

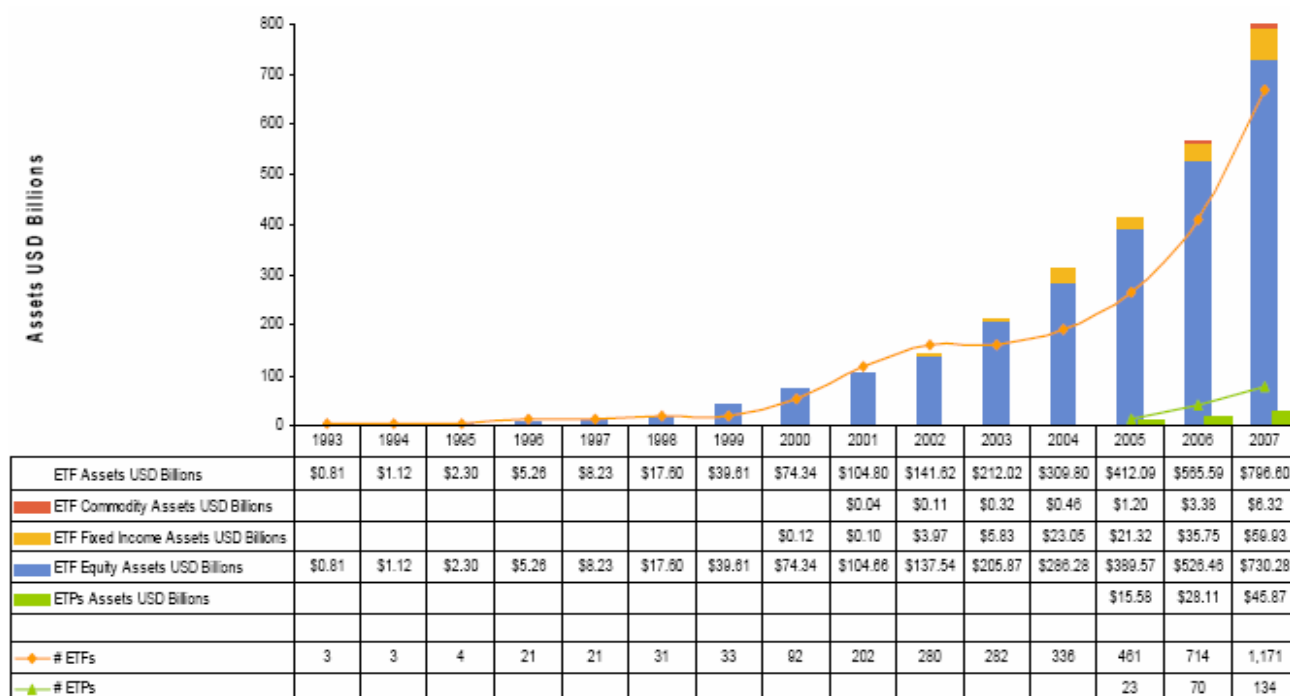
**Reliance Banking Exchange Traded Fund**  
An Open-ended, exchange listed, index linked Scheme

### Exchange Traded Funds (ETFs) – An Overview

- ❑ ETFs are innovative products that provide exposure to an index or a basket of securities that trade on the exchange like a single stock.
- ❑ First ETF in 1993 on S&P500 called SPDRs.
- ❑ Worldwide, there are 1,171 ETFs with 1,909 listings, assets of US\$796.6 billion, managed by 75 managers on 41 exchanges
- ❑ US has the largest number of products and assets under management; 583 ETFs and US\$550.2 billion, followed by Europe with 412 ETFs and US\$134.8 billion and Japan with 15 ETFs and US\$35.3 billion.

\*Source: Morgan Stanley Investment Strategies, Bloomberg

### World wide ETF Growth



\*Source: Morgan Stanley Investment Strategies, Bloomberg

### Outlook of ETF Industry

- ❑ Globally ETF AUM will exceed USD 2 trillion in 2011\*

**Growth Drivers:**

- ☐ Continuing increase in the number of institutional and retail investors who use ETFs and view them as useful tools for tactical and strategic exposure
- ☐ Funds making larger allocations to ETFs based on recent regulatory changes in the US, Europe and in many emerging markets
- ☐ The expansion in asset classes and the number and types of equity, fixed income, commodity and other indices covered
- ☐ Indian issuers interest on rise to launch new ETF's
- ☐ Approx 14 new ETF's listings are in offering in India\*

\*Source: Morgan Stanley Investment Strategies, Bloomberg

**What makes ETF an attractive investment tool?**

**An Index fund with....**

- ☐ Fully funded portfolios, tracking an index performance
- ☐ No subscription/redemption fees on the exchange
- ☐ Full transparency for the fund components
- ☐ Value reflects a fraction of index; 1/1, 1/10, 1/100th
- ☐ Official NAV calculated on a daily basis

**Listed and tradable on exchange...**

- ☐ Quoted in real time as share on stock exchange
- ☐ Liquidity: Multiple market makers display bid offer spreads

**Benefits of ETFs**

- ☐ Can be easily bought / sold like any other stock on the exchange through terminals spread across the country
- ☐ Can be bought / sold anytime during market hours at prices that are expected to be close to actual NAV of the Scheme. Thus, investor invests at real-time prices as opposed to end of day prices
- ☐ No separate form filling for buying / selling units. It is just a phone call to your broker or a click on the net (Online Trading)
- ☐ Ability to put limit orders
- ☐ Minimum investment for an ETF is one unit
- ☐ Protects long-term investors from the inflows and outflows of short-term investors
- ☐ Flexibility: can be used as a tool for gaining instant exposure to the equity markets, hedging or for arbitraging between the cash and futures market
- ☐ Helps increasing liquidity of the underlying cash market

- ☐ Aids low cost arbitrage between Futures and Cash market
- ☐ Investor can get consolidated view of his investments in a demat form

#### Comparison with traditional Mutual funds

	Open Ended Fund	Closed Ended Fund	Exchange Traded Fund
<b>Fund Size</b>	Flexible	Fixed	Flexible
<b>NAV</b>	Daily	Daily	Real Time
<b>Liquidity Provider</b>	Fund Itself	Stock Market	Stock Market / Fund Itself
<b>Sale Price</b>	At NAV plus load, if any	Significant Premium/Discount to NAV	Very close to actual NAV of Scheme
<b>Availability</b>	Fund itself	Through Exchange where listed	Through Exchange where listed / Fund itself.
<b>Portfolio Disclosure</b>	Disclosed monthly	Disclosed monthly	Daily/Real-time
<b>Intra-Day Trading</b>	Not possible	Expensive	Possible at low cost

#### Indian ETF Industry

- ☐ No of ETF Issuers:- 6
- ☐ No. of ETF Listings :- 15 (As of March 2008)
- ☐ Assets Under Management :- Rs. 3,545 Crores (As of 31st March 2008)
- ☐ Major Area of Interest :- Banking, Gold, NIFTY Index
- ☐ Asset Under Management has grown at the rate of 60% CAGR in last 5 Years (Period Mar 2004 – Mar 2008)

Source: www.amfindia.com

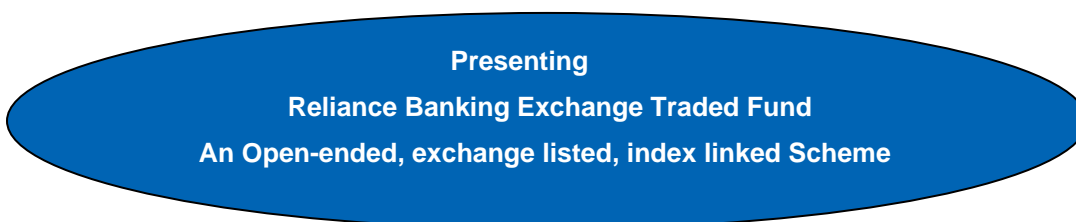
#### Indian Banking Sector

##### Current Status & Outlook

- ☐ According to a report by ICRA Limited, a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.
- ☐ Banking is a proxy and a feeder to the GDP growth. Loan growth is typically 2.5-3x GDP growth
- ☐ With the Indian economy clipping at 9 per cent, consumption levels soaring and investment riding high, the Indian banking sector is on an upswing.

- ❑ India could become the third largest banking hub in the world by 2040, according to a PricewaterhouseCoopers (PwC) report
- ❑ Restriction on ECBs would propel corporate resort to domestic borrowings
- ❑ The untapped (under-banked rural market): The potential banking market waiting to be tapped in India is fairly huge. Out of the 203 million Indian households, three-fourths reside in rural areas. In this segment, 51.4 per cent have no access to formal or informal sources of credit, while 73 per cent have no access to formal sources of credit.
- ❑ With savings rate >35%, Indians prefer parking their savings with banks

**With the banking sector which is relatively closed for foreign banks, Indian banking sector is well poised to exploit the growth in economy which would be led by increasing per capita income, higher savings, higher borrowings etc...**



- ❑ Reliance Banking Exchange Traded Fund (RBETF) is an Open Ended Index, exchange listed, index linked scheme, tracking CNX Bank Index
- ❑ RBETF is designed to provide returns that closely correspond to the total returns of stocks as represented by the CNX Bank Index.
- ❑ Real time trading on NSE
- ❑ Each unit of RBETF being offered will have a face value of Rs.10/- and will be approximately equal to 1/10th of the value of the CNX Bank Index.
- ❑ RBETF will be available in Dematerialized form.
- ❑ The structure of RBETF is such that it does not hurt long-term investors from the inflow and outflow of short-term investors.

#### **Asset Allocation**

<b>Instrument</b>	<b>Indicative asset Allocation</b>	<b>Risk Profile</b>
Securities covered by the CNX Bank Index	90% - 100%	Medium to High
Money Market instruments including CBLO	0% - 10%	Low to Medium

### Investment Objective

- ❑ The investment objective of Reliance Banking Exchange Traded Fund (RBETF) is to provide returns that, before expenses, closely correspond to the total returns of the securities as represented by the CNX Bank Index. However, the performance of Scheme may differ from that of the underlying index due to tracking error.

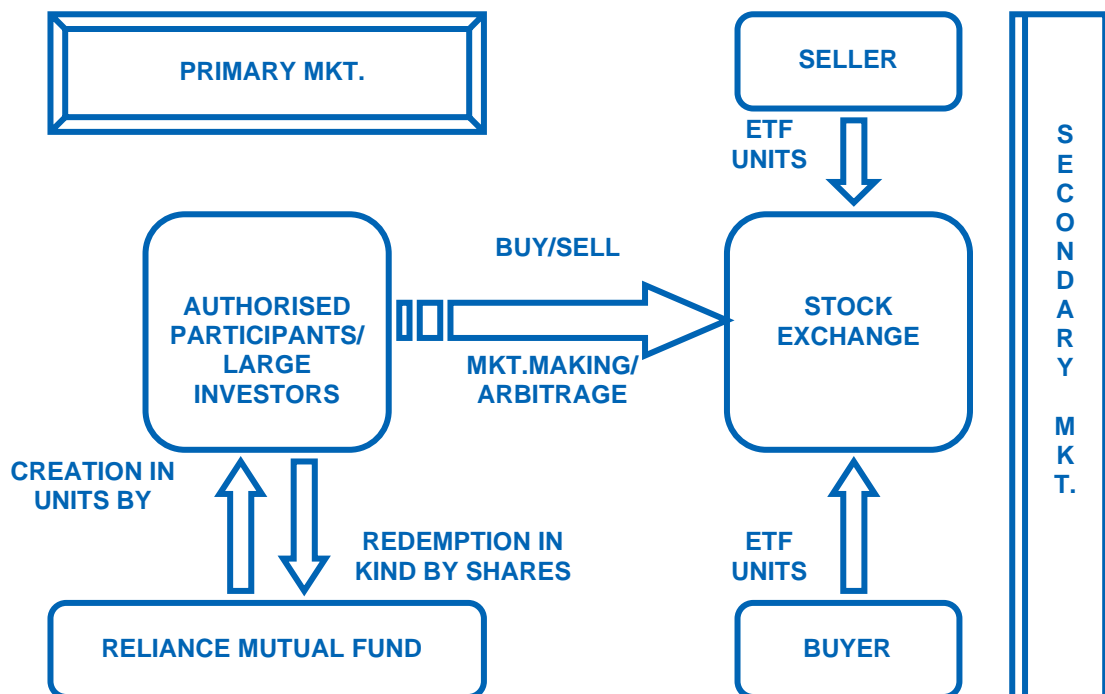
### Scheme Details

- ❑ Each unit of RBETF being offered will have a face value of Rs.10/- and will be approximately equal to 1/10th of the value of the CNX Bank Index.
- ❑ Minimum application amount (during NFO):- Minimum of Rs 5000/- and in multiples of Re 1/- thereafter.
- ❑ Buying / Selling Reliance Banking ETF during continuous offer  
Through Secondary Market On NSE is in Lot Size of 1 Unit  
Directly with Fund is in the lot Size of 10,000 Units
- ❑ Entry Load During NFO: 2.25% for all Investors. No entry/exit load will be levied on transactions with Authorised Participants and Large Investors during NFO or continuous offer.
- ❑ On ongoing basis no entry/exit load on Reliance BETF bought or sold through the secondary market on the NSE . However, an investor would be paying cost in the form of a bid and ask spread and brokerage, as charged by his broker for buying / selling Reliance BETF.
- ❑ Switch Facility: Switch-in into RBETF from other schemes will be allowed only during the New Fund Offer period at the applicable loads, if any, in the respective schemes. Switches during ongoing basis will not be allowed.

### CNX Bank Index

- ❑ India Index Service and Product Limited (IISL) has developed the CNX Bank Index
- ❑ CNX Bank Index is an index comprised of the most liquid and large capitalised Indian Banking stocks.
- ❑ It is a benchmark that captures the capital market performance of Indian Banks.
- ❑ The index is a market capitalization weighted index
- ❑ Presently the index has 12 stocks from the banking sector traded on the National Stock Exchange.

## Working of RBETF



## Key Drivers for RBETF

### ❑ Cost Effective

The expenses incurred in buying and selling units and the schemes ongoing expenses will be less than the costs associated with buying and selling of individual stocks of banks

### ❑ Low expense ratio

Less expense ratio as compared to traditional/active diversified equity schemes

### ❑ Real time trading on NSE

### ❑ Available in Demat form

### ❑ Liquidity & Transparency

Its units can be traded like a share and therefore it provides the ability to buy and sell them quickly at the ruling market price and therefore highly liquid.

## Risk Factors

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 Banking Exchange Traded Fund (RBETF)(An Open Ended Index, exchange listed, index linked scheme, tracking CNX Bank Index) : Investment Objective: The investment objective of Reliance Banking Exchange Traded Fund (RBETF) is to provide returns that, before expenses, closely correspond to the total returns of the securities as represented by the CNX Bank Index. However, the performance of Scheme may differ from that of the underlying index due to tracking error.. Terms of Issue: The RBETF being offered will have a face value of Rs. 10/- each and will be issued at a premium equivalent to the allotment price and the face value of Rs. 10/- 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. Liquidity: After the close of the NFO, as RBETF would be listed on the Exchange, subsequent buying or selling by Unit holders can be made from the secondary market. The minimum number of Units that can be bought or sold on the exchange is 1 (one) unit. All investors including Authorized Participants and large investors may sell their units in the stock exchange(s) on which these units are listed on all the trading days of the stock exchange. The trading will be as per the normal settlement cycle. Alternatively, Authorized Participants and Large investors can directly buy / sell Units in blocks from the Fund in 'Creation Unit' size, on all working days. Mutual fund will repurchase units from Authorized Participants and Large investors on any business day provided the units offered for repurchase is not less than 10000 units. Load Structure: (For NFO) Entry Load: Entry Load During NFO: 2.25% for all Investors. No entry/exit load will be levied on transactions with Authorised Participants and Large Investors during NFO or continuous offer. Exit Load: Nil (During Continuous Offer) No entry/exit load on Reliance BETF bought or sold through the secondary market on the NSE. However, an investor would be paying cost in the form of a bid and ask spread and brokerage, as charged by his broker for buying / selling Reliance BETF.. It is to be distinctly understood that the permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE nor does it certify the correctness or completeness of any of the contents of the Draft Offer Document. The investors are advised to refer to the Offer Document for the full text of the 'Disclaimer Clause of NSE.

Scheme Specific Risk Factors: Although RBETF units described in the Offer Document are to be listed on the Exchange, there can be no assurance that an active secondary market will develop or be maintained. RBETF are to be issued / repurchased and traded compulsorily in dematerialized form, no request for rematerialisation of RMF will be accepted. Banking Exchange Traded Fund is relatively new product and their value could decrease if unanticipated operational or trading problems arise. The trading prices of RBETF will fluctuate in accordance with changes in their NAVs as well as market supply and demand of RBETF. The NAV of RBETF will fluctuate with changes in the market value of Scheme's holdings. It will react to the prices of constituents of CNX Bank Index and stock market movements. 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 Banking 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 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.reliance mutual.com. Please read the offer document carefully before investing.

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