HDFC MUTUAL FUND
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HDFC DUAL ADVANTAGE FUND - SERIES II

(A Closed-ended income scheme)

HDFC DAF – II – 1160D January 2016

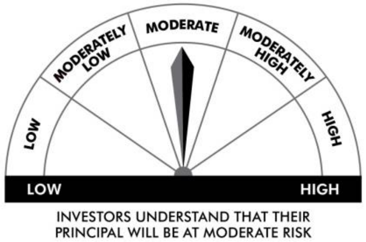
NFO Opens On : January 19, 2016
NFO Closes On : February 2, 2016

This product is suitable for investors who are seeking*:

- Regular income as well as capital appreciation over 1160 days (tenure) of the fund
- To generate returns by investing in debt and money market instruments and also in equity and equity related instruments to achieve capital appreciation.

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

Riskometer



January 2016

Table of Contents

How does Dual Advantage Work?

- Portfolio comprising a judicious mix of Debt securities & money market instruments and also equity and equity related instruments

- The debt portion of the scheme will aim to provide relatively stable return while the equity portion will aim to generate capital appreciation

- For e.g.: The scheme invests ~87% in debt and money market instruments. The 87% of the portfolio invested in debt securities is structured to grow over the tenure of the scheme to 100% (net of annual recurring expenses)

- The remaining corpus will be invested in equities and equity related instruments to generate capital appreciation.

Scenario Analysis

Illustration

Scenario analysis over 1160 Days					
	Scenario 1	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**
Scheme Corpus (Rs.)	**100**	**100**	**100**	**100**	**100**
Debt allocation (Rs.)	87	87	87	87	87
Debt Value on maturity (Rs) (A)	100	100	100	100	100
Direct Equity allocation	13	13	13	13	13
CAGR (%) on equity allocation	**-20**	**-10**	**0**	**10**	**20**
Equity Value at the time of Scheme maturity (Rs.) (B)	6.40	9.30	13.00	17.60	23.21
Fund Value (Rs.) (A+B)	**106.40**	**109.30**	**113.00**	**117.60**	**123.21**

As explained in the scenarios given above, over the tenure of the scheme the initial scheme investment has remained intact and the value of portfolio appreciated, despite positive or negative equity returns.

The portion of debt/equity portfolio does not offer any assured returns and is subject to market risks. The equity returns generated by the Scheme would depend on the portion of asset allocated to equity. There is no assurance of any capital protection or capital guarantee for investors in this scheme. HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in this scheme. There is no assurance that the investment objective of the scheme will be realised.

Dual Benefits

Equity Markets

- Higher Returns as against debt products
- Volatility in returns

Best of Both Worlds#

Potential of Equity, Stability of Debt

Debt Markets

- Relatively lower but steady returns
- Lower volatility - As compared to equity

A pure debt portfolio returns might not beat inflation. It is important to add a portion of equity to your debt portfolio to improve the performance over longer holding period.

Debt securities held for a period of more than 3 years are treated as long term capital gains and investors can avail indexation benefits on income from such assets. Refer slide 6 for taxation

HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in this scheme(s). The current investment strategy is subject to change depending on the market conditions.

Taxation

	Resident Individual/HUF	Domestic Companies @	NRI$/#
Dividend Distribution Tax Applicable To Schemes Other Than Equity Oriented Schemes (Payable By The Scheme)*			
	25% + 12% Surcharge + 3% Cess = 28.84%	30% + 12% Surcharge + 3% Cess = 34.608%	25% + 12% Surcharge + 3% Cess = 28.84%
Capital Gains Taxation Applicable To Schemes Other Than Equity Oriented Schemes			
Long Term Capital gains (Units held for a period of more than 36 months) Listed Units	20% with indexation + 12% Surcharge + 3% Cess = 23.072%	20% with indexation + 12% Surcharge + 3% Cess = 23.072%	20% with indexation + 12% Surcharge + 3% Cess = 23.072%
Tax Deducted at Source	Nil	Nil	23.072%
Short Term Capital gains (Units held for a period of less than 36 months) Listed Units	30%^+12% Surcharge + 3% = 34.608%	30% + Surcharge as applicable + 3% = 34.608% or 33.063%	30%^+12% Surcharge + 3% = 34.608%
Tax Deducted at Source	Nil	Nil	34.608%

^ Assuming the investor falls in the highest tax bracket. @ Surcharge as the rate of 7% for domestic corporate unit holders where the income exceeds Rs 1 Cr but less than Rs 10 Cr and the rate of 12% where income exceeds Rs 10 Cr.$ Surcharge when income exceeds Rs 1 Cr. # Tax will be deducted at the time of redemption of units in case of NRI investors only.

The information set out here is neither complete nor constitute as tax or legal advice. Due to the individual nature of taxation please consult your tax advisor before investing.

Investment Strategy

- Tenure: 1160 Days
- Intended Portfolio Allocation*:
- Debt Strategy:
  - Approximately 87% of the portfolio shall be invested in debt and money market instruments which would be targeted to reach 100% of the original investment over the tenure of the Plan.
  - Investments in the instruments to mature on or before the date of maturity of the Plan, thereby no interest rate risk and shall earn prevailing yields over tenure of the Plan.
  - Investment in AAA rated securities minimizes credit risk.

* The intended portfolio allocation will be constructed at the time of deployment of funds collected during the NFO. Refer slide 13 for intended portfolio allocation. HDFC Mutual Fund/AMC is not guaranteeing/offering/ communicating any indicative yield on investments made in this scheme.

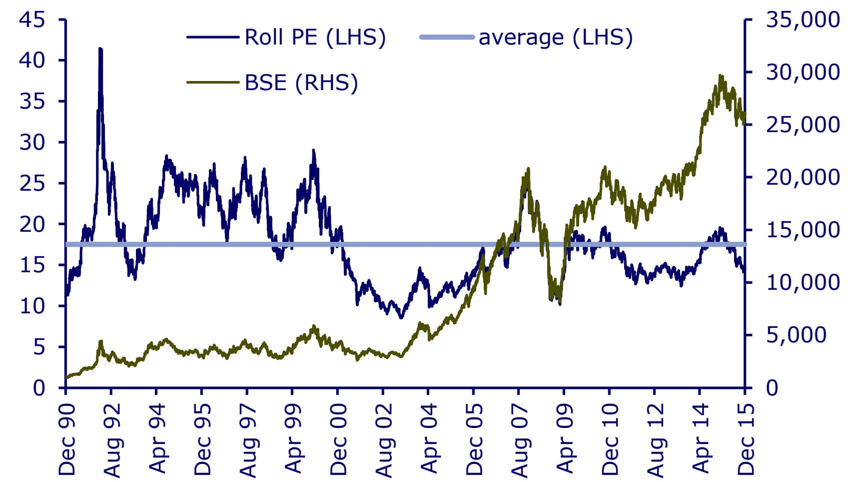
Investment Strategy

- Equity Strategy:
  - Up to 13% of the corpus would be invested in equity and equity related instruments to achieve capital appreciation. The investment may be in either of the following instruments or a combination thereof:
    - Direct Equity: Investments may be made in stocks of a cross-section of companies across major industries and economic sectors through active management.
    - Equity Derivatives: The Plan may take equity exposure through equity derivatives maturing on or before the maturity date
- The main driver for probable capital appreciation over the tenure is primarily due to the allocation to equities with debt portfolio providing relatively stable returns.

Equity Market Outlook

- There is a clear evidence of falling commodity prices working to India's advantage
- Further, low inflation, improving CAD and fiscal outlook and rising order backlogs in some key infrastructure related industries point to a steadily improving growth prospects of the economy, especially of the capex cycle.
- The policy direction is right and economy is making good progress on most fronts.
- Improving margin outlook of corporates, likely lower interest rates, soft commodity prices and reasonable valuations lead to a positive outlook for equity markets over the medium to long term.
- Merit in increasing allocation to equities (for those with a medium to long term view) in a phased manner and stay invested.

Reasonable Price to Earnings (P/E's) offer a Good Entry Point

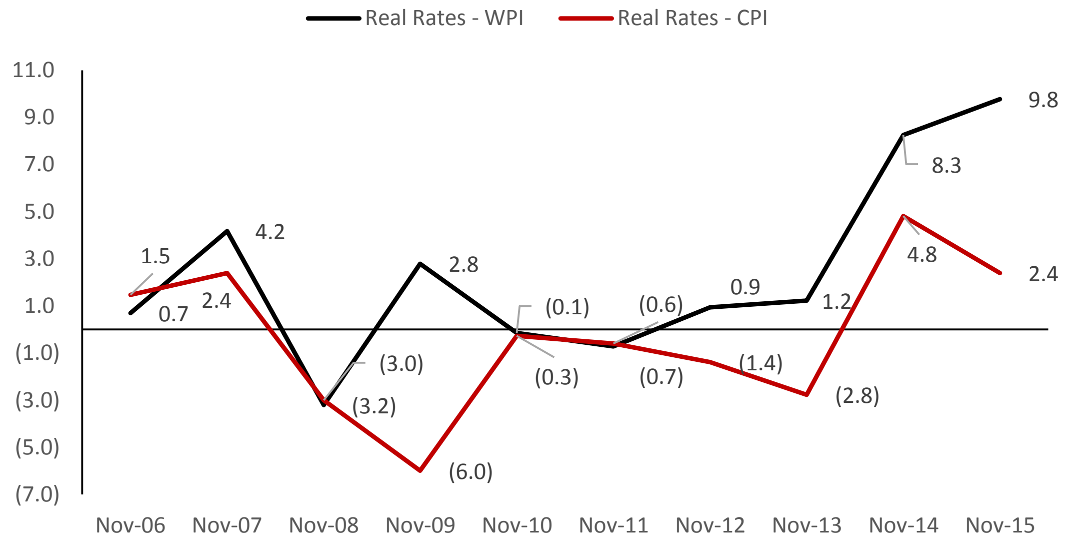


Source: CLSA

Reasonable P/E's at cyclically low margins leads to positive outlook for equities

Debt Outlook – Lower Inflation & Interest Rates

- 3% real rates indicates further downside in yields
- Inflation - CPI in Nov 15 was at 5.4%
- RBI continues to maintain its accommodative stance
- Past drivers of inflation – High MSP, weak INR, rising commodity prices, good demand have all reversed
- Record gap of CPI-WPI, points to low CPI going forward



	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Nov 15*
CPI (Avg %)	6.7	4.1	5.2	5.1	4.0	5.4
WPI (Avg %)	3.9	0.3	-1.8	-2.3	-4.5	-2.0
Diff	2.8	3.7	7.0	7.4	8.5	7.4

Source:Bloomberg, BAML
* As on Jan 11th 2016
The real interest rate is the rate of interest an investor expects to receive after allowing for inflation.

Fund Suitability

- Investors with low to medium risk appetite
- Investors who do not want to take interest rate risk and want to earn prevailing yields over the tenure of the Plan.
- It offers investors to participate in equities with the stability in the portfolio being provided by the debt portion of the portfolio.
- Investors can take benefit of indexation and get an opportunity to earn better tax adjusted returns.

Fund Facts

Nature of Scheme	A Close-ended Income Scheme
Inception Date (Date of allotment)	February 4th , 2016
Investment Objective	To generate income by investing in a portfolio of debt and money market securities which mature on or before the date of maturity of the Scheme. The scheme also seeks to invest a portion of the portfolio in equity and equity related securities to achieve capital appreciation. There is no assurance that the investment objective of the Schemes will be realized
Fund Manager $	Fund Manager for Debt Portfolio: Anil Bamboli Fund Manager for Equity Portfolio: Krishan Kumar Daga
Investment Option	Direct & Regular Option
Investment sub-options	Under Each option: Growth & Dividend. The Dividend Option offers Dividend Payout facility
Minimum Application Amount. (Under Each Plan/Option)	**Purchase:** Rs. 5,000 and in multiples of Rs.10 thereafter
Load Structure	Entry 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. Exit Load: • Not Applicable. The Units under the plan cannot be directly redeemed with the fund as the Units are listed on the stock exchange(s).
Benchmark	CRISIL Debt Hybrid 75+25 Fund Index

$ Dedicated Fund Manager for Overseas Investments: Mr Rakesh Vyas
For further details, please refer to the Scheme Information Document/ Key Information Memorandum.

Indicative Asset Allocation Pattern

The Plan, HDFC DAF - II - 1160D January 2016 being launched under this SID, will invest in securities as per the intended allocation indicated below against each sub class of asset for debt and money market instruments in accordance with SEBI Circular No. Cir/IMD/DF/12/2011 dated August 1, 2011 as amended from time to time:

Instruments	Credit Ratings		
	AAA/P1+	AA	NA
Debt & Money Market Instruments			
Certificate of Deposit (CDs)	0-5		
Commercial Papers (CPs)	0-5		
Non - Convertible Debentures (NCDs)*	62-67	20-25	
Government Securities/ Treasury Bills /CBLO/ Reverse Repos/units of liquid mutual fund schemes			0-5
Equity and Equity related Instruments (including equity derivatives)			0-13

*Includes CDs issued by select All-India Financial Institutions permitted by RBI from time to time.

For further details, please refer to the Scheme Information Document/ Key Information Memorandum.

Disclaimer & Risk Factors

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Thank You