MUTUAL FUNDS *Sahi Hai*

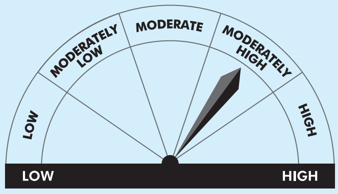
IT'S NICE TO HAVE OPTIONS.

NFO PERIOD
JUNE 27, 2017 to JULY 11, 2017

Presenting HDFC Equity Opportunities Fund (Series II)
An Equity Investment with Portfolio Hedge# using Put Option.

Toll-free no.: 1800 3010 6767/1800 419 7676

#Refer to investment strategy overleaf

This product is suitable for investors who are seeking*:	Riskometer
• capital appreciation over 1100 days (tenure of the Plan) • investment predominantly in equity and equity-related instruments across market capitalization	

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

HDFC EQUITY OPPORTUNITIES FUND SERIES II
HDFC EOF - II - 1100D June 2017 (1)
(A Close-ended Equity Scheme)

HDFC MUTUAL FUND
@hdfcmf

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

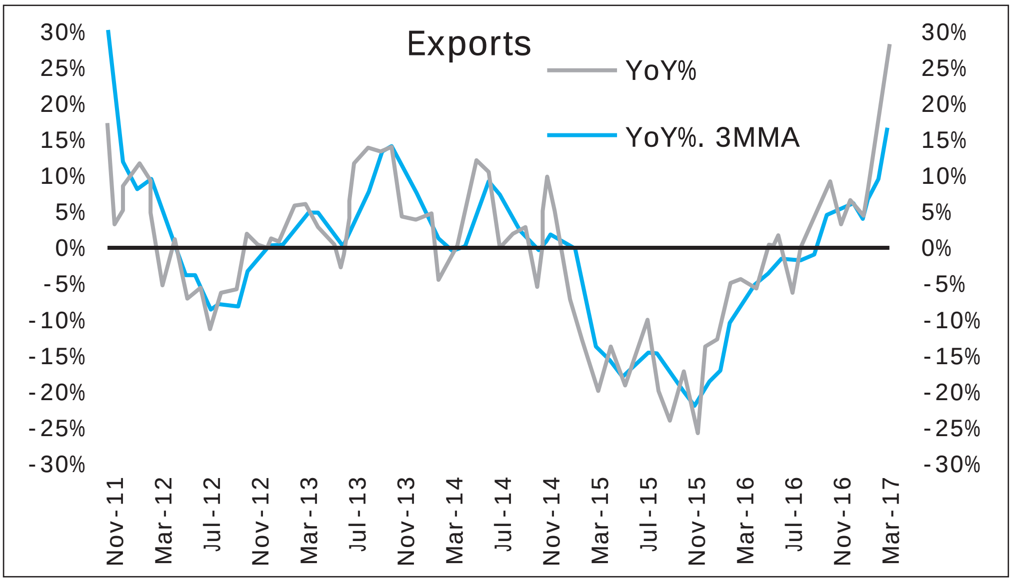
Distributed by:

An Equity Investment with Portfolio Hedge#

Indian Economy: Improving outlook

	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
GDP	5.5%	6.5%	7.2%	8.2%	7.1%	8.2%	8.0%
Fiscal Deficit	4.9%	4.5%	4.1%	3.9%	3.5%	3.2%	3.2%
Current Account Deficit	4.7%	1.7%	1.3%	1.1%	0.8%	1.2%	1.6%
Net FDI	1.1%	1.2%	1.5%	1.7%	2.0%	2.0%	2.0%
Inflation (CPI)	10.2%	9.5%	6.0%	4.9%	4.5%	4.2%	4.5%
10 yr G-Sec	8.0%	8.8%	7.7%	7.5%	6.7%	-	-
Repo Rate	7.8%	8.0%	7.5%	6.8%	6.3%	-	-

Source: CEIC, CSO, RBI, Morgan Stanley Research. E = Estimate



Source - CEIC, Morgan Stanley Research. MMA - Monthly Moving Average

- Impact of higher infra spend to be felt in FY18 and beyond roads, railways, power T&D etc to lead
- Exports growth at six and half year high. March exports growth was at 27.6% yoy (FY17 5% and FY16 (-)15.5%)
- Due to INR appreciation, good monsoon and stable commodity prices, CPI is expected to remain moderate
- Limited and temporary impact of demonetization

#Investment Strategy

A focused portfolio

Combined with a strategy to **limit downside** by purchasing 'at-the-money' (ATM) ~3 year long dated NIFTY 50 **Put Options** with a strike around current levels

Investment Theme

Corporate Banks	• Bottoming NPA cycle • Process of NPA resolution • Passage of bankruptcy code, sale of corporate assets
Recovery in Capex cycle	• Govt. focus on Roads, Railways, Defence, Renewable energy and Affordable Housing • Power transmission and distribution • Cyclical recovery in Metals
Unorganized to Organized	• Implementation of GST and growth in digitisation • Streamlining of Corporate tax and compliance cost for unorganized sector

For complete details of Investment Strategy refer SID/KIM

Disclaimer: HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in the Scheme and/or should not be construed as an advice for investing in the above sectors

How does the Put Option work?

A put option is an option contract giving the buyer the right, but not the obligation, to sell a specified amount of an underlying security at a specified price (termed as Strike Price) on a specified date. A put option comes with a cost called "premium" which needs to be paid upfront. A put option increases in value as the price of the underlying security or index reduces as compared to the strike price. On the other hand, it loses in value as the security or index rises in value as compared to the strike price. The maximum loss that a buyer of a put option can incur is the option premium paid. A put option can be used as a hedging tool to limit downside while holding the underlying security in the cash market.

Put Option illustration

HDFC Equity Opportunities Fund Series II - 1100D June 2017 (1) will look to limit downside by purchasing NIFTY 50 put options with around 3 year term at a strike price around current market levels. An illustration of this strategy would be to buy NIFTY 50 put option with a strike price of 9,600 expiring in June 2020 at a premium amounting to around 5.5 to 6% of the total portfolio.

Illustration based on the following assumptions:
Invested Amount = Rs.100, Cost of Put = 6%, Allocation to Stocks Portfolio = Rs.94, NIFTY 50 Level = 9600

NIFTY 50 Level at Maturity	NIFTY 50 Returns	Fund Return (with 0% Outperformance)	Fund Return (with 10% Outperformance)	Fund Return (with 20% Outperformance)
6,500	-32.29%	-5.66%	3.77%	13.21%
7,500	-21.88%	-5.66%	3.77%	13.21%
8,500	-11.46%	-5.66%	3.77%	13.21%
9,500	-1.04%	-5.66%	3.77%	13.21%
10,500	9.38%	3.18%	12.62%	22.05%
11,500	19.79%	13.01%	22.44%	31.88%
12,500	30.21%	22.84%	32.27%	41.71%
13,500	40.63%	32.67%	42.10%	51.53%
14,500	51.04%	42.49%	51.93%	61.36%
15,500	61.46%	52.32%	61.75%	71.19%
16,500	71.88%	62.15%	71.58%	81.01%

Downside protection as put payoff offsets loss in the portfolio

Uncapped Upside. Cost of hedging downside limited to the cost of put option

The above illustrates the payoff in multiple scenarios of index levels at maturity. For e.g., if the index falls to 7500 after 3 years (i.e. a 21.88% fall), the scheme falls only by 5.66% assuming 0% outperformance. However, given an outperformance of 10% over the 3 year period, the scheme returns 3.77% (see row corresponding to NIFTY 50 level at 7500). The scheme thereby provides downside protection.

However, in scenarios with higher index levels, the scheme delivers commensurate returns with no upside cap. Turn over leaf for risk factors.

The above simulation does not in any manner offer any assured returns and is subject to market risks. The above simulation does not take expenses into account and the returns shown are assumed figures and not to be construed as actual returns and/or guaranteed returns. HDFC Mutual Fund / AMC is not guaranteeing returns on investments made in the Scheme. The information provided here is used to explain the concept and is given for illustrative purposes only. The same is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party. Past performance may or may not be sustained in future. In view of the individual circumstances and risk profile, each investor is advised to consult his/her professional advisor before making a decision to invest in the scheme.

Outperformance in this illustration refers to excess returns over the NIFTY 50 index.

Fund Suitability

This fund is suitable for investors looking to:

- Participate in the Indian Equity market over the next 3 years
- Limit downside in returns over the period due to fall in the market
- Achieve overall capital appreciation by reducing downside risk

Risk factors

- The strategy may or may not provide returns in excess of the benchmark. Downside protection is based on the movement of the index, not the scheme's stock portfolio. In the event of underperformance to the benchmark, the scheme can erode further capital to the extent of the underperformance.
- The risk/downside, if the index remains above the strike is only limited to the option premium paid. There is positive return from the put allocation only if the index falls below the strike price.
- The put option strategy will have as much loss/gain as the reverse of the underlying index. For e.g., if the index depreciates by 10%, the underlying exposure from the put rises by 10%. However, this is only true for options held till maturity.
- While options markets are typically less liquid than the underlying cash market, there can be no assurance that ready liquidity would exist at all points in time, for the Scheme to purchase or close out a specific contract.

Fund Facts

Scheme Name	HDFC EOF - II - 1100D June 2017 (1)
Type of Scheme	Closed-Ended Equity Scheme
Investment Manager	HDFC Asset Management Company Limited
Tenure	1100 days
Maturity Date	1100 days from date of allotment
NFO Period	27th June 2017 to 11th July 2017
Fund Manager	Mr. Srinivas Rao Ravuri
Investment Objective*	To achieve long term capital appreciation by investing predominantly in equity and equity-related instruments across market capitalization and sectors that will benefit from growth of the Indian economy.
Investment Strategy	The scheme is a diversified equity fund. The fund will look for opportunities across the Indian economy and within its various sectors. It will predominantly invest in 5 to 6 sectors. The scheme will invest across market capitalization and across sectors while emphasizing on absolute and relative value. The fund manager will also look at opportunities in the equity derivative segment and can invest up to 20% of the net assets of the scheme if a suitable opportunity is spotted. Furthermore the scheme when deemed appropriate may invest up to 20% in index options.
Exit Load	Not applicable. The Units under the Plan cannot be directly redeemed with the Fund until the Maturity date/Final Redemption date.
Benchmark Index	NIFTY 500

*There is no assurance that the investment objective of the Scheme will be realized.

Asset Allocation Pattern

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

Type of Instruments	Normal Allocation (% of Net Assets)	Risk Profile of the Instrument
Equity and equity-related instruments including derivatives	80-100	High
Debt and Money Market Instruments*	0-20	Low to Medium

*Investment in Securitised debt, if undertaken, would not exceed 20% of the net assets of the Scheme.

The maximum equity derivative position will be restricted to 50% of the equity component of the Plan under the Scheme. The entire equity derivative exposure of the Plan (either in futures/options) shall not be in a single script/stock only. The total exposure related to option premium paid shall not exceed 20% of the net assets of the Plan.

For complete details refer SID/KIM available on the website www.hdfcfund.com or with Distributor