

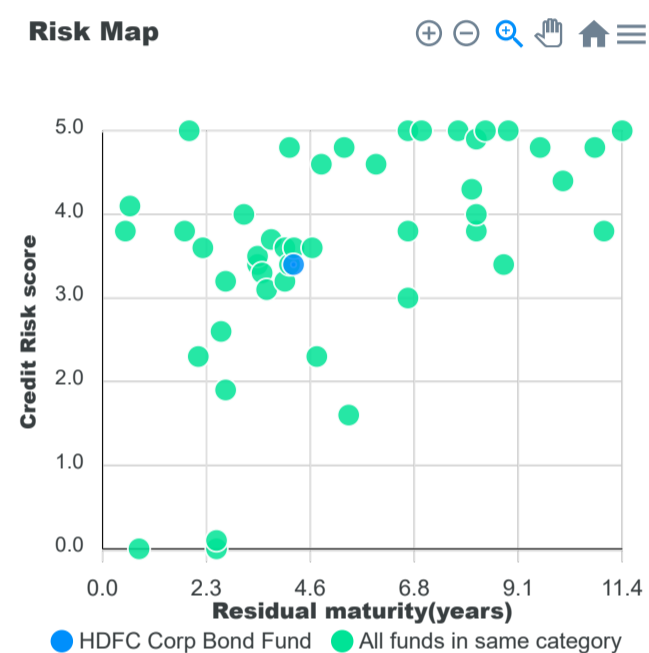
Parameter	Value	Category Rank
FundSage Portfolio Credit Quality Score	3.4 / 5.0	35 / 47
Average residual maturity	4.7 years	24 / 47
Proportion of instruments with high liquidity	High	23 / 47
Yield to Maturity (%)	6.23	21 / 47

Report generated as of 21/07/2020 using MF portfolio data available as of 18/07/2020

#### General Facts

<b>FundSage categorization</b>	Corporate and Dynamic Bond Funds
<b>Standard categorization</b>	Corporate Bond
<b>AUM (Rs. Cr)</b>	15179.82
<b>Expense Ratio (%)</b>	0.3
<b>Last one year returns (%)</b>	12.52
<b>Last three year returns p.a. (%)</b>	9.88
<b>Category returns (3-years) p.a. (%)</b>	9.31

#### Risk Map



## Credit Risk

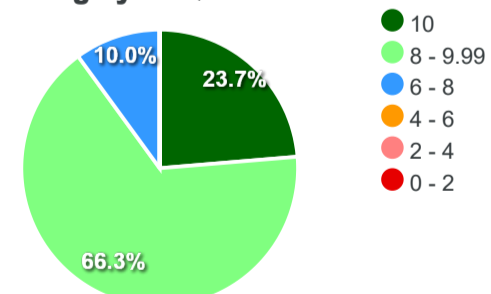
ASQI's Company Credit Risk Score is a measure of probability of default created by ASQI Systems using its proprietary credit risk assessment platform. This platform uses a combination of advanced machine learning algorithms and expert systems to determine the future likelihood of credit event for a company.

The table and graph below aggregates the holdings of HDFC Corp Bond Fund by their company risk score levels

A score of 10 corresponds to zero credit risk e.g. government debt. A score of 0 corresponds to securities already in default.

Company Credit Risk Score	Holding Percentage(%)
10	23.7
8 - 9.99	66.3
6 - 8	10.0
4 - 6	0.0
2 - 4	0.0
0 - 2	0.0

#### Holding by ASQI Credit Risk Score



You can check the detailed report on each individual issuer company in the fund under the portfolio section of the FundSage

We calculate the portfolio level holdings-weighted company credit risk across all debt MF schemes. This is then normalized on a scale of 0 to 5 (worst to best) across all these schemes to arrive at the FundSage Portfolio Credit Quality Score for each scheme. The worst schemes are rated 0 and the best ones are rated 5.

#### FundSage Portfolio Credit Quality Score for HDFC Corp Bond Fund

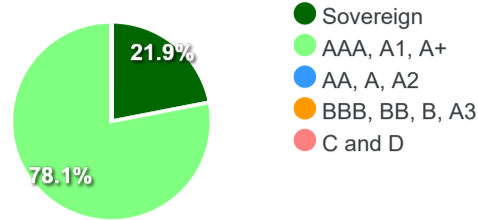
3.4 out of 5

- HDFC Corp Bond Fund's credit risk score of 3.4 / 5.0 suggests high credit risk in its portfolio.
- The category average score for Corporate and Dynamic Bond Funds is 3.6 / 5.0 – hence HDFC Corp Bond Fund is slightly below category average in credit risk
- It ranks 35 out of 47 funds in the category

Credit ratings have been an inadequate guide for likelihood of default, especially in recent years. ASQI's Company Credit Risk Scores perform significantly better at default forecasts - by being dynamic as well as more accurate. Hence the above analysis is driven by these score.

However, for completeness, we also summarize below the distribution of the fund's holdings by conventional credit rating.

#### Holdings by Conventional Credit Rating



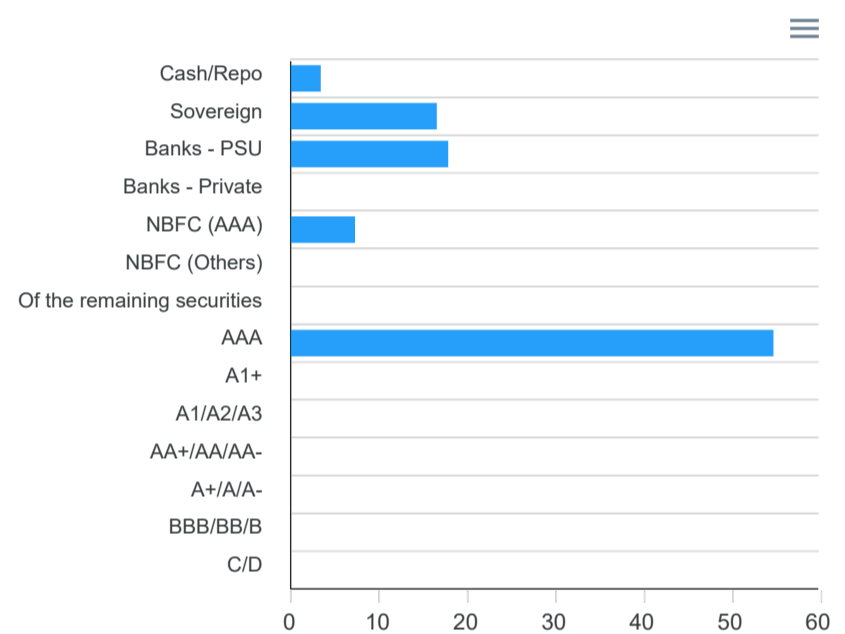
## Portfolio Analysis

India's debt capital markets are unique due to the presence of a large number of quasi-sovereign issuers of debt (with very low credit risk), heavy presence of banks and NBFCs and only a moderate presence of non-financial issuers. To evaluate credit quality of a typical debt mutual fund scheme in India, it is not enough to look at simply the credit ratings. Knowing the split by "issuer-type" is equally important. The below table and graph shows the constitution of the fund's portfolio in this light. With the exception of NBFCs, the risk broadly goes down from the top of the table to its bottom.

The section "Of the remaining securities" corresponds to private sector non-financial issuers

#### Borrower profile

Profile	Broad Allocation(%)
Cash/Repo	3.4
Sovereign	16.6
Banks - PSU	17.9
Banks - Private	
NBFC (AAA)	7.3
NBFC (Others)	
Of the remaining securities	
AAA	54.9
A1+	
A1/A2/A3	
AA+/AA/AA-	
A+/A/A-	
BBB/BB/B	
C/D	



## Concentration Measures

The following tables show various measures of concentration risk in the fund's portfolio. These measures exclude sovereign debt in all tables. For single borrower concentration, they also exclude public sector undertakings.

#### Industry Concentration

Industry	Allocation(%)
Bank - Public	17.9
Finance - Housing	15.8
Finance Term Lending	14.5
Refineries	7.5
Finance - NBFC	7.3
Engineering - Construction	4.5
Power Generation/Distribution	4.1
Chemicals	2.4
Telecommunication - Service ...	1.8
Trading	1.5

#### Concentration by business house

House	Allocation(%)
HDFC	8.9
Reliance (MDA)	8.7
PSU - SBI	5.3
L&T	2.9
TVS Iyengar	1.8
Tata	0.4
Cube Highways	0.2
Bajaj	0.0

**Borrower Concentration**

Borrower Name	Allocation(%)
Government of India	17.2
Housing Development Financ...	5.5
LIC Housing Finance Ltd.	5.3
State Bank Of India	3.8
National Bank For Agriculture...	3.1
Reliance Industries Ltd.	3.1
Export-Import Bank Of India	2.4
Power Finance Corporation Ltd.	2.2

**Summary**

<b>Largest industry exposure</b>	17.9%
<b>Largest business house exposure</b>	8.9%
<b>Number of companies with more than 2% exposure</b>	11
<b>Number of companies with more than 5% exposure</b>	6
<b>Proportion made up by top 5 industries</b>	63%
<b>Proportion made by top 5 companies</b>	51.6%

**Red Flags by Risk Score and Rating**

There are no high risk securities in this fund.

The table refers to companies which have a high credit risk - either shown through a poor ASQI risk score or low credit rating or both.

A detailed report on each of these companies is available on the FundSage platform

## Interaction of Credit risk and Balance Maturity

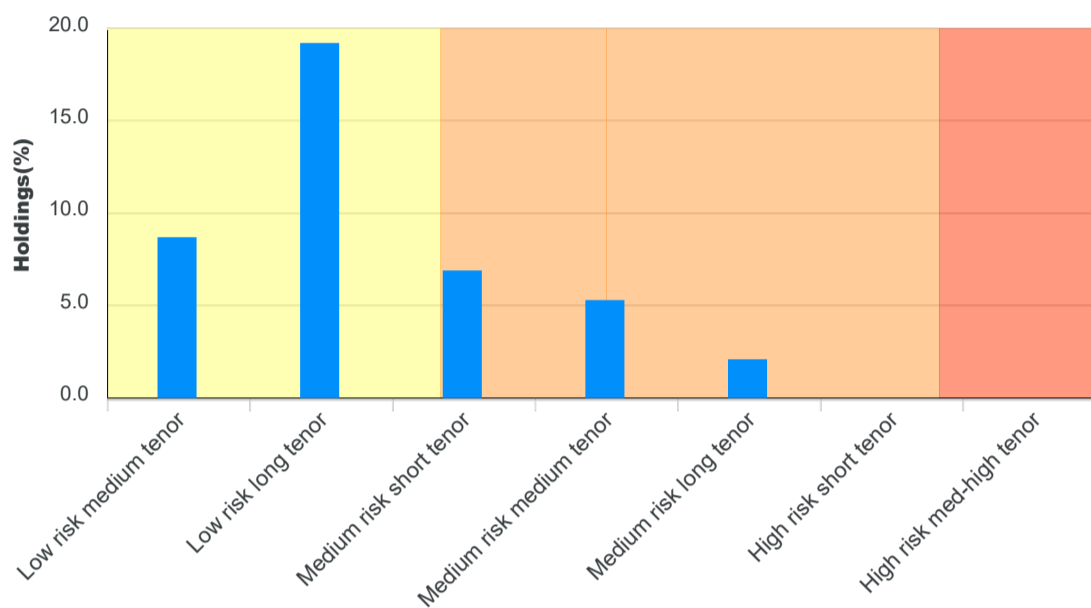
### Risk Score and Residual Maturity

Maturity	Risk Scores					
	10(Sovereign)	8 - 9.99	6 - 8	4 - 6	2 - 4	0 - 2
0 - 1 years	3.8	6.4	1.8	0.0	0.0	0.0
1 - 3 years	0.0	29.1	5.8	0.0	0.0	0.0
3 - 5 years	0.0	9.6	0.7	0.0	0.0	0.0
>5 years	20.0	21.2	1.7	0.0	0.0	0.0

The credit risk of an instrument goes up sharply with tenor. Hence it is important to understand not only the risk score of the issuer company for each instrument but also the residual maturity of the instrument.

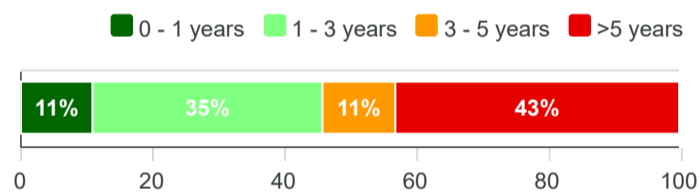
In general, watch out for the overall allocation in bottom diagonal of this grid - ie. cells with long maturity or high credit risk or both. The riskiest securities are those in the bottom right corner.

### Risk-Tenor combinations



## Interest Rate Risk

### Residual Maturities



### Likely MTM impact of interest rate changes

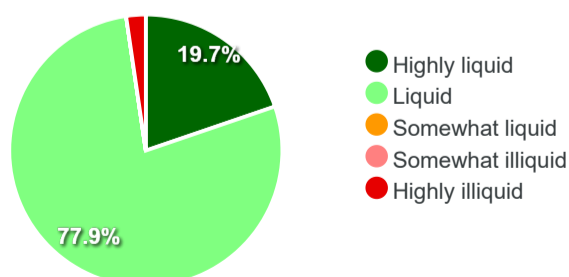
Interest rate change(%)	Capital gains/loss(%)
+1.5	-4.85
+1.0	-3.28
+0.5	-1.67
-0.5	+1.67
-1.0	+3.28
-1.5	+4.85

The fund has High interest rate risk

- 10.9% of the holdings of the fund have residual maturity of 1 year or lower.
- 43.1% of the holdings of the fund have residual maturity of over 5 years.
- A rise of 1% in interest rates is likely to result in capital loss of ~-3.28% for the fund.

## Liquidity Profile

### Proportion of securities by liquidity



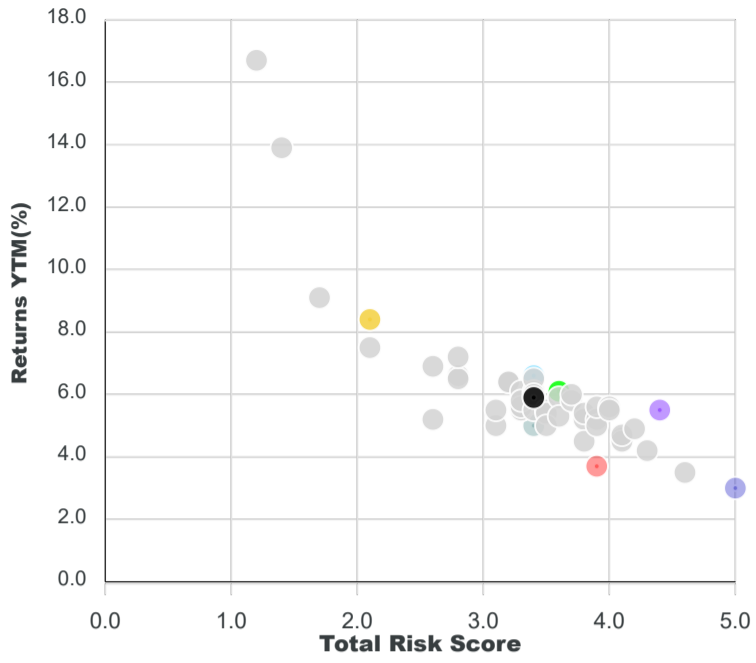
- HDFC Corp Bond Fund has 19.7% in highly liquid government debt
- The fund holds 0% in moderately liquid securities
- The proportion of illiquid securities is 2.3%
- The fund's liquidity profile is better than its category average
- The liquidity rank of the fund in its category is 23 out of 47

# Final Word

## Risk Return



The risk in is mildly lower than what is warranted by its expected returns.



Risk < Returns

**HDFC Corp Bond Fund is quite good in terms of risk-adjusted returns for its category.**

- End of Scheme-Specific Report -

## Methodology

ASQI generates a risk score for companies based on broad macroeconomic factors and company specific fundamentals. The model evaluates the Company's need for refinancing and its ability to get refinancing given the company health. The rating scale starts with zero risk score for Government and quasi government debt moving to a higher risk score depending on the company's financials. Since it evaluates the overall debt servicing ability of the company, its score is not instrument specific and is not prone to errors like partial/instrument specific Updation of ratings.

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