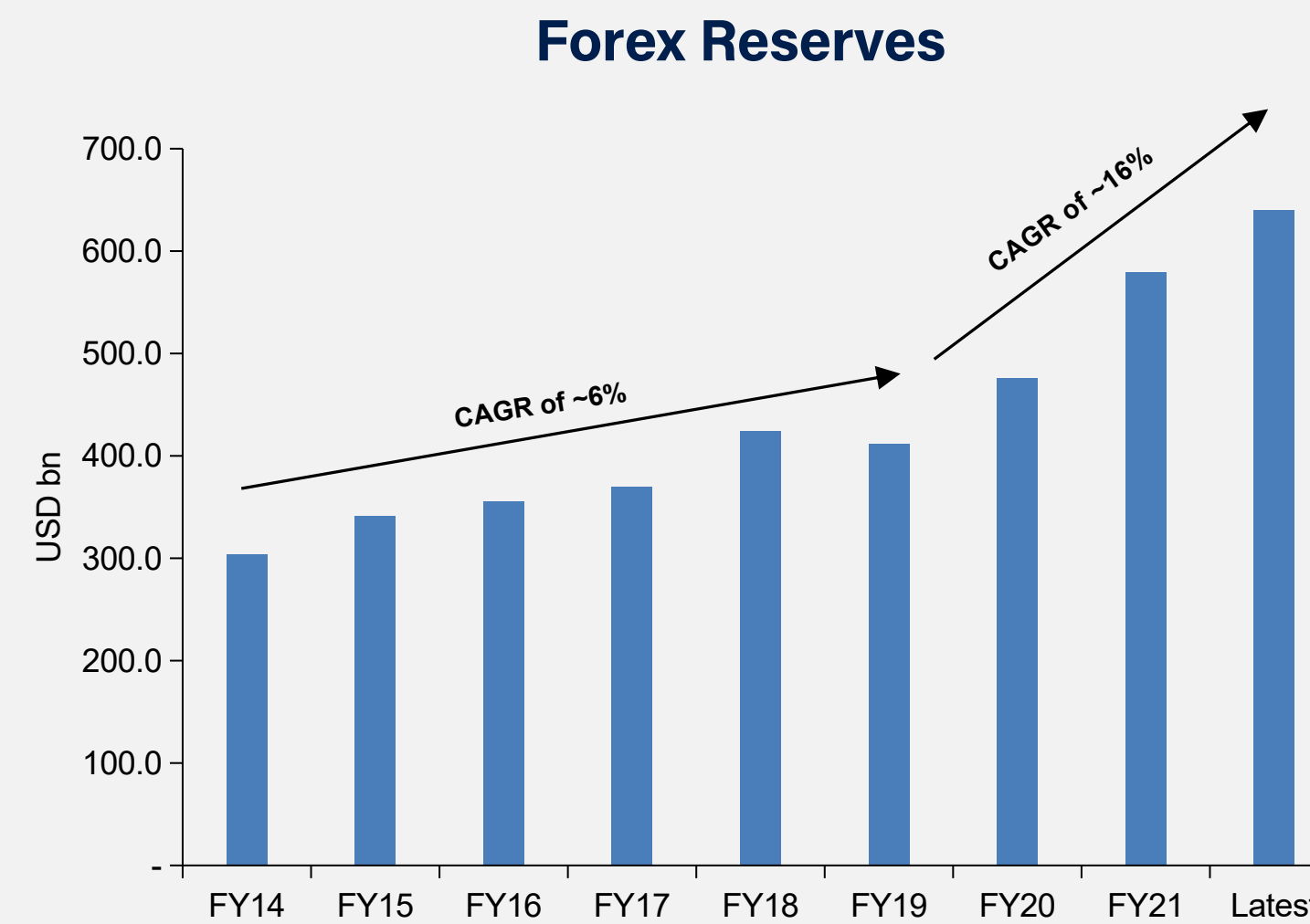
◆ Increase in global liquidity, low interest rates, attractiveness of Indian markets and favourable policy measures have resulted in rise in capital flows to India

◆ Comfortable Current Account and strong capital flows resulted in Foreign Exchange reserves rising sharply in past 12-18 months

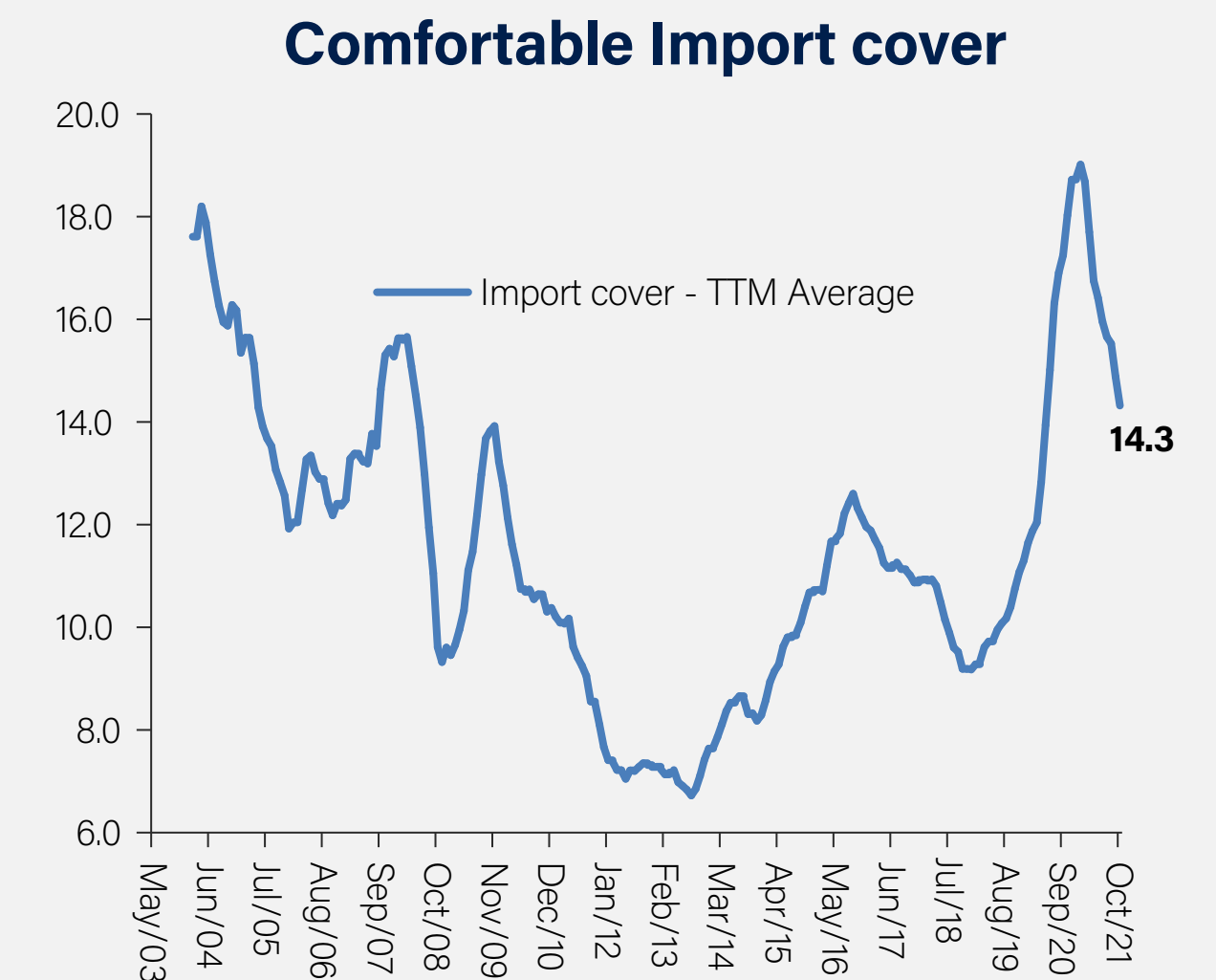
- ▶ Import cover has climbed up to comfortable level
- ▶ To provide stability to INR and guard against volatility



Source: Kotak Institutional Equities; Capital flows – sum of FPI, FDI, NRI deposit and ECB



Sources: Bloomberg, Kotak Institutional Equities, CMIE. Data as on 21 October 2021



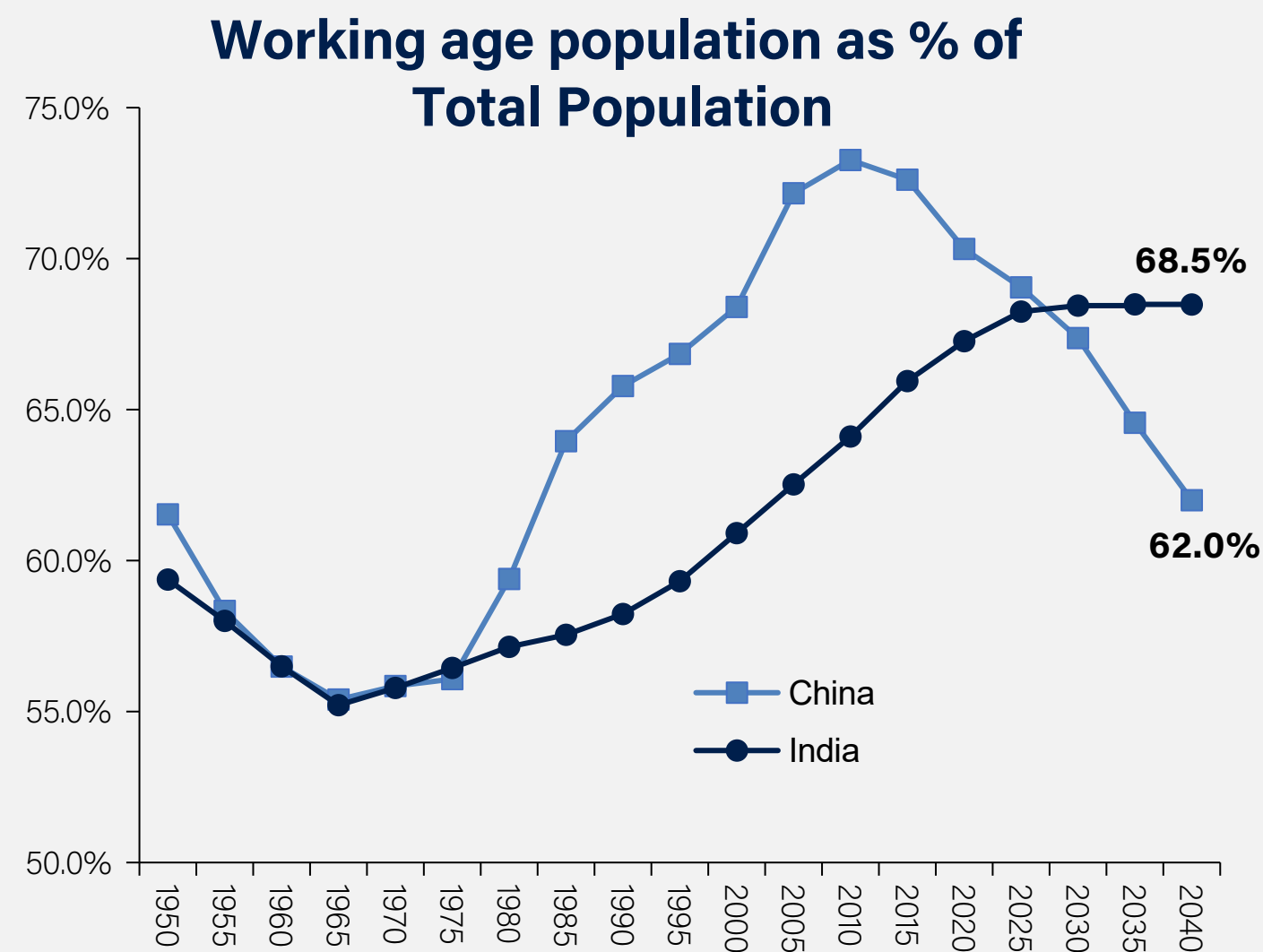
Sources: CMIE

External Sector is well positioned with positive global growth outlook, comfortable capital flows and robust foreign exchange reserves

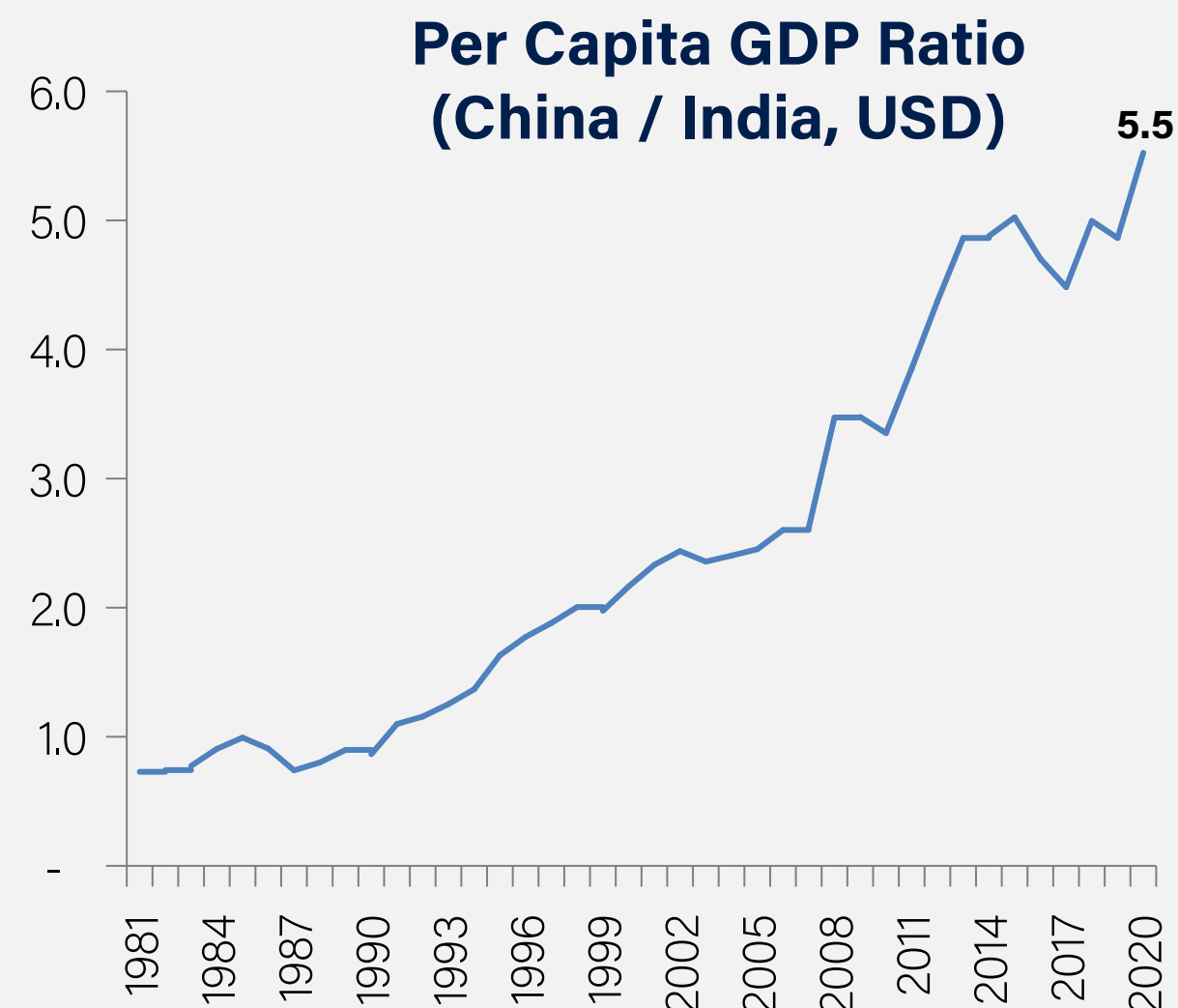
Shift in global supply chain: India likely to be a beneficiary (1/2)

- ◆ India's working age population will overtake China over next decade
 - ▶ India will be the major contributor of labour and consumption globally as its share of working age population increases

- ◆ Global supply chain was shifting to other EMs driven by rise in labour cost and high environment compliance cost in China
- ◆ Disruption caused by Covid-19 likely to accelerate the shift
 - ▶ Crackdown on Tech companies and ambition of "common prosperity" increases policy uncertainty



Sources: UN Population data



Sources: IMF



Sources: Jetro Survey

Shift in global supply chain: India likely to be a beneficiary (2/2)

- ◆ India likely beneficiary of this shift in manufacturing from China due to following reasons
 - ▶ A large domestic market & improving ease of doing business
 - ▶ Skilled human resources available at competitive costs
 - ▶ Concessional corporate tax rate (15%) for new manufacturing units set up before Mar-23
 - ▶ India using tariff and non-tariff measures to aggressively support manufacturing in India
 - ▶ Production Linked Incentive scheme (PLI) improves competitiveness
 - ▶ Focus on self reliance in defence, chemicals, etc. can aid to scale up domestic manufacturing

Steps taken to boost domestic manufacturing

PLI Schemes for select industries to promote import substitutions and increase exports
Raising duties under Phased Manufacturing Programme
Rationalization of Labour Laws
Agriculture reforms to remove bottlenecks and improving market access
Opening up defence sector and banning imports of select items
Revision of MSME definition to incentivise scaling of operations

Source: Morgan Stanley; Publicly available information

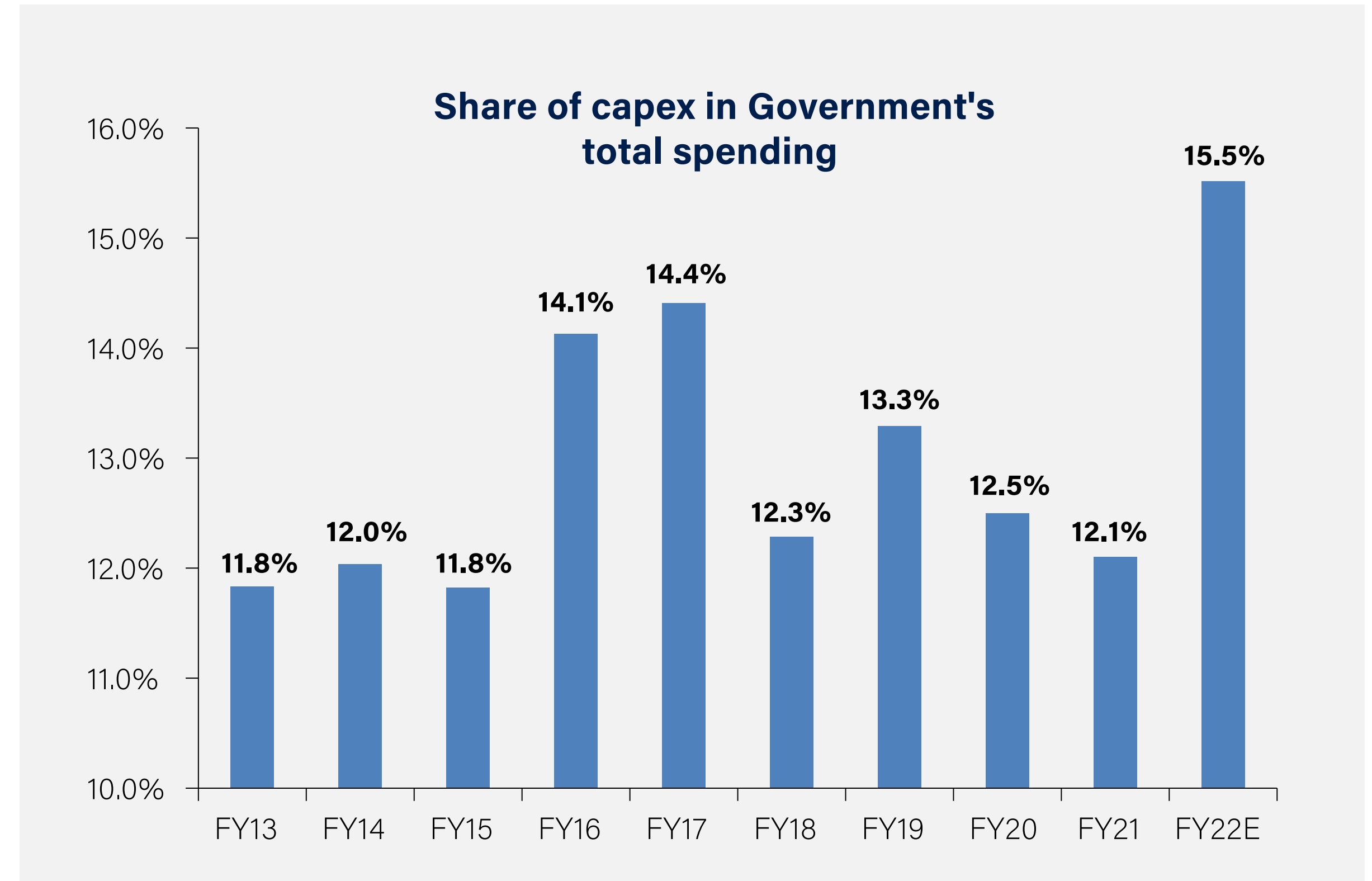
PLI Scheme approved for 13 key sectors (INR bn) - Incentives

Mobile phone	410	Telecom & Netwrkg. Prod.	122
Drug Intermediaries, APIs	69	Textile: MMF segment/tech.	107
Medical Devices	34	Food products	109
Advance Chem./Cell Battery	181	HE Solar PV Modules	45
Electronic/Technology Prod.	50	White Goods	62
Automobiles & Auto Comp.	570	Speciality Steel	63
Pharmaceuticals drugs	150	Total	1,973

Source: Publicly available information

Capex Cycle – Government to lead, private capex likely to follow (1/2)

- ◆ Government is proactively scaling up its capital spending to kickstart capex cycle
 - ▶ Higher spending on Roads, Railways and Housing development
 - ▶ Large scale infrastructure program like Gati Shakti, National Infrastructure Pipeline, etc.
 - ▶ Incentivizing state governments to divest and participate in NMP

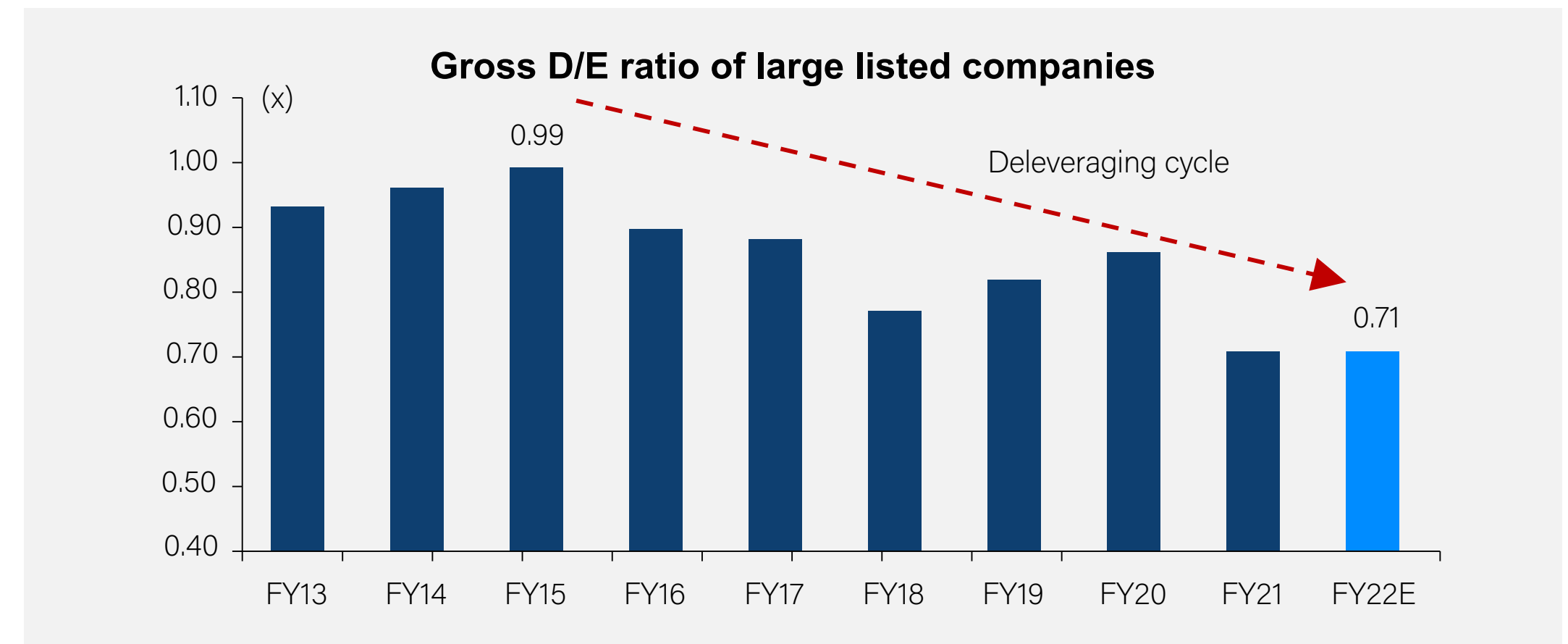


Sources: CMIE, Kotak Institutional Equities

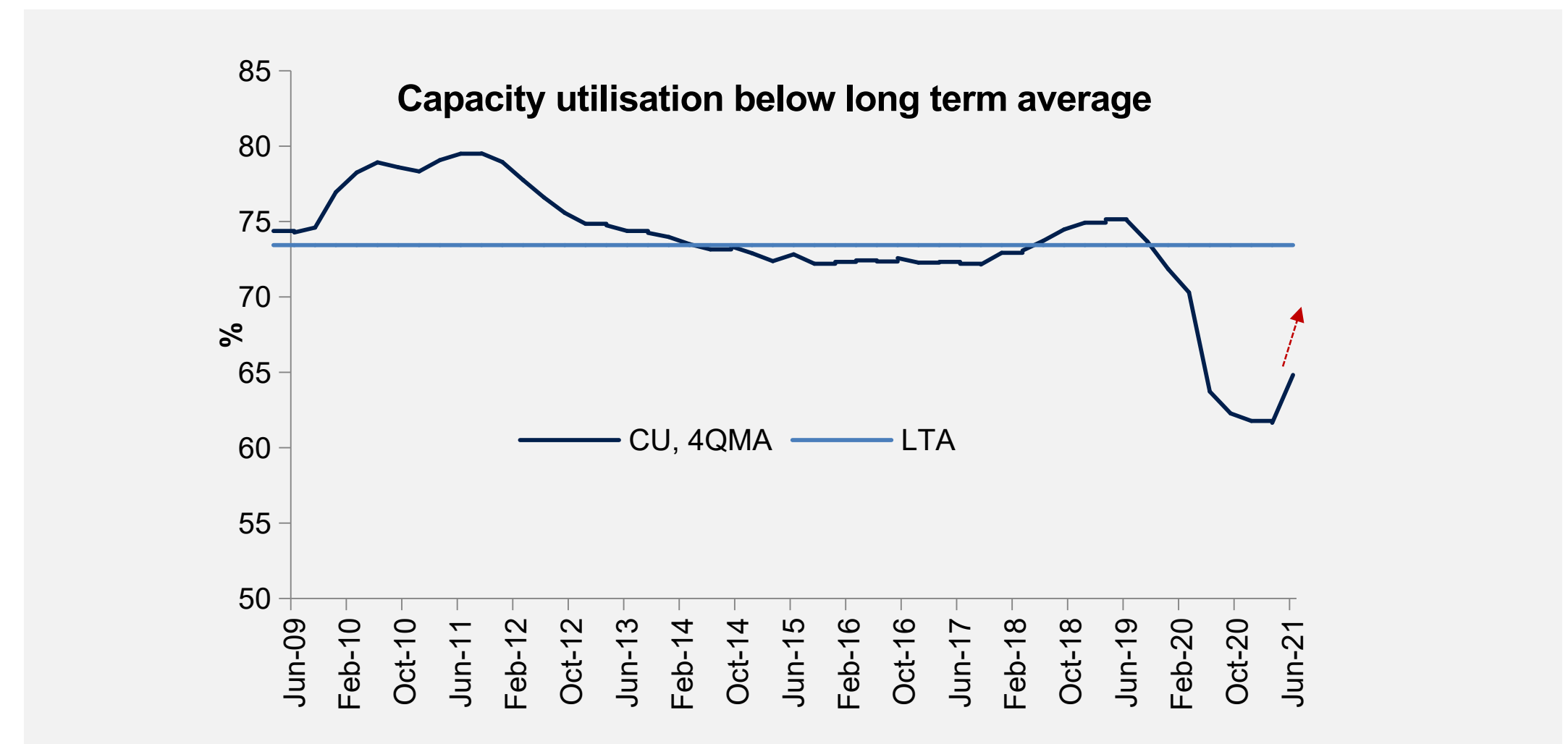
Capex Cycle – Government to lead, private capex likely to follow (2/2)

- ◆ Private corporate balance sheets have improved significantly since FY16 aided by strong improvement in profitability and relatively muted capex activity
- ◆ Conducive environment for revival of private capex cycle driven by
 - ▶ Ample liquidity and benign interest rates
 - ▶ Strong bank balance sheets with corporate NPA cycles largely behind
 - ▶ Robust corporate profitability with leverage near historical lows
 - ▶ Robust demand outlook - domestic as well as exports
 - ▶ Favourable Government policy
- ◆ Risk to Private capex cycle revival stemming from
 - ▶ Risk of demand not sustaining due to risk of 3rd Covid-19 wave
 - ▶ Capacity utilisation being below historic average

Capex cycle recovery in nascent stage, stars aligning for revival of private capex cycle



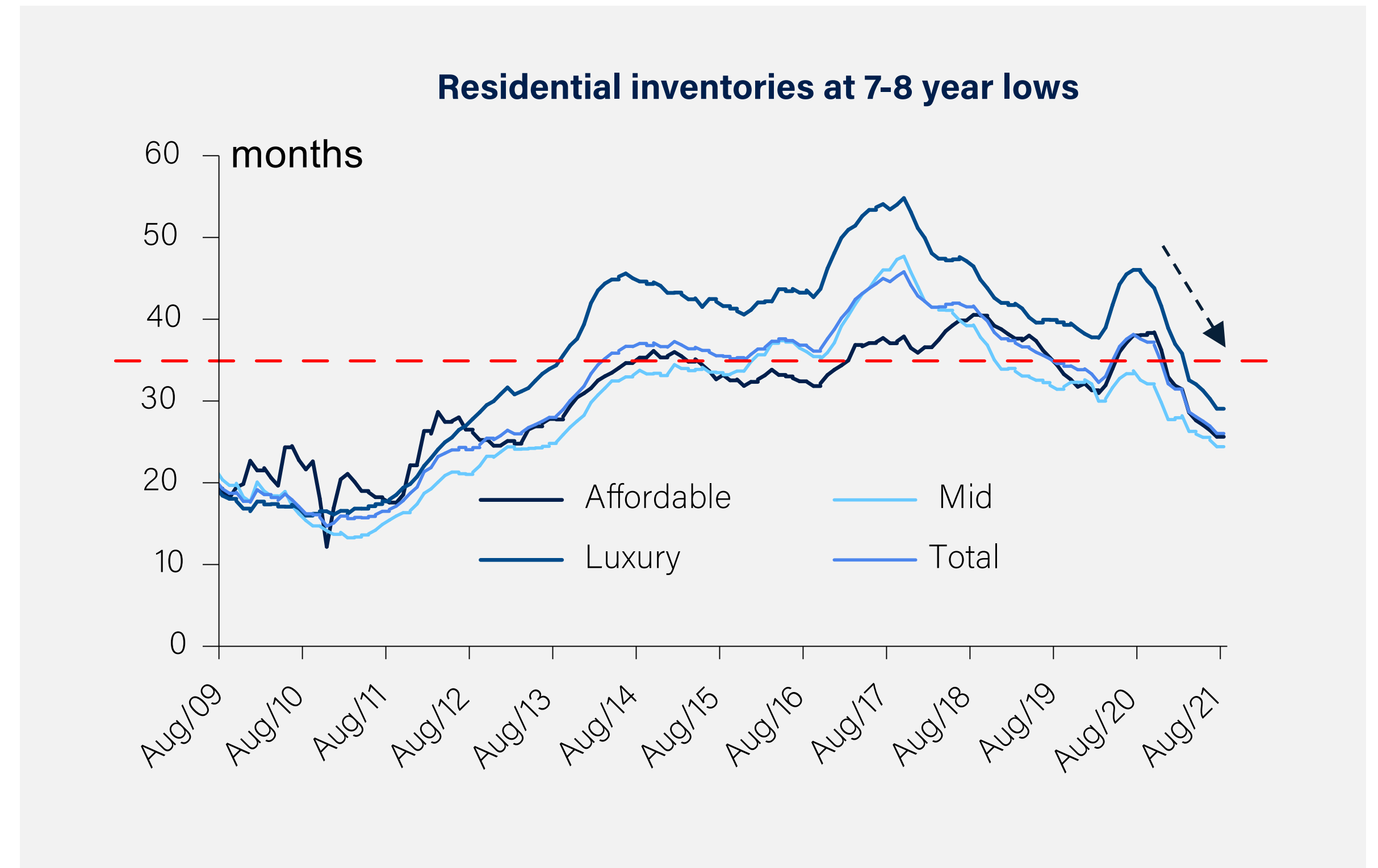
Sources: Jefferies



Sources: RBI, CMIE

Housing – Is it at the cusp of revival? (1/2)

- ◆ Over the past one year, the real estate volumes have picked up and trend is likely to sustain in near term
- ◆ Rise in transactions has resulted in inventory at 7-8 year low. Real Estate Cycle seems to be bottoming out



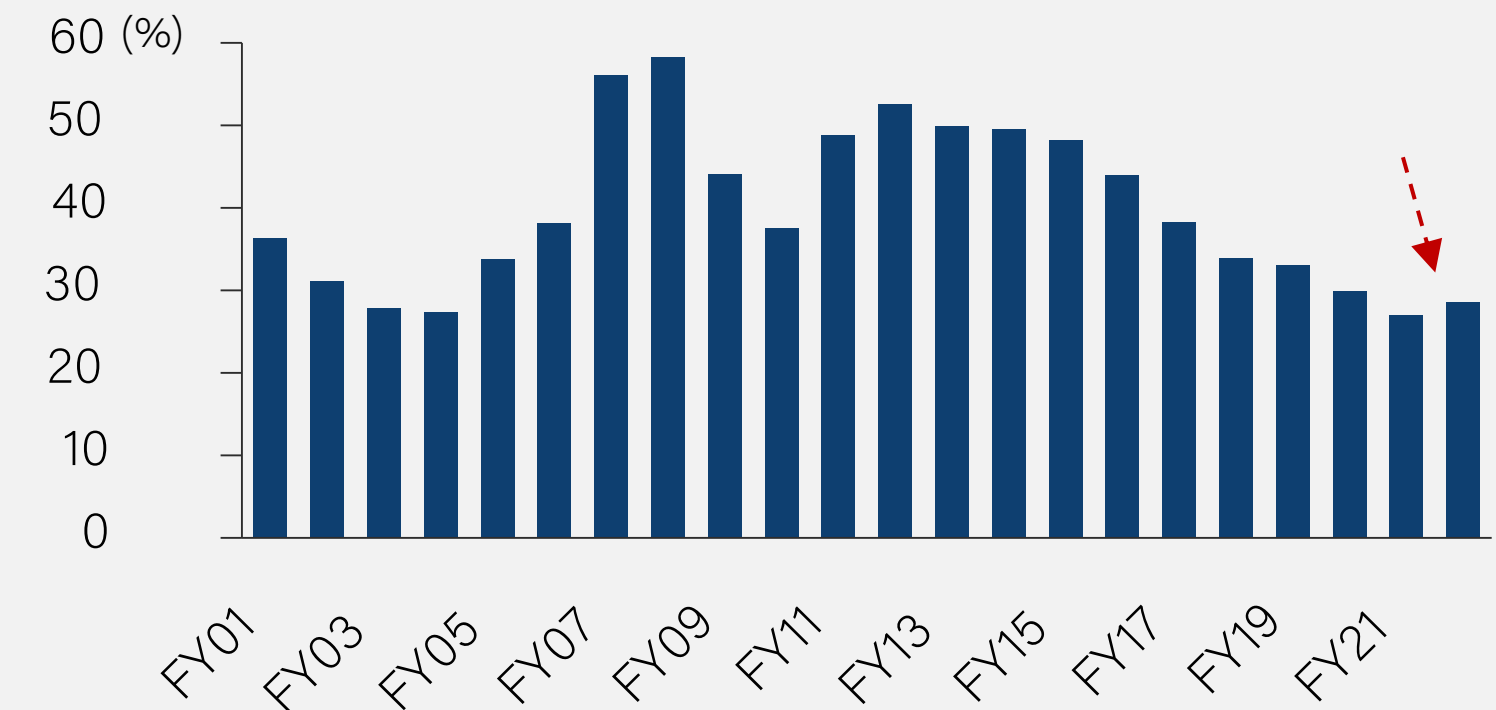
Sources: Jefferies

Housing – Is it at the cusp of revival? (2/2)

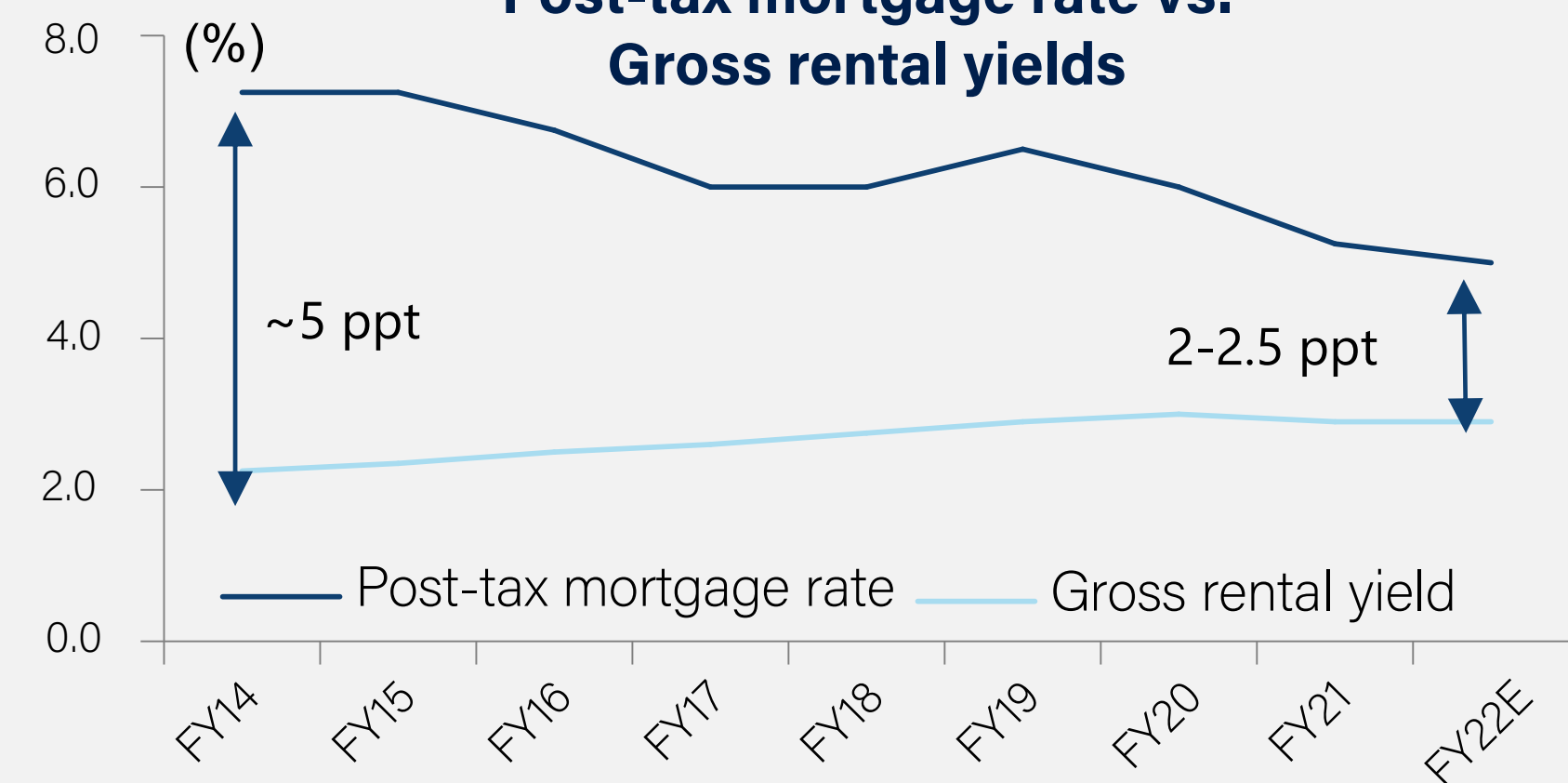
- ◆ Over the past two decades, affordability has improved significantly
- ◆ With India Inc. moving towards a hybrid work model (Office + WFH), home improvement sector is also likely to get a boost
- ◆ The improving affordability, rising employment, and rise in wealth due to rise in stock market prices, etc. can result in demand of residential real estate picking up over medium term
- ◆ Attractive trade off between rental yields and Mortgage rates

Housing is a large part of Gross capital formation and its revival can lead to a turnaround in a capex cycle

Affordability ratio (Home loan payment / Income ratio)



Post-tax mortgage rate vs. Gross rental yields



Source: Jefferies

Interest rate likely to remain rangebound over medium to long term

- ◆ Rising consciousness on ill effects of fossil fuels and efforts made to reduce energy dependence
 - ▶ Share of EV in car sales is increasing and likely to rise further
- ◆ Energy intensity of the global economy to reduce by more than 4%[^] p.a. between 2020-2030

Lower oil dependence over medium to long term to have a moderating impact on oil prices

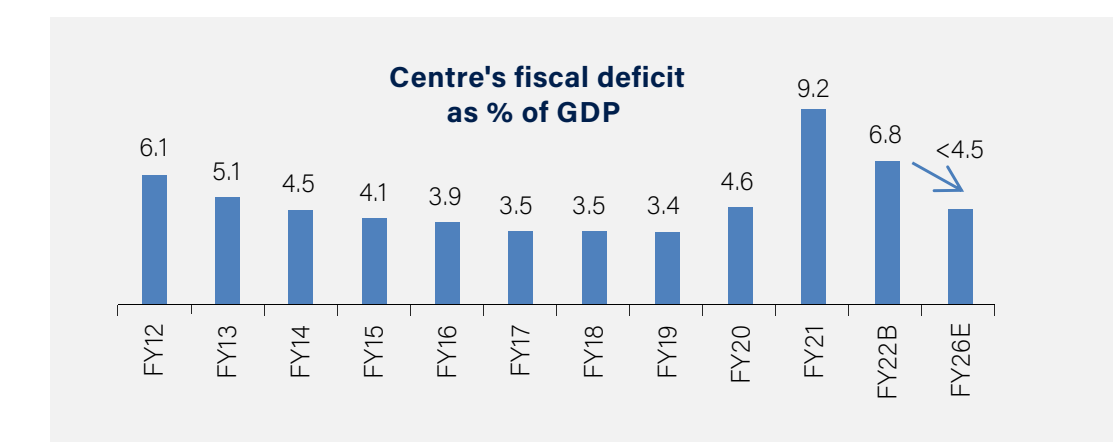
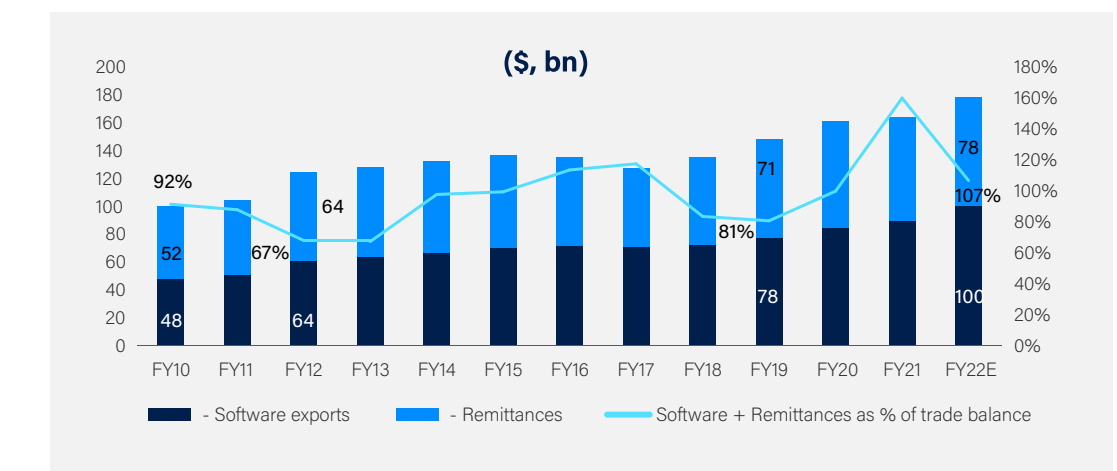
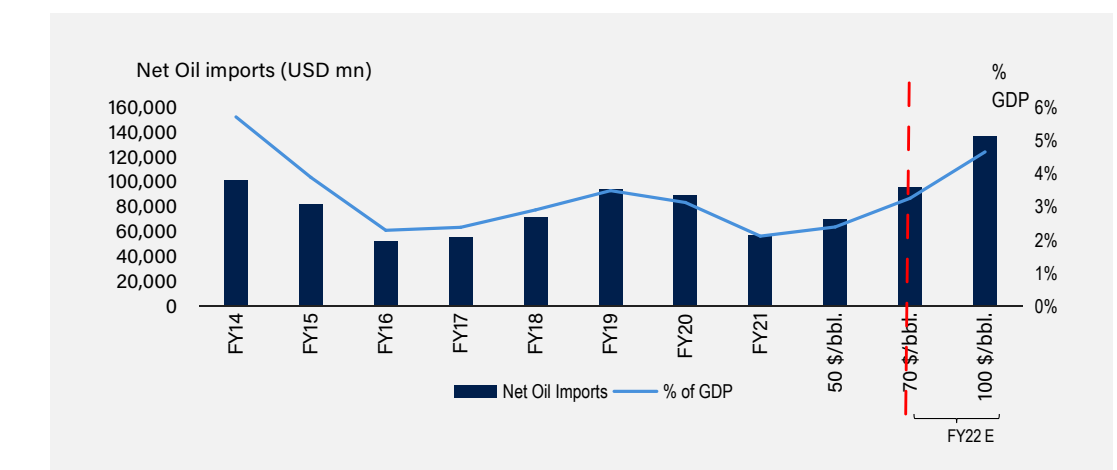
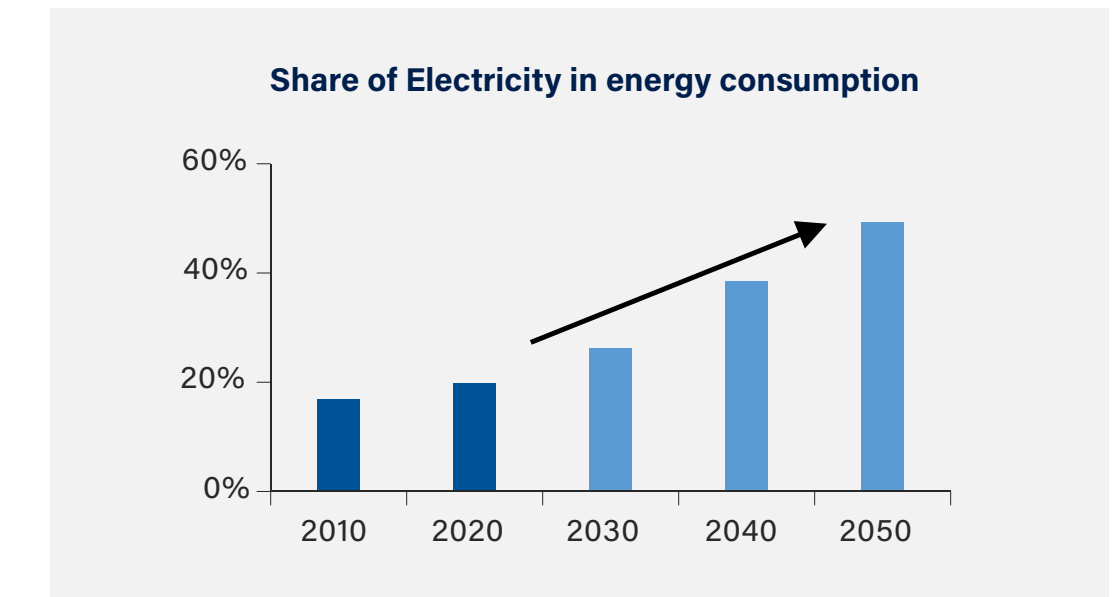
India's BoP position likely to improve driven by current as well as capital account

- ◆ India stands to gain from this transition as 80-85% of its domestic oil requirement is met through import and results in deficit of ~USD 100 bn per annum (@USD 75 /bbl)
- ◆ Steady increase in software exports and remittances reduces India's vulnerability to oil prices
- ◆ Likely inclusion of Indian sovereign bonds in global bond indices could lead to \$15bn-\$25bn annual capital inflows into Indian debt market for the next ten years

Government fiscal deficit likely to taper down over the medium term

- ◆ Central government target reduce fiscal deficit to <4.5% by FY26, thus reducing the bond supply
- ◆ With inflation targeting framework in place, the volatility in CPI is likely to be lower compared to past

Structurally weak demand outlook for oil, likely inclusion of Gsecs in global bond indices, controlled fiscal deficit and robust services can lead to structurally benign interest rates



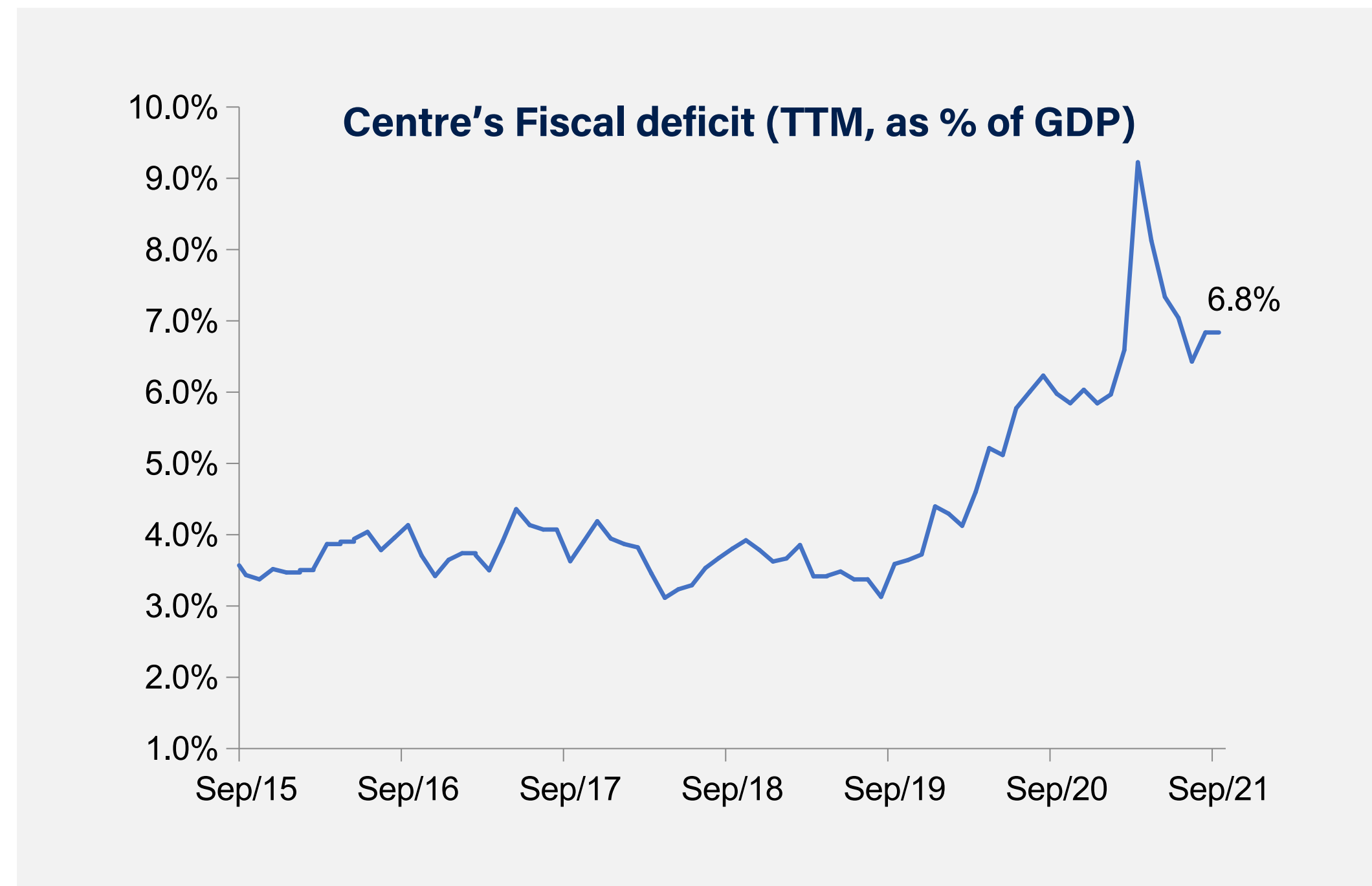
Source: IEA, Spark Capital

[^] Under the Net Zero emissions by 2050 scenario in its report on global energy outlook

Comfortable fiscal position reduces risk of crowding out private sector (1/2)

- ◆ Central Fiscal deficit has moderated aided by buoyant revenue collections
 - ▶ Low risk of fiscal slippage despite additional spending plans

- ◆ Central Government guidance on calibrated reduction of fiscal deficit to lower than 4.5% by FY26

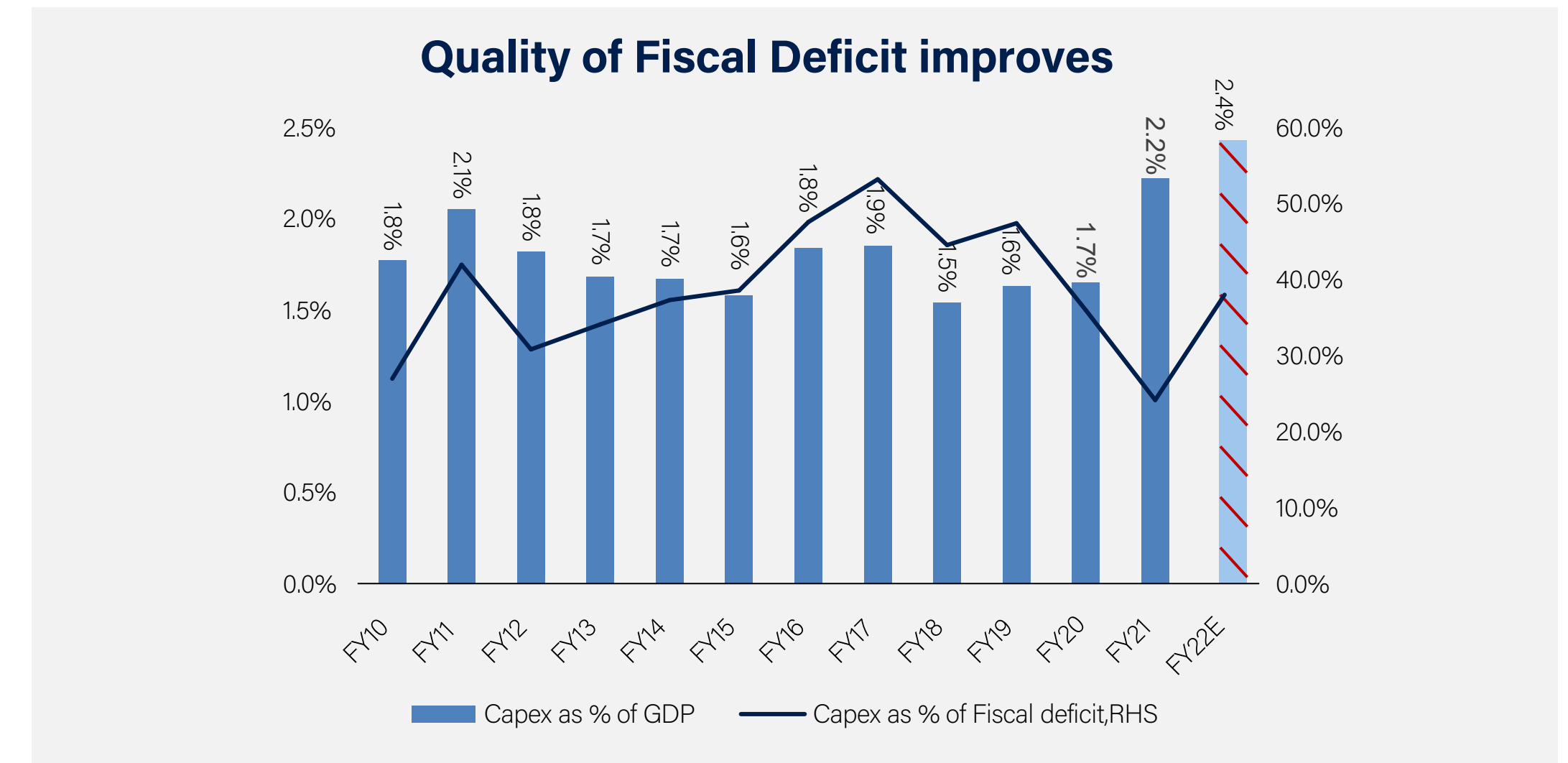


Source: Bloomberg, CMIE, Kotak Institutional Equities

INR bn	FY21A	FY22BE	FY22E
Revenue receipts	16,321	17,884	20,052
Net tax revenues	14,240	15,454	17,284
Gross tax revenues	20,249	22,171	24,233
Direct tax	9,264	11,080	11,963
Indirect Tax	10,984	11,091	12,271
Devolvement to states	5,950	6,656	7,067
Non-tax	2,081	2,430	2,886
Non-debt cap receipts	576	1,880	1,130
Disinvestment	329	1,750	1,000
Total receipts	16,897	19,764	21,182
Revenue expenditure	30,864	29,290	30,180
Interest	6,821	8,097	8,097
Capital expenditure	4,248	5,542	5,542
Total expenditure	35,112	34,832	35,722
Fiscal deficit	18,215	15,068	14,540
As % of GDP	9.2%	6.8%	6.4%

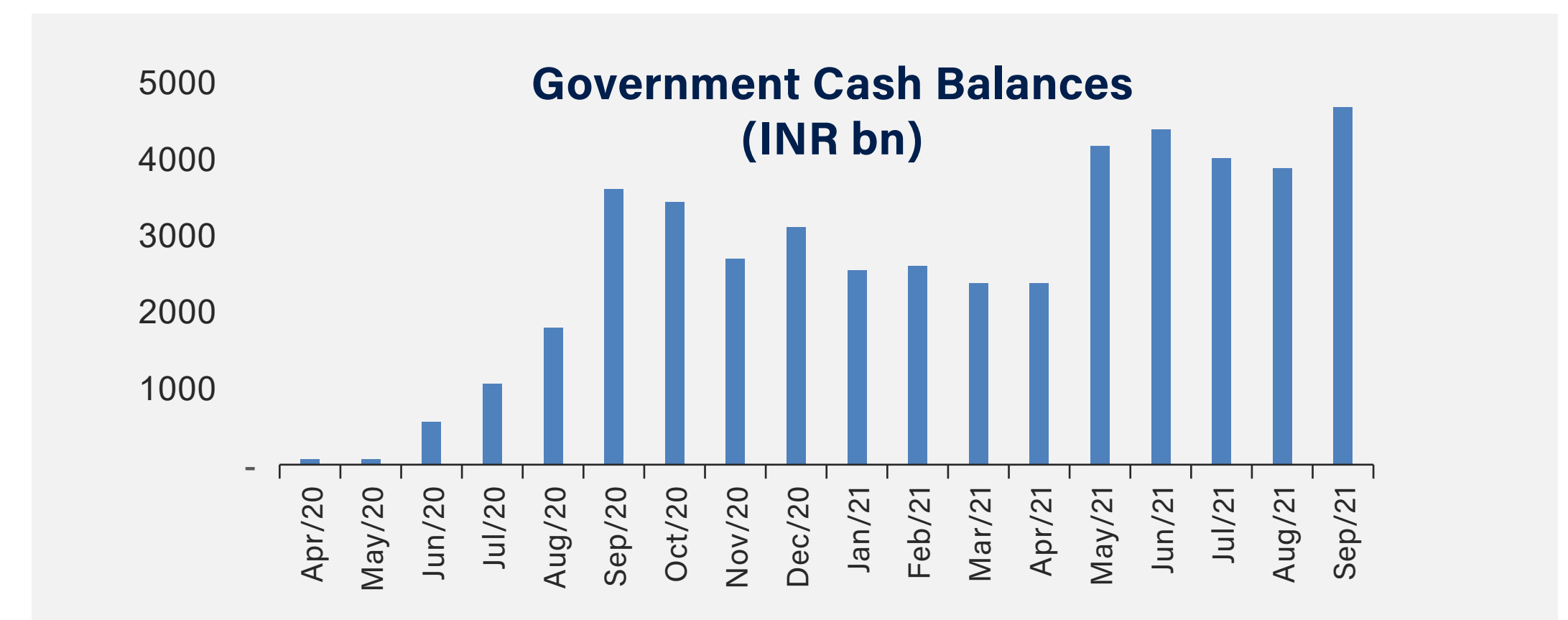
Comfortable fiscal position reduces risk of crowding out private sector (2/2)

- ◆ Central Government : focus on capex over the past few years
 - ▶ Quality of Fiscal deficit is, thus, likely to improve
 - ▶ Has rationalized revenue spending and prioritized expenses



Source: CMIE, Kotak Institutional Equities

- ◆ High Government cash balance provides elbow room to boost spending without significant rise in borrowings
- ◆ Government is front loading the transfer of shortfall on account of compensation cess to States to encourage them to scale up spending



Source: CMIE

Government's reforms boosting growth

◆ **Banking sector:**

- ▶ Government has formed 'bad bank' and also announced to give guarantee for debt upto upto INR 306 billion

◆ **Telecom Sector:**

- ▶ Liberal regime for telecom operators introduced by deferring payment of past liabilities, reducing spectrum charges etc.
- ▶ Withdrawal of 'retrospective taxation' on certain capital gains transactions

◆ **Steps to moderate inflationary pressure:**

- ▶ Low increase in farm produce guaranteed purchase price (MSP) of ~2%, despite widespread farmer protests
- ▶ Reduced duties on palm oil, edible oil etc. and allowed import of pulses

◆ **Manufacturing sector:**

- ▶ Introduction / roll-out of PLI schemes has increased investor confidence

◆ **Focus on infrastructure and logistic**

- ▶ Launched the "Gati Shakti" mission to improve logistic infrastructure; ambitious National Infrastructure Pipeline launched
- ▶ Capex spending in budget increased; Nudging CPSEs and state governments to increase capital spending

◆ **Progress on divestments and privatisation:**

- ▶ Air India divestment finalized and LIC IPO bankers appointed
- ▶ INR 6 trillion pipeline of CPSE asset monetization announced via InVITs to private investors, stake sales etc.

Central government is spearheading the reforms and making structural changes to boost growth

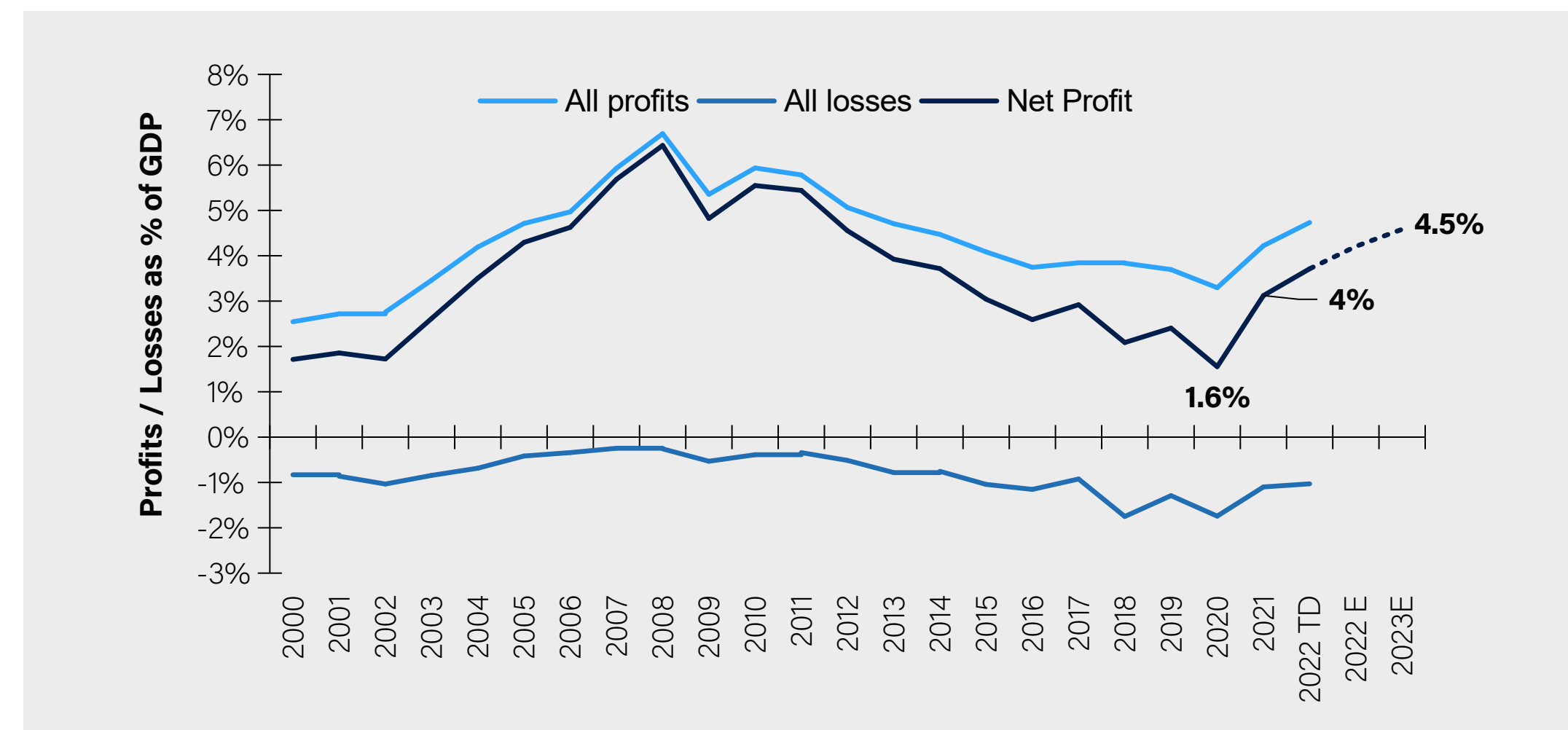
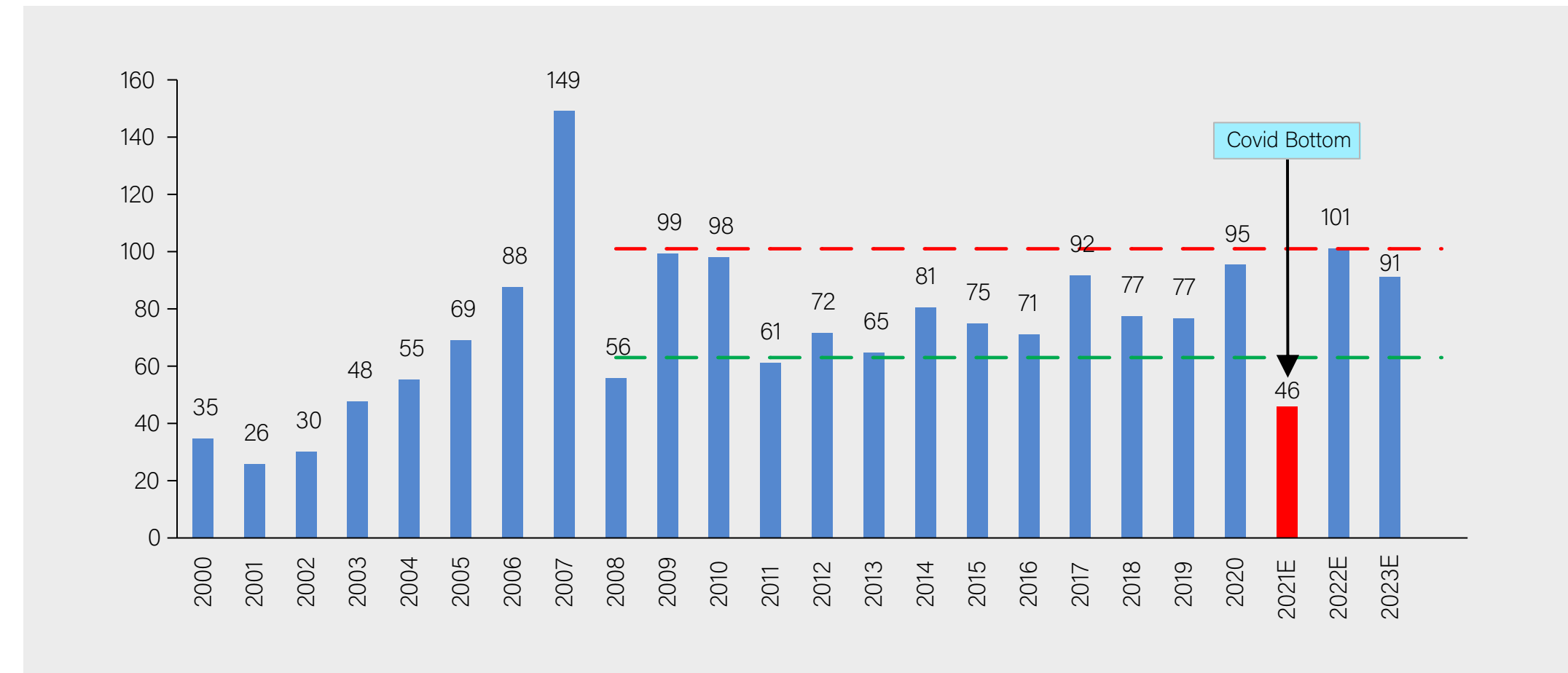
Equity Market Outlook



Market Outlook– Profit growth is the driver !!!

- ◆ Indian market capitalization is currently ~91% of GDP (based on CY 2023 GDP). It has been in the range of 60% - 100% post Global Financial Crisis
- ◆ Despite the sharp rally in 2020 and 2021, NIFTY 50 returns over the past 10 years and 15 years are ~11-13% CAGR, largely in line with nominal GDP growth
- ◆ Corporate profitability to GDP, after trending down for past decade, has turned around ! Profit growth outlook is robust

Going forward, markets should be driven by profit growth outlook



Source: Kotak Institutional Equities., ICICI Securities,
Data as on 31st Oct, 21.

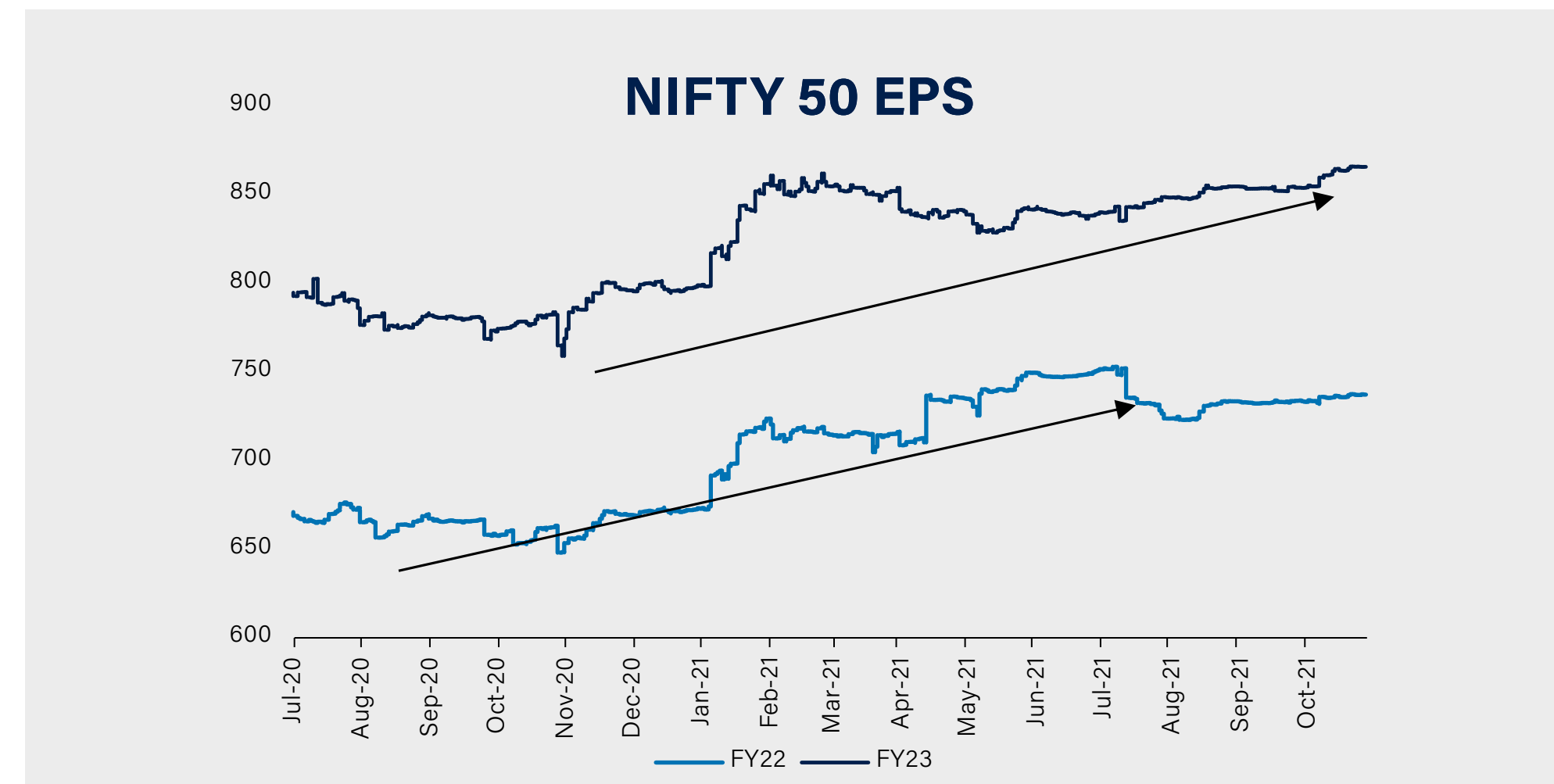
Downgrade cycle makes way for upgrade cycle (1/2)

- ◆ Over FY14-FY21, corporate earnings negatively surprised compared to estimates
- ◆ Post-Covid-19, corporate earnings cycle turned and market witnessed strong results and upgrades for FY22 and FY23
- ◆ The upgrades have been broad based and driven by revival in profitability of Corporate Banks, Materials, Industrials and Healthcare

NIFTY 50 estimates

	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Estimate	453	437	447	478	510	542	*
Actual	398	384	439	449	480	453	536
Change	-12%	-12%	-2%	-6%	-6%	-16%	*

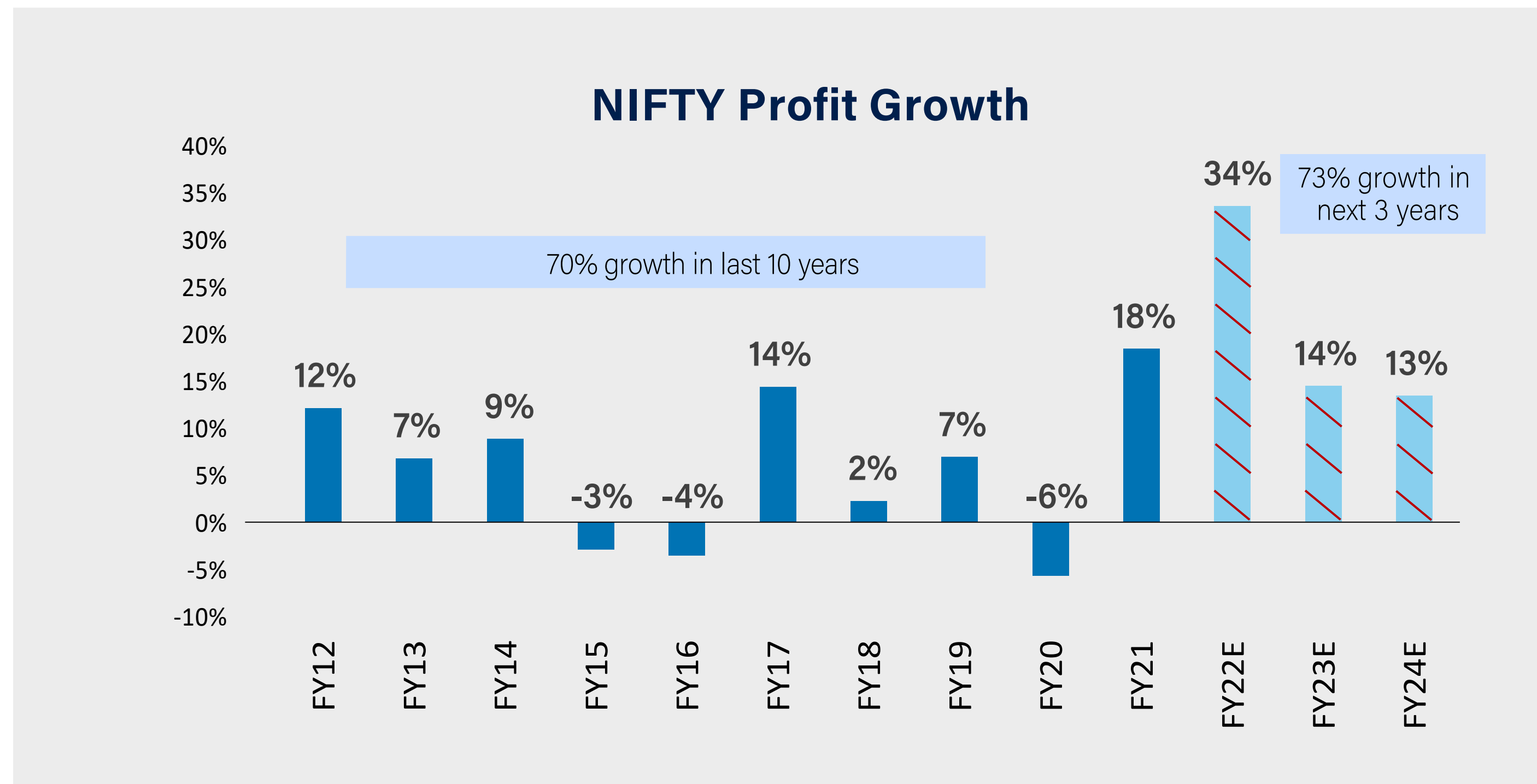
Estimates in October are considered for the financial year's estimate
 *FY21 being a year with severe covid restrictions, estimates changed sharply
 Source: Kotak Institutional Equities



Source: Jefferies

Downgrade cycle makes way for upgrade cycle (2/2)

- ◆ Markets have entered a robust corporate profit growth cycle
 - ▶ Expected increase in profitability in FY24 over FY21 is ~73% compared to 70% during FY11-21



Robust earnings growth outlook and favourable macroeconomic environment bode well for equities over medium to long term

Source: Kotak Institutional Equities

73% Earnings growth estimated over FY21-24

Last few years NIFTY50 profit growth got impacted due to :

- ◆ Higher provisioning on NPAs due to significant stress in steel, power & infra sectors by Corporate Banks
- ◆ Provisioning for AGR (Adjusted Gross Revenue) dues by Telecom companies
- ◆ Extraordinary write-offs by one large auto company
- ◆ Energy companies got impacted by inventory write-offs in FY20
- ◆ Healthcare companies got impacted by weak pricing cycle in the US

Profit growth to be driven by :

- ◆ With falling slippages and increasing resolution of NPAs provisioning costs are expected to fall significantly resulting in increase in profitability of Corporate Banks
- ◆ Shift of market share from unorganized to organized sector and rising penetration of e-commerce
- ◆ Digitization wave globally and comparative advantage due to decarbonization
- ◆ Supply chain disruption and significant rise in commodity prices
- ◆ Lower interest rates, Recovery in demand & Cost control post Covid-19 first wave
- ◆ No large extraordinary provisioning / write-offs expected

Sector	PAT Growth CAGR %		Absolute Growth 21-24E
	2014-21	21-24E	
Corporate Banks & Financials	-8%	45%	202%
Consumer Discretionary	7%	31%	127%
Materials	15%	26%	102%
Health Care	8%	26%	101%
Energy	4%	20%	72%
Consumer Staples-ex Tobacco	18%	18%	65%
Retail Banks & Financials	13%	15%	54%
Information Technology	8%	13%	45%
Industrials	6%	10%	35%
Utilities	5%	9%	30%
Tobacco	9%	5%	16%
Telecommunication Services	n.a.	n.a.	n.a.

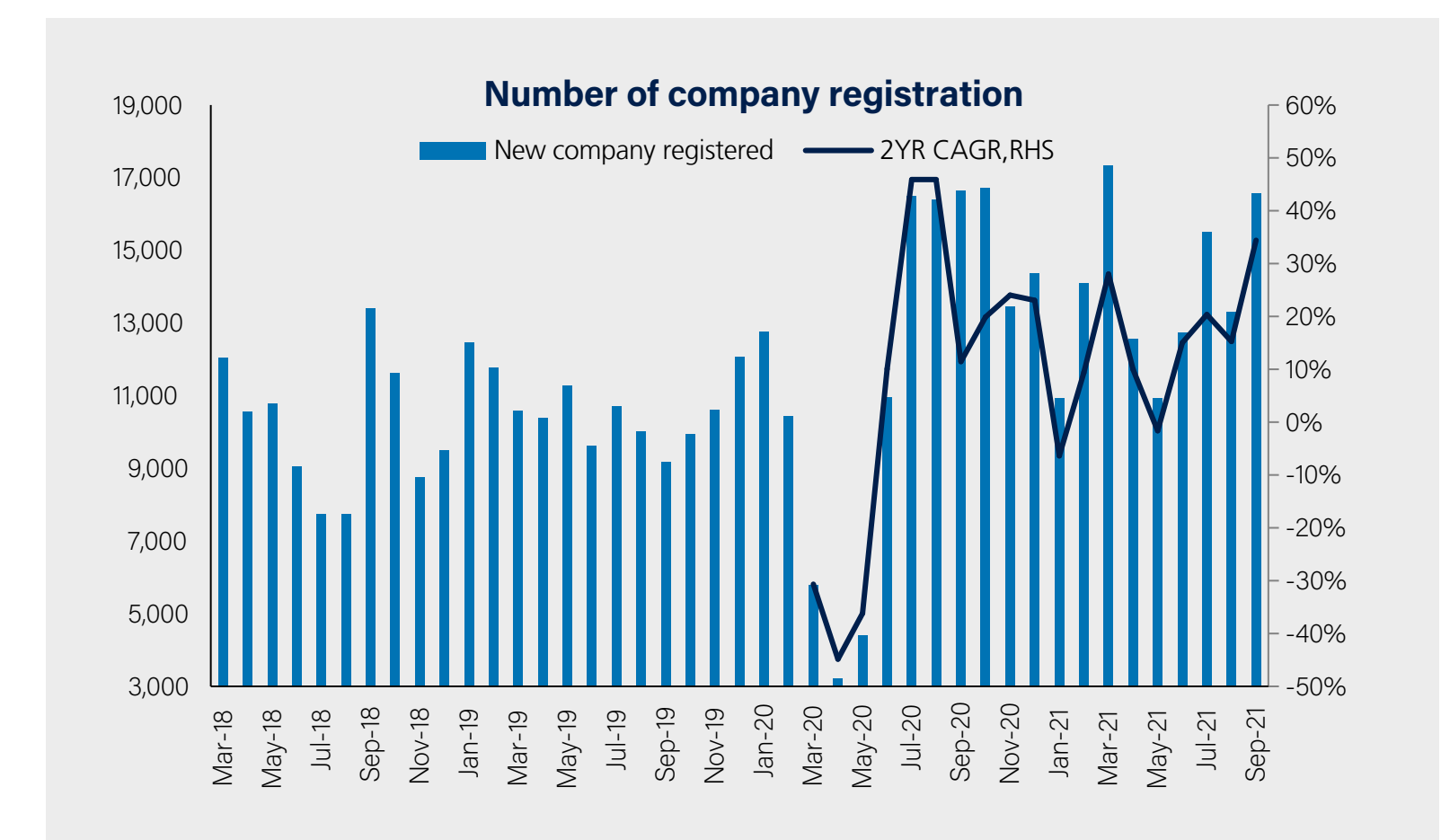
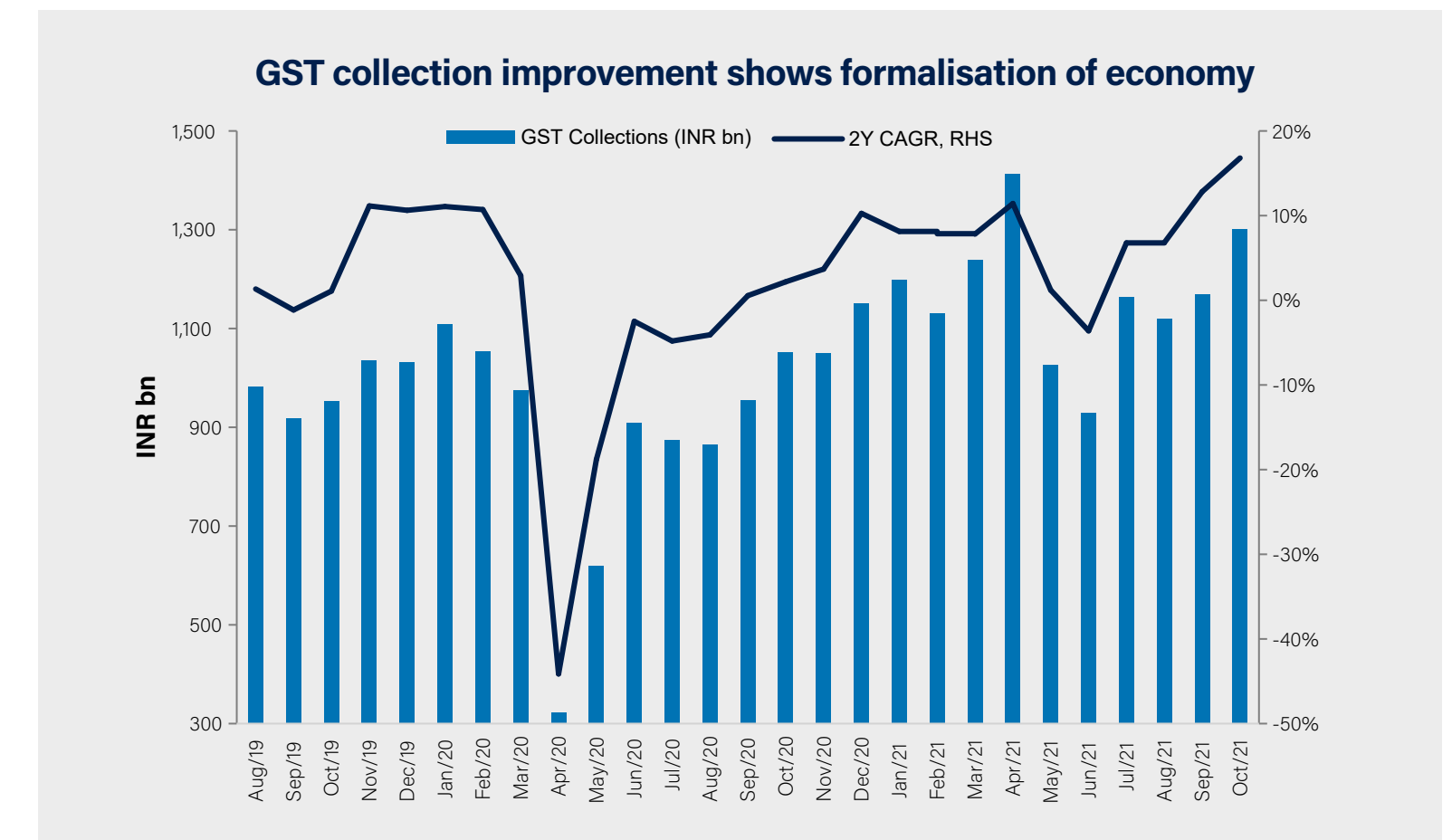
Source: Kotak Institutional Equities, E – Kotak Institutional Equities estimates. Data as on 31st October, 2021

HDFC Mutual Fund/AMC is not guaranteeing any returns on investments made in this Fund. The above statements / analysis should not be construed as an investment advice or a research report or a recommendation to buy or sell any security covered under the respective sector/s. In view of the individual circumstances and risk profile, each investor is advised to consult his / her professional advisor before making a decision to invest in the Scheme. Sectors referred above are illustrative and are not recommended by HDFC Mutual Fund/AMC. The Fund may or may not have any present or future positions in these sectors.

Formalisation of the Economy

Sector	Parameter	Share	Existing Market Share (FY21)	Incremental Share* (FY21 vs FY17)
Bank Credit	Credit market share	Top 6	49.3%	67.3%
NBFCs - HFCs	AUM share	Top 2	73.0%	89%**
Cement	Sales Volume	Top 5	60.2%	100%
Steel	Sales Volume	Top 6	68.0%	95%
Telecom	Revenue	Top 3	87.0%	NM
Real Estate^	Launches	Top 30	NA	203 vs 166***
Power generation - Share of private	Units		39.5%	58%
General Insurance	Gross Premium	Private sector share	57.2%	75.8%
Domestic Pharma	Revenue Market Share	Top 20	67.5%	75.8%

Demonetization, implementation of GST and outbreak of COVID has made larger and listed firms stronger



*Incremental Share = change in aggregate company numbers divided by change in industry numbers between FY20 v/s FY17; **HDFC + LIC AUM change between Sep-20 v/s Sep-18 *** No. of units launched/developer; ^New launches share in tier 1 cities. Source: Spark Research, MCA, CMIE

Equity Market Outlook - Conclusion

Key Positives

- ◆ Robust economic outlook driven by multiple factors (refer page: 12 & 13)
- ◆ Optimistic outlook on corporate earnings with broad based upgrades seen over the past few months
- ◆ Corporate NPA cycle largely behind, adequate provisioning and strong capital adequacy bodes well for credit growth
- ◆ High domestic liquidity with low interest rates
- ◆ High Global Liquidity with supportive external environment and low cost of capital
- ◆ Rapid increase in retail participation in equity markets (*7.5 cr accounts now vs 4 cr before covid*) can aid the rally

Key Risks

- ◆ Valuations leave limited room for multiples expansion from here on
- ◆ Risk of large 3rd Covid-19 wave resulting in lockdowns
- ◆ Sharp increase in US Yields or premature withdrawal of accommodative policy by major central banks
- ◆ Sustained High Inflation globally impeding growth

Equity returns are likely to be driven by improvement / upgrades in corporate earnings over medium term

HDFC Multi Cap Fund

Investment Process and philosophy of HDFC AMC



- ◆ At HDFC AMC, we largely focus on medium to long-term play to minimise inherent risks in the operating environment born out of volatilities in businesses and economies across the world.
- ◆ Investment philosophy for equity oriented investments based on the conviction that stock prices reflect their intrinsic values over time.
- ◆ We are medium to long-term investors and our investments are driven by fundamental research.
- ◆ We believe that Long-term fundamentals and effective diversification are key and Stock selection is critical in a constantly changing environment.
- ◆ Our Core list consists of more than 400 stocks which we actively track and it covers over 85% of India's Market Capitalization.

Why HDFC Multi Cap Fund?



- ◆ Mandatory allocation of minimum 25% of total assets across Large, Mid and Small Caps brings in discipline.
- ◆ Balance allocation of upto 25% of total assets based on view of the fund manager.
- ◆ Wide representation of sectors across market cap
- ◆ Aims to be benchmark aware w.r.t sector weights in benchmark
- ◆ No style bias. Aims to capture opportunities across growth, value and turnaround companies
- ◆ HDFC MF's long term track record of managing diversified mutual fund schemes
- ◆ Fund Manager with experience of over 16 years in fund management.

- ◆ The Fund manager will follow a mix of top down and bottom up approach to stock selection.

Market Capitalization*	Investment focus and Style	Sector
<ul style="list-style-type: none">▶ ~60-75% in large and Mid Caps▶ ~25-40% in Small Caps	<ul style="list-style-type: none">▶ Growth (Refer page 39)▶ Value (Refer page 40)▶ Turnaround (Refer page 41)	<ul style="list-style-type: none">▶ Benchmark aware with respect to sector weights

- ◆ Focus on companies which are likely to
 - ▶ Witness steady and secular growth
 - ▶ See a turnaround in profitability and have potential of being re-rated
- ◆ Seek to invest in companies which are leaders and/or are gaining market shares due to superior execution, scale, better adoption of technology etc.

*Within the limits laid down in SID
This is proposed investment strategy / allocation and is subject to change depending on the market conditions

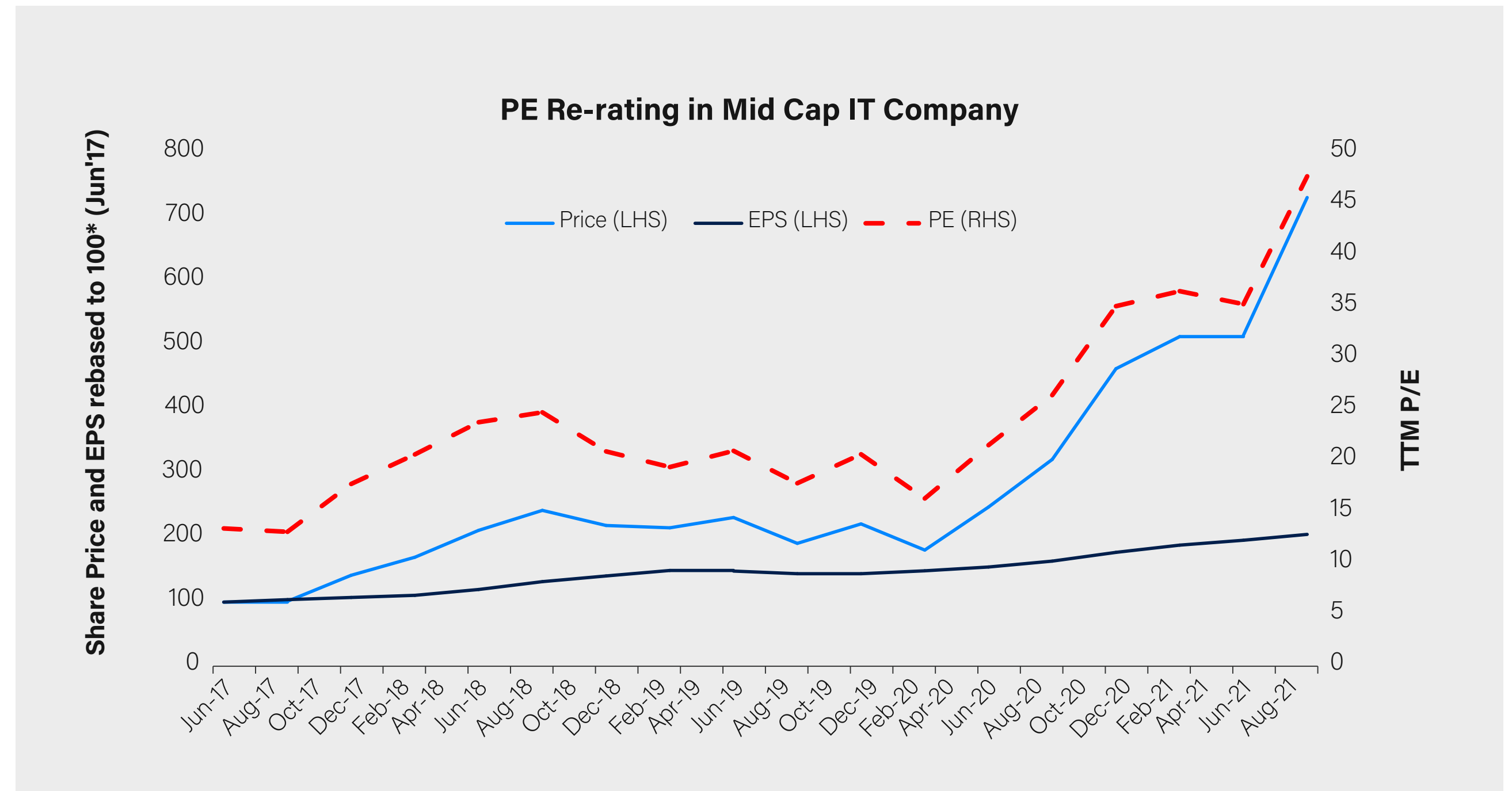
Case Studies – Growth potential of Compounders

Company Name	Market Cap*	10Y Price Growth % CAGR	10Y PAT Growth % CAGR	10Y NET Sales Growth % CAGR	Rationale
Leading cement manufacturer in North India	Large	32%	27%	14%	<ul style="list-style-type: none"> ◆ Third largest cement group in India ◆ Strong operating efficiency resulting in healthy return ratios ◆ Stronghold in North India
Largest manufacturer of cement	Large	21%	14%	12%	<ul style="list-style-type: none"> ◆ Largest cement manufacturer in India with a domestic market share > 20% ◆ Pan-India presence cushions against downtrend in one region ◆ Efficient cost management.
Indian multinational paint company	Large	26%	15%	11%	<ul style="list-style-type: none"> ◆ India's leading paint company and one of the largest globally ◆ Double the size of any other paint company in India. ◆ Market leadership and cost management leading to strong return ratios ◆ Strong Balance Sheet management
Indian multinational information technology company	Large	18%	11%	13%	<ul style="list-style-type: none"> ◆ Global Leader in technology and consulting ◆ Business presence in 50+ countries ◆ Long track record of ~40 years
Indian multinational tyre manufacturing company	Mid	40%	20%	12%	<ul style="list-style-type: none"> ◆ Leader in tyres used in heavy machinery ◆ Multinational reach with exports accounting for ~80% of Sales ◆ High margins and return ratios
Largest manufacturers of specialty fluorochemicals	Mid	49%	13%	10%	<ul style="list-style-type: none"> ◆ Operates one of the largest fluorochemical complexes in India ◆ Presence across various segments ◆ Almost Debt Free
Largest manufacturers of lead-acid batteries	Small	22%	16%	15%	<ul style="list-style-type: none"> ◆ One of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in the Indian storage battery industry

*Based on SEBI classification as on 30 June 2021. The list above is illustrative and not recommended by HDFC Mutual Fund/AMC. The Fund may or may not have any present or future positions in these. The above statements / analysis should not be construed as an investment advice or a research report or a recommendation to buy or sell any security covered under the respective sector/s. The same has been prepared on the basis of information which is already available in publicly accessible media

Case Studies – Value

- ◆ Reasonable valuations critical for long term wealth creation
- ◆ Investors with long term horizon can benefit not only from earnings growth but also re-rating of multiples
- ◆ A Mid cap IT company, for instance, saw ~60% CAGR growth in share price vs 18% CAGR growth in EPS between 30-Jun-17 and 30-Sep-21 as it witnessed P/E re-rating from ~13 to ~48 during this period

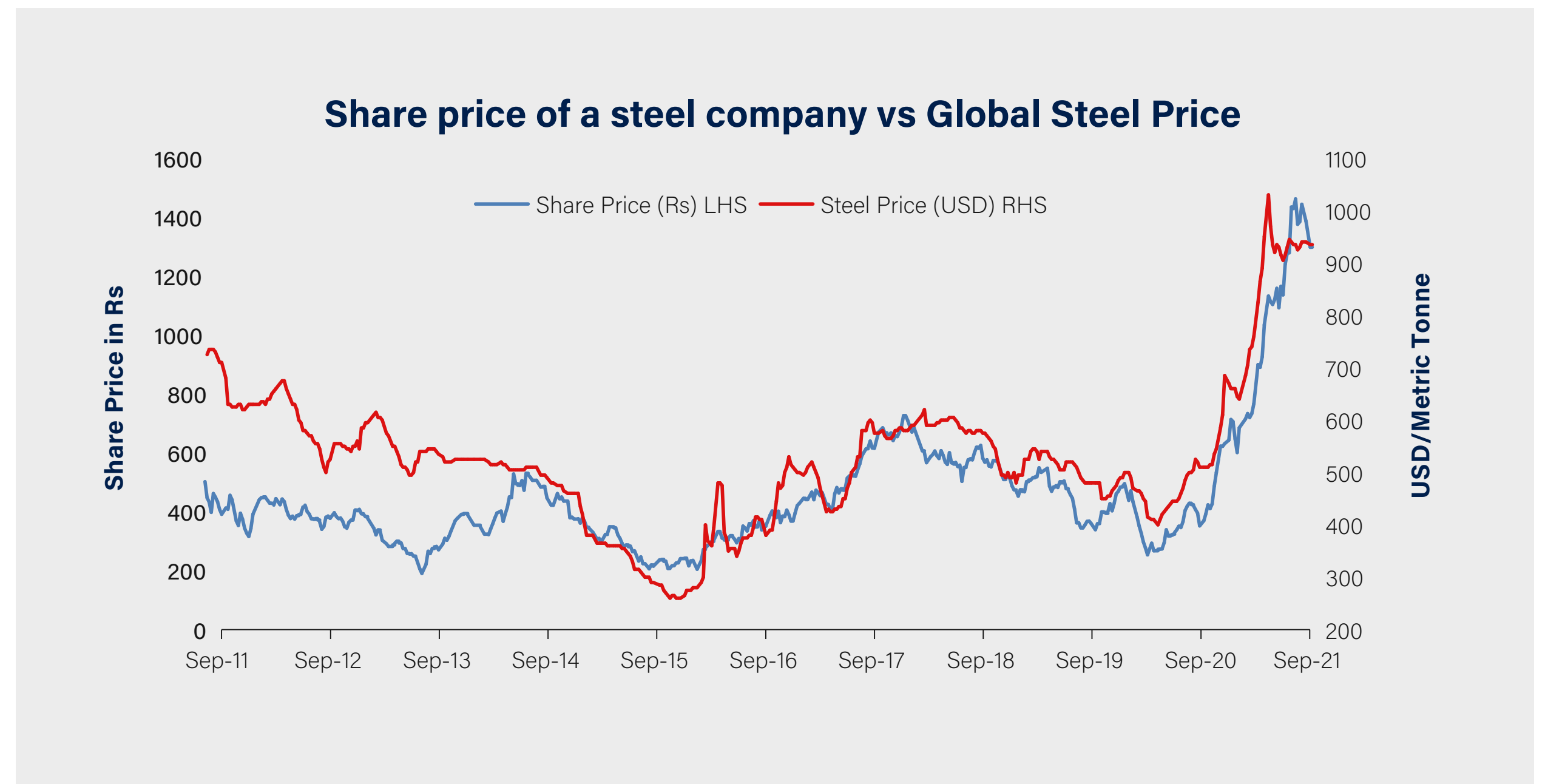


Source: Bloomberg, * Share Price and Earnings per share (EPS) rebased to 100 as of 30-Jun-2017, TTM P/E – Trailing 12 months Price /Earnings ratio



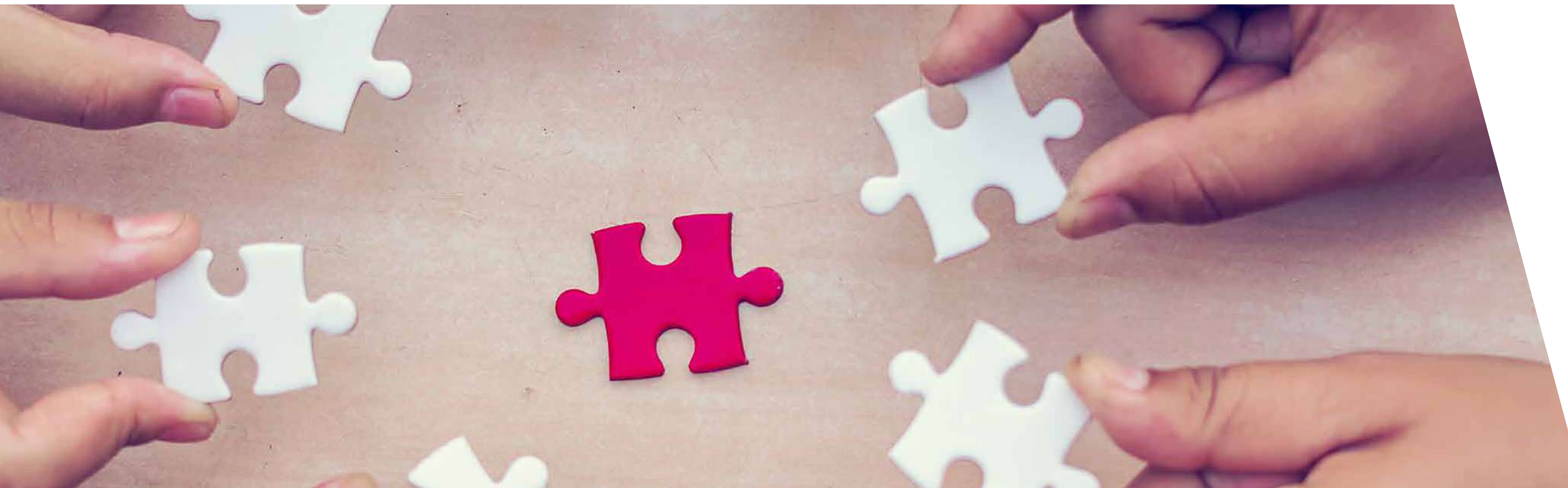
Case Studies – Turnaround

- ◆ Strong turnaround in steel company on account of sharp rally in steel prices and improved operational efficiency
- ◆ Output cuts in China in order to control carbon emissions have aided recovery in steel prices and turnaround in the Company
- ◆ Bottom line growth of ~40% in FY21 after decline of ~20% in FY20



Source: Bloomberg

- ◆ Investors looking for one stop solution with disciplined exposure to large cap, mid cap and small cap segments
- ◆ Investors with a medium to long term investment horizon
- ◆ Apt investment vehicle for SIP investments to achieve market cap based diversified allocation



Fund Facts



Investment Objective	To generate long term capital appreciation by investing in equity and equity related securities of large cap, mid cap and small cap companies. There is no assurance that the investment objective of the Scheme will be realized.
Fund Manager	Mr. Gopal Agrawal
Proposed Date of Allotment (Within 5 working days of close of NFO)	December 10, 2021
Benchmark Index	NIFTY 500 MULTICAP 50:25:25 (TRI)
Exit Load	<ul style="list-style-type: none"> ▪ In respect of each purchase/switch-in of units, an Exit load of 1% is payable if units are redeemed/switched-out within 1 year from the date of allotment. ▪ No Exit Load is payable if units are redeemed / switched-out after 1 year from the date of allotment. ▪ No Entry / Exit Load shall be levied on bonus units and Units allotted on Re-investment of Income Distribution cum Capital Withdrawal. <p>In respect of Systematic Transactions such as SIP, GSIP, Flex SIP, STP, Flex STP, Swing STP, Exit Load, if any, prevailing on the date of registration / enrolment shall be levied.</p>
Plans	Plans: Regular & Direct
Options	<p>Regular and Direct Plans offer the following sub-options:</p> <p>(a) Growth</p> <p>(b) Income Distribution cum Capital Withdrawal (IDCW) Option.</p> <p>IDCW option offers following Sub-Options / facilities:</p> <ul style="list-style-type: none"> ▪ Payout of Income Distribution cum Capital Withdrawal (IDCW) Option / facility and ▪ Re-investment of Income Distribution cum Capital Withdrawal (IDCW) Option / facility
Minimum Application Amount	<p>During NFO Period Purchase: Rs. 5,000/- and any amount thereafter</p> <p>During continuous offer period (after scheme re-opens for repurchase and sale):</p> <p>Purchase*: Rs. 5,000/- and any amount thereafter*</p> <p>Additional Purchase: Rs. 1,000/- and any amount thereafter</p> <p>*applicable if investing for the first time in a folio in the Scheme.</p>



Mr. Gopal Agrawal (B.E., MBM)
Senior Fund Manager
HDFC AMC Ltd

Gopal Agrawal has over 16 years experience in Fund Management and 2 years in Equity Research. Before joining HDFC Asset Management Company Limited, he has worked with DSP Investment Managers Private Limited, TATA Asset Management Company Limited and Mirae Asset Global Investments (India) Pvt. Ltd.

Disclaimer

The views expressed herein are as of 11th November 2021 and 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 contained in this document is for general purposes only and not an investment advice. The document is given in summary form and does not purport to be complete. The document does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. 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. Past performance may or may not be sustained in future. HDFC AMC / HDFC Mutual Fund is not guaranteeing / offering / communicating any indicative yield on investments made in the scheme(s). Neither HDFC AMC and HDFC Mutual Fund (the 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.

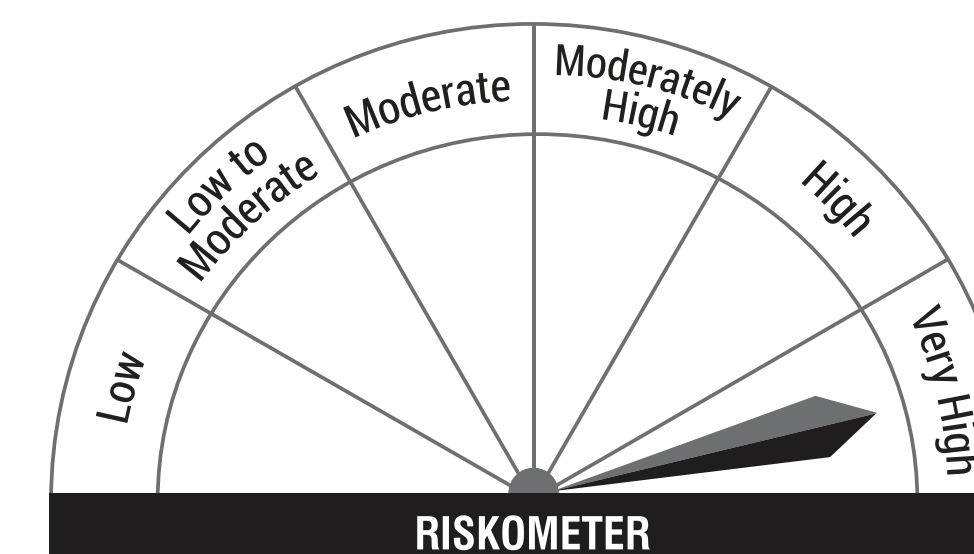
This product is suitable for investors who are seeking*:

- to generate long-term capital appreciation/ income
- investment in equity and equity related securities of large cap, mid cap and small cap companies.

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

The product labeling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

Riskometer#



Investors understand that their principal will be at very high risk

A blue-tinted photograph of two people shaking hands. The image is overlaid with the text "Thank You" in a large, white, bold, sans-serif font. The background shows the hands and forearms of two individuals in business attire, with the handshake centered in the lower half of the frame.

Thank You