www.hdfcfund.com

Regd. Office: HDFC House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai - 400 020.
Phone: 022 66316333 • Toll Free Nos: 1800-3010-6767 / 1800-419-7676 • Fax: 022 22821144
• e-mail: cliser@hdfcfund.com • Visit us at: www.hdfcfund.com

ADDENDUM

- **HDFC Multiple Yield Fund,** *an Open - ended Income Scheme*
  Investment Objective : To generate positive returns over medium time frame with low risk of capital loss over medium time frame.

ADDENDUM TO THE SCHEME INFORMATION DOCUMENT (SID) / KEY INFORMATION MEMORANDUM (KIM) OF HDFC MULTIPLE YIELD FUND

NOTICE is hereby given that HDFC Trustee Company Limited, Trustee to HDFC Mutual Fund (**"the Fund"**) has decided to modify following provisions of HDFC Multiple Yield Fund, an open-ended income scheme ("the Scheme"), appearing in the Scheme Information Document (**"SID"**) with effect from **December 16, 2015** ("**Effective Date**") as under:

<table>
<tr><th>Particulars</th><th>Existing Provisions</th><th>Proposed Provisions (Effective Date)</th></tr>
<tr><td>Scheme Name</td><td>HDFC Multiple Yield Fund</td><td>HDFC Equity Savings Fund</td></tr>
<tr><td>Type of Scheme</td><td>Open-ended Income Scheme</td><td>Open-ended Equity Scheme</td></tr>
<tr><td>Investment Objective</td><td>To generate positive returns over medium time frame with low risk of capital loss over medium time frame.
However, there can be no assurance that the investment objective of the Scheme will be achieved.</td><td>The investment objective of the scheme is to provide capital appreciation and income distribution to the investors using arbitrage opportunities, investment in equity / equity related instruments and debt / money market instruments.
There is no assurance that the investment objective of the Scheme will be realized.</td></tr>
<tr><td>Asset Allocation</td><td>Under normal circumstances the asset allocation (as a % of Net Assets) will be as follows:
<table>
<tr><th>Type of Instrument</th><th>Normal Allocation (% of Net Assets)</th><th>Maximum Allocation (% of Net Assets)</th><th>Risk Profile</th></tr>
<tr><td>Fixed Income Securities (including securitised debt of upto 10% of net assets & Money market Instrument</td><td>85%</td><td>95%</td><td>Low to Medium</td></tr>
<tr><td>Equity and Equity related instruments</td><td>15%</td><td>25%</td><td>High</td></tr>
</table>
Investment in ADR / GDR / Foreign Equity & Debt Securities - Upto a maximum of 25% of the net assets.
Investment in Derivatives upto a maximum of 50% of net assets of the Scheme.</td><td>Under normal circumstances the asset allocation will be as follows:
<table>
<tr><th>Type of Instrument^</th><th>Minimum Allocation (% of Net Assets)</th><th>Maximum Allocation (% of Net Assets)</th><th>Risk Profile</th></tr>
<tr><td>Equity and Equity Related Instruments</td><td>65%</td><td>90%</td><td>Medium to High</td></tr>
<tr><td>Of which Net Long Equity*</td><td>15%</td><td>40%</td><td>Medium to High</td></tr>
<tr><td>Of which Derivatives including index futures, stock futures, index options, etc**</td><td>25%</td><td>75%</td><td>Low to Medium</td></tr>
<tr><td>Debt and Money Market Instruments#$</td><td>10%</td><td>35%</td><td>Low to Medium</td></tr>
</table>
* This net long equity exposure is aimed to gain from potential capital appreciation and thus is a directional equity exposure which will not be hedged. This equity exposure means exposure to equity shares alone without a corresponding equity derivative exposure.
** The exposure to derivative shown in the above asset allocation table would normally be the exposure taken against the underlying equity investments and in such case, exposure to derivative will not be considered for calculating the gross exposure.
# Investments in securitised debt, if undertaken, shall not exceed 35% of net assets of the Scheme.
$ Investments in derivatives shall not exceed 50% of the asset allocation stipulated above. Exposure to Derivatives may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under SEBI (MF) Regulations from time to time.
The margin money deployed on these positions (both equity and / or debt derivatives) would be included in Money Market category.
^The Scheme may seek investment opportunity in ADR / GDR and Foreign Securities, in accordance with guidelines stipulated in this regard by SEBI and RBI from time to time. Under normal circumstances, the Scheme shall not have an exposure of more than 50% of its assets in foreign ADR / GDR and Foreign Securities.
The cumulative gross exposure through debt, equity and derivative positions shall not exceed 100% of the net assets of the scheme in accordance with SEBI Cir/IMD/DF/11/2010 dated August 18, 2010.
It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be for short term and defensive considerations under the circumstances such as (i) The debt / money market instruments offer better returns than the arbitrage opportunities available; (ii) Adequate arbitrage opportunities not available; (iii) Unwinding of the existing position and booking short term profits.</td></tr>
</table>

<table>
<tr><th>Particulars</th><th>Existing Provisions</th><th>Proposed Provisions (Effective Date)</th></tr>
<tr><td></td><td></td><td>
In such defensive circumstances the asset allocation will be as per the below table:
<table>
<tr><th rowspan="2">Type of Instrument^</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</td><td>15%</td><td>65%</td><td>Medium to High</td></tr>
<tr><td>Of which Net Long Equity*</td><td>15%</td><td>40%</td><td>Medium to High</td></tr>
<tr><td>Of which Derivatives including index futures, stock futures, index options**</td><td>0%</td><td>50%</td><td>Low to Medium</td></tr>
<tr><td>Debt and Money Market Instruments#$</td><td>35%</td><td>85%</td><td>Low to Medium</td></tr>
</table>
* This net long equity exposure is aimed to gain from potential capital appreciation and thus is a directional equity exposure which will not be hedged. This equity exposure means exposure to equity shares alone without a corresponding equity derivative exposure.
** The exposure to derivative shown in the above asset allocation table would normally be the exposure taken against the underlying equity investments and in such case, exposure to derivative will not be considered for calculating the gross exposure.
# Investments in securitised debt, if undertaken, shall not exceed 50% of net assets of the Scheme.
$ Investments in derivatives shall not exceed 50% of the asset allocation stipulated above. Exposure to Derivatives may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under SEBI (MF) Regulations from time to time.
The margin money deployed on these positions (both equity and / or debt derivatives) would be included in Money Market category.
Subject to SEBI (MF) Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be for short term and for defensive consideration only.
In the event of deviations, the fund manager will carry out rebalancing within 30 Days. Further, in case the portfolio is not rebalanced within the period of 30 days, justification for the same shall be placed before the investment committee and reasons for the same shall be recorded in writing. The investment committee shall then decide on the course of action.
Subject to the SEBI (MF) Regulations and in accordance with Securities Lending Scheme, 1997, SEBI Circular No.MFD/CIR/01/047/99 dated February 10, 1999, SEBI Circular No. SEBI/IMD/CIR No.14/187175/ 2009 dated December 15, 2009 and framework for short selling and borrowing and lending of securities notifed by SEBI vide Circular No.MRD/DoP/SE/Dep/ Cir-14/2007 dated December 20, 2007, as may be amended from time to time.
The AMC shall adhere to the following limits should it engage in Stock Lending:
1. Not more than 20% of the net assets of the Scheme can generally be deployed in Stock Lending.
2. Not more than 5% of the net assets of the Scheme can generally be deployed in Stock Lending to any single approved intermediary.
The Mutual Fund may not be able to sell such lent out securities and this can lead to temporary illiquidity.
The Scheme at present does not propose to engage in Short Selling. However, the Scheme may engage in short selling in future in compliance with the circulars and guidelines as may be applicable from time to time. All necessary disclosures pertaining to short selling will be updated in the Scheme Information Document / issue of addendum prior to commencing the same.
</td></tr>
</table>

Particulars	Existing Provisions	Proposed Provisions (Effective Date)
Investment Strategy	The net assets of the Scheme will be invested primarily in fixed income securities and balance in equity and equity related instruments. The Scheme target positive returns over medium time frame and aims to reduce the chances and extent of a capital depreciation over medium term holding period for the unit holder. The Scheme aims to achieve this by adopting the following investment strategy: a. Invest around 85% of the net assets of the Scheme in fixed income securities of roughly one year maturity and adopt a predominantly buy and hold strategy. This will mean that over medium term irrespective of the interest rate movements, the Scheme will earn returns that are nearly equal to the underlying yield on the bonds. b. Invest the balance nearly 15% of the net assets of the Scheme in equities where the dividend yields are moderate to high. The investment focus will be on dividend yield stocks. Both a) and b) combined together represent two sources of yield on the entire portfolio. These two yields combined together are expected to reduce the chances and extent of a capital loss. In order to implement the investment approach effectively, it would be important to periodically meet the management face to face. This would provide an understanding of their broad vision and commitment to the long-term business objectives. These meetings would also be useful in assessing key determinants of management quality such as orientation to minority shareholders, ability to cope with adversity and approach to allocating surplus cash flows. Discussions with management would also enable benchmarking actual performance against stated commitments.	The scheme will seek to achieve its investment objective primarily by employing various strategies which seek to exploit available arbitrage opportunities in markets along with pure equity investments and investments in debt and money market instruments. **Arbitrage Opportunities:** The market provides opportunities to derive returns from the implied cost of carry between the underlying cash market and the derivatives market. This provides for opportunities to generate returns that are possibly higher than short term interest rates with minimal active price risk on equities. Implied cost of carry and spreads across the spot and futures markets can potentially lead to profitable arbitrage opportunities. **Index Arbitrage:** As the CNX Nifty Index derives its value from fifty underlying stocks, the underlying stocks can be used to create a synthetic index matching the Nifty Index levels. Also, theoretically, the fair value of a stock / index futures is equal to the spot price plus the cost of carry. Theoretically, therefore, the pricing of Nifty Index futures should be equal to the pricing of the synthetic index created by futures on the underlying stocks. However, due to market imperfections, the index futures may not exactly correspond to the synthetic index futures. The Nifty Index futures normally trades at a discount to the synthetic Index due to large volumes of stock hedging being done using the Nifty Index futures giving rise to arbitrage opportunities. The fund manager shall aim to capture such arbitrage opportunities by taking long positions in the Nifty Index futures and short positions in the synthetic index. **Cash Futures Arbitrage:** The scheme would look for market opportunities between the spot and the futures market. The cash futures arbitrage strategy can be employed when the price of the futures exceeds the price of the underlying stock. The Scheme will first buy the stocks in cash market and then sell in the futures market to lock the spread known as arbitrage return. Buying the stock in cash market and selling the futures results into a hedge where the scheme has locked in a spread and is not affected by the price movement of cash market and futures market. The arbitrage position can be continued till expiry of the future contracts. The future contracts are settled based on the last half an hour's weighted average trade of the cash market. Thus there is a convergence between the cash market and the futures market on expiry. This convergence helps the scheme to generate the arbitrage return locked in earlier. However, the position could even be closed earlier in case the price differential is realized before expiry or better opportunities are available in other stocks. Also, in case the Scheme has to unwind the positions prior to the expiry on account of redemptions or any other reason, the returns would depend on the spread between the spot and futures price at which the position is unwound. **ADR / GDR - underlying shares:** In two-way fungibility, depository receipts can be converted into underlying domestic shares and local shares can be reconverted into depository receipts. The depository receipts could either be Global Depository Receipts (GDRs) or American Depository Receipts (ADRs). GDRs are listed on the London or the Luxembourg Stock Exchange, while ADRs are listed on the US exchanges like the New York Stock Exchange (NYSE) or the Nasdaq. Since every GDR / ADR has a given number of underlying shares, the number of shares qualifying for reconversion into GDRs / ADRs is limited to the number of shares, which were converted into local shares. Say for instance that the ADR / GDR price is at a discount to the price of the underlying share. Converting the ADR / GDRs into the underlying shares can now result in a gain. If the ADR / GDR price is at a premium to the price of the underlying shares, then it makes sense to re-convert the underlying shares into depository receipts. All this is subject to headroom or the availability of shares for re-conversion. Say for example a particular company has issued 10 million ADRs with one underlying share per ADR. Two million ADRs have been reconverted into local shares. Therefore two million local shares can be converted to ADRs. Here the intention is to capture the spread due to mis pricing in ADR / GDR and the equivalent local shares, through simultaneous long or short positions. **Corporate Action / Event Driven Strategies:** a) **Dividend Arbitrage:** Around dividend declaration time, the stock futures / options market can provide a profitable opportunity. Generally, the stock price decline by the dividend amount when the stock goes ex-dividend.

Particulars	Existing Provisions	Proposed Provisions (Effective Date)
		b) **Buy-Back Arbitrage:** When the Company announces the buy-back of its own shares, there could be opportunities due to price differential in buyback price and traded price. c) **Merger:** When the Company announces any merger, amalgamation, hive off, de-merger, etc, there could be opportunities due to price differential in the cash and the derivative market. **Pure equity investments:** In order to provide long term capital appreciation, the Scheme will invest predominantly in growth companies. Companies selected under this portfolio would be across market capitalizations. The aim will be to build a portfolio, which represents a cross-section of the strong growth companies in the prevailing market. In order to reduce the risk of volatility, the Scheme will diversify across major industries and economic sectors. **Debt / Money market instruments:** The Scheme will retain the flexibility to invest in the entire range of debt instruments and money market instruments (including securitised debt). Investment in Debt securities and Money Market Instruments will be as per the limits in the asset allocation table of the Scheme, subject to permissible limits laid under SEBI (MF) Regulations. **Though every endeavor will be made to achieve the objective of the Scheme, the AMC / Sponsors / Trustee do not guarantee that the investment objective of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.**
Benchmark Index	I-Sec Composite Index	40% CRISIL Liquid Fund Index, 30% Crisil Short Term Bond Fund Index and 30% CNX Nifty
Annual Scheme Recurring Expenses		
Maximum Total Expense Ratio (TER)	Upto 2.25% p.a. of the daily net assets as per the terms and conditions of the SID	Upto 2.50% p.a. of the daily net assets permissible under Regulation 52 (6)
Additional expenses under Regulation 52 (6A) (c)	Upto 0.20%	Upto 0.20%
Additional expenses for gross new inflows from specified cities under Regulation 52 (6A) (b)	Upto 0.30%	Upto 0.30%
Consequentially, limits of the recurring expenses provided under Regulation 52 (6) of the SEBI (MF) Regulations applicable to the Scheme shall be as under: On the first Rs. 100 crores of the daily net assets - 2.50% p.a. On the next Rs. 300 crores of the daily net assets - 2.25% p.a. On the next Rs. 300 crores of the daily net assets - 2.00% p.a. On the balance of the assets - 1.75% p.a. All other existing expense heads and notes to the '**Annual Scheme Recurring Expenses'** table of the Scheme will remain unchanged.		

All other terms and conditions of the Scheme will remain unchanged.

The Securities and Exchange Board of India ("**SEBI**") has communicated its no-objection for the above changes vide its letter no. IMD/DOF3/28291/2015 dated October 07, 2015.

The proposed changes (other than change in Scheme Name and Benchmark Index) are change in the fundamental attributes of the Scheme. As per Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 (**"MF Regulations"**), such change in fundamental attributes can be carried out only after the Unit holders of the Scheme have been informed of the change via written communication and an option to exit the Scheme within a period of 30 days at the prevailing NAV without any exit load is provided to them. A Separate written communication is being sent to the existing Unit holders in this regard.

Thus, in accordance with MF Regulations, existing Unit holders of the Scheme i.e. those unit holders / investors whose valid applications have been received by the Fund till 3:00 p.m. on **November 09, 2015** are provided with an option to exit at the prevailing NAV without any exit load, for a period of 30 (thirty) days from **November 16, 2015 to December 15, 2015** (upto 3:00 p.m. on **December 15, 2015**) (both days inclusive) (**"Exit Option Period"**), if they do not wish to stay invested in the Scheme pursuant to changes to the Scheme (**"Exit Option"**). The Exit Option can be exercised during the Exit Option Period by submitting a redemption / switch-out request at the any Official Point of Acceptance of the Fund. For list of Official Points of Acceptance, please visit our website www.hdfcfund.com . In case any existing Unit holder has not received an Exit Option Letter, they are advised to contact any of the Investor Service Centres of HDFC Asset Management Company Limited (**"HDFC AMC"**).

Unit holders should procure a release of their pledges / vacate the lien prior to applying for redemption / switch-out during the Exit Option Period. In case units have been frozen / locked pursuant to an order of a government authority or a court, such exit option can be executed only after the freeze / lock order is vacated / revoked within the period specified above.

The redemption proceeds (net of applicable taxes, if any) will be remitted / dispatched to the Unit holders within 10 (ten) working days from the date of receipt of the redemption request.

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

Further, Unit holders are requested to note that post said changes, the Scheme will be treated as equity oriented scheme as per the extant Income-tax laws. However, changes in the investment pattern during defensive considerations as stated above, the fund manager may choose to have a lower equity exposure. Accordingly, the Scheme may not be able to meet the criteria for equity oriented scheme as specified under the extant Income-tax laws. Consequently, the Unit holders may not be able to avail tax advantage available to an equity oriented fund in that particular financial year.

Unit holders should ensure that any change in address or bank mandate are updated in the Fund's records before exercising the exit option. Whereas, Unit holders holding Units in dematerialized form may approach their Depository Participant for such changes.

Unit holders may note that no action is required in case they are in agreement with the aforesaid changes, which shall be deemed as consent being given by the Unit holders for the proposed changes. **This offer to exit is merely an option and not compulsory**. We would like the Unit holders to remain invested in the Scheme.

The updated SID & Key Information Memorandum (KIM) of the Scheme containing the revised provision shall be made available with our Investor Service Centres and also displayed on the website www.hdfcfund.com immediately after completion of duration of exit option.

This addendum shall form an integral part of the Combined SID of Debt Oriented Schemes dated May 29, 2015 as well as Combined KIM of Debt Oriented Schemes dated October 30, 2015 as amended from time to time.

This Addendum is dated November 06, 2015.