

Small is Powerful!



Presenting HDFC Small Cap Fund

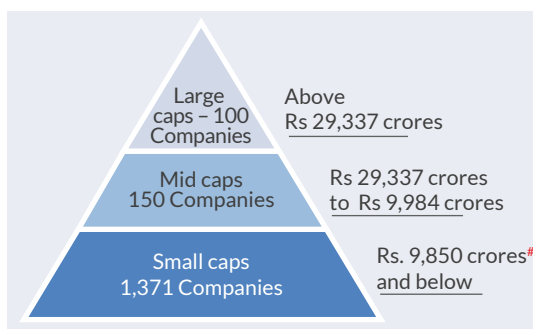
Fund History and Investment approach

- Fund History**
- Launched as Morgan Stanley A.C.E. Fund on April 3, 2008 as a multi-cap fund
 - Scheme acquired by HDFC Mutual Fund in 2014* and fund repositioned as HDFC Small & Mid-cap Fund with a focus on small and midcap stocks
 - Scheme repositioned in November 2016** and renamed as HDFC Small Cap Fund, with a focus on Small cap stocks
- Investment Approach**
- Focus on well managed small cap companies
 - Businesses operating in a niche environment
 - Identify businesses at a relatively early stage in their life-cycle
 - Focus on quality metrics like ROCE & ROE
- Investment Strategy**
- Invest predominantly in small cap companies (Allocation to Small-Cap Stocks - 65% - 100%)
 - Identifying companies with reasonable growth prospects
 - Identify companies with sound financial strength and sustainable business
 - Seek undervalued businesses

*Scheme acquisition as on close of business hours on June 27, 2014. ** W.e.f. November 9, 2016

Small Cap Universe

Parameters	Details
Small-Cap Universe	251 st company onwards in terms of full market capitalization
Market Cap Range	Rs. 9,850 crores [#] and below (As of 30th Jun' 18)



Source: As per SEBI circular (SEBI / HO/ IMD/ DF3/ CIR/ P/ 2017/ 114) dated October 6, 2017, the universe of "Small Cap" shall comprise 251st company onwards in terms of full market capitalization. [#] AMFI - As on 30th June 2018. Stock cut off - Market Cap above Rs 150 Cr. For further details, refer SID/KIM available on www.hdfcfund.com and at ISCs of HDFC Mutual Fund. The current investment strategy is subject to change depending on the market conditions.

ROE - Return On Equity

ROCE - Return On Capital Employed

HDFC

SMALL CAP FUND

(An Open-ended Equity Scheme Predominantly Investing In Small Cap Stocks)

HDFC
MUTUAL FUND
BHAROSA APNO KA

HDFC SMALL CAP FUND

(An Open-ended Equity Scheme Predominantly Investing in Small Cap Stocks)

Why Small Caps

Scope for PE Expansion

- Size of the company increases
- Analysts start tracking stocks
- Institutional holding increases
- Better disclosure levels can lead to greater familiarity and high multiples
- As a result, smaller stocks which are often mis-priced get re-priced

Under Researched: Limited Analyst Coverage

Index	Average Analyst Coverage
NIFTY 50 Index	39
NIFTY Midcap 100 Index	16
NIFTY Small Cap 100 Index	9

Under Owned: Lower Institutional Holding

Index	Ownership Pattern amongst Index Constituents (%)		
	Promoter Group	Institutional	Retail
NIFTY 50 Index	42	41	17
NIFTY Midcap 100 Index	53	29	18
NIFTY Small Cap 100 Index	49	26	25

For small cap stocks, company specific factors have a much higher impact than macro factors.

Source: Bloomberg, Capitaline. Average analyst coverage is the average number of analysts covering each of the index constituents as on Sept 30th 2018. Latest Ownership pattern as disclosed by index constituent companies to the NSE as on QE June 2018.

Why Small Caps :- High Return Dispersion

Small Caps : A strong case for Active Investing

Within small caps there are large number of companies that show high returns and ones with low returns = **High return dispersion**. Therefore, scope for active stock picking. Focus on quality of business and management, consistency in earnings growth and reasonable valuations can lead to alpha generation

Segments	2017			2016		
	Large Cap	Mid Cap	Small Cap	Large Cap	Mid Cap	Small Cap
Greater Than 50%	30	68	624	1	-	26
20-50%	35	33	236	1	1	39
0-20%	17	19	171	4	10	81
0 to -20%	4	10	91	26	25	210
-20-50%	2	1	44	51	66	485
Less Than -50%	-	-	10	5	29	335
Total observations	1395			1395		

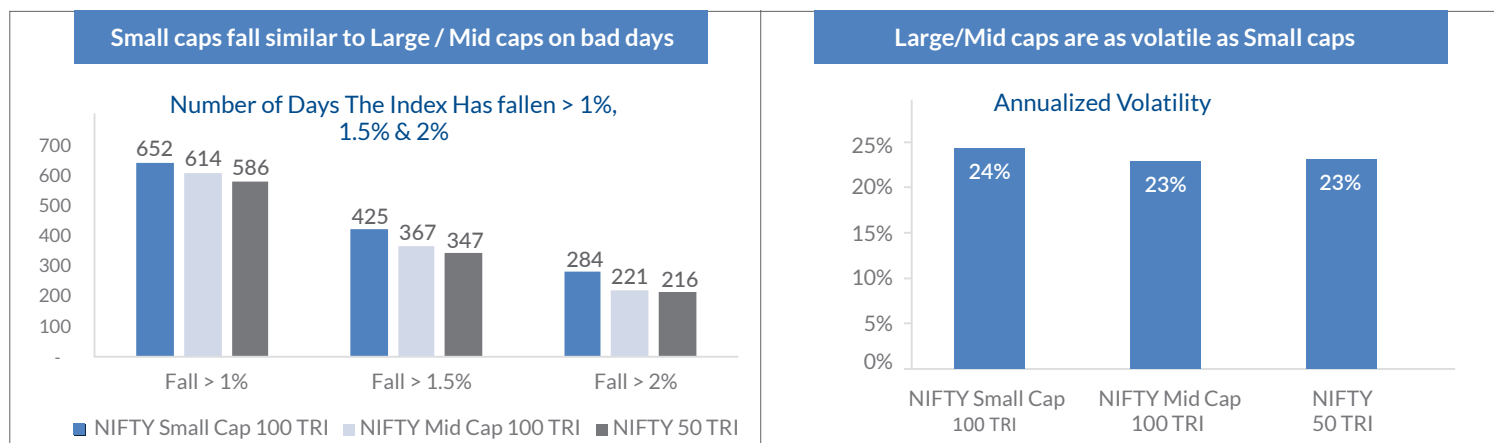
High Return Dispersion

Source: As per SEBI circular (SEBI / HO/IMD/ DF3/ CIR/ P/ 2017/ 114) dated October 6, 2017, the universe of "Small Cap" shall comprise 251st company onwards in terms of full market capitalization. Stocks selected have been traded in each of the past 2 financial years. The above chart is for illustrative purposes only. Small Caps carry a higher risk of market fluctuations and are also prone to higher liquidity risks. Small caps are strictly not comparable with Mid-caps/Large caps stocks. HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in this scheme.

Are Small Caps very risky?Not really

Is risk higher?

- A common perception is that small caps are riskier
- Volatility exhibited by the Small Cap benchmark is in line with large and midcaps. (See charts below)
- Numbers say otherwise



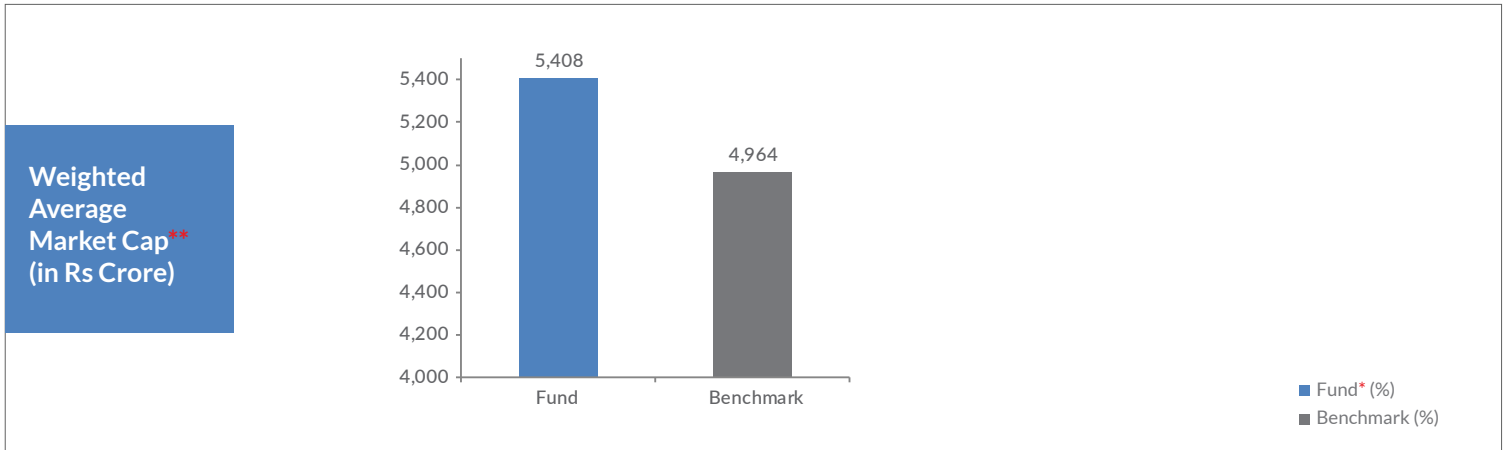
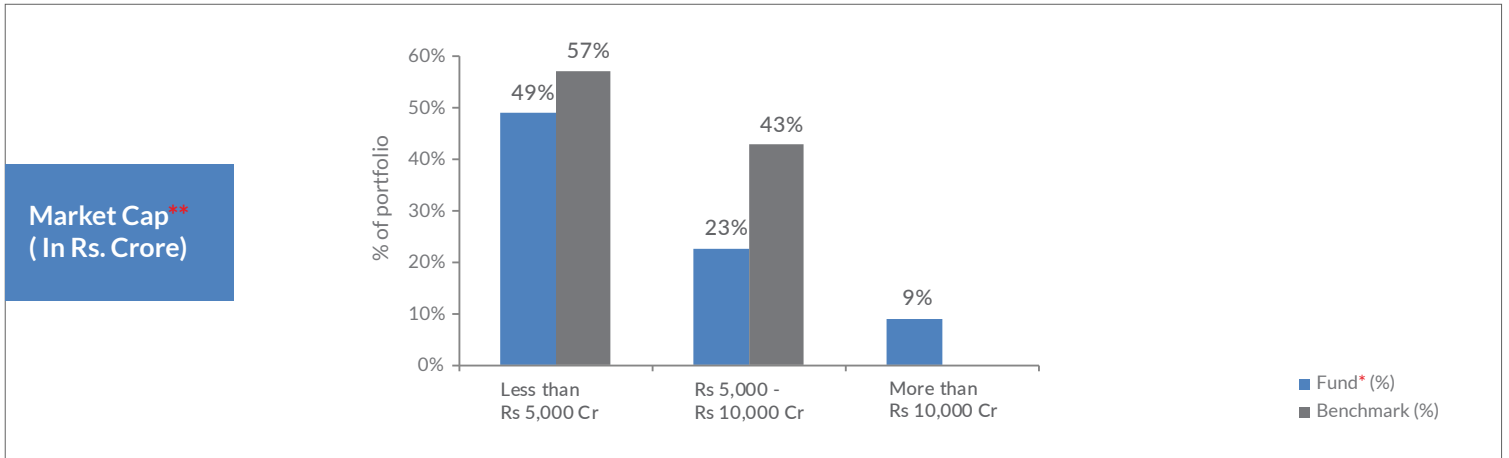
Source: Bloomberg. Calculations done from 1st January 2004 (NIFTY Mid cap 100 Index and NIFTY Small Cap 100 Index- Base date) for all indices for the purpose of consistency of data. All calculations as of Sept 30th 2018. Annualized volatility calculated based on day wise changes in index values of mentioned indices. Past performance may not be sustained in the future. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Small Caps carry a higher risk of market fluctuations and are also prone to higher liquidity risks. Small cap stocks are strictly not comparable with Large cap stocks.

HDFC SMALL CAP FUND

(An Open-ended Equity Scheme Predominantly Investing in Small Cap Stocks)

Portfolio Construct

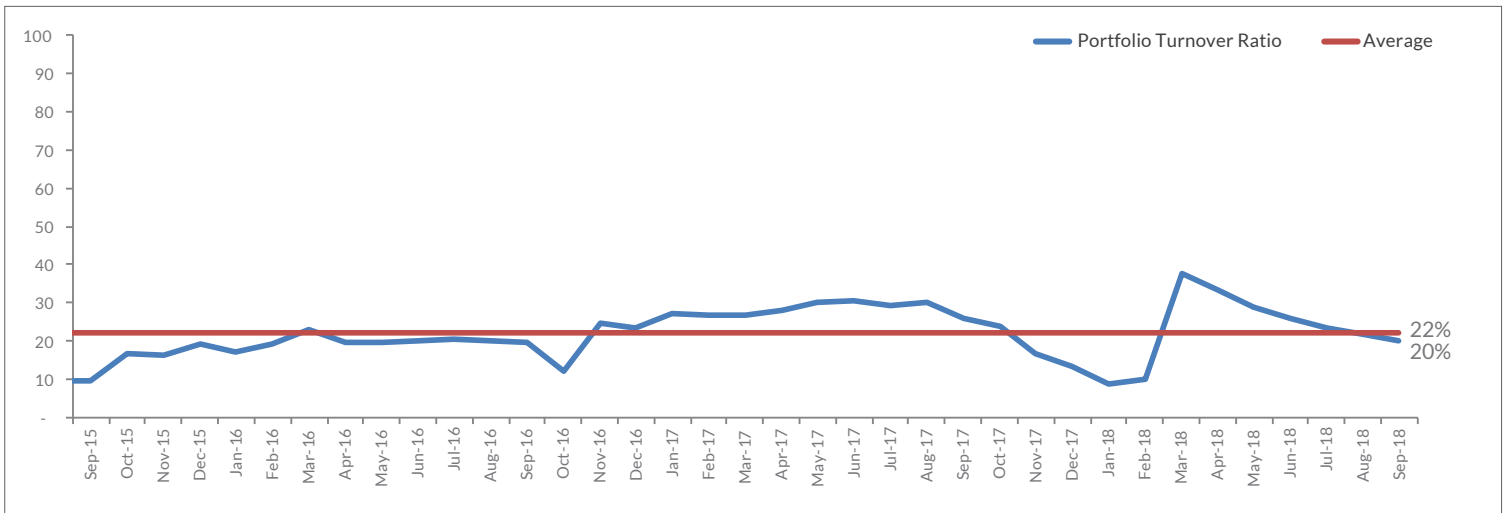
- Invests at least 65% in small-cap companies
- Targets high quality small cap business which are undervalued and have a sustainable business
- Well diversified portfolio at all times



* Portfolio as on 28th September 2018. Full Market Cap data as on September 28th, 2018 from Capital Line. ** Weighted Average Market Cap as on September 28, 2018 (Source: Capital Line). The current investment strategy is subject to change depending on the market conditions. Equity Exposure of Fund rebased to 100%. HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in this scheme.

Portfolio Turnover

Consistently Low Portfolio Turnover Ratio indicating high conviction in stock selection.



Source:-ICRA online .As of 28th September 2018.

SIP Performance - HDFC Small Cap Fund - Regular Plan - Growth Option

An SIP since inception of just Rs. 10,000 invested systematically on the first business day of every month (total investment ~ Rs. 12.60 lacs) in HDFC Small Cap Fund would have grown to ~ Rs. 32.98 Lakh by 28th September 2018 (refer below table).

	Since Inception	10 year SIP	5 year SIP	3 year SIP	1 year SIP
Total Amount Invested (Rs.)	1,260,000	1,200,000	600,000	360,000	120,000
Market Value as on September 28, 2018 (Rs.)	3,298,824	3,037,921	928,686	451,790	113,165
Returns (Annualised) (%)	17.38	17.70	17.55	15.39	-10.52
Benchmark Returns (Annualised)(%) [#]	9.97	10.37	5.68	-3.06	-40.28
Additional Benchmark Returns (Annualised)(%) ^{##}	12.26	12.54	12.22	13.97	7.51

CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return) for Regular Option. The above investment simulations are for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital.

HDFC Small Cap Fund - Performance - Regular Plan - Growth Option

NAV as at Sept 28, 2018 Rs. 41.801 (Per unit)

Period	Scheme Returns (%)	Benchmark Returns (%) [#]	Additional Benchmark Returns (%) ^{##}	Value of Rs 10,000 invested		
				Scheme (Rs)	Benchmark (Rs) [#]	Additional Benchmark (Rs) ^{##}
Last 1 year	9.78	-18.13	13.20	10,978	8,187	11,320
Last 3 years	17.49	6.55	12.69	16,211	12,094	14,304
Last 5 years	22.86	18.83	15.19	27,976	23,679	20,274
Since Inception	14.60	6.35	9.54	41,801	19,081	26,023

Returns greater than 1 year period are compounded annualized (CAGR). Inception Date: April 03,2008. The Scheme is managed by CHIRAG SETALVAD since June 28,2014.

[#] NIFTY Smallcap 100 (TRI) ^{##} NIFTY 50 (TRI). Returns are as on 28th Sept, 2018.

Other funds managed by CHIRAG SETALVAD, Fund Manager of HDFC Small Cap Fund

Chirag Setalvad manages 9 schemes

Performance of Top 3 schemes managed by Chirag Setalvad

Scheme	Managing scheme since	Returns (%) as on 28 th September, 2018		
		Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC Long Term Advantage Fund [~]	Apr 02,07	7.44	14.29	19.07
Benchmark - S&P BSE SENSEX (TRI)		17.13	12.96	14.90
HDFC Mid Cap Opportunities Fund	Jun 25, 07	-2.31	11.55	25.54
Benchmark - NIFTY Mid Cap 100 (TRI)		-4.32	11.00	21.02
HDFC Retirement Savings Fund – Hybrid Equity Plan (Equity Assets)	Feb 25, 16	4.22	N.A.	N.A.
Benchmark - NIFTY 50 Hybrid Composite Debt 65:35 Index		8.93	N.A.	N.A.

Performance of Bottom 3 schemes managed by Chirag Setalvad

Scheme	Managing scheme since	Returns (%) as on 28 th September, 2018		
		Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC Retirement Savings Fund – Hybrid Debt Plan (Equity Assets)	Feb 26, 16	1.13	N.A.	N.A.
Benchmark - NIFTY 50 Hybrid Composite Debt 15:85 Index		2.61	N.A.	N.A.
HDFC Retirement Savings Fund - Equity Plan (Equity Assets)	Feb 25, 16	2.49	N.A.	N.A.
Benchmark - NIFTY 500 (TRI)		7.30	N.A.	N.A.
HDFC Multi-Asset Fund [^]	Apr 02, 07	1.94	6.75	9.72
Benchmark - 90% NIFTY 50 Hybrid Composite Debt 65:35 Index + 10% Domestic Price of Gold		8.27	10.14	11.76

[~]Open Ended Equity Linked Savings Scheme with a lock-in period of 3 years. [^]The scheme is co-managed by Chirag Setalvad (Equities), Krishan Kumar Daga (Gold) and Anil Bamboli (Debt). NA - Not Available. Returns greater than 1 year period are compounded annualized (CAGR). The above returns are of Regular Plan - Growth Option. Load is not taken into consideration for computation of performance.

"Top 3 and bottom 3 schemes managed by the Fund Manager have been derived on the basis of since inception returns vis-à-vis the benchmark. In case the benchmark is not available on the Scheme's inception date, the returns for the concerned scheme is considered from the date the benchmark is available. 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."

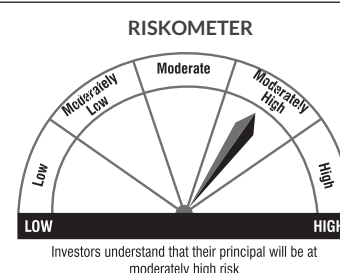
Common notes for all the above tables:

Past performance may or may not be sustained in the future. 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." TRI = Total Return Index.

HDFC Small Cap Fund is suitable for investors who are seeking*:

- To generate long-term capital appreciation / income
- Investments predominantly in Small-Cap companies

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



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