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BHAROSA APNO KA

HDFC MF Yearbook 2025

India Investing: Accelerating Growth while Navigating Challenges

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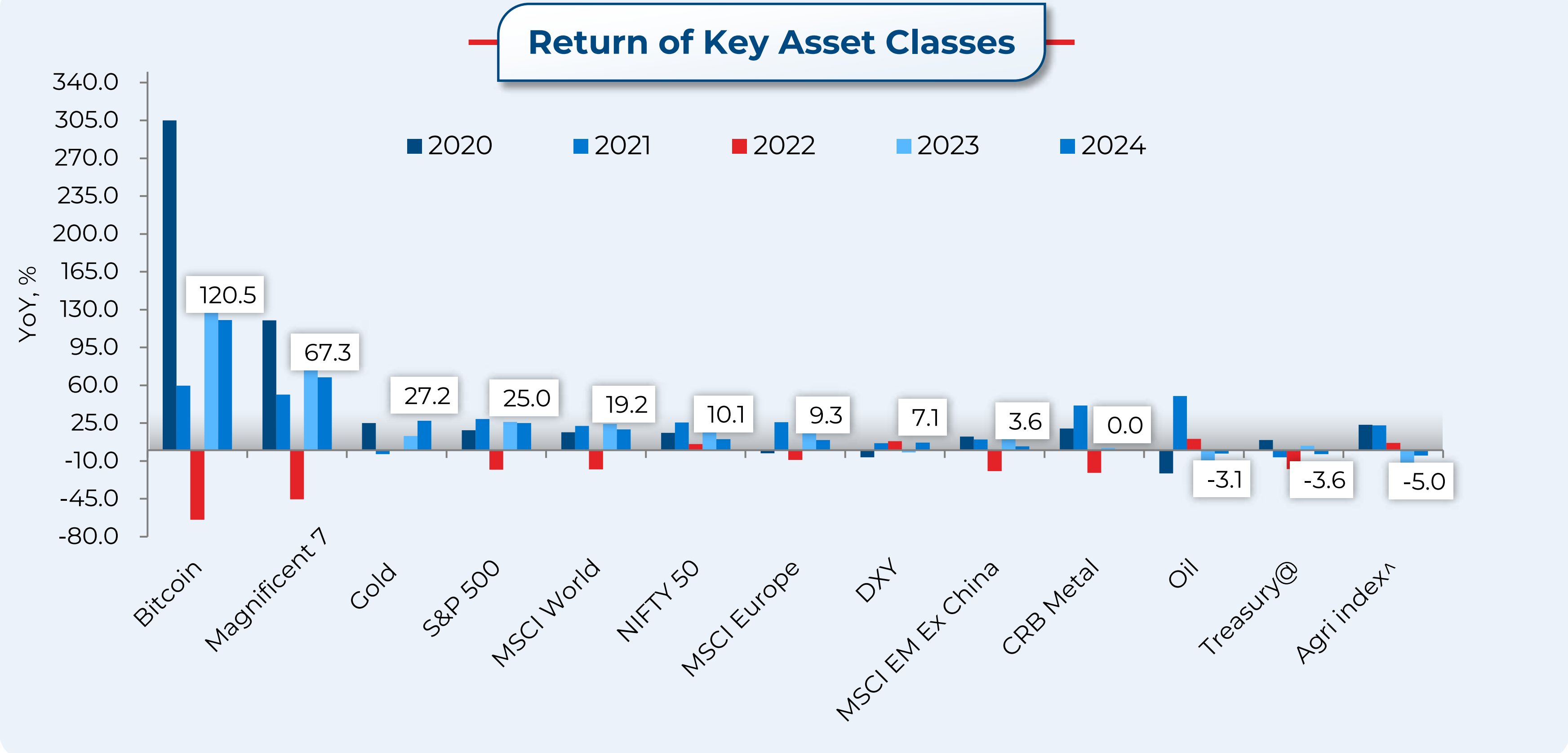
The Year Gone By

CY2024: Global Assets

Equity – The Best Performing Asset Class over the Long-Term

- Most of the asset classes gave positive returns in 2024 except Agri, Treasury and Oil
- In the long term, equities has been the best performing asset class



Asset Class	10 Year CAGR
Nasdaq 100	15.1%
S&P 500	13.1%
NIFTY 50	12.4%
MSCI World	10.5%
Gold	8.3%
MSCI Europe	7.3%
MSCI EM Ex China	4.7%
Oil	2.7%
Agri Index	2.4%
CRB Metal	2.3%
Treasury@	-0.6%

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.
^Bloomberg Agri Index; @Bloomberg Global Aggregate Treasury Total Return Index USD (Unhedged)

CY2024: A Year of Contrasts

Momentum ruled but Mean Reversion made a Comeback too

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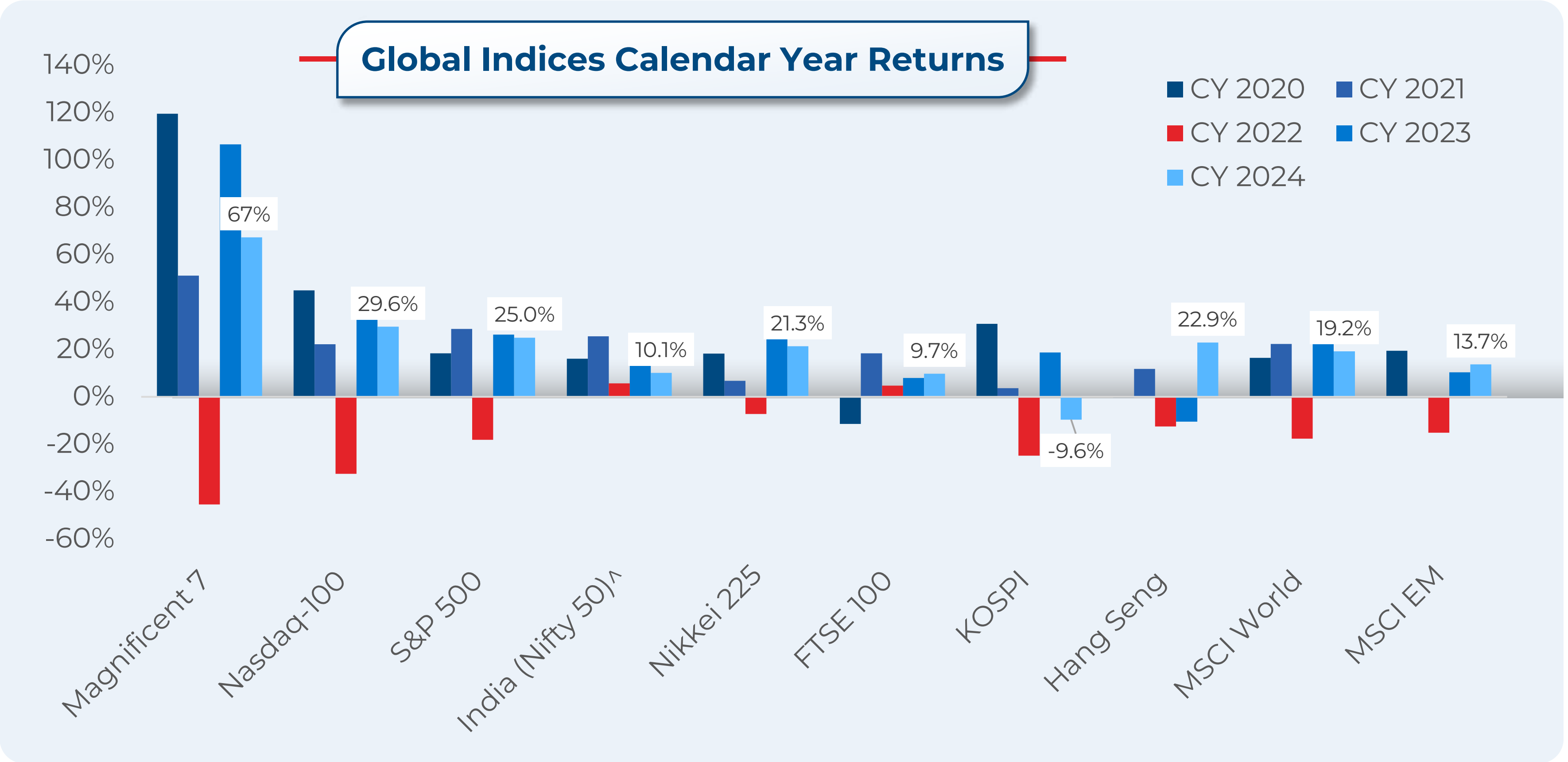
- Global markets saw a tech-driven rally, with 'Magnificent 7' outperforming significantly
- Despite growth concerns in China, Hang Seng and Shanghai indices outperformed NIFTY 50 Index demonstrating mean reversion



Indices	5 Year CAGR
Magnificent 7	44.3%
Nasdaq 100	17.5%
S&P 500	14.5%
India (Nifty 50)^	15.5%
Nikkei 225	13.2%
FTSE 100	5.4%
KOSPI	1.8%
Hang Seng	1.4%
MSCI World	11.7%
MSCI EM	4.9%

Source: Bloomberg; DM – Developed Market, EM – Emerging Market; ^Nifty 50 TRI performance has been considered; All the equity indices returns are in US$, Magnificent 7 includes Apple, Microsoft, NVIDIA, Alphabet, Meta, Amazon and Tesla

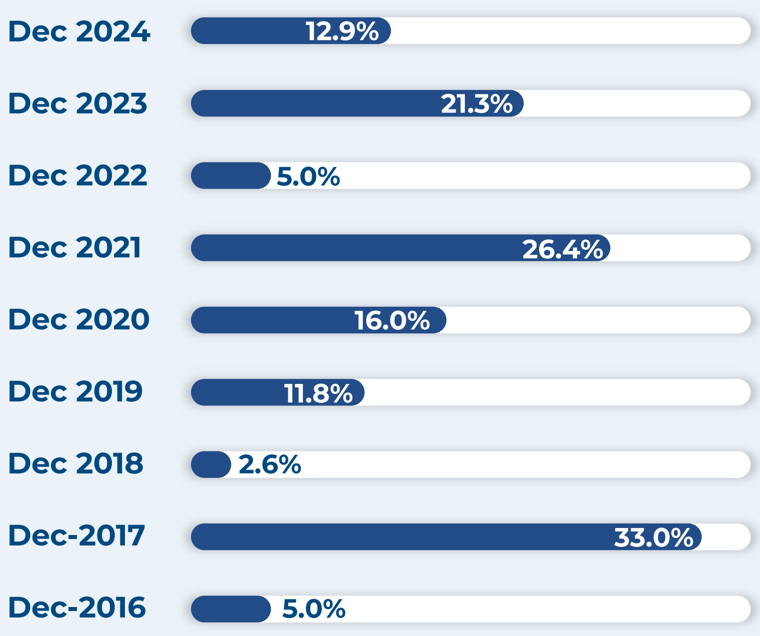
Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Indian Equities continue to perform well

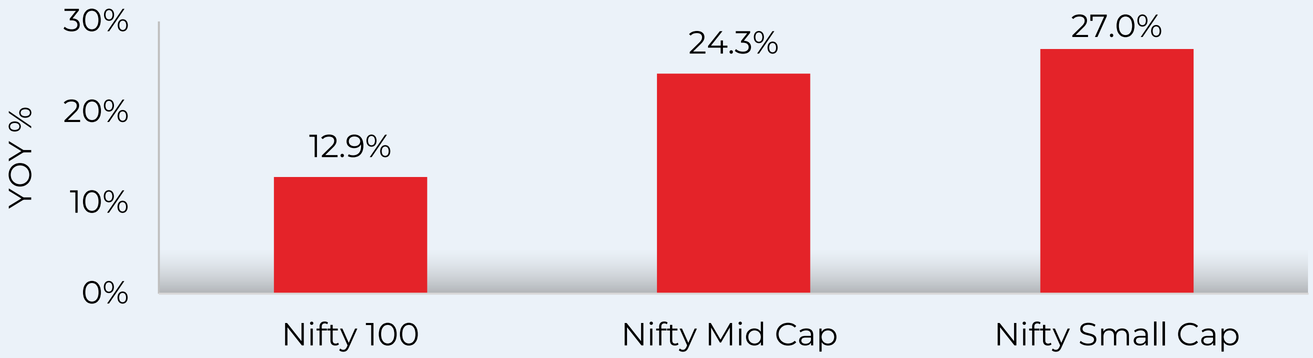
9th Consecutive Year of Positive Return

- Performance of Indian equities was driven by re-rating and strong DII & retail flows
- Mid and Small Caps outperformed the markets significantly

NIFTY 100 TRI for Dec 2016 – 2024



CY 2024 Market Cap Performance



Index	10-year CAGR	10-year EPS Growth*
NIFTY 100	13.0%	9.2%
NIFTY Mid Cap	18.9%	15.6%
NIFTY Small Cap	16.8%	11.8%

Data as on December 31, 2024. Source: MFI. DII – Domestic Institutional Investors, CYTD: Calendar Year till Date, CAGR – Compounded Annual Growth Rate. Returns of Nifty 100- Nifty 100 TRI, Nifty Midcap 150 - Nifty Midcap 150 TRI, Nifty Small Cap - Nifty Small Cap 250 TRI are considered. **Past performance may or may not be sustained in future and is not a guarantee of any future returns**. * EPS growth between Mar'14 to Mar'24

Indian Equities - Sectoral Performance

All Sectors ended in the Green

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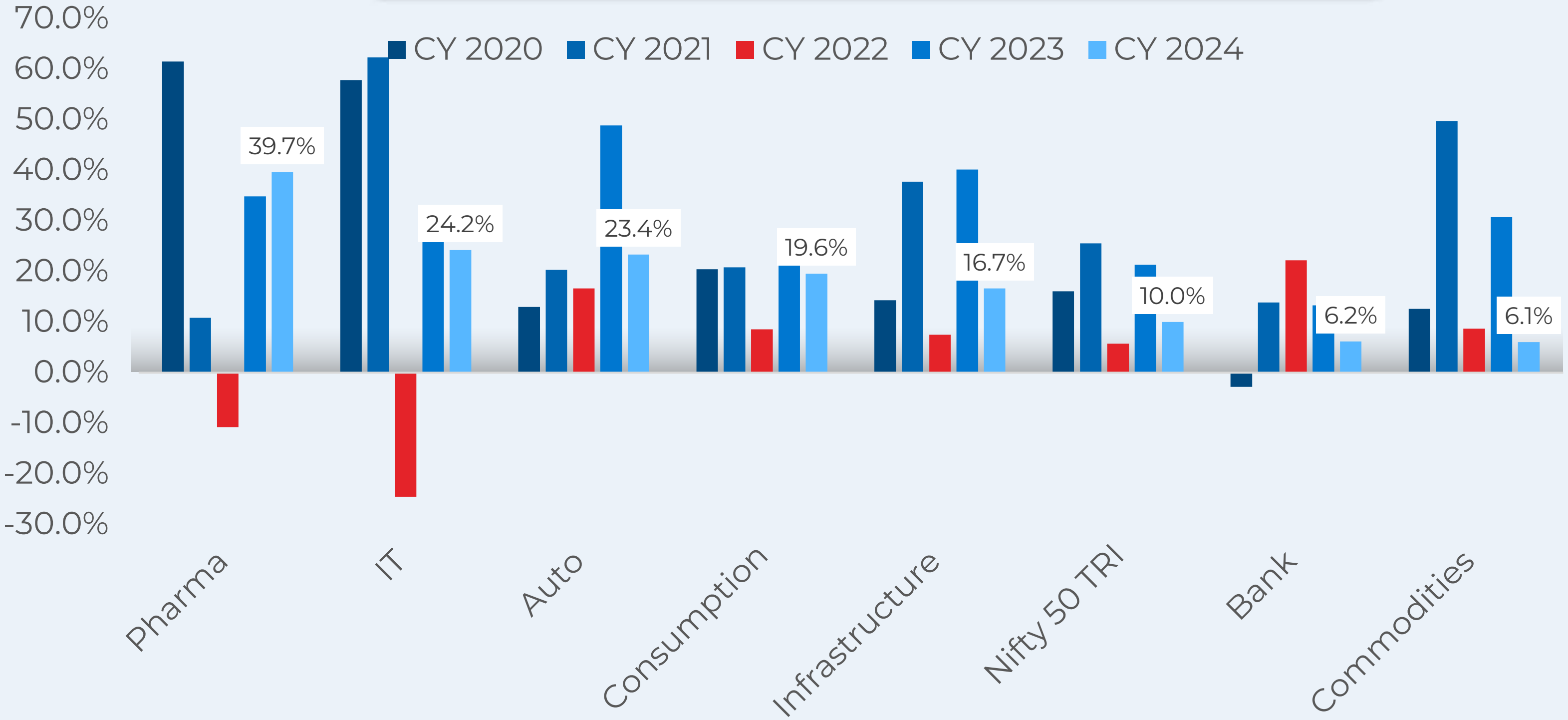
- Most sectors did well in 2024 on the back of resilient domestic demand and formal sector gaining market share

Calendar Year Performance of India's Key Sectors



Key Sector	5 Year CAGR
Pharma	24.7%
IT	24.9%
Auto	23.9%
Consumption	19.3%
Infrastructure	22.6%
NIFTY 50 TRI	15.5%
Bank	10.2%
Commodities	20.5%

Data as on December 31, 2024. Data Source: MFI. Returns have been calculated on absolute basis. Pharma - Nifty Pharma TRI, IT - Nifty IT TRI, Auto - Nifty Auto TRI, Infrastructure – NIFTY Infrastructure TRI, Consumption – NIFTY India Consumption TRI, Commodities - Nifty Commodities TRI, Bank - Nifty Bank TRI, is considered. Past performance may or may not be sustained in future and is not a guarantee of any future returns.

India Macro-Economic Outlook

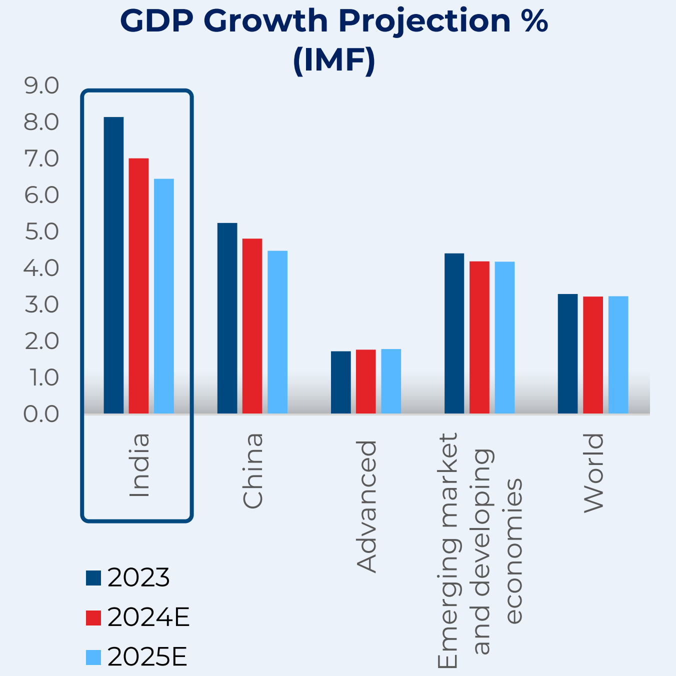
Harnessing strengths critical for long term growth

India stands tall on Growth

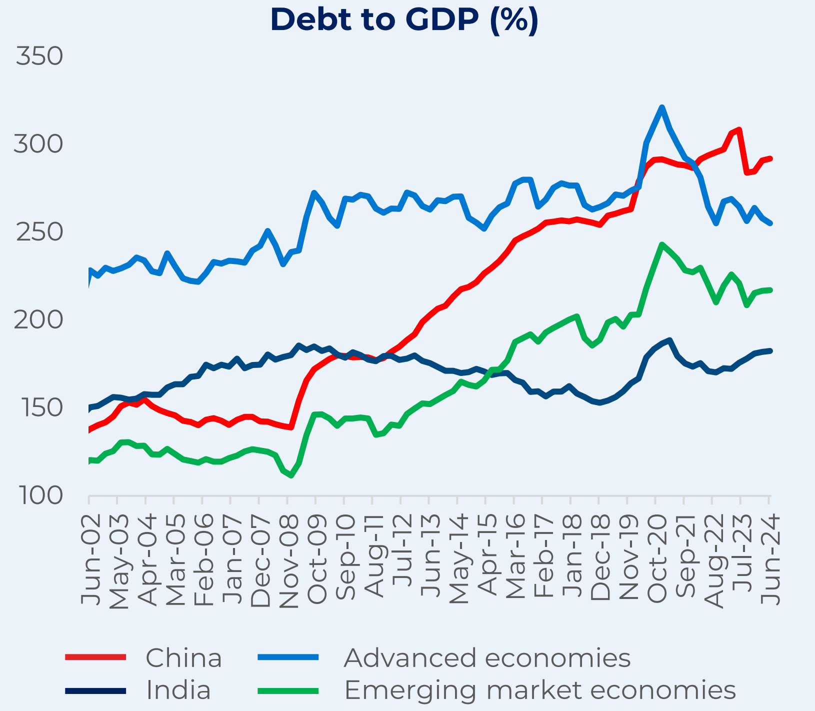
Key Macro Parameters in Good Health

- India's growth leadership has been expanding over the years
- Macroeconomic stability, lower leverage, lower inflation and stable external situation has improved the quality of India's growth

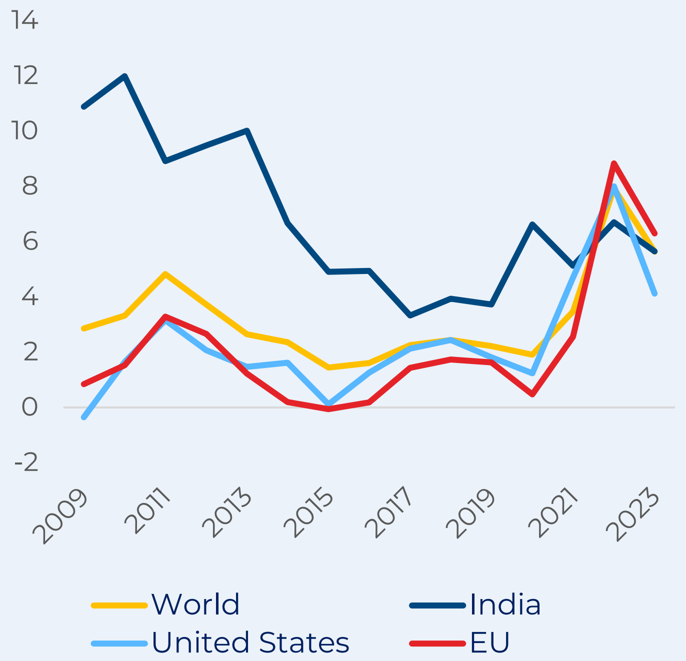
India leads Global Growth



Lower Leverage vs Other Economies



India's inflation has been trending lower



Source: Jefferies, CLSA, MOSPI, CMIE, BIS, Kotak Institutional Equities

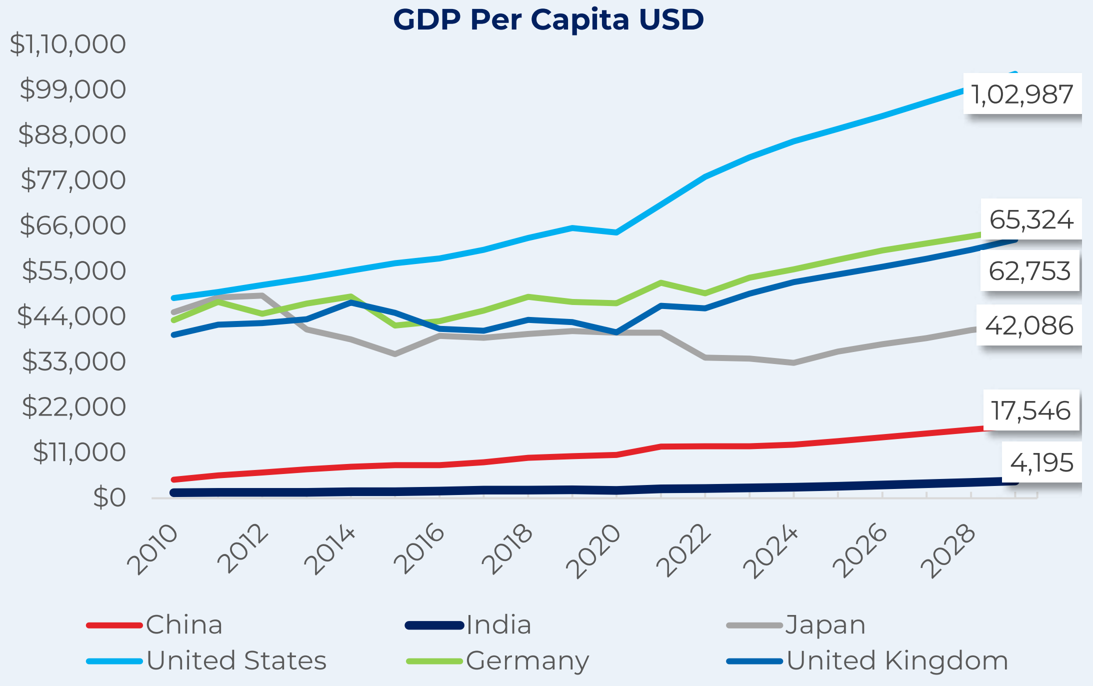
Acceleration of Growth imperative

Key Drivers in Place

- India is expected to become the 3rd largest economy by 2029, however it will continue to lag in terms of per capita income
- Sustained growth over long-term is required for greater prosperity

GDP Ranking	2018	2021	2024	2027E	2029E
1	USA	USA	USA	USA	USA
2	China	China	China	China	China
3	Japan	Japan	Germany	Germany	India
4	Germany	Germany	Japan	India	Germany
5	UK	UK	India	Japan	Japan
6	India	India	UK	UK	UK

However, GDP per capita still low



Source: World Bank

Key Drivers to harness Growth Potential

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Demographic Dividend
Unparalleled strength

Services
Long runway backed by quality of talent

GFCF* Thrust
Underpinning sustained long-term growth

Manufacturing Potential
Significant potential to drive employment

Consumption Growth
Driven by expanding consumer base

Digitalization of Economy
Spurring GDP growth & catalyzing social change

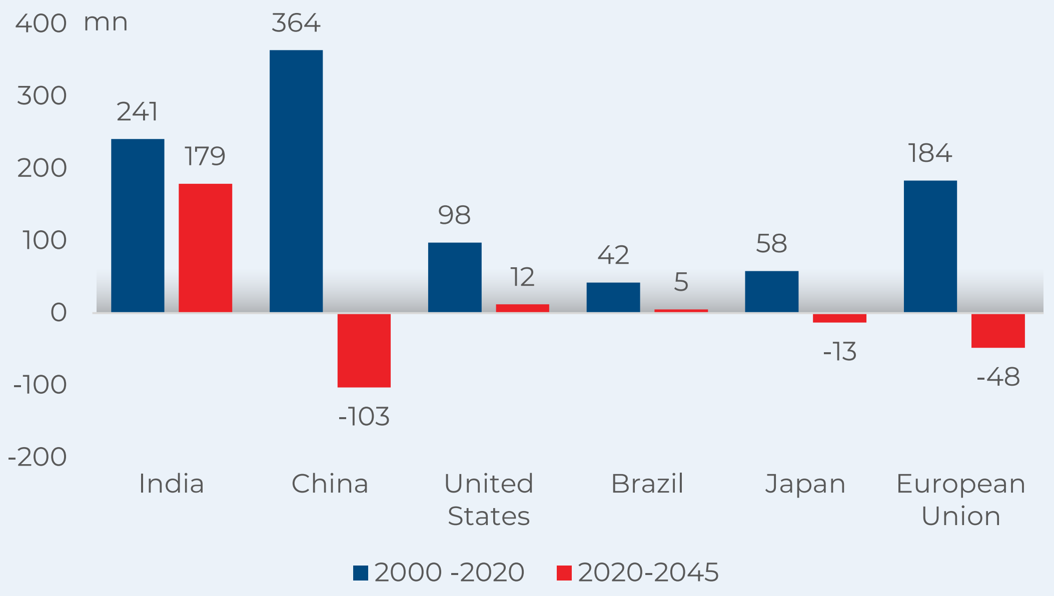
*GFCF - Gross Fixed Capital Formation

Demographic Dividend

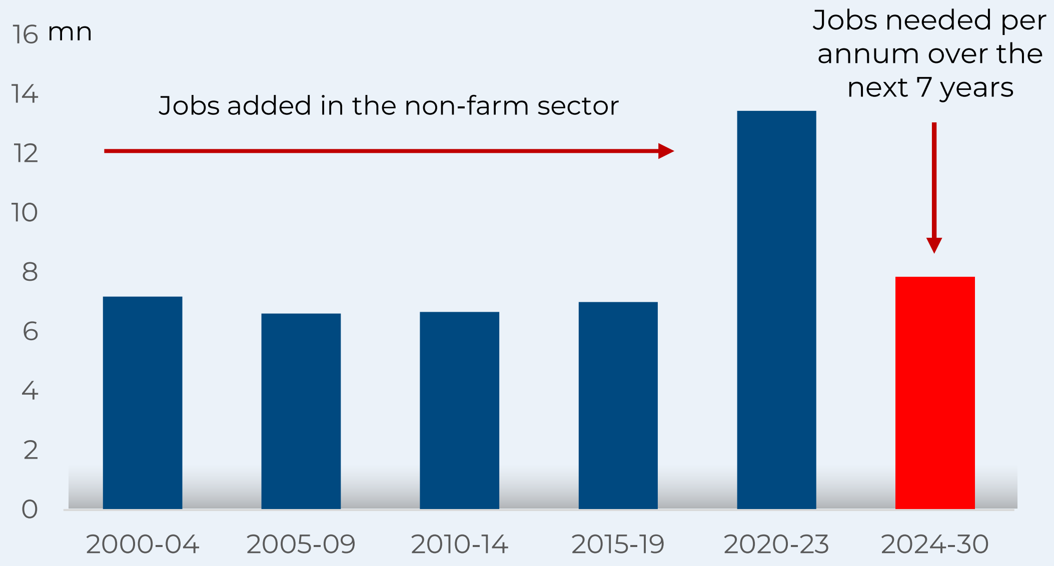
Unparalleled Strengths needs to be harnessed through Job Creation

- With the largest source of cost-effective skilled labour supply (China ceding lead to India), India has the potential to become a 'Factory' and the 'Office' to the World
- However, the Indian economy needs to generate over 7 mn jobs annually over the next 7 years to reap the benefits of demographic dividend

Increase/Decrease in Population (Ages: 25-60)



Annual Employment in the Non-Farm Sector



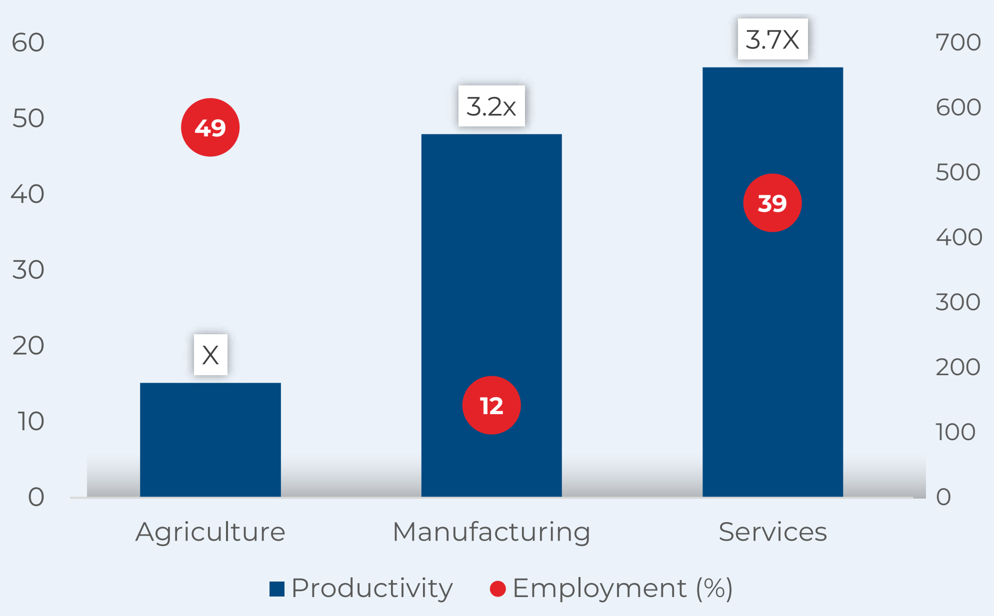
Source: OECD, RBI Klems, Press Information Bureau

Improving Productivity key to Prosperity

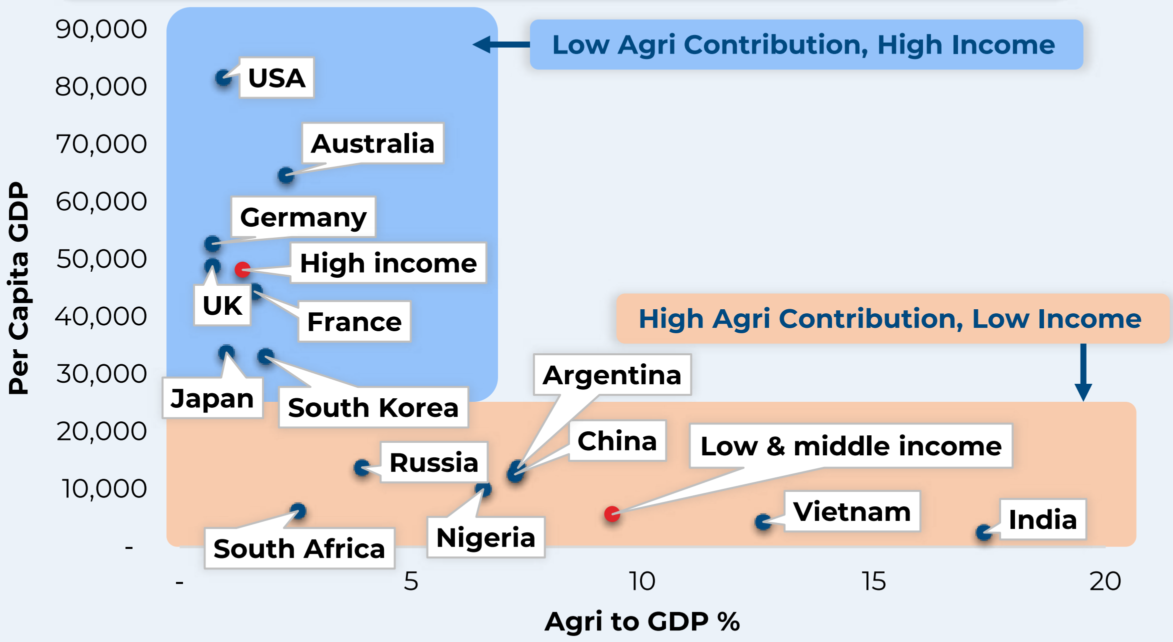
Key to realize Large Demographic Dividend

- Manufacturing adds ~3.2x more value vs. Agriculture; Labour force migration from agri to manufacturing / services imperative for improving per capita income
- Countries with higher exposure to Services and Manufacturing have seen increase in their per capita incomes
- Education and upskilling are key challenges/opportunities

Productivity* vs Employment (%)



Per Capita Income vs Agri Contribution to GDP%



Source: IMF, World Bank, Klems – RBI, * Based on 2022-23 current prices

Manufacturing: Time to leverage the Demographic Dividend

Significant Potential to drive Employment

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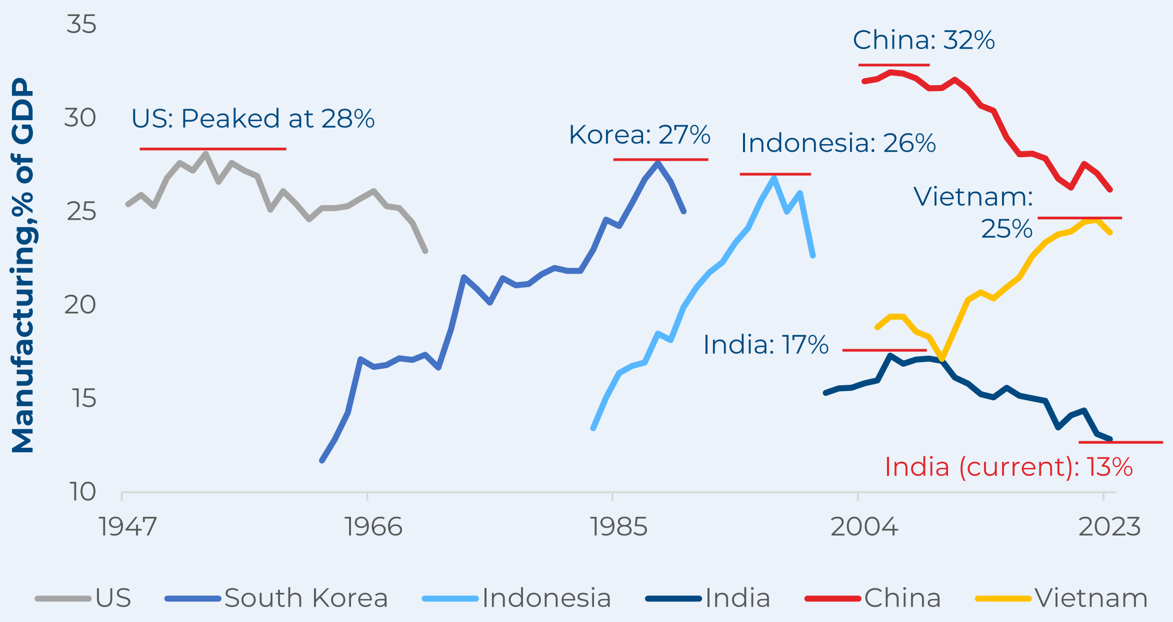
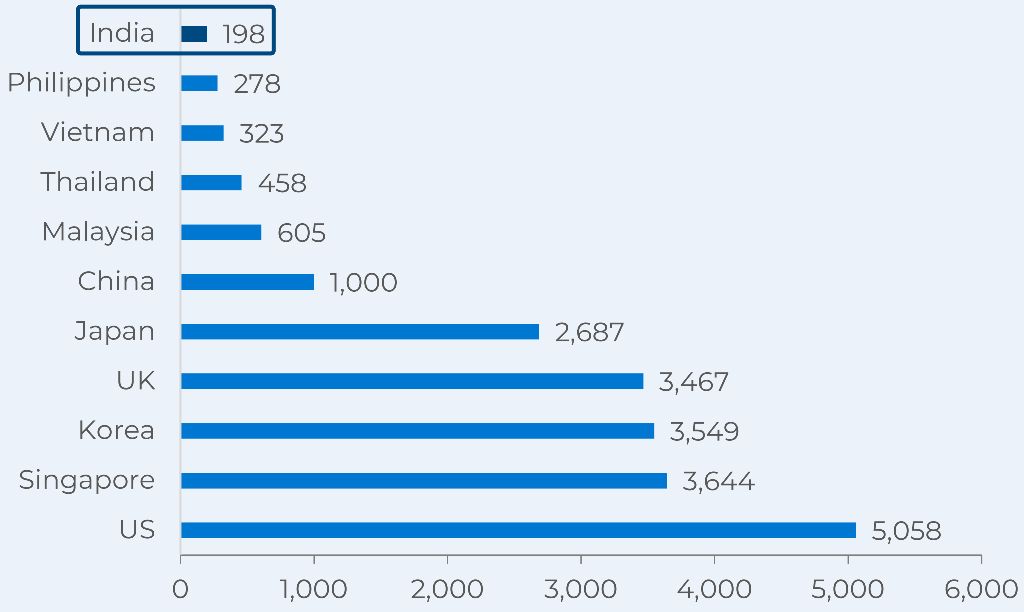
- Manufacturing growth significant for absorbing large work force as demonstrated by history of other countries
- India's labour costs are among the lowest in the world providing opportunity to increase share of manufacturing

India has significant room to increase Manufacturing share



India among the Lowest Labour Cost (in US$ per month in 2022)



Source: Bloomberg, IMF, Nuvama

Manufacturing: Domestic and Export Opportunity large

Huge Scope for taking a Larger Share in Global Pie

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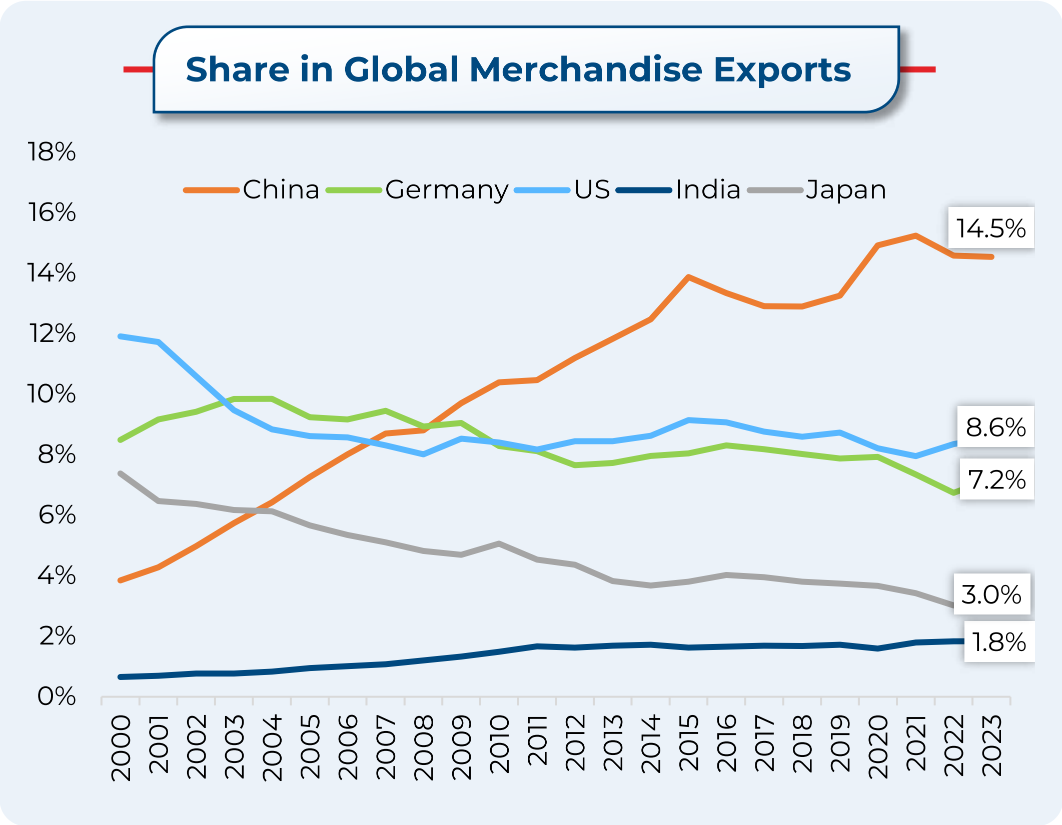
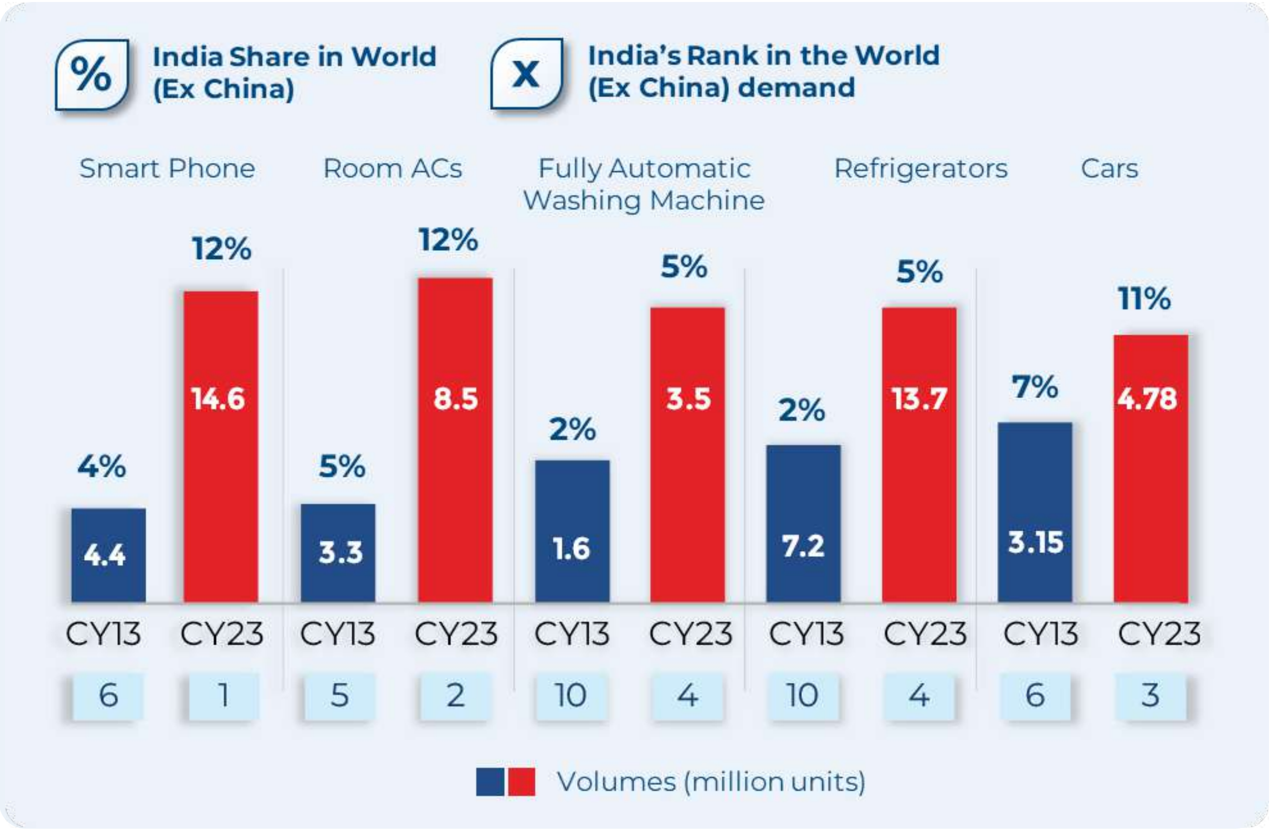
- Wide gulf between China and India's share of global exports. Even a marginal shift could have a significant impact
- Huge scope ahead for India manufacturing to increase share in global merchandise exports
- **Increasing protectionism a key risk**





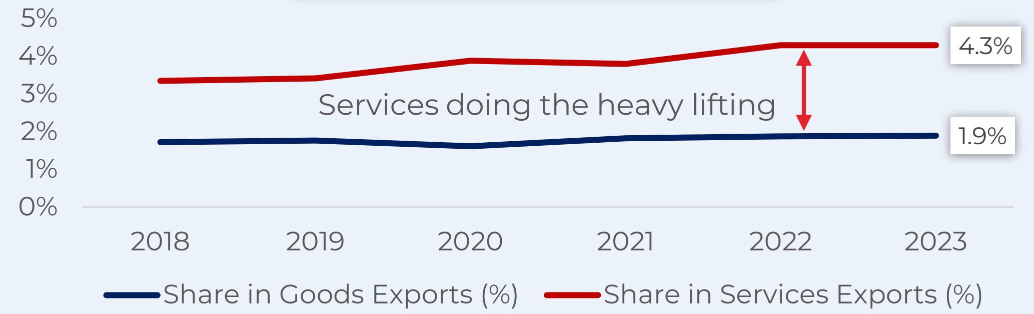
Source: NSSO, UBS Research, Bloomberg

Services – A Virtuous Cycle

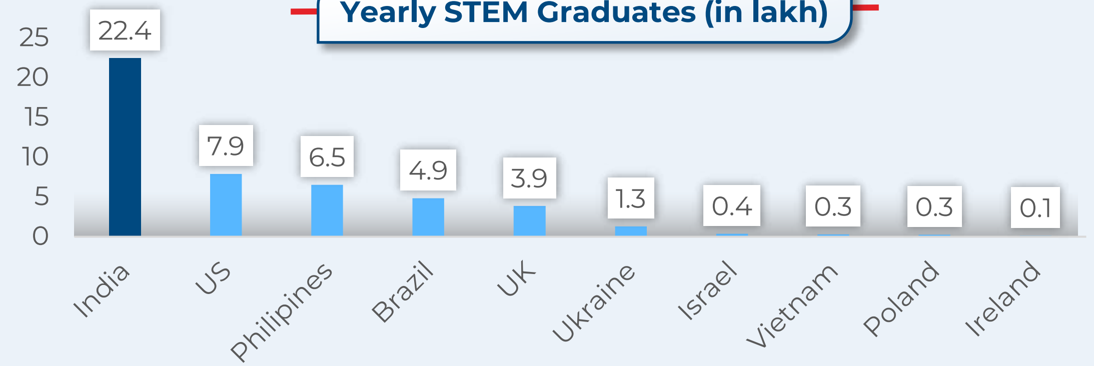
Backed by Quality of Talent

- Services sector has been the key driver of India's exports; India ranks at the top in yearly STEM graduates
- India is gaining share in the headcount of global companies
- As per estimates, 2/3rd of GCCs are based in India

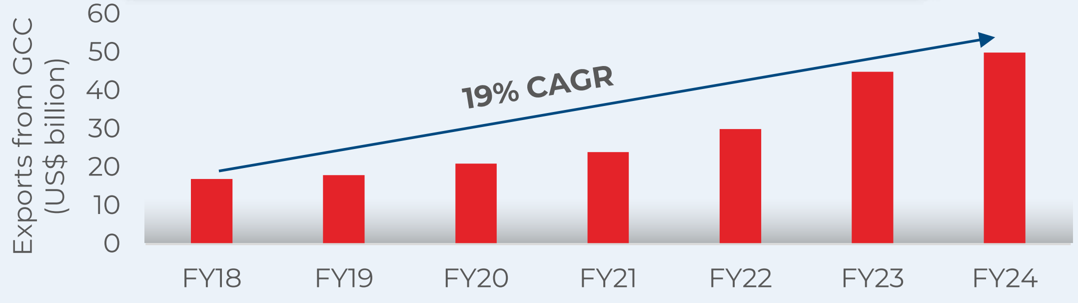
India's share in Global Exports



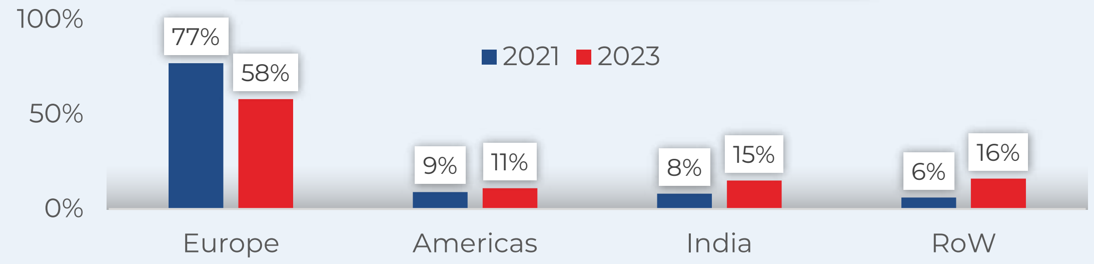
Yearly STEM Graduates (in lakh)



As per estimates, 2/3rd of GCCs are based in India



Headcount Mix of a Leading US-Based Digital Services Company (illustrative)



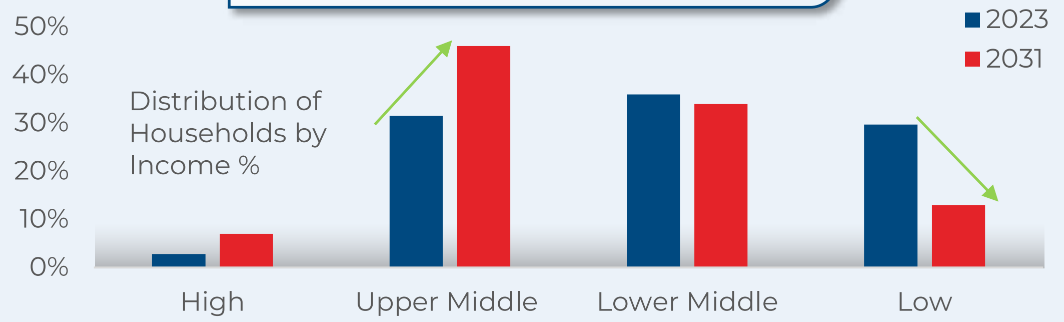
Source: NASSCOM, GCC – Global Captive Centres

Consumption: Long Term Drivers intact

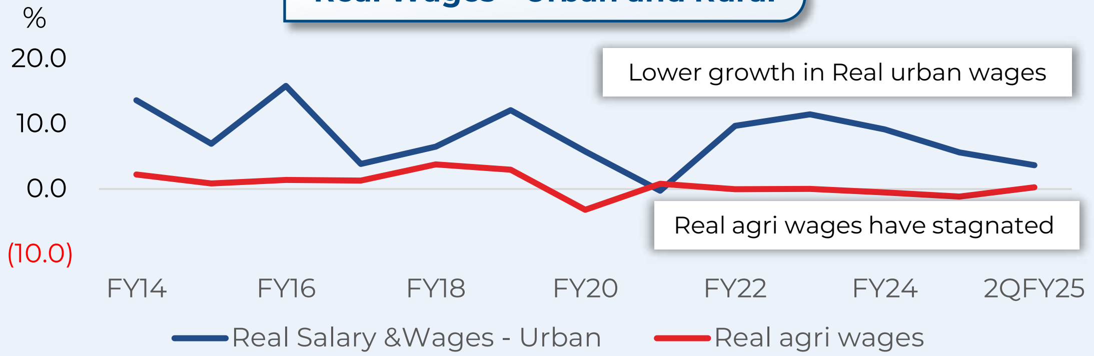
But Cyclical Challenges remain

- Premiumization in India is a long term theme likely to be driven by shifts in income categories and rapid urbanization
- However, the economy is currently witnessing a cyclical slowdown in consumption driven by flat growth in real rural wages, drawdown of pandemic savings and credit slowdown

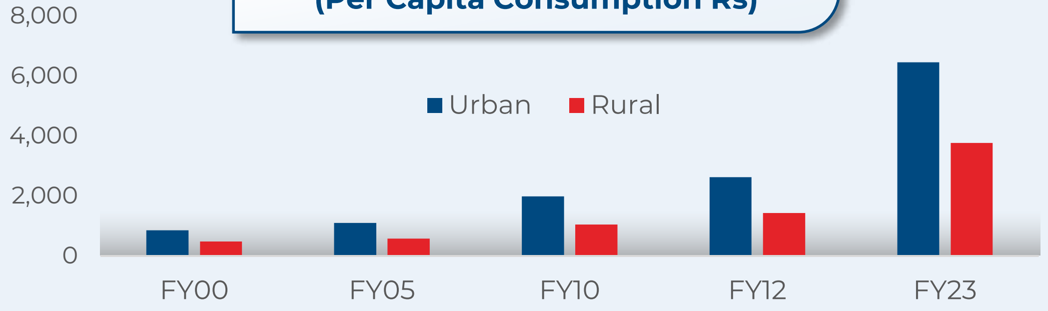
Rapid rise in income levels expected



Real Wages - Urban and Rural



Urbanisation to drive consumption (Per Capita Consumption Rs)



Pronounced slowdown in mass consumption

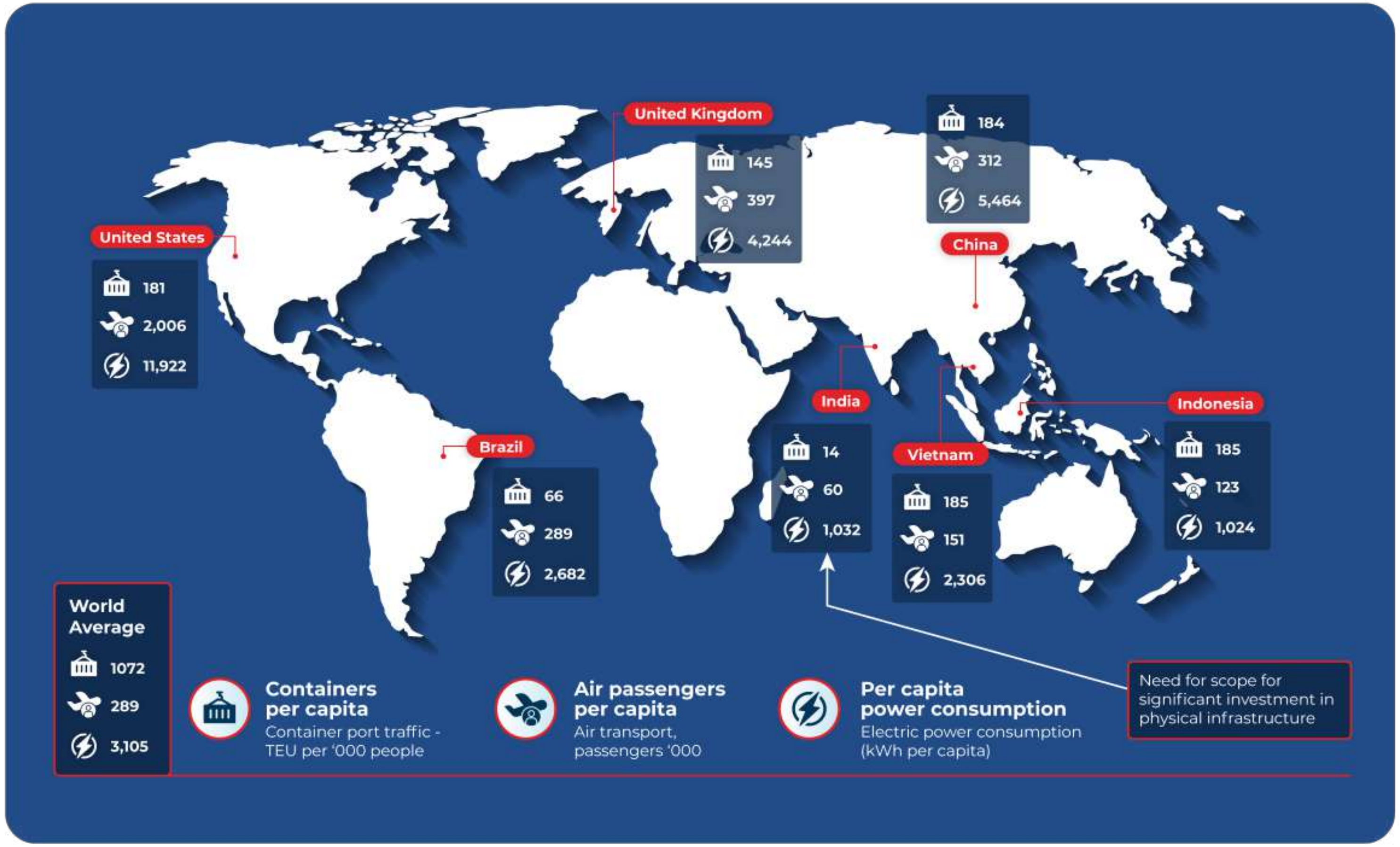
Mass Consumption	Change in Quarterly Average Volume (QFY 25 vs QFY 22)	Premium Consumption	Change in Quarterly Average Volume (QFY 25 vs QFY 22)
Compact (Hatchback)	0.88x	Large SUVs	6.23x
Housing Sales (<50 lakh)	0.74x	Luxury Car Sales	2.13x
Regular Spirits	0.8x	Housing Sales (<1 crore)	1.80x
		Premium Spirits	1.74x

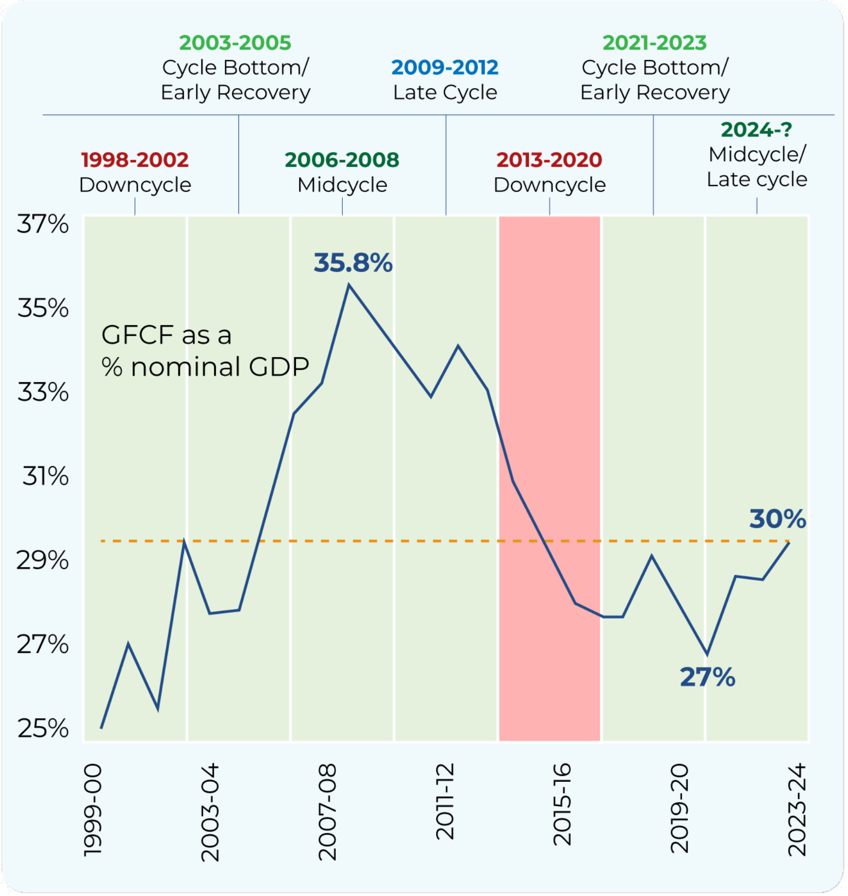
Source: Morgan Stanley Research, MOSPI, UNDP

Capital Formation thrust needs to continue

Underpins long term GDP growth

- India has seen significant progress in infrastructure, but lot of headroom for growth
- Pick up in GFCF* required for long term growth





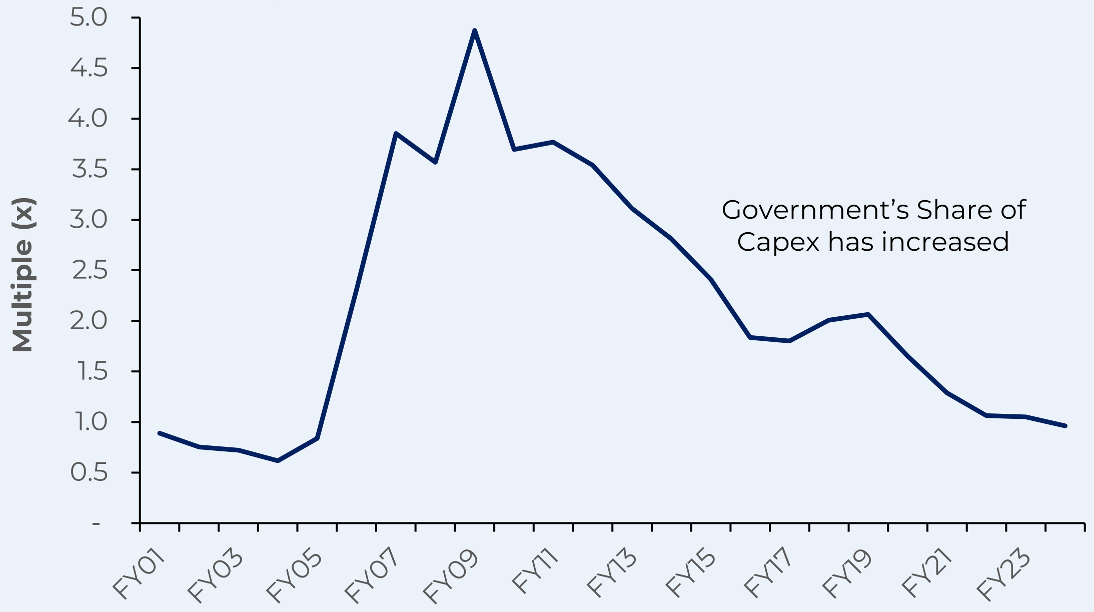
Source: World Bank, Bernstein analysis, CMIE; *GFCF – Gross Fixed Capital Formation

Private Capex Step-up required

Support from Low Leverage

- India has seen significant progress in infrastructure, but has lot of headroom for growth
- Pick up in GFCF* required for long term growth

Listed Corporate Capex / Central Government Capex



Gross Debt/Equity Ratio for Listed Companies

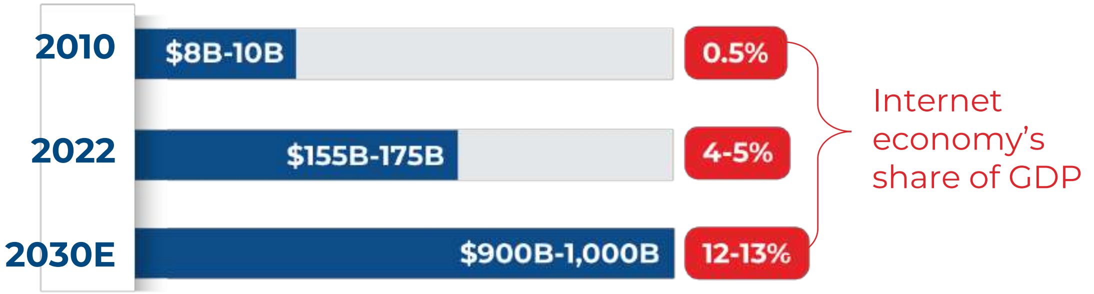
Source: Jefferies; *GFCF: Gross Fixed Capital Formation

Digital Economy can spur GDP growth

And Can Catalyze Social Change

- Internet Economy can accelerate overall GDP, with its share expected to rise from 5% to 13% by 2030
- Digitalization has social and economic benefits:
  - Financial inclusion - total beneficiaries till date under PMJDY ~54 crore
  - Create employment - led to direct employment of ~1 million people by food delivery companies

Digital economy growth expected to outpace GDP growth



Impact of Digitalization

- Expand the Market
- Promotes Entrepreneurship
- Targeted Social Welfare
- Financial Inclusion
- Employment Generation
- Improve Productivity

Source: Google, Temasek and Bain, India e-Conomy Report 2023, GDP growth estimates from S&P Global Intelligence, E = Estimates, B = Billion

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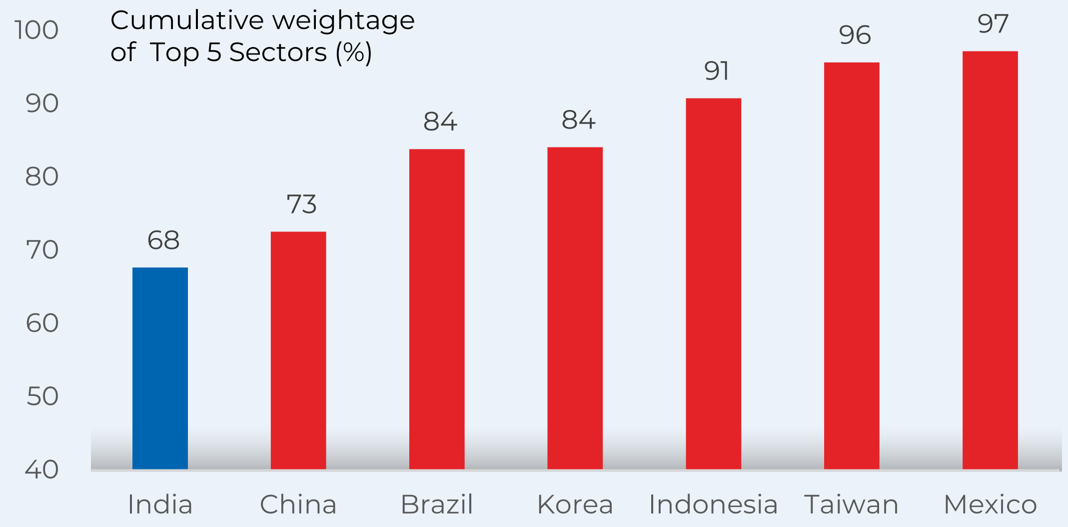
Indian Equities & Valuations

Indian Equities: A Blend of Breadth and Scale

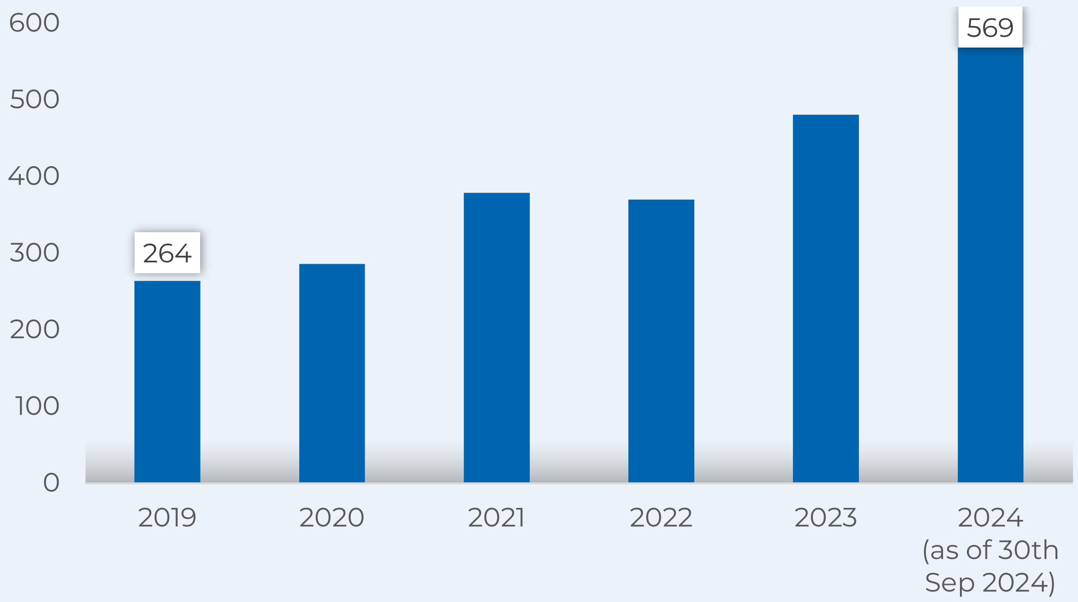
Makes it compelling for Global Investors

- India offers width in terms of sectors as compared to other emerging markets
- Depth of Indian equity markets has increased over the years (in terms of number of companies)

India offers more Sectoral Opportunities



Number of Companies with Market Cap > $1 billion



Source: Jefferies, Data as of 30th September 2024

Re-rating driving India's Index Weight

Outpacing the Share of GDP

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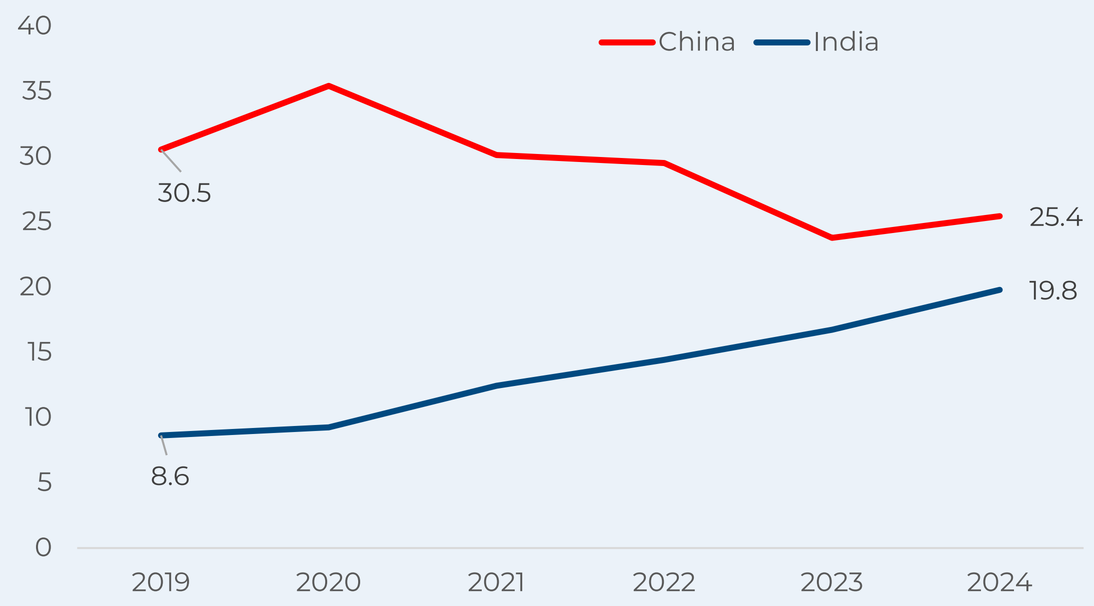
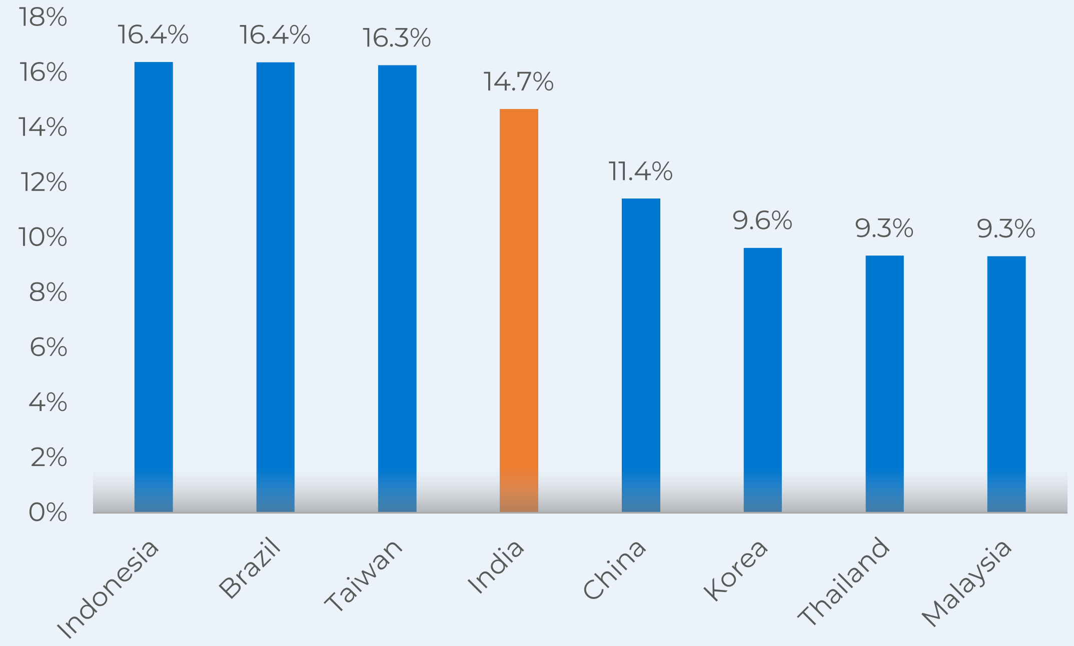
- India's share in MSCI EM index has increased from ~9% in 2020 to ~20% in 2024 vs GDP share of 9%
- This reflects valuation premium driven by higher growth and Return on Equity

Rising Weight of India in MSCI EM (%)



Attractive Return on Equity

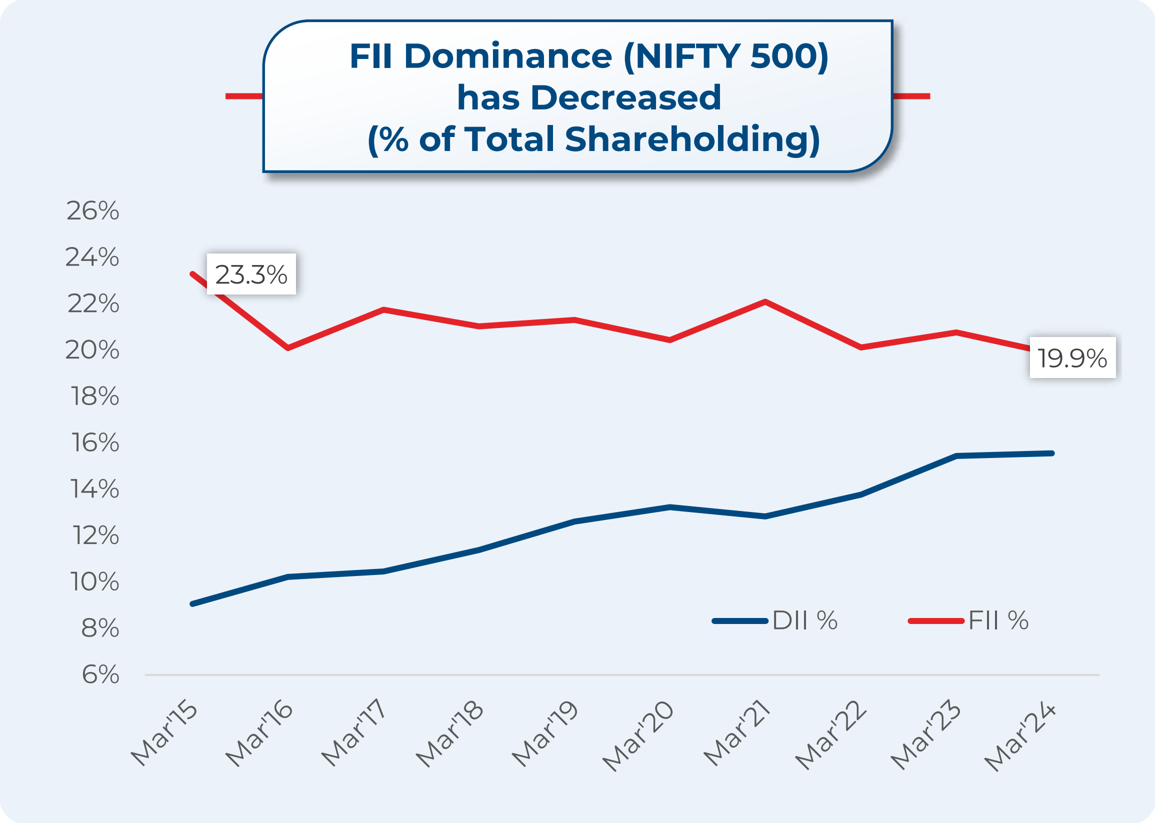


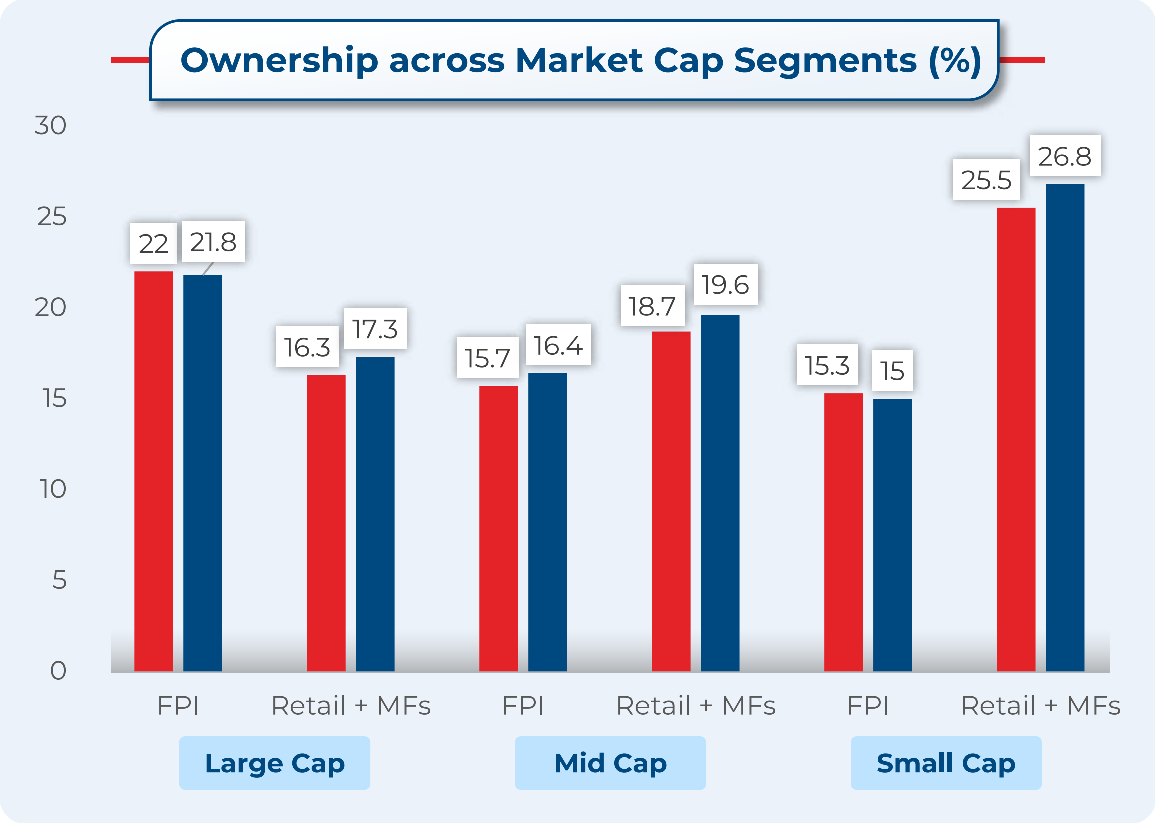
Source: Jefferies, 2024 Weight as on 30th September 2024

Increasing DII Presence

Reducing Impact of Selling by FPIs

- With strong MF flows and increasing DII presence, FPI outflows are being counter-balanced well so far
- Retail and MFs dominant shareholders of mid and small cap segment





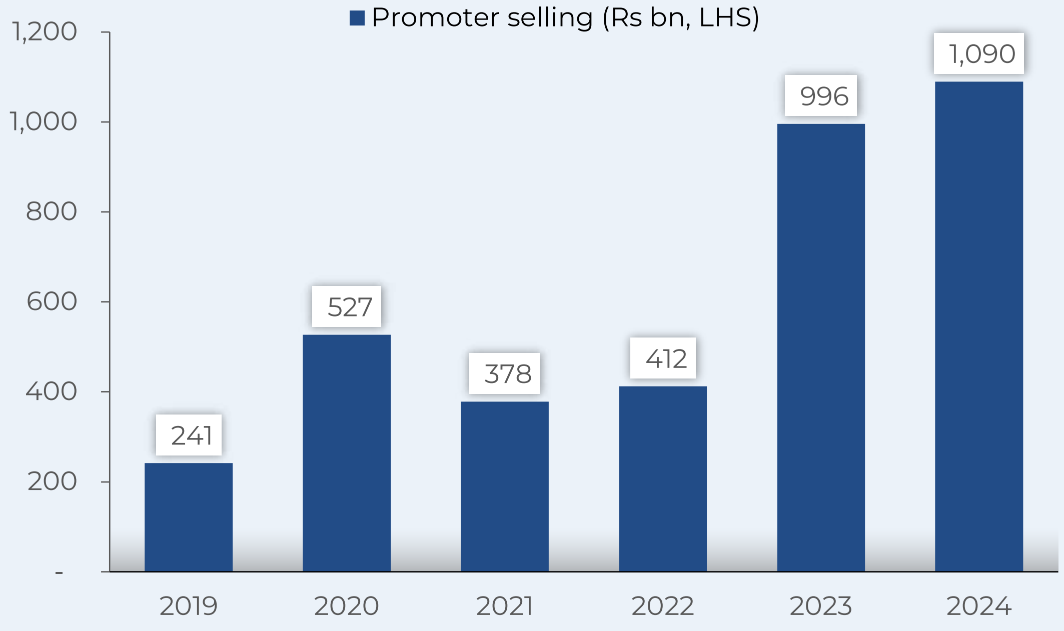
Source: Bloomberg, Jefferies, I-sec

Promoter Selling gathers steam

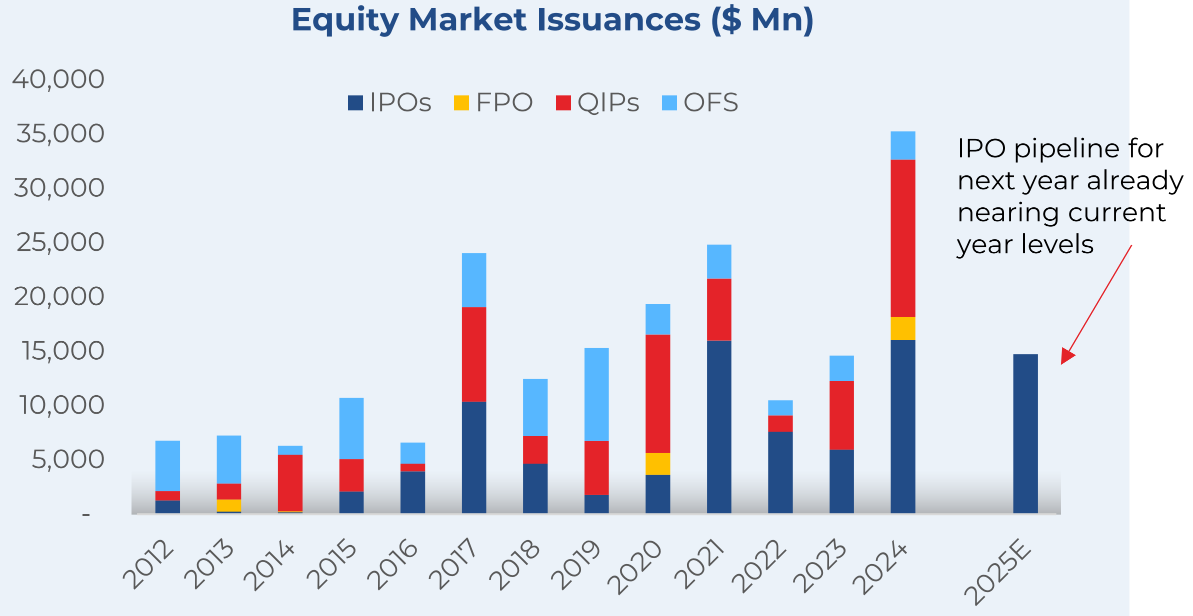
Informed Investors Selling amid Richer Valuations

- While retail interest in equities have pushed up demand, dilution of promoter-shareholdings has picked up recently
- Surge in valuations have spurred FDI repatriation too
- However, Government disinvestment in FY25 is only ₹75 billion

Promoters have sold $13 billion stake in 9M CY24 in secondary markets



Equity Issuances at an all time high

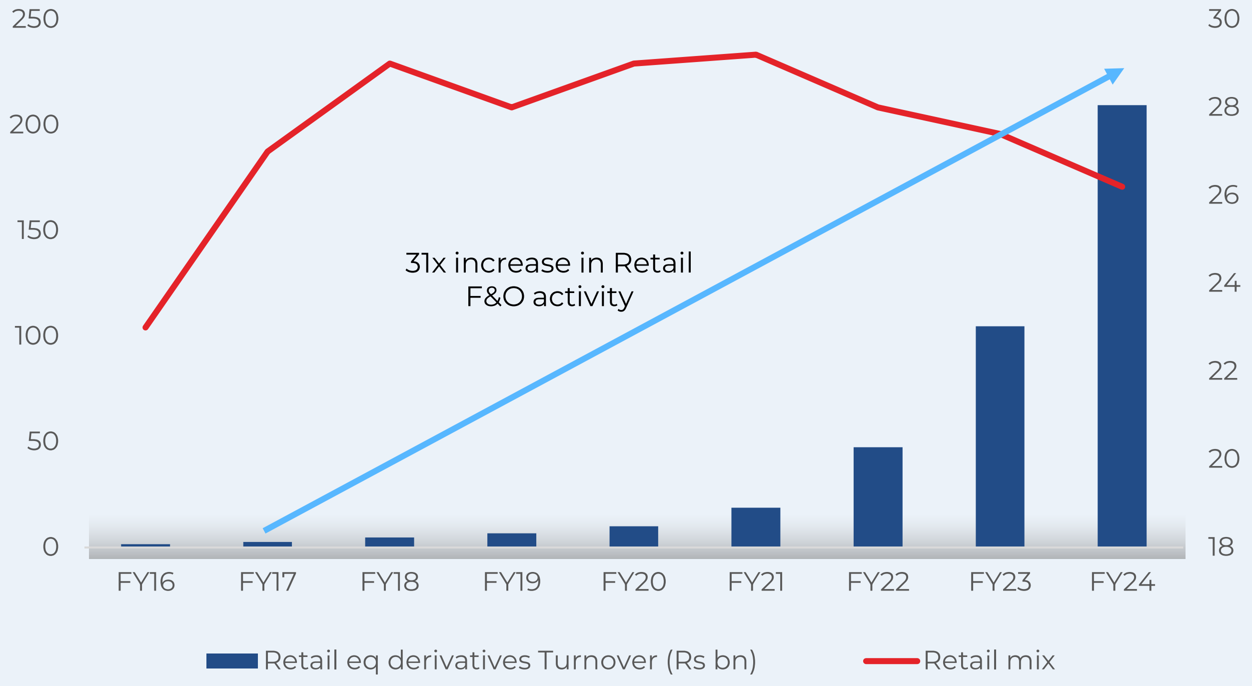


Source: Kotak Institutional Equities, Jefferies

Retail Participation has a speculative side

- Retail participation in equities has increased over the years
- Surge in retail participation in F&O segment needs to be watched closely

Retail Participation in the F&O Segment (%)



Few Other Things to note

- 300% surge in Intraday Traders between FY19 and FY23
- Individual Traders in F&Os Incur ₹1.8 lakh crore loss over 3 years
- 8 out 10 Intraday Traders suffered losses
- 93% of Individual Traders incurred losses in Equity F&O between FY22 and FY24

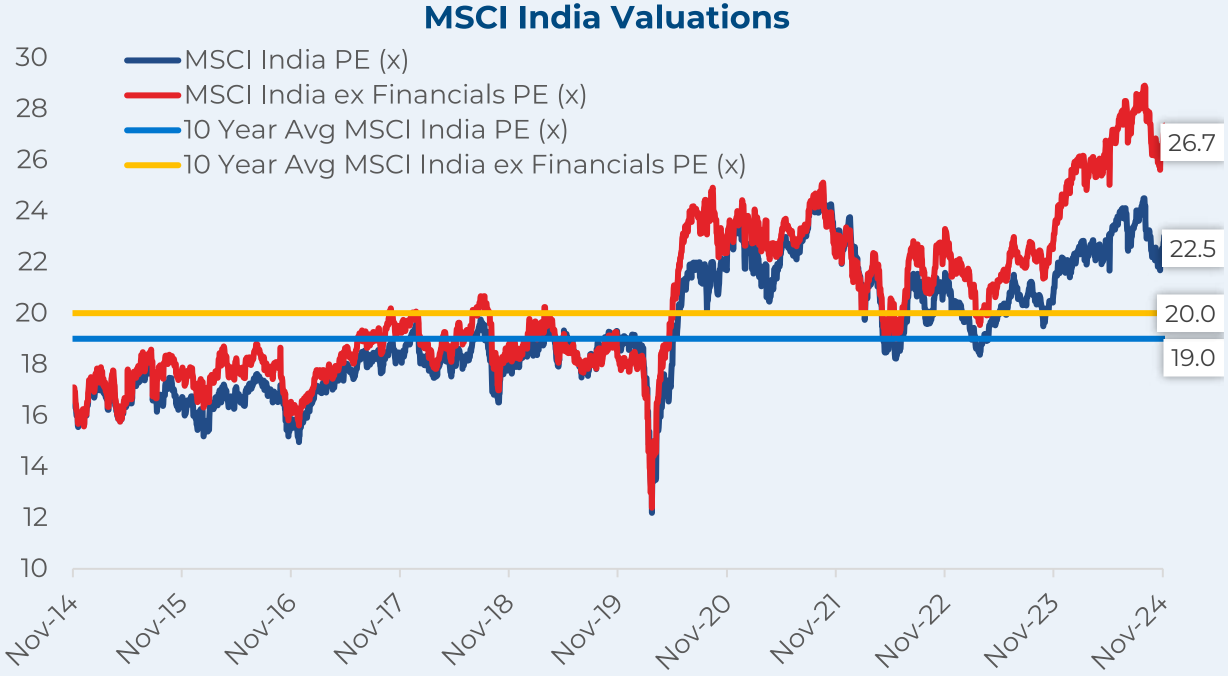
Source: SEBI, NSDL, CDSL, Isec

India Valuations

Most Sectors trading at a Premium to Long-Term Averages

- Over the past few years, high equity returns have been supported by a strong earning growth and reasonable valuations
- Going forward though, return expectations need to moderate in line with sobering earnings growth and above average valuations

MSCI India Valuations:
Financials → A Lower Outlier among Sectors



	12-month Forward Price to Earnings		
	31-Dec-24	LTA	Discount/ Premium^
Industrials	36.4	26.7	36.5
IT Services	27.1	20.8	30.2
Pharma	29.8	24.2	23.4
PSU Banks@	1.3	1.1	15.0
Consumer Discretionary	58.8	54.0	8.8
Oil and gas	13.1	12.4	6.0
Consumer Staples	37.5	35.7	5.2
Metals	10.4	10.1	2.7
Auto	19.4	19.9	-2.5
Private Banks@	2.3	2.6	-8.3

Source: Jefferies, Kotak Institutional Equities; Stocks are part of Kotak Institutional Equities universe. LTA – 10-year average. Cells in green are sectors which are trading at premium. All figures are calculated based on 12-month forward estimates. ^to Long term average (LTA) , @12-month Forward Price to Book Value

Valuations above Long-Term Average

Improved Fundamentals has fueled Optimism, but Growth is Slowing / Plateauing

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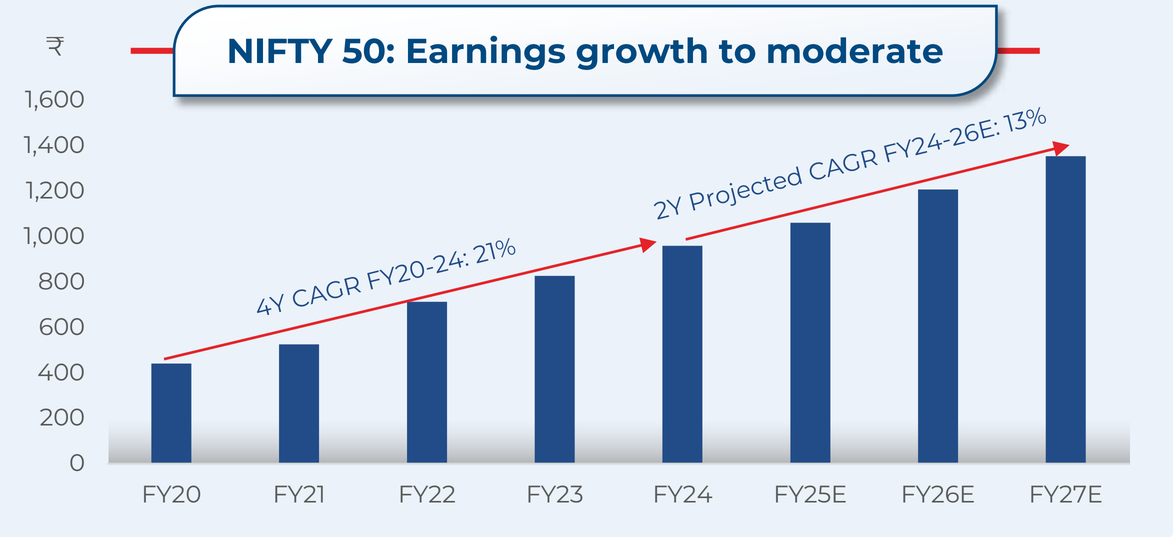
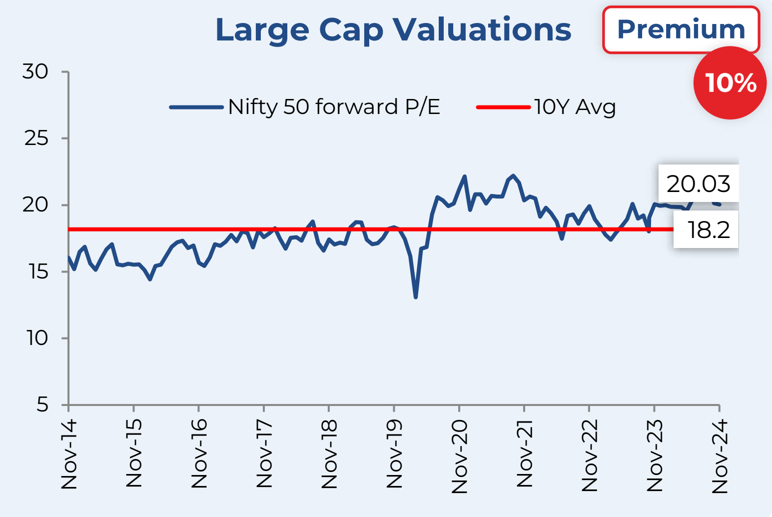
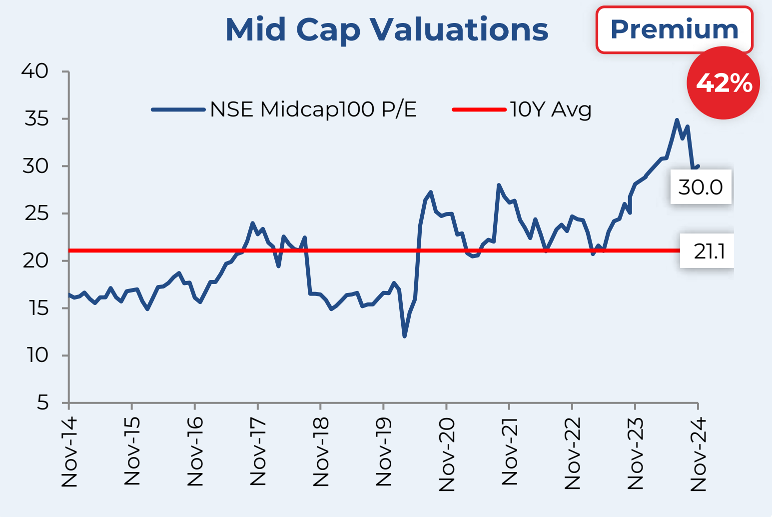
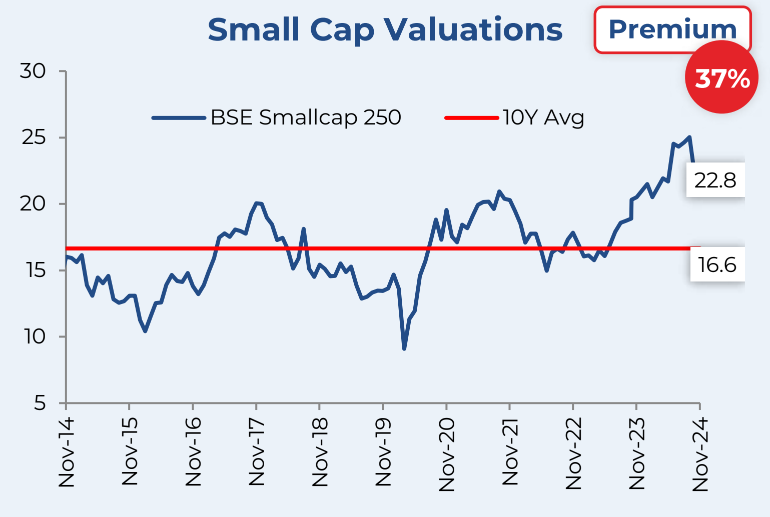


Profit After Tax Growth (%)		
Market Cap segment	FY19 – FY24 (CAGR)	FY24 - FY26E (CAGR)
NIFTY 50	19%	11%
NIFTY Mid Cap 150	26%	27%
BSE Small Cap 250	22%	24%





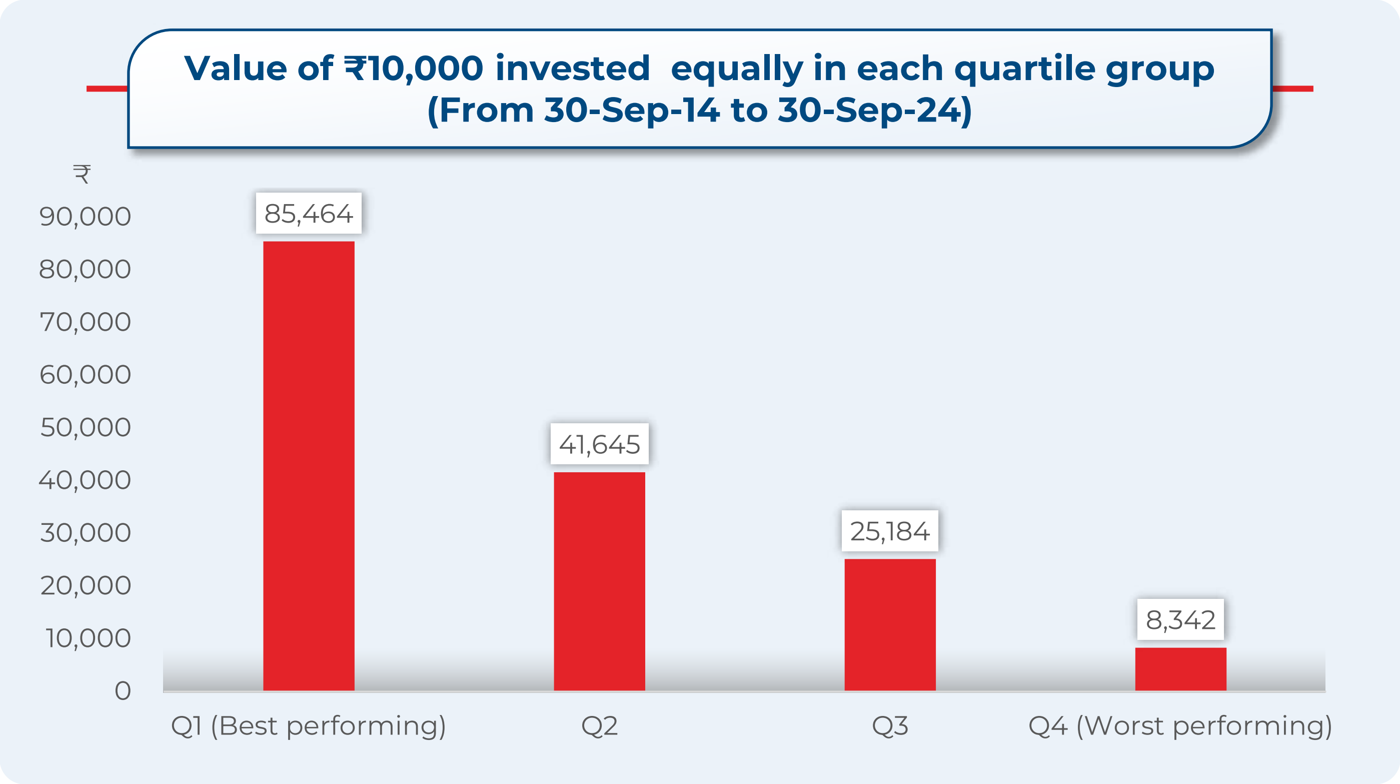


Source: Kotak Institutional Equities, Bloomberg

Being invested in the Right Business is important

Stock Selection critical

- Gulf between leaders and laggards compounds very meaningfully over time
- Active Funds have meaningful opportunity to create alpha in long term



Study for NIFTY 200 Stocks

Quartile	Average 10y CAGR* of stock by quartile
Q1 (Best Performing)	23.9%
Q2	15.3%
Q3	9.7%
Q4 (Worst Performing)	-1.8%

Source: NSE Indices Ltd., internal calculations. * CAGR = Compounded Annual Growth Rate. Above data pertains to the 183 companies out of the 200 constituents of the Nifty 200 Index (as of Sep 30, 2014), which remain listed with valid price data as of Sep 2024. The remaining 17 were merged, delisted etc.

Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns.

Key Risks

1. Slower Interest Rate Cuts
2. Escalation in Geo-Political Situation
3. Uncertainty Regarding Tariffs
4. Weakness in Global Growth
5. Earning Downgrades
6. Valuation Risk

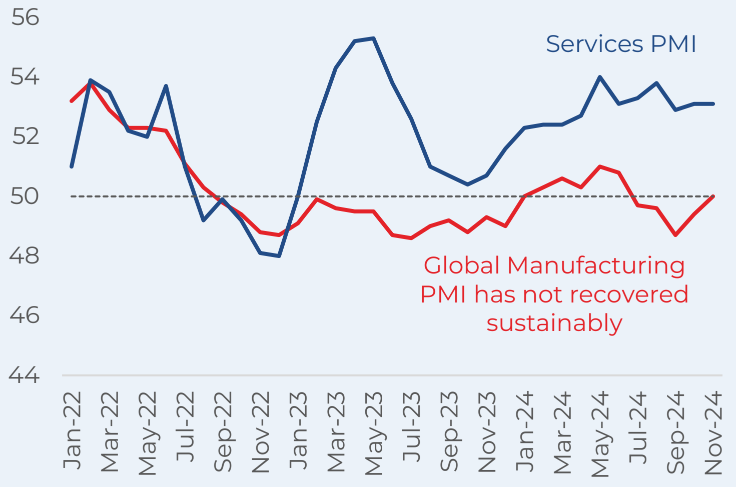
Fixed Income Outlook

Global Growth & Inflation

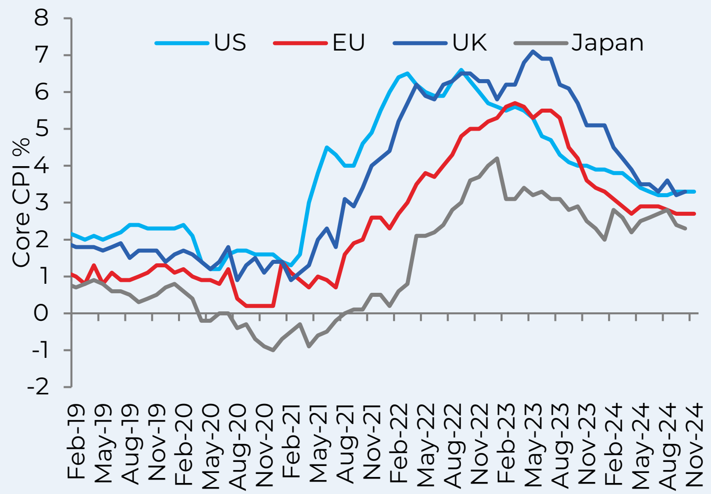
Resilient Growth, Inflation off its Peak

- Resilient global growth (refer global section) led by Services sector
  - Strong labour & financial markets with robust Household balance sheets aided growth; manufacturing relatively subdued
- Inflation significantly below peak; but last mile disinflation towards target proving challenging
  - Trade and Immigration policies under incoming US administration could pose upside risks to inflation
- Global Central Banks' : Pace of easing, seen in 2024, likely to moderate and expected to be data dependent in 2025
  - US Fed cuts policy rate by 100 bps; likely to proceed gradually in 2025; Market estimates rate cut of 50 bps only in CY25 (as on end-CY24)

Global PMI holding up, led by Services

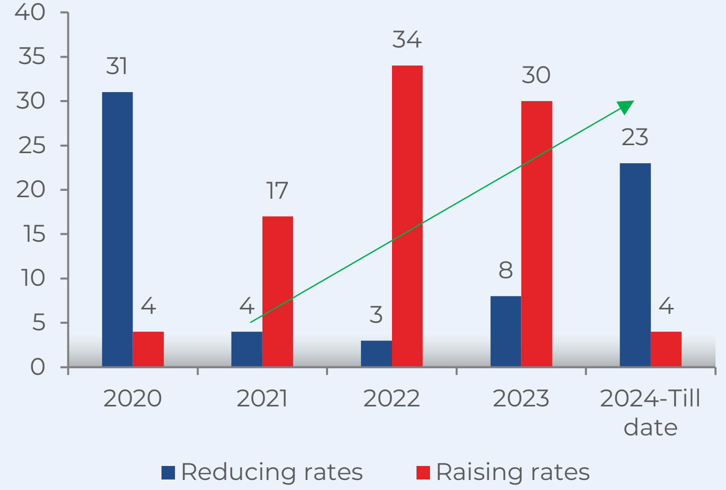


Inflation has been moderating but at a gradual pace, and remains much higher than pre-pandemic levels



Most Central Banks Cut Interest Rates in 2024

Number of central banks



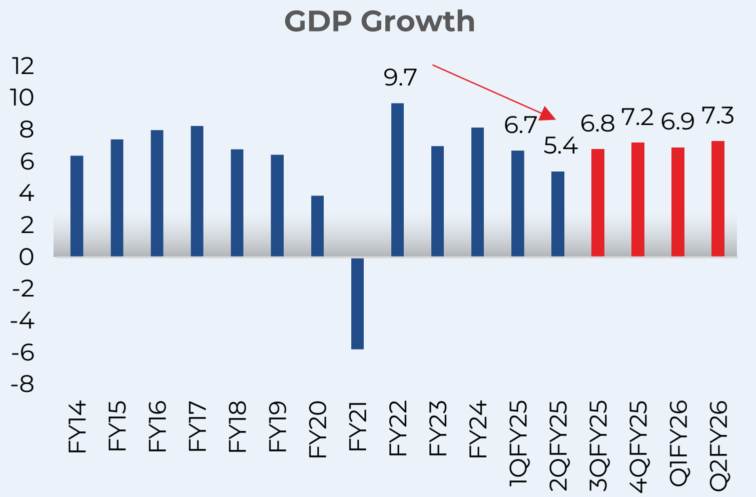
Source: Bloomberg, Bank of International Settlement

India growth & Inflation

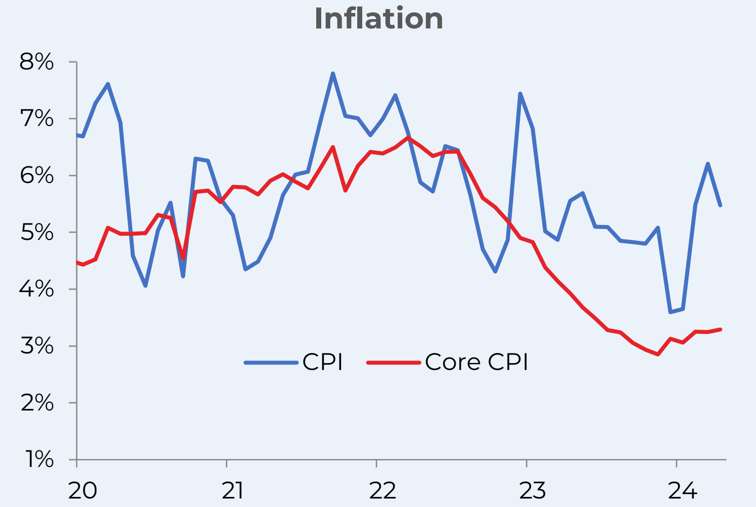
Moderating growth, Food Prices led spike in CPI Inflation

- Growth moderated in H1FY25; outlook for growth remains ~6.5% for both FY25 and FY26
  - Rural demand is a key variable; Good monsoon, high food prices and prospects of better kharif crop production to aid rural income and recovery
- CPI inches higher on spike in vegetable prices; likely to approach target in Q4FY25 on expectation of food price correction
  - Ex-vegetables, CPI averaged ~3.7% in last one year, substantially below the RBI's headline CPI target (4%)
  - Deceleration has been broad based and no. of items >4% trending lower since last one and half year

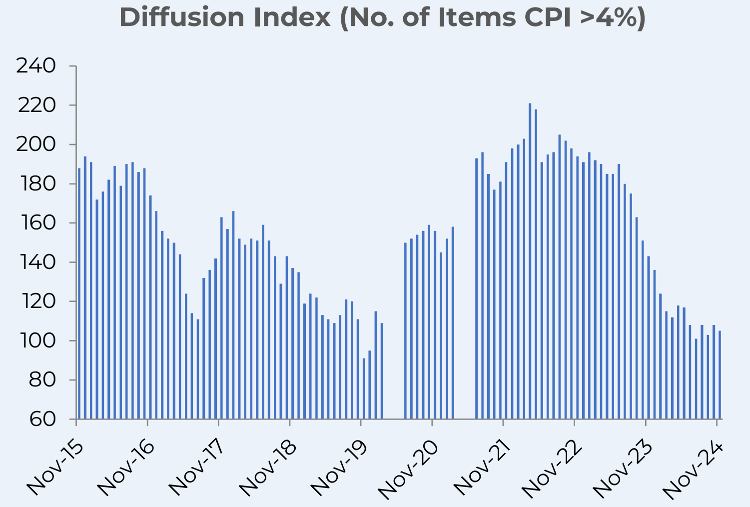
India GDP growth has seen moderation, outlook remains robust



Food price inflation has led to near term spike in inflation, Core CPI remains low



Deceleration in inflation has been broad based with lower no. of items with inflation >4%



Source: RBI, CMIE

External Sector: Comfortable

Sustained Services Exports provide Structural Resilience

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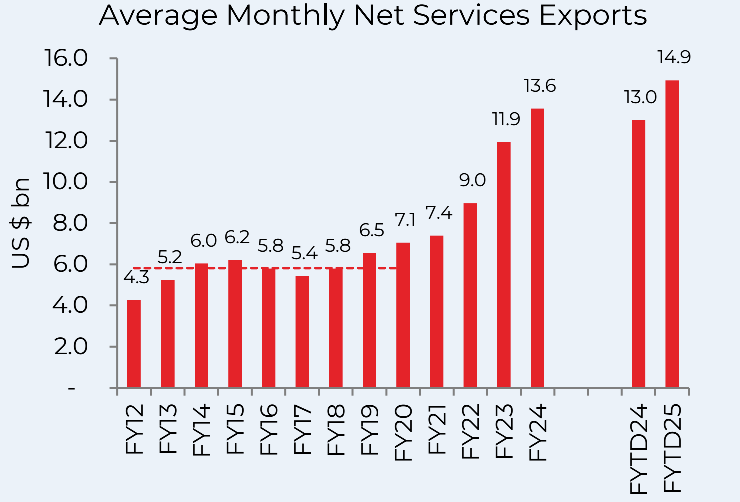
- Manageable CAD and healthy forex reserves strengthened India's external sector in 2024
  - Sustained services exports kept CAD well within manageable limits; structurally reduced India's vulnerability to high oil prices
  - Gold and robust NONG imports, outpacing exports, kept merchandise trade deficit higher despite weaker oil prices
  - Exits through IPOs resulted in Net FDI trending lower and along with flat FPI flows kept capital flows subdued in 2024
  - **Outlook:**
    - Crude prices could trend lower in view of rising supply and moderating global growth; bodes well for India's CAD (<1.5% expected)
    - Rise in protectionism and risk of trade war escalation can impact India's export prospects in CY25 / FY26

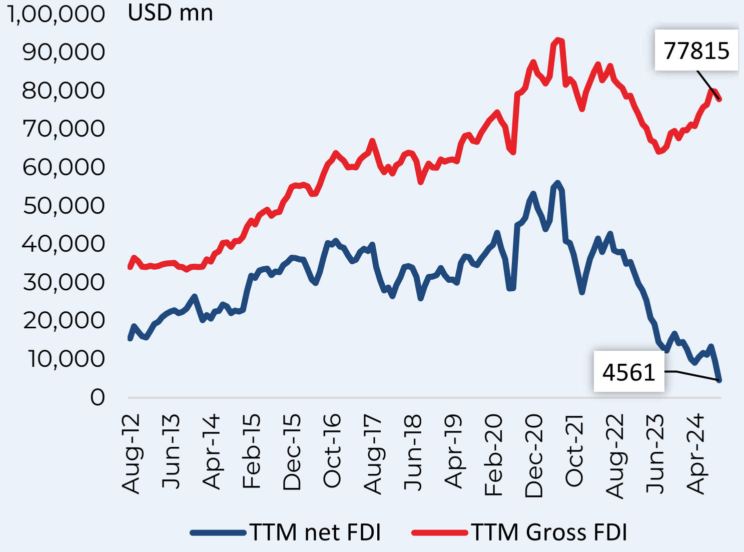
Current Account Balance likely to remain manageable

US$ billion	**FY24**	**FY25E**
Exports	441	420
Imports	686	727
Trade balance	**(245)**	**(307)**
Invisibles (net)	219	256
Current account balance	**(26)**	**(51)**
CAB as % of GDP	**(0.7)**	**(1.3)**
Foreign investment	54	23
Banking capital	41	14
- NRI deposits	15	16
Capital account	**90**	**54**
Overall balance	**64**	**3**

Services Sector Exports is a major cause for improvement in Current Account outlook



FDI Flows (Trailing 12-Months)



Source: Kotak Institutional Equities; Average crude price assumption USD 75/barrel in FY25
Source: Bloomberg

INR: Key Determinant for Rate Outlook

External Sector : High Reserves + Manageable CAD

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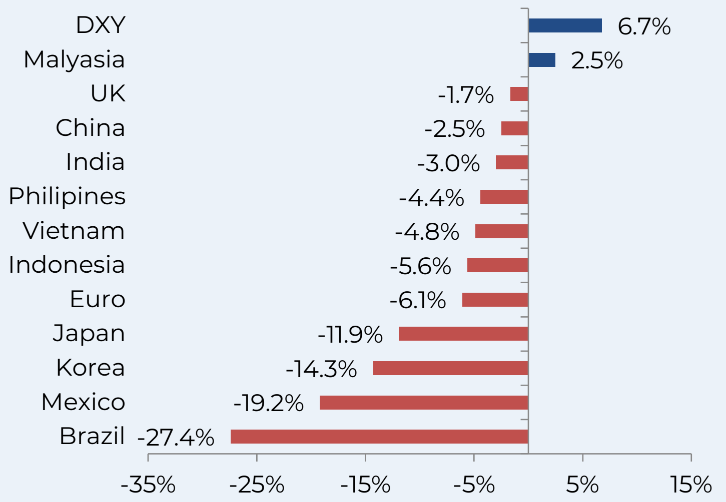
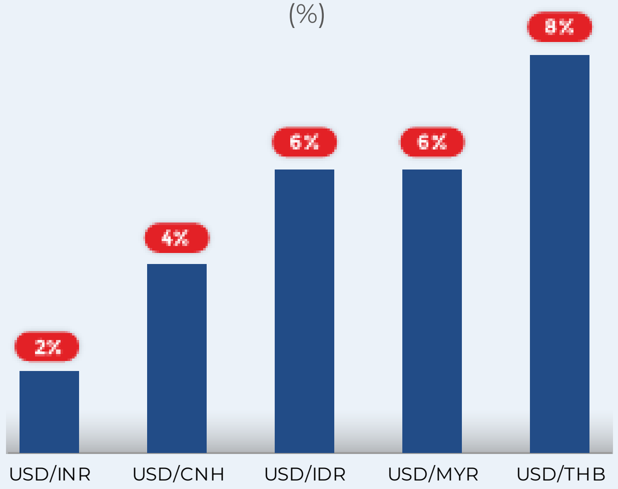
- INR outperformed EM currencies in 2024 on back of comfortable external sector and RBI intervention
  - RBI estimated to have sold forex worth ~USD 30 billion in 9MFY25; Including forwards, FX reserves ~USD 90 bn lower from 2024 peak
- DXY (Dollar Index) strengthened in Q4 2024 due to new US Govt, rise in policy uncertainty and hardening US yields
- DXY strengthening and pressure on INR could delay rate cuts by RBI
  - Rise in trade protectionism and policy uncertainty along with high US yields can keep USD at an elevated levels
  - Need to watch RBI's response function to USD strengthening in view of risk of heightened geopolitical cum trade tensions in 2025

INR outperformed most EM Currencies in CY24

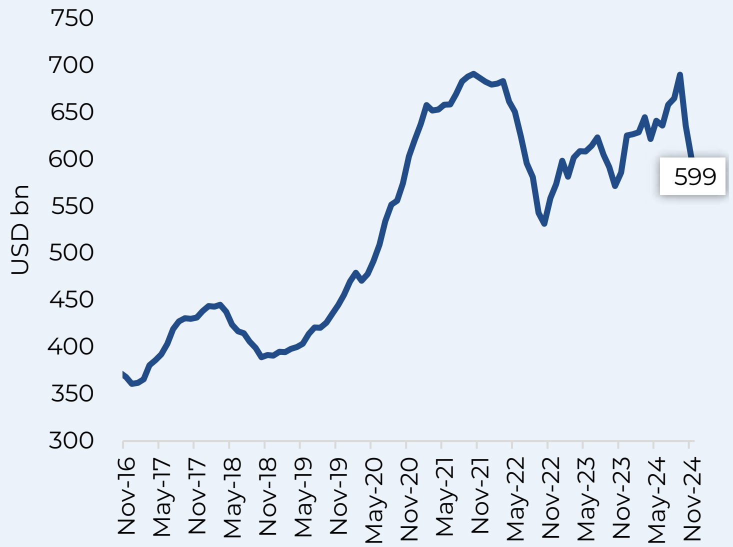


Rupee volatility was much lower than peers in 2024

1-year realized volatility of currencies vs. US dollar (%)



Forex Reserves + Net outstanding forwards



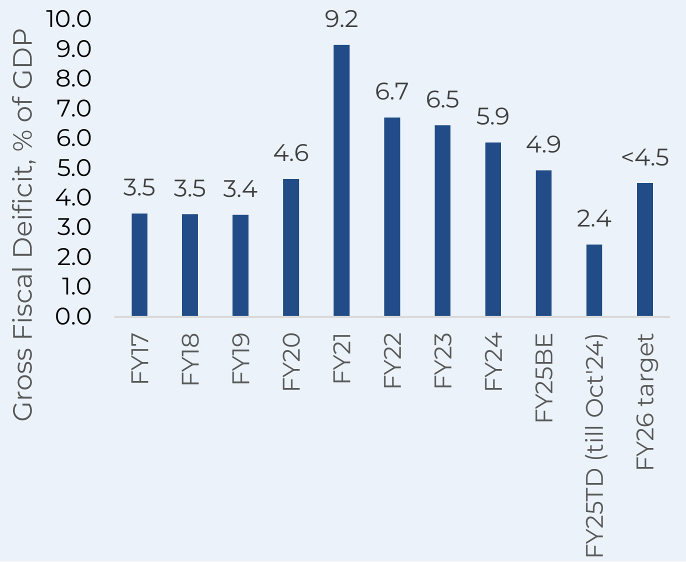
Source: Kotak Institutional Equities; Average crude price assumption USD 75/barrel in FY25
Source: Bloomberg

Favourable G-Sec Demand-Supply

Fiscal Consolidation + Strong Inflows

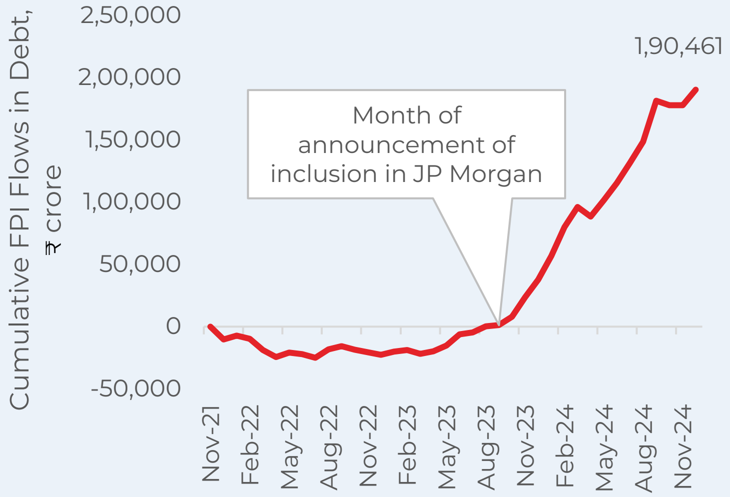
- Strong commitment to fiscal consolidation to keep Gsec supply under check
  - Central government on track to achieve FY25BE fiscal deficit; FY26 target of <4.5% remains firm and achievable
- On Demand side, Strong Inflows from FPIs and long-term buyers (NPS, EPF, Insurance) likely to continue
  - Draft regulations for increase in Bank's LCR requirement, if implemented, to aid SLR demand

Fiscal Deficit Trend and Forecast



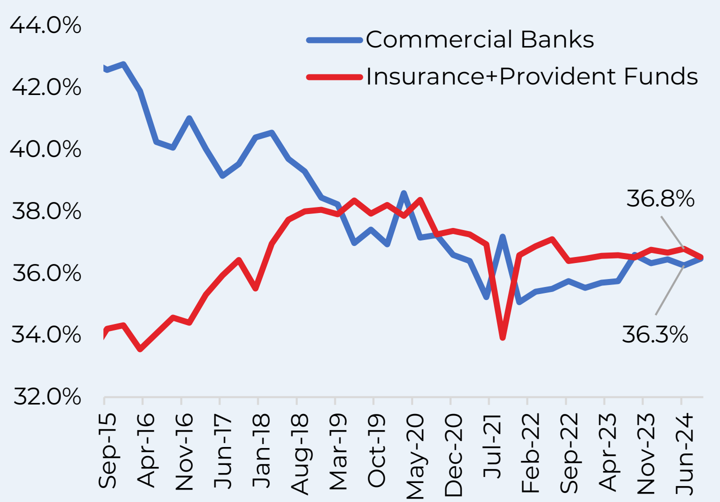
Source: CMIE, India Budget

Trend in FPI buying post announcement of inclusion in JP Morgan EM Bond indices



Source: NSDL

Rising share of Long term Buyers



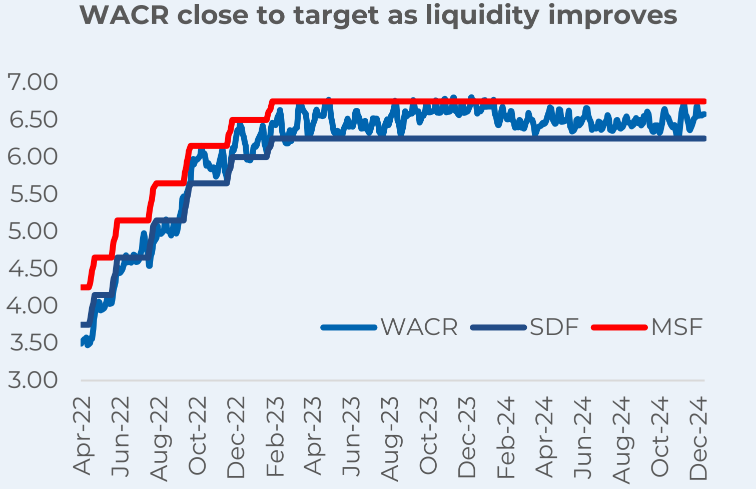
Source: RBI, CMIE

RBI: Rate Cuts Delayed Not Denied

Inflation and INR to guide the Rate Trajectory

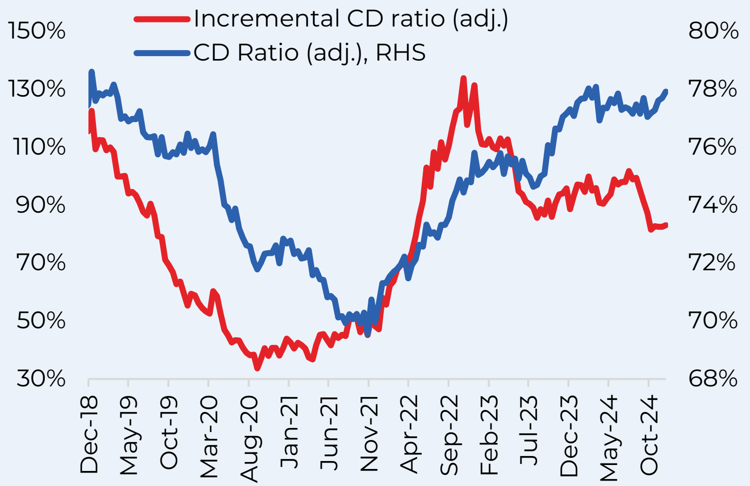
- Gsec curve shifted lower in 2024 aided by robust FPI flows, rate cuts by AEs and expectations that RBI is likely to follow
  - RBI reduced CRR by 50 bps in December 2024 to improve liquidity; incremental CD ratio eases significantly from the peak
- Growth-inflation dynamic has turned adverse in near term which has kept RBI on hold in 2024; this is likely to change in 2025
  - Growth likely to pick up on back of improved government spending and rural recovery
  - Inflation likely to fall closer to RBI's target from Q4FY25 onwards as food crops arrival improves
- Pressure on INR and progress on inflation remain key factors to watch

Liquidity declines on RBI forex interventions; likely to fall further



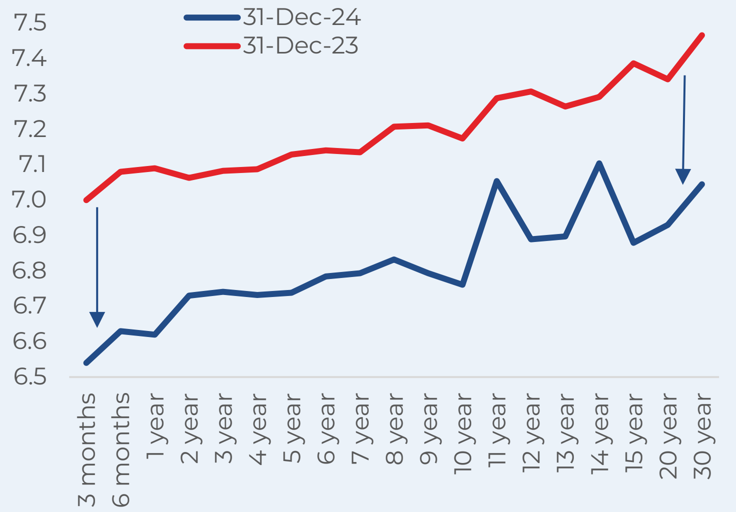
Source: CMIE. 7D average numbers. WACR: Weighted Average Call Rate; SDF: Standing Deposit Facility; MSF: Marginal Standing Facility

Incremental credit-deposit ratio remains high ~85% (off from peak levels of >100%)



Source: CMIE, RBI

Drop in the yield curve witness in CY24



Source: Bloomberg, CMIE

Final Word: Yields likely to drift lower

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	Current	Outlook	Supportive of Yields falling
Growth	US exceptionalism supports global growth; moderates in other major economies of the world	Global growth including India likely to remain steady	
Inflation	Trending lower led by core CPI; food inflation a challenge	Benign core CPI momentum and favorable base to bring CPI near target (4%)	
External Sector	Manageable CAD aided by net services exports; capital flows subdued	CAD to remain within manageable range; Currency pressure and trade war poses a risk; can delay rate cuts by RBI	
Liquidity	Fall in liquidity due to RBI interventions partly compensated by CRR cut	Continued RBI intervention and rise in currency in circulation can keep liquidity tight; Fx flows and OMOs key	
Fiscal situation / Market borrowings	SLR supply largely in line with expectations	RBI dividend, healthy tax collections & subdued spending to aid fiscal consolidation; keep SLR supply under check	
Monetary policy	Most major central banks begin rate cut cycle; RBI revises its stance to neutral and reduced CRR	Pace of rate cuts by AEs likely to slow down in 2025; RBI rate cut cycle likely to be shallow	
Geopolitical risks	Environment remains uncertain and tensions are rising across geographies	New US administration likely to support normalization and lower the risk of escalation	

Favourable Gsec supply-demand, easing inflation and RBI's pivot bodes well for yields

Global Perspectives

Global Growth Moderating

Government Bond Yields becoming divergent during this Period

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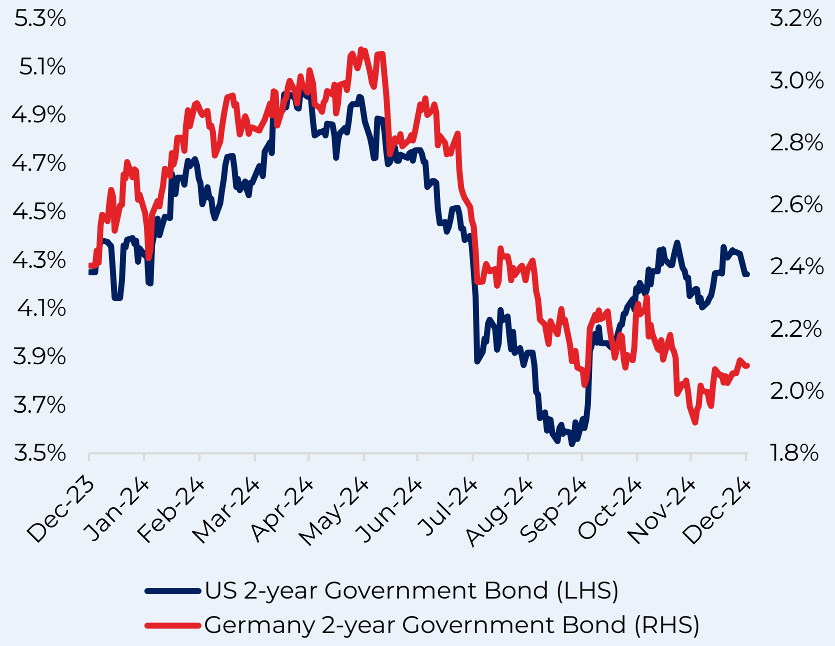
- Growth of most major economies expected to moderate to levels below pre-pandemic period
- US forecasted to remain a leader among Advanced Economies
- Eurozone could be a beneficiary of any geopolitical normalization
- 2-year Government bond yields of US and Eurozone* indicating a divergent trend amidst differing global growth trajectory

Real GDP Growth (%)								
Countries	**CY2010-19#**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024F**	**CY2025F**	**CY2026-29F$**
World	**3.6%**	**-2.7%**	**6.6%**	**3.6%**	**3.3%**	**3.2%**	**3.2%**	**3.2%**
Advanced Economies	**2.1%**	**-4.0%**	**6.0%**	**2.9%**	**1.7%**	**1.8%**	**1.8%**	**1.7%**
▪ United States	2.4%	-2.2%	6.1%	2.5%	2.9%	2.8%	2.2%	2.1%
▪ United Kingdom	2.0%	-10.3%	8.6%	4.8%	0.3%	1.1%	1.5%	1.4%
▪ Euro Area	1.4%	-6.1%	6.2%	3.3%	0.4%	0.8%	1.2%	1.4%
▪ Japan	1.2%	-4.2%	2.7%	1.2%	1.7%	0.3%	1.1%	0.6%
Emerging Market and Developing Economies	**5.0%**	**-1.8%**	**7.0%**	**4.0%**	**4.4%**	**4.2%**	**4.2%**	**4.0%**
▪ China	7.7%	2.2%	8.4%	3.0%	5.2%	4.8%	4.5%	3.6%
▪ Brazil	1.4%	-3.3%	4.8%	3.0%	2.9%	3.0%	2.2%	2.4%

Government Bond Yields of US and Eurozone have become divergent@



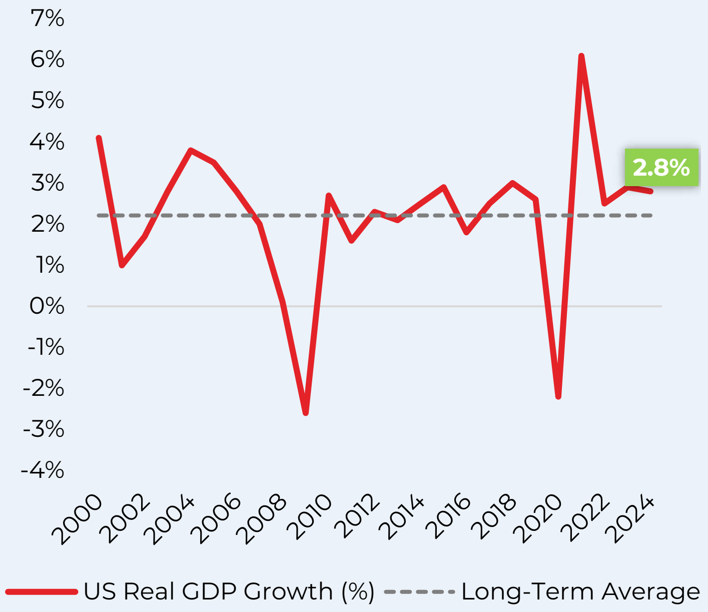
Source: Bloomberg, International Monetary Fund; #Average Y-o-Y Growth from CY2010 to CY2019; $Average Y-o-Y Growth from CY2026 to CY2029; @Data from December 29, 2023 to December 31, 2024 *Proxy for Eurozone used: Germany 2-year Government Bond

United States Dominance

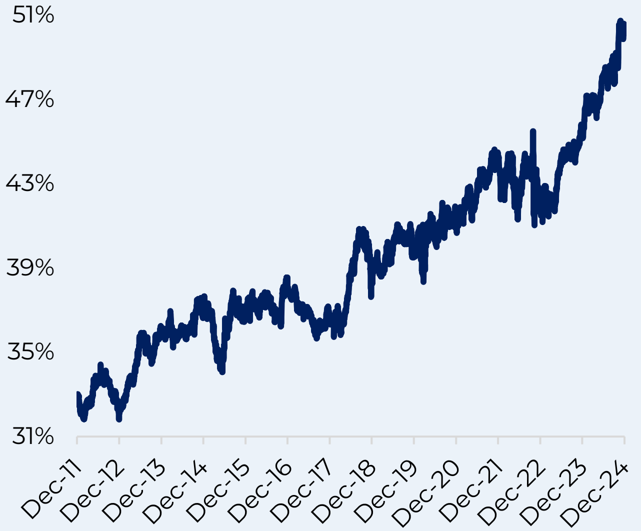
Will it continue in 2025?

- Growth: US Economic growth has remained above its long-term average
- Debt: Its Federal Debt to GDP remains elevated amidst one of the highest deficit levels of all advanced economies (7.0% of GDP forecasted for 2024)
- Inflation: Services inflation remaining higher and stickier, pressurizing interest rates and expectation of significant easing

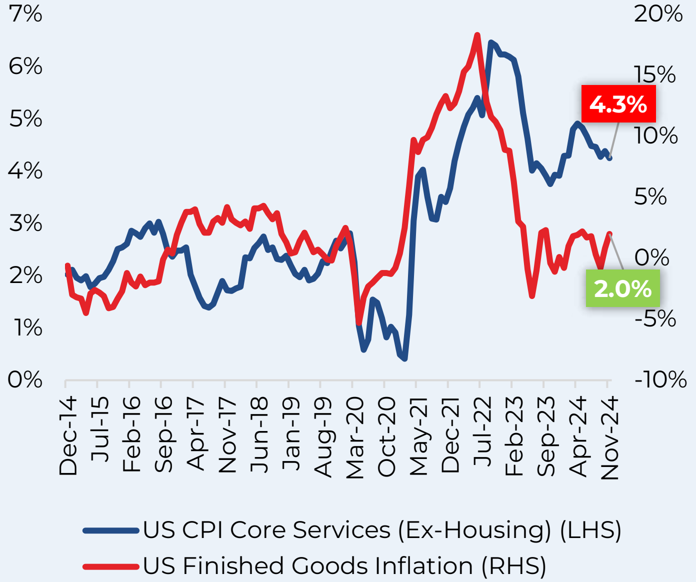
US Economic Growth has been strong



US Market Cap as % of World Market Cap has crossed 50%!



Services Inflation higher and stickier than Goods Inflation*



Source: Bloomberg, International Monetary Fund, *Data from December 2014 to November 2024

Potential Increase in Protectionist Policies

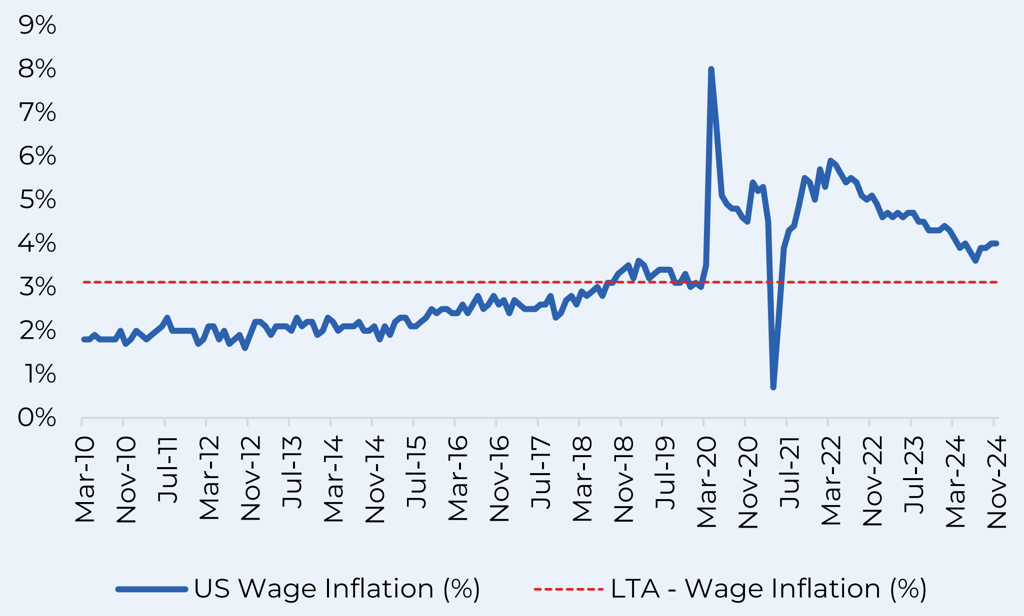
An Inflationary and A Growth Risk for United States

- Potential hike in tariffs imposed by US could potentially lead to renewed trade tensions, which could adversely impact US Economy
- Proposed anti-immigration policies could lead to a reduction in labour supply in US, leading to a stickier wage inflation

Such policies could delay the forthcoming cycle of interest rate cuts

Policy Action	Economic Impact on US between Q42024 and Q42026					
	Headline PCE@ Prices	Real Consumer Spending	Real Investment	Real Exports	Real Imports	Real GDP
1) 60% Incremental Tariff on Chinese Imports + 1) Blanket 10% Tariff on all other Imports to the US	0.9%	-3.0%	-3.1%	-1.7%	-9.4%	-1.4%

US Wage Inflation has been higher and stickier than its Long Term Average and US CPI**



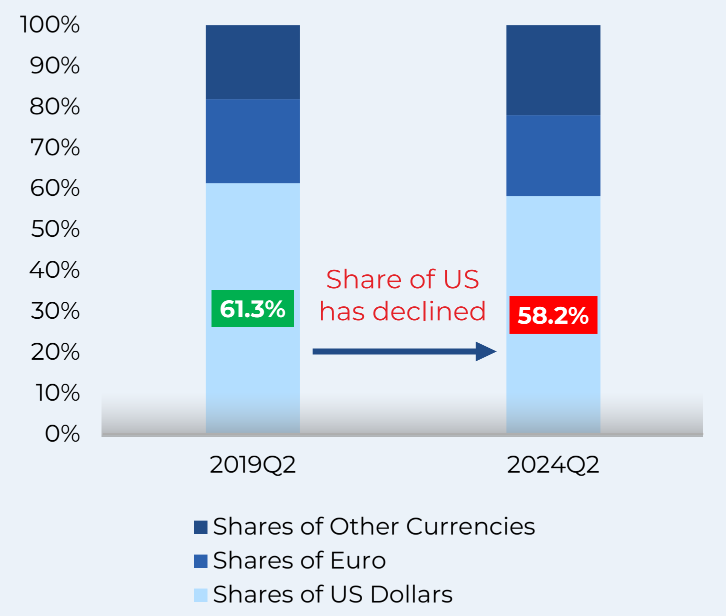
Source: Morgan Stanley Research, Bloomberg; @PCE: Personal Consumption Expenditure; **Data as on November 30, 2024

Greenback Dominance

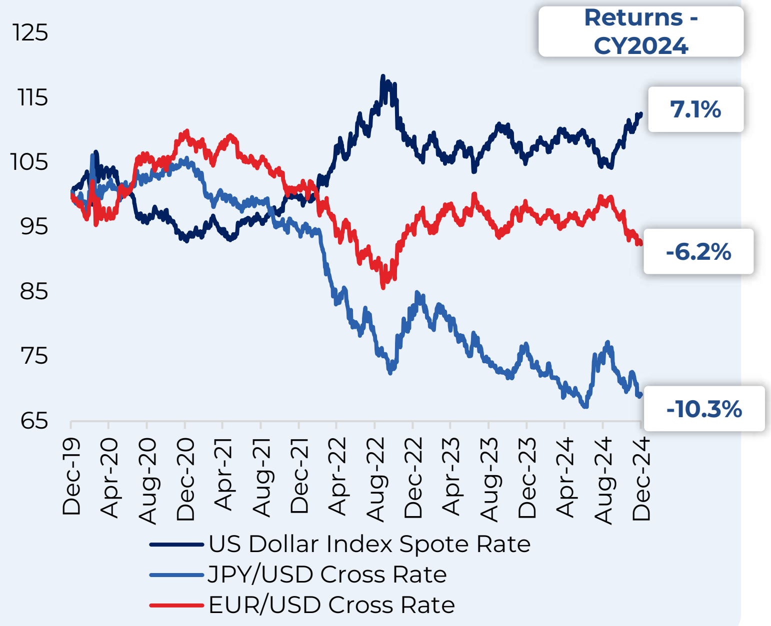
Despite Rising Debt, Higher Inflation and Reserve Diversification

- Share of US Dollar in World Forex Reserves@ has dropped by 3.1% between Q22019 and Q22024
- However, US Dollar has strengthened against the Euro and Japanese Yen
- As a % of total world equity market cap – Bitcoin at 1% vs Total Gold Reserves at 14.5%!

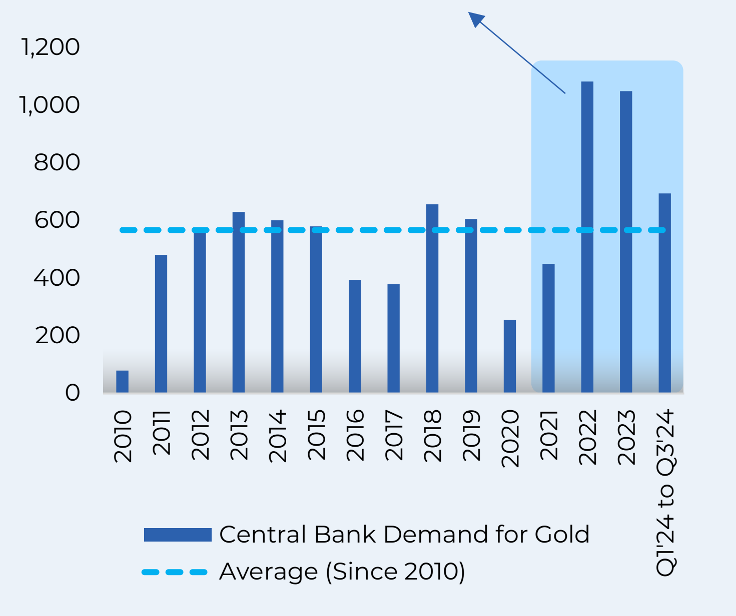
Share of US Dollars in World Forex Reserves has dipped



US Dollar has been strengthening against major DM Currencies$



Global Central Banks have been adding Gold to their Forex Reserves



Source: Bloomberg, @World Currency Composition of Official Foreign Exchange Reserves, International Financial Statistics (IFS), World Gold Council; $All the values have been rebased to 100 as on December 17, 2019 (Period: December 31, 2019 to December 31, 2024)

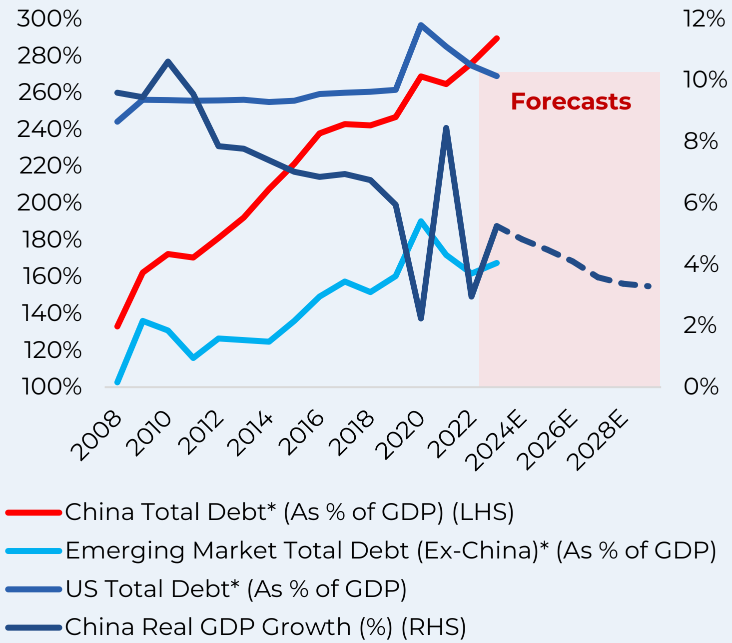
China's Story of Debt, Demographics and Deflation

Road to Economic Recovery harder?

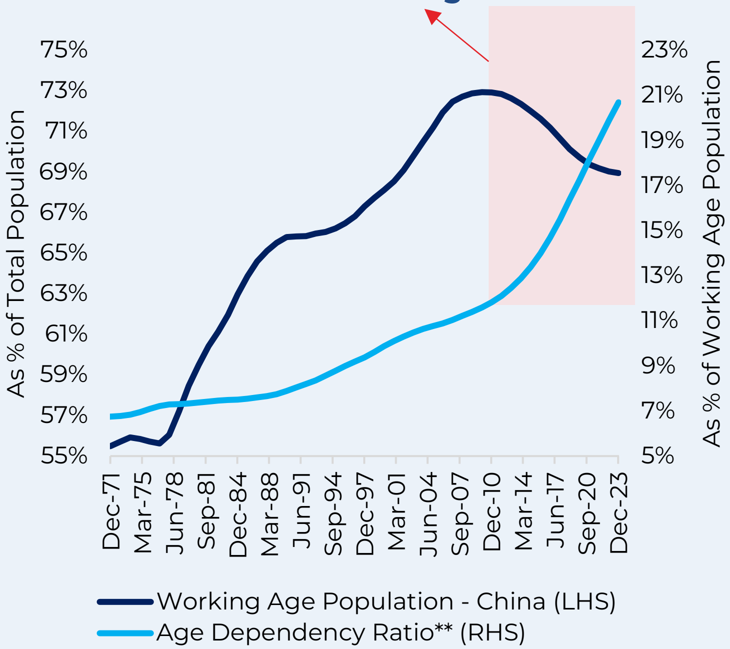
Economic growth expected to slow versus previous decade due to:

- High debt as % of GDP
- Decreasing population and increasing number of older dependents (Median age: 39.6 years in 2024 vs 29 in 2000$)
- Falling real estate prices and oversupply in manufacturing adding to deflationary pressures

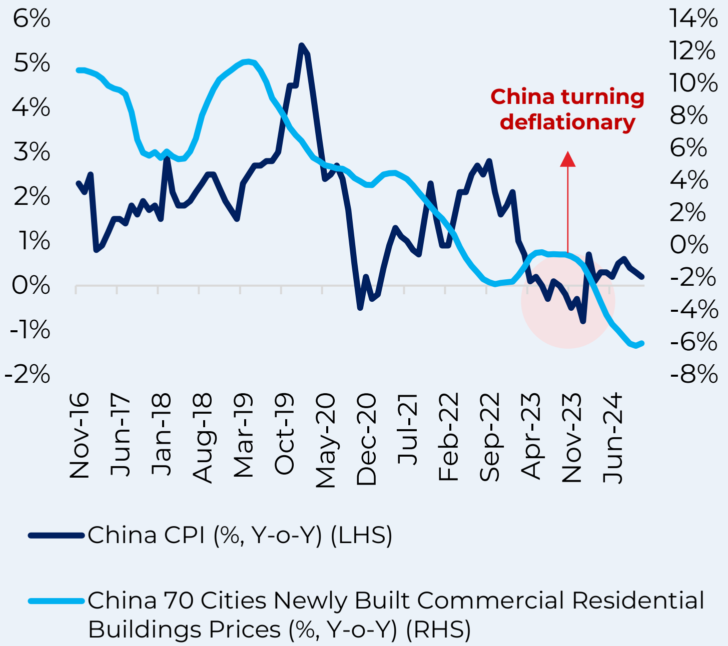
China's GDP Growth peaking off as its Debt reaches Elevated Levels



China's Demographics have been deteriorating



Falling Real Estate Prices creating Deflationary Pressures



Source: Bank for International Settlements, International Monetary Fund, Federal Bank of St. Louis, Bloomberg, **Age Dependency Ratio = Number of Older dependents (people older than 64) / Working-age population (ages between 15 and 64), $World Bank, *Total Debt includes General Government Debt, Private Debt, Loans and Debt Securities

Key Tenets of Equity Investing

Diversify across Asset Classes

Reducing Portfolio Volatility with Hybrid Funds

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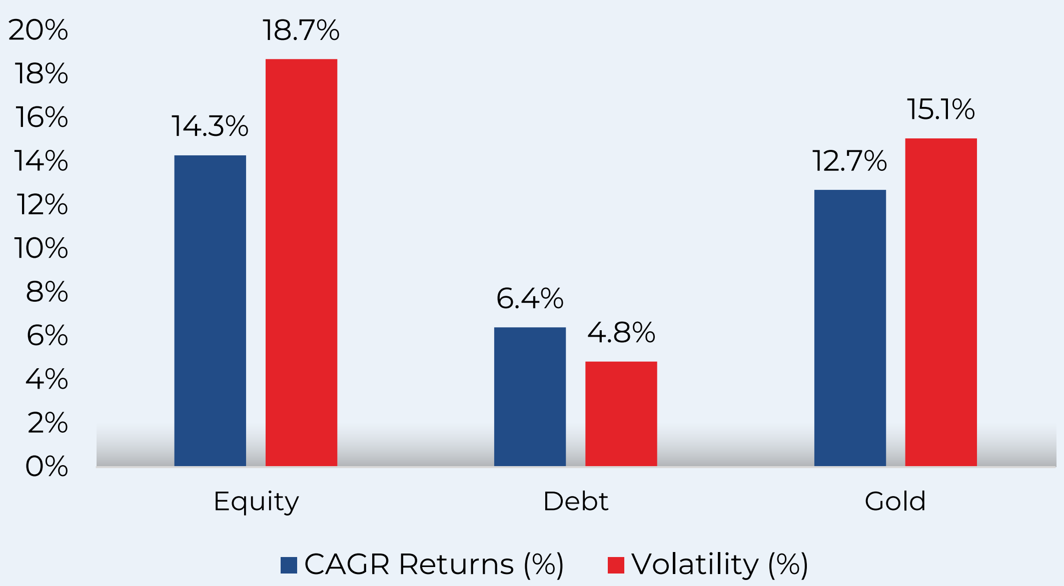
Highest Risk witnessed when investing individually in Equities



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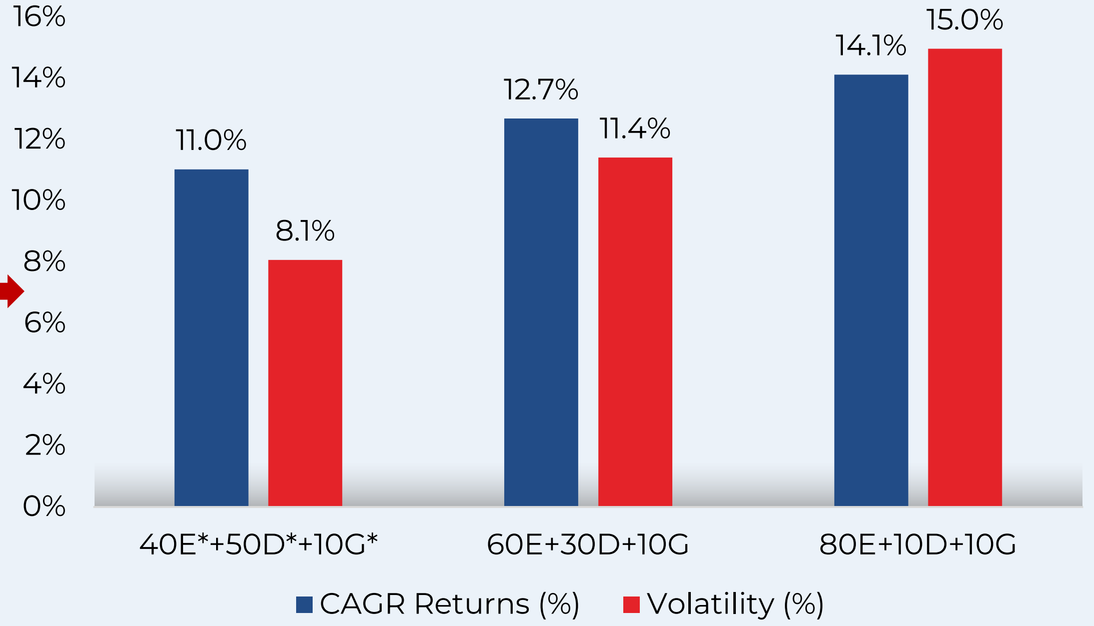
Asset Allocation reducing Portfolio Volatility



Equity → Potential to generate higher returns versus other asset classes, but volatility much higher

First-time investors can consider investing in Hybrid Funds to reduce portfolio volatility and benefit from the goodness of all the 3 major asset classes – Equity, Debt and Gold

Source: www.niftyindices.com, World Gold Council. Data from March 31, 2002 to December 31, 2024. Returns are compounded annual in nature. Data used for asset classes: Equity – NIFTY 50, Debt – NIFTY 10-year Benchmark G-Sec, Gold – Spot Rate ₹/10 Grams. Monthly portfolio rebalancing assumed. Standard Deviation calculated using daily returns. The above analysis is based on back-testing of the above mentioned asset classes. HDFC Mutual Fund/AMC is not guaranteeing future returns of these asset classes. Comparison with Gold has been given solely for the purpose of understanding and illustrative purpose. The above combinations are for illustrative purpose. Investors are requested to take professional advice while making investment decisions. *E: Equity, D: Debt, G: Gold

Diversify within Equities

Allocate your Investments across Market Caps, Sectors and Styles

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Diverse Winners across Market Caps in the last 20 Financial Years

Index*	Rank 1	Rank 2	Rank 3	Total Number of Instances
NIFTY 100 TRI	6	4	10	**20**
NIFTY Midcap 150 TRI	4	13	3	**20**
NIFTY Smallcap 250 TRI	10	3	7	**20**

Diverse Winners across Sectors in the last 18 Financial Years

Index**	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Rank 8	Rank 9	Total Number of Instances
NIFTY Auto TRI	3	1	3	2	2	2	2	3	0	**18**
NIFTY Energy TRI	2	5	0	1	0	1	3	1	5	**18**
NIFTY Financial Services TRI	0	1	4	4	2	4	2	1	0	**18**
NIFTY FMCG TRI	6	0	1	0	4	1	2	3	1	**18**
NIFTY Infrastructure TRI	0	1	2	3	2	1	4	3	2	**18**
NIFTY IT TRI	3	4	1	2	4	1	0	2	1	**18**
NIFTY Media TRI	2	2	0	0	2	0	4	2	6	**18**
NIFTY Pharma TRI	1	2	3	2	2	5	0	1	2	**18**
NIFTY Private Bank TRI	1	2	4	4	0	3	1	2	1	**18**

Diverse Winners across Styles in the last 15 Financial Years

Index@	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total Number of Instances
NIFTY100 Quality 30 TRI	0	3	4	6	2	**15**
NIFTY50 Value 20 TRI	3	3	6	1	2	**15**
NIFTY Growth Sectors 15 TRI	6	1	0	2	6	**15**
NIFTY200 Momentum 30 TRI	6	2	0	5	2	**15**
NIFTY100 Low Volatility 30 TRI	0	6	5	1	3	**15**

Diversification by:

- Market cap – Large, Mid and Small cap Segments
- Sector / Theme
- Style diversification (Value / Growth)

Solution: A set of few diversified equity-oriented funds across categories

Source: Bloomberg; *Interpretation of the Table using one example: NIFTY 100 TRI has been ranked 1 in 6 out of 20 Financial Years (FYs considered: FY2008 to FY2025YTD; FY2025YTD: March 28, 2024 to December 31, 2024)); **Interpretation of the Table using one example: NIFTY Auto TRI has been ranked 1 in 3 out of 18 Financial Years (FYs considered: FY2008 to FY2025YTD; FY2025YTD: March 28, 2024 to December 31, 2024)); @Interpretation of the Table using one example: NIFTY100 Quality 30 TRI has been ranked 2 in 3 out of 15 Financial Years (FYs considered: FY2011 to FY2025YTD; FY2025YTD: March 28, 2024 to December 31, 2024)). **Historical performance indications are not the reliable indicator for current or future performance.**

Think Long Term

Key to Unlocking The True Potential of Compounding

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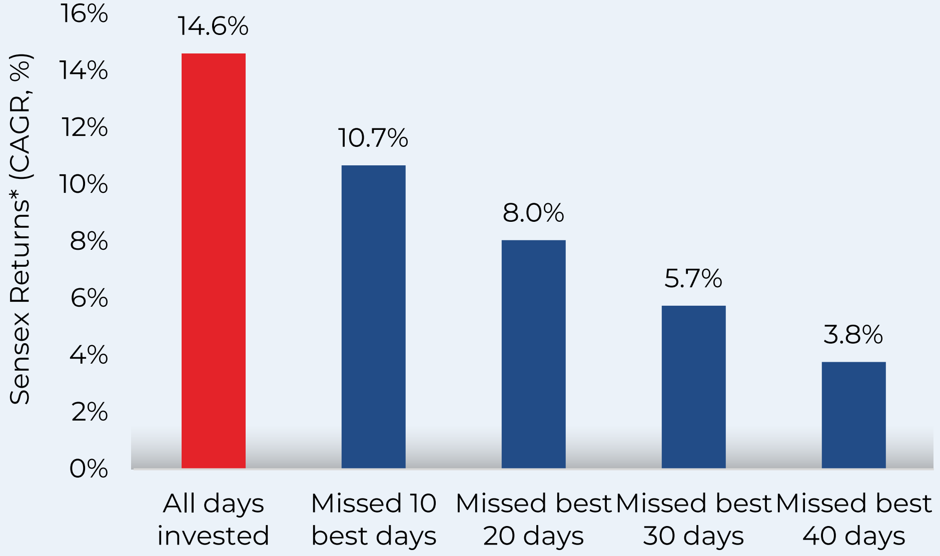
- Short Term: Various news and events would have impacted BSE Sensex returns in the short term, forcing investors to act irrationally by redeeming their investments

- Long Term: As investment horizon increases, the probability of loss decreases because markets tend to deliver returns in line with the profit growth of companies, which is a function of underlying economic growth

Time less spent in the Equity Markets could have been costly for an Investor



Particulars	Gross Domestic Product	NIFTY 50 Earnings per Share	NIFTY 50 Index
CAGR – From FY04 to FY24 (%)	10.74%	12.52%	13.03%
Times rise – From FY04 to FY24	7.7x	10.6x	12.6x

What is the probability of a loss when investing in BSE Sensex between Apr-79 & Dec-24?**

Particulars	1 year	3 year	5 year	10 year	15 year	20 year
Number of Instances when BSE Sensex Return < 0%	2,757	1,097	696	72	0	0
Total Number of Instances	10,409	10,043	9,663	8,623	7,594	6,404
% of Probability of Loss	26%	11%	7%	1%	0%	0%

Source: Bloomberg, www.bseindia.com ; *Returns as on December 31, 2024; **Rolling Returns calculated for different time horizons from April 03, 1979 to December 31, 2024 using a daily rolling frequency. Historical performance indications are not the reliable indicator for current or future performance.

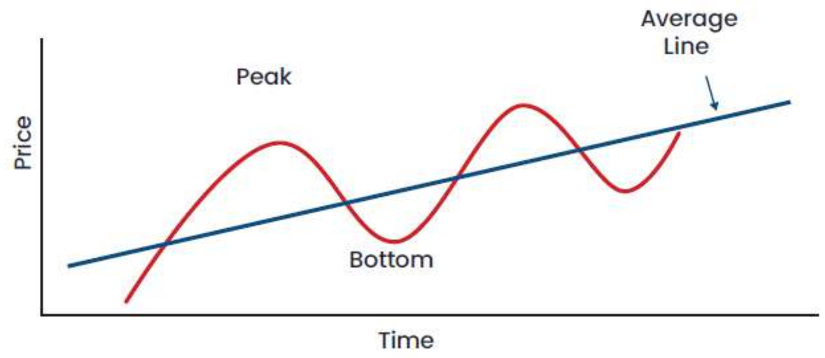
Systematic Investment Plan

A Great Tool for Managing Emotions

Various news and events impact equity markets in the short term

Dilemma of when to invest in the equity markets

SIPs average out the cost of investments in the long term, making investors stay away from external noise



Always a Good Time to start an SIP

SIP in HDFC Small Cap Fund	Invested Amount (in ₹ lakh)	Profit (in ₹ lakh)	Market Value of Investment* (in ₹ lakh)	Return (CAGR, %)
Investor A: Started in January 2018 (Pre-Correction)	8.3	12.5	20.8	25.6%
Investor B: Started in January 2019 (Post-Correction)	7.1	9.9	17.0	28.9%

Source: MFI Explorer, Bloomberg; *As of December 31, 2024, SIP of ₹10,000 on first day of month considered. SIP started from respective start dates January 2018 / January 2019 and continued uninterrupted till December 31, 2024. Historical performance indications are not the reliable indicator for current or future performance. HDFC Mutual Fund / AMC is not guaranteeing any returns on investments made in this Fund. 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. For complete performance details in SEBI prescribed format, refer to slide 50

SIP in HDFC Mid-Cap Opportunities Fund	Invested Amount (in ₹ lakh)	Profit (in ₹ lakh)	Market Value of Investment* (in ₹ lakh)	Return (CAGR, %)
Investor A: Started in January 2008 (Pre-GFC)	20.3	139.3	159.6	21.2%
Investor B: Started in November 2008 (Post-GFC)	19.3	120.6	139.9	21.6%

Source: MFI Explorer, Bloomberg; *As of December 31, 2024, SIP of ₹10,000 on first day of month considered. SIP started from respective start dates January 2008 / November 2008 and continued uninterrupted till December 31, 2024. Historical performance indications are not the reliable indicator for current or future performance. HDFC Mutual Fund / AMC is not guaranteeing any returns on investments made in this Fund. 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. For complete performance details in SEBI prescribed format, refer to slide 51

Performance

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HDFC Small Cap Fund - SIP PERFORMANCE^ - Regular Plan - Growth Option

An SIP since inception* of ₹10,000 invested sytematically on the first business day of every month (total investment ₹ 20.10 lakh) in HDFC Small Cap Fund would have grown to ~₹127.94 Lakhs by December 31, 2024 (refer below table).

	Since Inception	15 year SIP	10 year SIP	5 year SIP	3 year SIP	1 year SIP
Total Amount Invested (₹ in lacs)	20.10	18.00	12.00	6.00	3.60	1.20
Market Value as on December 31, 2024 (₹ in lacs)	127.94	92.92	38.02	13.04	5.40	1.28
Returns (%)	19.53	19.67	21.82	31.64	28.16	13.30
Benchmark Returns (%) #	16.34	16.86	20.48	32.12	30.68	14.54
Additional Benchmark Returns (%) ##	13.48	13.53	14.49	16.73	14.32	2.47

Assuming ₹10,000 invested systematically on the first Business Day of every month since inception. CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Plan - Growth Option. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital.

PERFORMANCE ^ - Regular Plan - Growth Option

NAV as at December 31, 2024 ₹139.140 (per unit)

Period	Scheme Returns (%)	Benchmark Returns(%)#	Additional Benchmark Returns (%) ##	Value of ₹ 10,000 invested		
				Scheme (₹)	Benchmark (₹)#	Additional Benchmark (₹)##
Last 1 Year	20.23	24.89	10.00	12,041	12,511	11,009
Last 3 Years	22.16	22.15	12.16	18,241	18,237	14,114
Last 5 Years	29.26	29.95	15.52	36,142	37,111	20,587
Last 10 Years	18.40	15.80	12.41	54,235	43,424	32,241
Since Inception*	17.01	11.87	11.34	139,140	65,503	60,530

Common notes for all tables: *Inception Date: April 03, 2008. The Scheme is managed by Mr. Chirag Setalvad since June 28, 2014, # Benchmark Index: BSE 250 SmallCap TRI ## Additional Benchmark Index: NIFTY 50 TRI. ^Past performance may or may not be sustained in future and is not a guarantee of any future returns. TRI - Total Returns Index. Returns as on December 31, 2024. Different plans viz. Regular Plan and Direct Plan have different expense structure. The expenses of the Direct Plan under the scheme will be lower to the extent of the distribution expenses/commission charged in the Regular Plan. Returns greater than 1 year period are compounded annualized (CAGR). Load is not taken into consideration for computation of above performance(s).

HDFC Mid-Cap Opportunities Fund - SIP PERFORMANCE^ - Regular Plan - Growth Option

An SIP since inception* of ₹10,000 invested sytematically on the first business day of every month (total investment ₹ 21.10 lakh) in HDFC Mid-Cap Opportunities Fund would have grown to ~₹172.17 Lakhs by December 31, 2024 (refer below table).

	Since Inception	15 year SIP	10 year SIP	5 year SIP	3 year SIP	1 year SIP
Total Amount Invested (₹ in lacs)	21.10	18.00	12.00	6.00	3.60	1.20
Market Value as on December 31, 2024 (₹ in lacs)	172.17	104.87	37.94	13.21	5.77	1.33
Returns (%)	20.85	21.04	21.78	32.19	33.11	19.97
Benchmark Returns (%) #	19.09	20.00	21.75	30.35	29.90	14.03
Additional Benchmark Returns (%) ##	13.11	13.53	14.49	16.73	14.32	2.47

Assuming ₹10,000 invested systematically on the first Business Day of every month since inception. CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Plan - Growth Option. The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital.

PERFORMANCE ^ - Regular Plan - Growth Option

NAV as at December 31, 2024 ₹190.487 (per unit)

Period	Scheme Returns (%)	Benchmark Returns(%)#	Additional Benchmark Returns (%) ##	Value of ₹ 10,000 invested		
				Scheme (₹)	Benchmark (₹)#	Additional Benchmark (₹)##
Last 1 Year	28.35	24.24	10.00	12,862	12,446	11,009
Last 3 Years	27.75	23.18	12.16	20,864	18,703	14,114
Last 5 Years	28.83	28.29	15.52	35,539	34,794	20,587
Last 10 Years	18.08	18.72	12.41	52,777	55,677	32,241
Since Inception*	18.31	15.86	11.58	190,487	131,984	68,247

Common notes for all tables: #Nifty Midcap 150 Index TRI ##Nifty 50 TRI. *Inception Date: June 25, 2007. The scheme is managed by Mr. Chirag Setalvad since June 25, 2007. ^Past performance may or may not be sustained in future and is not a guarantee of any future returns. Returns greater than 1 year period are Compounded Annualised (CAGR). Load is not taken into consideration for computation of above performance(s). Different plans viz. Regular Plan and Direct Plan have different expense structure. The expenses of the Direct Plan under the scheme will be lower to the extent of the distribution expenses/commission charged in the Regular Plan. Returns as on December 31, 2024. The above returns are of Regular Plan - Growth Option.

Others Funds managed by the Fund Manager

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Performance of other funds managed by Chirag Setalvad (who manages total 4 schemes which have completed 1 year)

	Managing Scheme since	Returns (%) as on December 31, 2024		
		Last 1 year (%)	Last 3 years (in %)	Last 5 years (in %)
HDFC Hybrid Equity Fund	April 2, 2007	12.81	13.11	15.57
Benchmark - NIFTY 50 Hybrid Composite Debt 65:35 Index		9.69	10.24	13.03
HDFC Children's Fund (Formerly known as HDFC Children's Gift Fund)	April 2, 2007	15.92	16.26	18.47
Benchmark - NIFTY 50 Hybrid Composite Debt 65:35 Index		9.69	10.24	13.03

On account of difference in the type of the Scheme, asset allocation, investment strategy, inception dates, the performance of these schemes is strictly not comparable. Past performance may or may not be sustained in future and is not a guarantee of any future returns. Returns greater than 1 year period are Compounded. Annualised (CAGR). Load is not taken into consideration for computation of above performance(s). Different plans viz. Regular Plan and Direct Plan have different expense structure. The expenses of the Direct Plan under the scheme will be lower to the extent of the distribution expenses/commission charged in the Regular Plan. The above returns are of Regular Plan - Growth Option. Returns as on December 31, 2024.

Product labelling and Riskometer

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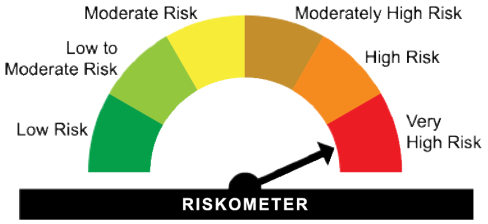
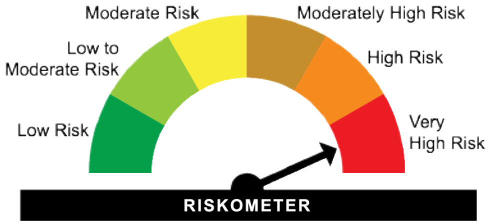
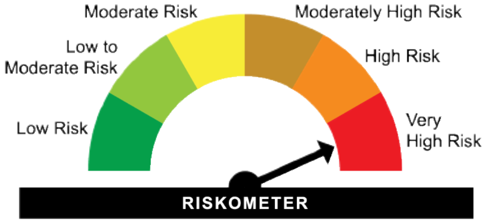
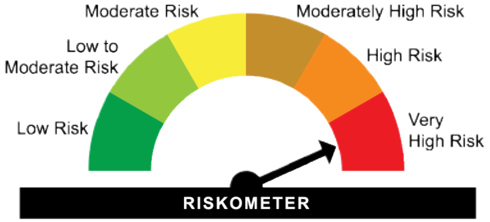
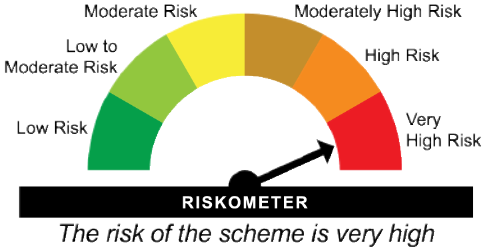
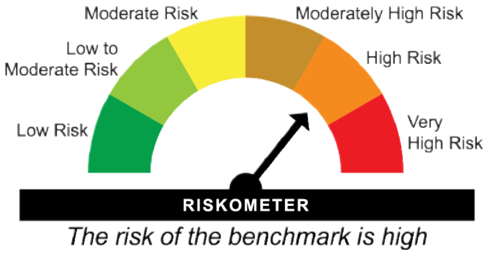
Name of Scheme	This product is suitable for investors who are seeking*:	SCHEME RISKOMETER#	Name of Benchmark and Riskometer
HDFC Small Cap Fund (An open ended equity scheme predominantly investing in small cap stocks)	• To generate long-term capital appreciation / income • Investment predominantly in Small-Cap companies	 *The risk of the scheme is very high*	BSE 250 SmallCap Index (TRI)  *The risk of the benchmark is very high*
HDFC Mid-Cap Opportunities Fund (An open ended equity scheme predominantly investing in mid cap stocks)	• To generate long-term capital appreciation / income • Investment predominantly in Mid-Cap companies	 *The risk of the scheme is very high*	NIFTY Midcap150 (Total Returns Index)  *The risk of the benchmark is very high*

Benchmark and Scheme Riskometer as on December 31, 2024.
*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

Product labelling and Riskometer

<table>
<tr><th>Scheme Riskometer#</th><th>Name of the Scheme(s)</th><th>Name and Riskometer of Benchmark</th></tr>
<tr><td rowspan="2">
</td><td>HDFC Hybrid Equity Fund</td><td rowspan="2">NIFTY 50 Hybrid Composite Debt 65:35 Index

</td></tr>
<tr><td>HDFC Children's Fund
(Name changed from HDFC Children's Gift Fund)
w.e.f 18th Nov 2024</td></tr>
<tr><td colspan="3">Benchmark and Scheme Riskometer as on December 31, 2024.
#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

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Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world

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