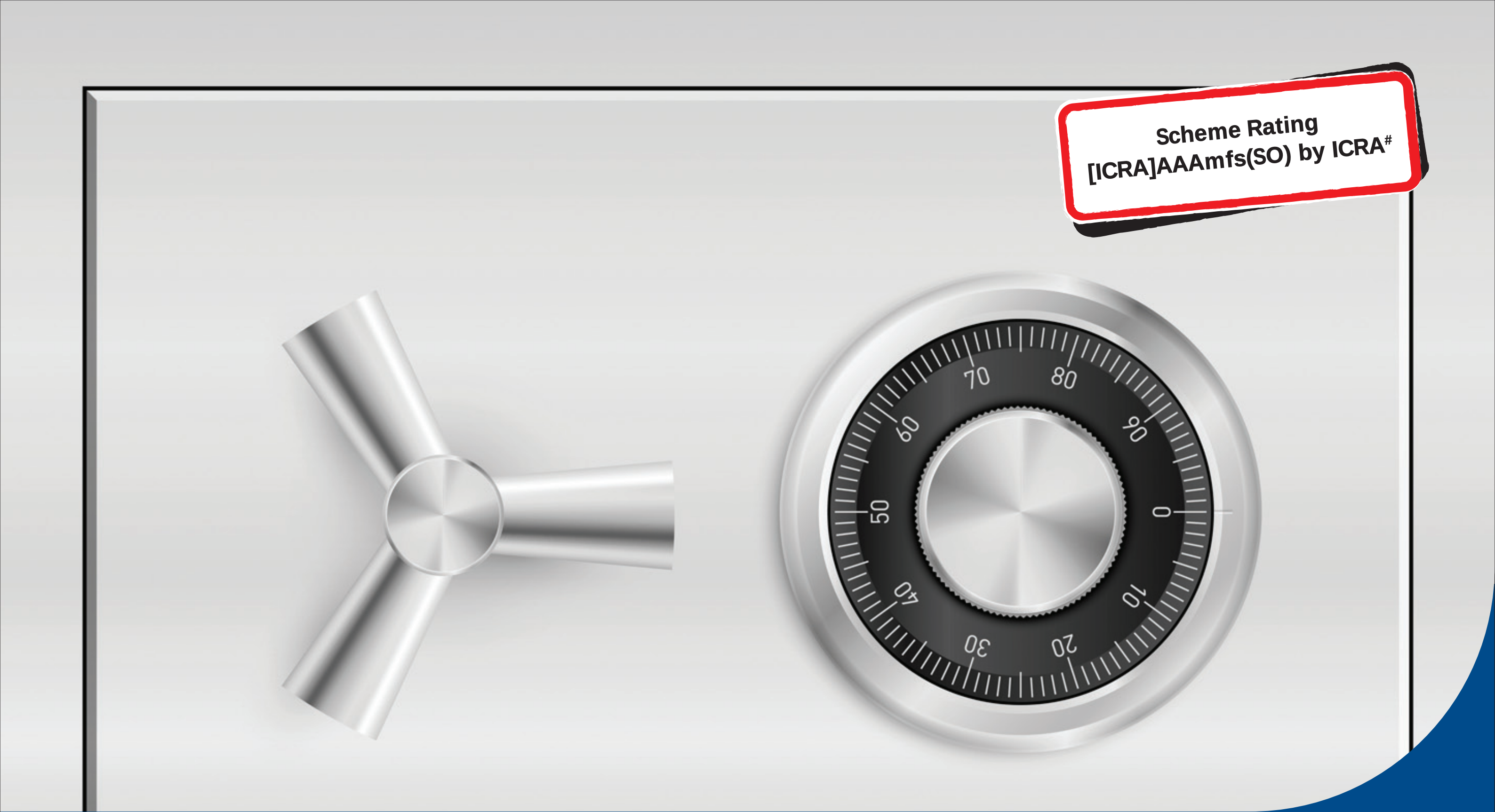

Protect your investments.

HDFC Mutual Fund introduces **HDFC CPO - III - 1100D October 2014**, a Plan under HDFC Capital Protection Oriented Fund-Series III, a close-ended capital protection oriented income scheme with tenure of 1100 days. The Scheme will have a portfolio mix of highest rated debt and money market instruments along with exposure to equities and equity-related instruments. The portfolio of the Scheme will be structured in a manner to protect your original investment with a potential for capital appreciation over the tenure of this scheme. **So, consider investing.**

The Scheme is "oriented towards protection of capital" and "not with guaranteed returns". The Scheme does not guarantee any returns. The orientation towards protection of capital originates from the structure of the Portfolio of the Scheme and not from any Bank guarantee, Insurance Cover, etc. There is no assurance that the structure would provide the necessary protection of capital.

NFO Period - October 7, 2014 to October 20, 2014

Toll Free No.: 1800 3010 6767/1800 419 7676

This product is suitable for investors who are seeking*

- regular income as well as capital appreciation over 1100 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.
- low risk *(BLUE)*

*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*

Introducing
HDFC
CAPITAL
PROTECTION ORIENTED FUND - SERIES III
(Close-ended Capital Protection Oriented Income Scheme)

HDFC MUTUAL FUND
www.hdfcfund.com

#Rating Disclaimer: The assigned rating is conditional and should not be treated as a recommendation to buy, sell or hold the units issued by HDFC Mutual Fund. The rating is restricted to HDFC Capital Protection Oriented Fund - Series III only. ICRA does not assume any responsibility on its part, for any liability, that may arise consequent to the Mutual Fund not complying with any guidelines or directives issued by SEBI or any other mutual fund regulatory body. The rating will be reviewed on a quarterly basis.

HDFC Capital Protection Oriented Fund-Series III

(Close-ended Capital Protection Oriented Income Scheme)

Investment Objective/Strategy

The Scheme seeks to generate returns by investing in a portfolio of debt and money market instruments 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 instruments to achieve capital appreciation. There is no assurance that the investment objective of the Scheme will be realised.

Nearly 84%-89% of the portfolio shall be invested in highest rated Debt and Money Market instruments which are targeted to reach 100% of the original investment over the tenure of the Scheme. The balance investment in equity portion of the portfolio will seek to provide the upside over the original investment.

How does Capital Protection work?

Let's assume that the Scheme invests ~84% in highest rated Debt and Money market instruments. 84% of the debt portfolio will grow over the tenure of the Scheme to 100% (net of annual recurring expenses) thereby protecting your capital.

Rest ~16% will be invested in equities and equity related instruments. As explained in the scenarios given below, over three years the initial Scheme investment has remained intact and the value of portfolio appreciated, despite positive or negative equity returns. Thus, as illustrated below fixed income allocation allows capital protection and equity provides the upside to the portfolio.

Scenario analysis over 3 years

	Scenario1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Scheme Corpus (₹)	100.00	100.00	100.00	100.00	100.00
Debt allocation (₹)	84.00	84.00	84.00	84.00	84.00
Debt Value on maturity (₹) (A)	100.00	100.00	100.00	100.00	100.00
Direct Equity allocation (₹)	~16	~16	~16	~16	~16
CAGR (%) on equity allocation	(20)	(10)	0	10	20
Equity Value at the time of Scheme maturity (₹) (B)	8.19	11.66	16.00	21.30	27.65
Scheme Value at maturity (₹) (A+B)	108.19	111.66	116.00	121.30	127.65

The illustration above is purely to explain the concept of orientation towards protection of original investment at Scheme's maturity. The portion of debt/equity portfolio does not offer any assured returns and is subject to market risks including risk of issuer default. The equity returns generated by the Scheme would depend on the portion of asset allocated to equity. The actual allocation can be different within the Asset Allocation and Investment Pattern mentioned in the SID.

Fund Suitability

- The Scheme is suitable for investors who do not want to take interest rate risk and want to earn prevailing yields over the tenure of the scheme
- 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

Debt Market Outlook

Given the likely trajectory of inflation and its expectations, fiscal consolidation, improving current account deficit scenario and possibility of a sovereign rating upgrade, we continue to maintain our view of lower rates over the medium term. However the exact timing and extent of fall will depend at the pace at which inflation and its expectations are moderated.

Equity Market Outlook

After gaining for four successive months, both S&P SENSEX and CNX NIFTY remained stable and ended up flat during the month of September 2014. The CNX Midcap Index outperformed and gained 2.7%.

A strong, growth oriented and business friendly government bodes well for economic growth and for businesses. Current P/E multiples of equity markets are reasonable – neither expensive, nor cheap. However, corporate earnings should be better than estimates as corporate margins are significantly below the long term averages and should improve as capacity utilization and business conditions improve. There is thus room for multiples to expand as growth improves and as interest rates move lower besides strong earnings growth.

In our opinion therefore, the outlook for equities is promising and there is merit in increasing allocation to equities (for those with a medium to long term view) in a phased manner and to stay invested.

Key Scheme Features

Plans/Options	Regular Option and Direct Option: Regular Option is for investors who wish to route their investment through any distributor. Direct Option is for investors who wish to invest directly without routing the investment through any distributor. Regular and Direct Options offer the following sub-options: (a) Growth Option (b) Dividend Option with Payout facility
The Minimum amount for per application (Purchase/Switch) under each Option during NFO	₹ 5,000 and in multiples of ₹ 10 thereafter
Liquidity	The Units of the Scheme will be listed on the Capital Market Segment of the National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE). The Units of the Scheme cannot be redeemed by the investors directly with the Fund until the Maturity/Final Redemption date. The Units can be purchased/sold during the trading hours like any other publicly traded stock, until the date of suspension of trading by stock exchange(s) where the Scheme/Plan is listed.
Benchmark Index	CRISIL MIP Blended Index

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

Distributed by:

HDFC MUTUAL FUND

www.hdfcfund.com