

# Reliance Equity Advantage Fund (REAF)

## Active Index Fund...

June 2007

### Scheme Features

<b>Type</b>	An Open-End Equity Scheme
<b>Fund Manager</b>	Ashwani Kumar & ShaileshRajBhan
<b>Duration of the NFO</b>	Opening Date: 12 <sup>th</sup> June07 Closing Date: 10 <sup>th</sup> July07
<b>Option</b>	Growth & Bonus Dividend - Payout / Reinvestment
<b>Reopens</b>	27 <sup>th</sup> July07
<b>Benchmark</b>	S&P CNX Nifty
<b>Min Application Amount</b>	<b>Retail:</b> Rs.5000 & in multiples of Re1 thereafter. <b>Institutional:</b> Rs.5 Cr & in multiples of Re1 thereafter.
<b>Min Additional Investment</b>	<b>Retail:</b> Rs.1000 & in multiples of Re1 thereafter. <b>Institutional:</b> Rs.1 lac & in multiples of Re1 thereafter.
<b>Entry Load</b>	<b>Retail:</b> 2.25% <b>Institutional:</b> NIL
<b>Exit Load</b>	<b>Retail:</b> 1% if redeemed within 6m 0.5% if redeemed between 6m-1yr. <b>Institutional:</b> NIL

### Asset Allocation:

Under normal circumstances, the fund would remain invested in equity in the range of 70-100%, while the remaining in the debt and money market instruments. An overall limit of 100% of the portfolio value has been introduced for the purpose of equity derivatives in the scheme. The fund also has the flexibility to deploy its corpus in foreign securities upto 20%.

Instruments	% of Corpus	Risk Profile
Equity & Equity linked securities	70 - 100	Med - High
Debt & Money Market securities	0 - 30	Low - Med

### Investment Objective:

The primary investment objective of the scheme is to seek to generate capital appreciation and provide long-term growth opportunities by investing in a portfolio predominately of equity and equity related instruments with investments generally in S&P CNX Nifty stocks and the secondary objective is to generate consistent returns by investing in debt and money market securities.

### Distinction Between Index Funds & Reliance Equity Advantage Fund:

Index Funds	REAF
Index funds exactly mirror the index	REAF endeavors to replicate the sector allocation of Index
Index fund does not take a stock call or view	REAF will definitely take stock call and view
Index fund does not invest at all in non index stocks	REAF can invest upto 20% in non index stocks
Index fund is a completely passive fund	REAF is an actively managed fund. However, it will replicate sector allocation of index

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Reliance Equity Advantage Fund (REAF) is a new fund offering from the stable of Reliance Capital Asset Management, which is one of the fastest growing fund houses in India. The fund seeks to invest broadly in CNX Nifty stocks and replicate similar sectoral weightage that of Nifty. Also, the fund endeavors to deliver returns over and above Nifty. It offers retail and institutional options. With the aforesaid characteristics of the fund, it is most likely to be a tilted index fund, i.e., an actively managed index fund.

### Investment Strategy

The fund proposes to invest 100% of the net equity investments in line with the sector ratio of S&P CNX Nifty. The fund will endeavor to replicate the sector allocation of the S&P CNX Nifty on a monthly basis and not necessarily the stock weightage in Index. At least 80% of the equity investments will be in S&P CNX Nifty stocks and the balance exposure in other stocks. The fund will also capitalize on generating additional return by using various hedging techniques in accordance with the SEBI regulations. Moreover, it has the flexibility of going short on Nifty stocks, if the fund manager is not bullish about any particular Nifty Stock. The fund house has indicated that it would follow aggressive style of portfolio management, as in the case for other Reliance Schemes.

### Performance of the existing schemes

Performance of the fund house has always been commendable as seen in the table below. Most of the equity funds have managed to outperform their benchmark and its close peers across various time frames.

#### As on 19<sup>th</sup> June07

Scheme Name	Absolute Ret %			C.A.%
	3M	6 M	1 Yr	3 Yr
Reliance Banking Fund	29.6	17.8	71.8	36.3
Reliance Diversified Power Sector Fund	24.8	17.1	79.7	62.9
Reliance Equity Fund	15.2	9.1	36.7	N.A
Reliance Equity Opportunities Fund	14.5	9.2	47.0	N.A
Reliance Growth Fund	18.2	16.9	55.9	63.4
Reliance Index Fund - Nifty Plan	11.5	7.1	27.1	N.A
Reliance Index Fund - Sensex Plan	12.4	7.2	39.9	N.A
Reliance Media and Entertainment Fund	19.4	36.3	84.0	N.A
Reliance NRI Equity Fund	12.8	8.6	51.1	N.A
Reliance Pharma Fund	28.9	30.8	63.3	36.0
Reliance Regular Savings Fund - Equity	17.7	11.5	57.3	N.A
Reliance Tax Saver Fund	10.1	2.3	39.2	N.A
Reliance Vision Fund	21.0	14.1	52.7	54.4
<b>Reliance Equity Funds Average</b>	<b>18.2</b>	<b>14.4</b>	<b>54.3</b>	<b>50.6</b>
<b>Index</b>				
<b>S&amp;P Nifty</b>	<b>14.6</b>	<b>10.0</b>	<b>44.5</b>	<b>41.3</b>
<b>BSE Sensex</b>	<b>13.1</b>	<b>6.8</b>	<b>43.0</b>	<b>44.1</b>
<b>CNX Midcap</b>	<b>22.2</b>	<b>15.4</b>	<b>51.3</b>	<b>44.1</b>

### Outlook

- Proactively managed portfolio and careful stock picking backed by well-timed moves, have boded well for the investors of reliance mutual fund. Reliance Equity Advantage Fund is also likely to be a beneficiary of the expertise of Reliance AMC.
- Nifty comprises of fifty stocks spread over 22 sectors that gives enough diversification & investment opportunity for the fund. Moreover, the flexibility of going short while keeping the Nifty sectoral ratio intact and the advantage of investing upto 20% in non-nifty stocks can further be a boon to fund manager. Hence the investment proposition and strategy of the fund makes it an actively managed index fund.
- The portfolio of the fund would be biased towards large cap stocks with 80% invested in Nifty stocks. Thus investors primarily seeking to invest in index stocks and enduring index plus returns can allocate their investments to the fund with an investment tenor of more than three years.

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