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#### SPONSOR

##### **Housing Development Finance Corporation Limited**

Registered Office :  
Ramon House, H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate, Mumbai 400 020

#### TRUSTEE

##### **HDFC Trustee Company Limited**

Registered Office :  
Ramon House, 3rd Floor,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020

#### ASSET MANAGEMENT COMPANY

##### **HDFC Asset Management Company Limited**

In association with Standard Life Investments  
Registered Office :  
Ramon House, 3rd Floor,  
H. T. Parekh Marg,  
169, Backbay Reclamation,  
Churchgate,  
Mumbai 400 020

#### CUSTODIAN

##### **HDFC Bank Limited**

Kamala Mills Compound,  
Senapati Bapat Marg, Lower Parel,  
Mumbai 400 013

#### STATUTORY AUDITORS

##### **S. B. Billimoria & Co.**

Chartered Accountants  
Meher Chambers, R. Kamani Road,  
Ballard Estate, Mumbai 400 001

#### LEGAL ADVISORS

##### **Dave & Girish & Co.**

Sethna Building, 1st Floor,  
55, Maharshi Karve Road,  
Marine Lines, Mumbai 400 002

#### REGISTRAR AND TRANSFER AGENT

##### **Computer Age Management Services (Private) Limited**

A & B, Lakshmi Bhawan,  
609, Anna Salai, Chennai 600 006

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(Bangalore, Chennai, Delhi, Kolkata and Mumbai)



**Investor Services (at Mumbai) :**

**Toll-free number : 1600 115 373**

**Dedicated numbers : 231 6300 - 4**

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**BOARD OF DIRECTORS****HDFC Trustee Company Limited (Trustee)**

Mr. Kalyan Banerji - Chairman

Mr. Anil Kumar Hirjee

Mr. Shishir K. Diwanji

Mr. Keki M. Mistry

Mr. Ranjan Sanghi

Mr. R. V. S. Rao

**BOARD OF DIRECTORS****HDFC Asset Management Company Limited (AMC)**

Mr. Deepak S. Parekh - Chairman

Mr. A. S. Bell

Mr. P. M. Thampi

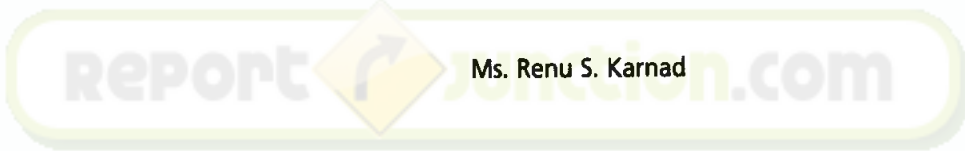
Mr. Hoshang S. Billimoria

Dr. Deepak B. Phatak

Mr. Humayun Dhanrajgir

Ms. Renu S. Karnad

Mr. Milind Barve - Managing Director

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## Trustee's Report

### for the period ended March 31, 2001

The Trustee presents its first report and the audited financial statements of the Schemes of HDFC Mutual Fund, for the period ended March 31, 2001.

#### HDFC MUTUAL FUND

HDFC Mutual Fund ('the Fund') has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882, by Housing Development Finance Corporation Limited ('Sponsor' or 'HDFC'). The Fund has been registered with the Securities and Exchange Board of India ('SEBI') vide registration number MF/044/00/6 dated June 30, 2000.

HDFC Trustee Company Limited, a Company incorporated under the Companies Act, 1956, is the Trustee to the Fund vide Trust Deed dated June 8, 2000. HDFC Trustee Company Limited ('the Trustee') is a wholly owned subsidiary of HDFC. The Trustee has appointed HDFC Asset Management Company Limited ('the AMC') as the Investment Manager to the Fund vide Investment Management Agreement dated June 8, 2000. The AMC was approved to act as an Asset Management Company for the Fund by SEBI on July 3, 2000.

The AMC is also registered with SEBI as a Portfolio Manager vide Registration No. PM/INP000000506 dated December 22, 2000 under the SEBI (Portfolio Managers) Regulations, 1993. The Certificate of Registration is valid from January 1, 2001 to December 31, 2003. The AMC is providing Portfolio Management Services and such activities are not in conflict with the activities of the Fund.

In its Initial Public Offering, the Fund offered three open-ended schemes viz. HDFC Growth Fund, HDFC Balanced Fund and HDFC Income Fund. During the initial offer period (July 20, 2000 to August 10, 2000), these schemes collected Rs. 654.33 crore. Later during the year, the Fund launched three additional schemes, namely HDFC Liquid Fund, HDFC Tax Plan 2000 and HDFC Children's Gift Fund.

As at March 31, 2001, the assets under the management were Rs.1239 crore. The Fund had 128,931 investor accounts in its various schemes as at March 31, 2001.

#### OBJECTIVES, INVESTMENT POLICY AND REVIEW OF THE SCHEMES

##### ► HDFC Growth Fund - An Open-ended Growth Scheme

The investment objective of HDFC Growth Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 135.07 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 109.75 crore as at March 31, 2001.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)	
			Growth Plan	S&P CNX Nifty
HDFC Growth Fund	10.000	7.462	-25.38	-21.16

\* Date of Allotment / Inception.

HDFC Growth Fund's approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity.

### ► **HDFC Balanced Fund - An Open-ended Balanced Scheme**

The investment objective of HDFC Balanced Fund is to generate capital appreciation along with current income from a combined portfolio of equity & equity related and debt & money market instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 122.02 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 121.03 crore as at March 31, 2001.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Balanced Fund	10.000	9.238	-7.62

\* Date of Allotment / Inception.

The Scheme aims to provide a lower risk alternative while retaining some of the upside potential from equities exposure. The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity. During the period under review, investments in debt securities were primarily in AAA and P1+ rated instruments, which have been assigned as "highest investment grade" by a credit rating agency registered with SEBI.

### ► **HDFC Income Fund - An Open-ended Income Scheme**

The investment objective of HDFC Income Fund is to optimize returns while maintaining a balance of safety, yield and liquidity. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 397.24 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from September 21, 2000. The net assets of the Scheme were Rs. 816.58 crore as at March 31, 2001.

As at March 31, 2001, the per Unit NAV of the Growth Plan was Rs. 10.851 and the per Unit NAV of the Dividend Plan was Rs. 10.116. On March 19, 2001, the Scheme, under the Dividend Plan, declared a maiden dividend of Rs. 0.60 per Unit. The cum dividend NAV as at the record date i.e. March 19, 2001 was Rs. 10.835 per Unit. Dividend was declared on the face value of Rs. 10 per Unit. Past performance may or may not be sustained in future.

Name of the Scheme	Per Unit NAV as at Sept 11, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Income Fund - Growth Plan	10.000	10.851	8.51

\* Date of Allotment / Inception.

The Scheme aims to identify securities that offer superior levels of yields at low level of risks. An internal credit analysis studies the potential investments in terms of credit risk, interest rate risk and liquidity risk. Investments in bonds and debentures are usually made in instruments that have been assigned high investment grade ratings by a credit rating agency registered with SEBI. As at March 31, 2001, the Scheme had 68.85% of its Net Assets in AAA / P1+ rated instruments and Government Securities and 17.09% of its Net Assets in call money / net receivables. The Scheme attempts to reduce liquidity risk by investing in securities that result in a staggered maturity profile and which enjoy easy liquidity and have reasonable secondary market activity.

### ► **HDFC Liquid Fund - An Open-ended Liquid Income Scheme**

The investment objective of HDFC Liquid Fund, is to enhance income consistent with a high level of liquidity, through a judicious portfolio mix comprising of money market and debt instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Reinvestment Plan. The Scheme was launched on October 17, 2000. The Scheme collected Rs. 49.78 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption of Units on an ongoing basis from October 18, 2000. The net assets of the Scheme were Rs. 171.98 crore as at March 31, 2001. Since inception, the Scheme under the Dividend Reinvestment Plan has maintained a consistent track record of weekly dividends. As at March 31, 2001, the per Unit NAV of the Growth Plan was Rs. 10.4207 and the per Unit NAV of the Dividend Reinvestment Plan was Rs. 10.0157. Past performance may or may not be sustained in future.

Name of the Scheme	Per Unit NAV as at Oct 17, 2000* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Annualised Returns (%) (From inception to March 31, 2001)
HDFC Liquid Fund - Growth Plan	10.0000	10.4207	9.25

\* Date of Allotment / Inception.

Every investment opportunity is assessed with regard to credit risk, interest rate risk and liquidity risk. Investments in bonds and debentures are usually made in instruments that have been assigned high investment grade ratings by a credit rating agency registered with SEBI.

#### ➤ **HDFC Tax Plan 2000 - An Open-ended Equity Linked Savings Scheme**

The Initial Public Offer of HDFC Tax Plan 2000 was open from December 26, 2000 to December 27, 2000. The investment objective of the Scheme is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments. The Scheme offers investors two Plans : (i) Growth Plan (ii) Dividend Plan. The Dividend Plan also offers a Dividend Reinvestment Option. The Scheme collected Rs. 0.17 crore during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on an ongoing basis from January 2, 2001. The net assets of the Scheme were Rs. 1.65 crore as at March 31, 2001. As at March 31, 2001, the per Unit NAV of the Scheme was Rs. 9.293.

Name of the Scheme	Per Unit NAV as at Jan 2, 2001* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC Tax Plan 2000	10.000	9.293	-7.07

\* Date of Allotment / Inception.

The assessment of investments is a function of extensive research and based on data and reasoning rather than current fashion and emotion. The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity.

#### ➤ **HDFC Children's Gift Fund - An Open-ended Balanced Scheme**

The Initial Public Offer of HDFC Children's Gift Fund (HDFC CGF) was open from January 25, 2001 to February 9, 2001. The Scheme offers investors two Plans : (i) Investment Plan (Equity oriented) (ii) Savings Plan (Debt oriented).

The investment objective of both the Plans under the Scheme is to generate long term capital appreciation. The Scheme collected Rs. 8.84 crore in the Investment Plan and Rs. 8.48 crore in the Savings Plan during the Initial Public Offer. Thereafter, the Scheme re-opened for issue and redemption (subject to completion of Lock-in Period) of Units on an ongoing basis from March 7, 2001. The net assets of the Investment Plan were Rs. 9.02 crore and of the Savings Plan were Rs.8.99 crore as at March 31, 2001. As at March 31, 2001, the per Unit NAV of the Investment Plan was Rs. 9.703 and the per Unit NAV of the Savings Plan was Rs. 9.959. Both Plans remained largely invested in cash during the period ended March 31, 2001.

Name of the Scheme	Per Unit NAV as at Mar 2, 2001* (Rupees)	Per Unit NAV as at Mar 31, 2001 (Rupees)	Absolute Returns (%) (From inception to March 31, 2001)
HDFC CGF - Investment Plan	10.000	9.703	-2.97
HDFC CGF - Savings Plan	10.000	9.959	-0.41

\* Date of Allotment / Inception.

The net assets of the Investment Plan are primarily invested in Equities and Equity related instruments. The net assets of the Plan are also invested in Debt / Money market instruments with an objective of generating long term returns and maintaining risk under control.

The net assets of the Savings Plan are primarily invested in Debt and Money market instruments. The net assets of the Plan are also invested in Equity and Equity related instruments. This Plan seeks to generate steady long term returns with relatively low levels of risk.

The equity investment approach is to invest in companies in strong businesses, run by competent managers and available at a price that represents a discount to the intrinsic value of that business. It aims to actively manage risk through prudent diversification across companies and sectors by investing a majority of funds in stocks with high liquidity. Investment in debt securities will usually be in instruments, which have been assigned as "high investment grade" by a credit rating agency registered with SEBI.

### **SHAREHOLDING PATTERN OF THE AMC**

Pursuant to the Joint Participation Agreement entered between HDFC and Standard Life Investments Limited, HDFC transferred 52,00,000 equity shares of the AMC (amounting to 26% of the paid up share capital) to The Standard Life Assurance Company, the parent company of Standard Life Investments Limited on April 17, 2001. Consequent to this transfer, HDFC now holds 74% of the paid up share capital of the AMC.

The Standard Life Assurance Company through SLAC (Mauritius Holdings) Limited is holding 9.92% of the paid up equity share capital of HDFC as at April 17, 2001.

### **EQUITY MARKET OUTLOOK**

Equity investment requires discipline and a long term perspective. The AMC believes that the environment for equities is encouraging because of improving underlying fundamentals, ample liquidity and the prospect of progress on economic policy reform. The Indian equity markets have become more complex with increased correlation with global markets, greater volatility and increased dispersion between the winners and losers in the market. The AMC seeks to use its research base and investment processes to identify trends and winners in such a market.

### **DEBT MARKET OUTLOOK**

The financial year 2001-02 is expected to start with an easing of inflation (YoY) and a stable outlook for the rupee. With economic figures pointing towards a slowdown and with the government showing its resolve to restrict its borrowings to the budgeted limit, it seems probable that a gradual monetary easing is on the cards in the current fiscal. Positive measures announced in the budget and the borrowing program which would be largely concentrated in the first half of the year would determine the trend for that period. On the negative side, the stock market debacle could result in some slowdown in fiscal reform and the disinvestment process.

### **INVESTOR SERVICES**

The Fund presently has 22 Investor Service Centres (ISCs) in 18 cities. The Fund aims to offer its investors a T + 1 standard for transactions, which means that transactions of any day are confirmed to investors on the next business day. Account Statements confirming these transactions are generally issued on the next business day. Similarly, redemption cheques / drafts are also normally couriered on the next business day.

Investors can contact through dedicated numbers, hotlines, toll free numbers at various locations for latest information about the Fund. A single point e-mail facility is also available for investors to communicate with the AMC / ISCs. It is the endeavor of the AMC to increase the network of ISCs to other locations. Since the maiden Initial Public Offer in July / August 2000, the AMC has added Nashik and Bhubaneswar as new ISCs. In addition to the existing network of ISCs, the AMC has plans to add ISCs at Kanpur, Aurangabad, Surat, Rajkot, Jamshedpur, Thiruvananthapuram, Panjim, Tiruchirapalli, Madurai, Ludhiana and Jalandhar in the new financial year.

Technologically, it is proposed to provide added value based services like the PIN facility, wherein investors will be able to carry out non-financial transactions to begin with, on our website. The website currently provides a host of information



to the investor, besides the monthly fact sheets and quarterly newsletters that are regular communications from the Fund. The AMC proposes to add information kiosks at ISCs and also specially trained personnel to guide investors.

In addition, during the period under review, the AMC has reduced the exit load for investments made in HDFC Income Fund on or after January 18, 2001. The revised exit load is applicable if Units are redeemed on or before 3 months from the date of allotment. The AMC has also reduced the minimum application amount to Rs. 10,000 and in multiples of Rs. 1,000 thereafter under the Growth Plan of HDFC Liquid Fund.

#### **UNCLAIMED DIVIDENDS**

Dividends declared in the HDFC Liquid Fund - Dividend Reinvestment Plan are compulsorily reinvested in the Units of the Plan and there is no payout to the Unit holders. Hence, there are no cases of unclaimed dividend amount.

The maiden Dividend under the Dividend Plan of HDFC Income Fund was declared on March 19, 2001. The dividend warrants were despatched during the last week of March 2001. Out of the 16879 dividend warrants despatched, till date 32 dividend warrants aggregating to Rs. 43616.26 have been returned undelivered.

#### **STATUTORY DETAILS**

HDFC Mutual Fund has been set up as a trust by Housing Development Finance Corporation Limited (liability restricted to the initial corpus of Rs.1 lakh) with HDFC Trustee Company Limited as the trustee (Trustee under the Indian Trusts Act, 1882) and with HDFC Asset Management Company Limited as the Investment Manager.

The price and redemption value of the Units and income from them, can go up as well as down with fluctuations in the market value of the underlying investments.

The per Unit NAV of the respective Schemes on the date of Allotment / Inception is taken as Rs. 10 for computation of returns in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

On written request, present and prospective Unit holder / investors can obtain a copy of the Trust Deed, the Annual Report and the text of the relevant Scheme. Unit holders, if they so desire, may request for the annual report of the AMC.

#### **LIABILITY AND RESPONSIBILITY OF TRUSTEE AND SPONSOR**

The main responsibility of the Trustee is to safeguard the interest of the Unit holders and *inter alia* ensure that the AMC functions in the interest of investors and in accordance respectively with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, the provisions of the Trust Deed and the Offer Documents of the respective Schemes. From the information provided to the Trustee and the reviews the Trustee has undertaken, the Trustee believes the AMC has operated in the interests of the Unit holders.

The Sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the Schemes beyond the initial contribution of Rs. 1 lakh made by it towards setting up of the HDFC Mutual Fund.

#### **ACKNOWLEDGEMENTS**

The Trustee thanks the investors, Investor Service Centres, distributors, key partners, service providers, the AMC and its employees for their commitment and looks forward to their continued support.

For and on behalf of the Board of Directors  
of **HDFC Trustee Company Limited,**

**Kalyan Banerji**  
Chairman

April 17, 2001  
Mumbai



## Auditors' Report

To the Board of Directors of HDFC Trustee Company Limited

We have audited the attached Balance Sheet of **HDFC GROWTH FUND** as at March 31, 2001 and the Revenue Account of the Fund for the period July 20, 2000 to March 31, 2001 and report thereon as follows :

- a) Our audit was conducted in accordance with the generally accepted auditing standards and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.
- b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- c) The Balance Sheet and the Revenue Account dealt with by this report are in agreement with the books of account of the Fund.
- d) The Balance Sheet and the Revenue Account dealt with by this report have been prepared in accordance with accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- e) Non-traded securities have been valued in accordance with the guidelines notified by the Securities and Exchange Board of India. In our opinion, these valuations are fair and reasonable.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and give a true and fair view :
  - (i) in the case of the Balance Sheet, of the state of affairs of the Fund as at March 31, 2001 and
  - (ii) in the case of the Revenue Account, of the excess of expenditure over income for the period from July 20, 2000 to March 31, 2001.

For **S.B. Billimoria & Co.**  
Chartered Accountants

Mumbai, April 17, 2001

**P. R. Ramesh**  
Partner