

Turning Mutual Fund Performance to Investor Wealth

Patience and Discipline : Key to successful Mutual Fund Investing

- Patience to stay invested for long periods as compounding takes time
- Discipline of not selling / investing more when past market returns are weak (Practice low P/E investing)

Benefiting from Mutual Fund's – Practice low P/E investing

Year ending March 31st	SENSEX	1 year forward P/E	Equity MF net inflows (FY in Rs cr)	3 year CAGR (in %)	5 year CAGR (in %)
2000	5001	24.2	10,058	-15	5
2001	3604	15.8	22,161	16	26
2002	3469	12.1	8,763	23	30
2003	3049	9.2	118	55	39
2004	5591	12.5	7,205	33	12
2005	6493	12.0	7,398	34	22
2006	11280	15.9	36,155	-5	12
2007	13072	15.4	29,916	10	6
2008	15644	20.4	52,701	8	4
2009	9709	12.1	4,084	21	18
2010	17528	17.2	1,456	2	N.A.
2011	19445	17.5	(11,795)	5	N.A.
2012	17404	14.7	504	N.A.	N.A.
2013	18836	14.0	(14,371)	N.A.	N.A.
2014	22386	14.4	(11,254)	N.A.	N.A.

Higher the P/E, more the investments; lower the P/E, lower the investments. This has lead to sub optimal Returns*

* HDFC Mutual Fund /AMC is not guaranteeing or promising or forecasting any returns on investments

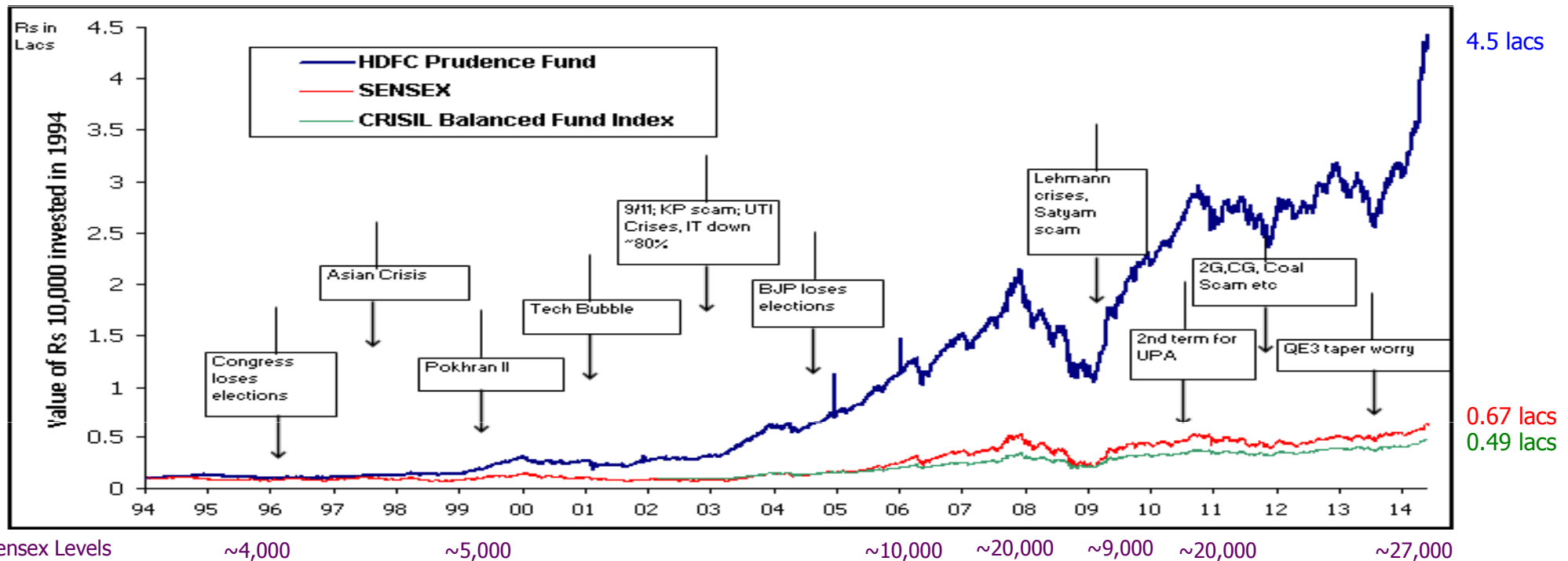
Source: Bloomberg, CLSA, BSE India, AMFI

Price to earning ratio (P/E) is a measure of price paid for a share relative to the profit earned by that share ; N.A. = Not applicable

Benefiting from Mutual Fund's – Study based on HDFC Prudence Fund

Rs 10,000 has grown to Rs 4.5* lacs (1994 – 2014) (Only ~2500 investors have achieved this)

Scheme	AUM holding for more than		
	3 Yrs	5 Yrs	10 Yrs
HDFC Prudence Fund	52%	23%	3%



Reference made to **SENSEX** in this slide is only for easy understanding of market movement. **The Benchmark for this FUND is CRISIL Balanced Fund Index**, Fund inception date – 1st February, 1995 & NAV Rs 10., *NAV as on 30th Sep, 2014 – 453.583

This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- Investment predominantly in equity and equity related instruments of medium to large sized companies
- High risk **(BROWN)**

Note: Risk is represented as:

- (BLUE)** investors understand that their principal will be at low risk
- (YELLOW)** investors understand that their principal will be at medium risk
- (BROWN)** investors understand that their principal will be at high risk

^ Past performance may or may not be sustained in the future.

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Fund Inception date: February 1, 1994

Benefiting from Mutual Fund's – Patience is the key

Study based on return distribution of HDFC Prudence Fund over 20 years

Following table represents monthly rolling returns over last 20 years of HDFC Prudence Fund distributed over different holding periods and return brackets, e.g., returns have been more than 15% p.a. in ~57% of 1 year holding periods, more than 15% p.a. in ~63% of 3 year holding periods, more than 15% p.a. in ~81% 5 year holding periods and more than 15% p.a. in ~100% of 10, 15 and 20 years holding periods

CAGR (%)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
more than 20	49	46	55	83	94	56
more than 15	57	63	81	100	100	100
more than 10	65	75	96	100	100	100
more than 0	76	96	100	100	100	100
more than -10	89	100	100	100	100	100
more than -20	96	100	100	100	100	100
less than -20	4	0	0	0	0	0

- It can be clearly seen, that as the holding period increases, return profile improves
- This is consistent with the belief that equities are a long term asset class and that risk reduces as holding period increases

“Time spent in markets is more important than timing the markets”

Benefiting from Mutual Fund's – Lane Changing does not work !

RANK	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	H	H	G	H	E	D	D	E	H	G
2	D	D	A	B	G	H	E	C	A	A
3	F	G	B	A	J	F	F	J	D	J
4	E	F	I	I	F	A	C	B	F	C
5	B	I	C	F	B	J	G	G	J	F
6	C	E	H	D	C	E	J	A	G	D
7	A	B	F	J	A	C	A	F	B	B
8	I	A	D	C	D	I	H	D	E	E
9	G	C	E	E	I	G	B	H	I	I
10	J	J	J	G	H	B	I	I	C	H

- The above data illustrates the calendar year performance of 10 largest diversified Equity / Balanced funds as on Dec 31, 2013 for last 10 years
- It is evident that flavor of the season investing does not work. There is merit in sticking with funds that have **a disciplined approach to investments and have performed across cycles**

“If investing is entertaining, if you're having fun, you're probably not making any money”.
– **George Soros**

SCHEME PERFORMANCE SUMMARY

Scheme	Discrete Returns in %				Value of investment of Rs. 10,000 Since Inception (Rs.)
	30 Sep 2013 to 30 Sep 2014	28 Sep 2012 to 30 Sep 2013	30-Sep-2011 to 28 Sep 2012	Since Inception CAGR (in %)	
HDFC Prudence Fund\$@	73.25	-11.34	12.87	20.26	453,583
Crisil Balanced Fund Index ¹	28.89	-1.83	13.72	N.A	N.A
CNX Nifty Index ²	38.87	-0.55	15.38	9.46	64,758
Other Funds Managed by Prashant Jain					
HDFC Equity Fund	73.17	-7.45	12.70	21.15	443,050
CNX 500 Index ¹	46.08	2.54	13.22	10.01	65,876
CNX Nifty Index ²	38.87	-0.55	15.38	N.A	N.A
HDFC Top 200 Fund\$	60.04	-5.71	14.26	22.67	394,181
S&P BSE 200 ¹	42.50	1.12	13.77	13.89	103,710
S&P BSE SENSEX ²	37.41	-3.17	14.03	12.58	84,139
HDFC Infrastructure Fund#	99.04	-29.04	6.65	6.27	14,900
CNX 500 Index ¹	46.08	2.54	13.22	7.76	16,334
CNX Nifty Index ²	38.87	-0.55	15.38	8.02	16,592
HDFC MF MIP Long Term Plan+^	26.06	-0.19	10.38	11.46	32,168
Crisil MIP Blended Index ¹	15.45	-3.10	10.60	7.47	21,735
Crisil 10 Year Gilt Index ²	6.85	-2.38	8.03	4.41	15,913

Past performance may or may not be sustained in the future.

\$All dividends declared prior to the splitting of the Scheme into Dividend & Growth Options are assumed to be reinvested in the units of the Scheme at the then prevailing NAV (ex-dividend NAV). #The Scheme is co-managed by Prashant Jain and Srinivas Rao Ravuri. +The Scheme is co-managed by Prashant Jain (Equities) and Shobhit Mehrotra (Debt). @Scheme performance may not strictly be comparable with that of its Additional Benchmark in view of balanced nature of the scheme where a portion of scheme's investments are made in debt instruments. ^Scheme performance may not strictly be comparable with that of its Additional Benchmark in view of hybrid nature of the scheme where a portion of scheme's investments are made in equity instruments. 1. Benchmark 2. Additional Benchmark

Thank You

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