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Letter to Unitholders of HDFC Hybrid Equity Fund

Dear Unitholder, Date: July 16, 2026

Sub: Change in fundamental attributes of HDFC Hybrid Equity Fund of HDFC Mutual Fund ("the Fund")

Unit holders are requested to note that HDFC Hybrid Equity Fund ("the Scheme") will be undergoing changes in its key features. The changes, indicated in the below table will be considered as change in the fundamental attributes in line with Regulation 22(9)(c) of the SEBI (Mutual Funds) Regulations, 2026 ("MF Regulations") read with clause 1.9.2 and 22.10.1 of Master Circular for Mutual Funds dated March 20, 2026. Accordingly, the proposed changes shall be carried out by implementing the process for change in the fundamental attributes of a scheme.

1. **Name of the Scheme/s:** HDFC Hybrid Equity Fund
2. **Rationale for the change/s:** It is proposed to introduce covered call strategy as it may present opportunities resulting in better risk adjusted returns for the Scheme and additional returns in the form of option premium in a range bound market.
3. **Comparison between the existing and proposed features of the Scheme is as follows:**

<table>
<tr><th>Particulars</th><th>Existing Provision</th><th>Proposed Provision</th></tr>
<tr><td>Asset Allocation Pattern* - Indicative Table</td><td>-</td><td><table><tr><th>Type of Instrument</th><th>Percentage of Exposure</th><th>Circular references</th></tr><tr><td>Covered Call derivatives</td><td>As per regulatory limits</td><td>Clause 13.15.1 of Master Circular</td></tr></table></td></tr>
<tr><td rowspan="2">Where Will the Scheme Invest / Trading in derivatives / Exposure Limits for covered call*</td><td>The Scheme shall not write options or purchase instruments with embedded written options.</td><td>The Scheme shall not write options or purchase instruments with embedded written options <u>except for the covered call strategy</u>.</td></tr>
<tr><td>-</td><td>Exposure on account of call option written under the covered call strategy:

The Scheme will write call options only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

a) The total notional value (taking into account strike price as well as premium value) of call options written shall not</td></tr>
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		exceed 15% of the total market value of the underlying equity shares held at all points in time. In case of any passive breach, the Schemes shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options will be written in the Scheme. b) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of the particular company held in the Scheme at all points in time. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances. c) In case the Scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with (a) and (b) above while selling the securities. d) The Scheme shall not write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts. e) The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the Scheme until the position is closed or expired.
Benefits and Risks of Covered Call Strategy	-	When the Scheme sells a covered call (also known as writing a covered call), it would mean that the Scheme would already be owning shares of the underlying stock and is selling a call which grants the buyer right, but not the obligation, to buy that stock at a set price until the option expires. The Scheme would earn income known as option price or value premium (commonly known as the option premium). An option's premium is based on several factors, like time value, intrinsic value, and implied volatility etc. **Benefits:** The key benefit of writing a covered call option is to generate additional income (i.e. the proceeds of the options sale or option premium) on a stock already owned by the Fund. This enhances returns on a security that, in the fund manager's view, is not expected to move in the short-term. It can also be used as an exit strategy for a long position. The downside from fall in the stock price would be lower to the extent of the premium earned from the call option. **Risk:** Incorrectly pricing the option premium before writing the covered call by ignoring factors which determine pricing like

		number of days to expiry, adjustment with respect to announced corporate actions like dividend etc. For illustrations on Covered Call strategy, please refer Statement of Additional Information of HDFC Mutual Fund.

*** Considered as Fundamental Attribute Change**

All other features of the Scheme except those mentioned above will remain unchanged.

4. The Board of Directors of HDFC Asset Management Company Limited have approved the above proposed changes and the Board of Directors of HDFC Trustee Company Limited have noted the same. Further, SEBI, vide email dated July 01, 2026 has noted the proposed changes.

5. In line with regulatory requirements, on account of the proposed change in fundamental attributes, we are offering an exit window ("**Exit Option**") of 30 days to the existing Unit holders [i.e. those Unit holders / investors whose valid applications have been received by the Fund till 3:00 p.m. on **July 16, 2026** from **July 27, 2026** to upto 3.00 p.m. on **August 25, 2026** (both days inclusive) ("**Exit Option Period**"). These changes will be effective from **August 26, 2026** ("**Effective Date**"). During the Exit Option Period, unit holders not consenting to the change may either switch to any other scheme of HDFC Mutual Fund or redeem their units at applicable Net Asset Value without payment of exit load, subject to provisions of applicable cut-off time as stated in the Scheme Information Document (SID) of the Scheme. All redemption/switch out requests received on or after August 25, 2026 post 3.00 pm will be subject to applicable exit load (if any), under the Scheme.

6. The above information is also available on the website of HDFC Mutual Fund viz., www.hdfcfund.com

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

8. Investors who have registered for Systematic Investment Plan (SIP) and who do not wish to continue their future investments must apply for cancellation of their SIP registrations.

9. 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. Physical dispatch of redemption warrant/cheque will be carried out only in exceptional circumstances.

10. It may be noted that the offer to exit is purely optional and not compulsory. If the Unit holder has no objection to the proposed change, no action is required to be taken and it would be deemed that such Unit holder has consented to the proposed change.

11. The option to redeem the Units without exit load during the Exit Option Period can be exercised in the following manner:

(a) Unit holders can submit redemption / switch out requests online or via duly completed physical application form at any official points of acceptance/Investor Service Centres of the Fund or to the depository participant (DP) (in case of units held in Demat mode).
(b) The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the Scheme.
(c) Unit holders should ensure that any changes in address or pay-out bank details required by them, are updated in HDFC Mutual Fund's 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.

12. The expenses related to the proposed changes will not be charged to the unit holders of the Scheme.

13. Tax Consequences:
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 the Fund and SID of Scheme of the 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.

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.
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
CIN no. L65991MH1999PLC123027

Sd/-
Authorised Signatory

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