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HDFC Mutual Fund stops investments in Long Term Advantage Fund

BY SHIVANI BAZAZ, ET ONLINE | APR 30, 2018, 03.51 PM IST

HDFC Mutual Fund has decided to stop subscriptions in HDFC Long Term Advantage Fund with effect from May 16. The scheme is an Equity-Linked Saving Scheme or a tax-saving mutual fund scheme. The scheme manages Rs 1,515 crore at the moment. The move is in line with Sebi's new re-categorisation norms which allow a fund house to run only one scheme in each category. HDFC Mutual Fund had two ELSS schemes in its stable, and it decided to retain HDFC Tax Saver Fund.

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According to a notice issued by the company, the subscriptions received by the scheme under systematic facilities such as Systematic Investment Plans (SIP), Flex SIP, Systematic Transfer Plans (STP), Flex STP, Swing STP, and Dividend Transfer Plan (DTP) shall cease to be processed after the effective date.

Mutual fund advisors say there is no point staying with the scheme, but many investors will find it difficult to get out at this point. "We believe there is less focus on such schemes because there is no fresh money coming in. Investors who were investing via SIPs have to anyway shift to other tax-saving schemes. But for the money that is already in, you have to wait for the completion of the mandatory lock-in period," says Vishal Dhawan, CFP, Plan Ahead Wealth Advisors.

The fund house has said that the scheme will be merged with another equity scheme after three years. "Investors are further requested to note that Equity-Linked Savings Scheme, 2005 guidelines mandate a lock-in period of three years from the date of allotment of units, therefore, it is proposed to continue to manage the scheme without accepting subscriptions for a period of three years with effect from May 16, 2018. Post completion of no subscription period, the scheme shall be merged with any of the existing open ended equity schemes of the fund after giving an exit option to the unit holders of the scheme," the fund house said.

"Investors who have invested a lumpsum in the scheme should move out if they have completed the mandatory lock-in period or wait till they complete three years. For SIP investors, start investing the SIP amount in another ELSS to get the tax benefit this financial year and wait for three years to get out," advises Puneet Oberoi, Founder, Excellent Investment Advisors.