

Notice-cum-Addendum No. 10 of 2025

Change in features of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund of Bandhan Mutual Fund (formerly IDFC Mutual Fund)

NOTICE IS HEREBY GIVEN THAT, the Board of Directors of Bandhan Mutual Fund Trustee Limited (formerly IDFC AMC Trustee Company Limited) and Bandhan AMC Limited (formerly IDFC Asset Management Company Limited) have approved change in the features of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund (“the Schemes”).

Securities and Exchange Board of India (SEBI), vide its email dated January 28, 2025, has accorded its “No Objection” for the said changes in features of the Schemes.

In this regard, the following sections under the Scheme Information Document (SID) and Key information Memorandum (KIM) of the Schemes will be modified as follows, with effect from March 19, 2025, (“Effective date”):

Details of Existing and Proposed Features of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund:

1. Change in the Name of Bandhan Hybrid Equity Fund

Existing Name	Proposed Name
Bandhan Hybrid Equity Fund	Bandhan Aggressive Hybrid Fund

2. Changes in Bandhan Balanced Advantage Fund

Existing Asset Allocation		
Instruments	Indicative Allocation (% of total assets)	
	Minimum	Maximum
Equities & Equity related instruments	65%	100%
*Debt securities & Money Market Instruments (including Cash & Cash equivalent)	0%	35%

*If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not normally, exceed 15% of the corpus of the Scheme.
Investment in debt derivatives - up to 10% of the net debt assets of the Scheme.
Gross Exposure to Repo of Corporate Debt Securities – up to 10% of the net assets of the Scheme.
Investments in foreign securities - upto 35% of the net assets of the scheme, subject to availability of regulatory limits.
Investment in Securities lending - up to 20% of the net assets with maximum single party exposure restricted to 5% of the net assets.
The Scheme may engage in short selling of securities in accordance with the applicable guidelines / regulations.
The scheme may invest in Credit Default Swaps (CDS) in accordance with the applicable guidelines / regulations as and when permitted by SEBI/RBI.
The cumulative gross exposure through equity, debt, Money market instruments, derivative positions, repo transactions and credit default swaps in corporate debt securities, and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme.

Indicative Table (Actual instrument/percentages may vary subject to applicable SEBI circulars)

Sr. No.	Type of Instrument	Percentage of exposure	Circular references
1.	Securities Lending	A maximum of 20% of the net assets will be deployed in securities lending and the maximum single party exposure will be restricted to 5% of the net assets.	Para 12.11 of SEBI Master Circular dated June 27, 2024
2.	Equity Derivatives for non-hedging purposes	-	-
3.	Securitized Debt	If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not normally, exceed 15% of the corpus of the Scheme.	-
4.	Overseas Securities	Investments in foreign securities - upto 35% of the net assets of the scheme, subject to availability of regulatory limits.	Para 12.19 of SEBI Master Circular dated June 27, 2024
5.	ReITS and InVITS	-	Clause 13 of Seventh Schedule of SEBI Mutual Funds Regulations, 1996
6.	AT1 and AT2 Bonds (debt instruments with special features)	a) Across all schemes of mutual fund, not more than 10% of such instruments issued by single issuer. b) A mutual fund scheme shall not invest- - More than 10% of NAV of debt portfolio of the scheme in such instruments; - More than 5% of NAV of debt portfolio of the scheme in such instruments issued by single issuer.	Para 12.2 of SEBI Master Circular dated June 27, 2024
7.	Any other instrument	Gross Exposure to Repo of Corporate Debt Securities – up to the extent permitted by the Regulations (currently up to 10% of total assets, subject to change in line with the regulations from time to time). Investment in debt derivatives - up to 10% of the net debt assets of the Scheme. If necessary, the scheme shall be hedging this equity exposure in underlying stocks up to the extent of 35% of the portfolio by taking an offsetting position in the derivative segment.	Para 12.18.1.1 of SEBI Master Circular dated June 27, 2024

Existing Investment Strategy

The scheme aims to manage equity and debt exposure in the portfolio dynamically. Such a strategy will minimize the risk and optimize the return proposition for a long-term investor.

An underlying quantitative model would guide the extent of equity exposure. The fund managers will take equity exposure depending on opportunities available at various times based on the valuation and fundamental and technical parameters. The balance will be invested in debt and money market securities.

Equity exposure:

Equity market exposure may be taken as per the quantitative model outcomes. Within this, the equity component will be managed actively. For the equity portion, the scheme shall seek to build a diversified portfolio of companies across the market cap and sectors.

Debt exposure:

The scheme shall invest in various permitted debt and money market securities (including government securities) across maturities. The allocation would be based on the prevailing economic environment (including interest rates and inflation), the performance of the corporate sector and general liquidity and other considerations in the economy and markets.

Use of equity derivatives:

Under normal circumstances, the scheme shall primarily invest in equity and equity-related instruments in the range of 65% to 100% and fixed-income securities, including money market instruments in the range of 0% to 35%, for capital appreciation. The scheme will vary its investment in equity and equity-related instruments and move towards exposure to equity derivatives when it needs to bring down the equity exposure below 65%, depending upon the quantitative model.

When the model indicates a bullish market, the scheme's exposure to equity and related instruments will increase to 100%. However, when the market movement reflects a bearish tint, in that case, the scheme will restrict its investment in equity and related instruments to 65% and, if necessary, shall hedge this equity exposure in underlying stocks up to the extent of 35% of the portfolio by taking an offsetting position in the derivative segment, therefore resulting into an equity market exposure going below 65% bringing it down up to 30%. The balance will be invested into debt market instruments in such a scenario.

Determining the equity exposure:

A quantitative model may determine the exposure in equity and debt markets. The quantitative model approach used to determine the equity and debt allocation employs valuation, fundamental and technical parameters.

The portfolio will be rebalanced as per the provisions mentioned in Section - Asset Allocation – Change in Investment Pattern in the Scheme Information Document.

The scheme intends to use derivatives for purposes that may be permitted by SEBI (Mutual Funds) regulations 1996, from time to time.

Derivative transactions that can be undertaken by the Scheme include a wide range of instruments, including, but not limited to

- Futures
- Options
- Swaps
- Any other instrument, as may be regulatory permitted

Existing Risk Factors

Not available

Proposed Asset Allocation		
Instruments	Indicative Allocation (% of total assets)	
	Minimum	Maximum
Equities & Equity related instruments	20%	90%
*Debt securities & Money Market Instruments (including Cash & Cash equivalent)	10%	80%

*If the Scheme decides to invest in securitised debt, it is the intention of the Investment Manager that such investments will not normally, exceed 15% of the **debt asset** of the Scheme.

The endeavor will be to ensure allocation to equity and equity-related instruments greater than or equal to 65%, which will provide the scheme with equity fund taxation, while the net equity levels will normally be between 20% to 90%.

Investment in debt derivatives - up to 10% of the net debt assets of the Scheme.

Investment in equity derivatives (other than for hedging purpose) - up to 50% of equity net assets.

Gross Exposure to Repo of Corporate Debt Securities - up to 10% of the net assets of the Scheme.

Investments in foreign securities - upto 35% of the net assets of the scheme, subject to availability of regulatory limits.

Investment in Securities lending - up to 20% of the net assets with maximum single party exposure restricted to 5% of the net assets.

The Scheme may engage in short selling of securities in accordance with the applicable guidelines / regulations.

The exposure to Credit Default Swaps (CDS) shall not exceed 10% of AUM of scheme and shall be within the overall limit of derivatives exposure as prescribed in the SID as per circular dated September 20, 2024.

The cumulative gross exposure through equity, debt, Money market instruments, derivative positions, repo transactions and credit default swaps in corporate debt securities, and such other securities/assets as may be permitted by the Board from time to time should not exceed 100% of the net assets of the scheme.

Indicative Table (Actual instrument/percentages may vary subject to applicable SEBI circulars)

Sr. No.	Type of Instrument	Percentage of exposure	Circular references
1.	Securities Lending	A maximum of 20% of the net assets will be deployed in securities lending and the maximum single party exposure will be restricted to 5% of the net assets.	Para 12.11 of SEBI Master Circular dated June 27, 2024
2.	Equity Derivatives for non-hedging purposes	up to 50% of equity net assets	-
3.	Securitized Debt	upto 15% of the debt asset of the Scheme.	-
4.	Overseas Securities	upto 35% of the net assets of the scheme, subject to availability of regulatory limits.	Para 12.19 of SEBI Master Circular dated June 27, 2024
5.	ReITS and InVITS	-	Clause 13 of Seventh Schedule of SEBI Mutual Funds Regulations, 1996
6.	AT1 and AT2 Bonds (debt instruments with special features)	a) Across all schemes of mutual fund, not more than 10% of such instruments issued by single issuer. b) A mutual fund scheme shall not invest- - More than 10% of NAV of debt portfolio of the scheme in such instruments; - More than 5% of NAV of debt portfolio of the scheme in such instruments issued by single issuer.	Para 12.2 of SEBI Master Circular dated June 27, 2024
7.	Any other instrument	• Gross Exposure to Repo of Corporate Debt Securities – up to the extent permitted by the Regulations (currently up to 10% of total assets, subject to change in line with the regulations from time to time). • Investment in debt derivatives - up to 10% of the net debt assets of the Scheme. • Exposure to Credit Default Swaps (CDS) shall not exceed 10% of AUM of scheme and shall be within the overall limit of derivatives exposure as prescribed in the SID.	Para 12.18.1.1 of SEBI Master Circular dated June 27, 2024 - SEBI circular dated September 20, 2024

Proposed Investment Strategy

The scheme aims to manage equity and debt exposure in the portfolio dynamically. Such a strategy will minimize the risk and optimize the return proposition for a long-term investor.

An underlying quantitative model would guide the extent of equity exposure. The fund managers will take equity exposure depending on opportunities available at various times based on the valuation and fundamental and technical parameters. **As part of the investment strategy, gross equity and equity-related exposure would normally be maintained between 65% to 100%, and the net equity exposure shall be between 20% to 90%.** The balance will be invested in debt and money market securities.

Equity exposure:

Equity market exposure may be taken as per the quantitative model outcomes. Within this, the equity component will be managed actively. For the equity portion, the scheme shall seek to build a diversified portfolio of companies across the market cap and sectors.

Debt exposure:

The scheme shall invest in various permitted debt and money market securities (including government securities) across maturities. The allocation would be based on the prevailing economic environment (including interest rates and inflation), the performance of the corporate sector and general liquidity and other considerations in the economy and markets.

Use of equity derivatives:

Under normal circumstances, the scheme shall primarily invest in equity and equity-related instruments in the range of **20% to 90%** and fixed-income securities, including money market instruments in the range of **10% to 80%**, for capital appreciation. **The scheme will seek to manage net equity exposure by actively using derivatives for the purpose of hedging and balancing the portfolio, depending upon the quantitative model. Further, the scheme may invest into equity stocks in the cash market and take a short position in the futures market to reduce net long equity exposure. When the model indicates a bullish market, the scheme's exposure to equity and equity-related instruments will increase to 90%.**

Determining the equity exposure:

A quantitative model may determine the exposure in equity and debt markets. The quantitative model approach used to determine the equity and debt allocation employs valuation, fundamental and technical parameters.

The portfolio will be rebalanced as per the provisions mentioned in Section - Asset Allocation – Change in Investment Pattern in the Scheme Information Document.

The scheme intends to use derivatives for purposes that may be permitted by SEBI (Mutual Funds) regulations 1996, from time to time.

Derivative transactions that can be undertaken by the Scheme include a wide range of instruments, including, but not limited to

- Futures
- Options
- Swaps
- Any other instrument, as may be regulatory permitted

Proposed Risk Factors

The following details will be added under the existing section on “Risk Factors”:

Risk Factors associated with investments in Credit Default Swaps:

Credit Default Swaps is a form of Credit derivative where the buyer of the swap makes payments to the swap's seller until the maturity of a contract. In return, the seller agrees that in the event the debt issuer defaults or experiences another credit event, the seller will pay the buyer the security's value as well as all interest payments that would have been paid between that time and the security's maturity date. The Scheme may participate in credit Default Swaps (CDS) as a buyer (protection buyer) to hedge/offset credit risk related to fixed income instruments. It is important to note that the credit risk is not completely eliminated but has been shifted to the CDS seller. The risk is that the CDS seller defaults at the same time the credit event occurs. In case the debt issuer does not default or no credit event occurs till maturity of CDS contract, the buyer will end up losing the money through the payments on the CDS.

Benefits of using Covered Call strategy in Mutual Funds:

The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the Scheme. This strategy is also employed when the Fund Manager has a short-term neutral view on the asset and for this reason holds the asset long and simultaneously takes a short position via covered call option strategy to generate income from the option premium.

The strategy offers the following benefits:

- Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.
- Generating additional returns in the form of option premium in a range bound market. Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction.

Illustration - Covered Call strategy using stock call options:

Suppose a fund manager buys equity stock of ABC Ltd. for Rs. 1,000/- and simultaneously sells a call option on the same stock at a strike price of Rs. 1,100/-. The scheme earns a premium of say, Rs. 50/-. Here, the fund manager does not have a view that the stock price will exceed Rs. 1,100/-.

Scenario 1:

Stock price exceeds Rs. 1,100/-.

The call option will get exercised and the fund manager will sell the stock to settle his obligation on the call at Rs. 1,100/- (earning a return of 10% on the stock purchase price).

Also, the scheme has earned a premium of Rs. 50/- which reduced the purchase cost of the stock (Rs. 1,000/- – Rs. 50/- = Rs. 950/-).

Net Gain - Rs. 150/-.

Scenario 2:

Stock prices stays below Rs. 1100/-.

The call option will not get exercised and will expire worthless.

The premium earned on call option will generate alpha for the scheme.

Net Gain - Rs. 50/-.

1. Risk Factor:

The following details will be added under the existing section on Risk Factors of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund:



Notice-cum-Addendum No. 10 of 2025 (Contd.)
Change in features of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund of Bandhan Mutual Fund (formerly IDFC Mutual Fund) (Contd.)

3. Additions in the SID and KIM of Bandhan Balanced Advantage Fund and Bandhan Hybrid Equity Fund: (Contd.)

Risks of writing covered call options for equity shares:

- a) Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such an investment strategy, the profits from call option writing are capped at the option premium, however, the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced by writing covered call options.
- b) The Scheme may write a covered call option only in case it has an adequate number of underlying equity shares as per regulatory requirements. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by the regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.
- c) The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss.
- d) The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy/write any options.

II. Investment Restrictions

The following details will be added under the existing section on ‘What are the Investment Restrictions’ of Bandhan Hybrid Equity Fund and Bandhan Balanced Advantage Fund:

Investment Restrictions for Covered Call strategy:

The scheme can 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 by the scheme shall not exceed 15% of the total market value of equity shares held in the scheme.
- b) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in the scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
- c) At all points of time the scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement in paragraph (a) above, the scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the scheme.
- d) 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 paragraphs (a) and (b) above while selling the securities.
- e) In no case, the scheme shall 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.
- f) The premium received shall be within the requirements stated in paragraph 12.25 of the Master Circular i.e., the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
- g) The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph 12.24 of the Master Circular.
- h) 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.

All other features of the Schemes except those mentioned above and changes as per any regulatory provisions, will remain unchanged.

The above proposal is a change in Fundamental Attributes of the specified scheme as per Regulation 18(15A) and 25(26) of the SEBI (Mutual Funds) Regulations, 1996.

In line with regulatory requirements, for schemes where a change in fundamental attributes is being proposed, we are offering an exit window (“Exit Option”) to the Unit holders of 30 days (minimum 30 days) from February 17, 2025, to March 18, 2025, (both days inclusive) (“Exit Option Period”). These changes will be effective from March 19, 2025, (“Effective Date”). During the Exit Option Period, unit holders not consenting to the change may either switch to any other scheme of Bandhan Mutual Fund or redeem their investments 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 of the Schemes. All transaction requests received on or after March 19, 2025, will be subject to applicable exit load (if any), as may be applicable to the Schemes. Please note that unit holders who do not opt for redemption on or before March 18, 2025, (upto 3.00 p.m.) shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the scheme of Bandhan Mutual Fund.

Redemption / Switch requests, if any, may be lodged at any of the Official Points of Acceptance of Bandhan Mutual Fund.

The above information is also available on the website of Bandhan Mutual Fund viz., www.bandhanmutual.com.

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.

It may 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.

Please note that unit holders who do not opt for redemption on or before March 18, 2025, (upto 3.00 p.m.) shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the scheme of Bandhan Mutual Fund. In case the unit holders disagree with the aforesaid changes, they may redeem all or part of the units in the Schemes of Bandhan Mutual Fund by exercising the Exit Option, without exit load within the Exit Option Period by submitting a redemption request online or through a physical application form at any official point of acceptance/investor service center of the AMC or to the depository participant (DP) (in case of units held in Demat mode). Unit holders can also submit the normal redemption form for this purpose.

The unit holders of the Schemes are also being individually informed about the details of the change in the fundamental attributes through a separate written communication. In case the unit holder has not received the written communication, investor can contact our customer care / investor service centre or visit our website i.e., www.bandhanmutual.com.

This Notice cum Addendum forms an integral part of the SID and KIM of the Schemes from time to time. All the other terms and conditions of the SID and KIM, read with the addenda issued from time to time will remain unchanged.

**For Bandhan AMC Limited
(formerly IDFC Asset Management Company Limited)
(Investment Manager to Bandhan Mutual Fund)
(formerly IDFC Mutual Fund)**

**Place : Mumbai
Date : February 07, 2025**

**Sd/-
Authorised Signatory**