

Reliance Gold Exchange Traded Fund

An Open-ended Gold ETF

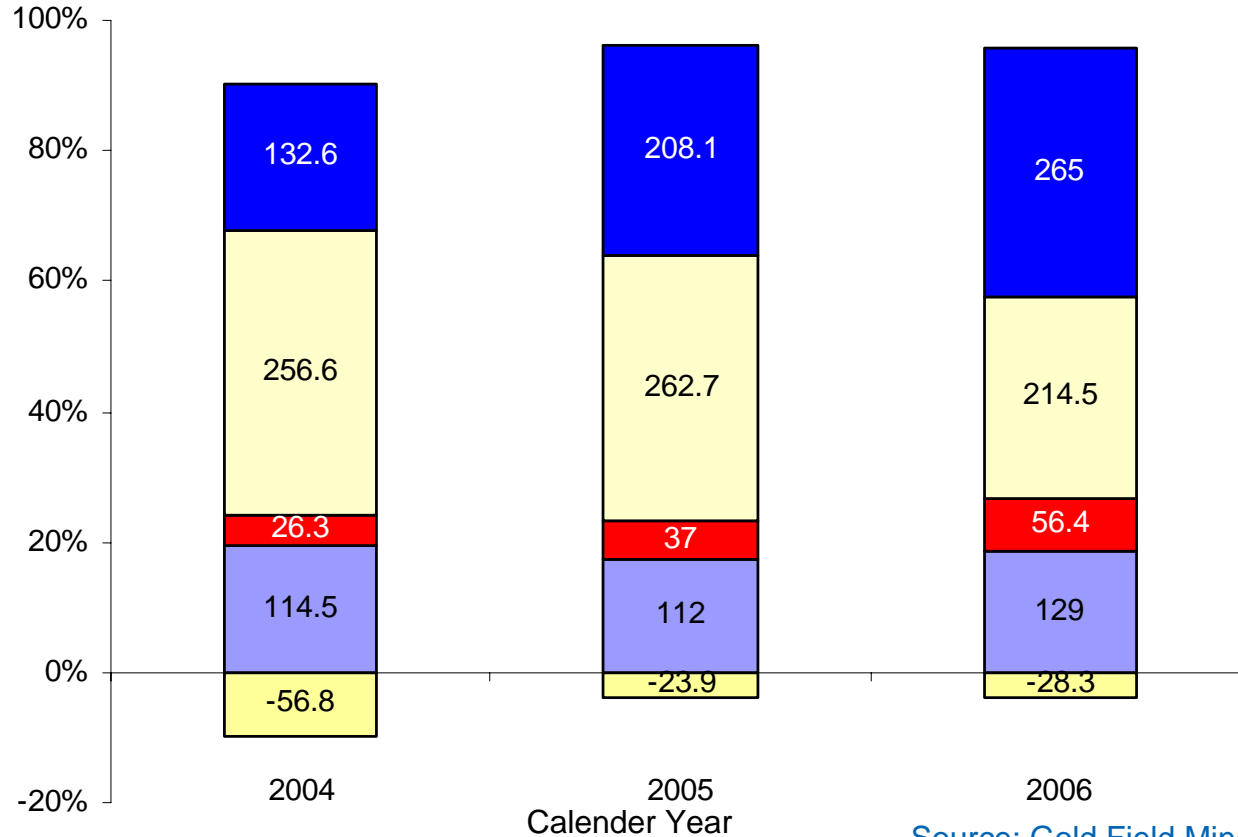
NFO Opens: 15th Oct, 07

NFO Closes: 1st Nov, 07

- ❑ Egyptian mined gold before 2000 B.C and in 1352 B.C.
they buried their king in a 2448 pound gold coffin.
- ❑ In 16th century B.C Lydia (Now Turkey) ordered first
gold coin minting and then Romans did it in 50th B.C

World Scenario

Gold – Investment Demand



Source: Gold Field Mineral Services

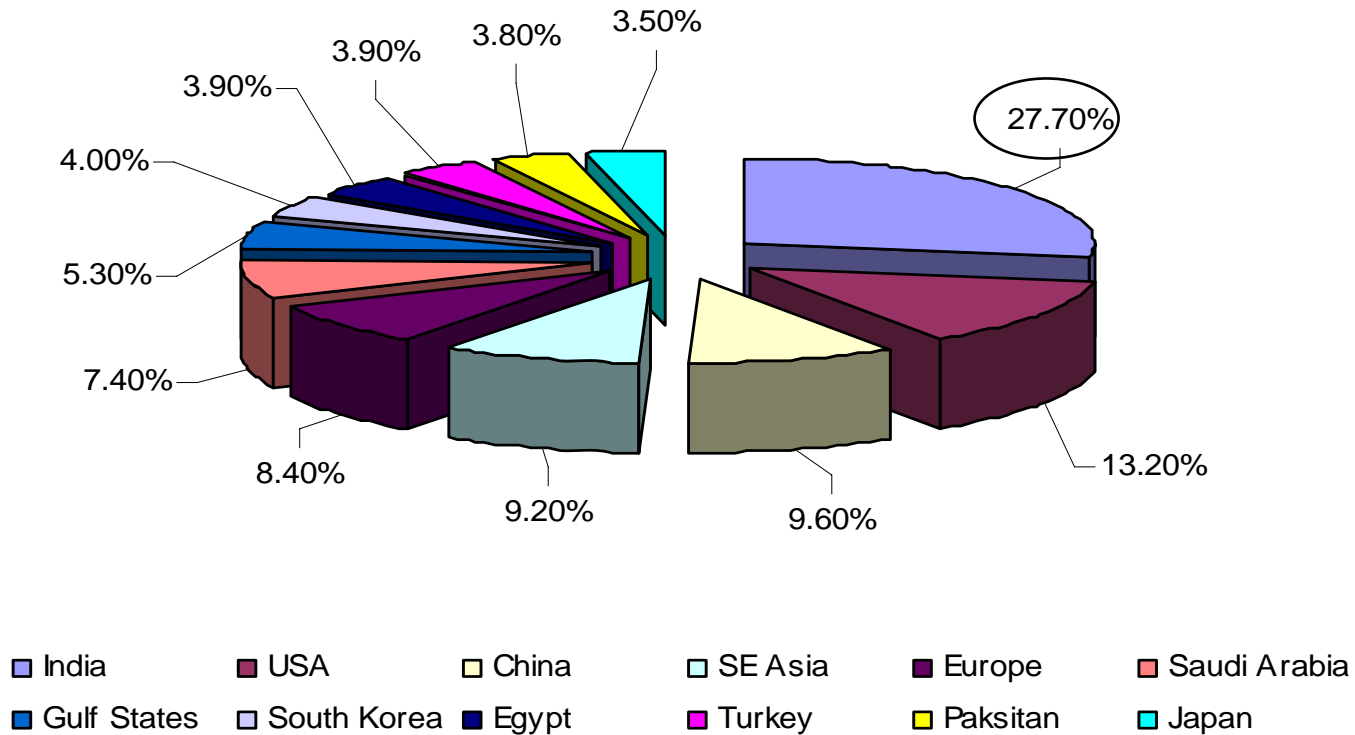
■ Coin production ■ medals ■ bars ■ other retail investment ■ ETFs

Investment demand in 2006 was 636 tons, which is an increase of almost 7% vs. 2005 out of which ETFs hold 265 tons – **A remarkable 42% share in the overall demand!**

World Scenario

India is the world's largest gold consumer

Worldwide Consumption



Source: World Gold Council

Gold: Demand & Supply

Tonnes	2002	2003	2004	2005	2006	2007E	2008E
Mine Production	2612	2620	2492	2550	2471	2510	2560
% change	-1.2	0.3	-4.9	2.3	-3.1	1.6	2
Old Gold Scrap	841	944	849	886	1108	970	930
Official Sector sales	547	617	469	674	328	325	325
Total Physical Supply	4000	4181	3810	4110	3907	3805	3815
% change	3.1	4.5	-8.9	7.9	-4.9	-2.6	0.3
Jewellery demand	2660	2482	2614	2707	2280	2303	2349
% change	-11.6	-6.7	5.3	3.6	-15.8	1	2
Other Demand	481	513	552	575	639	676	715
Total Fabrication	3141	2995	3166	3282	2919	2979	3064
Bar Hoarding	264	180	257	263	226	230	230
Total Demand	3404	3175	3422	3545	3145	3209	3294
% change	-9.1	-6.7	7.8	3.6	-11.3	2	2.7
Implied Physical Balance	596	1006	388	565	762	596	521
Net Hedging	-412	-255	-422	-86	-373	-240	-100
Implied Surplus/Deficit	229	732	-110	295	162	86	141

Source: Barclays Capital CRU

A Reliance Capital company

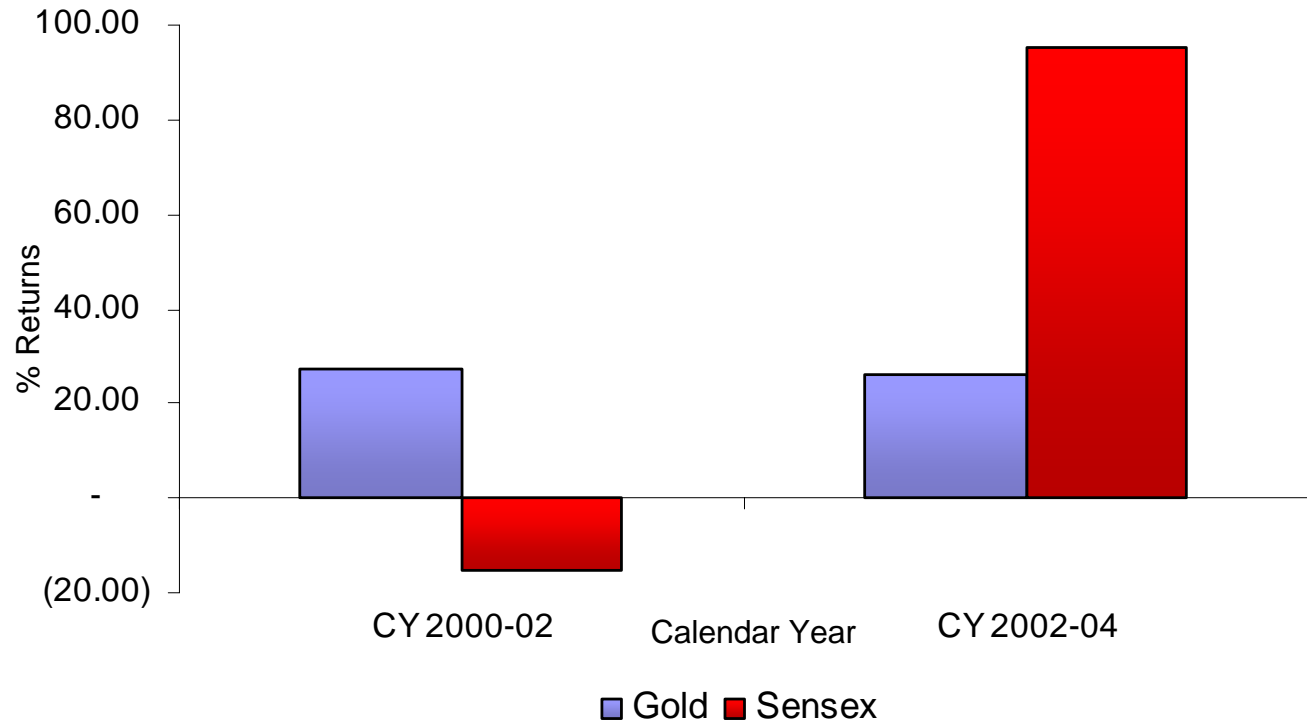
Indian Scenario

- ❑ There is no doubt about the popularity & demand of gold in a country which exceeds 1000 tonnes of this metal.
- ❑ They buy it for jewelry, contingencies, gifting, wedding, mortgage requirement etc.
- ❑ Gold has ritual, religious, sentimental values attached to it, so it cant be substituted and demand is more or less indispensable. However apart from jewelry purpose one does not need it in a physical form.
- ❑ The per capital gold consumption is 0.7 grams, half that of the US and one third of the Middle East that is likely to go up.

Source: www.reuters.com

Gold – A Portfolio Diversifier

Gold Vs Sensex during different market cycles

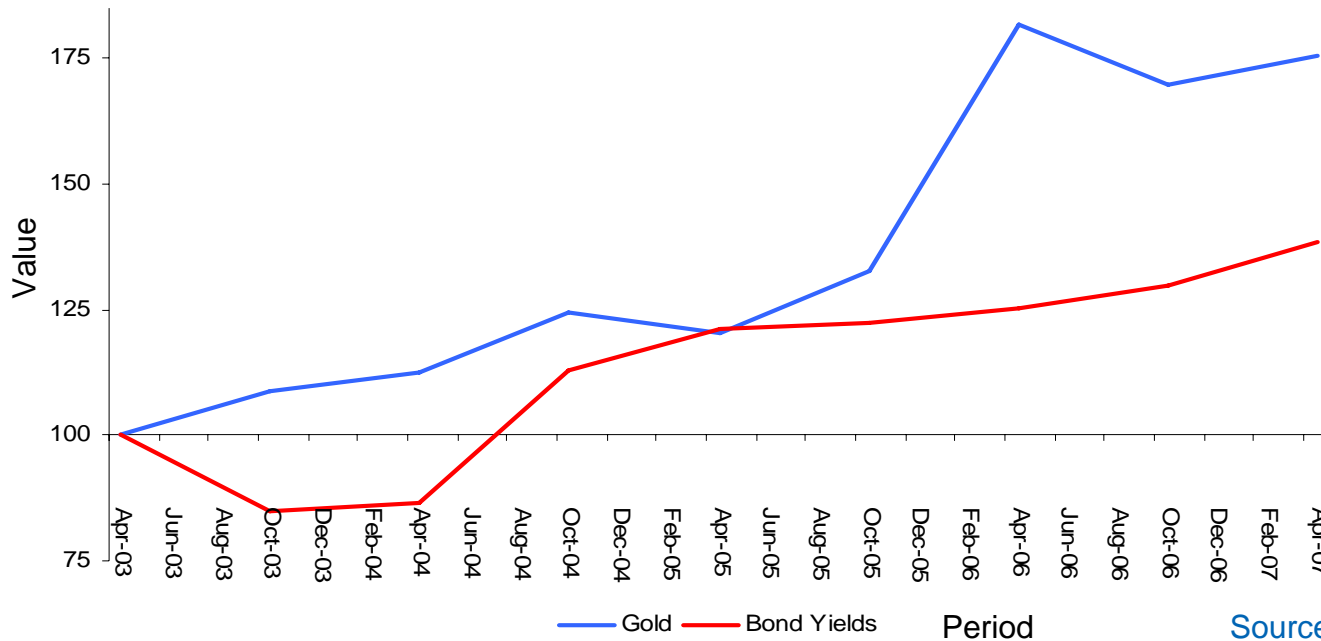


Source: Bloomberg, www.bseindia.com

During different market cycles Gold as an asset class have been delivering consistent returns.

Gold – A Portfolio Diversifier

Debt Vs Gold prices during rising yields

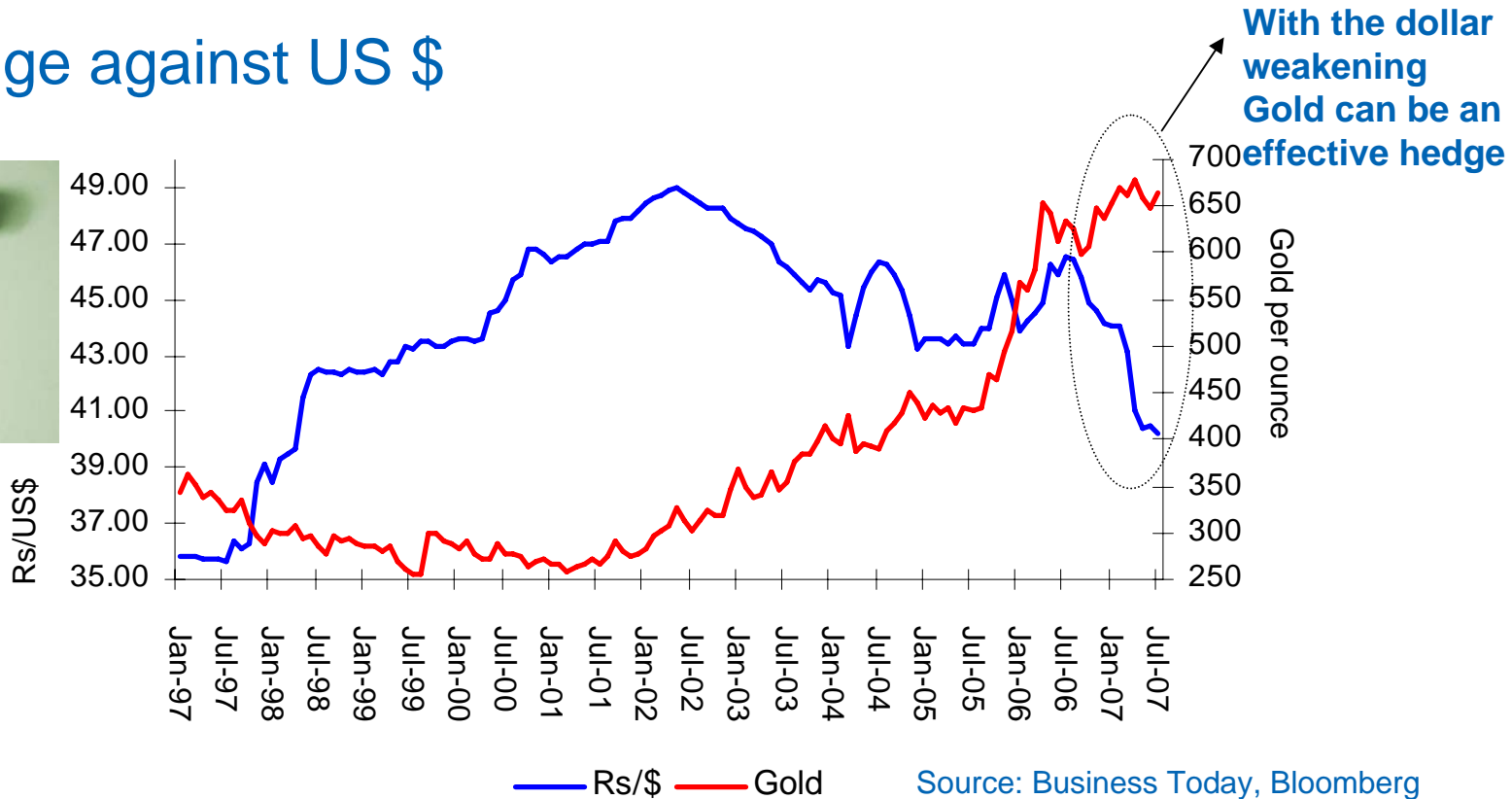


- 10 year bond yields rose from 4.97% in Oct '03 to 7.17% in Oct '05 to 8.11% in Apr '07 indicating a fall in debt market returns.
- During the period of Apr '03 to Apr '07 Gold gave a CAGR of 14.9%.

Yields and prices of the bonds are inversely related. Therefore rise in yields would lead to lower prices & hence tend to reduce returns

Gold – A Portfolio Diversifier

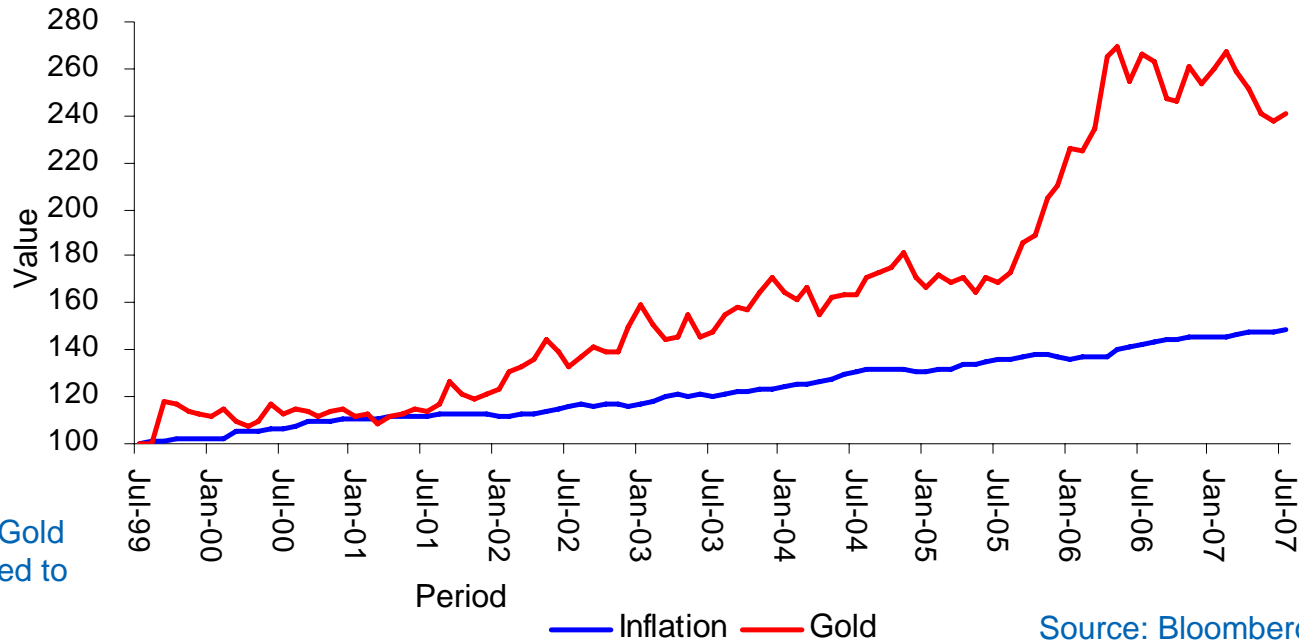
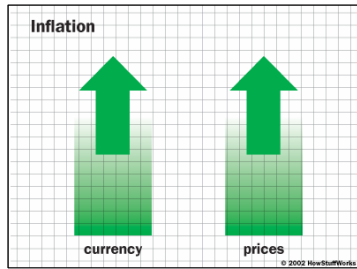
Gold – Hedge against US \$



- ❑ The above graph shows that Gold has an inverse relationship with US dollar indicating that Gold can act as a hedge against dollar currency exposure.
- ❑ With the dollar weakening & the growth slowing down in the US, investors are flocking back to Gold.

Gold – A Portfolio Diversifier

Gold Vs Inflation



The above data of WPI & Gold prices (\$ terms) are equated to 100 as on Jan '99

- ❑ Rising oil prices, coupled with high liquidity, have contributed to a rise in inflationary pressures globally. Inflation, simply put, is an erosion in the value of money and therefore in such times there is a strong case to move money into real assets such as gold.
- ❑ Gold has been an effective hedge against inflation. Historically higher inflation have led to higher gold prices.

Outlook of Gold

- ❑ The return of positive investor sentiment, key external factors turning significantly price-positive, and an improving supply/demand balance drove gold prices over \$700.
- ❑ In an environment of expected slower US growth momentum, fed funds rate easing, a weakening dollar, rising oil prices and heightened geopolitical concerns, gold prices appear to be firmly supported in the months ahead.
- ❑ Meanwhile, market conditions for gold-specific factors have now evolved unfavorably such that two price drivers have become less supportive. First, central bank selling has picked up, and second, de-hedging is set to slow.
- ❑ However, strong recovery in physical demand and positive external drivers outweigh the two gold specific factors for now.
- ❑ Hence in our view the gold prices are likely to maintain their upward momentum in the months ahead.

How to invest in Gold?



Physical Gold/Jewelry



Commodity Exchange

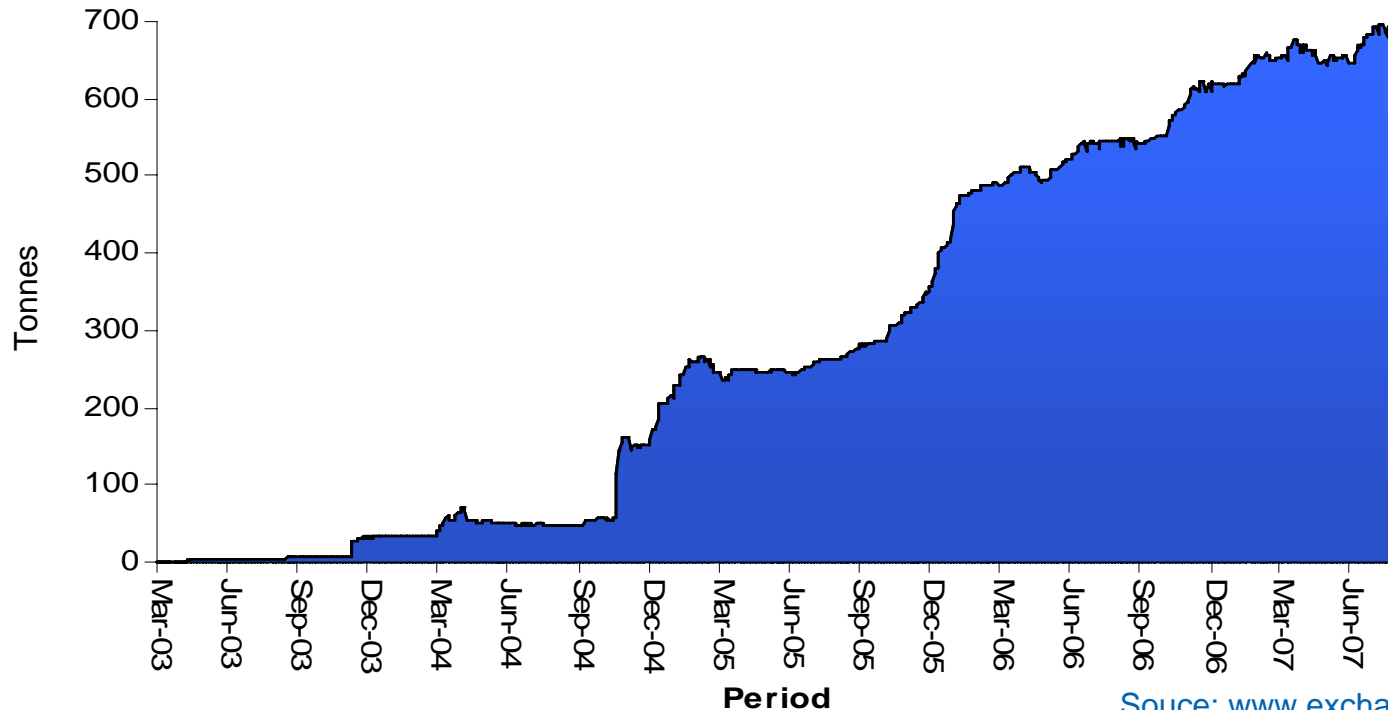


ETFs

What is a Gold 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

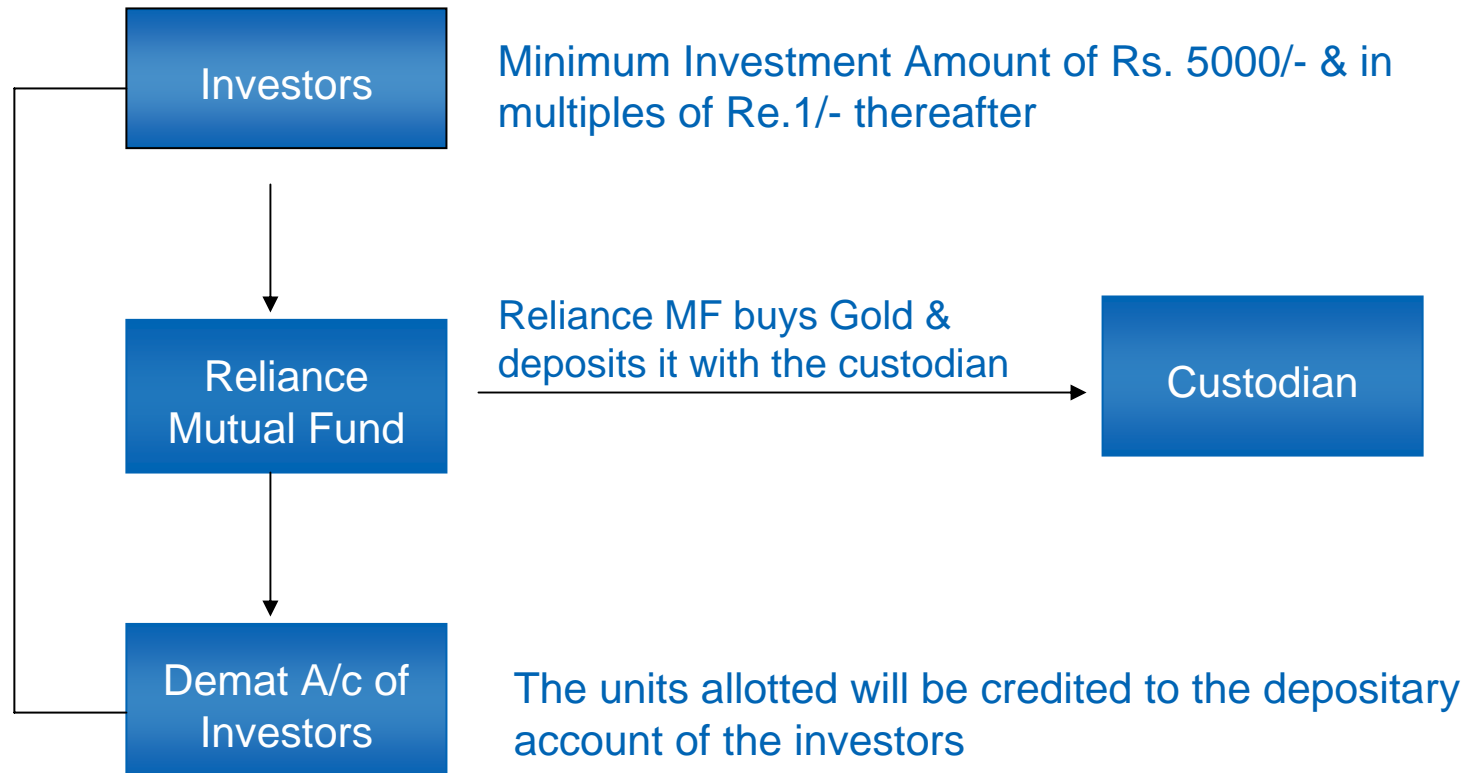


Source: www.exchangetradedgold.com

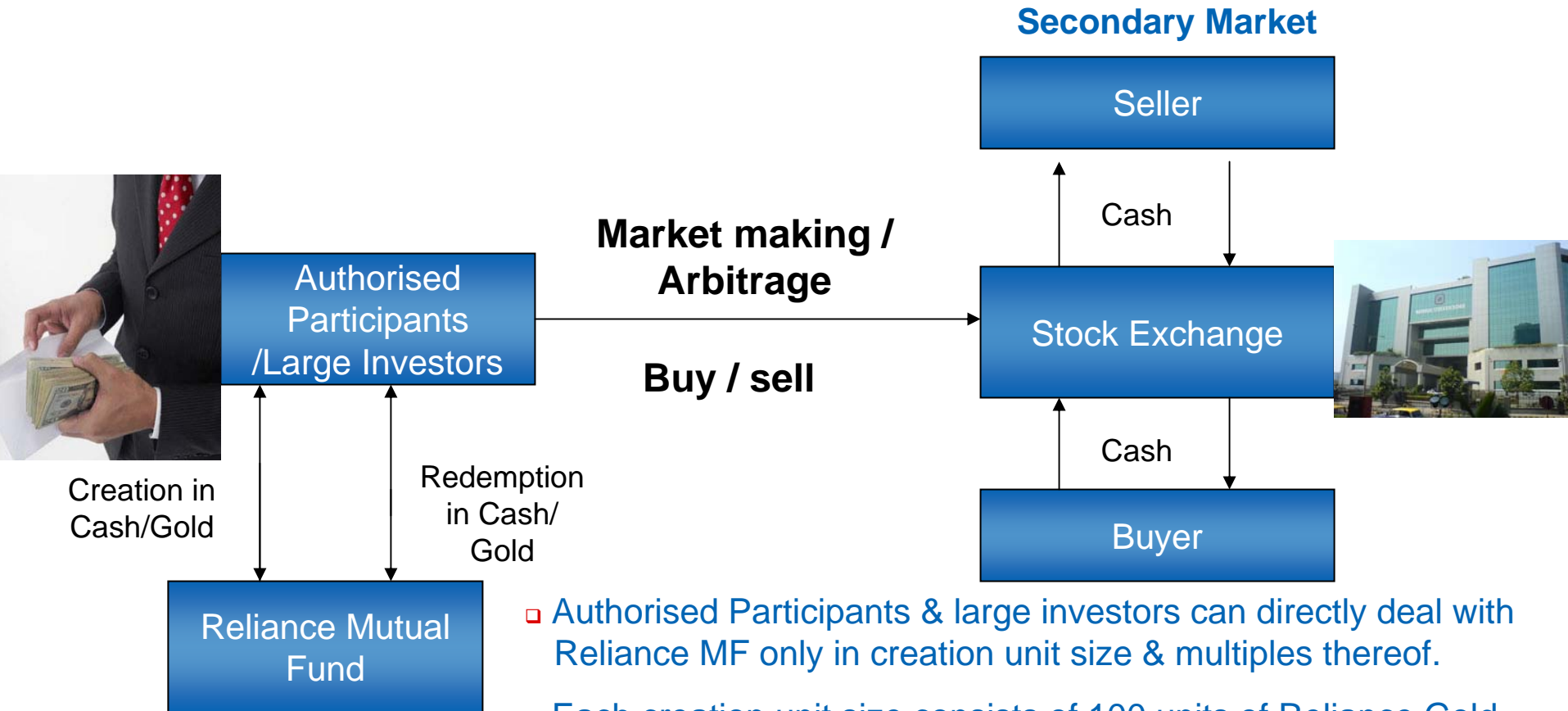
- ❑ In May 2003 the first Gold Bullion Security launched in Australia & in Nov 2004 the Worlds 1st Gold ETF – Street Tracks Gold Trust was launched.
- ❑ Total Gold in all Gold ETFs as on Aug '07 is close to 700 tonnes

Gold ETF are a big success the World over & India has just entered this product class.

Working of a Reliance Gold ETF – During NFO



Working of a Reliance Gold ETF – On going



- ❑ Authorised Participants & large investors can directly deal with Reliance MF only in creation unit size & multiples thereof.
- ❑ Each creation unit size consists of 100 units of Reliance Gold ETF and cash components, if any
- ❑ Each unit of Reliance Gold ETF will be approx equal to 1 gram of gold

Why Reliance Gold ETF?

□ Safety & Security

- Zero concerns about physical security, theft or adulteration when faced with the tasks of custody and spot transactions.
- Safeguard in the form of electronic mode in case of unforeseen circumstances where you have lost all the physical wealth

□ Long Term Commitments

- A cost effective and convenient way to invest in gold through an instantaneous exposure to a physical asset viz gold. For example it can help accumulate gold for your daughter's wedding

□ Purity

- All gold bullion held in the scheme's allocated account with the custodian will be of fineness (or purity) of 995 parts per 1000 (99.5%) or higher

Why Reliance Gold ETF?

□ Transparency & Liquidity

- 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

□ Diversification

- An efficient diversification for the portfolio of the investor

□ 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 gold and storing and insuring gold bullion in a traditional gold bullion market.

RGETF vs Other Form of Investments

Parameters	RGETF	Jewelers	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	Nil	High	Nil
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

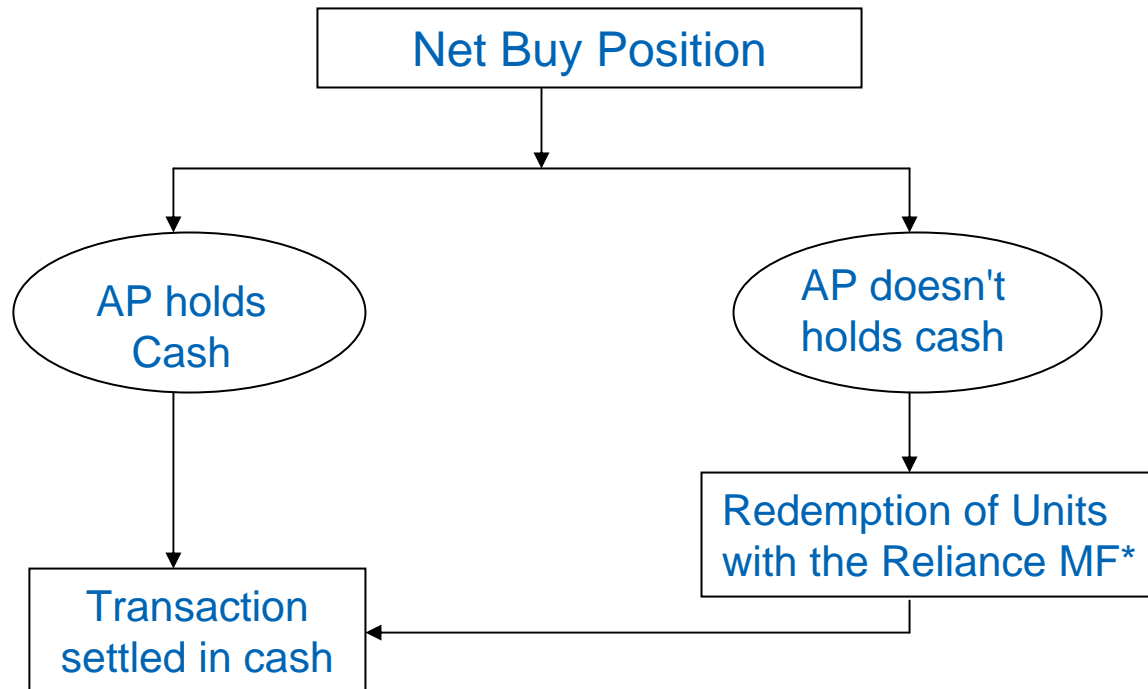
	RGETF	Jewelers	Banks
Wealth Tax	No*	Yes	Yes
Short-term Capital Gains Tax	Applicable before 1 year	Applicable before 3 years	Applicable before 3 years
Long-term Capital Gains Tax	Applicable after 1 year	Applicable after 3 years	Applicable after 3 years

- ❑ **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

Transaction by Authorized Participants (AP)

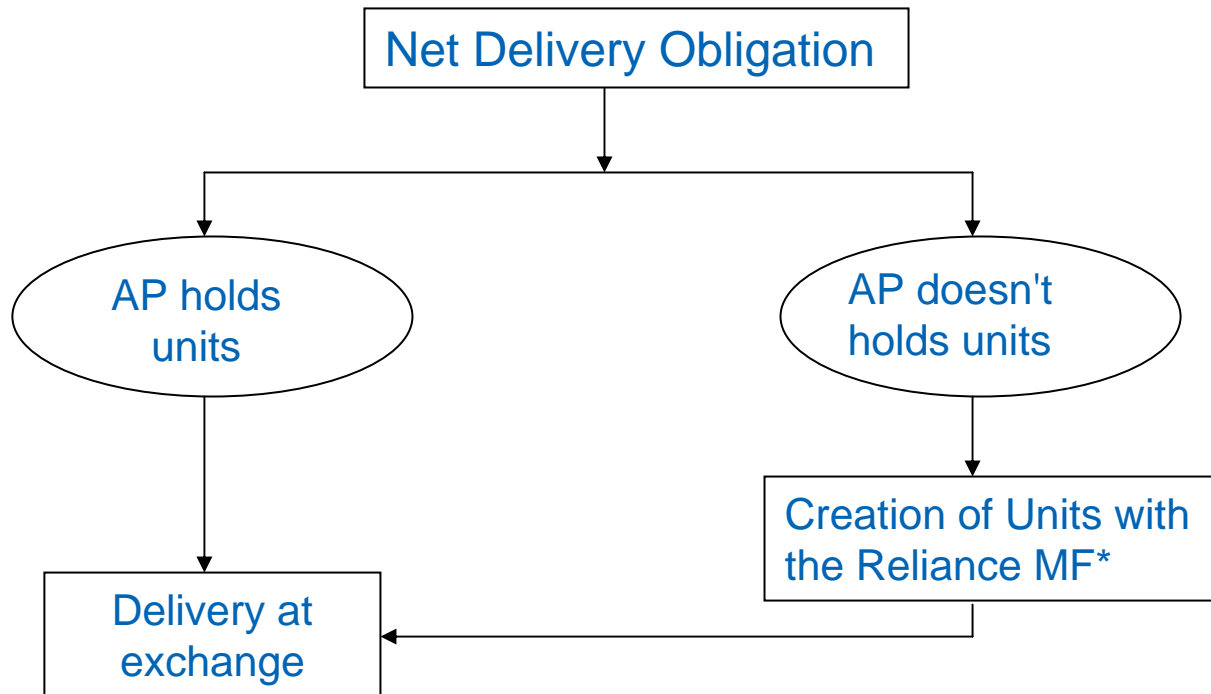
Scenario 1: AP has net buy position on the exchange



* Redemption of units with the Reliance MF by APs will happen in creation unit size. 'Creation Unit' is a fixed number of RGETF, which is exchanged for Portfolio Deposit which would consist of physical Gold of defined purity and quantity and/or Cash Component. Each creation unit consists of 100 units of RGETF and cash component, if any.

Transaction by Authorized Participants (AP)

Scenario 2: AP has net delivery position on the exchange



* Creation of units with the Reliance MF by APs will happen in creation unit size. 'Creation Unit' is a fixed number of RGETF, which is exchanged for Portfolio Deposit which would consist of physical Gold of defined purity and quantity and/or Cash Component. Each creation unit consists of 100 units of RGETF and cash component, if any.

Product Features

Reliance Gold Exchange Traded Fund

- **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.
- **During NFO: Minimum Application Amount:** Minimum of Rs 5000/- (Rupees Five thousand) and in multiples of Re 1/- thereafter.
- **Benchmark Index:** As there are no indices catering to the gold sector/securities linked to Gold, currently GETF 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

Reliance Gold Exchange Traded Fund

Asset Allocation

Instruments	%	Risk Profile
Physical Gold or Gold Related Instruments as permitted by regulators from time to time#	90%- 100%	Medium
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

Load Structure (During NFO)

Entry Load :

Less than Rs. 1 lacs -	1.50%
Rs. 1 lacs & less than Rs. 25 lacs	0.75%
Rs. 25 lacs & less than Rs. 50 lacs	0.50%
Rs. 25 lacs & less than Rs. 1 crs	0.25%
Rs. 1 crore & above	Nil

Exit Load: Nil

During Continuous Offer:
Entry & Exit Load: Nil

Product Features

Reliance Gold Exchange Traded Fund

- **Liquidity:** After the close of the NFO, as RGETF 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 Authorised 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, Authorised Participants and Large investors can directly buy / sell Units in blocks from the Fund in 'Creation Unit' size, as defined in this Offer Document on all working days. Mutual fund will repurchase units from Authorised Participants and Large investors on any business day provided the units offered for repurchase is not less than 100 units

- **Listing:** The Fund would endeavor to get the units of the Scheme listed on the National Stock Exchange and/or any other stock exchange(s) as may be decided by the AMC within 30 days from the closure of the New Fund Offer period.
- **New Fund Offer price:** During the NFO, the RGETF units offered will have a face value of Rs.100/- each and will be issued at a premium equivalent to the difference between the allotment price and the face value of Rs.100/- as on the date of allotment.
- **RGETF will be available in Dematerialized Form**

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 Gold Exchange Traded Fund (RGETF)(An open-ended Gold ETF) : 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. **Asset Allocation:** 1. Physical Gold or Gold Related Instruments as permitted by regulators from time to time - 90% - 100% (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); Money Market instruments, Bonds, Debentures, Government Securities including T-Bills, Securitized Debt & other debt securities as permitted by regulators from time to time - 0 – 10% (Upto 10% in securitized debt). **Terms of Issue:** The RGETF being offered will have a face value of Rs. 100/- each and will be issued at a premium equivalent to the allotment price and the face value of Rs. 100/- 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 RGETF 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 100 units. **Load Structure: (For NFO) Entry Load:** Less than Rs. 1 lacs - 1.50%; Rs. 1 lacs & less than Rs. 25 lacs - 0.75%; Rs. 25 lacs & less than Rs. 50 lacs - 0.50%; Rs. 50 lacs & less than Rs. 1 crs - 0.25%; Rs. 1 crore & above Nil; **Exit Load: Nil (During Continuous Offer) Entry & Exit Load: NIL.** 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 RGETF 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. RGETF are to be issued / repurchased and traded compulsorily in dematerialized form, no request for rematerialisation of RMF will be accepted. Gold Exchange Traded Fund is relatively new product and their value could decrease if unanticipated operational or trading problems arise. The trading prices of RGETF will fluctuate in accordance with changes in their NAVs as well as market supply and demand of RGETF. The NAV of RGETF will fluctuate with changes in the market value of Scheme's holdings. It will react to the prices of gold, Gold Related Instruments 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 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 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.reliancecapital.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."

Thank you
