An Investor Education Initiative

Capital Protection Oriented Fund

Capital protection oriented fund is a close ended fund, in which investment is open for a specified period of time. In such schemes the investment time is locked for two, three, five years etc.

As for investment, a small portion of the corpus is invested in equity and the larger portion (around 80 percent) is invested in debt or debt related money market instruments. In such schemes, the investment is made in the high rated debt instruments reducing the risk of investment in debt. By investing in equity, it also gives the benefit of the upswing of the share market. However, because it is only marginally exposed to equities, the downside is also not large to the corpus. Most of the CPoF's structures are almost same.

These schemes attract those investors who want to stay safe from the fluctuations of interest rates and uncertainty of share market. These schemes are also for those investors who believe in financial planning and who know that they would get the invested amount after particular time.

FAQs

What is Capital Protection Oriented Fund?

It is a scheme that is oriented towards protection of the capital through its portfolio structure and the same time allows investors to get exposure to equity market on a portion of their investments. The portfolio is constructed in such a way that a portion of your investment is invested in fixed income component in such a way that the capital is protected at maturity and the residual part of your investment is invested in equity markets to capture upside and generate returns. The scheme offered is **"oriented towards protection of capital"** and **"not with guaranteed returns".** The orientation towards protection of the capital originates from the portfolio structure of the scheme and not from any bank guarantee, insurance cover etc.

For whom is Capital Protection Oriented Fund?

Capital Protection Oriented Fund is suitable for every type of investors. For example for investors with conservative strategy it provides potential for optimum return through exposure to equity market at the same time protecting downside risk on their initial capital invested. For aggressive investors fund maintains the effective exposure to equities but with a lower risk return profile. Therefore, it has a universal appeal and is a good portfolio diversifier.

In particular following category of investors may be suitable for Capital protection Oriented Fund

- Investors with low to medium risk profile
- High net worth individuals who are in highest tax bracket
- PF, trusts etc. looking to invest in equity markets but requires capital protection as well
- First time mutual fund investors who would like to enjoy the debt returns with an additional equity upside
- All investor who invests significant part of their saving in "safe instruments" like bank's fixed deposits, PPF and NSC

What is the fund's investment objective?

The primary objective of the scheme is to protect the capital invested (face value of Rs. 10 per unit) on maturity of the scheme through focused investments in equity, debt and money market instruments at the same time also seeking to provide investors with opportunities for long-term growth in capital.

What is the asset allocation pattern for the fund?

Investment allocation may vary depending upon the duration of the scheme

Under normal circumstances (3year plan to 5 year plan) the asset allocation pattern would be as follows:

	Indicative allocations pattern (% of total asset)	
	Maximum	Minimum
Debt and debt related instruments and money market instruments	100%	80%
Equity and equity related instruments including derivaties	20%	0%

The cumulative gross exposure through equity, debt and derivative positions will not exceed 100% of the net assets of the sch eme.

What is the investment strategy for the fund?

Debt - Investments in debt will be in Government Securities and securities rated AAA. Since the investors to be targeted in this scheme maybe risk averse, the underlying investment strategy should seek to blend the risk-return parameters with capital protection. The scheme will invest in fixed rate debt instruments only. Investments in debt securities in the scheme will be limited to those having maturities not exceeding the residual maturity of the scheme. The residual maturity of instruments in which investment is made can never exceed the residual maturity of the scheme.

Equity - Investment will be in stocks listed on NSE and BSE having a market cap equal to higher than the market cap of the least market capitalized stock of the specified Index. To provide diversification benefits to the overall portfolio, equity component will have a maximum exposure to a single stock not exceeding 10% of the overall portfolio at the time of investment.

Illustration for a 36 months of Capital Protection Oriented Fund

Note; *Jhe above diagram* is only/or iteration *purposes,* purely to explain in *a simple* way *the* concept o/ tne *scheme and should* not *he taken us* any *indication of either* capital *protection or* equity *market returns, Jhe uctwl allocution can be different but within the provisions offset Mlocation* and Investment pattern *as* specified *in Scheme Information* Document, *figures mentioned above are rounded off to nearest decimal point, Ihe actual expense ratio could be higher or lower than the assumption above hut* witn/n *limits as specified In Scheme Information Document forthe scheme,*

Ihe Scheme is "oriented tomrds protection *of capital" and "not with guaranteed returns".* Tne Scheme *does not* guarantee any *returns. Jhe orientation towards protection of capital originates from the structure of* tne *Portfolio of the Scheme and notfrom unv* Bank guarantee, insurance *Cover etc, Ihtte* is no *assurance that the structure would provide the necessary protection of capital*

Tax benefit

Long term capital gain tax on the redemption of the fund will be taxed at 10% (plus surcharge and cess) without indexation benefit or at 20% (plus surcharge and cess) with indexation benefit whichever is beneficial to the investor.

Each investor is advised to consult his or her own tax advisors / investment consultants with respect to the specific amount of tax and other implications arising out of his or her investments.

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