

Religare Arbitrage Fund

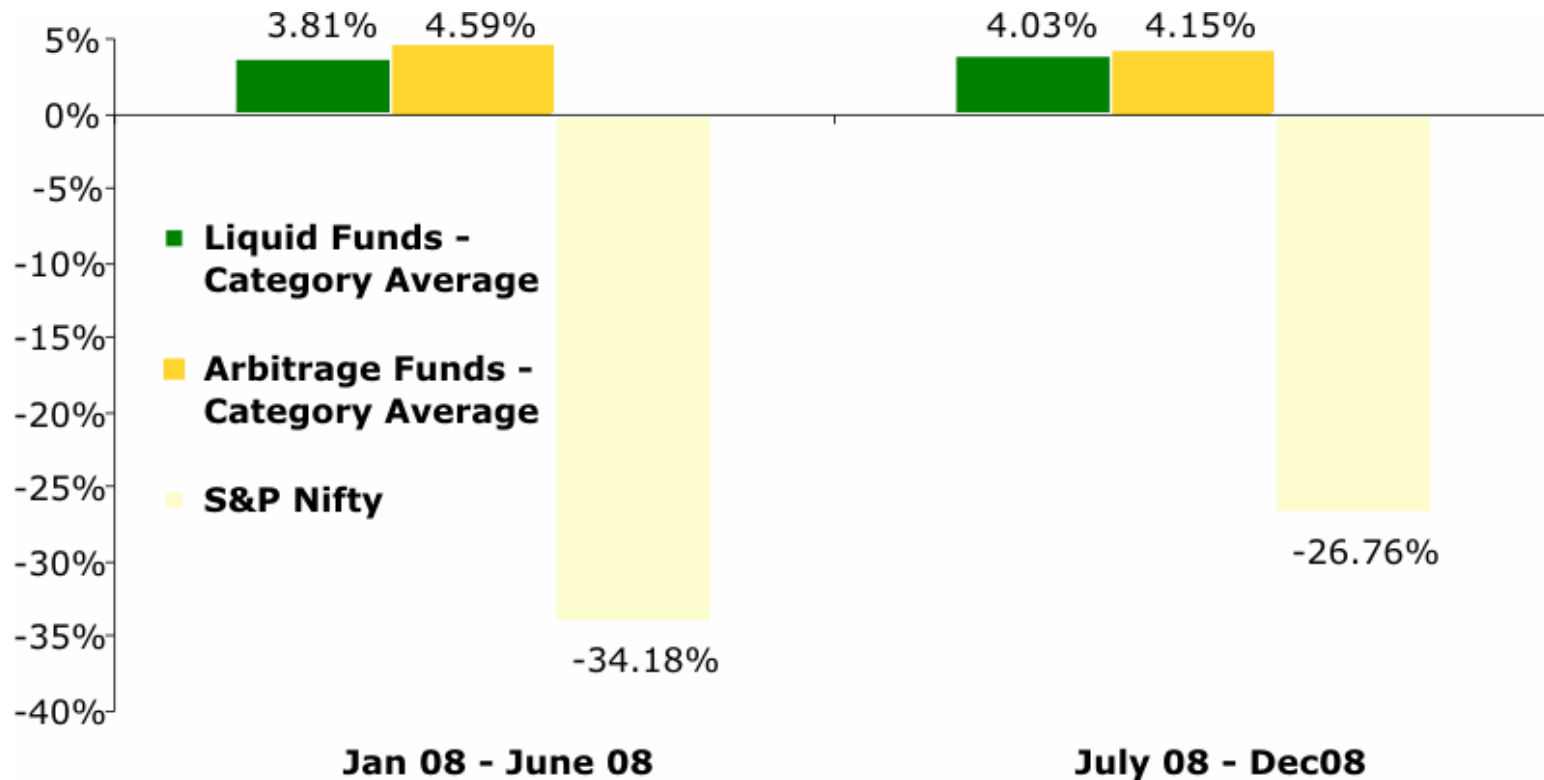
(An equity oriented interval scheme)

What is arbitrage?

- In simple terms, arbitrage is the practice of taking advantage of a price differential – of the same asset – between two or more markets...*say taking advantage of the mispricing between the cash and derivatives market*
- For e.g..
 - Assume stock price of ABC Ltd is at Rs.1906/- in the cash market
 - Stock is also traded in the derivatives segment, where its future price is Rs.1976/-
 - In such a case, one can make a risk-free profit by selling a futures contract of ABC Ltd. at Rs. 1976/- and buy an equivalent number of shares in the equity market at Rs.1906/-

On settlement day, it wouldn't matter which direction the stock price has taken in the interim. Because on the expiry day (settlement date) the price of equity shares and their futures tend to converge

When is arbitrage profitable?



- Returns are enhanced in volatile times
- In these periods, arbitrage funds would typically outperform both debt & equity markets
- Leading to superior risk adjusted returns over time

(No. of schemes considered for liquid funds category is 49 for Jan08-Jun08 period, and 50 schemes for July08-Dec08 period. For Arbitrage category, no. of schemes considered is 10 for Jan08-Jun08 period and 11 schemes for July08-Dec08 period. Returns are absolute for all time periods). Source: ICRA MFIE. Disclaimer: The above graph is for illustrative purpose only and does not in any manner indicate the performance of Religare Arbitrage Fund. The mutual fund/ AMC is not guaranteeing, promising or forecasting any returns. Please refer relative performance table on slide 16



Presenting
Religare Arbitrage Fund

Religare Arbitrage Fund

- The Fund aims at exploiting the price differential between cash and derivative markets to generate returns without any market exposure and low risk to capital
- Buys and sells simultaneously in same equity and / or derivative securities.
- Seeks to generate Net positive returns on a monthly basis with low volatility; regardless of market direction
- Focus on absolute return on a monthly basis

Religare Arbitrage Fund - Philosophy & Strategy

- Fund believes that markets are inefficient, best opportunities of arbitrage arise when markets are most volatile
- Invests upto 65% -80% of its net assets in equity and equity related instruments on a fully hedged basis. No un- hedged positions
- No directional exposure. Truly market neutral. Quantification of profits
- Residual Portion – upto 35% will be deployed in debt and money market instruments
- Positions either reversed or rolled over at expiry

Arbitrage Strategies

- **Index/Stock Spot – Index/Stock Future**

The pricing of Futures is derived from the underlying index or underlying stock. When the two go out of sync, there arises opportunities by selling the overpriced futures and buying the underlying index / stock

- **Dividend Arbitrage**

Usually during the period prior to dividend declaration, the stock futures/options market can provide a profitable opportunity. Generally, the stock price declines by the dividend amount when the stock goes ex-dividend

- **Buy Back Arbitrage**

When the company announces the buyback of its own shares, there could be opportunities due to the price differential in buy-back price and traded price

Few examples of arbitrage strategy at work

Trading opportunity - Oriental Bank of Commerce

Initial Corpus : Rs 60,00,000

Profit on Initiating a Trade

Date of Initiating Trade: 25 th July'08	No. of shares	Price	Value	Net Value (Post Brokerage and Taxes)
Buy Cash	34,000	146.45	49,79,300	49,87,017
Sell Futures	34,000	147.35	50,09,900	50,08,397

Profit on Reversing a Trade

Date of Reversing Trade: 26 th Aug'08	No. of shares	Price	Value	Net Value (Post Brokerage and Taxes)
Sell Cash	34,000	168.55	57,30,700	57,21,817
Buy Futures	34,000	165.15	56,15,100	56,16,784

Profit on Cash Leg	7,34,800
Loss on Futures Leg	-6,08,388
Net Profit from Trade	1,26,412

Final Corpus Post Initiating and Reversing the Trade	61,26,412
Initial Corpus	60,00,000
Net Gain from the Arbitrage Trades	1,26,412
Annualised Returns	25.28%

Disclaimer: The above simulation is for illustration purposes only and should not be constructed as a promise or minimum returns or safeguard of capital. The AMC/Mutual Fund is not guaranteeing, promising or forecasting any returns. Source: RMF



Few examples of arbitrage strategy at work

Trading opportunity - Power Finance Corporation

Initial Corpus : Rs 60,00,000

Profit on Initiating a Trade

Date of Initiating Trade: 29 th Sept'08	No. of shares	Price	Value	Net Value (Post Brokerage and Taxes)
Buy Cash	41,000	121.95	49,99,950	50,07,699
Sell Futures	41,000	122.85	50,36,850	50,35,338

Profit on Reversing a Trade

Date of Reversing Trade: 30 th Oct'08	No. of shares	Price	Value	Net Value (Post Brokerage and Taxes)
Sell Cash	41,000	96.8	39,68,800	39,62,648
Buy Futures	41,000	96.8	39,68,800	39,69,990

Profit on Cash Leg	-10,45,052
Loss on Futures Leg	10,65,348
Net Profit from Trade	20,297

Final Corpus Post Initiating and Reversing the Trade	60,20,297
Initial Corpus	60,00,000
Net Gain from the Arbitrage Trades	20,297
Annualised Returns	4.06%

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Why Religare Arbitrage Fund ?

- Is an ideal fund in this current volatile and uncertain market conditions
- Operates on the concept of “fully hedged equity exposure” – each position in equity stock is hedged
- The fund doesn't take any market risk and generates returns possibly higher than short term interest rates
- It has provided consistent positive returns on a month on month basis*
- Aggressive trading strategies enables the fund to deliver superior returns and take advantage of the differential prices between the cash and futures markets.

* Past performance may or may not be sustained in future. Please refer relative performance table on subsequent slides



Why Religare Arbitrage Fund ? ...contd

- Offers an opportunity for investors to earn higher returns without taking directional call in equity market
- Status of an equity-oriented fund, thus lower tax incidence compared to debt and liquid funds
- Interval Scheme** (monthly exit option) – helps better returns management

(**The interval period will be the settlement Thursday (the settlement day for derivatives segment in the NSE, which is currently last Thursday of the month) or any day which is declared as the settlement day for Derivatives segment by the NSE)



Rolling returns - Religare Arbitrage Fund

	1 Month	3 Month	6 Month	12 Month
No of observations	440	397	334	214
Negative observations	0	0	0	0
Positive observations	440	397	334	214
Probability of Positive returns (%)	100	100	100	100
Probability of Negative returns (%)	0	0	0	0
Average returns (absolute)	0.66	1.99	4.06	8.17

Based on rolling returns for different time period specified, frequency being daily, for Religare Arbitrage Fund. The returns have been calculated till 26th Mar 09

* Past performance may or may not be sustained in future. Please refer relative performance table on subsequent slides

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Who should invest ?

- Investors looking to benefit from arbitrage opportunities available in the equity markets
- Investors looking to earn higher returns compared to comparable debt funds, without assuming equity market risk
- Investors seeking returns which are commensurate with a medium term investment horizon, without taking an un-hedged exposure to the equity markets

Religare Arbitrage Fund - Portfolio

Top Ten Holdings	% of Net Assets
Reliance Industries Ltd.	2.19%
Oil & Natural Gas Corporation Ltd.	1.75%
GTL Ltd.	1.68%
Dish TV India Ltd.	1.55%
GTL Infrastructure Ltd.	1.47%
KS Oil Ltd.	1.40%
Balrampur Chini Mills Ltd.	1.35%
Mphasis Ltd.	1.32%
Ispat Industries Ltd.	1.29%
India Cements Ltd.	1.25%
Total	15.24%

Top 10 Sector	% of Net Assets
Petroleum Products	5.57%
Cement	5.36%
Software	5.13%
Banks	5.00%
Finance	4.89%
Power	4.88%
Consumer Non Durables	4.37%
Telecom - Services	3.53%
Ferrous Metals	3.18%
Telecom - Equipment & Accessories	3.15%
Total	45.05%

Net assets: **Rs 301.01 crores**, as on 31st Jul 09

Source: RMF. Portfolio data as on 31st Jul 09. RAF – Religare Arbitrage Fund.



Religare Arbitrage Fund - Performance Update

Performance (as on Jul 31, 2009)

Period	Religare Arbitrage Fund#	Crisil Liquid Fund Index
3 Months\$	1.17%	0.79%
6 Months\$	2.42%	2.85%
1 Year\$\$	6.47%	7.88%
Since Inception\$\$@	7.70%	7.45%

#Past performance may or may not be sustained in future. \$ Absolute returns \$\$ Compounded Annualized, @ Inception Date: 30th April 2007. Returns are for the Growth option.

Source: RMF



Key Facts

Category	An equity oriented interval scheme		
Investment Objective	To generate income through arbitrage opportunities emerging out of mis-pricing between the cash market and the derivatives market and through deployment of surplus cash in fixed income instruments.		
Asset Allocation	Type of Instruments	Normal Allocation (% of corpus)	Risk Profile
	Equity & Equity Related Instruments #	65-80%	High
	Equity Derivatives including stock futures and stock options#	65-80%	High
	Debt* & Money Market Instruments	20-35%	Low to medium
	<p>* Debt instruments may include securitized debt (excluding foreign securitised debt) upto 30% of the net assets. # Maximum exposure to the derivatives shall not be exceeding 80% of the Net assets of the Scheme, subject to the limits as specified by SEBI, from time to time. # Maximum exposure to fixed income derivatives position shall not be exceeding 35% of the Net assets of the Scheme, subject to the limits as specified by SEBI, from time to time.</p>		
Minimum Application Amount	Rs 5000 per application and in multiples of Re. 1 thereafter.		
Options	<ul style="list-style-type: none"> ▪ Growth Option ▪ Dividend Payout ▪ Dividend Reinvestment (If dividend payable under dividend option is equal or less than Rs 500/- then the dividend would be compulsorily reinvested) 		
Loads	<p>Entry Load:</p> <ul style="list-style-type: none"> • Application routed through any Distributor/Agent/Broker: For each investment amount < Rs. 1 Crores: Nil. For each investment amount => Rs. 1 Crores: Nil. By Fund of Funds (regardless of amount) : Nil. Units allotted as bonus or on dividend reinvestment : Nil. Purchase through SIP/STP: Nil. • Application not routed through any Distributor/Agent/Broker: Nil. <p>Exit Load:</p> <ul style="list-style-type: none"> • For each investment amount < Rs. 1 Crores: <ul style="list-style-type: none"> – If redeemed/switched-out on or before 180 days from the date of allotment:1%. – If redeemed/switched-out after 180 days from the date of allotment: Nil. •For each investment amount => Rs. 1 Crores: <ul style="list-style-type: none"> – If redeemed/switched-out on or before 25 days from the date of allotment:0.25%. – If redeemed/switched-out after 25 days from the date of allotment: Nil. 		
Fund Manager	Vetri Subramaniam		
Benchmark	Crisil Liquid Fund Index		

Biographies - Equity Team

- **Vetri Subramaniam, Head – Equity Funds**

Vetri has over 14 years' experience in the Indian equity markets and is responsible for the AMC's equity portfolio. He joins Religare Asset Management from Motilal Oswal Securities where he was the Chief Investment Officer. Prior to Motilal Oswal, he was working as an Advisor to Boyer Allan Investment Management, UK, where he was advising them on their investments in India. Vetri has also worked with Kotak Mahindra Asset Management as Head of Equity Funds, Sharekhan.com as Chief Investment Advisor and SSKI Securities as Vice President - Equity Sales. Vetri holds a Commerce degree and holds a PGDM from Indian Institute of Management, Bangalore

- **Pradeep Kumar - Fund Manager**

Pradeep has over 8 years' experience in fund management and equity analysis. Prior to joining Religare Asset Management, Pradeep was a Fund Manager in ABN Amro Mutual Fund where he was actively managing three equity funds. Prior to ABN Amro Asset Management he was working with DBS Cholamandalam AMC, initially as an equity analyst and then as a Fund Manager. Prior to joining the investment field, Pradeep worked as a Mechanical Engineer for 2 years. Pradeep holds a Mechanical Engineering degree and is an MBA from Mumbai University.

- **Vinay Paharia – Associate Fund Manager**

Vinay has over 6 years' experience in equity research. Prior to joining Religare Asset Management, Vinay was an Equity Research Analyst with DBS Cholamandalam AMC. Prior to DBS Cholamandalam AMC, Vinay worked with KRC, a domestic broking house, as an Analyst in the PMS division and as a sell side analyst with KRC and First Global, a domestic broking house. Vinay holds a Commerce degree and holds an MMS degree from Welingkar Institute, Mumbai University

- **Shashank Shekhar Panda – Analyst**

Shashank has over 5 years of experience including equity research and equity fund management. He joins Religare Asset Management from Capgemini Consulting where he was heading the Investment Research SBU as a Manager. Prior to this, he was working with Dawnay Day AV Financial Services as Manager, Equity PMS, where he was a part of the equity fund management team. Shashank has also worked with Kotak Mahindra Asset Management Company, Infosys and ICRA Online. Shashank holds a Commerce degree from BHU, Varanasi and is an MBF (Management in Business Finance) from the Indian Institute of Finance, New Delhi.

Biographies - Equity Team

- **Amit Ganatra – Analyst**

Amit has over 5 years' experience in equity research. Prior to joining Religare Asset Management, Amit was working with DBS Cholamandalam Mutual Fund covering banking, property and construction sectors. Prior to DBS Cholamandalam Mutual Fund, he was working with Fidelity as sector specialist covering the banking sector. Amit holds a Commerce degree and is a Chartered Accountant. He is also a Certified Financial Analyst from AIMR.

- **Pranav Gokhale – Analyst**

Pranav has over 4 years of experience in equity research. He joins Religare Asset Management from Infrastructure Leasing & Financial Services Limited where he was assisting the Fund Manager in managing portfolios, investment process and client interaction as an Equity Analyst. Prior to this, he was working with ICICI Web Trade Limited as a Research Analyst identifying stock ideas and dealing in equity and derivative market on behalf of NRIs. Pranav has also worked with Rosy Blue Securities Private Limited and International Ship Repair LLC. Pranav holds a Masters degree in Commerce and is a Chartered Accountant.

- **Rajeev Bhardwaj – Dealer**

Rajeev has over 3 years of experience in equity sales and dealing. He joins Religare Asset Management from SAL Securities where he was in the Institutional Equity Sales function which involved Dealing, monitoring investment policies and trends in different financial markets and providing technical analysis to support and grow ongoing key client business. Prior to this, he was working in Share Khan as a Relationship Manager advising clients to invest in equity products including Portfolio Management Services and Mutual Funds. Rajeev has also worked with Motilal Oswal Securities as a Business Development Executive, acquiring high net worth clients and revenue generation. Rajeev holds a degree in Information Technology and is an MBA from Pune University.

- **Abbas Ratnani – Dealer**

Abbas has over 2 years' experience in the financial services sector. Prior to joining Religare Asset Management, he was working with ICICI Bank Limited as a Research Analyst in their Global Research Group. Abbas holds a Commerce degree and is a Chartered Accountant.



Disclaimer

Risk Factors: All mutual funds and securities investments are subject to market risks and there can be no assurance that the objective of Scheme will be achieved. Investment in Mutual Fund units involve investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of capital. As with any investment in securities, the NAV of the units issued under Scheme may go up or down depending upon the factors and forces affecting the securities markets. Past performance of the Sponsor and its affiliates / AMC / Mutual Fund and its Scheme(s) do not indicate the future performance of the Scheme of the Mutual Fund. Investors in the Scheme are not being offered any guaranteed / assured returns. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of individual nature of tax consequences, each investor is advised to consult his/ her own professional tax advisor. Religare Arbitrage Fund, an equity oriented interval scheme, is only the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects and returns. **Please read the Statement of Additional Information / Offer Document before investing.** Derivatives products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The Scheme offers repurchase facility only during an interval period, subject to the exit load, if any, to that extent Scheme has limited liquidity. **Statutory Details:** Religare Mutual Fund has been set up as a trust sponsored by Religare Securities Ltd. (liability restricted to Rs. 1,50,000/-) with Religare Trustee Company Pvt. Ltd. as the Trustee (Trustee under the Indian Trusts Act, 1882) and with Religare Asset Management Company Pvt. Ltd. as the Investment Manager.