

**STABLE RETURNS**

**TAX EFFICIENT**

## Presenting simple investment option – Fixed Maturity Plans.

Fixed Maturity Plan (FMP) is a close-ended debt mutual fund scheme, having a fixed tenure. FMPs invests in debt and money market instruments. Investors can invest in FMPs during the New Fund Offer (NFO) period and upon maturity, the FMPs are compulsorily redeemed and capital with income thereon is paid back to the investor. FMP investments, if held till maturity, are not subject to interest rate volatility, making it a preferred investment option.



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# FIXED MATURITY PLANS

## Fixed Maturity Plans

Fixed Maturity Plans popularly known as FMPs are close-ended debt mutual fund schemes. Fixed Maturity Plans (FMPs) as the name suggests are schemes with a fixed tenure. Investors can invest in FMPs only during the New Fund Offer (NFO) period. On maturity, the FMPs are compulsorily redeemed and capital, with income thereon, is paid back to the investor.

FMPs invest in debt securities such as Non Convertible Debentures (NCDs), Corporate/Government bonds and money market instruments such as Treasury bills (T-bills), commercial papers (CPs), certificates of deposit (CDs). To enable investors to take informed decision regarding the quality of securities and associated risks, the Scheme Information Documents (SID) of FMPs indicate the instruments and their credit rating in which an FMP proposes to invest. For e.g. SID may state that an FMP will invest 90-95% of net assets in AA rated NCDs and 0-5% of net assets in Government Securities, CBLO etc. Final portfolio must be constructed as indicated. The underlying debt instruments invested mature in line with the tenure of the scheme.

Typically, the tenure for an FMP can range from as low as 30 days to as high as 132 months. The NFO of Fixed Maturity Plans would typically remain open for 1 to 15 days. Generally the scheme name would reflect the tenure of the FMP. Units would be allotted within five working days after the date of close of the NFO.

### Can an investor redeem units of FMPs before its maturity?

As FMPs are close-ended schemes which mature at a pre determined date, the Units of FMPs cannot be redeemed by the investors directly with the Fund until the Maturity/Final Redemption date. Units of an FMP are compulsorily listed on a stock exchange and a unit holder can exit prior to the maturity date by selling the units on the stock exchange through a stock broker.

### Difference between FMPs and other open-ended debt schemes

(I) In open-ended debt schemes, Units are available for purchase and sale on every Business Day unlike FMPs which can be subscribed only during the NFO period and is redeemed (automatically) only on maturity. Alternatively, investor can buy/sell units of FMP, on stock exchange where the FMP is listed during its tenure. (II) Open-ended debt schemes have no maturity date whereas FMPs have a defined tenure and is automatically terminated on completion of the defined period.

As FMPs can invest in securities that mature on or before the maturity date of a FMP, the investors of FMPs who prefer to stay invested till its maturity are not subjected to interest rate risk arising out of fluctuation in interest rate unlike other open-ended debt schemes.

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

## How are earnings from FMPs taxed? ^^

	Resident Investors	Mutual Fund
Dividend Income	Nil	Dividend Distribution Tax (DDT): Individual / HUF- 28.325%* Others- 33.99%* (Refer Note below)
Capital Gains:		
Long Term	10% without indexation / 20% with indexation (plus applicable surcharge and education cess)	Nil
Short Term	Income tax rate applicable to the Unit holders as per their income slabs.	Nil

\*including applicable surcharge, education cess and secondary and higher education cess.

### Note:

On income distribution, if any, made by a Mutual Fund, additional income tax is payable under section 115R of the Act, in the case of "other than equity oriented funds". An equity oriented fund is a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 65% of the total proceeds of such fund.

^^The information given herein is as per the prevailing tax laws. Investors should be aware that the fiscal rules/tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of individual nature of tax consequences, please consult your professional tax advisor.

### Fixed Maturity Plans are ideal for investors:

1. Who do not want to invest in open ended schemes and time their entry/exit
2. Investors who want to lock in their investment at the prevailing yields of the underlying debt instruments and realise the same at maturity
3. Whose investment horizon matches the tenure of the Plan
4. Investors who want lower volatility in the returns
5. Investors looking for better post tax returns by taking the benefits of indexation in FMPs of more than 1 year tenure



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