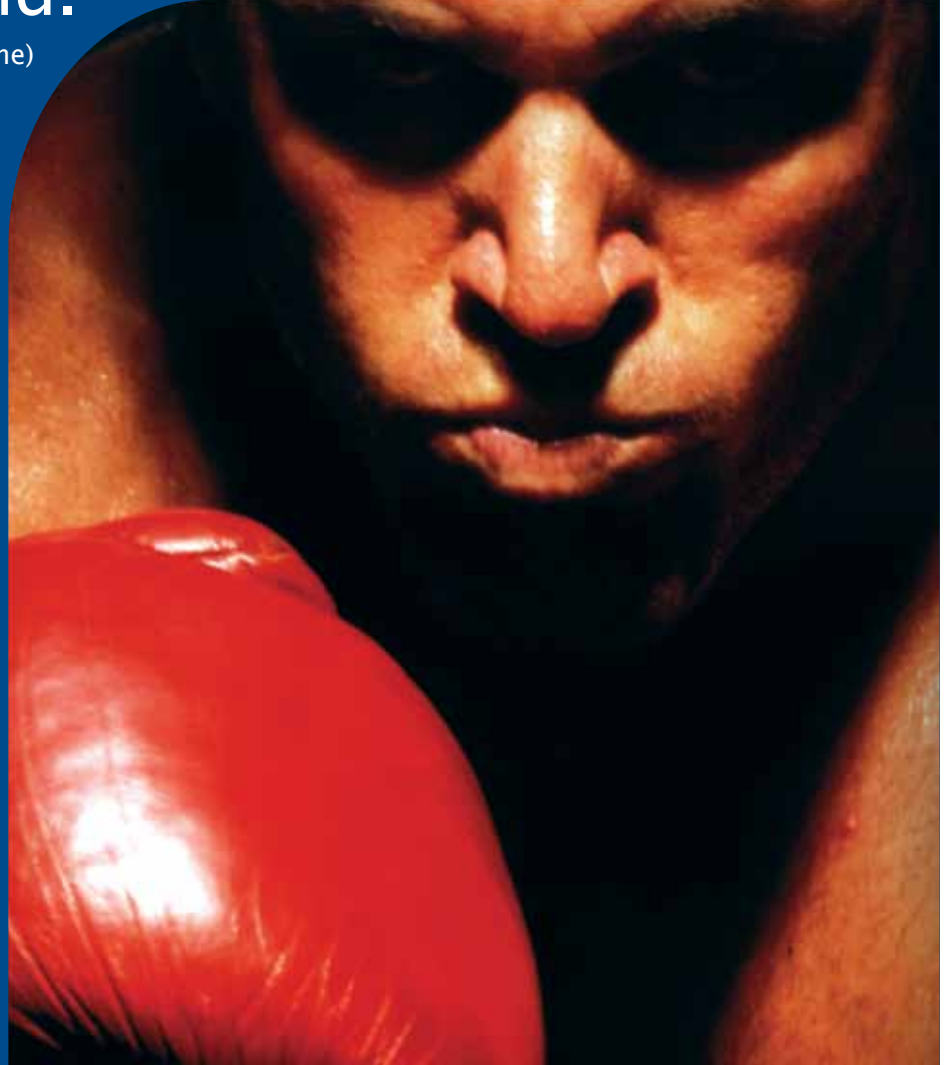


# ■ Your defence against volatility.

## Get balanced with HDFC Prudence Fund.

(An Open-ended Balanced Scheme)



Continuing a tradition of trust.

**Registered Office:** Ramon House, 3rd Floor, H.T. Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020. Tel.: 022-6631 6333. Fax.: 022-2282 1144.

**Risk Factors:** Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the Scheme's objective will be achieved and the NAV of the Scheme may go up or down depending upon the factors and forces affecting the securities market. Past performance of the Sponsors and their affiliates / AMC / Mutual Fund and its Scheme(s) do not indicate the future performance of the Scheme of the Mutual Fund. There is no assurance or guarantee to unit holders as to the rate of dividend distribution nor that dividends will be paid regularly. Investors in the Scheme are not being offered any guaranteed / assured returns. The NAV of the units issued under the Scheme may be affected, inter-alia by changes in the interest rates, trading volumes, settlement periods, transfer procedures and performance of individual securities. The NAV will inter-alia be exposed to Price / Interest Rate Risk and Credit Risk. **HDFC Prudence Fund, an open-ended balanced scheme is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects and returns. Please read the Scheme Information Document and Statement of Additional Information before investing.** In view of the individual nature of tax consequences, each investor is advised to consult his/her professional tax advisor. **Investment Objective:** To provide periodic returns and capital appreciation over a long period of time from a judicious mix of equity and debt instruments with an aim to prevent / minimise any capital erosion. **Terms of Issue:** Applications for subscriptions / redemptions / switches would be accepted at official points of acceptance on all Business Days at NAV based prices. The AMC will calculate and publish NAVs on all Business Days. **Statutory Details:** HDFC Mutual Fund has been set up as a trust sponsored by Housing Development Finance Corporation Limited and Standard Life Investments Limited (liability restricted to their contribution of Rs. 1 lakh each to the corpus) with HDFC Trustee Company Limited as the Trustee (Trustee under the Indian Trusts Act, 1882) and with HDFC Asset Management Company Limited as the Investment Manager.

# HDFC Prudence Fund

(An Open-ended Balanced Scheme)

It is reasonable to assume that most investors target to maintain some asset allocation between bonds and equities depending on their risk taking ability and the time horizon of investment. There are two ways of achieving and maintaining the targeted asset allocation. You can either invest in a mix of bond and equity funds and periodically do re-balancing, or simply invest in a balanced fund.

## Asset Allocation

If you are averse to high risk and yet are keen to earn returns higher than bonds, wisdom lies in striking a balance between equities & debt. HDFC Prudence Fund is the scheme that may suit the need (the Scheme may or may not achieve its objectives). This Scheme normally maintains around 75% in equities and the balance in debt and money market instruments thereby attempting to generate returns higher than bonds and lesser than equity funds.

## Investment Strategy

The Scheme's strategy is to maintain near constant asset allocation over the medium to long term. In order to do so, it buys equities when the markets fall and sells equities when the markets go up. The Scheme is maintaining around 75% allocation to equities. When the equity markets fall, the Scheme's exposure to equities falls below this level as equities depreciate, thus resulting in the Scheme buying more equities in down markets to bring the equities exposure to target levels. Similarly, when the equity markets go up, the Scheme's exposure to equities goes higher than target, and thus the Scheme sells equities in high markets to bring down the equities exposure back to target level again.

Also, around 25% exposure to debt and money market instruments further reduces the volatility of the scheme and lowers the chances of capital erosion.

## 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:

- In respect of each purchase / switch-in of units, an Exit Load of 1.00% is payable if Units are redeemed / switched-out within 1 year from the date of allotment.
- No Exit Load is payable if Units are redeemed / switched-out after 1 year from the date of allotment.

No Entry / Exit load shall be levied on bonus units & units allotted on dividend reinvestment.

The Trustee reserves the right to change/modify the load structure from a prospective date, subject to SEBI (Mutual Funds) Regulations, 1996.

## INVESTMENT OBJECTIVE:

To provide periodic returns and capital appreciation over a long period of time from a judicious mix of equity and debt investments with an aim to prevent / minimise any capital erosion.

## FEATURES:

Asset Allocation:

Equity & Equity linked instruments: 40%-75%; Debt & Money Market Instruments: 25%-60% (Securitized debt upto 10% of net assets).

Options: Growth & Dividend. The Dividend Option offers Dividend Payout & Reinvestment facility.

## Minimum Application Amount (Under each Option):

- Purchase: Rs. 5,000 and any amount thereafter.
- Additional Purchase: Rs. 1,000 and any amount thereafter.

NAV (as at June 30, 2010)

	NAV per Unit (Rs.)
Growth Option	196.073
Dividend Option	30.117

Relative Performance<sup>^</sup> (Growth Option) – as at June 30, 2010

Date	Period	NAV per Unit (Rs.)	Returns (%) \$\$ ^	Benchmark Returns (%)#
June 30, 2009	Last 1 Year (365 days)	135.445	44.76~	17.34
June 29, 2007	Last 3 Years (1097 days)	124.716	16.25	8.73
June 30, 2005	Last 5 Years (1826 days)	64.682	24.82	14.89
June 30, 2000	Last 10 Years (3652 days)	20.420	25.37	N.A.
February 1, 1994	Since Inception (5993 days)	10.000	21.76	N.A.

## ^ Past performance may or may not be sustained in the future

Above Returns are compounded annualized (CAGR). N.A. – Not Available

# CRISIL Balanced Fund Index ~ Due to an over all sharp rise in the stock prices

\$\$ All dividends declared prior to the splitting of the Scheme into Dividend & Growth Options have been reinvested in the units of the Scheme at the then prevailing NAV (applicable ex-dividend NAV).

## Benefits of Systematic Investment Option (SIP)

To illustrate the advantages of SIP investments, this is how your investments would have grown if you had invested say Rs. 1,000 systematically on the first Business Day of every month over a period of time.

SIP Investments	Since Inception	10 Year SIP	5 Year SIP	3 Year SIP	1 Year SIP
Total Amount Invested (Rs.'000)	197.00	120.00	60.00	36.00	12.00
Market Value as on June 30, 10 (Rs.'000)	2,110.49	562.45	108.57	56.21	15.69
Returns (Annualised)* (%) \$\$	25.23	29.07	23.95	31.20	61.58
Benchmark Returns (%) (Annualised) (%) #	N.A.	N.A.	13.20	14.63	31.22

## Past performance may or may not be sustained in the future

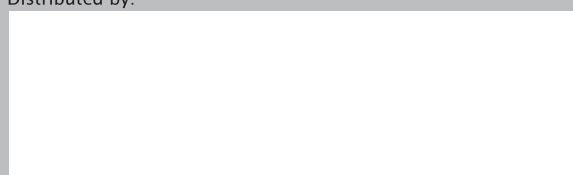
N.A. – Not Available # CRISIL Balanced Fund Index \$\$ All dividends declared prior to the splitting of the Scheme into Dividend & Growth Options have been reinvested in the units of the Scheme at the then prevailing NAV (applicable ex-dividend NAV).

\* Load is not taken into consideration and the Returns are of Growth Option.

Investors are advised to refer to the Relative Performance table furnished above for non-SIP returns. **Past performance may or may not be sustained in the future.** Please refer to SIP Enrolment Form or contact nearest ISC for SIP Load Structure.

**Disclaimer:** The above investment simulation is for illustrative purposes only and should not be construed as a promise on minimum returns and safeguard of capital. The AMC/ Mutual Fund is not guaranteeing or promising or forecasting any returns. SIP does not assure a profit or guarantee protection against a loss in a declining market.

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