

# INVEST IN HDFC RGESS - SERIES 2

A 3 year Close Ended Equity Scheme investing in Eligible Securities as per Rajiv Gandhi Equity Savings Scheme, as amended from time to time ("RGESS").

- An Investment opportunity in diversified portfolio of eligible equity shares included in S&P BSE-100, CNX-100 and select PSU stocks under RGESS
- Additional Tax Benefit for New Retail Investors u/s 80CCG of the Income-tax Act, 1961
- Maturity of 3 years from the date of allotment of units

NFO period - January 30, 2014 to February 24, 2014

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**HDFC**

**RAJIV GANDHI EQUITY  
SAVINGS SCHEME-SERIES 2  
(HRGESS-2)**

**HDFC  
MUTUAL FUND**




[www.hdfcfund.com](http://www.hdfcfund.com)

This product is suitable for investors who are seeking\*

- to generate long term capital appreciation
- investments in portfolio of equity securities which are 'Eligible Securities' as specified in Rajiv Gandhi Equity Savings Scheme
- high risk  (**BROWN**)

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

**Note: Risk is represented as:**

 (**BLUE**) investors understand that their principal will be at low risk  (**YELLOW**) investors understand that their principal will be at medium risk  (**BROWN**) investors understand that their principal will be at high risk

#### Type of Scheme:

HDFC Rajiv Gandhi Equity Savings Scheme - Series 2 is a 3 year close ended Equity Scheme investing in Eligible Securities as per Rajiv Gandhi Equity Savings Scheme, as amended from time to time ("RGESS") and it will redeem on maturity. The Units of the Scheme will be listed on the Capital Market Segment of the National Stock Exchange of India Limited (NSE)/BSE Limited (BSE).

#### Investment objective:

The investment objective of the Scheme is to generate long term capital appreciation from a portfolio of Eligible Securities as specified in Rajiv Gandhi Equity Savings Scheme. There is no assurance that the investment objective of the Scheme will be realised.

#### Eligible Securities:

The Scheme shall invest in a portfolio of diversified equities from the following universe of Eligible Securities as specified under RGESS

- a. Equity shares, on the day of purchase, falling in the list of equity declared as "BSE-100" or "CNX-100" by the Bombay Stock Exchange or the National Stock Exchange, as the case may be;
- b. Equity shares of public sector enterprises which are categorised as Maharatna, Navratna or Miniratna by the Central Government;
- c. Follow on Public Offer of a and b above;
- d. Initial Public Offer of a public sector undertaking wherein the Government shareholding is at least fifty-one per cent which is scheduled for getting listed in the relevant previous year and whose annual turnover is not less than four thousand crore rupees during each of the preceding three years.

## Asset Allocation

The table below provides the broad asset allocation of the Portfolio of the Scheme to be followed under normal circumstances:

Type of Instruments	Minimum Allocation (% of Net Assets)	Maximum Allocation (% of Net Assets)	Risk Profile of the instrument
Equity securities specified as Eligible Securities for RGESS	95	100	Medium to High
Money Market Instruments** and Liquid Schemes	0	5	Low to Medium

\*\* The Scheme shall invest in Money Market Instruments as defined under SEBI (Mutual Funds) Regulations, 1996, with residual maturity of less than or equal to 91 days.

## Investment Strategy:

The investment strategy of the Scheme is to build and maintain a diversified portfolio of "Eligible Securities as specified under RGESS" that have the potential to appreciate in the long run. Companies identified for selection in the portfolio would have demonstrated a potential ability to grow at a reasonable rate for the long term. The aim will be to build a portfolio that adequately reflects a cross-section of the growth areas of the economy from time to time. While the portfolio focuses primarily on a buy and hold strategy at most times, it will balance the same with a rational approach to selling when the anticipated price appreciation being achieved or being no longer possible due to a change in fundamental factors affecting the company or the market in which it competes, or due to the availability of an alternative that, in the view of the Fund Manager, offers superior returns.

## Tax Benefit under Section 80CCG of the Income-tax Act, 1961:

The Scheme is an Eligible Security in accordance with RGESS. As per Section 80CCG of the Income-tax Act, 1961, a resident individual who acquires listed equity shares or listed units of equity oriented mutual fund in accordance with the RGESS, is entitled to a deduction of 50% of the amount invested from his total income to the extent the deduction does not exceed ₹ 25,000/- subject to compliance with the other conditions laid down under RGESS. The deduction under Section 80CCG of the Income-tax Act, 1961 is additional besides the deduction available under Section 80C of the Income-tax Act, 1961. A New Retail Investor shall be eligible for the tax benefit under RGESS only for three consecutive financial years beginning with the Initial Year (as defined in RGESS), in respect of the investment made in each financial year.

## Who is a "New retail investor"?

"New Retail Investor" means the following resident individual-

- (a) who has not opened a demat account and has not made any transactions in the derivative segment before the date of opening of a demat account or the first day of the Initial Year, whichever is later:

Provided that an individual who is not the first account holder of an existing joint demat account shall be deemed to have not opened a demat account for the purposes of RGESS; or

- (b) who has opened a demat account but has not made any transactions in the equity segment or the derivative segment before the date he designates his existing demat account for the purpose of availing the benefit under RGESS or the first day of the Initial Year, whichever is later

Investors should be aware that the fiscal rules/tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of the individual nature of tax implications, investors are advised to consult a tax professional/consultant for tax treatment on your activities.

## Initial year means:

- (a) the financial year in which the investor designates his demat account as RGESS account and makes investment in the Eligible Securities for availing deduction under RGESS; or
- (b) the financial year in which the investor makes investment in Eligible Securities for availing deduction under RGESS for the first time, if the investor does not make any investment in Eligible Securities in the financial year in which the account is so designated

## To invest in HRGESS - 2, is it compulsory to have a demat account?

Demat account is not compulsory for investing in this HDFC RGESS-2. However, demat account is compulsory if an investor wishes to avail tax benefits under Section 80CCG of the Income-tax Act, 1961. To avail tax deduction, investor also needs to comply with the relevant requirements of the RGESS Notification(s).

## Scheme Features

Minimum Application Amount	₹ 5,000 and in multiple of ₹ 10 thereafter.
Plan/ Option	<b>The Scheme offers two plans:</b> <ul style="list-style-type: none"><li>• HDFC Rajiv Gandhi Equity Savings Scheme</li><li>• HDFC Rajiv Gandhi Equity Savings Scheme-Direct Plan (Portfolio will be common for the above Plans).</li></ul> <b>Options</b> <ul style="list-style-type: none"><li>• Growth • Dividend (with Payout facility)</li></ul>
Term/Duration of the Scheme	3 years from the date of allotment of units.
Benchmark	S&P BSE - 100 Index

For complete details, investors are requested to read the Scheme Information Document, section 80CCG of the Income-tax Act, 1961 and the notification(s) on Rajiv Gandhi Equity Savings Scheme issued by Ministry of Finance, from time to time. The same is also made available on our website, [www.hdfcfund.com](http://www.hdfcfund.com).

## Equity Market Outlook

The S&P BSE SENSEX currently trades at a PE of 14-15x one-year forward earnings. As the fiscal and trade deficit come under control and bottlenecks for various projects are cleared, in our opinion, the economic recovery should gather pace. Moderation in food prices, slowing demand and a stable Rupee should help bring down headline inflation creating room for interest rate reduction. A pickup in economic activity and potential reduction in rates leaves room for an expansion in multiples apart from an improvement in earnings growth prospects.

## HDFC RGESS-Series 2 -An investment opportunity

- Investment in India's established companies forming part of S&P BSE 100 or CNX 100 & shares of PSU Navratnas, Maharatnas and Miniratnas as categorised by the Central Government
- Reasonable valuations providing an opportunity to buy stocks at decent valuations

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

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