

**Reliance Arbitrage Advantage Fund
(An Open Ended Arbitrage Scheme)**

Index

Positioning & Investment Philosophy of the Fund.....

Why should one invest in Reliance Arbitrage Advantage.....

Fund Manager's View.....

Portfolio & Scheme Features.....

Positioning & Investment Philosophy of the Fund

- ❖ *A Conservative Arbitrage Fund.*
- ❖ *The fund aims to generate income through arbitrage opportunities arising out of pricing mismatch in a security between cash and derivative segment and with derivatives segment along with investments in debt securities and money market instruments.*
- ❖ **The scheme will seek to achieve its investment objective primarily by employing various strategies which seek to exploit available arbitrage opportunities in markets.**
- ❖ **Following are some of the arbitrage strategies which the fund may adopt:**
 - Index / Stock spot - Index / Stock Futures**
 - ADR / GDR - underlying shares**
 - Hedging and alpha strategy**
 - Cash Futures Arbitrage Strategy (Only one way as funds are not allowed to short in the cash market)**
 - Corporate Action / Event Driven Strategies**
 - Dividend Arbitrage**
 - Buy-Back Arbitrage**
 - Merger**

The list is not exhaustive and the Fund could use similar strategies and any other strategies as available in the markets.

- ❖ **The stock selection strategy would be a blend of top down and bottom up approach without any sector or market capitalization bias.**
- ❖ **Completely hedged, take offsetting positions on various markets simultaneously.**
- ❖ **Market neutral; no specific equity risk.**
- ❖ **In the absence of adequate arbitrage opportunities, the scheme may invest in short term debt or money market securities.**

Why One Should Invest In Reliance Arbitrage Advantage Fund?

- ❑ Generate income through arbitrage opportunities arising out of pricing mismatch in a security between different markets or as a result of special situations.
- ❑ Completely hedged positions, neutralizes market risk (volatility) and targets absolute returns irrespective of market conditions.
- ❑ Will aim to have prudent balance of safety, returns and liquidity
- ❑ Reliance Arbitrage Advantage Fund would prove to be an apt product for those investors who want to remain conservative and invest in relatively less risky portfolio.

Fund Manager’s View

- ❑ In volatile markets, one can take advantage of arbitrage opportunities, especially when the markets are trading at relatively higher levels. For example: In the recent times, lot of new FII's have entered with fresh money which created more volatility as mutual funds were net sellers due to redemptions.
- ❑ Since the Indian equity markets are relatively matured as compared to what it was a few years back, lot of corporate actions like buy back, merger activities etc would give arbitrage opportunities to capitalize on.
- ❑ India, being one of the most attractive investment destinations for global investors, different time zones of different markets would further give arbitrage advantage.

Portfolio & Scheme Features As on 31st Dec, 2011

Asset Allocation as on 31st Dec, 2011	
Equities	60.44
Derivatives, Cash & Other Receivables	39.56
Benchmark	Crisil Liquid Fund Index
Fund Manager	Krishan Daga
Quarterly AAUM as on 31 st Dec, 2011	Rs 2 Cr

Portfolio of Reliance Arbitrage Advantage Fund	
as on 31/12/2011	
Holdings	Weightage %
Equities-	
Mahindra & Mahindra Ltd	6.46
Sun Pharmaceutical Industries Ltd	6.29
Larsen & Toubro Ltd	6.29
Divis Laboratories Ltd	4.91
Reliance Industries Ltd	4.38
Dhanlaxmi Bank Ltd	3.39
Financial Technologies India Ltd	3.35
Karnataka Bank Ltd	3.30
Pantaloon Retail (India) Ltd	3.25
Orchid Chemicals & Pharmaceuticals Ltd	3.20
IVRCL Ltd	2.86
Dena Bank	2.47
IFCI Ltd	2.21
Aurobindo Pharma Ltd	2.15
Gujarat State Petronet Ltd	1.96
3i Infotech Ltd	1.77
Reliance Capital Ltd	1.49
Equity Less Than 1% of Corpus	0.72
Sub Total of Equities	60.44
Derivatives,Cash and Other Receivables	39.56
Grand Total	100.00
* Indicates Top Ten Holdings	

Scheme Features of Reliance Arbitrage Advantage Fund

Investment Objective	The investment objective of the scheme is to generate income by taking advantage of the arbitrage opportunities that potentially exists between cash and derivative market and within the derivative segment along with investments in debt securities & money market instruments.
Nature of the Scheme	An Open Ended Arbitrage Scheme
Asset Allocation	<p>Under normal circumstances, the asset allocation would be:</p> <p>Equities and equity related instruments, Derivatives including index futures, stock futures, index options, & stock options, etc#.- 65% to 90% Debt and Money market instruments** (including investments in securitized debt – 10% to 35%</p> <p>When adequate arbitrage opportunities are not available in the Derivative and Equity markets, the anticipated alternate asset allocation on defensive considerations would be in accordance with the allocation given below: However, in case no arbitrage opportunity is available, then 100% of the remaining investible corpus (to the extent not deployed in arbitrage opportunities in the</p>

	<p>asset allocation pattern mentioned above) will be deployed in short term debt and money market instruments with tenure not exceeding 91 days (including investments in securitized debt). In this scenario also, the allocation in Equities and equity related instruments, Derivatives including index futures, stock futures, index options, and stock options, etc will continue to be made in arbitrage opportunities only.</p> <p>Equities and equity related instruments, Derivatives including index futures, stock futures, index options, & stock options, etc (Only arbitrage opportunities)#.- 0% to 65%</p> <p>Debt and Money market instruments** (including investments in securitized debt) – 10% to 35%</p> <p>Short term Debt and Money market instruments not exceeding tenure of 91 days** (including investments in securitized debt)– 0% to 100%</p> <p># the exposure to derivatives shown in the above asset allocation tables is exposure taken against the underlying equity investments and should not be considered for calculating the total asset allocation and/or investment restrictions on the issuer. The idea is not to take additional asset allocation with the use of derivative. The margin money deployed on these positions would be included in Money Market category.</p> <p>** including securitized debt up to 30%</p>
Choice of Plans/Options	<p>(a) Growth Plan (1) Growth Option</p> <p>(b) Dividend Plan (1) Dividend Payout Option (2) Dividend Reinvestment Option</p>
Minimum Investment	Rs. 5000 & in multiples of Re 1 thereafter
Load Structure	Entry Load* : Not Applicable
	Exit Load :
	<p>1% if redeemed/switched on or before completion of 12 months from the date of allotment of units.</p> <p>Nil if redeemed/switched after completion of 12 months from the date of allotment of units.</p> <p><i>*In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 no entry load will be charged for purchase / additional purchase / switch-in accepted by the Fund with effect from August 01, 2009. Similarly, no entry load will be charged with respect to applications for registrations under systematic investment plans/ systematic transfer plans accepted by the Fund with effect from August 01, 2009.</i></p>

Disclaimers

The views expressed herein constitute only the opinions and do not constitute any guidelines or recommendation on any course of action to be followed by the reader. This information is meant for general reading purposes only and is not meant to serve as a professional guide for the readers. Certain factual and statistical (both historical and projected) industry and market data and other information was obtained by RCAM from independent, third-party sources that it deems to be reliable, some of which have been cited above. However, RCAM has not independently verified any of such data or other information, or the reasonableness of the assumptions upon which such data and other information was based, and there can be no assurance as to the accuracy of such data and other information. Further, many of the statements and assertions contained in these materials reflect the belief of RCAM, which belief may be based in whole or in part on such data and other information.

The Sponsor, the Investment Manager, the Trustee or any of their respective directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information. Whilst no

action has been solicited based upon the information provided herein, due care has been taken to ensure that the facts are accurate and opinions given are fair and reasonable. This information is not intended to be an offer or solicitation for the purchase or sale of any financial product or instrument. Recipients of this information should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice, verify the contents and arrive at an informed investment decision before making any investments.

None of the Sponsor, the Investment Manager, the Trustee, their respective directors, employees, affiliates or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material.

The Sponsor, the Investment Manager, the Trustee, any of their respective directors, employees including the fund managers, affiliates, representatives including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies) / specific economic sectors mentioned herein.

Reliance Arbitrage Advantage Fund (An Open Ended Arbitrage Scheme): The investment objective of the scheme is to generate income by taking advantage of the arbitrage opportunities that potentially exists between cash and derivative market and within the derivative segment along with investments in debt securities & money market instruments.

Terms of Issue: The NAV of the Scheme will be calculated and declared on every Working Day. The scheme provides sale / switch - in & repurchase /switch - out facility on all Business Days at NAV based prices.

Statutory Details: Reliance Mutual Fund has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882. **Sponsor:** Reliance Capital Limited. **Trustee:** Reliance Capital Trustee Co. Limited. **Investment Manager:** Reliance Capital Asset Management Limited (Registered Office of Trustee & Investment Manager: 'H' Block,1st Floor, Dhirubhai Ambani Knowledge City, Koparkhairne, Navi Mumbai - 400 710, Maharashtra. . The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956. 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.

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. Reliance Arbitrage Advantage Fund is only the name of the Scheme and does not in any manner indicates either the quality of the Scheme; its future prospects or returns. Past performance of the Sponsor/AMC/Mutual Fund is not indicative of the future performance of the Scheme. The Mutual Fund is not assuring that it will make periodical dividend distributions, though it has every intention of doing so. All dividend distributions are subject to the availability of distributable surplus in the Scheme. The NAV of the Scheme may be affected, interalia, by changes in the market conditions, interest rates, trading volumes, settlement periods and transfer procedures. For Scheme specific risk factors, please refer to the Scheme Information Document & Key Information Memorandum, which is available at all the DISC, Distributors and www.reliancecmutual.com. **Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**