

PRODUCT NOTE – ICICI Regular Savings Fund with Indexation Benefit

Issue Highlights

One of the most bought products by most investors across India is Fixed Deposits; though safe what most investors don't quite gauge is that it's just that. With prevailing rate of interests and the expectation that they will go down further; fixed deposits seem to have dulled their sheen further. To illustrate, please see table below

Particulars	RSF with Indexation Benefit	Bank FD (Assuming tax slab of 30.9%)
Amount Invested	100	100
Assumed rate of return	10%	9%
Pre Tax return after 3 years	133.1	129.5
Indexation benefit (@ 6%)	119.1	0
Taxable amount	14	29.5
Applicable tax rate	20.60%	30.90%
Tax Liability	2.88	9.12
Receivable net of tax	130.2	120.39
Post tax Return	9.19%	6.38%
Real Return (assuming inflation of 6%)	3.19%	0.38%

Due to inflation assuming 6% inflation rate, goods that were worth 100 will now be worth 119.1 effectively mitigating any real return made in three years if invested in FD's. Investors need to understand this and make educated investments.

ABOUT THE FUND

These fund invest in a basket of bonds by corporate sectors and are pretty much as safe as Fixed Deposits but because of the benefit of indexation they reap higher returns for the investor.

Scheme Name	Fund Manager	Inception Date	Scheme Corpus (Cr.)	Returns (<1 year are annualized returns)				
				3 Months	1 Year	3 Years	5 Years	Since Inception
ICICI RSF with Indexation Benefit Exit load of 2% if redeemed within 15 months from the date of allotment.	Avnish Jain	Nov 29, 2010	4,654	2.39	11.45	9.32	-	9.20

INVESTMENT STRATEGY

We recommend pre-maturing FD's and investing it in the ICICI RS Fund due to the benefit of taxation.

WHY INVEST IN ICICI RSF with Indexation Benefit

- Benefit of indexation:** Will always result in higher real return vs. FD's because of this benefit.
- Lower tax liability:** Tax liability is limited to returns over and above the rate of inflation.
- Beats Inflation:** Beats inflation as against fixed deposits, which reaps no real return.

HOW TO INVEST

Please mail us on info@rupeevest.com for details or visit us at www.RupeeVest.com

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