

FAQs on Reliance Equity Advantage Fund

What is Reliance Equity Advantage Fund?

Reliance Equity Advantage Fund is an open ended Diversified Equity Fund.

The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in a portfolio predominately of equity & equity related instruments with investments generally in S & P CNX Nifty stocks and the secondary objective is to generate consistent returns by investing in debt and money market securities.

In a nutshell what does the fund intend to do?

- REAF endeavours to give Index plus returns
- Sector weightages of Reliance Equity Advantage Fund will mirror exactly that of Nifty on a monthly basis
- 80% of stocks within each sector will be constituents of Nifty, though not necessarily with their Nifty weights
- 20% of stocks can be non-Nifty in each sector to provide the additional Alpha possibilities and opportunities
- Flexibility of going short exists, but on a net basis sector weightages will be maintained in line with Nifty

How is this Fund different from Index Fund?

Index Funds	Reliance Equity Advantage Fund
It exactly mirrors the Index.	It will endeavor to replicate the sector allocation of the S&P CNX Nifty
It does not take a stock call or view	It will definitely take stock call and view
It does not invest at all in non-index stocks	It will invest upto 20% in non-Nifty stocks
It is a completely passive fund.	It will be an actively managed fund. The only thing is it will endeavor to replicate the sector allocation of the S&P CNX Nifty.

Assuming a corpus of Rs 1000 crs in REAF, what will be the minimum and maximum allocation to the nifty and non-nifty stocks?

Sector	Nifty Weight (%)	REAF Allocation in the sector (Rs Cr)	Min amt in Nifty Stocks (Rs Cr)	Max Amt in non-Nifty Stocks (Rs Cr)
Auto	5.3	53	42	11
Capital Goods	7.8	78	62	16
Cement	2.8	28	22	6
Financial Services	12.4	124	99	25
FMCG	5.8	58	46	12

IT	18.4	184	148	37
Media	0.7	7	6	1
Metals	8.1	81	65	16
Oil & Gas	24.7	247	198	49
Pharma	3.6	36	29	7
Power	1.2	12	10	2
Telecom	9.1	91	73	18
Total	100.0	1,000	800	200

Sector Ratio is derived as on 25.05.07, Source: Bloomberg

What will be the different Portfolio Scenarios likely in this fund?

Considering, IT sector's weightage in Nifty is 18.4% and assuming a corpus of Rs 1000 crs in REAF, the following will be the 3 different scenarios;

Scenario I: Replicating Nifty Stock Weightage as is

Sector Name	Weightage	Amt. Invested	Stocks	Weightage %
IT	18.4	Rs 184 crs	HCL Tech	1
			Infosys	6
			Satyam Computers	1.4
			TCS	6
			Wipro	4

Scenario II: 80% in Nifty Stocks & 20% in Promising Non Nifty Stocks

Sector Name	Weightage	Amt. Invested	Stocks	Weightage %
IT	18.4	Rs 184 crs	HCL Tech	2
			Infosys	5
			Wipro	3
			TCS	5
			Tech Mahindra*	3.4

*Not a constituent of Nifty index

Scenario III: 80% net in Nifty Stocks with short positions & 20% in promising Non Nifty Stocks

Sector Name	Weightage	Amt. Invested	Stocks	Weightage %
IT	18.4	Rs 184 crs	Infosys	6
			Satyam Computers	4
			TCS	6
			Wipro	-1
			Tech Mahindra*	3.4

***Not a constituent of Nifty index**

This is just an illustration for understanding purpose

What should one focus on going ahead?

One should not look at timing the market and at short term investments but focus more on asset allocation - both across asset classes as also within each asset class. For instance, one should not only look at various asset classes such as equities, bonds, real estate, commodities but also within asset class like equities, one should invest in large caps, mid caps, sector funds and other innovative products. Therefore on a diversification perspective, index-plus funds complement, and not compete with the other equity funds in one's portfolio.

What will be the Asset allocation of Reliance Equity Advantage Fund?

Under normal circumstances, the anticipated asset allocation would be:

Instruments	Indicative asset allocation	Risk Profile
Equity and Equity related Securities	70% to 100%	Medium to High
Debt and Money market securities (including investments in securitized debt*)	0% to 30%	Low to Medium

*Including upto 25% of the corpus In Securitized Debt. An overall limit of 100% of the portfolio value (i.e. net assets including cash) has been introduced for the purpose of equity derivatives in the scheme, however the same is the notional value and it will be seen that, the notional value of the net exposure to derivatives will not exceed the fund corpus at any point of time. Notional value shall mean value of Futures or notional value of the Options..

What will be the benchmark of Reliance Equity Advantage Fund?

The Benchmark will be S & P CNX Nifty.

What will be the tax treatment for investors in this fund?

This is an equity scheme and will qualify for all tax benefits that any normal equity fund enjoys.

Capital Gains	Long Term Capital Gains (LTCG)	Short Term Capital Gain (STCG)
Applicability	If the investments are made for a period of more than 12 months	If the investments are made for a period of less than or equal to 12 months
Applicable Tax Rate	NIL	10%+surcharge+cess*

*surcharge: 10%, cess: 3%

WHY should one invest in an Equity Scheme offered by Reliance Mutual Fund?

- Experienced Fund Management Team
- Research Capabilities and robust Risk Management System
- Expertise in Equities fund management for over a decade
- Range of equity funds on offer with a variety of Sectoral funds and Diversified funds

WHAT is the investment philosophy of Reliance Mutual Fund Schemes?

- Following combination of Bottom up and Top down approach in stock selection
- We focus on proper asset allocation with well diversified portfolio
- Portfolio management through

- Disciplined approach to selling
- Using debt as an effective tool
- Systematic use of Derivatives

What is the minimum investment amount?

There are two plans under this Fund namely Retail Plan & Institutional Plan

Application Amount:

- **Retail Plan:** Rs 5000 and in multiples of Re. 1 thereafter
- **Institutional Plan:** Rs. 5 crore in multiples of Re. 1 thereafter

What is the minimum additional investment amount?

Additional Purchase Amount

- **Retail Plan-**Rs 1000 (plus in the multiple of Re.1)
- **Institutional Plan-** Rs.100,000 (plus in the multiple of Re 1)

Is there any option of doing SIP during the NFO?

Yes, SIP option is available during the NFO & subsequently as well.

- Monthly SIP Option - 12 instalments of Rs. 500/- each or 6 instalments of Rs. 1,000/- each and in multiples of Re. 1/- thereafter.
- Quarterly SIP Option - 4 instalments of Rs. 1,500/- each and in multiples of Re. 1/- thereafter.

What are the applicable loads during and after the NFO?

Load Structure (During the New Fund Offer and continuous offer including SIP installments)

Entry Load:

Plans	Entry Load
Retail Plan	2.25%
Institutional Plan	Nil

Exit Load

Retail Option: For investments made during the NFO and ongoing basis –

- 1% if redeemed/switched on or before 6 months.
- 0.5% if redeemed/switched between 6 months & before completion of 1 year
- Nil if redeemed/switched after completion of 1 year from the date of allotment.

Institutional Option: Nil

What are the plans available under this scheme?

- Retail Plan
- Institutional Plan

Each of the above option will have Growth & Dividend Plans respectively as specified below

- Growth Plan: Growth Option & Bonus Option
- Dividend Plan: Dividend payout Option & Dividend Reinvestment Option

Statutory Details: Sponsor: Reliance Capital Limited. Trustee: Reliance Capital Trustee Co. Limited. Investment Manager: Reliance Capital Asset Management Limited. Statutory Details: The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956. Reliance Equity Advantage Fund: An open-ended Diversified Equity Scheme. Investment Objective: The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in a portfolio predominately of equity & equity related instruments with investments generally in S & P CNX Nifty stocks and the secondary objective is to generate consistent returns by investing in debt and money market securities. Asset Allocation: 1. Equity and Equity related Securities - 70% to 100%, 2. Debt and Money market securities (including investments in securitised debt) - 0% to 30% (Including upto 25% of the corpus In Securitised Debt. An overall limit of 100% of the portfolio value has been introduced for the purpose of equity derivatives in the scheme.) Terms of Issue: The units are available at the face value of Rs. 10/- per unit plus applicable entry load during the New Fund Offer Period. The AMC will calculate and disclose the first NAV not later than 30 days from the closure of New Fund Offer Period. Subsequently, the NAV will be calculated at the close of every working day and shall be published in two daily newspapers. Load Structure: (For NFO and Continuous Offer including SIP) Entry Load: Retail Plan: 2.25%, Institutional Plan: Nil, Exit Load: Retail Plan: For investments made during the NFO and ongoing basis – 1% if redeemed/switched on or before 6 months from the date of allotment; 0.5% if redeemed/switched between 6 months & before completion of 1 year from the date of allotment; Nil if redeemed/switched after completion of 1 year from the date of allotment. Institutional Plan: Nil

GENERAL RISK FACTORS: Mutual Funds and securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Scheme will be achieved. As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Sponsor/AMC/Mutual Fund is not indicative of the future performance of the Scheme. Reliance Equity Advantage Fund is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme; its future prospects or returns. The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond their initial contribution of Rs.1 lakh towards the setting up of the Mutual Fund and such other accretions and additions to the corpus. The Mutual Fund is not guaranteeing or assuring any dividend/ bonus. The Mutual Fund is also not assuring that it will make periodical dividend/bonus distributions, though it has every intention of doing so. All dividend/bonus distributions are subject to the availability of the distributable surplus in the Scheme. For details of scheme features apart from those mentioned above and scheme specific risk factors, please refer to the provisions of the offer document. Offer Document and KIM cum application form is available at all the DISCs/ Distributors of RMF/www.reliancemutual.com. Please read the offer document carefully before investing. The information contained herein has been obtained from sources published by third parties. While such publications are believed to be reliable, however, neither the AMC, the Trustees, the Fund nor any of their affiliates or representatives assume any responsibility for the accuracy of such information."