HDFC Exchange Traded Funds (ETFs)

Product Suite

Basket Investing Made Easy

November 2015

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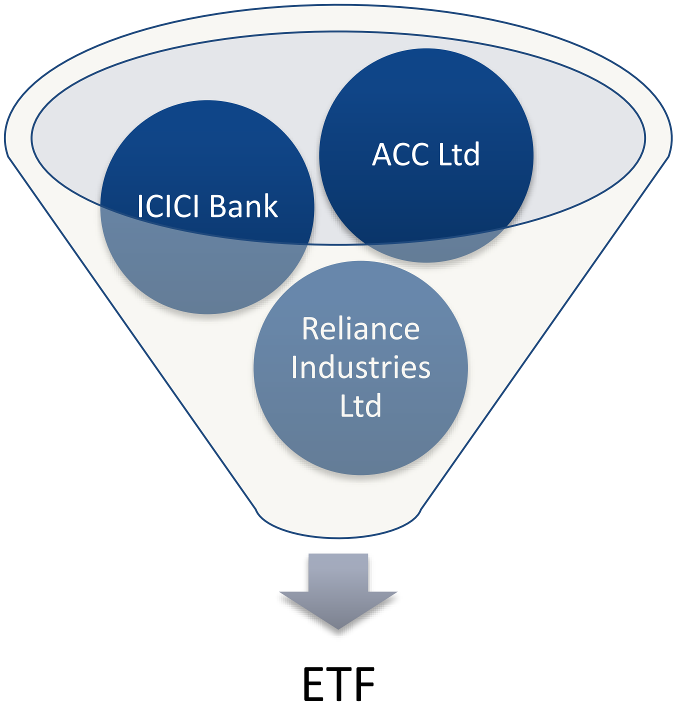
ETF – The Concept



What are ETF's?

Exchange Traded Fund (ETF), are mutual funds that trade like stocks.

Like a stock, ETF units are traded on exchanges on which it is listed at market-determined prices and are bought and sold at any moment during market hours through demat accounts.

The most common ETFs are designed to track the performance of a market benchmark or Index`s total return

The illustration shows how an ETF comprises of a basket of securities
HDFC Mutual Fund/AMC is not guaranteeing returns on investments made in this scheme(s). Stocks mentioned are illustrative and may/may not form part of the ETF basket.

Benefits of an Equity ETF

Diversification: Fund holds a basket of securities corresponding to the underlying index.

Lower cost: ETFs generally offer lower expense ratios than active/conventional mutual funds schemes.

Lower investment: You can buy an ETF for as low as the cost of one unit, gives you the opportunity to start investing in a diversified portfolio with less money.

Passive fund management: You don't have to keep track of every single investment your ETF owns. The fund manager ensures that the portfolio resembles the benchmark index with minimal tracking error.

Tax Efficiency: Equity ETFs are treated as Equity oriented funds for the purpose of taxation.

Trading flexibility: ETFs offer you the same intraday pricing you get when trading stocks through a broker.

ETF - Uses

Liquidity

- Investments in ETFs can form a portion of an overall portfolio in a manner to ensure liquidity across the portfolio.

Balanced Portfolio

- Owning a basket of securities in a well diversified manner is often costly.
- ETF`s give investors the option to invest in a basket of securities at a fraction of the cost of an underlying basket
- As broad index ETF baskets consist of multiple stocks in a pre-determined weight calculated periodically, the ETF unit holder can hold a balanced portfolio through a single instrument

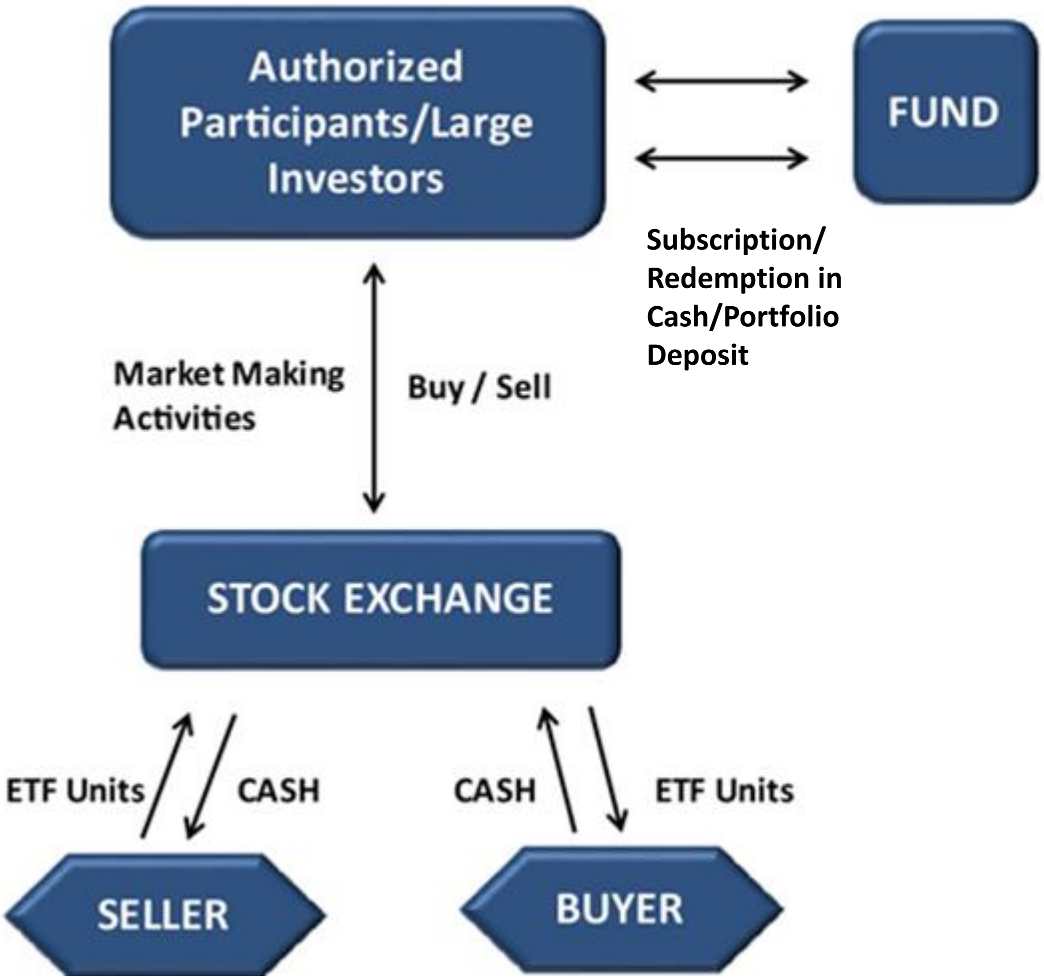
Cost Efficiency

- Buying several securities involves a variety of costs like brokerage and taxes.
- An ETF transaction is a single purchase that gives you access to all the securities within a given basket based on the individual stock weightage.

Risk Management

- Owning an broad based ETF gives access to a diversified portfolio thus reducing concentration risks on a sector specific and stock specific basis

How Does An ETF Work post NFO



Who can deal directly with the fund house?

- Authorized Participants
- Large Investors investing in creation unit size as determined by the AMC

All other investors can invest and redeem units of the ETF directly on the stock exchange through a broker (member of the stock exchange)

Note: During the NFO all investors, regardless of class of investor, will be permitted to invest directly with the fund

Active Equity Funds & ETFs

What's the difference? It's based on your investing style.
ETFs and actively managed funds both have unique benefits that you will be able to take advantage. It all comes down to how you want your investments to work for you.

Key Aspects

Parameters	Actively Managed Funds*	ETF
Goal	Outperform Benchmark & Peer group	Track the benchmark
Strategy	Construct a portfolio to generate alpha through research & analysis	Mimic the benchmark portfolio
Other Factors	Take on risks in an attempt to beat the market	Lower costs

*Actively managed equity funds do not include index funds
Like Actively managed equity funds, ETFs carry price risks. 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.

ETFs Around the World

Growth around the globe

United States:
reigning market leader

- Potential double-digit growth of 10%-15%
- Active ETFs driving future growth
- Attractive destination for international capital
- Online retail distribution a growing priority

Europe:
steady builder

- Growing demand from local and Asian institutions
- Potential for annual asset growth of 20%-25% given time
- Tighter regulations equal less seed capital
- Becoming international distribution hub and domicile for global ETFs
- Education, better digital distribution crucial to success
- Enhanced beta funds attracting pension funds and insurers

Asia-Pacific:
innovation driver

- Growth in Asia accelerated in 2014, and future asset growth of 25%-30% may be possible

Japan – large but inward-focused ETF sector

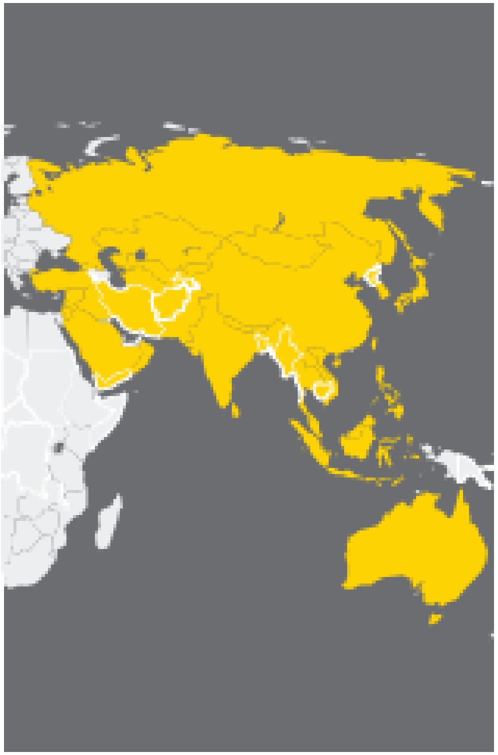
Hong Kong – leading center for cross-border ETF investment

Korea – market is highly innovative

China – A-Share ETFs attracting international capital

Source: Ernst & Young
All references to dates are based on calendar year 2014.

The Asian Frontier



Asia-Pacific's ETF markets are amongst the most diverse markets in the world. They do not just vary in their size and maturity, but also in their openness to innovation and their attractiveness to international capital. Japan has a large but inward-focused ETF sector; South Korea's market is highly innovative, and Hong Kong is the leading center for cross-border ETF investment.

Asian ETF assets doubled in 2012 but expanded more slowly in 2013 as the region's markets encountered headwinds. Growth accelerated again in 2014, and if favorable market conditions continue, they are expected to see sustained asset growth.

Asian institutions are taking an increasingly global view of ETF investments. The rapid evolution of Asian fund passports and investment links between Hong Kong and Mainland China are reshaping the industry and will have a significant impact on the development of ETF markets in the region.

Source: Ernst & Young
All references to dates are based on calendar year 2014.

ETF in India

Where India stands

Exchange	No. of ETFs (Jan 2015)
NYSE	1,470
Deutsche Börse	1,032
SIX Swiss Exchange	841
Euronext	618
Mexican Exchange	502
TMX Group	495
Japan Exchange Group – Tokyo	195
Korea Exchange	174
NASDAQ OMX	151
National Stock Exchange India	**42**

Asset/Index	AUM	%
Gold	6,230	38.3%
NIFTY 50	3,278	20.2%
Nifty Bank	2,663	16.4%
Nifty CPSE	2,030	12.5%
S&P BSE SENSEX	677	4.2%
Liquid	888	5.5%
G-SEC	67	0.4%
Others	413	2.5%

AUM as on 31st October 2015
Source: Bloomberg.

- The first ETF`s in India were launched in 2001
- Thereafter the industry has seen ETF`s emerge across all major investment classes.
- Today the total AUM of ETF`s stands at Rs.16,246 Cr
- With the government allowing PF trusts and other retirement bodies to allocate a percentage of incremental inflows into equity, the market for equity ETF`s is slated to increase significantly.
- ETF`s in India have found fervour with both domestic and foreign investors.

HDFC Mutual Fund – Why Invest With Us?

- Experienced fund management and research team with experience of managing assets across market cycles.
- Over 15 years of fund management experience.
- 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. 1,70,000 crores for the quarter ended September 2015[#].

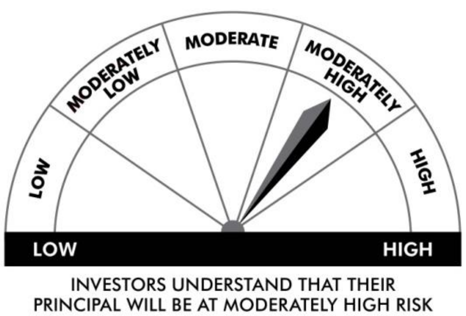
$ Past performance may not be sustained in the future.
# Source: AMFI (Excluding FoF)

HDFC SENSEX ETF

(An Open-ended exchange traded fund)

NFO Opens: 30th November 2015
NFO Closes: 2nd December 2015

Riskometer



This product is suitable for investors who are seeking*

- Returns that are commensurate with the performance of the S&P BSE SENSEX, subject to tracking errors over long term
- Investment in equity securities covered by the S&P BSE SENSEX

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

Scheme Facts

Investment Objective

To provide investment returns that, before expenses, closely correspond to the total returns of the Securities as represented by the S&P BSE SENSEX Index subject to tracking errors.

Underlying Index/Benchmark

The S&P BSE SENSEX is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.

Published since 1 January 1986, the S&P BSE SENSEX is regarded as the pulse of the domestic stock markets in India.

Asset Allocation Pattern

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

Types of Instruments	Normal Asset Allocation (% of Net Assets)	Risk Profile of the Instrument
Securities covered by the S&P BSE SENSEX	95 – 100	High
Debt and Money Market Instruments (with residual maturity not exceeding 91 days)	0 – 5	Low to Medium

The scheme will neither make any investment in Derivatives, ADR/ GDR / Foreign Securities / Securitized Debt/ Repo in Corporate Debt Securities nor will it engage in short selling and securities lending.

Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI vide its circular no. SEBI/IMD/CIR No. 1/ 91171 /07 dated April 16, 2007, as amended from time to time.

Scheme Features

Type of Scheme	Open-ended Exchange Traded Fund
Fund Manager	Krishan Kumar Daga
Minimum Application Amount	During the NFO: Rs. 5,000 per application and in multiples of Re. 1 thereafter. Post listing/NFO, units of ETF can be subscribed (in lots of 1 Unit) during the trading hours on all trading days on the NSE and BSE on which the Units will be listed. Investors other than authorized participants and large investors will not allowed to come directly to the fund to transact in ETF units. Authorized participants & large investors investing in creation unit size will be entitled to transact directly with the fund post NFO
Creation Unit Size	1,000 Units
Authorized Participants	Edelweiss Securities Ltd East India Securities Ltd
New Fund Offer Price	During the New Fund Offer, the Units being offered will have a face value of Rs.100 each. Units will be issued at a premium equivalent to the difference between allotment price and the face value of Rs. 100. On allotment, the value of each unit will be approximately equal to 1/10th of the value of S&P BSE SENSEX
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: • Nil For further details on load structure, please refer to the Scheme Information Document/Key information memorandum of the Scheme.
Mode Of Holding	Demat only
Benchmark Index	S&P BSE SENSEX

HDFC MUTUAL FUND
www.hdfcfund.com

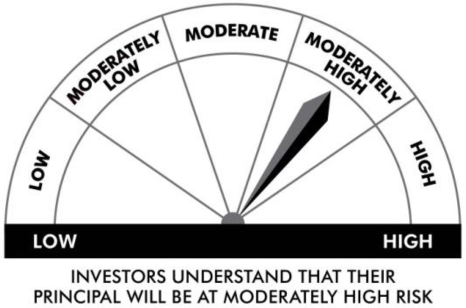
HDFC NIFTY ETF

(An Open-ended exchange traded fund)

[Rajiv Gandhi Equity Savings Scheme (RGESS) Qualified Scheme]

NFO Opens: 30th November 2015
NFO Closes: 2nd December 2015

Riskometer



This product is suitable for investors who are seeking*

- Returns that are commensurate with the performance of the Nifty 50, subject to tracking errors over long term
- Investment in equity securities covered by the Nifty 50

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

This scheme offers tax RGESS benefits to eligible investors. For details refer 'tax benefits' on slide 20

Scheme Facts

Investment Objective

To provide investment returns that, before expenses, closely correspond to the total returns of the Securities as represented by the Nifty 50 Index subject to tracking errors.

Underlying Index/Benchmark

Nifty 50 Index has an inception date of November 3, 1995. The index was constructed using ‘impact cost’ which helps in constituting the benchmark on the basis of liquidity of the underlying stocks. The index constituents are weighed on a free float methodology.

There are 16 constituents which are present in Nifty 50 since inception.

On the basis of market representation the Nifty 50 encompasses 58.5% of in terms of full market capitalization

Source: NSE. Data as on September 30th 2015

Asset Allocation Pattern

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

Types of Instruments	Normal Asset Allocation (% of Net Assets)	Risk Profile of the Instrument
Securities covered by the Nifty 50 Index	95 – 100	High
Debt and Money Market Instruments (with residual maturity not exceeding 91 days)	0 – 5	Low to Medium

The scheme will neither make any investment in Derivatives, ADR/ GDR / Foreign Securities / Securitized Debt/ Repo in Corporate Debt Securities nor will it engage in short selling and securities lending.

Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI vide its circular no. SEBI/IMD/CIR No. 1/ 91171 /07 dated April 16, 2007, as amended from time to time.

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Creation Unit Size	4,000 Units
Authorized Participants	Edelweiss Securities Ltd East India Securities Ltd.
New Fund Offer Price	During the New Fund Offer, the Units being offered will have a face value of Rs.100 each. Units will be issued at a premium equivalent to the difference between allotment price and the face value of Rs. 100. On allotment, the value of each unit will be approximately equal to 1/10th of the value of the Nifty 50 Index
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: • Nil For further details on load structure, please refer to the Scheme Information Document/Key information memorandum of the Scheme.
Mode of Holding	Demat Only
Benchmark Index	Nifty 50 Index

Tax Benefits

- 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 December 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.

Disclaimer & Risk Factors

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

Thank You