

Reliance Gold Exchange Traded Fund

An open-ended Gold Exchange Traded Fund that tracks the domestic prices of gold through investments in physical Gold

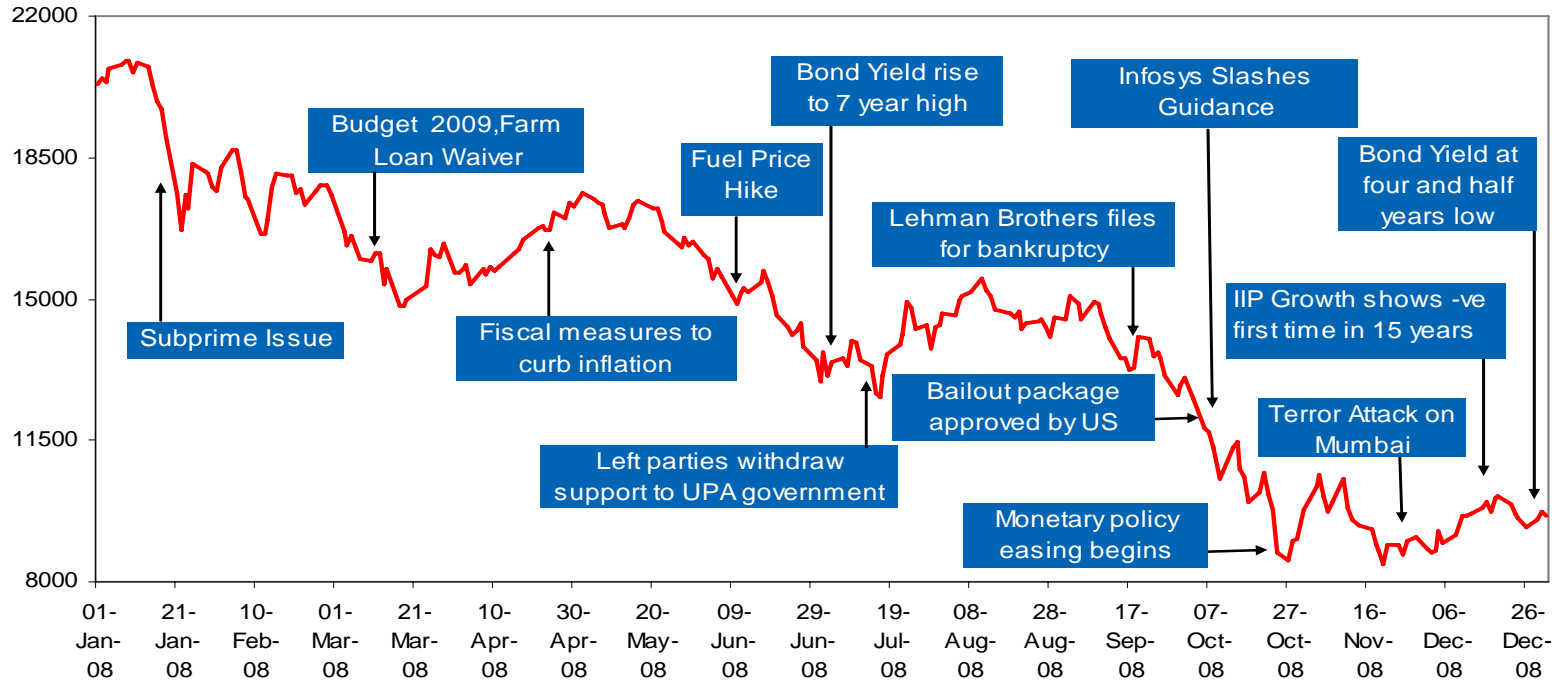
“The way to a golden investment opportunity”

Economic Overview (2008)

- The BSE Sensex dropped 52% in 2008, the biggest negative return in three decades (since 1980)
- Double digit inflation of 12.91% in August 2008, highest in 16 years
- Rising inflation and tightening credit by RBI led to increase in G-sec yields to 9.3% in June-September 2008
- RBI measures coupled with FII outflows led to rupee hitting a new low (since 1999) of Rs 50/US\$

Source: Bloomberg, 31 August 2009

Performance of Sensex in 2008 amid news inflows



Sensex declined from an all time high of 21206 in January 2008 to low of 7698 in October 2008 (intraday basis)

Source: Bloomberg, 31 August,2009

Lessons learnt from the economic cycles

- ❑ Do not indulge in timing the market, rather plan your investment systematically over a period of time
- ❑ Do not over-leverage, avoid unnecessary risk
- ❑ It is not only about increasing the value of your portfolio ,but also about protecting your assets
- ❑ Diversify the investment in asset classes to divide the investment risk

*Gold – The tactical, strategic and an
alternative investment asset class*

Why Gold? The Strategic Arguments

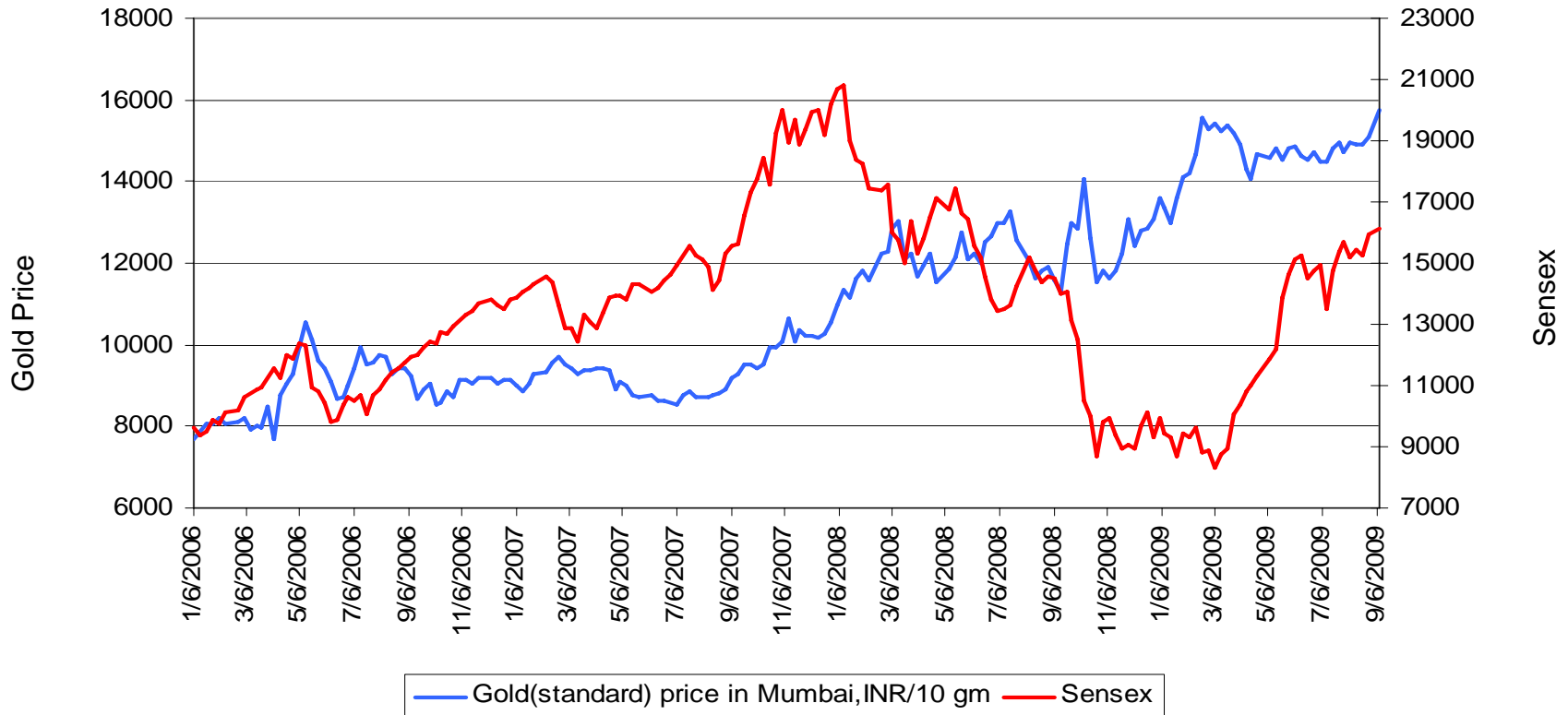
- Gold acts as a hedge against market volatility, it has been relatively stable as compared to other asset classes like equity, commodities
- Gold has historically been a hedge against inflation
- Gold has been a hedge against depreciating dollar
- Gold “a safe haven” in uncertain financial and geo-political stress.

Hence adding gold to a portfolio may help improve risk adjusted returns or reduce volatility for the expected return



Gold – A Portfolio Diversifier

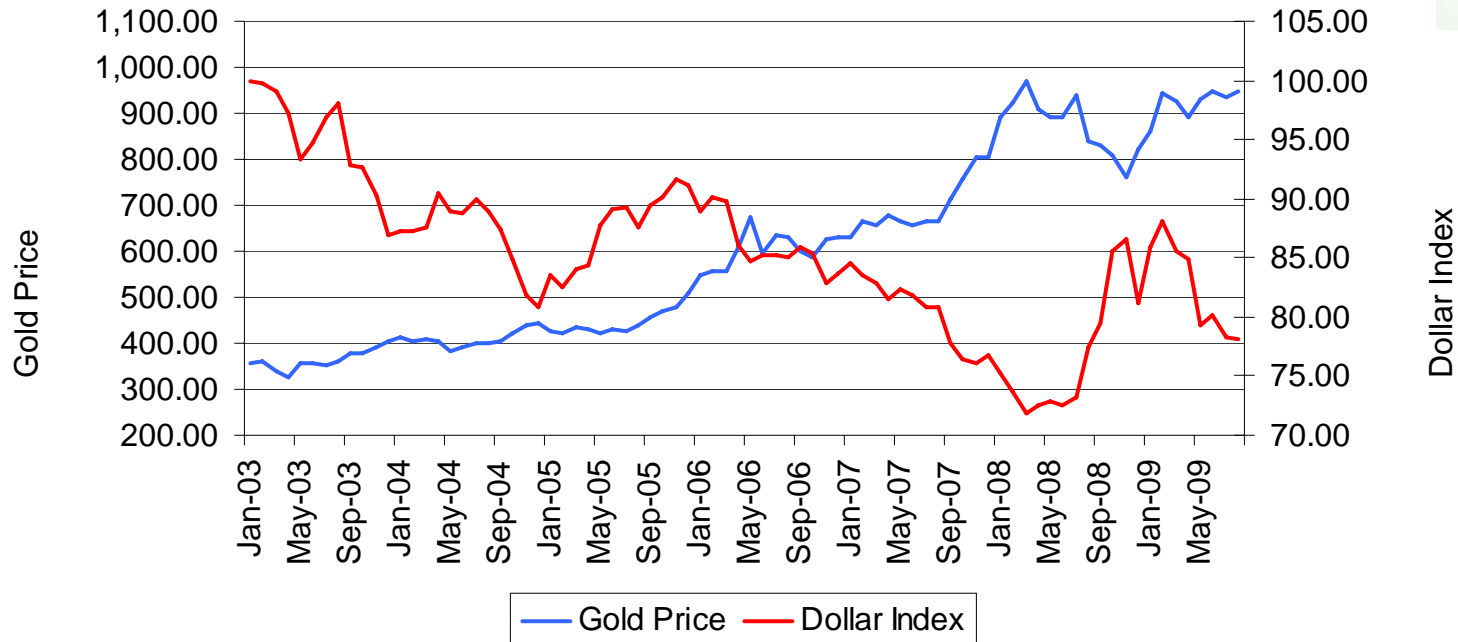
Gold Vs Sensex during different market cycles



Gold: A hedge in an uncertain and volatile market

Source: CMIE, www.bseindia.com, 8 September, 2009

Gold – Hedge against US \$

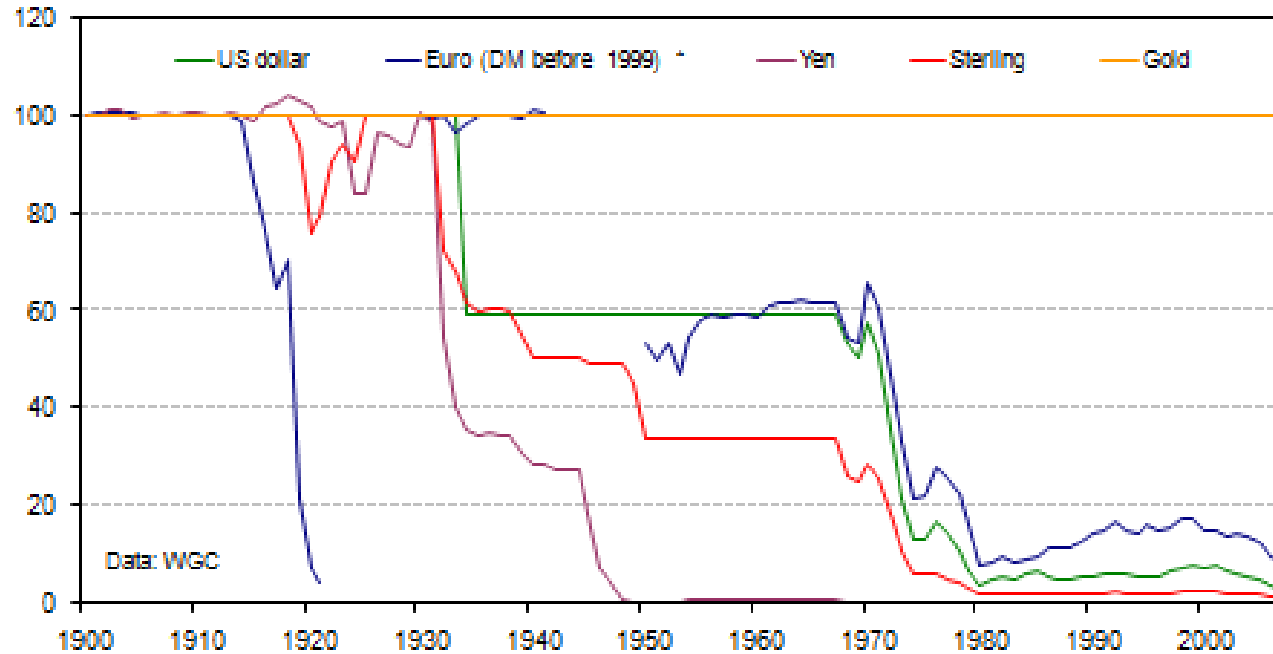


- The above graph shows that Gold has an inverse relationship with US dollar over a period of time indicating that Gold can act as a hedge against dollar currency exposure.
- Gold has been a consistent good protection against exchange rate fluctuation

Source: Reuters, www.gold.org, 31 August, 2009

Gold- Protector of wealth against inflation

Currencies in terms of Gold (Index 1900 = 100)



*The gaps in the German/euro line are the hyperinflation of 1922 and then the breakdown after WW2.

- The value of gold, in terms of real goods and services that it can buy has remained remarkably stable. In comparison the purchasing power of many currencies has generally declined
- Over the long term, through both inflationary and deflationary periods, gold has consistently maintained its purchasing power.

Source: www.gold.org, 31 August, 2009

Outlook of Gold

- ❑ Weakening dollar outlook:
 - China, United Nation among others have expressed concern over US dollar as the world reserve currency
 - Gold tends to benefit from weakening dollar

- ❑ Higher inflation expectation:
 - Unprecedented monetary and fiscal policy stimulus is likely to lead to higher inflation
 - G-20 countries intend to maintain loose money policies until economies recover clearly
 - Gold is seen as a good hedge against inflation

- ❑ Investment demand and Portfolio diversification:
 - Robust Investment demand in Bars, Coins and ETFs driving prices higher
 - Lack of significant correlation with other asset classes drive up gold demand.

Outlook of Gold

- Jewellery demand :
 - Jewellery has been low due to high prices as investors have been waiting for a major price correction and correction didn't take place.
 - This uncatered jewellery demand should cap the downside as investor will rush to buy jewellery if prices correct

- Central Banks likely to diversifying their foreign exchange reserves into gold :
 - China has increased its gold reserves by 75% since 2003 and now holds around 1054 tonnes of gold reserves*

- Third Central Banks Gold Agreement :
 - Reduced gold sales to 400 tones per year from 500 tones per year*

- Geo-Political uncertainties should also benefit gold

*Source:www.gold.org,31 August,2009

Hence in our view long term investors should keep increasing their exposure in gold

Indian Scenario

- ❑ There is no doubt about the popularity & demand of gold in a country which buys it for jewellery, contingencies, gifting ,wedding ,mortgage requirement
- ❑ Gold has ritual, religious sentimental values attached to it, so it cant be substituted and demand is more or less indispensable
- ❑ In spite of subdued gold demand over a period, we expect the gold prices in India to stay firm on strong global investment demand of gold coins, gold bars and gold exchange traded funds.
- ❑ There is a need for an instrument which is available in small denomination, convenient for long term holding ,cost effective and offers easy liquidity

Investments in gold have come a long way.....



Physical Gold/Jewelry



Commodity Exchange



ETFs

What is a Gold Exchange Traded Fund (ETF)?

- ❑ Gold ETF is a security listed on the stock exchange available for trading with an intention to offer investors a means of participating in the gold bullion market without the necessity of taking physical delivery of gold.
- ❑ A Gold ETF is designed to provide returns that, before expenses, closely correspond to the returns provided by domestic price of Gold.

Gold ETFs Globally

- In May 2003 the first Gold Bullion Security launched in Australia & in Nov 2004 the Worlds 1st Gold ETF – Street Tracks Gold Trust was launched.
- Globally Gold ETFs hold 54.23 million ounces of gold, close to last year's total world production***
- Gold ETF saw a largest ever single day inflow on 25 August,2009. The holdings jumped 7% or 211500 ounces to 3.190 million ounces of bullion from 2.978 million ounces*
- SPDR Gold Trust- the biggest Gold ETF holds around 1078 tons of gold**

(Source: *www.reuters.in,26August,2009, **www.spdrgoldshares.com 11 September,2009, ***Wall street Journal,9 September,2009)

Gold ETFs In India

- Total asset under management Rs 904 crore under Gold ETF*
- Inflows has jumped 32 % in August,2009 compared with the same period last year**
- Net inflows of Rs 15 crore in August,2009*
- Gold ETFs have given impressive annual returns of around 33.46% p.a *

Source: Business Standard, *12 September,2009 14 August,2009

Introducing

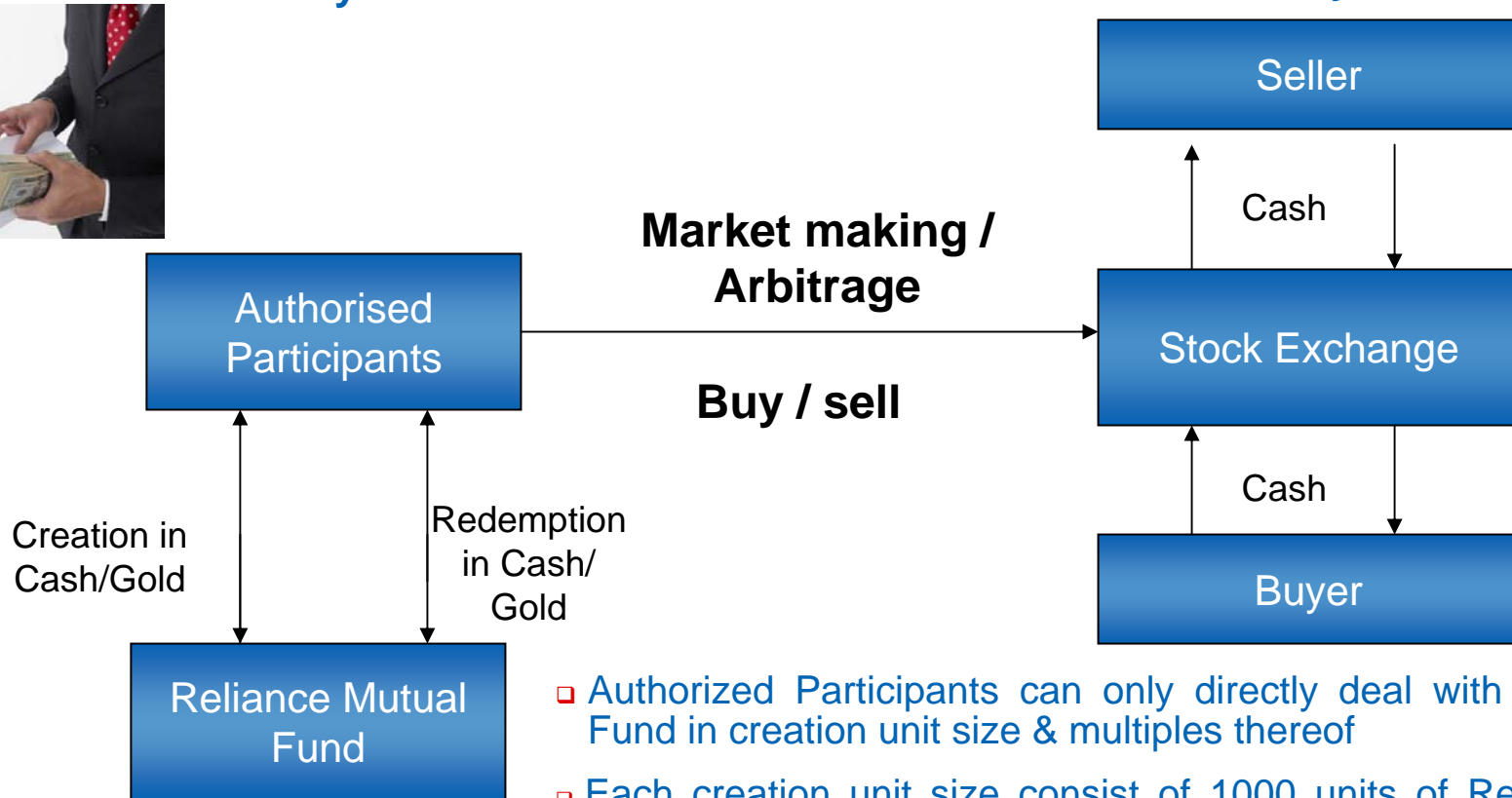
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Working of a Reliance Gold ETF

Primary Market

Secondary Market



- ❑ Authorized Participants can only directly deal with Reliance Mutual Fund in creation unit size & multiples thereof
- ❑ Each creation unit size consist of 1000 units of Reliance Gold ETF and cash components, if any
- ❑ Retail Investor can directly buy the units through his broker on the National Stock Exchange of India Ltd.
- ❑ Each unit of Reliance Gold ETF will be approx equal to 1 gram of gold

Who can invest in Reliance Gold ETF ?

- ❑ An Adult Individual who is a resident of India
- ❑ Non Resident Indian
- ❑ Foreign Institutional Investor registered with SEBI
- ❑ Banks and Financial Institutions
- ❑ Companies, Trusts and Cooperative Societies
- ❑ Partnership Firms, a HUF, Mutual Fund registered with SEBI,etc

*Please refer to SID for further details on who can invest in Reliance Gold Exchange Traded Fund

RGETF vs. Other Sources

Parameters	RGETF	Jewellers	Banks
Form	Demat Form	Bar or Coin	Bar or Coin
Security	Taken care by Fund	Investor's Concern	Investor's Concern
Transparency	Very High	Very Low	High
Impurity Risk	Very Low	High	Very Low
Pricing (for retail investors)	Transparent. Will be traded at NSE	Neither standard nor transparent.	Not standard. Huge Markup, 10-15% ideally
Selling Back	Sell back on exchange	Conditional and uneconomical	Restricted
Bid Ask Spread	Very Low	Very High	Can't Sell back
Denomination	1 gram and in multiples of 1 gram	Available in Standard denomination	Available in standard denomination.

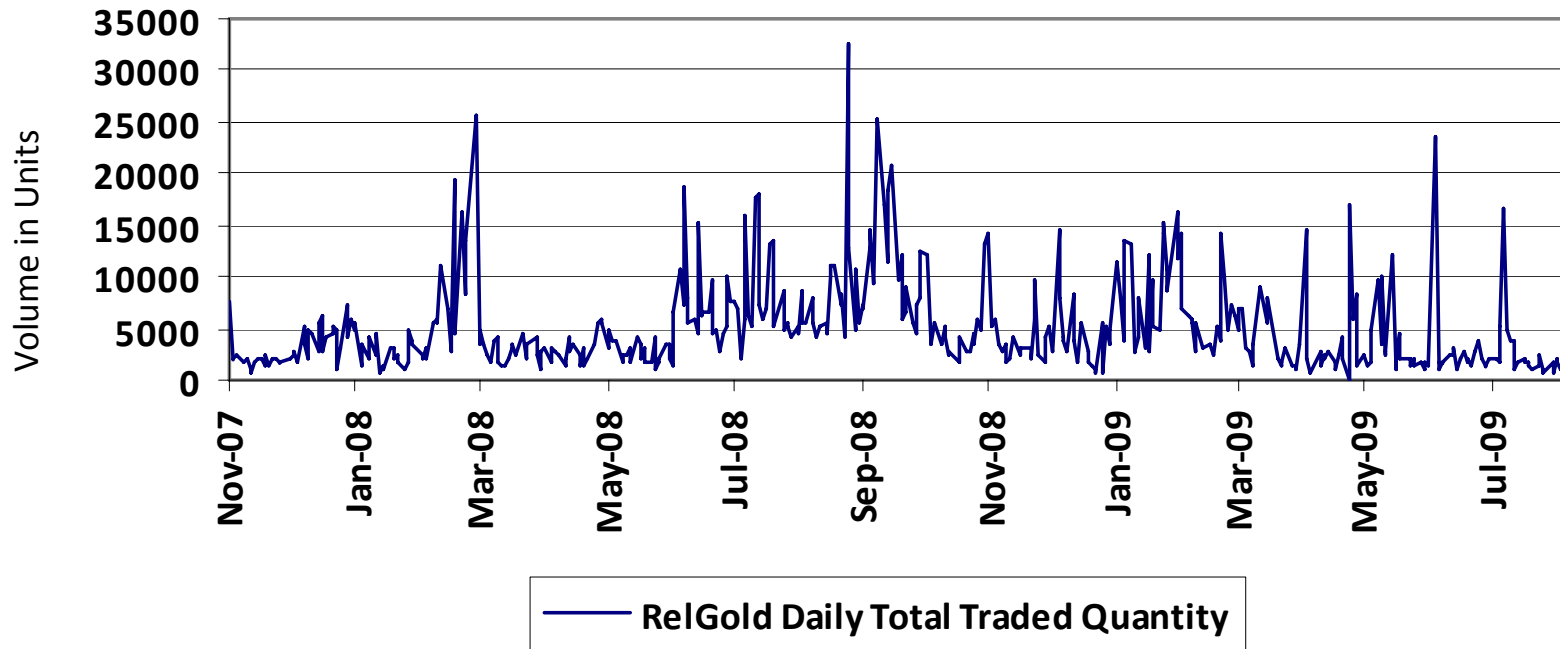
Tax Implications

	RGETF	Jewellers	Banks
Wealth Tax	No*	Yes	Yes
Short-term Capital Gains Tax	Applicable before 1 year	Applicable before 3 years	Applicable before 3 years
Long-term Capital Gains Tax	Applicable after 1 year	Applicable after 3 years	Applicable after 3 years

- ❑ **Long–Term Capital Gain Tax** of 10% or 20 % with indexation will be applicable.
- ❑ **Short-term Capital Gains-** The tax structure under which the investor is applicable.
- ❑ No **Securities Transaction Tax** will be applicable on units traded on the Exchange.

*Converting RGETF units to Gold may also attract Wealth Tax

Reliance Gold ETF Daily Trading Volume



Source: www.nseindia.com, 31 August, 2009

Product Features

- ❑ **Type:** An open-ended Gold Exchange Traded Fund that tracks the domestic prices of gold through investments in physical Gold.
- ❑ **Investment Objective:** The investment objective is to seek to provide returns that closely correspond to returns provided by price of gold through investment in physical Gold (and Gold related securities as permitted by Regulators from time to time). However, the performance of the scheme may differ from that of the domestic prices of Gold due to expenses and or other related factors.
- ❑ **Benchmark Index:** As there are no indices catering to the gold sector/securities linked to Gold, currently Reliance Gold Exchange Traded Fund shall be benchmarked against the price of Gold.
- ❑ **Purity of Gold:** All gold bullion held in the scheme's allocated account with the custodian shall be of fineness (or purity) of 995 parts per 1000 (99.5%) or higher.

Product Features

Asset Allocation

Instruments	% of Total Assets	Risk Profile
Physical Gold or Gold Related Instruments as permitted by regulators from time to time#	90%- 100%	Medium to High
Money Market instruments, Bonds, Debentures, Government Securities including T-Bills, Securitised Debt* & other debt securities as permitted by regulators from time to time	0– 10%	Low to Medium

Presently, investment only in physical gold is allowed as per SEBI guidelines. Investment in gold or gold related instruments may be undertaken as and when permitted by SEBI.

*Upto 10% in securitised debt

- ❑ **Entry Load : Nil****
- ❑ **Exit Load : Nil**
- ❑ **Annual Expense Ratio : 1% p.a.**
- ❑ **Corpus: Rs 184.38 (As on 31/8/2009)**
- ❑ **Fund Manager : Hiren Chandaria**

**In terms of SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009, no entry load will be charged by the Scheme to the investor effective August 1, 2009. Upfront commission shall be paid directly by the investor to the AMFI registered Distributors based on the investors' assessment of various factors including the service rendered by the distributor

Benefits of investing in Reliance Gold ETF

- Transparent Pricing : Two way quotes (buy & sell) during market hours on NSE.
- Ideal investment for retail investor: Minimum one unit can be bought or sold on the exchange.
- No Securities Transaction Tax for trading on the exchange
- Quick and convenient trading in dematerialized form through brokers
- No additional storage and security cost
- Accepted as a collateral for trading on NSE

You have always believed in gold, now invest in it

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The smart, safe and easy way to invest in gold !!!

Risk Factors

The views expressed herein are the personal views of the Fund Manager. The views 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 purpose only and is not meant to serve as a professional guide for the readers. This document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. 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 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 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.

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.

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Risk Factors: Mutual Funds and securities investments are subject to market risks and there is no assurance and no guarantee that the Schemes objectives will be achieved. As with investments in any securities, the NAVs of the units issued under the Scheme can go up or down depending on the factors and forces affecting the securities market. Past performance of the Sponsor/AMC/Mutual Fund is not indicative of future performance of the Scheme. Reliance Gold Exchange Traded 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 lac towards the setting up of the Mutual Fund and such other accretions and additions to the corpus. The NAV of the Scheme may be affected, inter alia, by changes in the market conditions, interest rates, trading volumes, settlement periods and transfer procedures. The Mutual Fund is not guaranteeing or assuring any dividends/ 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 distributable surplus in the respective Scheme. It is to be distinctively understood that the permission given by the NSE should not in any way be deemed or construed that the Scheme Information Document has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of Scheme Information Document. **The investors are advised to refer to the Scheme Information Document for the full text of Disclaimer Clause of NSE. Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**

Thank you
