


HDFC Focused Equity Fund - Plan B

A close ended equity scheme investing in eligible securities as per Rajiv Gandhi Equity Savings Scheme

NFO Opens on 26th March 2015

NFO Closes on 24th April 2015

This product is suitable for investors who are seeking*:

- To generate capital appreciation over 1100 days i.e. tenure of the fund.
- 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

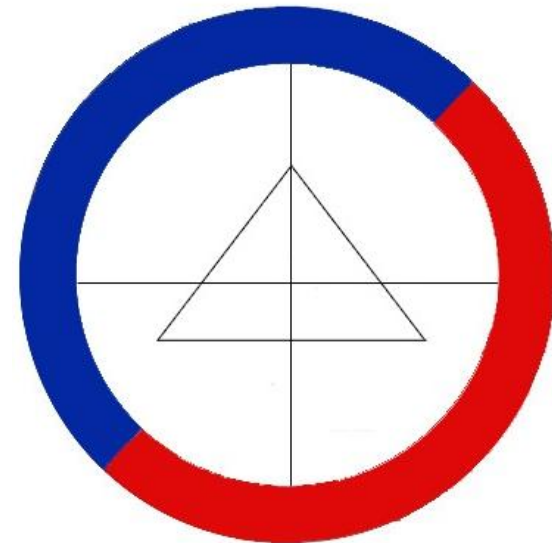


(BROWN) investors understand that their principal will be at high risk

March 2015

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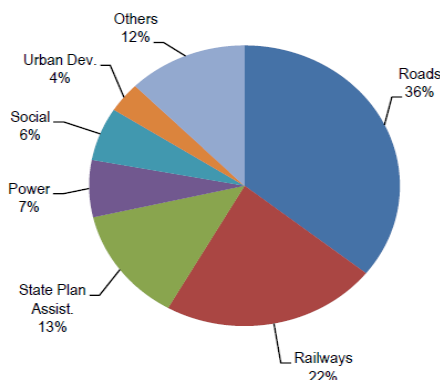
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The Budget 2015: Impact

- More autonomy to states. – Increase in transfer to states by 1% of GDP
- Spending shift from Subsidies to Infrastructure and CapEx.

Almost 60% of incr. plan spend going to Roads, Railways



Split of the INR 1.5trn (~US\$25bn) incr. increase in plan spend

Projected financial statements for FY 15

Rs crores	2012-13	2013-14	2014-15 RE	2015-16 BE	FY16 BE / FY15 RE (%)
Total Receipt	9,20,183	10,56,589	11,68,531	12,21,828	4.60
Tax Revenue (net to Centre)	7,41,878	8,15,854	9,08,463	9,19,842	1.30
Non Tax Revenue	1,37,355	1,98,870	2,17,832	2,21,733	1.80
Non Debt capital receipts	40,950	41,865	42,236	80,253	90.00
Total Expenditure	14,10,372	15,59,447	16,81,158	17,77,477	5.70
Revenue Expenditure	12,43,513	13,71,772	14,88,780	15,36,047	3.20
Capital Expenditure	1,66,858	1,87,675	1,92,378	2,41,430	25.50
Fiscal Deficit	4,90,189	5,02,858	5,12,627	5,55,649	
Tax/GDP (%)	11.70	10.10	9.90	10.30	
Subsidy/GDP (%)	2.90	2.30	2.10	1.70	

Even though the budgeted fiscal deficit (FD) for FY 16 is pegged at 3.9% V/s expectations of 3.6% the quality of FD has improved remarkably with a sharp increase of 25% in Capital expenditure (CapEx). Additionally the Tax to GDP ratio is likely to improve from 9.9% to 10.3%.

The Budget 2015: Focus Areas

- Developing a social safety net and insurance for all
- Fiscal Consolidation and reasonable assumptions on fiscal health projections
- Improving share of Manufacturing in GDP.
- Rebooting the CapEx cycle by kick-starting transparent auctions for infrastructure projects.
- Focus on 'Ease of Doing Business'.
- More powers to states for development of social sector
- Measures to curb black money.
- Reduction in corporate taxes from 30% to 25% while removing exemptions in a phased manner.
- Direct Benefit Transfer (DBT) as a primary mode of subsidy transfer
- Modification of the RBI mandate to follow inflation targeting.

The Budget 2015: Summary

- The government has delivered a very pragmatic budget with realistic financial assumptions.
- The budget sets the economy on a higher and sustainable growth path, desists from populism, and aims to improve business conditions, improve government's functioning and improve delivery of services to citizens while maintaining fiscal discipline.
- While the fiscal deficit number is a shade higher than market expectations, the quality of the deficit is very good.
- The budget reinforces our view of improving economic conditions in India.

A Story Called India

- India one of the best placed economies amongst large economies of the world.
- Lower commodity prices, lower inflation and fiscal deficit amongst others have led to investors taking a positive view on India.
- With a focus on rejuvenating growth, the government has undertaken a series of policy measures.
- The 'Make in India' initiative has targeted manufacturing led growth.

Improving Macros

	2013-14	2014-15E	2015-16E
GDP Growth (%)	6.9	7.4*	7.9
CPI Inflation	9.5	6.5	5.8
Fiscal Deficit (% Of GDP)	4.5	4.1**	3.9
Exchange Rate(US\$)^	60.40	62.00	63.00
CAD^	1.7%	1.2%	0.2%

*CSO Advance Estimate, ** Budget Estimate, ^Citi Estimate
E - Estimates

Favourable Metrics

■ Best demographics

Demographic - 2015	US	Europe	Japan	China	India	Brazil
(%) Population (Age 10-40)	40.1	37.3	31.8	42.8	51.5	49.6

■ Very low penetration of consumer durables.

2013	US	Europe	Japan	China	India	Brazil
Car Penetration per 1000	397	488	471	78	21	213

■ Major beneficiary of oil fall

Dec 2014	US	Europe	Japan	China	India	Brazil
Oil Imports (% Of GDP)	1.5	2.2	4.2	2.2	5.0	1.6

■ Deflation not a concern

Jan 2015	US	Europe	Japan	China	India	Brazil
CPI	-0.09	-0.62	2.38	1.60	6.50	7.13

■ One of the few with peak rates

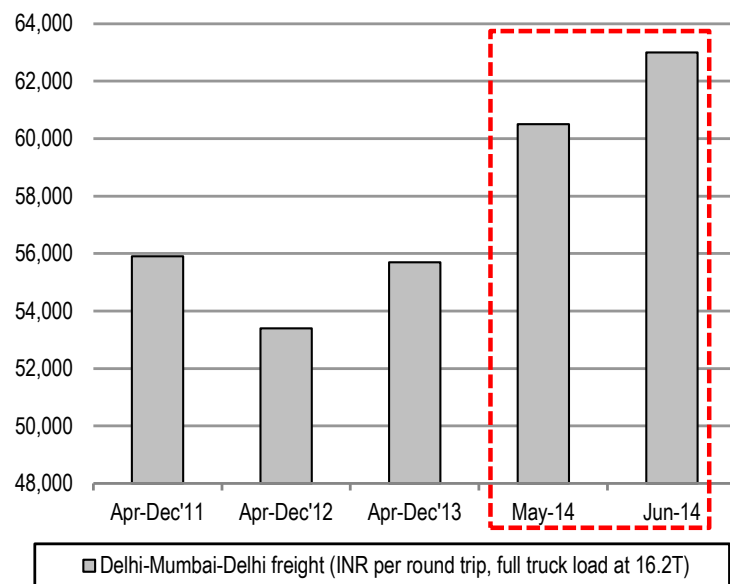
Jan 2015	US	Europe	Japan	China	India	Brazil
Interest Rates	1.80	0.40	0.30	3.50	7.70	11.90

Source: Kotak, Bloomberg, JP Morgan, UN Comtrade, World Economic Outlook, PPAC, Interest rate is 10 Year GSec as on 27th Feb, 2015

Economic Outlook : Positive Indicators

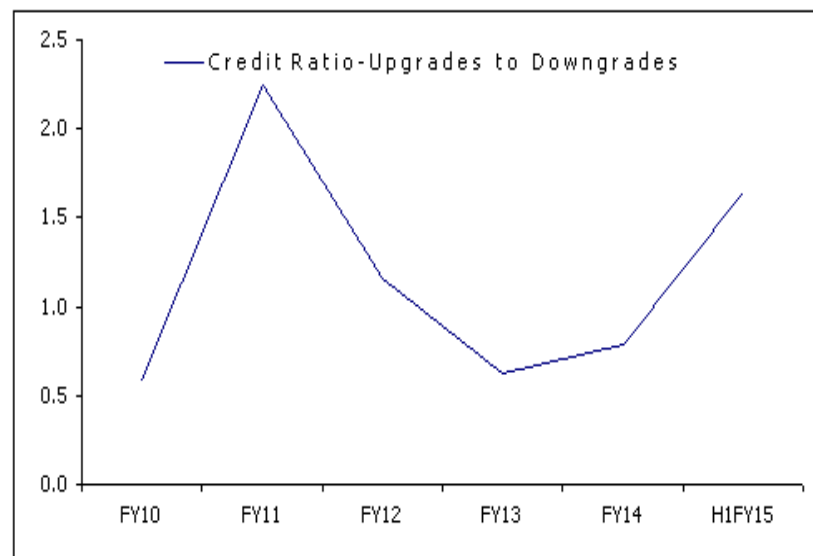
Better Macro – Economic environment has affected segments of the economy positively.

Commercial Vehicle freight rates shows signs of a pick-up



Source: IFTRT

Credit Quality Improving gradually



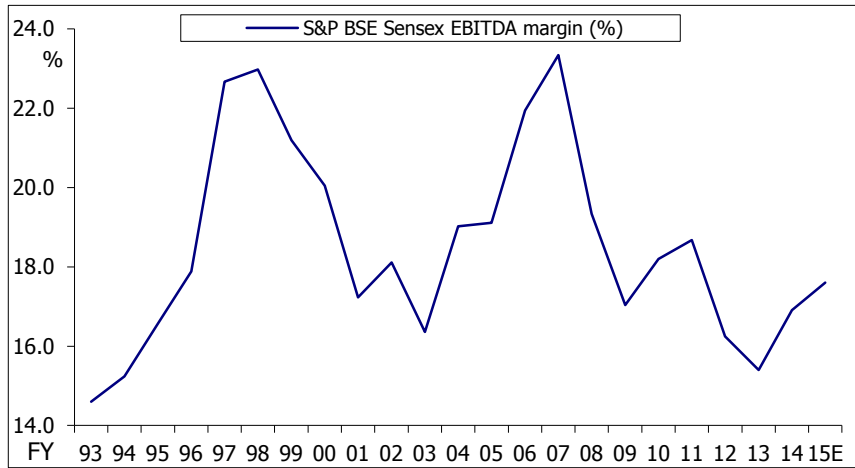
Source: CRISIL

HSBC India Services PMI for February 2015 at 53.9 is very encouraging

Source : HSBC

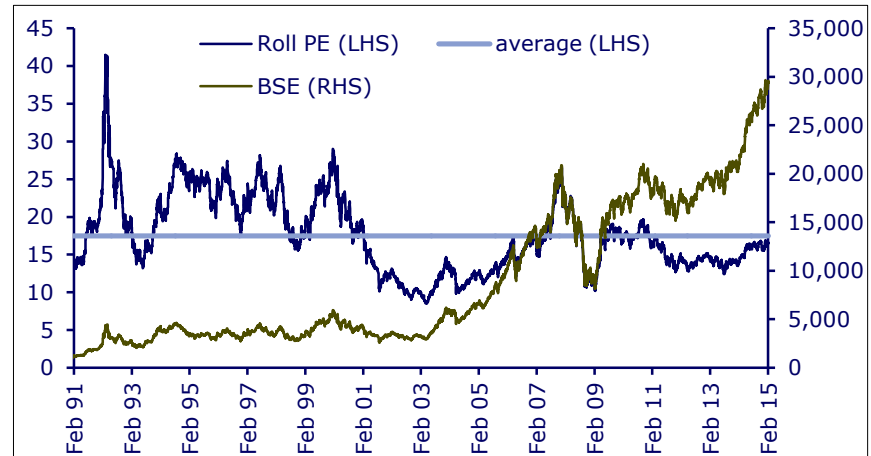
Equity Market Outlook

EBITDA margins at cyclical lows



Source : BOFA – ML

Reasonable P/Es despite markets run up



Source : CLSA

Reasonable P/Es & low EBITDA margins lead to a positive outlook for equities.

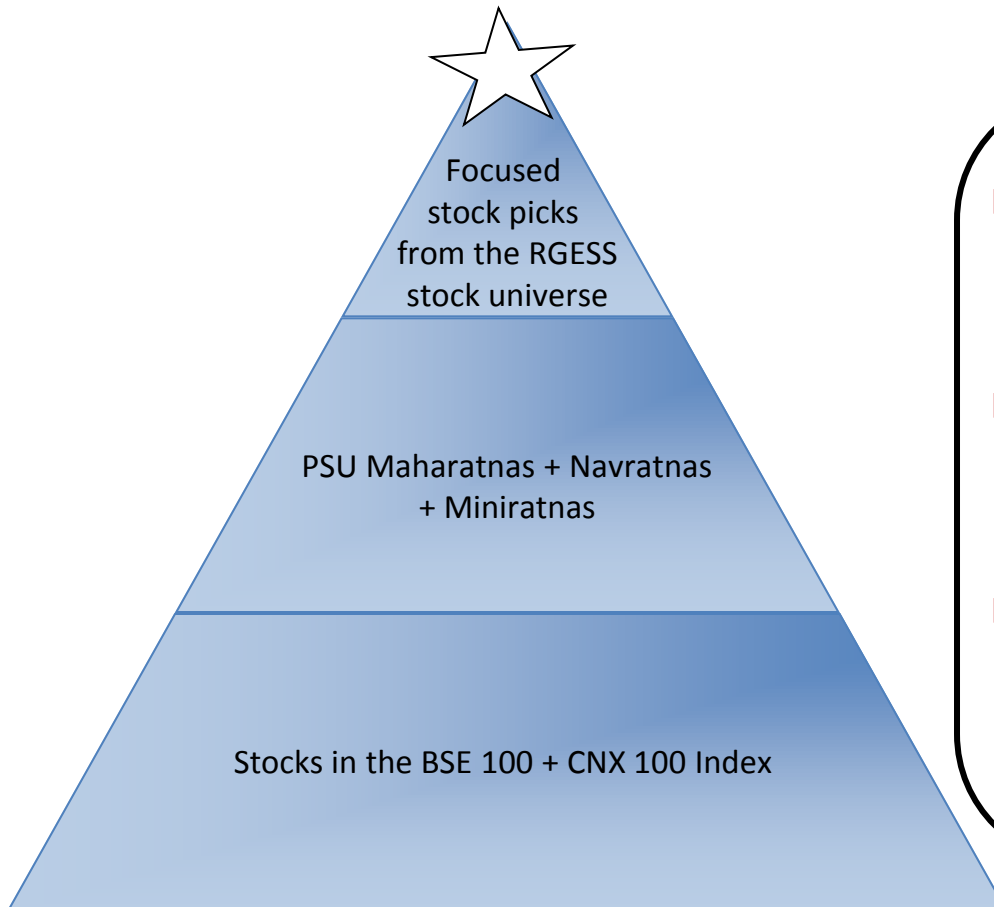
Reference made to S&P BSE SENSEX in this presentation is only for easy understanding of market movement and must not be construed as future performance of S&P BSE SENSEX. The Benchmark for this fund is S&P BSE 100.

Equity Market Outlook

- Improving growth prospects and margin outlooks for companies are having a positive impact on Indian markets.
- Softening interest rates are expected to aid debt heavy and capital intensive industries.
- Current P/E multiples of equity markets remain reasonable despite the market run-up.
- FII's remain net buyers in equity markets. The first 2 months of calendar year 2015 have seen FII's invest approximately Rs. 16,582 Cr or \$2.71 Billion in the markets.
- Merit in increasing allocation to equities (for those with a medium to long term view) in a phased manner and stay invested.

Presenting HDFC Focused Equity Fund – Plan B

Investment Universe



- Equity Shares* falling in the list of equity declared as "BSE-100" or "CNX-100" by the BSE or the NSE.
- Public Sector Enterprises categorized as Maharatna, Navratna or Miniratna by the Central Government.
- Upcoming IPOs of Public sector undertakings (PSUs) having a minimum of 51% government holding and minimum annual turnover of Rs 4000Cr in each of the last 3 Yrs.

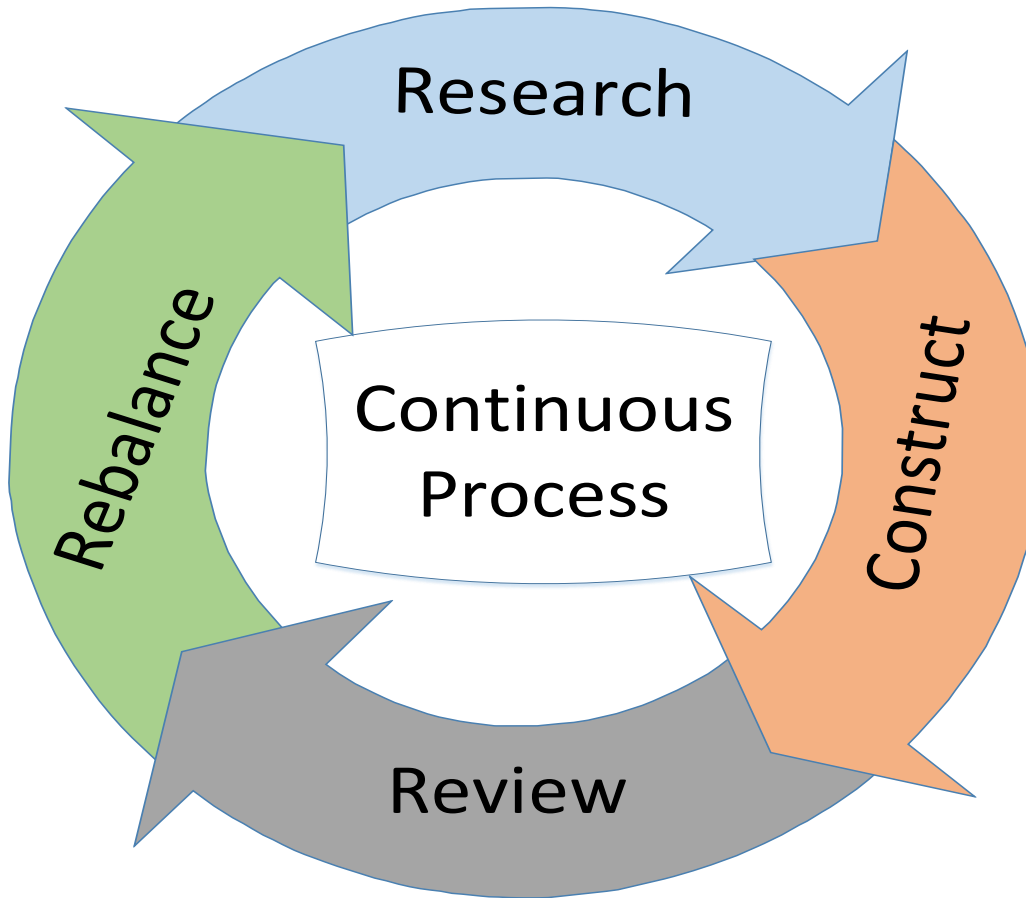
* As Per Rajiv Gandhi Equity Savings Scheme guidelines amended from time to time.

Investment Strategy

- Build and Maintain a diversified portfolio of eligible securities.
- Stocks with potential to appreciate in the long run.
- Companies with a potential ability to grow at a reasonable rate for the long term.
- Portfolio would reflect a cross-section of the growth areas of the economy.
- Portfolio primarily constructed on 'Buy & Hold' strategy while following a rational approach to selling.



Investment Process



- Researchers analyse & develop a pool of investable stocks from amongst eligible securities.
- Portfolio built from pool adhering to investment philosophy & processes.
- Portfolio based on market conditions & business outlook.
- Regular evaluation & rebalancing where required to maximize returns

Why HDFC Focused Equity Fund

- 1100 days diversified equity fund
- Equity allocation to well established companies forming part of the BSE 100 & select 'Maharatana' & 'Navaratna' government companies.
- Controlled universe of stocks – Mitigate risks arising out of stock selection
- Universe **covers 75%* of all listed** companies in India by market cap making it well positioned to benefit from the improving economic environment.
- Tax Benefits – Build wealth & get tax savings under Sec 80CCG** of the Income tax Act 1961, for eligible investors in **Financial Year 2015-16**
- Proposed to be listed on BSE & NSE to provide liquidity to investors.

* Source : BSE as on 28th Feb 2015

** Refer Tax Benefits slide

Why HDFC Mutual Fund?

- Experienced fund management and research team with experience of managing assets across market cycles.
- Strong emphasis on managing and controlling portfolio risk; avoids chasing the latest “fads and trends”.
- Consistent fund performance across categories.^{\$}
- Product offerings across asset and risk categories enabling investors to invest in line with their investment objectives and risk taking capacity.
- The largest mutual fund in the country with average assets under management of over Rs. 1,60,000 crores for the quarter ended February 2015[#].

^{\$} Past performance may or may not be sustained in future

[#] Source: AMFI Website

Product Features

Name of The Scheme	HDFC Focused Equity Fund – Plan B
Type of Scheme	A Close-ended Equity Scheme investing in Eligible Securities as per Rajiv Gandhi Equity Savings Scheme (“RGESS”), as amended from time to time.
Investment Objective	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 realized.
Fund Manager	Mr. Srinivas Rao Ravuri
Investment Options	<ul style="list-style-type: none"> ■ HDFC Focused Equity Fund – Plan B – Direct Option** ■ HDFC Focused Equity Fund – Plan B – Regular Option
Investment Sub-Option	Under Each Option: Growth & Dividend payout sub-options.
Minimum Application Amount (Under Each Plan /Option)	Purchase: Rs. 5,000 and in multiples of Rs 10/- thereafter
Tax Benefits	Investments made by 'New Retail Investor' in this Scheme will qualify for a 50% deduction of the actual amount invested under Section 80CCG of the Income Tax Act, 1961. The maximum investment permissible for claiming deduction in a financial year is Rs.50,000/-. Investors can avail tax benefits in financial year 2015-16. For further details, please refer to slide on Tax benefits.
Loads	Entry / Exit 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.
Liquidity	Being a close ended scheme, the Units of the Scheme will be listed on stock exchanges (NSE / BSE) to provide liquidity to the investors. The Units cannot be redeemed by the investors directly with the Fund until Maturity.
Term/Duration of the Scheme/Plan	1100 days from the date of allotment of Units.
Benchmark	S&P BSE 100 Index

**** Direct Option:** Direct Option is for investors who purchase/subscribe Units in a Scheme directly with the Fund and is not available for investors who route their investments through a Distributor. Direct Option shall have a lower expense ratio excluding distribution expenses, commission, etc and no commission for distribution of Units will be paid / charged under the Direct Option. For further details, please refer to the Scheme Information Document.

- Units of the Scheme are Eligible securities in accordance with Rajiv Gandhi Equity Savings Scheme (RGESS) notified by the Central Government. 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 Rs.25,000/-, in addition to deduction available under Section 80C of the IT Act.
 - 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.
- The deduction shall be subject to following conditions:
- The gross total income of the investor for the relevant year does not exceed Rs.12 lakhs.
 - The investor is a 'New Retail Investor*' as specified in RGESS;
 - The investment is made in such listed equity shares or listed units of equity oriented mutual fund as specified in RGESS;
 - The investment is locked-in* for a 3 year period as provided in RGESS; and
 - If an investor, in a subsequent year fails to comply with any of the prescribed conditions, the taxability would be as provided under RGESS. DP would monitor these conditions.

* Refer next slide

For more details on RGESS refer the notification on RGESS issued by Ministry of Finance available on our website.

Since the allotment is scheduled for May 2015, investors in this scheme will be entitled for tax benefits in financial year 2015-16.

Tax Benefits – Definitions

"Initial Year":

- The financial year in which the investor designates his demat account as an RGESS demat Account and makes investment in the Eligible Securities for availing deduction under the Scheme; or
- 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

Lock – in:

- Units held under the Scheme by the Unit holders and as declared/ designated for availing tax benefits shall be subject to lock-in-periods viz. fixed lock-in and flexible lock-in as specified under the notified RGESS. The fixed lock-in-period shall commence from the date of purchase of such Units in the relevant financial year

and end on the 31st day of March of the year immediately following the relevant financial year.

- The flexible lock-in period will be of two years beginning immediately after the end of the fixed lock-in period.
- The Depositories will be required to ensure the enforcement of the lock-in on Units under the Scheme.
- Tax Deduction, however is available only to “New Retail Investor”
- New Retail Investor means a resident individual,-
 - 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. However 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
 - 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.

Asset Allocation Pattern

Under normal circumstances, the asset allocation of the scheme's portfolio will be as follows:

Types of Instruments	Minimum (% of Net Assets)	Maximum	Risk Profile
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.**

The Scheme will not invest in ADR/ GDR/ foreign securities/ derivatives/ securitized debt nor undertake short selling or securities lending.

Glossary

- CPI – Consumer Price Index
- CAD – Current Account Deficit
- GDP – Gross Domestic Product
- Credit Ratio – The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her net income or gross monthly income
- CV freight rates – Commercial Vehicles freight rates for a round trip quoted in INR
- HSBC India Services PMI – The HSBC India Services Purchasing Manager's Index™ is based on original survey data collected from a panel of over 800 companies based in the Indian service sectors. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Disclaimer

For further details of the scheme, refer SID, FAQ`s, RGESS notifications & Sec. 80CCG of the Income Tax Act.

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Thank You