HDFC MUTUAL FUND
www.hdfcfund.com

HDFC INFRASTRUCTURE FUND

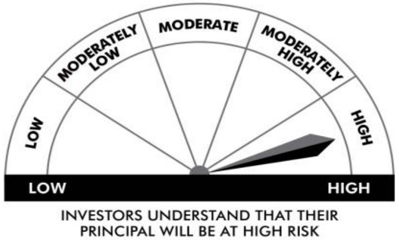
(An Open-ended Equity Scheme)

This product is suitable for investors who are seeking*:

- Capital appreciation over long term
- Investment predominantly in equity and equity related securities of companies engaged in or expected to benefit from growth and development of infrastructure.

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

Riskometer



July 2017

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- HDFC Infrastructure Fund – Why now ?
- What has changed ?
- Opportunity & Prospects
- Fund details

HDFC Infrastructure Fund – Why now ?

- The infrastructure sector in India is now on a **structural & sustained uptrend**
- Infrastructure development is a major focus area for government
- Expect sustained growth in spending on Roads, Railways, Defense, Water, Power T&D, Ports, Airports etc.
- New financial instruments such as REITs, InViTs, IDFs are positive for infrastructure investments
- Market appears to have changed direction - Stocks in **Core Economy are performing better**

Infrastructure is a major beneficiary of lower interest rates

Bank NPAs resolution – A potential trigger

- Markets are keenly awaiting for resolution of NPAs
- In May 2017, GoI promulgated Banking Regulation (Amendment) Ordinance, giving more powers to RBI
- RBI has modified regulations and issued action plan for dealing with stressed assets.
- The Oversight Committee (OC) with enhanced scope is being set up for resolving NPAs.
- Resolution of NPA problem would be a major positive for
  - Banks
  - Infrastructure companies
  - Construction companies
  - Capex cycle

What has changed ?

Intense focus of government on infrastructure

- **PMO:** Regular monitoring of progress in the infra space at the highest level (PMO) through PRAGATI
- **Decentralization of powers** for forest clearances to speed up clearances
- **Better co-ordination** between ministries to ensure faster project award and grant of clearances
- **Claims resolution:** 75% payment of arbitration claims won by infra companies & amended Arbitration Act for faster resolution .
- **Relief to road developers** through measures like relaxation in exit clause, deferment of premium, NHAI fund infusion in stalled projects etc.
- **Order inflows have increased, execution is picking up and order pipeline is increasing**

The current infrastructure cycle should be bigger, better and more sustainable than the last cycle due to a) better regulatory frame work b) proactive govt. c) learnings from last cycle d) greater foreign interest

Source: Press Information Bureau

Key focus areas of government

- **Transportation** : Roads, Railways, Metros, UDAN and in-land water transportation
- **Manufacturing** : Review of Land Acq. Act, SEZ policy, labor reforms, defense industry
- **Quality of life** : Increase spend on health, sanitation & education, urban infrastructure
- **Urban Infra** : Rs 70bn allocated for smart cities
- **Affordable Housing** : 6 cr new dwellings as part Housing for all by 2022
- **Power** : 24x7 power implies large investments in T&D

Improving capex outlook across sectors

Source: Press Information Bureau

Roads

Roads	FY14	FY15	FY16	FY17	FY18E	FY17/FY14	FY18/FY17
Awards in km	3,621	7,972	10,098	16,271	25,000	349%	54%
Expenditure in Rs cr	28,548	27,746	63,743	75,000	90,000	163%	20%
Execution/completion in km	4,260	4,410	6,029	8,231	10,500	93%	28%

- Award and construction of roads has seen sharp upturn in last three years.
- Growth in ordering and execution is likely to sustain in FY18 and FY19
- Government targets road construction from 40 km/day from present 22 km/day, it was 12km/day in FY14
- Interesting initiatives: Connecting North East, Bharatmala Setu Bharatam, Chardham, totaling to Rs 1 lakh cr.

Roads are a major contributor to economic growth directly and indirectly as a multiplier effect

Source: NHAI and PIB

Railways

Railways	FY14	FY15	FY16	FY17	FY18E	FY17/FY14	FY18/FY17
Capex Rs cr	53,989	58,719	93,520	121,000	131,000	124%	8%
Broad Guage lines commissioned (km)	1,562	1,545	2,828	2,855	3,500	83%	23%
Electrification (km)	1,350	1,375	1,730	2,013	4,000	49%	99%

- Indian Railways (IR) plans Rs 8.56 lakh cr capex over FY15-19, almost double of FY2010-15.
- **DFC:** Phase wise commissioning to start from next year (Total capex Rs. 81500 Cr), huge boost to capacity and speed of Indian Railways network
- Indian Railways is likely to initiate work on 3 new similar corridors costing Rs. 3.3 lakh Cr.
- **Station Redevelopment –** to redevelop 400 stations, capex about Rs. 1 lakh Cr
- Expansion of Railways in Hilly States and North East region

Changes in next five years likely to be more than what IR did over past thirty years

Source: Indian Railways and PIB

Metros

Metros (no. of cities)	FY14	FY15	FY16	FY17	FY18	FY17/FY14	FY18/FY17
Operational	4	5	7	7	8	75%	14%
Under Construction	10	11	13	13	14	30%	8%
Planned	15	17	17	18	20	20%	11%
Central govt allocation (Cr)	7,959	8,159	11,937	19,172	18,366	141%	

- Metro projects are already operational in 7 cities and under construction in 14 cities
- Metro rail projects in 20 cities which are in planning stage – estimated cost of Rs. 3.1 lakh crs
- Multilateral agencies like JICA, ADB, etc., are keen to fund.
- There are 53 cities In India with a population of more than 1 mn – potential market for metros

Metros will ease road traffic and improve quality of life in cities

Source: Indian Railways and PIB

Ports and Airports

- **Sagarmala project:** 400 projects amounting to Rs 8 lakh cr investments. First phase worth Rs 1 lac cr is under implementation.
- **Marine Clusters:** At Tamilnadu and Gujarat – shipbuilding, maritime services, tourism etc.
- **Greenfield airports:** Setting up 18 greenfield airports at a cost of Rs 30,000 Cr.
- **UDAN Scheme**: Connect 70 airports over three years starting this year. Total capex of Rs 4500 crs
- 20% CAGR in air traffic over last five years

Low cost water transport results in lower logistics costs & improves competitiveness.

Improving air-connectivity leads to better economic activity, tourism and inclusive growth.

Source: AAI and PIB

Defense

- **Policy push:** Several changes to promote domestic manufacturing
- DAC (Defense acqn. council) cleared a record Rs 5.3 tn worth of projects in last 3 yrs.
- Hike in FDI limit to 49% to encourage overseas defense companies
- ***Surge in spending as backlog is cleared. Preference to domestic manufacturing industry***

Particulars of some large projects	**Amount (Rs Cr)**
Future Infantry Combat Vehicle (FICV)	60,000
Battle Filed Management systems (BMS)	50,000
Diesel Submarine (P-75i)	50,000
Landing Platform Docks	16,000
155mm/52 calibre mounted gun systems	15,700
Tactical Communication systems (TCS)	15,000
155mm towed gun system	15,000
LR SAM	13,000
QR SAM and MR SAM	13,000
Others	280,000
Total - to be awarded over 3-5 years	527,700

"While we are developing our economy, the military is not getting its due share. I think here we need to draw a lesson from China"

Army chief General Bipin Rawat (Indian Express dated May 4, 2017)

Source: Ministry of Defence and PIB

Affordable Housing

- Government is likely to spend Rs. 3.45 lakh Cr to build 3 Cr houses in rural areas
- 2 flagship schemes (SMART city and AMRUT) with a total central outlay of Rs. 1 lakh Cr
- Tax incentives and attractive interest subsidies for affordable housing
- Construction is a key employment generator with strong forward and backward linkages

Pradhan Mantri Awas Yojana (Urban)	**FY04 – FY14**	**June 15 – April 17**
Number of affordable houses in lakhs	13.82	18.75
Approved Expenditure in Rs Cr	32,713*	100,466

Multiple macro benefits linked to housing spend

Construction of 60m units over FY18-24

Total spend on housing over 7 years: US$ 1.3tn

Housing GFCF (real) Cagr of 9%

Annual job creation of 3.6m

A 50-100bp tailwind to GDP

Mortgage growth to stay above 15 for 5-7 years

Housing demand would spur demand for cement, steel, paints, electricals, sanitaryware etc. and create jobs

** Actual expenditure*

Source: Ministry of Housing and Urban development, HSBC, CLSA

Mumbai: In the midst of an infra boom

Segment	Project name	Cost (Rs. Crs)	Status
Metro	Line 2A	6,400	Civil work underway
	Line 3	30,000	Civil work underway
	Line 7	6,200	Civil work underway
	Line 2B	11,000	Tendering underway
	Line 4	14,500	Tendering underway
	Line 5	8,400	Awarding likely over next 1-2 years
	Line 6	6,700	Awarding likely over next 1-2 years
Road	Coastal Road	15,000	Tendering underway
	Trans Harbour Link	17,800	Tendering underway
	Bandra Versova Sea link	7,500	Pre-qualification process completed
	Goregaon Mulund Link road	2,100	Pre-development work underway
Airport	Navi Mumbai Airport	16,700	Pre construction work underway
Sewage work	7 waste water treatment facilities	5,400	Pre-development work underway

More than Rs 1 lakh crs worth projects are being developed/proposed in the city, equivalent to 0.7% of India GDP

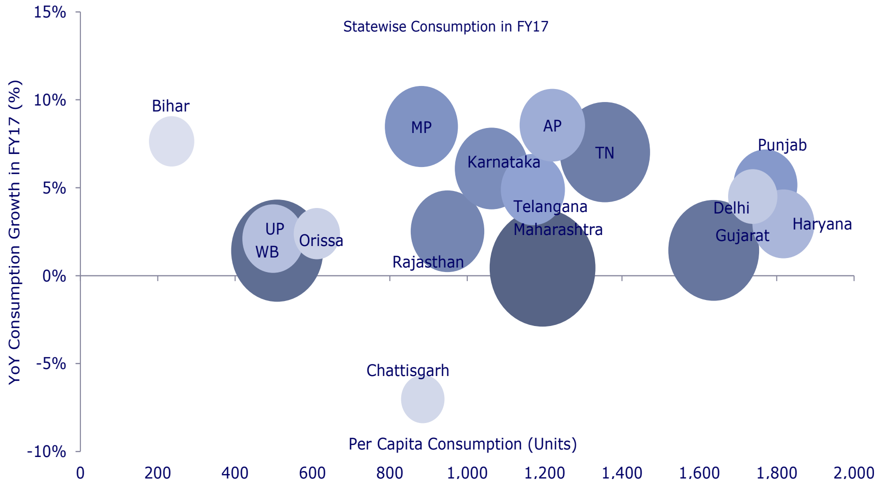
Source: Public Information

Uttar Pradesh: Healthy competition ahead for other states

Compressed demand - roaring to happen

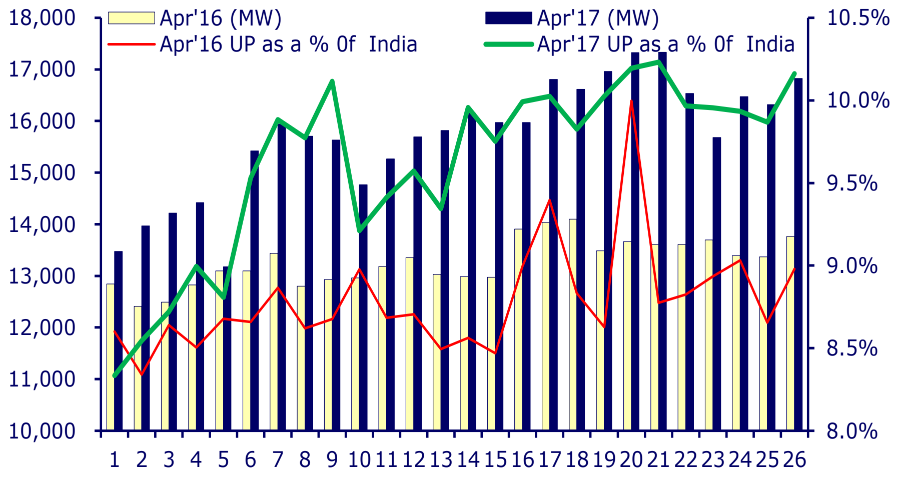
- UP consumes 9% of India's power vs. 16% share in population. Per capita power consumption was less-than half of India in FY17
- BJP Govt. led by Mr. Yogi Adityanath has announced 24x7 power by Dec-18
- 1st signs of demand pickup visible - peak load +20% during April '17 leading to UP driving ~20% of India's peak demand growth
- Significant jump spending on power generation, T&D to meet 24x7 power
- Political compulsions would put pressure on other states to provide 24x7 power and focus on development

Per Capita Consumption of Power vs. Growth



Source: CLSA

Peak Load – showing 'real' trends now



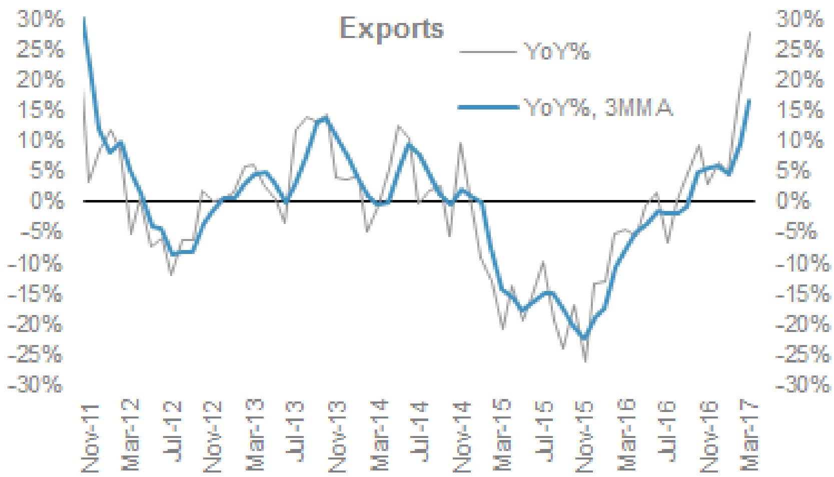
Source: CLSA, RLDC

Indian Economy : Improving outlook

	FY13	FY14	FY15	FY16	FY17E	FY18E
GDP at market price (%YoY)	5.5	6.5	7.2	7.9	7.3	7.7
Centre's fiscal deficit (% GDP)	4.9	4.5	4.1	3.9	3.5	3.2
Current Account Deficit (CAD) (% GDP)	4.7	1.7	1.3	1.1	0.8	1.0
Net FDI (% of GDP)	1.1	1.2	1.5	1.7	2*	2*
Consumer Price Inflation (CPI) (Avg)	10.2	9.5	6.0	4.9	4.8	4.5
India 10 year Gsec Yield (at yearend)	8.0	8.8	7.7	7.5	6.5-latest	Na

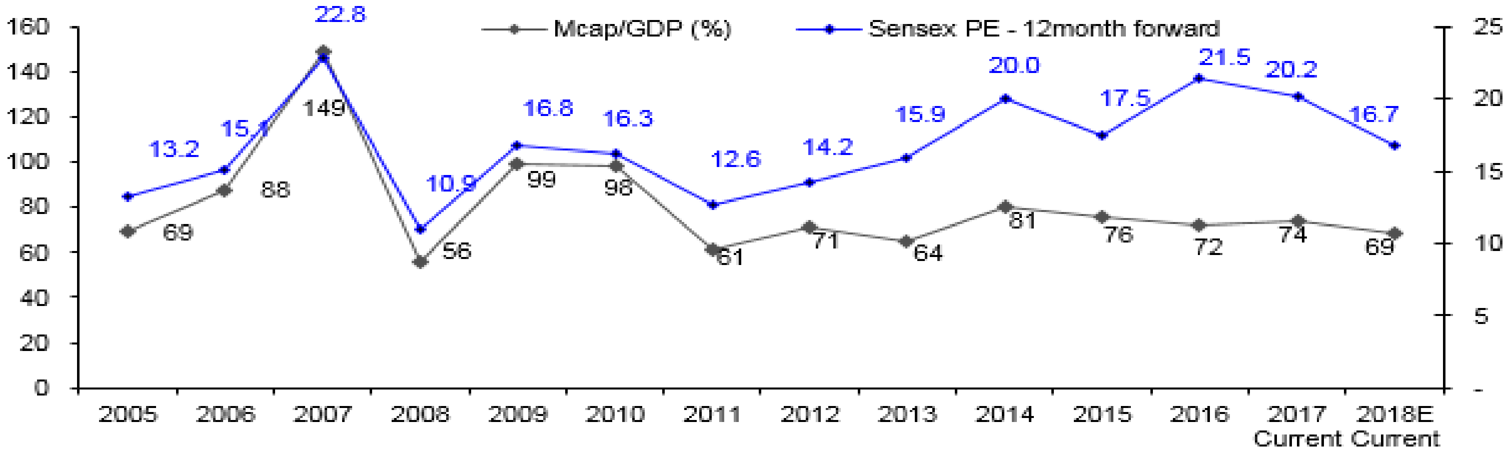
Source: CEIC, CSO, RBI, Morgan Stanley Research ; Economic Survey, E-Estimates, * HDFC AMC estimates

- Impact of higher infra spend to be felt in FY18 and beyond Roads, Railways, Power T&D etc to lead
- Exports growth at six and half year high. March exports growth was at 27.6% yoy (FY17 5% and FY16 (-)15.5%)
- Due to INR appreciation, good monsoon and stable commodity prices, CPI is expected to remain moderate



Equity Markets – Marketcap to GDP near lows

India market cap to GDP ratio, calendar year-ends 2005-18 (%)



Source: World Bank, Kotak Insitutional Equities, updated till 31st May, 2017
Note :
a) From 2005-16, S&P BSE SENSEX PE is based on 12 month forward estimated EPS
a) For 2017 and 2018, we have calculated S&P BSE SENSEX PE based on estimates as of Mar 17 and Mar 18 end and used market cap as of May 31, 2017

- S&P BSE SENSEX EBITDA margins are stable / improving

S&P BSE SENSEX	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17
EBITDA Margin (%)	17.4%	17.0%	17.0%	16.8%	18.2%	18.0%	18.3%	18.7%	18.3%	18.1%	17.8%	19.1%

Source : BofAML, Note – EBITDA margins calculated above are excluding financial stocks/companies in S&P BSE SENSEX

- Improving EBITDA margins, lower interest rates should lead to improved EPS / Profit growth in coming years

Profit growth – finally improving, dramatically changing composition

- 4QFY17 recorded the highest profit growth in last 10 quarters for NIFTY 50

Quarter ended	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Profit growth	-5.9	-11.6	12.6	-1.0	14.9	-1.2	3.3	15.7	9.4	**23.2**

- Growth contributed largely by energy (60%), financials (34%) and materials (32%)
- Contribution from FMCG and pharma was 2% and -7% respectively

Contribution to NIFTY Profit Growth (YoY) %	4QFY17
Energy	60%
Banks/Financial Institutions	34%
Materials	14%
Industrials	6%
Technology	2%
Consumer Staples	2%
Utilities	2%
Consumer Discretionary	-6%
Pharmaceuticals	-7%
Telecom	-7%
Total	100

Market cycles between 1995-2015; markets entering a new cycle?

Return in number of times (x) times		CY 1995-2000	CY 2001-2007	CY 2007-2015	CY 2016
Leading Sectors		**IT stocks**	**Capex / Banking / Commodities/ Auto**	**Pharma/FMCG/Auto**	**Next cycle -- Infra / Banking / Capex ?**
S&P BSE SENSEX (x) times		**1.3**	**5.1**	**1.3**	
Sector	**Stocks**	**(x) times**	**(x) times**	**(x) times**	
Automobile	Tata Motors, Maruti, M&M	**0.3 - 0.7**	**8 - 12**	**3 - 5**	Low inflation
FMCG	HUL, ITC	**2 - 4**	**1 - 4**	**3 - 4**	Low interest rates
IT	Infosys, TCS, Wipro	**96 - 97**	**1 - 3**	**2 - 5**	Rising Capex
Pharma	Sun Pharma, Lupin	**0.2 - 6**	**6 - 10**	**7 - 15**	Peaking NPAs
Retail Banks & Finance	HDFC Bank, HDFC	**2**	**8 - 11**	**2 - 3**	Moderating Pharma/FMCG growth
Cement	Ambuja Cement, Grasim	**0.4 - 1**	**6 - 13**	**1.3 - 1.4**	
Corporate Banks & Finance	SBI, ICICI	**0.9**	**8 - 12**	**1.0 - 1.1**	
Refineries / Oil Exploration	Reliance Ind, ONGC	**2**	**15 - 17**	**0.7 - 0.8**	
Capital Goods	BHEL, L&T	**0.8 - 0.9**	**28 - 32**	**0.3 - 0.9**	
Utilities	NTPC, Powergrid	**na**	**na**	**0.3 - 1.0**	
Metals	Tata Steel, Hindalco	**0.5 - 1.0**	**3 - 12**	**0.3 - 0.4**	
Realty	DLF	**na**	**na**	**0.1**	
Telecom	Bharti	**na**	**na**	**0.1 - 0.7**	

Stocks/Sectors referred above are illustrative and not recommended by HDFC Mutual Fund / AMC. The Fund may or may not have any present or future positions in these Stocks/Sectors. Please refer detailed disclaimer on next slide, Source : Bloomberg,

Disclaimer:

The above analysis should not be construed as a research report or a recommendation to buy or sell any security covered under the respective sector/s and that the same has been prepared on the basis of information, which is already available in publicly accessible media. The information/ views / opinions provided is for informative purpose only and that the recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision and the stocks covered under the respective sector/s may or may not continue to form part of the scheme's portfolio in future.

Past performance of the Fund may or may not be sustained in Future. Refer slide 25 at the end of presentation for detailed performance.

Infra & Infra related Stocks – Best positioned for the improving environment

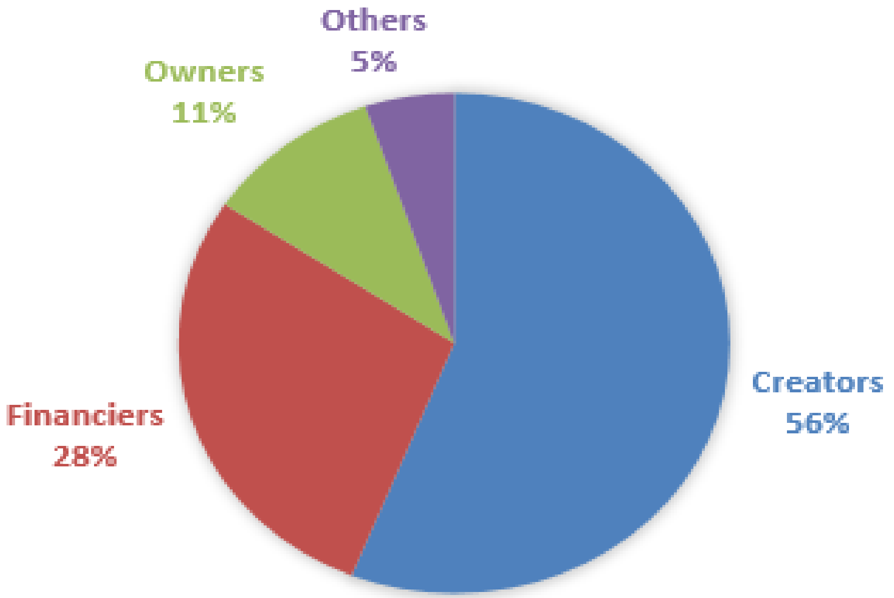
- HDFC Infrastructure Fund invests mainly in Infrastructure/Infrastructure related companies

- Infrastructure sector broadly comprises three segments
  - **Asset Financiers** : Banks and Infrastructure financing companies
  - **Asset Creators** : Engineering and construction companies
  - **Asset Owners/ Developers** : Companies that own infrastructure projects

Currently HDFC Infrastructure Fund has no exposure Pharma, FMCG and IT

HDFC Infrastructure Fund – Portfolio composition*

	(% of AUM)
• Asset creators	55
• Asset financiers	29
• Asset owners	11
• Auto	5
• Pharma	Nil
• FMCG	Nil



Overweight exposure to companies in Asset creators category, consisting of:

- A) Companies engaged in construction of Roads, Airports and Railway networks etc.
- B) Equipment manufacturers of Power, Defence, Railways, Refineries, construction equipment etc.

Based on internal computation and classification. For detailed monthly portfolio as on May 31, 2017 please visit our website www.hdfcfund.com

HDFC Infrastructure Fund – Favorable Risk Reward Proposition

RISK

- **Portfolio is concentrated in a few sectors, hence carries higher risk**
- In view of the higher risk, exposure to this Fund should be controlled*
- Not suitable for Risk averse investors

Risk Reward Proposition

- With attractive valuations and prospects of economic recovery, we feel risk reward is favorable for the scheme*

* In view of the individual circumstances and risk profile, each investor is advised to consult his / her professional advisor before making a decision to invest. , Refer Disclaimer / Risk Factors on Slide 27

Summary

- Infrastructure spending is on a structural growth path in India
- Make in India and Infrastructure development are key focus areas of government.
- Several initiatives, change in laws create a favorable environment for the sector
- Healthy earnings growth expected for Infra & infra related companies led by 1) Higher order booking would translate to higher revenues. 2) Lower finance costs would lead improved profitability.
- Infrastructure sector is a direct beneficiary of lower interest rates

HDFC Infrastructure Fund is best positioned for the improving environment

Product Features

Type of Scheme	An Open Ended Equity Scheme
Investment Objective	To seek long term capital appreciation by investing predominantly in equity and equity related securities of companies engaged in or expected to benefit from the growth and development of infrastructure
Fund Manager $	Srinivas Rao Ravuri
Investment Plan	Direct Plan Regular Plan
Investment Options	Under Each Plan: Growth & Dividend. The Dividend Option offers Dividend Payout and Reinvestment facility
Application Amount	Minimum Rs. 5,000/- and any amount thereafter. Additional Purchase : Rs 1,000/- and any amount thereafter
Entry / Exit Load*	Entry Load: Not Applicable. • Upfront commission shall be paid directly by the investor to the ARN Holder (AMFI registered Distributor) based on the investors' assessment of various factors including the service rendered by the ARN Holder. Exit Load: • In respect of each purchase / switch - in of units, an exit load of 1.00% is payable if units are redeemed / switched - out within 1 year from the date of allotment. • No exit load is payable if units are redeemed / switched - out after 1 year from the date of allotment. In respect of Systematic Transactions such as SIP, GSIP, STP, Flex STP, Swing STP, Flex index, Exit Load, if any, prevailing on the date of registration / enrolment shall be levied.
Benchmark Index	NIFTY 500
Additional Benchmark Index	NIFTY 50

$ Dedicated Fund Manager for Overseas Investments: Mr Rakesh Vyas. For further details, please refer to the Scheme Information Document.

Scheme Performance Summary

				Value of Rs 10,000 invested		
	Scheme Returns (%)	Benchmark Returns (%) #	Additional Benchmark Returns (%) ##	Scheme	Benchmark	Additional Benchmark
Last 1 year	23.07	19.35	14.88	12,307	11,935	11,488
Last 3 years	8.72	10.50	7.74	12,852	13,494	12,509
Last 5 years	14.15	14.83	12.50	19,398	19,977	18,036
Since inception	7.22	8.41	7.63	19,136	21,211	19,834

Past performance may or may not be sustained in the future. Returns greater than 1 year period are compounded annualized (CAGR). Load is not taken into consideration for computation of performance. #NIFTY 500 Index ##NIFTY 50 Index. 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. Returns as on 30th June 2017. The fund manager has been managing the scheme since 10th March 2008

Performance of other schemes managed by Srinivas Rao Ravuri

Scheme	Tenure for managing the scheme	Cumulative Performance		
		1 year	3 year CAGR (in %)	5 year CAGR (in %)
Srinivas Rao Ravuri manages 4 schemes				
HDFC Growth Fund	**03-Apr-06**	21.67	11.17	14.65
S&P BSE SENSEX		14.53	6.75	12.13
HDFC Focused Equity Fund - Plan A	**23-Feb-15**	18.33	NA	NA
S&P BSE 100		16.88	NA	NA
HDFC Focused Equity Fund - Plan B	**06-May-15**	20.30	NA	NA
S&P BSE 100		16.88	NA	NA

Past performance may or may not be sustained in the future. Returns greater than 1 year period are compounded annualised (CAGR). The above returns are of Regular plan -growth option. Load is not taken into consideration for computation of performance. 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. Returns as on 30th June 2017

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

DISCLAIMER / RISK FACTORS

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

Glossary

NPA	– Non Performing Asset
PRAGATI	– Pro-Active Governance and Timely Implementation
MSP	– Minimum Support Price
PLF’s	– Plant Load Factor
UDAN	– Ude Desh Ka Aam Naagrik – Scheme by the Government of India to promote regional air travel in India
Bharatmala Setu Bharatam	– Scheme by the Ministry of Road Transport to build roads along India's borders, coastal areas, ports, religious and tourist places as well as over 100 district headquarters.
Chardham	– Chardham Mahamarg Vikas Pariyojna is a project of central govt. to improve the existing condition of Highways in Uttarakhand. In this project, the govt. will upgrade and develop the road which connects all four ‘Dhams’ i.e Gangotri, Yamunotri, Kedarnath and Badrinath.
T&D	– Transmission & Distribution
BU	– Billion units
GW	– Giga Watts
BoT	– Built operate and Transfer
DFC’s	– Dedicated Freight Corridor
JICA	– Japan International Co-operation Agency
ADB	– Asian Development Bank
CRR	– Cash reserve Ratio
SLR	– Statutory liquidity ratio

Glossary

MNREGA	– Mahatma Gandhi National Rural Employment Guarantee Act
CAGR	– Compound Annual growth rate
GDP	– Gross domestic product
SENSEX	– S&P BSE SENSEX
SID	– Scheme Information Document
KIM	– Key Information Memorandum
ISC's	– Investor Service Centres
PIB	– Press Information Bureau

Thank You