

HDFC Credit Risk Debt Fund

A Prudent And Disciplined Approach To Credit Investing

February 22, 2021

HDFC MF's Investment Approach:

HDFC Mutual Fund (HDFC MF) has always aimed to act conservatively on its fixed income investments, with exposures taken after conducting adequate due diligence. At HDFC MF, we have consistently remained committed to our investment philosophy for fixed income investments viz. Safety, Liquidity and Returns (SLR), generally prioritized in that order. HDFC MF maintains risk control through conservative sizing of exposure based on proprietary Credit Scoring Model which factors in – Parentage, Financials, Rating and Outlook.

This approach toward credit investment has worked well and we have been able to avoid majority of stress cases experienced by the mutual fund industry over the years. Even in instances of stress in which HDFC MF had exposure, we recovered major portion of our investment due to adequate risk mitigating factors such as covenants, collateral and parentage.

Outlook on Credit

While credit environment still warrants caution, measures by RBI have eased the spreads on AAA rated bonds significantly. However, opportunities exist in select pockets of non-AAA rated bonds as their spreads relative to AAA rated bonds are trading at attractive level. Hence, allocation to credit oriented schemes or funds with some non-AAA exposure can be maintained / increased, to a certain extent, in line with individual risk appetite.

Why HDFC Credit Risk Debt Fund

- Conservative approach to credit has helped HDFC Credit Risk Debt Fund to minimize credit events over the last decade.
- Consistent track record of disciplined and prudent credit investing since inception
- Current portfolio YTM at a spread of ~ 300 bps over 3Y G-Sec, aims to offer attractive investment opportunity

Portfolio Classification by Rating Class as on 31st January 2021

Rating Profile	% of AUM
Sovereign	5.46
AAA & Equivalent	22.06
AA+/AA/AA-	48.41
A+ to BBB-	13.93
Cash, Cash Equivalents and Net Current Assets	10.14
	100.0

Refer to our detailed portfolios on our website www.hdfcfund.com

Quantitative indicators as on 31st January 2021

Average Maturity*	2.50 years
Macaulay Duration*	2.11 years
Yield to Maturity*	8.05%
Modified Duration*	1.99 years

*Computed on the invested amount.

Performance as on 29th January 2021

Period	Scheme Returns (%)	Benchmark Returns (%)*	Additional Benchmark Returns (%)**	Value of investment of ₹ 10,000		
				Scheme (₹)	Benchmark (₹)*	Additional Benchmark (₹)**
Last 1 Year	10.39	10.70	9.14	11,036	11,066	10,911
Last 3 Years	8.31	9.01	9.04	12,704	12,951	12,963
Last 5 Years	8.46	8.98	7.93	15,015	15,376	14,654
Since Inception*	9.03	9.41	8.64	18,083	18,520	17,648

HDFC Credit Risk Debt Fund - SIP Performance-Regular Plan-Growth Option

SIP since inception* of ₹ 10,000 invested systematically on the first business day of every month (total investment -₹ 8.30 lakh) in HDFC Credit Risk Debt Fund would have grown to -₹ 11.22 lakh by January 29, 2021 (refer below table).

SIP Investments	Since Inception*	5 years SIP	3 years SIP	1 year SIP
Total Amount Invested (₹ in 000)	830.00	600.00	360.00	120.00
Market Value as on January 29, 2021 (₹ in 000)	1,122.11	743.58	416.12	127.28
Returns (%)	8.59	8.52	9.65	11.52
Benchmark Returns (%)#	9.09	9.06	9.82	10.41
Additional Benchmark Returns(%)##	8.00	7.82	9.36	5.72

CAGR returns are computed after accounting for the cash flow by using XIRR method (investment internal rate of return). 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.

HDFC Credit Risk Debt Fund - Performance - Regular Plan- Growth Option

NAV as on January 29, 2021 Rs.18.0825 (per unit)

Value of investment of ₹ 10,000

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*Inception Date: March 25, 2014. The Scheme is managed by Mr. Shobhit Mehrotra since inception. #Benchmark Index: NIFTY Credit Risk Bond Index (w.e.f October 7, 2019). ##Additional Benchmark Index: CRISIL 10 year Gilt Index. Performance of dividend option under the schemes for the investors would be net of distribution tax, if any.

Note: Effective close of business hours of May 8, 2018, HDFC Corporate Debt Opportunities Fund (HCDOF) underwent changes in Fundamental Attributes and was renamed as HDFC Credit Risk Debt Fund (HCRDF) and HDFC Regular Savings Fund was merged therein. As the portfolio structuring of HCRDF closely resembles the erstwhile HCDOF, the past performance of HCDOF is provided, in line with SEBI circular on Performance disclosure post consolidation/ merger of scheme dated April 12, 2018.

Performance of other funds managed by Shobhit Mehrotra, Fund Manager of HDFC Credit Risk Debt Fund (who manages total 21 schemes which have completed 1 year)

Performance of Top 3 schemes managed by Shobhit Mehrotra

	Managing scheme since	Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC Hybrid Debt Fund+	01-Sep-07	9.80	5.88	8.61
Benchmark-NIFTY 50 Hybrid Composite Debt 15:85 Index		13.22	9.96	9.99
HDFC Floating Rate Debt Fund*	23-Oct-07	8.68	8.19	8.06
Benchmark-CRISIL Liquid Fund Index		4.39	6.25	6.58
HDFC Retirement Savings Fund - Hybrid- Equity Plan\$	25-Feb-16	14.81	7.20	N.A.
Benchmark- NIFTY 50 Hybrid Composite Debt 65:35 Index		16.00	9.84	N.A.

Performance of Bottom 3 schemes managed by Shobhit Mehrotra

Scheme	Managing scheme since	Last 1 year (%)	Last 3 years (%)	Last 5 years (%)
HDFC FMP 1113D June 2018 (1)	14-Jun-18	7.11	N.A.	N.A.
Benchmark-CRISIL Composite Bond Fund Index		11.30	N.A.	N.A.
HDFC FMP 1133D July 2018 (1)	25-Jul-18	8.32	N.A.	N.A.
Benchmark-CRISIL Composite Bond Fund Index		11.30	N.A.	N.A.
HDFC FMP 1099D June 2018 (1)	28-Jun-18	6.88	N.A.	N.A.
Benchmark-CRISIL Composite Bond Fund Index		11.30	N.A.	N.A.

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. Performance of FMP schemes, being close-ended in nature, is not strictly comparable with that of open-ended schemes since the investment strategy for close-ended schemes is primarily buy-and-hold whereas open-ended schemes are actively managed. Performance of dividend option under the schemes for the investors would be net of Distribution Tax, if any. +The Scheme is co-managed by Mr. Prashant Jain (Equities) and Mr. Shobhit Mehrotra (Debt). *The Scheme is co-managed by Mr. Shobhit Mehrotra and Mr. Vikash Agarwal. \$The Scheme is co-managed by Mr. Chirag Setalvad(Equities) and Mr. Shobhit Mehrotra (Debt).

Notes common to all the above tables: Past performance may or may not be sustained in the future. Returns greater than 1 year period are compounded annualized (CAGR). 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. Load is not taken into consideration for computation of performance. N.A. : Not Available. Returns as on January 29, 2021. The above returns are of Regular Plan- Growth Option.

<p>HDFC Credit Risk Debt Fund [An open ended debt scheme predominantly investing in AA and below rated corporate bonds (excluding AA+ rated corporate bonds)] is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Income over short to medium term To generate income/capital appreciation by investing predominantly in AA and below rated corporate debt (excluding AA+ rated corporate bonds) 	<p>Riskometer</p> <p>Investors understand that their principal will be at high risk</p>
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* Investors should consult their financial advisers, if in doubt about whether the product is suitable for them. For latest riskometers, please refer www.hdfcfund.com