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INDIA POWERED BY INNOVATION

HDFC INNOVATION FUND

Investing in the future today

NFO Period: **June 27 - July 11, 2025**

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Innovation can be of Different Types

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What is Innovation?

Process of introducing new ideas, services, or products – or improve existing ones – to create value, solve problems, and maintain a competitive edge

Product Innovation

- Radical*
- Disruptive**
- Incremental$

Process Innovation

Notable change from "business as usual", enabling the company to use unique capabilities, function efficiently, adapt quickly, creating cost / quality advantages

Business Model Innovation

Challenges conventional wisdom about revenue streams, cost structures, and customer engagement strategies

*Radical innovation occurs when companies understand changing consumer values or behaviour, and accordingly develop new products or services, thus paving way for new markets and creating unique solutions for customers. Such new products or services could be created by bypassing intermediaries or harnessing technology. **Disruptive innovation occurs when companies introduce products / services that are very unique and superior. Such products / services could use technologies that could potentially challenge the traditional existing approaches companies. $Incremental innovation: For existing lines of product / services, companies make improvements. Such improvements are done using existing technology, and are directed at the existing market. When investing in companies that are innovating incrementally, the Fund Manager will endeavour to identify companies whose incremental innovation is higher than the indexed average

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Innovation in Indian Context

From Tradition to Transformation

Financial Services – Innovation increasing Access

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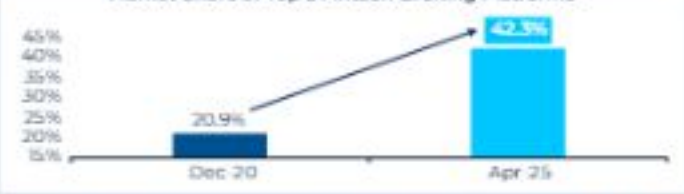
THEN

NOW

Combined Share of Active Clients of top 2 Fintech Broking Platforms increased by ~2x between Dec-20 and Apr-25



No. of Policies sold online by a Leading Insurance Tech Company increased by ~14x between FY19 and FY25

Source: Motilal Oswal, Company Data , Industry Sources

*Life and General Insurance

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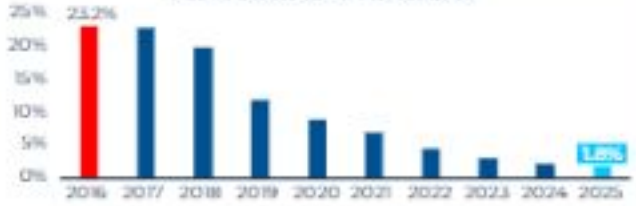
Financial Services – UPI has been Transformational

THEN

Share of Transactions through Physical Channel for a Leading Public Sector Bank has reduced



NOW

Increasing Adoption of UPI* transforming the way wetransact

Source: Motilal Oswal, *UPI: Unified Payments Interface

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Quick Commerce – Business Model Innovation in Retail

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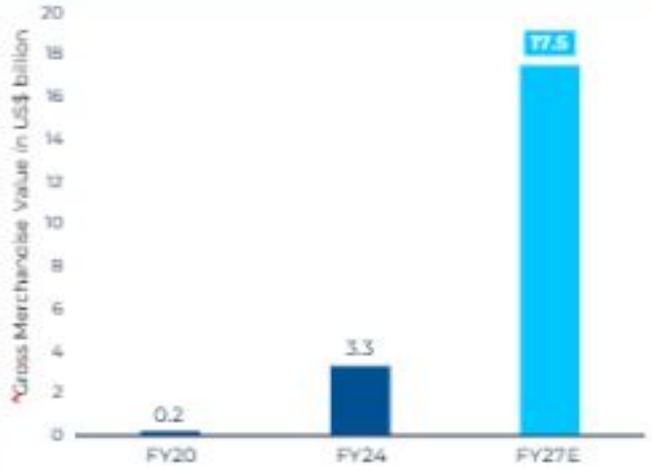
NOW

Quick Commerce GMV* expected to grow by ~6x by FY27



Source: Morgan Stanley

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Autos – Design Innovation leading to Market Share Gains

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Design Innovation of Leading Indian Auto Manufacturer leading to Gains in PV* Market Share

Source: Kotak Institutional Equities; *PV: Passenger Vehicles

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Defence – A Sector evolving through Cost Innovation

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Key Parameters of US's Apache	
Service Ceiling (metre)	6,100
Range (kilometres)	476
Motor Rotor Diameter (metre)	14.6
Length (metre)	17.7
Height (metre)	3.9
Max Speed (km per hour)	293
Max Take-Off Weight (kilograms)	10,433
Price (in US$ million)	**40-54**

Key Parameters of India's Light Combat Helicopter	
Service Ceiling (metre)	6,500
Range (kilometres)	550
Motor Rotor Diameter (metre)	13.2
Length (metre)	15.8
Height (metre)	4.7
Max Speed (km per hour)	268
Max Take-Off Weight (kilograms)	5,800
Price (in US$ million)	**20-24**

India's Defence Capital Expenditure as a % of Total Defence Budget has risen

Source: Ministry of Defence, Standing Committee on Defence report, Company data, CLSA, Budget Documents

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Staying Ahead of the Curve

Innovation important for Economic Prosperity and Market Leadership

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Historically, Innovation has had a Positive Impact on Economic Growth

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Countries that adopted innovative strategies in different sectors / segments have witnessed a multiplier effect on Real GDP growth in different periods

Countries	High Growth Phases	Real GDP Growth (%)	Sectors / Segments contributing to High Growth	Innovations in those Sectors / Segments
United States	1983–2000	3.73%	Information Technology	Rise of personal computing, development of internet and e-commerce
			Healthcare	Advances in biotechnology, development of blockbuster drugs
China	2010–2024	6.70%	Technology, Telecommunications Artificial Intelligence & Smartphones	Leader in 5G technology, leading AI startups, and smartphone manufacturing
			Electric Vehicle Manufacturing	Largest market for electric vehicles with companies like BYD and CATL dominating the EV car and battery market respectively
Japan	1955–1970	9.65%	Consumer Discretionary	Rapid increase in demand for cars (average annual growth rate of 32% between 1965 and 1970), and rise of consumer electronics
			Materials	Innovations in high-quality steel production
South Korea	1986–1996	9.42%	Semiconductor Industry	Rise in memory chips from 0% of world's market share in 1984 to 10.2% by 1993
			Industrials	Expansion in shipbuilding by completing 28.8% of global market orders – 3x rise in share of completed orders from 1982
			Consumer Discretionary	Growth of the automotive sector with production rising by 7x – from 378,000 to 2.8 million between 1985 and 1996

Source: International Monetary Fund, Statista, The World Factbook by CIA, US Bureau of Economic Analysis, Federal Reserve of St. Louis, Our World in Data by Oxford, Toyota, Research Publication by University of Sussex, University Publications, Publication by Kia Economic Research Institute

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Decreasing Length of Cycles of Innovation making Adaptation important

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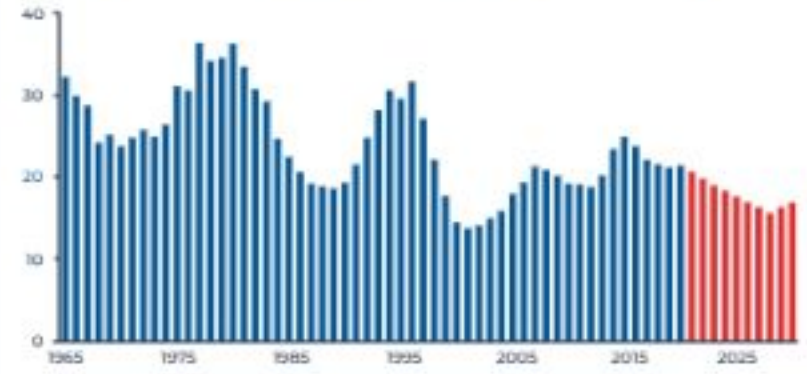
Average lifespan of a US S&P 500 company in late 1970s
30-35 years

Average lifespan of a US S&P 500 company between 2000 and 2020
20 years

Average lifespan of a US S&P 500 company by 2028
15 years

Average company lifespan on S&P 500 Index in years (Rolling 7-year average)



Innovative strategies that drove a company / sector yesterday may not drive that company / sector today

Top 10 Companies of S&P 500 Index

1990	2000	2010	2024
International Business Machine	General Electric	Exxon Mobil	Apple
Exxon Mobil	Exxon Mobil	Apple	NVIDIA
General Electric	Pfizer	Microsoft	Microsoft
Altria Group	Cisco Systems	General Electric	Amazon.com
Royal Dutch Petroleum	Citigroup	Chevron	Meta Platforms
Bristol-Myers Squibb	Walmart	International Business Machine	Tesla
Merck & Co	Microsoft	Procter & Gamble	Alphabet
Walmart	American International Group	AT&T	Broadcom
AT&T	Merck & Co	Johnson & Johnson	Alphabet
Coca-Cola	Intel	JPMorgan Chase	Berkshire Hathaway

Data: Standard & Poor's, Innosight analysis based on public S&P 500 data sources, Bloomberg; Sector weightages of S&P 500 Index are as of Calendar Year-end.
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Lower Cost driving Higher Adoption of New Technologies

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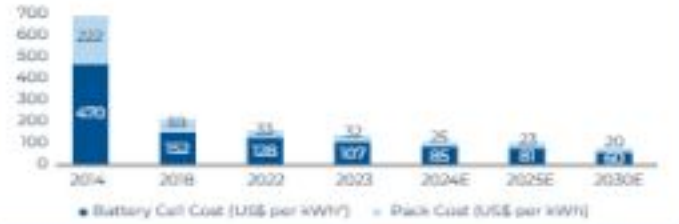
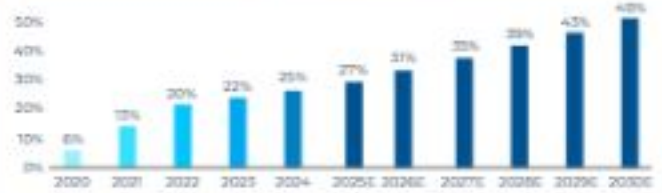
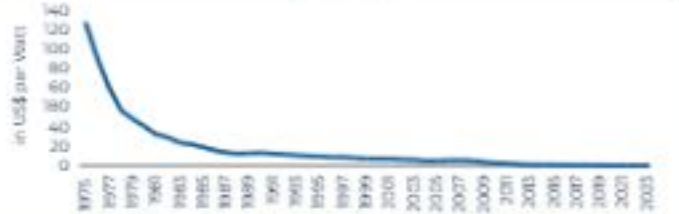
Price of Lithium-ion Batteries have been on the decline



Lower Battery Costs to continue to increase the adoption rate of EVs in China



Price of Solar Modules globally declined by 99.8% between 1976 and 2023



Lower price of Solar Modules led to increase in Global Cumulative Capacity

Source: Bloomberg, Kotak Institutional Equities Estimates, IRENA (2024); Nemet (2009); Farmer and Lafond (2016), Our World in Data (Oxford); All years are Calendar-end
*kWh: kiloWatt-hour

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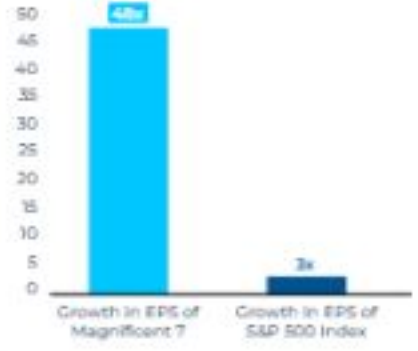
Higher Contribution to Profit Pool led Innovators to be "*Wealth Generators*" across countries

Sectors that have contributed to the overall profit pool of the broad equity market index curve have witnessed an increase in weightage over time compared to the laggards

EPS of the Magnificent 7 has grown at a much higher pace than between 2004 and 2024



Weight of Information Technology in S&P 500 Index increased, while Energy decreased

Weight of Information Technology in CSI 300 Index (Shanghai Stock Exchange) increased, while Energy decreased

Source: Bloomberg, NYU Stern, Morgan Stanley; *EPS: Earnings per Share; Data for EPS as of December 2024; Years indicate Calendar Year-end years.
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Innovation can happen ***not just in Technology!***

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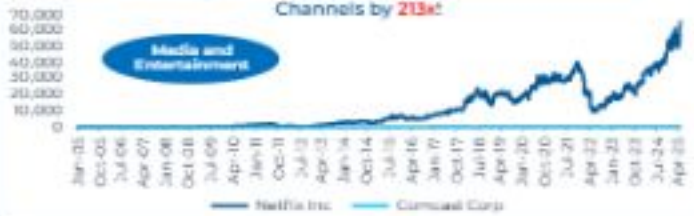
Transition from Fossil Fuel-based Cars to Electric Vehicles has led Tesla to outperform the Auto Index by ~30x!

Increased usage of Online Streaming Platforms has led Netflix to outperform Traditional Media and Entertainment Channels by 213x!



Continuous innovation in drug manufacturing has led AstraZeneca outperform FTSE 100 Index by 3x!

Innovation is democratic with examples of companies across different sectors, that have adopted innovative strategies, providing the potential for wealth creation

Source: Bloomberg. Data as on April 30, 2025; Prices of Tesla and Dow Jones US Automobiles Index have been rebased to 100 as on June 28, 2010. Prices of Netflix Inc and Comcast Corp have been rebased to 100 as on January 03, 2008. Prices of AstraZeneca and FTSE 100 Index have been rebased to 100 as on January 04, 2005.
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Even in India, Sunrise Sectors have grown disproportionately

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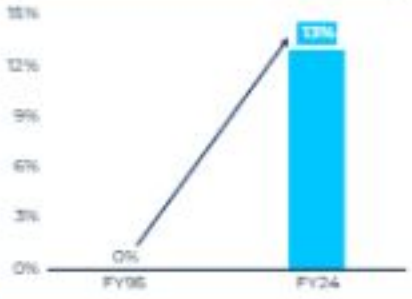
Rise in Weight of Telecommunications in NIFTY 50 Index between FY00 and FY07

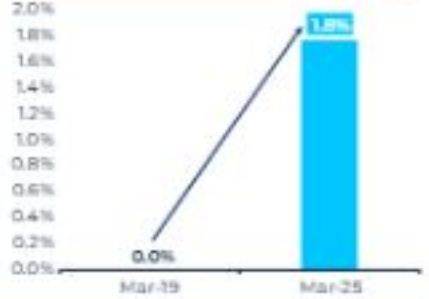
Disruptive growth due to introduction of private sector companies and new technologies like 2G, which subsequently led to a surge in mobile phone subscribers and decrease in cost of data

Rise in Weight of Information Technology in NIFTY 50 Index between FY95 and FY24



Growth of IT sector weight was based on high growth in the sector driven by offshoring, application outsourcing, ERP** implementation and new IPOs

Weight of New Age Companies in NIFTY 500 Index has increased



Multiple New Age companies have made way to the listed universe in the last 6 years with their weightage in the index rising with time

Source: www.niftyindices.com (Capturing the Pulse - July 2024), NAASCOM, Industry Reports; **ERP: Enterprise Resource Planning

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Innovation in India bridging Potential & Progress

Innovation remains key to India's Growth Ambitions

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Key Pillars supporting the Rise of Innovation in India

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01

Strong Entrepreneurial Culture improving India's Global Innovation Rankings

02

High Talent Availability and Lower Salary Gaps

03

Improved Funding Environment

04

Strong Digital Public Infrastructure key for Growth of Startups

05

Supportive Government Initiatives

06

Increasing Adoption of Innovative Strategies by Different Sectors

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India climbing up the Global Innovation Rankings

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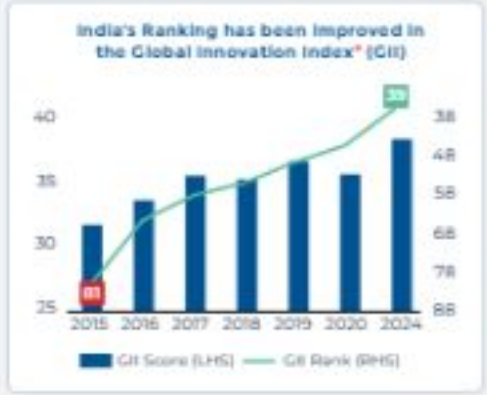
Despite India being well-placed against other countries in the Global Innovation Index, its GDP per capita is lower than countries like Brazil and Indonesia → *Signals that there is significant headroom to add value*

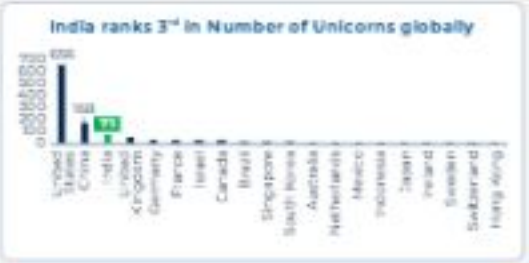
India's patent applications surged by 44.8% in 2023

Surge in electromobility within India

India's ranking on parameters like Knowledge and Technology and Market Sophistication (Funding Environment) in "GII at 22 and 23 respectively



Countries	GII Score	GDP per capita (in US$, Current Prices)
Switzerland	67.5	104,523
US	62.4	85,812
Korea	60.9	36,129
China	56.3	13,303
Japan	54.1	32,498
India	38.3	2,711
Brazil	32.7	10,214
Indonesia	30.6	4,958



Higher focus on evolving drivers of growth in different fields like Generative Artificial Intelligence

Country	Total Generative AI Funding (in US$ billion)	Number of Generative AI Patents	Number of Generative AI Startups
USA	28+	5300+	1000+
UK	0.8+	550+	150+
Japan	0.2+	2000+	45+
Israel	1+	200+	45+
EU	2.7+	1700+	280+
India	0.7+	750+	230+

Source: Global Innovation Index Database, WIPO (2024), NAASCOM, International Monetary Fund (World Economic Outlook - April 2025), World Population Review (2024)

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Large Talent Pool, Lower Salary Gaps and Improving Innovation Ecosystem – India's Case for Talent Retention

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Indian Workforce highly skilled

One of the top in terms of AI skills penetration	3rd largest in terms of AI/ML** BDA$ talent pool, globally	3rd globally, in terms of installed supply of Cloud professionals

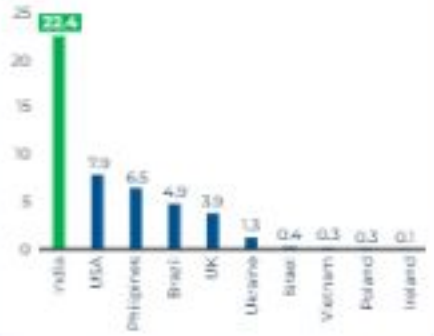
India's Case for Higher Retention of Talent

1. Geopolitical challenges creating uncertainty
2. India's rising global economic standing leading to better career opportunities
3. Lower salary gap between US (on a Purchasing Parity Basis) and India

Country-wise Tech Talent Distribution (%)

Note: Data excludes China

Yearly STEM Graduates (in lakh)



Note: STEM is an abbreviation for Science, Technology, Engineering and Mathematics

Salary Gap (in US$) between US on a PPP* Basis and India has been low

Source: EY, Publicly Available Information; India Salary Guide (2024) by Upkers; **AI/ML: Artificial Intelligence/Machine Learning; $BDA: Business Development Associate; All data as of 2023; *PPP: Purchasing Power Parity; PPP Factor between India and US: 3.83

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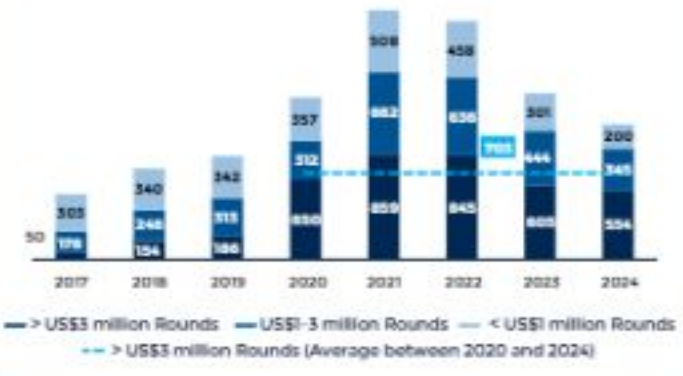
Improved Funding Environment indicating Confidence in Upcoming Innovation

India's Venture Capital (VC) Investments and Seed Funding has improved with greater than US$3 million rounds seed funding accounting for 50.4% of the funding in 2024, compared to 9.4% in 2017 → ***Indication of a shift from traditional industries to a knowledge-based economy***

India VC Investments have remained healthy

Seed Fund in India on Strong Footing



Source: Tracxn, Indus Valley - Funding Trends (2024)

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Healthy Exit Environment – Increasing Investable Opportunities

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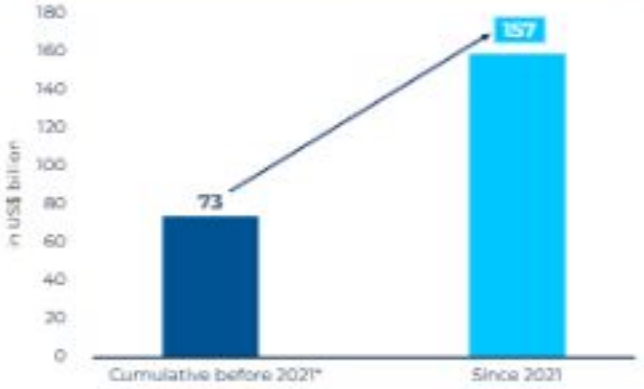
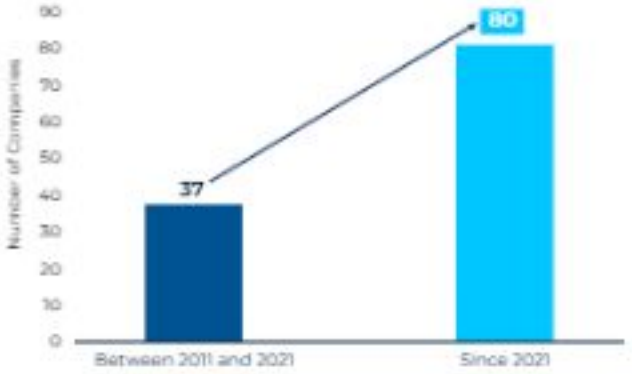
VC-Funded IPOs have been healthy with a ~2x rise in number and market cap of IPOs since 2021

Exit Environment of VC-Funded Companies has been healthy (market cap)



Strength of VC-backed IPOs has see a notable rise



Source: Tracxn, Indus Valley - Funding Trends (2024); Data as on January 17, 2025; *Number of VC-Funded Companies that have gone for an IPO before 2011 was 50 and between 2011 and 2021 was 37

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Digital Public Infrastructure – Key for Startups Growth

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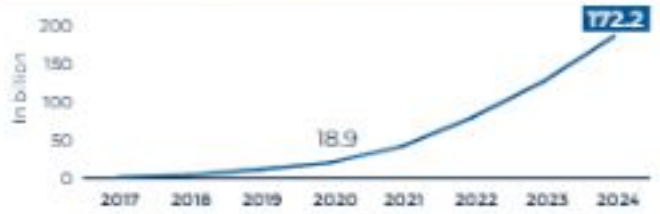
~9x increase in UPI Transaction Volume since the Pandemic



~2x increase in ONDC** Network Orders across All Domains

Key Digital Infrastructure Initiatives

Source: National Payments Corporation of India, **Open Network for Digital Commerce (ONDC) Website, Motilal Oswal, Indus Valley - Funding Trends (2024)

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Government Initiatives supporting Innovation Ecosystem

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Major Initiatives by the Government for supporting Innovation

- ASPIRE (A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship)
- Credit Guarantee Scheme for Startups (CGSS)
- ***Atal Innovation Mission (AIM)***
- Fund of Funds For Startups (FFS) Scheme
- Startup Accelerator of MeitY for Product Innovation, Development, and Growth (SAMRIDH)
- Prime Minister's Employment Generation Programme (PMEGP) through the Ministry of MSME
- Production Linked Incentive (PLI) Scheme

- **10,000** Atal Tinkering Labs (1.1 crore+ Students actively engaged)
- **72** Atal Incubation Centres (32,000+ Jobs created)
- **3,500+** Startups supported (1,000+ Women-led Startups)
- **15** Applied Research and Innovation for Small Enterprises Challenges
- **14** Atal Community Innovation Centres
- **24** Atal New India Challenges
- **40+** Domestic & International Partnerships

Source: Indian Brand Equity Foundation, PwC Reports, Atal Innovation Mission

Objectives of a Few Schemes mentioned above: (1) CGSS is aimed at providing credit guarantee up to a specified limit against loans extended by Member Institutions to finance eligible borrowers viz. Startups as defined in the Gazette Notification issued by the Department for Promotion of Industry and Internal Trade and amended from time to time. **(2) ASPIRE** scheme aims to support the establishment of Livelihoods Business Incubation (LBI) centers. These centers are intended to foster entrepreneurship and promote startups in the agro-industry. **(3) PMEGP** aims to generate employment opportunities by establishing micro-enterprises in both rural and urban areas.

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Sectors

Key Trends in Innovation

Autos – Rising Adoption of Electric Vehicles

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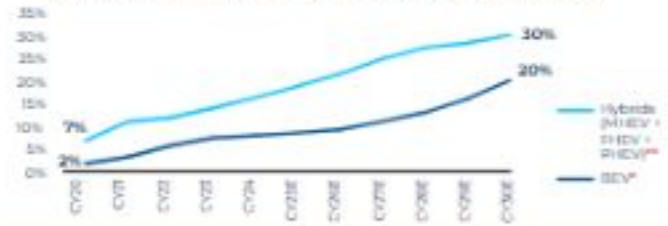
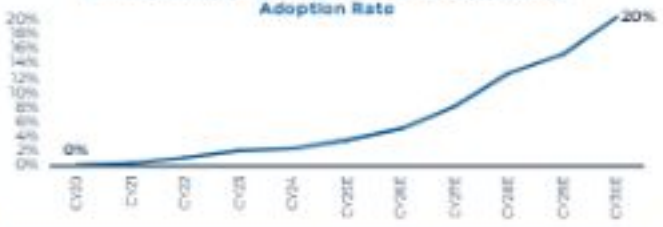
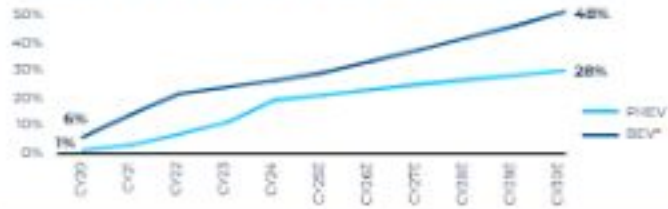
Penetration of BEV and Hybrids in US expected to increase



BEV Penetration in India to witness an Accelerating Adoption Rate



EV Penetration in China rising with BEV to touch 48% by 2030



- Adoption of BEVs is expected to rise in the next 5 to 7 years in India
- Share of India's 2-wheeler has increased to 5.8% of the total units in FY25 from just 0.1% in FY19

Source: Morgan Stanley estimates, Vaahan data; *BEV: Battery Electric Vehicle, **MHEV: Mild Hybrid Electric Vehicle, FHEV: Full Hybrid Electric Vehicle, PHEV: Plug-in Hybrid Electric Vehicle

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Autos – Innovations to address Current Challenges

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Challenges with Current Automotive Model

Under-utilized	Polluting	Time-consuming	Dangerous
<4% Utilization on a 24-hour day	~30% Air Pollution	20 billion hours spent on operating a vehicle	1.5 lakh traffic-related fatalities in India

Innovation happening to address the Above Challenges

Shared Mobility	Low or Zero Emissions	Autonomous / Semi-Autonomous / ADAS*	Safety Features / Connected Cars / ADAS*

Sources: Morgan Stanley Research, *ADAS: Advanced Driver Assist System

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Autos – Developing EV Battery Ecosystem in India

Company	Cumulative Capacity and Ramp-up	Commercial Production	Investment (in ₹ billion***)	Customer Tie-ups	Technology Support Tie-ups
Leading Indian Auto Manufacturer (Group)	20 GWh** in 2 years	2026	130	Largely internal	Tie ups with Key Universities and support from the Indian Auto Group
Leading Indian Auto 2-wheeler EV Company	20 GWh over the medium to long term	2025	51	Largely internal	Investment in Israeli cell technology company
One of the Leading Indian Battery Companies	12 GWh over the medium to long term	2025	60	**Leading South Korean Auto Companies**: MoU* for supply of batteries	1. **Chinese Lithium-ion Manufacturer**: Technical collaboration for cell manufacturing 2. **Nexchange**: Joint Venture with Swiss based Leclanché SA for battery pack manufacturing
One of the Leading Indian Battery Companies	16 GWh over the medium to long term	FY26	95	Leading Auto 2-wheeler EV Company and Piaggio	1. **Gotion**: Tie-up for manufacturing Lithium Iron Phosphate prismatic and cylindrical cells 2. **Jiangsu Highstar**: Tie up for Nickel Manganese Cobalt battery cells 3. **Log9**: Domestic battery tech start up 4. **ISRO**: Lithium ion cell technology transfer agreement 5. **InoBat**: European R&D and EV battery manufacturing company

Source: Morgan Stanley, Company Data; *Memorandum of Understanding, **GWh: Gigawatt hour, ***1 billion = ₹100 crore.

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Electronics Manufacturing Services – A Key Priority for Indian Government

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India's Share in Global Electronics Manufacturing

India EMS has potential to grow 10x in next 7-10 years

India – Large Dependence on Imports as % of Cost of Goods Sold for Key Consumer Durables

India's EMS – Value-add remains low in Components Manufacturing and Design

India's Current Value-Add across Key Segments

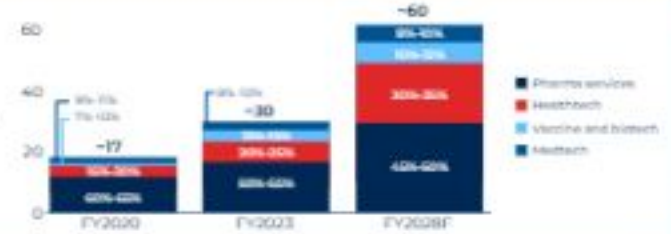
Segment	Assembly	Components	Design
Mobiles	High	Medium	Low
Consumer Electronics	High	Low	Low
IT Hardware	Low	Low	Low
Telecom	Medium	Low	Low
Automotive	Medium	Low	Low
Wearables / Hearables	Medium	Low	Low

Source: E&Y, Niti Aayog, Ministry of Electronics and Information Technology (MeitY), JM Financial

For disclaimer refer slide 44

Healthcare – Trailblazer in Innovation

Healthcare Innovation market is projected to grow 2x to ~US$60 billion in the next 5 years



Innovation in Indian Pharma Companies – New Chemical Entities / Patented Drugs at Different Stages of Development / Commercialization

Company	Product	Therapy	Own Developed / Licensed	Comments
Company A	Product A	Anti Infective	Own	Phase III trials over in India / globally; To be filed in India shortly and in US in Q3FY26
Company B	Multiple Products	Derma / Ophthalmology	In licensed	Commercialised globally
Company C	Multiple Products	Anti-allergy / Derma / Oncology	Own	Different phases of commercialization / clinical trials
Company D	Multiple Products	Anti-diabetes / Nephrology / Central Nervous System	In licensed	Different phases of commercialization / clinical trials

Pharma companies having a portfolio of New Chemical Entity under different stages of development

Companies in manufacturing of building blocks and other intermediates of Contract Research, Development, and Manufacturing Organization used in the GLP-1 manufacturing process for innovators

Covaxin One of the major vaccines used in India's fight against COVID-19 indigenously developed by Bharat Biotech

Source: Bain & Company, Inc, DAM Capital, MCA filings, Jefferies, LaEstro, Arizton Grand View Research, Redseer, IRDAI, Allied, Netscribes, Infinium, Tata Capital Healthcare Fund, Insights10, Birac, IBEF

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Energy Transition and Storage – Changing Paradigm

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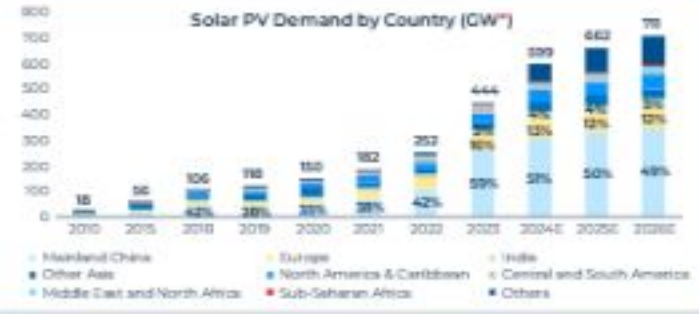
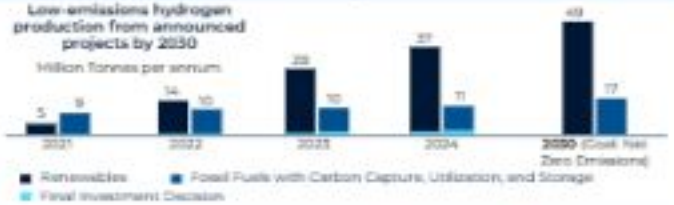
Solar PV Demand – Exponential Rise in Demand



Sharp increase expected in Global Lithium-ion Battery Capacity

Green Hydrogen: Global Production Capacity expected to pick up in the next 5 to 7 years



Demand of global Solar PV has grown 5x in the last 5 years to ~600 GW in 2024

India aiming to achieve 500 GW from renewable sources by 2030 from 200GW in 2024 and Green Hydrogen Production capacity of ~5 million metric tonnes per annum

- India has competitive advantage in manufacturing green hydrogen with companies already having established tie-ups to get manufacturing scale
- Higher potential for localised manufacturing of batteries in vehicles and storage

Source: Bernstein, Citi Research, www.iea.org , *GW: Gigawatt, **GWh: Gigawatt hours

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IT and Digital Platforms – A Long Runway for Growth

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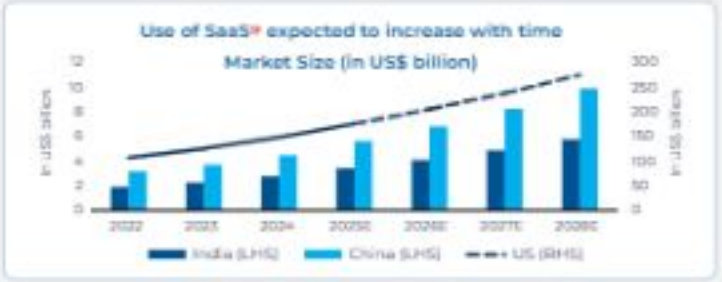

Source: Gartner, Euromonitor, Morgan Stanley Research estimates; Note: Years aligned for China and US - CY19 taken as FY20; *Annual Reports of an Indian Retail Company selling beauty, wellness and fashion products; **BPC: Beauty and Personal Care; *SaaS: Software as a Service

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Defence – Indigenization Success largely led by Heightened R&D Focus

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R&D Successes core to Indigenization besides Transfer of Technology

- Early successes in indigenization led by R&D and transfer of technologies
- Large Defence imports in past due to slow pick up in Defence Platform** Manufacturing
- India's Defence R&D led by DRDO* whose 40+ years of R&D has culminated into large technological advancements
- After indigenizing missiles (1983-2008), aircraft carriers (1999-2009), submarines (1997-2005) and howitzers (2017), India to focus on combat aircraft and helicopters

India's R&D Spends have increased to >US$3 billion led by DRDO and Private Companies

Early Successes in Indigenization led by R&D and Transfer of Technologies

Aircraft carriers (1999-2009)

Submarines (1997-2005)

Howitzers (2017)

*DRDO : Defence Research & Development Organisation, Source: PIB, CLSA, Budget documents
**A Defence platform is the base on which capabilities or weapon systems can be built or attached

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About **HDFC Innovation Fund**

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Investment Strategy

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Core Portfolio

- Aims to invest at least 80% of its net assets in equity and equity related instruments, which focuses on companies that are adopting innovative themes and strategies
- Fund Manager will endeavour broadly identify innovating companies based on:
  - Product / Service Innovation
  - Process Innovation
  - Business Model Innovation

Portfolio Construction

- Bottom-up approach to stock selection
- Diversified across different sectors and market capitalizations
- Companies who are innovators or early adopters of new technologies / strategies with focus on growth and longer-term profitability
- Companies who are part of value chain of emerging themes / trends globally

Focus on Quality Companies

- Companies who are targeting to grow higher than the industry with market share gains
- Focusing on emerging market leaders and profit pool leaders
- Consider stage and trajectory of industry cycle and take a risk-adjusted view
- Strong Management with an ability to capitalize on opportunities while managing risks
- Good corporate governance, ESG sensitivity and transparency

Valuation Discipline and Strategic Approach

- Valuation looking from a medium to long-term perspective with focus on unit economics
- Holistic approach to valuations without relying solely on traditional parameters like P/E or P/B
- Considering the long term nature of investments in the Scheme, stock selection will be strategic and long term in nature, instead of tactical

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Eligible Universe for HDFC Innovation Fund

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Universe
2,596 companies

Scores assigned to Each Company from 1 to 5 based on a Comprehensive Internal Assessment

Scores 4 and 5 → Highest scores (Pure Play of Innovation)

Score 3 → Minimum Cut-off for a Company to be part of the "***Eligible Universe***"

Scores 1 and 2 → Low scores

Eligible Universe (Score 3 and higher)
235 companies

Number of Companies with a Scores 4 and 5
104 companies

Macroeconomic Sectors	Sectoral Split of the Eligible Universe (% of Number of Companies)
Consumer Discretionary (Auto & Auto Ancillaries and E-Commerce)	22.1%
Industrials (including Defence)	20.9%
Pharma and Healthcare	16.6%
Information Technology	14.5%
Commodities (including Chemicals)	8.1%
Fast Moving Consumer Goods	6.4%
Utilities	5.1%
Financial Services	3.8%
Services	2.1%
Energy	0.4%
Number of Companies	**235**

Macroeconomic Sectors	Sectoral Split of the Companies with Scores 4 and 5 (% of Number of Companies)
Pharma and Healthcare	27.2%
Consumer Discretionary (Auto & Auto Ancillaries and E-Commerce)	23.3%
Industrials (including Defence)	17.5%
Information Technology	11.7%
Commodities (including Chemicals)	9.7%
Utilities	4.9%
Financial Services	4.9%
Fast Moving Consumer Goods	1.0%
Services	0.0%
Number of Companies	**104**

Market Cap Category	Market Cap Split of the Eligible Universe (% of Number of Companies)	Market Cap Split of the Companies with Scores 4 and 5 (% of Number of Companies)
Large Cap	39.1%	24.0%
Mid Cap	23.8%	25.0%
Small Cap	37.0%	51.0%
Number of Companies	**235**	**104**

Source: Industry Classification by AMFI (April 29, 2025), SEBI Categorization of Large Cap, Mid Cap and Small Cap Stocks as of December 2024. *Macroeconomic Sectors as defined by AMFI. As per SEBI Circular dated October 6, 2017 and December 4, 2017, Large Cap companies means 1st - 100th company in terms of full market capitalization, mid cap companies mean 101st - 250th company in terms of full market capitalization and Small Cap companies mean 251st company onwards in terms of full market capitalization or such other companies as may be specified by SEBI from time to time.

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High Growth commands a Valuation Premium

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Growth run rate for Innovative Companies significantly ahead of the Traditional Peers → ***Commanding a Valuation Premium***

Company	Ratio of Market Cap to Net Sales (March 2025)	3-year CAGR Growth in Net Sales (%), as of March 2025
One of the Leading Insurance Companies	1.7	9%
Leading Online Insurance Tech Company	14.7	52%
One of the Leading Indian Supermarkets	4.5	24%
Leading Indian Quick Commerce Platform	9.6	69%
Leading Fashion and Beauty Retailer	1.3	22%
Leading Indian Beauty and Personal Care Online Retailer	6.4	28%

Source: Motilal Oswal

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Innovation Theme – Diversified across Sectors and Market Caps

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Investing in this Fund can provide an investor an exposure to industries across different market caps that are adopting innovative strategies

Industries that can form part of the Universe*

- Auto and Auto Ancillaries
- Pharma & Healthcare
- Energy (Power & Utilities)
- Information Technology and Software
- Defence, Industrials
- Chemicals, Agrochemicals and Fertilizers
- Consumer Goods

*Note: The industries mentioned above are indicative and can include more industries.

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Key Takeaways

Innovation → Process of introducing new ideas, services, or products – or improve existing ones – to create value, solve problems, and maintain a competitive edge

3 Key Types of Innovation

- Product
- Process
- Business Model

Multiple examples of innovation in Indian context which has transformed businesses in sectors like Financial services, Retail, Autos, Defence etc.

Innovation important for Economic Prosperity and Market Leadership

- Countries and companies that adopted innovative strategies have witnessed a multiplier effect on growth
- Lower Cost driving higher adoption of new technologies
- Innovation is not just in technology, but across sectors

Key Pillars supporting the Rise of Innovation in India

- Strong entrepreneurial culture improving India's Global Innovation rankings
- High talent availability and lower salary gaps
- Improved funding environment indicating confidence in upcoming innovation
- Government initiatives supporting innovation ecosystem with strong digital public infrastructure in place

Strong Potential for Innovation in some of the Key Sectors

- Autos - EV Ecosystem
- Electronics Manufacturing
- Pharma and Healthcare
- Energy Transition and Storage
- IT and Digital Platforms

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Why invest in HDFC Innovation Fund?

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Exposure to companies that are adopting innovative strategies through the development of new products, processes or business models

Opportunity to participate India's next leg of economic growth led by companies who are innovators or early adopters of new technologies / strategies

Exposure to good quality companies with medium to long-term growth drivers across multiple market caps and sectors

Well-defined Methodology for selecting companies to form a part of the portfolio

25 years of track record of HDFC Mutual Fund with an experienced Investment / Equity Research Team

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Risks and Mitigants

Risks	Mitigants
Slowdown in domestic economy and consumption → A large part of innovation ecosystem caters to the domestic economy which could get impacted in the event of an economic slowdown	Drivers of Macroeconomic growth continue to be on a strong footing
Slowdown in Funding Environment	There has been a step up in Venture Capital / Private Equity funding, which is helping the development of the innovation ecosystem in the last few years. With healthy exit environment, this should continue
Adverse Government policies for the innovation ecosystem	Government has undertaken multiple initiatives to support the innovation ecosystem
Lower talent retention in the country	A strong funding environment, India's rising global standing and lower salary gap (in PPP terms) should help in talent retention in the country

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Fund Facts

Particulars	HDFC Innovation Fund
Type of Scheme	An open ended equity oriented scheme following the innovation theme
Investment Objective	To generate long term capital appreciation / income by investing in companies that are adopting innovative themes and strategies. **There is no assurance that the investment objective of the Scheme will be achieved.**
Benchmark Index	NIFTY 500 (Total Returns Index)
Fund Manager(s)$	Mr. Amit Sinha
Investment Plans	* Direct Plan * Regular Plan
Investment Option	Under Each Plan: Growth, Income Distribution cum Capital Withdrawal - Payout and Reinvestment of IDCW
Minimum Application Amount	**During NFO Period** **Purchase / Switches:** ₹100/- and any amount thereafter **During continuous offer period (after scheme re-opens for repurchase and sale):** **Purchase / Additional Purchase / Switch:** ₹100/- and any amount thereafter
Load Structure	**Exit Load:** - In respect of each purchase/switch in of units, an Exit load of 1% is payable if units are redeemed/switched out within 1 month from the date of allotment. - No Exit Load is payable if units are redeemed / switched out after 1 month from the date of allotment. In respect of Systematic Transactions such as SIP, Flex SIP, STP, Flex STP, Swing STP, Exit Load, if any, prevailing on the date of registration / enrolment shall be levied.

$Fund Manager Overseas investment - Mr. Dhruv Muchhal

For further details, refer SID and KIM available on www.hdfcfund.com and at Investor Service Centres of HDFC Mutual Fund

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Asset Allocation

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Under normal circumstances, the asset allocation (% of Net Assets) of the Scheme's portfolio will be as follows:

Types of Instruments	Minimum Allocation (% of Net Assets)	Maximum Allocation (% of Net Assets)
Equity and Equity related instruments following the innovation theme	80	100
Equity and Equity related instruments of companies other than those mentioned above	0	20
Units of REITs and InvITs	0	10
Debt securities and Money Market instruments	0	20
Units of Mutual Fund	0	20

For complete details, please refer to the Scheme Information Document on www.hdfcfund.com

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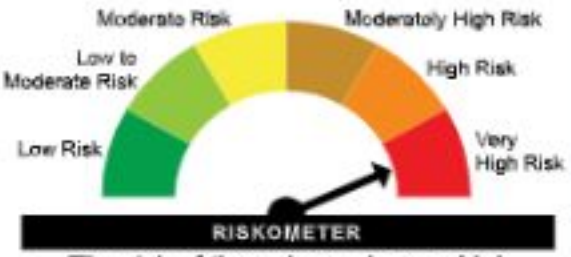
Product Labelling and Riskometer

HDFC Innovation Fund (An open-ended equity-oriented scheme following the innovation theme) is suitable for investors who are seeking*:

- Capital appreciation over long term
- to invest in equity and equity related instruments of companies that are adopting innovative themes and strategies

*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.
#The product labeling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made. For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. **www.hdfcfund.com**

Scheme Riskometer#



The risk of the scheme is very high

The Scheme being thematic in nature carries higher risks versus diversified equity mutual funds on account of concentration and theme specific risks.

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Thank You