



May 14, 2014

Dear Unit holder,

**Subject: Merger of HDFC Focused Large-Cap Fund into HDFC Equity Fund**

Thank you for your investment in HDFC Focused Large-Cap Fund, an open ended equity scheme.

**I. Proposal**

We would like to inform you that the respective Boards of Directors of HDFC Asset Management Company Limited ("HDFC AMC") and HDFC Trustee Company Limited ("HDFC Trustee"), the asset management company and trustee company respectively of HDFC Mutual Fund ("HDFC MF") have approved the merger of **HDFC Focused Large-Cap Fund** (also referred to as "the Scheme" / "HFLCF" / "Transferor Scheme") into **HDFC Equity Fund**, an open ended growth scheme (also referred to as "HEF" / "Transferee Scheme") with effect from after the close of business hours on **June 20, 2014** ("Effective Date").

Securities and Exchange Board of India ("SEBI") has also vide its letter No. OW/13162/2014 dated May 8, 2014 confirmed its no objection to the proposed merger.

**II. Rationale for Merger**

HDFC AMC and HDFC Trustee have entered into an agreement with Morgan Stanley Investment Management Private Limited ("MS AMC") and the Board of Trustees of Morgan Stanley Mutual Fund (the "MS Trustees"), the existing asset management company and trustees of Morgan Stanley Mutual Fund ("MSMF"), pursuant to which the schemes of MSMF ("MSMF Schemes") will be transferred to and form part of HDFC MF, HDFC Trustee will take over the trusteeship of the MSMF Schemes from the MS Trustees and HDFC AMC will take over the rights to manage the MSMF Schemes from MS AMC and become the investment manager of the MSMF Schemes (the "Transaction"). Pursuant to the proposed acquisition of MSMF Schemes, HDFC MF may have in its bouquet of products, similar schemes. Thus, in order to avoid similar schemes and to enable optimal utilization of resources, in the interest of investors, it is proposed to carry out certain changes to the MSMF Schemes by implementing changes in their fundamental attributes and by merging certain MSMF Schemes with existing schemes of HDFC MF ("HDFC MF Schemes"). As part of the proposal, Board of Directors of HDFC Trustee and HDFC AMC have also approved the merger of HFLCF into HEF.

**III. Consequences of Merger**

1. As a result of the above merger, no new scheme will come into effect. On the Effective Date, HFLCF will cease to exist and the unit holders of HFLCF as on the Effective Date will be allotted units under the corresponding option of HEF at the last available applicable Net Asset Value ("NAV"). In case of any pledge / lien / other encumbrance marked on any units in HFLCF, the same shall be marked on the corresponding number of units allotted in HEF.
2. A fresh account statement, reflecting the new units of HEF allotted, will be sent to the unit holders of HFLCF. The units allotted in HEF shall be treated as a fresh subscription. **Accordingly, all provisions under HEF will apply including exit load and the period of holding for the purpose of taxation / exit load will be computed from the Effective Date.**
3. From the Effective Date, HEF will be the surviving scheme and the investment objective, investment pattern, annual scheme recurring expenses structure and all other provisions of HEF will remain unchanged.
4. For unit holders of HFLCF who have registered for systematic investment facility such as SIP / Micro SIP / Group SIP, the said registration(s) will continue under the corresponding Plan / Option of HEF, from the Effective Date. However, all registrations for any other systematic transfer facilities for e.g. Systematic Transfer Plans (STPs), Systematic Withdrawal Plans (SWPs), Flex STP, Flex Index Plan, Swing STP, Dividend Transfer Plans (DTPs), etc. shall automatically cease to have effect on the Effective Date. Unit holders seeking to continue with their systematic transfer facilities shall have to register afresh.

...contd/-



Website : [www.hdfcfund.com](http://www.hdfcfund.com)  
[m.hdfcfund.com](http://m.hdfcfund.com)



SMS HDFCMF TO 56767



[cliser@hdfcfund.com](mailto:cliser@hdfcfund.com)



1800 3010 6767 (TOLL FREE)  
1800 419 7676

5. Please refer **Exhibit A** for details pertaining to the Transferor Scheme and Transferee Scheme to be provided to you as per SEBI (Mutual Funds) Regulations, 1996 ("**MF Regulations**") and circulars and guidelines issued there under.

#### **IV. Exit Option**

1. Merger of schemes is considered as a change in the fundamental attributes of the schemes as per Circular No. SEBI/MFD/Cir No. 05 / 12031 / 03 dated June 23, 2003 issued by SEBI in this behalf. As per Regulation 18(15A) of the MF Regulations, change in fundamental attributes can be carried out only after the unit holders of the schemes concerned have been informed of the change via written communication and an option to exit the scheme(s) within a period of 30 days at the prevailing NAV without any exit load is provided to them. However, as per Circular No. Cir / IMD / DF / 15 / 2010 dated October 22, 2010 issued by SEBI, exit option is not required to be given to the unit holders of the Transferee Scheme if there is no change in the fundamental attributes of that scheme, the circumstances merit a merger and the interest of the unit holders of the Transferee Scheme is not adversely affected.
2. In accordance with the MF Regulations, existing unit holders under the Scheme (i.e. whose valid applications have been received by HDFC MF upto 3.00 p.m. on May 14, 2014) who are not in agreement with the proposed merger, may redeem their units or switch to other available/ eligible schemes of HDFC MF at the prevailing NAV without payment of any exit load between **May 22, 2014** and **June 20, 2014** (upto 3.00 pm on **June 20, 2014**) (both days inclusive). Unit holders who do not exercise the exit option upto 3.00 p.m. on **June 20, 2014**, shall be deemed to have consented to the proposed changes.
3. Redemption / Switch requests may be lodged at any of the Official Points of Acceptance of HDFC Mutual Fund. For list of Official Points of Acceptance, please visit our website [www.hdfcfund.com](http://www.hdfcfund.com). The redemption payment will be made within 10 Business Days of receipt of valid redemption request to those unit holders who choose to exercise their exit option. However, HDFC Mutual Fund would endeavour to make redemption payment within 3–4 Business Days from the date of acceptance of the redemption request. Unit holders who have pledged / encumbered their units will have the option to exit only if they submit a release of their pledges / encumbrances prior to submitting their redemption / switch requests during the exit option period. In case a lien is marked on units held by a unit holder or units have been frozen / locked pursuant to an order of a governmental authority or a court, redemption / switch-out can be executed only after the lien / order is vacated / revoked within the exit option period specified above.
4. **Investors who have registered for Systematic Investment Plan (SIP) in the Scheme and who do not wish to continue their future investments in the Transferee Scheme, must apply for cancellation of their SIP registrations.**
5. Unit holders should ensure that change in address / pay-out bank details, if any required by them, are updated in HDFC MF's records before exercising the exit option. Unit holders holding units in dematerialized form may approach their Depository Participant for such changes.
6. **Tax Consequences:**
  - a. Securities Transaction Tax (STT) on redemption / switch-out of units, if any, exercised during the exit option period or on extinguishment of units under Transferor Scheme and allotment under the Transferee Scheme upon merger of schemes on Effective Date, shall be borne by HDFC AMC.
  - b. Redemption / Switch-out by the unit holders due to the merger or due to any other reasons, may entail tax consequences.
  - c. Further, there may be a change in the number of units held in the Transferee Scheme due to the merger. This may result in capital gain / capital loss in the hands of the investors entailing tax consequences.
  - d. In case of Non Resident Indians (NRIs), tax, if any, at applicable rates will be withheld by HDFC MF / HDFC AMC.

In view of the individual nature of the implications, each unit holder is advised to consult his own tax advisor.

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## V. Unclaimed Dividends and Redemptions

In view of the decision to transfer the balance remaining unclaimed on accounts of redemption proceeds and dividends in the accounts from HFLCF to HEF, set out below are the details of the unclaimed dividend and redemption amounts in these schemes as on March 31, 2014:

Scheme Name	Unclaimed Dividend (Rs.)	Unclaimed Redemption (Rs.)
HFLCF	71,97,512.76	73,07,301.07
HEF	4,12,44,305.01	2,02,69,285.59

The request for reissue / revalidation of instruments towards unclaimed redemption / dividend should be made by the unit holder to Computer Age Management Services Private Limited (CAMS) or the Investor Service Centres of HDFC AMC.

**Unit holders may note that no action is required in case they are in agreement with the aforesaid changes. The offer to exit is optional at the discretion of the unit holders and not compulsory.** We would like you to remain invested in the Scheme.

In case you require any further information / assistance, please contact us on our toll-free numbers 1800 3010 6767 / 1800 419 7676 or visit the nearest Investor Service Centre (details of which are available on the website of HDFC Mutual Fund i.e. [www.hdfcfund.com](http://www.hdfcfund.com)).

We look forward to your continued support.

Yours sincerely,



**John Mathews**

Executive Vice President & Head – Client Services

Encl: As above.

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**Exhibit A**

**I. HDFC Focused Large-Cap Fund (HFLCF) and HDFC Equity Fund (HEF)**

**A. Portfolios of HFLCF and HEF as on April 30, 2014**

**(i) HFLCF**

ISIN	Name Of Instrument	Industry+	Quantity	Market / Fair Value (Rs. in Lacs)	% to NAV
<b>EQUITY &amp; EQUITY RELATED</b>					
<b>(a) Listed / awaiting listing on Stock Exchanges</b>					
<b>Equity</b>					
• INE090A01013	ICICI Bank Ltd.	Banks	308,844	3,840.17	9.18
• INE002A01018	Reliance Industries Ltd.	Petroleum Products	320,463	2,998.89	7.17
• INE009A01021	Infosys Ltd.	Software	92,500	2,942.24	7.03
• INE062A01012	State Bank of India	Banks	132,388	2,751.82	6.58
• INE154A01025	ITC Ltd.	Consumer Non Durables	800,000	2,726.00	6.52
• INE467B01029	Tata Consultancy Services Ltd.	Software	98,000	2,145.42	5.13
• INE274J01014	Oil India Ltd.	Oil	445,907	2,128.09	5.09
• INE029A01011	Bharat Petroleum Corporation Ltd.	Petroleum Products	461,892	2,101.15	5.02
• INE040A01026	HDFC Bank Ltd.	Banks	260,000	1,875.38	4.48
• INE018A01030	Larsen & Toubro Ltd.	Construction Project	137,790	1,783.14	4.26
• IN9155A01020	Tata Motors Ltd. DVR	Auto	772,875	1,749.40	4.18
• INE205A01025	Sesa Sterlite Ltd.	Minerals/Mining	670,228	1,242.27	2.97
• INE028A01013	Bank of Baroda	Banks	150,000	1,225.43	2.93
• INE059A01026	Cipla Ltd.	Pharmaceuticals	300,200	1,193.14	2.85
• INE075A01022	Wipro Ltd.	Software	201,658	1,053.36	2.52
• INE047A01013	Grasim Industries Ltd.	Cement	36,420	952.77	2.28
• INE081A01012	Tata Steel Ltd.	Ferrous Metals	200,000	801.30	1.92
• INE213A01029	Oil & Natural Gas Corporation Ltd.	Oil	235,201	764.64	1.83
• INE238A01026	Axis Bank Ltd.	Banks	47,750	724.46	1.73
• INE089A01023	Dr. Reddy's Laboratories Ltd.	Pharmaceuticals	25,000	676.54	1.62
• INE020B01018	Rural Electrification Corporation Ltd.	Finance	200,000	475.80	1.14
• INE101A01026	Mahindra & Mahindra Ltd.	Auto	40,000	429.68	1.03
• INE245A01021	Tata Power Co. Ltd.	Power	541,764	423.12	1.01
• INE044A01036	Sun Pharmaceuticals Industries Ltd.	Pharmaceuticals	65,000	411.32	0.98
• INE095A01012	Indusind Bank Ltd.	Banks	85,000	406.60	0.97
• INE742F01042	Adani Ports and Special Economic Zone Ltd.	Transportation	213,553	401.91	0.96
• INE129A01019	GAIL (India) Ltd.	Gas	89,000	329.39	0.79
• INE522F01014	Coal India Ltd.	Minerals/Mining	100,000	291.85	0.70
• INE733E01010	NTPC Ltd.	Power	250,000	290.88	0.70
• INE259A01022	Colgate Palmolive (India) Ltd.	Consumer Non Durables	17,000	243.90	0.58
• INE910H01017	Cairn India Ltd.	Oil	68,816	230.64	0.55
• INE397D01024	Bharti Airtel Ltd.	Telecom - Services	64,000	209.95	0.50
<b>Sub Total</b>				<b>39,820.65</b>	<b>95.20</b>
<b>(b) Unlisted</b>				<b>Nil</b>	<b>Nil</b>
<b>Total</b>				<b>39,820.65</b>	<b>95.20</b>
<b>OTHERS</b>					
<b>Net Current Assets</b>				<b>2,020.90</b>	<b>4.80</b>
<b>Total</b>				<b>2,020.90</b>	<b>4.80</b>
<b>Grand Total</b>				<b>41,841.55</b>	<b>100.00</b>

- Top Ten Holdings, (+) Industry Classification as recommended by AMFI, DVR- Differential Voting Rights

**Notes :**

- 1) Total NPAs provided for and its percentage to NAV: Nil
- 2) Total value and percentage of Illiquid Equity Shares: Nil
- 3) NAVs per unit (Rs.):

NAVs per unit (Rs.)	April 30, 2014	March 31, 2014
<b>Regular Plan</b>		
Growth Option	18.060	17.936
Dividend Option	10.530	10.458
<b>Direct Plan</b>		
Growth Option	18.184	18.052
Dividend Option	10.587	10.510

- 4) Dividend declared during the period April 1, 2014 to April 30, 2014 (Rs.): Nil
- 5) Total outstanding exposure in Derivative Instruments as on April 30, 2014: Nil
- 6) Total investments in Foreign Securities / Overseas ETFs / ADRs / GDRs: Nil
- 7) Portfolio Turnover Ratio ¥: 37.94%
- 8) Repo in Corporate Debt: Nil

¥ Portfolio Turnover Ratio = Lower of purchases or sales of securities during the twelve months ended April 30, 2014 / Average Net Assets during the twelve months ended April 30, 2014.

(ii) HEF

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	ISIN	Name Of Instrument	Industry+ / Rating	Quantity	Market / Fair Value (Rs. in Lacs)	% to NAV
<b>EQUITY &amp; EQUITY RELATED</b>						
<b>(a) Listed / awaiting listing on Stock Exchanges</b>						
<b>Equity</b>						
•	INE062A01012	State Bank of India	Banks	4,950,000	102,890.70	8.92
•	INE009A01021	Infosys Ltd.	Software	2,768,656	88,065.41	7.64
•	INE090A01013	ICICI Bank Ltd.	Banks	6,602,000	82,089.27	7.12
•	INE406A01037	Aurobindo Pharma Ltd.	Pharmaceuticals	8,724,000	49,997.24	4.34
•	IN9155A01020	Tata Motors Ltd. DVR	Auto	21,422,875	48,490.68	4.21
•	INE018A01030	Larsen & Toubro Ltd.	Construction Project	3,585,500	46,399.96	4.02
•	INE154A01025	ITC Ltd.	Consumer Non Durables	12,102,098	41,237.90	3.58
•	INE028A01013	Bank of Baroda	Banks	4,602,128	37,597.08	3.26
•	INE029A01011	Bharat Petroleum Corporation Ltd.	Petroleum Products	8,200,940	37,306.08	3.24
•	INE585B01010	Maruti Suzuki India Ltd.	Auto	1,802,482	34,661.73	3.01
	INE002A01018	Reliance Industries Ltd.	Petroleum Products	3,696,000	34,587.17	3.00
	INE040A01026	HDFC Bank Ltd.	Banks	4,782,000	34,492.57	2.99
	INE467B01029	Tata Consultancy Services Ltd.	Software	1,562,830	34,213.47	2.97
	INE663F01024	Info Edge (India) Ltd.	Software	5,212,226	30,488.92	2.64
	INE067A01029	Crompton Greaves Ltd.	Industrial Capital Goods	17,320,352	28,509.30	2.47
	INE001A01036	Housing Development Finance Corporation Ltd.\$	Finance	3,125,000	28,060.94	2.43
	INE486A01013	CESC Ltd.	Power	6,047,355	27,509.42	2.39
	INE274J01014	Oil India Ltd.	Oil	5,464,571	26,079.67	2.26
	INE179A01014	Procter & Gamble Hygiene and Health Care Ltd.	Consumer Non Durables	739,789	25,175.39	2.18
	INE787D01026	Balkrishna Industries Ltd.	Auto Ancillaries	4,728,200	24,875.06	2.16
	INE314A01017	CMC Ltd.	Software	1,691,392	24,239.34	2.10
	INE020B01018	Rural Electrification Corporation Ltd.	Finance	8,583,350	20,419.79	1.77
	INE205A01025	Sesa Sterlite Ltd.	Minerals/Mining	7,815,474	14,485.98	1.26
	INE081A01012	Tata Steel Ltd.	Ferrous Metals	3,542,513	14,193.08	1.23
	INE049B01025	Wockhardt Ltd.	Pharmaceuticals	1,822,957	13,989.37	1.21
	INE160A01014	Punjab National Bank	Banks	1,737,367	13,610.53	1.18
	INE242A01010	Indian Oil Corporation Ltd.	Petroleum Products	4,929,217	12,986.02	1.13
	INE213A01029	Oil & Natural Gas Corporation Ltd.	Oil	3,858,547	12,544.14	1.09
	INE094A01015	Hindustan Petroleum Corporation Ltd.	Petroleum Products	3,364,411	10,828.36	0.94
	INE217B01028	Kajaria Ceramics Ltd.	Construction	2,324,896	10,408.56	0.90
	INE742F01042	Adani Ports and Special Economic Zone Ltd.	Transportation	5,310,000	9,993.42	0.87
	INE476A01014	Canara Bank	Banks	3,427,000	9,789.23	0.85
	INE047A01013	Grasim Industries Ltd.	Cement	352,815	9,229.82	0.80
	INE059A01026	Cipla Ltd.	Pharmaceuticals	2,275,432	9,043.70	0.78
	INE648A01026	State Bank of Bikaner & Jaipur	Banks	2,462,947	8,658.49	0.75
	INE455F01025	Jaiprakash Associates Ltd.	Construction	15,160,043	8,163.68	0.71
	INE640A01023	SKF India Ltd.	Industrial Products	988,587	8,017.44	0.70
	INE141A01014	Oriental Bank of Commerce	Banks	2,997,035	7,413.17	0.64
	INE442H01029	Ashoka Buildcon Ltd.	Construction Project	7,500,000	7,016.25	0.61
	INE134E01011	Power Finance Corporation Ltd.	Finance	3,720,000	6,839.22	0.59
	INE351F01018	Jaiprakash Power Ventures Ltd.	Power	45,413,347	6,743.88	0.58
	INE269B01029	Lakshmi Machine Works Ltd.	Industrial Capital Goods	192,132	5,667.80	0.49
	INE026A01025	Gujarat State Fertilizers & Chemicals Ltd.	Fertilisers	9,805,500	5,407.73	0.47
	INE338I01027	Motilal Oswal Financial Services Ltd.	Finance	4,942,000	5,159.45	0.45
	INE003A01024	Siemens Ltd.	Industrial Capital Goods	593,574	4,120.59	0.36
	INE035D01012	Savita Oil Technologies Ltd.	Petroleum Products	830,063	4,098.02	0.36
	INE508G01029	Time Technoplast Ltd.	Industrial Products	8,510,136	3,170.03	0.27
	INE049A01027	Himatsingka Seide Ltd.	Textile Products	5,206,277	3,092.53	0.27
	INE075A01022	Wipro Ltd.	Software	500,000	2,611.75	0.23
	INE059B01024	Simplex Infrastructures Ltd.	Construction	1,516,899	2,509.71	0.22
					<b>1,137,179.04</b>	<b>98.64</b>
<b>Preference Shares</b>						
	INE256A04014	Zee Entertainment Enterprises Ltd.*	Media And Entertainment	45,266,466	362.13	0.03
	<b>Sub Total</b>				<b>1,137,541.17</b>	<b>98.67</b>
<b>(b) Unlisted</b>						
	<b>Total</b>				<b>1,137,541.17</b>	<b>98.67</b>
<b>MONEY MARKET INSTRUMENTS</b>						
<b>Bills Rediscounting</b>						
	<b>Commercial Papers (CP) / Certificate Of Deposit (CD)</b>				<b>Nil</b>	<b>Nil</b>
	<b>Treasury Bills</b>				<b>Nil</b>	<b>Nil</b>
	<b>Collateralised Borrowing &amp; Lending Obligation</b>				<b>17,871.98</b>	<b>1.55</b>
	<b>Total</b>				<b>17,871.98</b>	<b>1.55</b>
<b>OTHERS</b>						
	<b>Net Current Assets</b>				<b>(2,423.01)</b>	<b>(0.22)</b>
	<b>Total</b>				<b>(2,423.01)</b>	<b>(0.22)</b>
	<b>Grand Total</b>				<b>1,152,990.14</b>	<b>100.00</b>

\* Bonus issue of 6% Cumulative Redeemable, Non-Convertible Preference shares of Re. 1 each

• Top Ten Holdings, (+) Industry Classification as recommended by AMFI, (\$) Sponsor, DVR - Differential Voting Rights



## Notes :

- 1) Total NPAs provided for and its percentage to NAV: Nil
- 2) Total value and percentage of Illiquid Equity Shares: Nil
- 3) NAVs per unit (Rs.):

NAVs per unit (Rs.)	April 30, 2014	March 31, 2014
<b>Regular Plan</b>		
Growth Option	340.790	331.986
Dividend Option	42.950	41.840
<b>Direct Plan</b>		
Growth Option	343.827	334.760
Dividend Option	43.374	42.230

- 4) Dividend declared during the period April 1, 2014 to April 30, 2014 (Rs.): Nil
- 5) Total outstanding exposure in Derivative Instruments as on April 30, 2014: Nil
- 6) Total investments in Foreign Securities / Overseas ETFs / ADRs / GDRs: Nil
- 7) Portfolio Turnover Ratio ¥: 35.89%
- 8) Repo in Corporate Debt: Nil

¥ Portfolio Turnover Ratio = Lower of purchases or sales of securities during the twelve months ended April 30, 2014 / Average Net Assets during the twelve months ended April 30, 2014.

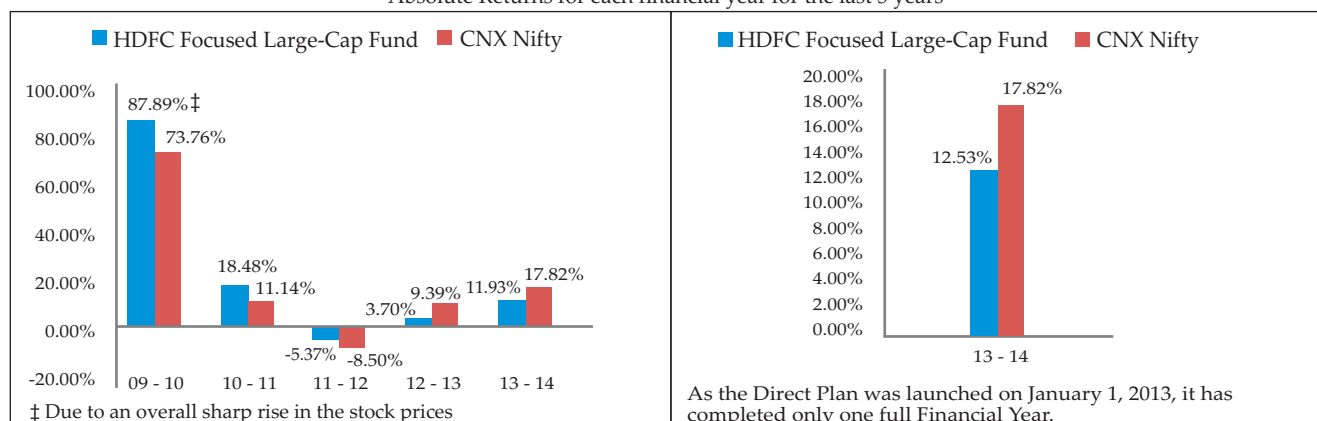
## B. Investment Objective and Asset Allocation Pattern Table

Scheme Name	Investment Objective	Asset Allocation Pattern														
HFLCF	To generate long term capital appreciation from a focused portfolio that is invested in Large cap Companies.	<table><tr><th rowspan="2">Type of Instruments</th><th colspan="2">Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Minimum</th><th>Maximum</th></tr><tr><td>Equity and equity related instruments of Large cap Companies#</td><td>80</td><td>100</td><td>High</td></tr><tr><td>Debt Securities and money market instruments</td><td>0</td><td>20</td><td>Low</td></tr></table> <p># of which top 10 stocks shall be at least 50% of the net assets The Scheme will not invest in Securitised Debt.</p>	Type of Instruments	Allocation (% of Net Assets)		Risk Profile	Minimum	Maximum	Equity and equity related instruments of Large cap Companies#	80	100	High	Debt Securities and money market instruments	0	20	Low
Type of Instruments	Allocation (% of Net Assets)			Risk Profile												
	Minimum	Maximum														
Equity and equity related instruments of Large cap Companies#	80	100	High													
Debt Securities and money market instruments	0	20	Low													
HEF	To achieve capital appreciation.	<table><tr><th>Type of Instruments</th><th>Normal Allocation (% of Net Assets)</th><th>Risk Profile</th></tr><tr><td>Equity and equity related instruments</td><td>80-100</td><td>Medium to High</td></tr><tr><td>Debt and money market instruments*</td><td>0-20</td><td>Low to Medium</td></tr></table> <p>*Investment in Securitised debt, if undertaken, would not exceed 20% of the net assets of the Scheme.</p>	Type of Instruments	Normal Allocation (% of Net Assets)	Risk Profile	Equity and equity related instruments	80-100	Medium to High	Debt and money market instruments*	0-20	Low to Medium					
Type of Instruments	Normal Allocation (% of Net Assets)	Risk Profile														
Equity and equity related instruments	80-100	Medium to High														
Debt and money market instruments*	0-20	Low to Medium														

## C. Financial Performance

HFLCF – Regular Plan – Growth Option			HFLCF – Direct Plan – Growth Option		
Compounded Annualised Returns as at April 30, 2014	Scheme Returns (%)^	Benchmark Returns %#	Compounded Annualised Returns as at April 30, 2014	Scheme Returns (%)^	Benchmark Returns %#
Last 1 Year (365 days)	8.25	12.92	Last 1 Year (365 days)	8.81	12.92
Last 3 Years (1097 days)	2.38	5.20	Since Inception@ (484 days)	4.74	9.31
Last 5 Years (1827 days)	16.54	14.01	@ Inception Date: January 1, 2013 # CNX Nifty		
Since Inception* (3001 days)	7.45	10.14	Since inception returns are calculated on Rs. 17.100 (allotment price)		
*Inception Date: February 10, 2006 # CNX Nifty					
Since inception returns are calculated on Rs.10 (allotment price)					

## Absolute Returns for each financial year for the last 5 years^

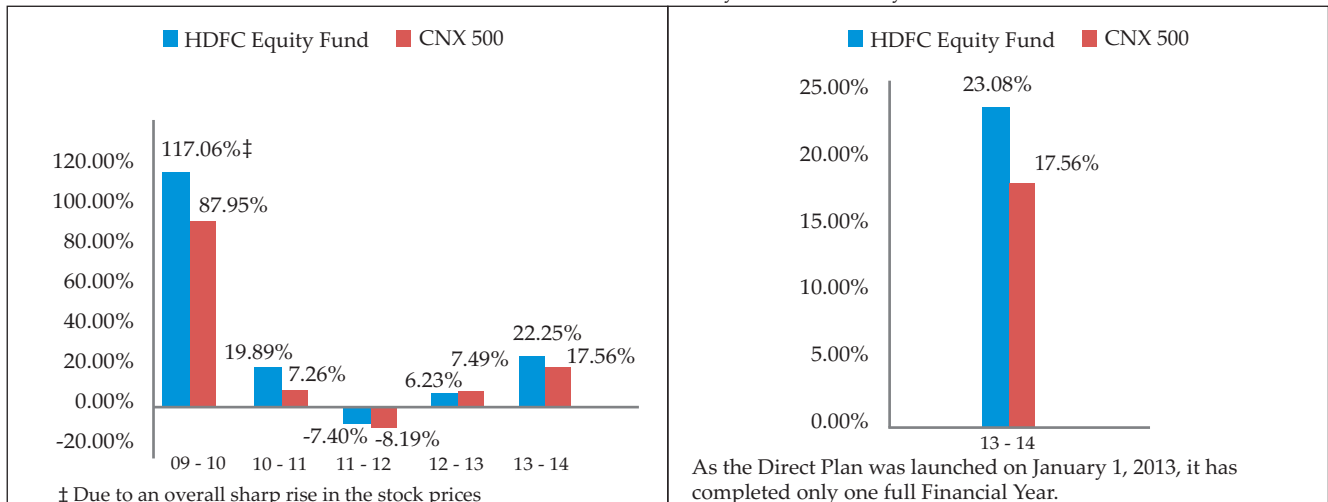


^Past performance may or may not be sustained in the future

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HEF – Regular Plan – Growth Option			HEF – Direct Plan – Growth Option		
Compounded Annualised Returns as at April 30, 2014	Scheme Returns (%)^	Benchmark Returns %^#	Compounded Annualised Returns as at April 30, 2014	Scheme Returns (%)^	Benchmark Returns %^#
Last 1 Year (365 days)	20.78	13.23	Last 1 Year (365 days)	21.60	13.23
Last 3 Years (1097 days)	5.96	4.42	Since Inception@ (484 days)	11.71	7.31
Last 5 Years (1827 days)	21.78	14.55	@Inception Date: January 1, 2013 # CNX 500 Since inception returns are calculated on Rs.296.876 (allotment price)		
Since Inception* (7059 days)	20.02	9.11			
*Inception Date: January 1, 1995 # CNX 500 Since inception returns are calculated on Rs.10 (allotment price)					

Absolute Returns for each financial year for the last 5 years^



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

#### D. Percentage of total non-performing assets and percentage of total illiquid assets to net assets as at April 30, 2014

Scheme Name	Total non-performing assets as % to net assets	Total illiquid assets as % to net assets
HFLCF	Nil	Nil
HEF	Nil	Nil

#### E. Tax impact of consolidation on the unit holders

Investors of HFLCF will be issued fresh units in HEF in lieu of units held in HFLCF and the transaction shall be treated as redemption of units in HFLCF and may result in a capital gain or loss in the hands of the investors, entailing tax consequences. However, Securities Transaction Tax (STT) on such redemption shall be borne by HDFC AMC. Further, in case of Non Resident Indians (NRIs), tax, if any, at applicable rates will be withheld by HDFC Mutual Fund / HDFC AMC. The number of units allotted to NRIs will accordingly be reduced to the extent of value of such taxes withheld.

The units allotted in HEF shall be treated as a fresh subscription in HEF.

In view of the individual nature of the implications, each unit holder is advised to consult his own tax advisor.

#### F. Total expense ratio as on April 30, 2014

Scheme Name	As per Scheme Information Document (% p.a.)	Actual charged (% p.a.)
HFLCF	2.50 + 0.20 + 0.30 = 3.00	Regular Plan – 2.79 Direct Plan – 2.29
HEF	2.50 + 0.20 + 0.30 = 3.00	Regular Plan – 2.16 Direct Plan – 1.49

#### G. Main Features - HEF

Particulars	Details
Plans / Options	<b>Plans:</b> Regular & Direct <b>Options:</b> Growth, Dividend (Payout and Re-investment)
Minimum Application Amount	<b>Purchase:</b> Rs. 5,000 and any amount thereafter. <b>Additional Purchase:</b> Rs. 1,000 and any amount thereafter.
Minimum Repurchase Amount / Number of Units	Rs. 500 or 50 Units
Liquidity	The Scheme will offer Units for Sale / Switch-in and Redemption / Switch-out on every Business Day at NAV based prices. The Mutual Fund will endeavor to despatch the Redemption proceeds within 3-4 Business Days from the acceptance of the Redemption request.
Load Structure	<b>Exit Load:</b> • In respect of each purchase / switch-in of units, an Exit Load of 1.00% is payable if Units are redeemed / switched-out within 1 year from the date of allotment. • No Exit Load is payable if Units are redeemed / switched-out after 1 year from the date of allotment.

**H. Basis of allocation of Units in HEF**

HFLCF will cease to exist post business hours on the last date of the Exit Option Period. The unit holders of HFLCF as at the close of business hours on this date will be allotted units, equivalent to the value of their units in HFLCF, under the corresponding option of HEF at the NAV of this day.

The allotment of units is explained with the help of the following illustration:

Last Date of the Exit Option Period		30.5.2014
NAV of HFLCF as on 30.5.2014	(A)	Rs. 15/- per unit
Units outstanding in HFLCF as on 30.5.2014	(B)	200 units
Outstanding value in HFLCF before merger	(C) = (A) x (B)	Rs.3000
NAV of HEF as on 30.5.2014	(D)	Rs. 20/- per unit
Allotment of units in HEF	(E) = (C) / (D)	150 units
Value of merged units	(F) = (D) x (E)	Rs.3000

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

Impact of tax on capital gains, if any, has not been considered in the above illustration. Further, in case of Non Resident Indians (NRIs), tax, if any, at applicable rates will be withheld and units for the residual value will be issued in HEF. As the Securities Transaction Tax (STT) on extinguishment of units under HFLCF shall be borne by HDFC AMC, the total value of unit holding of an investor will not be impacted on account of STT.

A fresh account statement reflecting the new units allotted, will be sent to the unit holders of HFLCF.





May 14, 2014

Dear Unit holder,

**Subject: Change in the fundamental attributes of HDFC Short Term Plan, an open-ended income scheme**

Thank you for your investment in HDFC Short Term Plan, an open-ended income scheme ("the Scheme") of HDFC Mutual Fund.

HDFC Trustee Company Limited, Trustee to HDFC Mutual Fund has decided to modify the asset allocation pattern and investment strategy of the Scheme with effect from after the close of business hours on **June 20, 2014 ("Effective Date")** as under:

Provisions	Existing	Proposed																										
Asset Allocation Pattern	<table><tr><th>Type of Instruments</th><th>Normal Allocation</th><th>Normal Deviation</th><th>Risk Profile</th></tr><tr><td>Debt Securities</td><td>60%</td><td>Upto 33.33%</td><td>Low to Medium</td></tr><tr><td>Money Market Instruments</td><td>40%</td><td>Upto 50%</td><td>Low</td></tr></table>	Type of Instruments	Normal Allocation	Normal Deviation	Risk Profile	Debt Securities	60%	Upto 33.33%	Low to Medium	Money Market Instruments	40%	Upto 50%	Low	<table><tr><th rowspan="2">Type of Instruments</th><th colspan="2">Allocation (% of Net Assets)</th><th rowspan="2">Risk Profile</th></tr><tr><th>Min.</th><th>Max.</th></tr><tr><td>Debt Securities with less than 3 years residual maturity and Money Market Instruments.</td><td>80</td><td>100</td><td>Low to Medium</td></tr><tr><td>Debt Securities with less than 5 years residual maturity.</td><td>0</td><td>20</td><td>Low to Medium</td></tr></table>	Type of Instruments	Allocation (% of Net Assets)		Risk Profile	Min.	Max.	Debt Securities with less than 3 years residual maturity and Money Market Instruments.	80	100	Low to Medium	Debt Securities with less than 5 years residual maturity.	0	20	Low to Medium
	Type of Instruments	Normal Allocation	Normal Deviation	Risk Profile																								
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Debt Securities with less than 3 years residual maturity and Money Market Instruments.	80	100	Low to Medium																									
Debt Securities with less than 5 years residual maturity.	0	20	Low to Medium																									
	It is the intention of the Scheme that the investments in securitized debt will not, normally exceed 60% of the net assets of the Scheme.	It is the intention of the Scheme that the investments in securitized debt will not, normally exceed 60% of the net assets of the Scheme. Average maturity shall be from 1 to 3 years.																										
Investment Strategy	<p><b>CONCEPT:</b> HDFC Short Term Plan is structured as an open-ended income scheme with the objective to generate regular income through investments in debt securities and money market instruments. The characteristics of the product are similar to that of a debt fund. With respect to the investment horizon profile, this Scheme is aimed to be positioned between the liquid scheme and the income scheme.</p>	<p>HDFC Short Term Plan is structured as an open-ended income scheme with the objective to generate regular income through investments in debt securities and money market instruments. The characteristics of the product are similar to that of a debt fund. With respect to the investment horizon profile, this Scheme is aimed to be positioned between a liquid scheme and an income scheme.</p>																										
	<p>The Scheme will invest in debt securities and money market instruments with a short to medium term maturity and <b>aims to maintain an average maturity profile of 9 - 18 months under normal circumstances.</b></p> <p><b>INVESTMENT STRATEGY:</b> The net assets of the Scheme will be invested in Debt Securities and Money Market Instruments. The primary objective of the Scheme is to generate regular income through investment in debt securities and money market instruments.</p>	<p>The net assets of the Scheme will be invested in Debt Securities and Money Market Instruments. <b>The Scheme will maintain an average maturity profile of 1 to 3 years.</b> The primary objective of the Scheme is to generate regular income through investment in Debt Securities and Money Market Instruments.</p>																										

All other terms and conditions of the Scheme will remain unchanged. The respective Boards of Directors of HDFC Trustee Company Limited and HDFC Asset Management Company Limited have approved the above changes to the asset allocation pattern and investment strategy of the Scheme. The Securities and Exchange Board of India ("SEBI") has also communicated its no objection for the above changes vide its letter no. OW/13162/2014 dated May 8, 2014.

...contd/-



Website : [www.hdfcfund.com](http://www.hdfcfund.com)  
[m.hdfcfund.com](http://m.hdfcfund.com)



SMS HDFCMF TO 56767



[cliser@hdfcfund.com](mailto:cliser@hdfcfund.com)



1800 3010 6767 (TOLL FREE)  
1800 419 7676

The proposed changes constitute a change in the fundamental attributes of the Scheme, which as per Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 can be carried out only after the unit holders of the Scheme have been informed of via written communication and an option to exit the Scheme within a period of 30 days at the prevailing Net Asset Value ("NAV") without any exit load is provided to them.

Notice detailing the aforesaid proposed changes has also been published in May 14, 2014 issue of Business Standard (English daily newspaper having nationwide circulation) and Navshakti (Marathi newspaper) for the benefit of the unit holders.

Existing unit holders under the Scheme (i.e. whose valid applications have been received by HDFC Mutual Fund upto 3.00 p.m. on May 14, 2014) who are not in agreement with the aforesaid changes, may redeem their units or switch to other available / eligible schemes of HDFC Mutual Fund at the prevailing NAV without payment of any exit load between **May 22, 2014 and June 20, 2014 (upto 3.00 p.m. on June 20, 2014)** (both days inclusive). Unit holders who do not exercise the exit option in the Scheme upto 3.00 p.m. on June 20, 2014, shall be deemed to have consented to the proposed changes. Redemption / Switch requests may be lodged at any of the Official Points of Acceptance of HDFC Mutual Fund. For list of Official Points of Acceptance, please visit our website [www.hdfcfund.com](http://www.hdfcfund.com). The redemption payment will be made within 10 Business Days of receipt of valid redemption request to those unit holders who choose to exercise their exit option. However, HDFC Mutual Fund would endeavour to make redemption payment within 3-4 Business Days from the date of acceptance of the redemption request. Unit holders who have pledged / encumbered their units will have the option to exit only if they submit a release of their pledges/ encumbrances prior to submitting their redemption / switch requests during the exit option period. In case a lien is marked on units held by a unit holder or units have been frozen / locked pursuant to an order of a governmental authority or a court, redemption / switch can be executed only after the lien / order is vacated / revoked within the exit option period specified above.

**Investors who have registered for systematic investment / transfer facilities in the Scheme and who do not wish to continue their future investment into the Scheme, must apply for cancellation of their systematic investment / transfer facilities registrations.**

Unit holders should ensure that change in address / pay-out bank details, if any required by them, are updated in HDFC Mutual Fund's records before exercising the exit option. Unit holders holding units in dematerialized form may approach their Depository Participant for such changes.

Redemption/Switch-out by the unit holders due to change in the fundamental attribute of the Scheme or due to any other reasons, may entail tax consequences. In view of the individual nature of the implications, each unit holder is advised to consult their own tax advisor.

**Unit holders may note that no action is required in case they are in agreement with the aforesaid changes. The offer to exit is optional at the discretion of the unit holders and not compulsory.** We would like you to remain invested in the Scheme.

Please feel free to contact us in case of any clarification. In case you require any further information / assistance, please contact us on our toll-free numbers 1800 3010 6767 / 1800 419 7676 or visit the nearest Investor Service Centre (details of which are available on the website of HDFC Mutual Fund i.e. [www.hdfcfund.com](http://www.hdfcfund.com)).

We look forward to your continued support.

Yours sincerely,



**John Mathews**  
Executive Vice President & Head – Client Services