

Note on HDFC Multi Cap Fund

What is the investment philosophy of HDFC Multi Cap Fund

Our Fund Principles

Portfolio Construction

- Diversified portfolio; bottom-up selection and sized up individual positions

Rigorous Stock Selection

- Ideas selected through a fundamental research process
- Businesses capable or on path to grow self-sustainably. Often leadership businesses.

Valuation Lens

- Valuations are assessed holistically rather than looking only at earnings based multiples in isolation.
- Holistic – Stage in industry cycle, stage in company lifecycle, global multiples, absolute market cap, etc.

Preferred attributes for Small-Cap selection

- Better Growth potential relative to large/mid-cap peers
- Unique, growing profit pools
- For turnaround cases, time-bound trigger assessment
- Relative valuation comfort without compromising growth
- Optionality / early-stage potential

What We Try to Avoid / Minimise

Extreme Positioning

- Extreme style (growth or value) tilts
- Excessive concentration or fragmentation

Churn

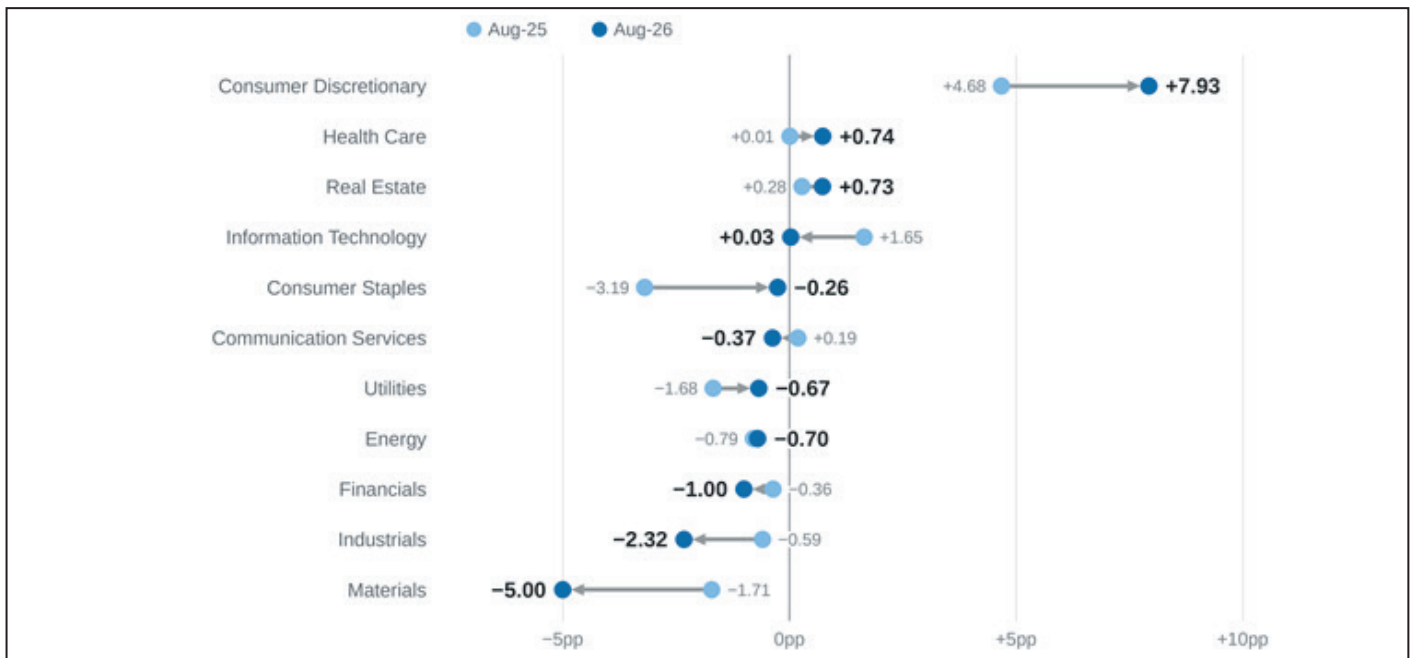
- Frequent churning of names in the portfolio

SMIDs (Small/Mid-cap companies) with red flags

- No visible path to beat cost of capital; Excessive debt, poor unit economics.
- Weak pricing power - high working capital intensity and low gross margins
- No / Low promoter stake in SMIDs

How has the portfolio changed over the last one year

- Portfolio consolidated with –
 - ♦ Number of stocks down from ~240 (Aug-25) to around ~120 (Aug-26).
 - ♦ Number of stocks with fractional exposure (0.25% of Net Assets) down from 100+ to now ~10 during the same period
- No “cash call” either taken or closed. Portfolio was always an almost fully invested portfolio.
- Increased exposure to consumer discretionary (auto, consumer tech, hotels, airlines), Hospitals, FMCG and the larger Private Banks, and reduced exposure to IT, Metals, Pharma, smaller Private Banks and PSU Banks.



Active weight (Fund minus benchmark, % of net assets) by sector, Aug-25 vs Aug-26. Source: MFI 360

Broader Market View at current stage

- Macro headwinds all emanating from abroad – Crude, US\$ / JPY yield spike & AI capex. Risk more to geographies / market segments that have seen momentum build-up in the last year or so.
- Despite these challenges, India's growth is still sustaining well, with fine balancing between Capex & Consumption. Q1FY27 topline growth across sectors been healthy.
- FCNR collection has been quite significant and timely. Banking liquidity is improving and that would support loan growth, with stable asset quality, financials are likely to perform better.
- Consumption outlook is improving
 - ♦ GST/Income Tax, Minimum Wage hikes, Agri Inflation causing wage inflation, Gold price wealth effect
 - ♦ Government has cushioned economy from worst impact of war.
 - ♦ Recovery in auto space has been impressive and broad-based indicative of pent-up demand
- IPO / Primary pipeline has been and is still very large
- Indian markets have underperformed global markets and valuations have improved significantly
- In next 3-6 months, global uncertainty on US policies, AI economics and oil prices may recede. FII flows are already showing green shoots of revival.
- Market should broad-base from the extreme polarization, narrow near term growth focus being seen currently.
- Large Caps appear relatively attractive at current stage

5 Year Returns at CY ends across Market cap segments

CY	Nifty 50 TRI (% CAGR)	Nifty Midcap 150 TRI (% CAGR)	Nifty Smallcap 250 TRI (% CAGR)
CYTD 26 [^]	8.3	17.8	16.6
25	14.7	24.0	23.3
24	15.5	28.3	30.7
23	16.3	23.0	22.7
22	12.8	11.2	6.6
21	17.7	20.5	17.5
20	13.4	12.9	6.8
19	9.4	9.9	4.1
18	12.9	20.9	17.8
17	13.6	23.9	23.5
16	13.5	22.4	20.5
15	6.6	12.3	10.2

[^] As of 31-Aug-26

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

Source:

How is portfolio geared in prevailing market conditions

- **Sensitivity to crude movement is on a higher side** due to higher allocation to domestic oriented businesses (BFSI, Consumer, Autos, fuels). Portfolio recovered well in the aftermath of ceasefire announcement, but is again getting tested with flare-up in Iran war.
- **Hike in repo rates would benefit banks** who have seen NIMs shrinking due to repo cut, while operating costs (~40% to 60% of NIM) saw no such shrinkage. Insurance sector could benefit from regulatory clarity expected to emerge.
- **Sensitivity to AI theme** is negative as portfolio's exposure to IT is moderately higher while exposure to power equipment / DC capex is slightly lower.
- **Sensitivity to INR is moderate** while exposure to IT and healthcare is neutral to modestly OW, exposure to commodities is on a relatively lower side.
- A consolidated and **well-diversified portfolio structure is geared to benefit from expectations of a broad-based economic recovery.**

What are currently key calls in the fund

Sector/Segment/Theme	View	Rationale
Lenders especially Private Banks	Positive	System liquidity improvement (FCNR, FPI flows etc); improving credit demand; attractive valuations; Scope for repo hikes over medium term.
Consumption - Autos / Staples / QSR / Travel / Hotels	Positive	Income Tax cuts + wage inflation / Agri inflation > Household disposable incomes and consumption revival. GST cuts also aid consumers / producers.
Exports / Import Substitution stories	Positive	INR depreciation, China + 1, higher focus on execution
Energy Transition/Renewables/Alternate fuels	Positive	Focus on energy security - alternative fuels
Hospitals	Positive	Continued rise in healthcare spends, in insurance penetration and under-served market.
IT	Neutral	AI theme - Deflation damage underway; demand reflation yet to start.
Capital Goods	Neutral	Medium term demand outlook is constructive but valuations have run up in specific sub-segments.
Capital Market	Cautious	Valuation is now getting expensive - a cyclical sector after positive earnings / multiple surprise.
Commodities	Cautious	Valuations have run up and are in fair zone and no apparent undervaluation. Short term movement in commodity prices, where global macro factors are big influence, are key drivers

Present Portfolio Construct

Portfolio segmentation basis medium term topline growth outlook of businesses individually assessed bottom-up.

Growth and Compounder segments would remain the core of the portfolio.

Company Profile (by growth profile)	Portfolio	Sectors / Segments	Benchmark
Growth	27%	Ecom, Airline, NBFCs, select auto comps, Hospitals, retail, select cap goods, exchanges, wealth managers, Renewables, CDMO.	25%
Compounder	42%	Pvt Banks, Telecom, Insurance, Hotels, Durables, select FMCG, Ports, large NBFCs, Pharma, select midcap IT, midcap pharma	32%
Domestic Cyclical	8%	Autos OEMs & Ancillaries, Cement, Construction / EPC	10%
Global Cyclical	5%	Metals, Chemicals, OMC / Refiners.	10%
Moderate	16%	IT, Utilities, Oil & gas, Large FMCG / Pharmas	23%
Cash / Gsec	1.3%		
Total	100%		

Analysis of recent performance of HDFC Multi Cap Fund

Sector/Segment Name	As of 31-08-2026				As of 31-08-2026	
	Portfolio weight (Avg 1Y %)	Benchmark Weight (Avg 1Y %)	OW/UW vs BM %	OW/UW vs Top 5 1Y performers of Multi Cap category %	Proxy Index	1Y returns % of Proxy Indices
					NIFTY 500 Multicap 50:25:25 TRI	+7.56
					HDFC Multi Cap Fund - Reg - Growth	+2.93
Private Banks	13.76	13.60	+0.16	+3.82	Nifty Private Bank TRI	+8.13
PSU Banks	1.48	2.73	-1.25	-2.08	Nifty PSU Bank TRI	+28.39
Capital Markets	1.18	3.59	-2.42	-3.19	Nifty Capital Markets TRI	+34.97
Cap Goods	7.67	8.48	-0.80	-5.37	BSE CG TRI	+21.72
Auto	9.71	7.27	+2.45	+1.43	Nifty Auto TRI	+16.77
Pharma & Biotech	5.72	6.08	-0.36	-2.04	Nifty Pharma TRI	+25.45
Insurance	3.86	1.74	+2.13	+2.22	BSE Insurance	-11.39
Metals	1.08	3.58	-2.49	-2.00	BSE Metal TRI	+38.99
FMCG	5.57	5.36	+0.21	+3.00	BSE FMCG TRI	-14.06
IT	7.66	6.43	+1.24	+2.27	Nifty IT TRI	-9.44
Large Cap	45.47	50.30	-4.83	+9.02	Nifty 100 TRI	+1.98
Small+Mid Cap	52.24	49.44	+2.80	-5.66	Nifty Midcap 150 TRI / Nifty Smallcap 250 TRI	+14.13 / +11.95

Weights are simple averages of the Sep 2025 to Aug 2026 month-end portfolios. 1Y is 31-Aug-2025 to 31-Aug-2026. Cap Goods is Industrial Products, Industrial Manufacturing, Electrical Equipment, Aerospace & Defense and Agricultural, Commercial & Construction Vehicles. FMCG is Diversified FMCG, Food Products, Personal Products, Household Products, Beverages, Cigarettes & Tobacco Products and Agricultural Food & other Products. Auto is Automobiles and Auto Components. **Past performance may or may not be sustained in future and is not a guarantee of any future returns.**

- We had limited presence in the sharpest rallies: capital markets, metals on commodity inflation, capital goods and data centres.
- Our overweight in private banks and insurance underperformed on regulatory overhang, FII selling and negative newsflow.
- The overweight in IT also detracted owing to global cues.
- Our consumption positioning is yet to pay off, except in autos.
- We held more in large caps than the top performers, and within large caps we leaned towards megacaps, which underperformed sharply in a polarised market that favoured all-out growth. Mid and small caps did better.

2026 – A Year of Polarization

- **Normally in any year, there will be some polarization**, which is the bedrock for stock selection. But occasionally, **there are years that deviate to extremes in either direction.**
- CY23 was an outlier by virtue of being a very broad-based market. Entire market did well. Within NIFTY 500 Multicap 50:25:25, top 10 contributors accounted for just +17% of returns of the benchmark, the next 480 stock accounted for +84% of returns and bottom 10 detracted the balance 3%.
- CY26YTD has been another case of extreme polarization. **The worst 10 have taken way 12-13x of index movement, while top 10 have contributed 5-6x of index movement.** The bottom 10 are entirely the index heavyweights, while the top 10 list is skewed towards Small and Mid Caps, some of them with very small benchmark weight at the start of the year.
- This has been extremely narrow market. Presence, or not, of a few winner themes in the portfolio determined outcomes very disproportionately.

Table below shows

- 1) Movement in the Multicap Benchmark annually over the last 5 years and,
- 2) Role of top 10 contributors and worst 10 detractors (out of 500 stocks in the benchmark) in explaining quantum of benchmark movement in points / % perms.

Period	Index - NIFTY 500 Multicap 50:25:25				Contribution in index movement by top / worst 10 contributors			
	Start Level	End Level	Movement (in Points)	% Change	Contribution (in points) of Top 10 Performers	% of Index Mov	Contribution (in points) of Worst 10 Performers	% of Index Mov
2026 CYTD*	16,509	16,562	53	0.3%	315	594%	-672	-1265%
CY2025	15,881	16,485	605	3.8%	632	105%	-270	-45%
CY2024	13,387	15,794	2,407	18.0%	667	28%	-194	-8%
CY2023	10,059	13,342	3,283	32.6%	571	17%	-109	-3%
CY2022	9,891	10,059	168	1.7%	715	427%	-725	-432%
CY2021	7,157	9,891	2,734	38.2%	1,588	58%	-121	-4%

*Till 4th Sep, 2026

Source: MFI360, Bloomberg

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A. HDFC Multi Cap Fund - SIP Performance[^] - Regular Plan - Growth Option

	Since Inception [§]	3 year SIP	1 year SIP
Total Amount Invested (₹ in lacs)	5.70	3.60	1.20
Market Value as on Aug 31, 2026 (₹ in lacs)	7.67	3.92	1.23
Returns (%)	12.48	5.55	4.50
Benchmark Returns (%)[#]	12.89	8.12	8.97
Additional Benchmark Returns (%)^{##}	7.25	3.11	-3.01

Assuming ₹ 10,000 invested systematically on the first Business Day of every month over a period of time. 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. SIP - Systematic Investment Plan.

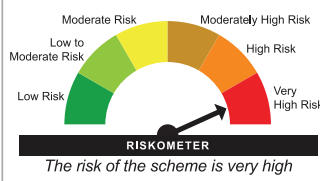
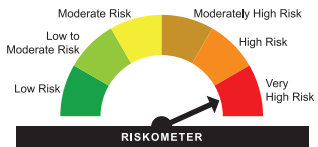
B. HDFC Multi Cap Fund - Performance[^] - Regular Plan - Growth Option

NAV as at Aug 31, 2026 ₹ 19.002 (per unit)

Period	Scheme Returns (%)	Benchmark Returns (%) [#]	Additional Benchmark Returns (%) ^{##}	Value of investment of (₹) 10,000		
				Scheme (₹)	Benchmark (₹) [#]	Additional Benchmark (₹) ^{##}
Last 1 Year	2.93	7.51	-0.35	10,294	10,756	9,965
Last 3 Years	11.88	13.97	8.99	14,010	14,807	12,951
Since Inception [§]	14.55	12.49	8.27	19,002	17,442	14,558

Common notes for the above table A & B: [#]NIFTY500 Multicap 50:25:25 (TRI) ^{##}Nifty 50 Index (TRI). [§]Inception Date: December 10, 2021. The scheme is managed by Mr. Amar Kalkundrikar since September 01, 2025 and Mr. Bhagyesh Kagalkar is the Fund Manager for investments in Gold/Silver instruments. 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. [^]Past performance may or may not be sustained in future and is not a guarantee of any future returns. Load is not taken into consideration for computation of performance.

For performance of other funds managed by fund manager, Please click [here](#).

Name of Scheme	This product is suitable for investors who are seeking*:	Scheme Riskometer [#]	Name of Benchmark and Riskometer [#]
HDFC Multi Cap Fund (An open ended equity scheme investing across large cap, mid cap & small cap stocks)	- To generate long-term capital appreciation / income - Investments predominantly in equity and equity related securities of large cap, mid cap and small cap companies.	 The risk of the scheme is very high	NIFTY500 Multicap 50:25:25 (TRI)  The risk of the benchmark is very high

*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 Scheme and Benchmark Riskometer as on August 31st, 2026

Date of Release: September 30, 2026

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