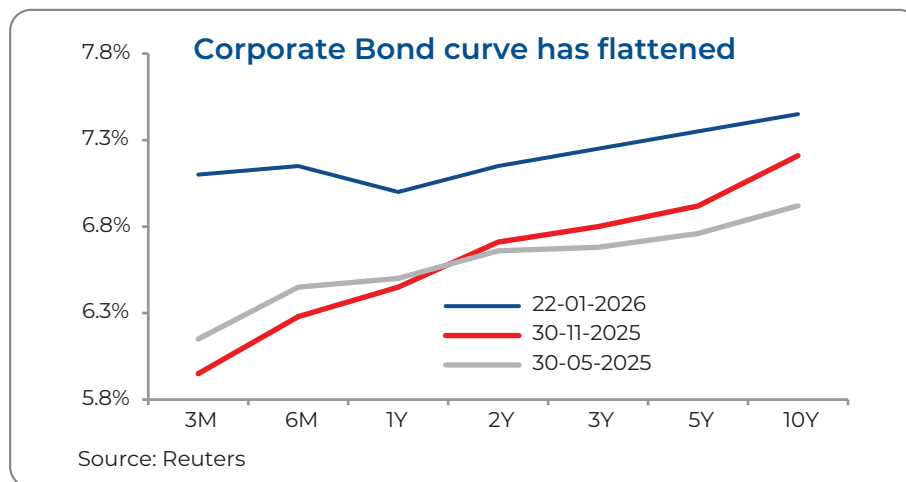


Investment Case for Shorter-duration Funds

Spike in yields, especially at the short-end of the Yield Curve

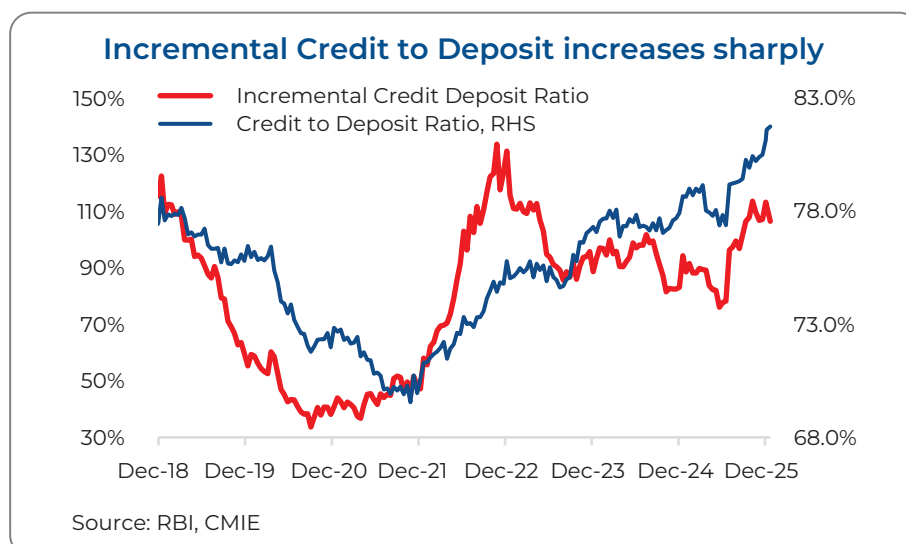
Beginning of 2026 has seen tightening of bond yields along with a flattening of the Yield Curve. The sharper rise in yields of shorter-tenor instruments as compared to longer tenor ones could present investment opportunities in Shorter-duration Funds. This was driven by various factors like increasing consensus that RBI is close to end of rate cutting cycle, fall in interbank liquidity, rise in CD issuance by banks, FX intervention to support INR etc.



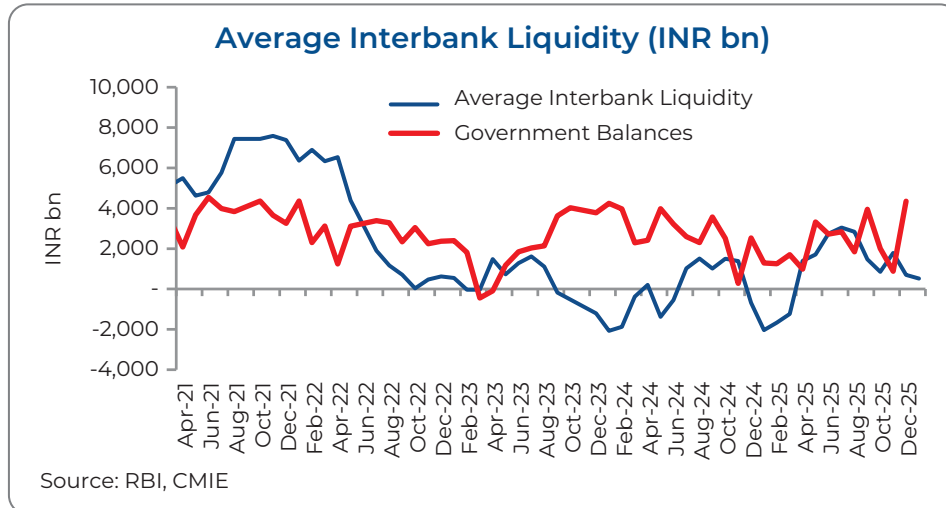
Notably, sell off has been higher in non-SLR segments (namely CP, CDs and Bonds) compared to Gsec. This has resulted in the spread widening sharply between these segments and Gsec and are now trading substantially higher than long term average.

What is driving the spike in Yields?

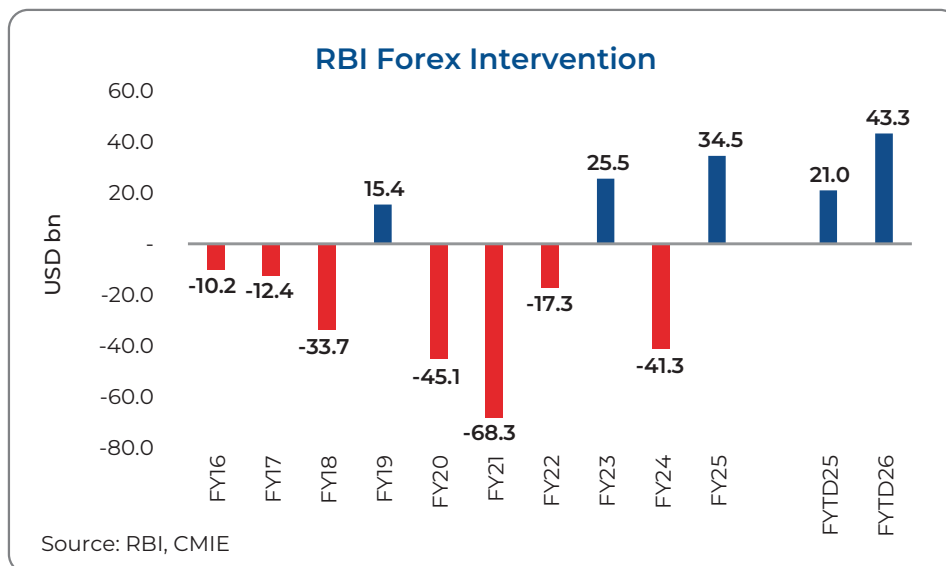
- Banking credit growth has outpaced deposit growth and incremental credit to deposit growth is close to ~100% as on 31 December 2025.** In view of low deposit rates, banks have increasingly resorted issuance of CDs. This shift has led to a sharp increase in CD issuance, thus exerting upward pressure on money-market yields.



2. Tightening of systemic liquidity: Interbank liquidity significantly declined in January 2026 owing to subdued government spending resulting in higher government cash balance with RBI, rise in currency in circulation, etc. As liquidity tightens, short tenor instruments reprice more sharply as compared to the longer-end of the curve.



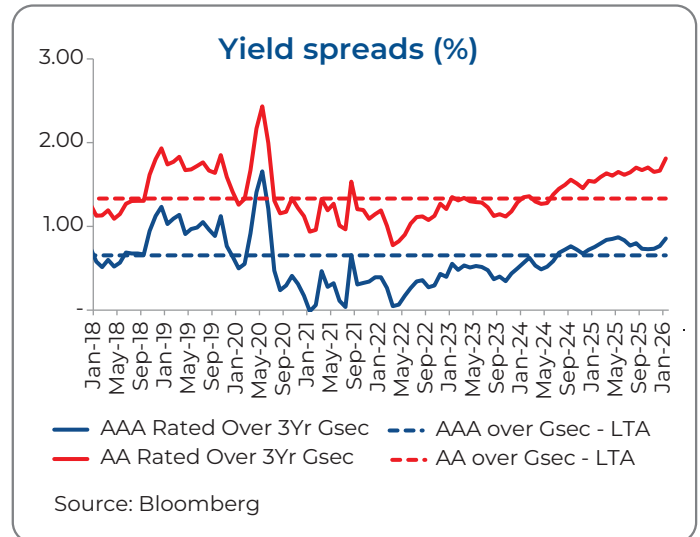
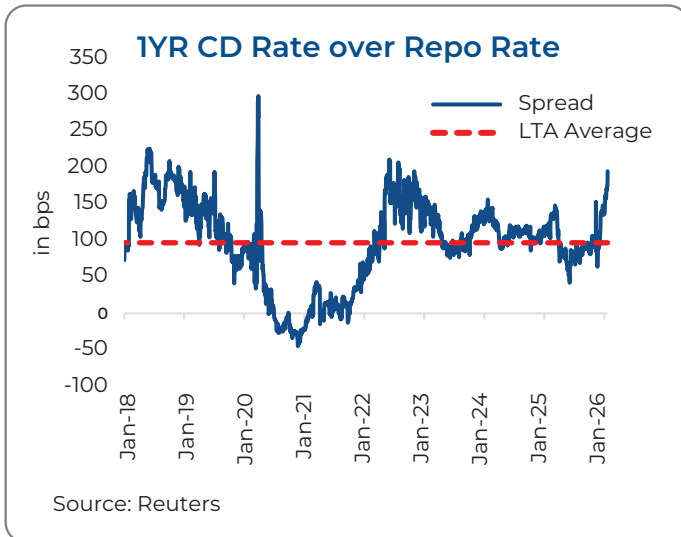
3. FX intervention and liquidity absorption: Over the past few months, the Indian rupee has faced downward pressure against the US dollar, driven by sustained foreign portfolio investor (FPI) selling in equity markets amid elevated global and US India trade deal uncertainty. To counter this, the RBI intervened by selling dollars and absorbing INR liquidity from the banking system. While this was to large extent set by OMO purchases (INR 3 trillion) and longer tenor forex swap (USD 15 bn), it was negative from sentiment perspective.



Why an opportunity and not a concern?

1. RBI's proactive approach – RBI, under the new governor, has been vocal about maintaining ample liquidity surplus within the system to aid transmission of rate cuts. It has generously used liquidity management through tools such as Open Market Operations (OMOs), Fx swaps, Variable Rate Repo, etc. Recently, RBI has announced a series of liquidity-augmenting measures, including a 90-day VRR of ₹25,000 crore, a USD 10 billion USD/INR buy-sell swap, and ₹1 trillion of OMO purchases. Together, these steps are likely to ease liquidity and could aid in stabilising yield. We expect this to continue and which should eventually result in yields cooling down as and when temporary liquidity pressures subside.

2. Attractive spreads over Gsec / Repo rate: The recent liquidity-driven repricing has resulted in short to medium term CD / bond yields trading at attractive spreads over the policy repo rate/Gsec. Given the contained inflation, in our view, probability of rate hike over next one year is low. Hence, as liquidity conditions normalise through RBI measures and seasonal easing, these excess spreads are likely to compress, which may make the current phase an opportune entry point for investors with a short to medium term horizon seeking enhanced carry with limited downside risk.



Conclusion: In view of the elevated short-term yields and expectation of normalisation over time, the investment in short duration fund category of schemes appears to be a good investment opportunity. However, the category of scheme one can consider is dependent on the investment horizon. If the investment horizon is between 3 to 12 months, then one can consider Money Market and/or Low Duration Fund. However, if one has investment horizon of more than 12 months, one can also consider Short Term Debt.

From an investor standpoint, it is important to recognise that this yield adjustment generally reflects liquidity dynamics, rather than deterioration in credit quality or a fundamental shift in monetary policy. As FPI flows stabilise, seasonal tightness abates and as the RBI deploys liquidity support measures (such as OMOs), we expect short-term funding conditions to ease, which is likely to present tactical opportunities to add at elevated yields for investors as per their risk appetite and investment horizon.

Products in Focus

HDFC Money Market Fund

Fund Strategy and Positioning

- HDFC Money Market Fund invests in money market securities with a maturity of up to 1 year
- The fund aims to maintain a higher credit quality with a focus on accruals
- The duration of the portfolio will be actively managed based on the interest rate outlook of the fund manager.

Portfolio Classification by Rating Class (%) (As of 31-Dec-2025)	
AAA/AAA(SO)/A1+/A1+(SO) & Equivalent	92.50
Sovereign	14.84
Cash, Cash Equivalents and Net Current Assets	-7.62
Alternative Investment Fund Units	0.28

Portfolio Details (As of 31-Dec-2025)	
Average Maturity	104.77 days
Macaulay Duration	103.70 days
Annualized Portfolio YTM %	6.30%

HDFC Low Duration Fund

Fund Strategy and Positioning

- Focuses on investing in debt securities and money market instruments such that the Macaulay Duration of the portfolio is between 6 and 12 months
- Currently, the Scheme focuses on developing a well-diversified portfolio of debt (including securitised debt) and other instruments that aims to generate returns commensurate with low levels of interest rate risk

Portfolio Classification by Rating Class (%) (As of 31-Dec-2025)	
AAA/AAA(SO)/A1+/A1+(SO) & Equivalent	70.45
Sovereign	12.76
AA+	1.64
AA/AA-	11.57
Cash, Cash Equivalents and Net Current Assets	3.32
Alternative Investment Fund Units	0.26

Portfolio Details (As of 31-Dec-2025)	
Average Maturity	1.93 Years
Macaulay Duration	0.97 Years
Annualized Portfolio YTM %	7.04%

HDFC Short Term Debt Fund

Fund Strategy and Positioning

- Portfolio is focused on generating returns through interest accruals with relatively short duration.
- Fund seeks to maintain the Macaulay duration of the portfolio between 1-3 years
- Desirous to take exposure in higher quality credit instruments. Invests predominantly in AAA / A1+ rated or equivalent securities
- The Scheme actively modulates duration as per prevailing interest rate environment.

Portfolio Classification by Rating Class (%) (As of 31-Dec-2025)	
AAA/AAA(SO)/A1+/A1+(SO) & Equivalent	67.42
Sovereign	15.78
AA+	4.82
AA/AA-	7.94
Cash, Cash Equivalents and Net Current Assets	3.77
Alternative Investment Fund Units	0.27

Portfolio Details (As of 31-Dec-2025)	
Average Maturity	3.57 Years
Macaulay Duration	2.59 Years
Annualized Portfolio YTM %	7.11%

Performance

HDFC Short Term Debt Fund

Performance - Regular Plan - Growth Option

NAV as on December 31, 2025 ₹33.0164 (per unit)

Period	Scheme Returns (%)	Benchmark Returns (%)#	Additional Benchmark Returns (%)##	Value of investment of (₹) 10,000		
				Scheme (₹)	Benchmark (₹)#	Additional Benchmark (₹)##
Last 1 Year	7.83	7.85	6.37	10,783	10,785	10,637
Last 3 Years	7.74	7.60	7.90	12,510	12,462	12,569
Last 5 Years	6.11	6.03	5.05	13,452	13,401	12,795
Last 10 Years	7.39	7.19	6.52	20,406	20,031	18,816
Since Inception*	8.00	7.62	6.46	33,016	31,297	26,422

Past performance may or may not be sustained in future and is not a guarantee of any future returns. The scheme is managed by Anil Bamboli (since June 25, 2010). Returns greater than 1 year period are compounded annualised (CAGR). # CRISIL Short Duration Debt A-II Index. ## CRISIL 10 year Gilt Index. Returns greater than 1 year period are compounded annualized (CAGR - Compound Annual Growth Rate). Different plans viz. Regular Plan and Direct Plan have a 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. Since Inception Date = Date of First allotment in the Scheme / Plan. Load is not taken into consideration for computation of performance. *Inception Date: 25th June 2010. The above returns are for Regular Plan - Growth Option. Returns are as on December 31, 2025.

For performance of other schemes managed by Anil Bamboli, please [click here](#).

HDFC Money Market Fund

Performance - Regular Plan - Growth Option

NAV as on December 31, 2025 ₹5901.1334 (per unit)

Period	Scheme Returns (%) ^{\$\$}	Benchmark Returns (%) [#]	Additional Benchmark Returns (%) ^{##}	Value of investment of (₹) 10,000		
				Scheme (₹) ^{\$\$}	Benchmark (₹) [#]	Additional Benchmark (₹) ^{##}
Last 1 Year	7.36	6.73	6.26	10,736	10,673	10,626
Last 3 Years	7.42	7.17	6.88	12,401	12,312	12,214
Last 5 Years	6.15	6.04	5.64	13,478	13,412	13,159
Last 10 Years	6.66	6.47	6.16	19,071	18,723	18,190
Since Inception*	7.04	7.09	6.33	59,214	59,974	49,759

Past performance may or may not be sustained in future and is not a guarantee of any future returns. The scheme is managed by Praveen Jain (since August 31, 2024). Returns greater than 1 year period are compounded annualised (CAGR). [#] CRISIL Money Market A-I Index. ^{##} CRISIL 1 year T-Bill Index. Returns greater than 1 year period are compounded annualized (CAGR - Compound Annual Growth Rate). N.A. Not Available. ^{\$\$} All Distributions declared prior to the splitting of the Scheme into IDCW & Growth Options are assumed to be reinvested in the units of the Scheme at the then prevailing NAV (ex-distribution NAV). Different plans viz. Regular Plan and Direct Plan have a 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. Since Inception Date = Date of First allotment in the Scheme / Plan. Load is not taken into consideration for computation of performance. *Inception Date - 18th November 1999. The above returns are for Regular Plan - Growth Option. Returns are as on December 31, 2025.

For performance of other schemes managed by Praveen Jain, please [click here](#).

HDFC Low Duration Fund

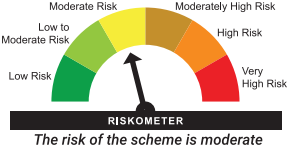
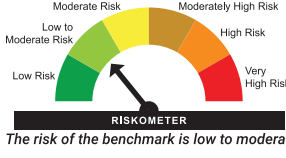
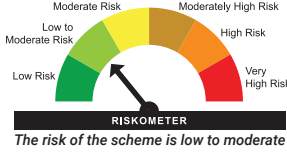
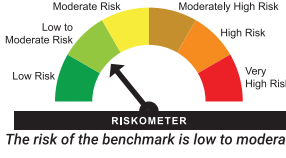
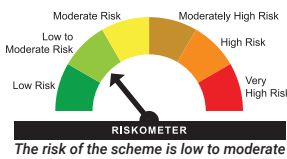
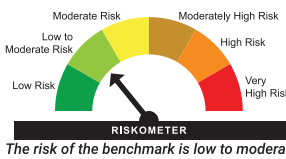
Performance - Regular Plan - Growth Option

NAV as on December 31, 2025 ₹59.5080 (per unit)

Period	Scheme Returns (%)	Benchmark Returns (%) [#]	Additional Benchmark Returns (%) ^{##}	Value of investment of (₹) 10,000		
				Scheme (₹)	Benchmark (₹) [#]	Additional Benchmark (₹) ^{##}
Last 1 Year	7.19	7.816	6.26	10,719	10,716	10,626
Last 3 Years	7.19	7.36	6.88	12,322	12,379	12,214
Last 5 Years	5.86	5.91	5.64	13,299	13,329	13,159
Last 10 Years	6.69	6.63	6.16	19,113	19,012	18,190
Since Inception*	7.06	N.A.	6.33	59,508	N.A.	49,759

Past performance may or may not be sustained in future and is not a guarantee of any future returns. The scheme is managed by Anupam Joshi (since October 27, 2015) & Praveen Jain (since October 6, 2022). [#] Nifty Low Duration Debt Index A-I. ^{##} CRISIL 1 year T-Bill Index. Returns greater than 1 year period are compounded annualized (CAGR - Compound Annual Growth Rate). N.A. Not Available. Different plans viz. Regular Plan and Direct Plan have a 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. Since Inception Date = Date of First allotment in the Scheme / Plan. Load is not taken into consideration for computation of performance. *Inception Date - 18th November 1999. The above returns are for Regular Plan - Growth Option. Returns are as on December 31, 2025.

For performance of other schemes managed by Anupam Joshi & Praveen Jain, please [click here](#).

Name of Scheme	This product is suitable for investors who are seeking*	Scheme Riskometer#	Name of Benchmark and Riskometer #												
<p>HDFC Short Term Debt Fund</p> <p>An open ended short term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 1 year and 3 years. A Relatively High Interest Rate Risk and Moderate Credit Risk</p>	<ul style="list-style-type: none"> Income over short term. To generate income / capital appreciation through investments in Debt and Money Market Instruments. 		<p>CRISIL Short Duration Debt A-II Index</p> 												
<p>Potential Risk Class (Maximum risk the Scheme can take)</p> <table border="1"> <thead> <tr> <th>Credit Risk →</th> <th>Relatively Low (Class A)</th> <th>Moderate (Class B)</th> <th>Relatively High (Class C)</th> </tr> </thead> <tbody> <tr> <td>Interest Rate Risk ↓</td> <td>Relatively Low (Class I)</td> <td>Moderate (Class II)</td> <td>Relatively High (Class III)</td> </tr> <tr> <td colspan="4" style="text-align: center;">B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk.</td> </tr> </tbody> </table>		Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)	Interest Rate Risk ↓	Relatively Low (Class I)	Moderate (Class II)	Relatively High (Class III)	B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk.					
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B-III - A Scheme with Relatively High Interest Rate Risk and Moderate Credit Risk.															
<p>HDFC Money Market Fund</p> <p>An open ended debt scheme investing in money market instruments. A Relatively Low Interest Rate Risk and Moderate Credit Risk</p>	<ul style="list-style-type: none"> Income over short term. To generate income /capital appreciation by investing in money market instruments 		<p>CRISIL Money Market A-I Index</p> 												
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B-I - A Scheme with Relatively Low Interest Rate Risk and Moderate Credit Risk.															
<p>HDFC Low Duration Fund</p> <p>An open ended low duration debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 6 months and 12 months. A Relatively High Interest Rate Risk and Moderate Credit Risk</p>	<ul style="list-style-type: none"> Income over short term. To generate income / capital appreciation through investment in debt securities and money market instruments 		<p>Nifty Low Duration Debt Index A-I</p> 												
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*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 Benchmark and Scheme Riskometer as on 31st December 2025

Macaulay Duration (Duration) measures the price volatility of fixed income securities. It is often used in the comparison of interest rate risk between securities with different coupons and different maturities. It is defined as the weighted average time to cash flows of a bond where the weights are nothing but the present value of the cash flows themselves. It is expressed in years/days. The duration of a fixed income security is always shorter than its term to maturity, except in the case of zero coupon securities where they are the same.

Disclaimer: Views expressed herein are based on information available in publicly accessible media, involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied herein. The information herein is for general purposes only. Securities referred are illustrative and should not be construed as an investment advice or a research report or a recommendation by HDFC Mutual Fund ("the Fund") / HDFC Asset Management Company Limited (HDFC AMC) to buy or sell the security. The Fund/ HDFC AMC is not indicating or guaranteeing returns on any investments. Past performance may or may not be sustained in the future and is not a guarantee of any future returns. The recipient(s), before taking any decision, should make their own investigation and seek appropriate professional advice.

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

Mission: To be the wealth creator for every Indian

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