Letter to all the Unitholders

Dear Unitholder, Date: April 13, 2026

Sub: MERGER OF WHOLESALE AND RETAIL PLANS, NORMAL AND MONTHLY IDCW OPTIONS AND RENAMING OF THE SURVIVING PLANS / OPTIONS OF HDFC ARBITRAGE FUND, AN OPEN ENDED SCHEME INVESTING IN ARBITRAGE OPPORTUNITIES ("THE SCHEME")

Unit holders are requested to note that the following scheme would be undergoing a merger/consolidation as detailed in the table below.

Unit holders are requested to note that the merger or consolidation of the Plans/Options under the Scheme will tantamount to a change in the fundamental attributes in accordance with Regulation 22 (9) (c) of the SEBI (Mutual Funds) Regulations, 2026 ("**MF Regulations**"). The proposed merger or consolidation shall be carried out by implementing a change in the fundamental attributes of the Scheme.

The Board of Directors of HDFC Asset Management Company Limited ("**the AMC**") and the Board of Directors of HDFC Trustee Company Limited ("the Trustees") have approved the aforesaid proposal on **December 3, 2025**. Further, SEBI has also issued its no objection to the said merger vide its communication dated **March 02, 2026**.

Further, for details with respect to the merger, please refer to the points below:

1. **Name of the Scheme:** HDFC Arbitrage Fund.

2. **Proposal**:
   i. Merger of Retail Plan with and into Wholesale Plan of the Scheme.
   ii. Merger of Normal Income Distribution cum Capital Withdrawal (IDCW) Options with and into Monthly IDCW Options under the Wholesale Plan of the Scheme.
   iii. Renaming of the Surviving Plans / Options under the Scheme.

The following table depicts the aforesaid proposal and revised names of the Plans & Options in the Scheme:

Merging Plans/ Options	Surviving Plans/ Options	Revised names of Plans/ Options
HDFC Arbitrage Fund - Retail Plan - Direct Plan - Growth Option	HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Growth Option	HDFC Arbitrage Fund - Direct Plan - Growth Option
HDFC Arbitrage Fund - Retail Plan - Regular Plan - Growth Option	HDFC Arbitrage Fund - Wholesale Plan - Regular Plan - Growth Option	HDFC Arbitrage Fund - Regular Plan - Growth Option
HDFC Arbitrage Fund - Retail Plan - Direct Plan - Quarterly IDCW Payout Option	HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Monthly IDCW Payout Option	HDFC Arbitrage Fund - Direct Plan - Monthly IDCW Payout Option
HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Normal IDCW Payout Option		

HDFC Arbitrage Fund - Retail Plan - Direct Plan - Quarterly IDCW Reinvestment Option	HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Monthly IDCW Reinvestment Option	HDFC Arbitrage Fund - Direct Plan - Monthly IDCW Reinvestment Option
HDFC Arbitrage Fund - Wholesale Plan - Direct Plan - Normal IDCW Reinvestment Option		
HDFC Arbitrage Fund - Retail Plan - Regular Plan - Quarterly IDCW Payout Option	HDFC Arbitrage Fund - Wholesale Plan - Regular Plan - Monthly IDCW Payout Option	HDFC Arbitrage Fund - Regular Plan - Monthly IDCW Payout Option
HDFC Arbitrage Fund - Retail Plan - Regular Plan - Monthly IDCW Payout Option		
HDFC Arbitrage Fund - Wholesale Plan - Regular Plan - Normal IDCW Payout Option		
HDFC Arbitrage Fund - Retail Plan - Regular Plan - Quarterly IDCW Reinvestment Option	HDFC Arbitrage Fund - Wholesale Plan - Regular Plan - Monthly IDCW Reinvestment Option	HDFC Arbitrage Fund - Regular Plan - Monthly IDCW Reinvestment Option
HDFC Arbitrage Fund - Wholesale Plan - Regular Plan - Normal IDCW Reinvestment Option		

3. Rationale for the merger:

i. In line with Clause 3.3 of SEBI Master Circular for Mutual Fund (i.e. offering a single plan under a scheme), new investments under the Retail Plan of the Scheme were discontinued since March 26, 2014. Accordingly, investments/subscriptions, currently are accepted only under the Wholesale Plan of the Scheme. The Average Assets under Management (AAUM) of the Scheme is ₹24,459 crores for the quarter ended March 2026. The AAUM for the Retail Plan of the Scheme is 0.02% of the total AAUM viz. ₹4 crore. Further, the folio count of the Retail Plan of the Scheme is 0.9% of the total folio count. Hence, the proposed merger of Retail Plan with and into Wholesale Plan of the Scheme is expected to bring simplicity for investors and operational efficiency.

ii. The IDCW Options, currently available, under Regular and Direct Plans of the Wholesale Plan of the Scheme are “Normal IDCW Option” and “Monthly IDCW Option”. Keeping in view the nature of the Scheme, IDCW is declared on a Monthly basis even under the Normal IDCW Option. Thus, the proposed merger of Normal IDCW Option with and into Monthly IDCW Option under the Wholesale Plan of the Scheme will bring simplicity for investors from a decision-making standpoint as also bring about operational efficiencies.

iii. The proposed merger shall not in any manner change the existing features/provisions of the Scheme and no new Plans/Options will come into effect. Accordingly, interest of unitholders of the Scheme shall not be adversely affected on account of the proposed merger.

4. Public Notice: A Notice cum Addendum dated April 13, 2026 announcing the merger has been displayed on the website of the AMC.

5. Consequences of merger:

On the Effective Date of the merger, the Merging Plans/Options shall cease to exist and the Unit holders of such Merging Plans/Options as at the close of business hours will be allotted units under the corresponding option of the respective Surviving Plans/Options at the last applicable Net Asset Value ("NAV") on the Effective Date. Provided that, where units are held without distributor code in the Merging Plans/Options, such Unit holders will be allotted units of equivalent value in the Direct Plans/Options of the respective Surviving Plans/Options. In case of any pledge/ lien/ other encumbrance marked on any units in the Merging Plans/Options, the same shall be marked on the units of equivalent value allotted in the respective Surviving Plans/Options.

Post the merger of Normal IDCW Options into Monthly IDCW Options, subscriptions will be received only under the Monthly IDCW Options and existing registrations of systematic transactions under Normal IDCW Options will be processed under the Monthly IDCW Options.

6. Exit Option Period: April 22, 2026 to May 21, 2026 (both days inclusive).

7. Effective Date of merger: May 22, 2026

8. Basis of allotment of new units by way of a numerical illustration:

Illustration on Basis of Allotment of units upon Merger for a consenting Unitholder:

Effective Date of Merger May 22, 2026		
NAV per unit of the Plan / Option of the Merging Plans/Options	(A)	₹20.000
Units outstanding in Merging Plans/Options	(B)	50.000
Outstanding value in Merging Plans/Options	(A) X (B) = (C)	₹1000.00
NAV of the corresponding Surviving Plans /Options	(D)	₹25.000
Units allotted in the corresponding Surviving Plans /Options	(C) / (D) = (E)	40.000
Value of the units allotted in the Surviving Plans /Options	(D) X (E) = (F)	₹1000.00

Please note that the aforesaid is only an illustration and the actual number of units to be allotted under Surviving Plans/Options will be determined by the value of units held in Merging Plans/Options and the NAVs of Merging Plans/Options and Surviving Plans/Options on the last date of the Exit Option Period.

9. The comparison between features of the Merging Scheme and Surviving Scheme is as follows:
Not Applicable - The proposed merger shall not in any manner change the features/provisions of the Scheme and no new plans/options/scheme will come into effect.

10. In accordance with Regulation 22(9)(c) of the SEBI (Mutual Funds) Regulations, 2026, all the existing unit holders under the Scheme, are given an option to exit the Scheme at the applicable Net Asset Value without any exit load on such redemption. This option is valid for a period of 30 calendar days.

11. Please note that unit holders of the Scheme, who do not opt for redemption on or before **May 21, 2026 (up to 3 p.m.)** shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the Surviving Plans/Options of the Scheme.

12. In case the unitholders of the Scheme, who have been given an exit option without any exit load, disagree with the aforesaid changes, they may redeem all or part of the units of the scheme held by them by exercising the Exit Option, without exit load, within the Exit Option Period. Unitholders need to submit a redemption / switch request online or through a physical application form at any official point of acceptance/investor service centre of the AMC or the Registrar and Transfer Agents of the Fund or to the depository participant (DP) (in case of units held in Demat mode). The above

information is also available on the website viz., https://www.hdfcfund.com. The redemption warrant/cheque will be mailed or the amount of redemption will be credited to the unit holders bank account (as registered in the records of the Registrar) within 3 (three) working days from the date of receipt of redemption request.

13. Unit holders can also submit the normal redemption form for this purpose. The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the Scheme. Unit holders should ensure that any changes in address or pay-out bank details if required by them, are updated in HDFC Mutual Fund records at least 10 (Ten) working days before exercising the Exit Option. Unit holders holding Units in dematerialized form may approach their DP for such changes.

14. Unit holders who have pledged / encumbered their units will not have the option to exit unless they submit a release of their pledges / encumbrances prior to submitting their redemption / switch requests.

15. In case investors, who had registered for Systematic investment facilities such as SIP/STP/SWAP in the Merging Plans/Options, decide to continue their investments i.e. do not opt for the Exit Option, then such SIP/STP/SWAP registrations will continue to be processed under the respective Surviving Plans/Options from the Effective Date and no fresh registration will be required. Further, investors who have registered for Systematic investment facilities and who do not wish to continue their future investment facilities must apply for cancellation of such registrations.

16. It may however be noted that the offer to exit is purely optional and not compulsory. If the Unit holder has no objection to the aforesaid change, no action is required to be taken and it would be deemed that such Unit holder has consented to the aforesaid change other than closed ended schemes. However, we, at HDFC Mutual Fund would like the Unit holders to continue their investments with us to help them achieve their financial goals.

17. The expenses related to the proposed changes and other consequential changes as outlined above will not be charged to the unit holders of the scheme of HDFC Mutual Fund.

18. Tax Consequences:

Pursuant to merger, any transfer of units held by the unit holder in the Merging Plans/Options in consideration of the units allotted in the Surviving Plans/Options who decide to continue their investments, will not be considered as redemption of Units in Merging Plans/Options and will not result in short term / long term capital gain / loss in the hands of the Unit holders. Furthermore, the period for which the units in the Merging Plans/Options were held by the Unit holder will be included in determining the period for which corresponding units were held in the Surviving Plans/Options by the Unit holder and the cost of acquisition of units allotted in the Surviving Plans/Options** pursuant to merger will be the cost of acquisition of original units in Merging Plans/Options.
**Finance Act, 2018 has enacted certain amendments for determination of cost of acquisition of the units for the purpose of computing long term capital gains.

Redemption / switch-out of units from the Scheme may entail capital gain/loss in the hands of the unitholder. For unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of HDFC Mutual Fund and Scheme Information Document of the scheme of HDFC Mutual Fund would be applicable. In case of NRI investors, TDS shall be deducted from the redemption proceeds in accordance with the prevailing income tax laws. In view of the individual nature of tax consequences, Unitholders are advised to consult their professional tax advisors for tax advice. The redemption / switch-out of units from the Scheme are liable for deduction of Securities Transaction Tax (STT), wherever applicable; however, such STT shall be borne by AMC and will not be borne by the investor.

Please note that the aforesaid tax neutrality on consolidation/ merger of similar mutual fund schemes or of plans/options of similar mutual fund schemes is subject to compliance of SEBI (Mutual Funds) Regulations, 2026 and Units being held as 'Capital assets' as defined under the Income Tax Act, 1961. The above tax consequences are as per prevailing tax laws. In view of individual nature of tax consequences, Unit holders are advised to consult their financial and tax advisors with respect to tax and other financial implications arising out of their participation in merger of schemes.

Unit holders who require any further information may contact:
HDFC Mutual Fund
Address: HDFC House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai - 400 020. CIN No: L65991MH1999PLC123027
Telephone no.: 1800 3010 6767/ 1800 419 7676 Email id: hello@hdfcfund.com

Yours faithfully

For HDFC Asset Management Company Limited
(Investment Manager to HDFC Mutual Fund)

Sd/-
Authorised Signatory

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

Annexure 1

Latest Performance of HDFC Arbitrage Fund (as on March 31, 2026)

Wholesale Plan

HDFC Arbitrage Fund - Regular Plan - Growth Option

Period	Returns (%) ^	Benchmark Returns (%) #
Last 1 Year	6.09	7.24
Last 3 Years	7.00	7.68
Last 5 Years	5.94	6.41
Since Inception*	6.51	NA

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

Returns greater than one year are compounded annualized (CAGR).

** Inception Date: 23-10-2007*

 # NIFTY 50 Arbitrage Index (TRI)

N. A – Not Applicable

Since inception returns are calculated on Rs. 10 (allotment price).

HDFC Arbitrage Fund - Direct Plan - Growth Option

Period	Returns (%) ^	Benchmark Returns (%) #
Last 1 Year	6.66	7.24
Last 3 Years	7.56	7.68
Last 5 Years	6.50	6.41
Since Inception*	6.45	5.99

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

Returns greater than one year are compounded annualized (CAGR).

**Inception Date: 07-04-2014*

 # NIFTY 50 Arbitrage Index (TRI)

Since inception returns are calculated on Rs. 10 (allotment price)

Retail Plan

HDFC Arbitrage Fund - Regular Plan - Growth Option

Period	Returns (%) ^	Benchmark Returns (%) #
Last 1 Year	6.11	7.24
Last 3 Years	6.82	7.68
Last 5 Years	5.79	6.41
Since Inception*	6.33	NA

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

Returns greater than one year are compounded annualized (CAGR).

N. A – Not Applicable

** Inception Date: 23-10-2007*

 # NIFTY 50 Arbitrage Index (TRI)

Since inception returns are calculated on Rs. 10 (allotment price).

HDFC Arbitrage Fund - Direct Plan - Growth Option

Period	Returns (%) ^	Benchmark Returns (%) #
Last 1 Year	6.66	7.24
Last 3 Years	7.56	7.68
Last 5 Years	6.50	6.41
Since Inception*	6.64	6.20

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

Returns greater than one year are compounded annualized (CAGR).

**Inception Date: 07-04-2014*

 # NIFTY 50 Arbitrage Index (TRI)

Since inception returns are calculated on Rs. 10 (allotment price)