This product is suitable for Investors who are seeking*

- To generate income by predominantly investing in arbitrage opportunities.
- Investments predominantly in arbitrage opportunities in the cash and derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments.
- Low risk ■ (BLUE)

Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk is represented as:
- BLUE investors understand that their principal will be at low risk
- YELLOW investors understand that their principal will be at medium risk
- BROWN investors understand that their principal will be at high risk
### Enterprise Strength and Diversity

<table>
<thead>
<tr>
<th>Period</th>
<th>Business Activities</th>
<th>Life Insurance</th>
<th>Commodities</th>
<th>Retail Broking &amp; Dist. IPO Distribution</th>
<th>Retail Broking &amp; Dist. + Broking, Anagram acquisition</th>
<th>Asset Management Alternatives</th>
<th>Asset Management + AMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996 - 2000</td>
<td>Investment Banking + M&amp;A Advisory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HNI Businesses Broking</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treasury Equities Arbitrage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institutional Equities + MFs and Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000 - 2005</td>
<td>Investment Banking + ECM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institution Equities + International Long</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 - 2007</td>
<td>Investment Banking + DCM</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Institutional Equities + AMCs</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2007 - 2009</td>
<td>Investment Banking + Project Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009 - 2014</td>
<td>Investment Banking + Project Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From an Investment Banking Firm to a Diversified Financial Services Group

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Edelweiss Group Operating Structure

**Credit**
- Customer centric credit solutions
- Corporate: Collateral Based Lending & Advisory
- Retail: Housing Finance SME Finance Rural Finance

**Commodities**
- Bringing efficiency to commodities
- Agri Commodities
- Agri Services
- Precious Metals
- Credit & Distribution

**Financial Markets**
- Strong franchise across product spectrum
- Corporate Finance Advisory
- Broking & Wealth Management

**Asset Management**
- Differentiated offerings and top quartile performance
- Asset Reconstruction
- Mutual Funds
- Offshore Funds
- Alternative Asset Management

**Life Insurance**
- New age player with no legacy issues
- JV with Tokio Marine
- Proprietary need based selling approach

**Balance Sheet Management Unit**
- Balance sheet management & ALM
- Liquidity management
- Capital preservation with optimum returns
Edelweiss Asset Management Limited (EAML) was set up in 2008 and acts as the Investment Manager to Edelweiss Mutual Fund (EMF). EAML, on behalf of EMF, offers a range of Mutual Fund Schemes across the risk-return spectrum to Individual and Institutional Investors.

Our Commitment to Investors

We help clients create wealth across business cycles through product differentiation.

Our Commitment to Distributors

We help you get clients in Equity*

*Equity or full fee products
Edelweiss Asset Management Company – Key Offerings

Edelweiss Absolute Return Fund

- This Scheme seeks to generate absolute returns with low volatility over a longer tenure of time
- Helps to diversify the portfolio with low risk opportunities
- Suits investors looking to re-enter the market / those who have low tolerance for losses

Edelweiss Select Midcap Fund

- Flexibility: Midcap companies have more flexibility compared to larger companies to refine their product offering to meet the market demands
- Returns: They have the potential to deliver higher returns in the long-term compared to large caps
- Process-driven Approach: The investment philosophy of the Fund is founded on a strong risk management framework and this rigorous methodology is uniformly applied to investment selection

Edelweiss Diversified Growth Equity Top 100 Fund

- Focuses on 100 largest corporates by market capitalisation, listed in India. It seeks to invest in large caps which are resilient to downturns and bounce back quickly at the change of trend
- Suits investors looking to gain risk adjusted returns in the long term and who wish to diversify their portfolio
- The Fund has over a 50 month track record of steady performance

Note: Risk may be represented as: BLUE investors understand that their principal will be at low risk | YELLOW investors understand that their principal will be at medium risk | BROWN investors understand that their principal will be at high risk
Edelweiss Value Proposition

**Client Centricity**

* Believe in Suno, Samjho, Suljha (Listen to Understand, Respond to Solve)
* Client priority-led approach through Outreach Programs

**Risk Management**

* Robust Risk Management policies & manuals (Regulatory and Internal) are in place
* Strong governance at the business level as well as group level to monitor risk and take mitigating measures
* Preventive controls built in the systems to ensure no unexpected risks are faced by the organization

**Governance & Transparency**

* Ethical & best practices
* Transparent fee structure

**Investment Approach**

* Driven by structured and adaptive process for investment
## Investment Approach

### Edelweiss Approach v/s Fundamental Approach

<table>
<thead>
<tr>
<th>Objective and Scientific</th>
<th>Elements of subjectivity can be there</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process oriented</td>
<td>Individual fund-manager dependent</td>
</tr>
<tr>
<td>Adaptive in nature</td>
<td>Style dependent</td>
</tr>
<tr>
<td>Consistent performance within defined range across time periods</td>
<td>Prone to periods of spectacular outperformance and disappointing underperformance</td>
</tr>
</tbody>
</table>

Our five-step process instills a disciplined investment environment for quality products

1. Establish the risk-return objective for the fund
2. Stock selection model
3. Macro Information Overlay
4. Risk constraints
5. Portfolio Creation and/or Rebalancing

Our Adaptive process helps us deliver consistent performance
‘Arbitrage’ - Definition

Attempting to profit by exploiting price differences of identical or similar financial instruments, on different markets or in different forms.

Source: InvestorWords

Arbitrage is basically buying in one market and simultaneously selling in another, profiting from a temporary difference. This is considered riskless profit for the investor/trader.

Source: Investopedia

Arbitrage is the profit making market activity of buying and selling of same security on different exchanges or between spot prices of a security and its future contract. Here exchange refers to the stock market where shares are traded, like the NSE and BSE

Source: The Economic Times
Illustration of Arbitrage Investment

Price of stock ‘X’ in Cash Market

Rs. 100

Price of stock ‘X’ in Futures Market

Rs. 110

ARBITRAGE OPPORTUNITY

BUY 100 shares of ‘X’ in Cash Market

SELL 100 shares of ‘X’ in Futures Market

Stock X

Making a gain of : Rs 10 (110-100) * 100 (quantity) = Rs. 1,000
Returns in the above chart represent the difference in price of a particular stock in Cash and Derivatives segment of the market.
Arbitrage Strategies

- **Stock Spot – Stock Future**
  The pricing of Futures is derived from price of the underlying stock. The future generally trades at premium indicating cost of carry. The fund locks in the profit by entering into long stock - short future trade (i.e. purchase stock and sell stock future)

- **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
### Example 1

**Company : IDFC**  
*Initial Corpus: Rs. 10,00,000 (Including margin money for derivative trade)*

<table>
<thead>
<tr>
<th>On Initiating a trade</th>
<th>Date of Initiating trade: 01 Jan. 2014</th>
<th>No. of shares</th>
<th>Price</th>
<th>Value</th>
<th>Net Value (Post Brokerage &amp; taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy Cash</td>
<td></td>
<td>8000</td>
<td>109.75</td>
<td>878000</td>
<td>876771</td>
</tr>
<tr>
<td>Sell Stock futures</td>
<td></td>
<td>8000</td>
<td>110.95</td>
<td>887600</td>
<td>887334</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>On Reversing a trade</th>
<th>Date of Reversing trade: 30 Jan. 2014</th>
<th>No. of shares</th>
<th>Price</th>
<th>Value</th>
<th>Net Value (Post Brokerage &amp; taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell Cash</td>
<td></td>
<td>8000</td>
<td>91.70</td>
<td>733600</td>
<td>732573</td>
</tr>
<tr>
<td>Buy Stock futures</td>
<td></td>
<td>8000</td>
<td>91.70</td>
<td>733600</td>
<td>733453</td>
</tr>
</tbody>
</table>

**Transaction Details**  
<table>
<thead>
<tr>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on cash segment</td>
</tr>
<tr>
<td>Profit on future segment</td>
</tr>
<tr>
<td>Net Profit from trade</td>
</tr>
</tbody>
</table>

**Total (Initial Corpus + Profit On Initiating The Trade)**  
1,009,683

**Initial Corpus**  
1,000,000

**Net Profit from the Arbitrage Trade**  
9,683

**Annualised returns**  
12.2%

*Past performance may or may not be sustained in future.*  
*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: RIMF. vis – vis initial corpus.*
Example 1

Company: IDFC

Past performance may or may not be sustained in future.

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: RIMF. 1vis – a – vis initial corpus.
**Example 2**

**Company : ZEE**

*Initial Corpus: Rs. 10,00,000 (Including margin money for derivative trade)*

### On Initiating a trade

<table>
<thead>
<tr>
<th>Date of Initiating trade: 01 Jan. 2014</th>
<th>No. of shares</th>
<th>Price</th>
<th>Value</th>
<th>Net Value (Post Brokerage &amp; taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy Cash</td>
<td>3000</td>
<td>277.00</td>
<td>831000</td>
<td>829837</td>
</tr>
<tr>
<td>Sell Stock futures</td>
<td>3000</td>
<td>279.55</td>
<td>838650</td>
<td>838398</td>
</tr>
</tbody>
</table>

### On Reversing a trade

<table>
<thead>
<tr>
<th>Date of Reversing trade: 14 Jan. 2014</th>
<th>No. of shares</th>
<th>Price</th>
<th>Value</th>
<th>Net Value (Post Brokerage &amp; taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sell Cash</td>
<td>3000</td>
<td>284.55</td>
<td>853650</td>
<td>852455</td>
</tr>
<tr>
<td>Buy Stock futures</td>
<td>3000</td>
<td>283.65</td>
<td>850950</td>
<td>850780</td>
</tr>
</tbody>
</table>

### Transaction Details

<table>
<thead>
<tr>
<th>Transaction Details</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on cash segment</td>
<td>22618</td>
</tr>
<tr>
<td>Loss on future segment</td>
<td>-12381</td>
</tr>
<tr>
<td>Net Profit from trade</td>
<td>10237</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total (Initial Corpus + Profit On Initiating The Trade)</th>
<th>1,010,237</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Corpus</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Net Profit from the Arbitrage Trade</td>
<td>10,237</td>
</tr>
<tr>
<td>Annualised returns</td>
<td>12.9%</td>
</tr>
</tbody>
</table>

*Past performance may or may not be sustained in future.*

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: RIMF. 1vis – a – vis initial corpus.
Past performance may or may not be sustained in future.

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: RIMF. 1vis – a – vis initial corpus.
Invest predominantly in arbitrage opportunities between spot and futures prices of exchange traded equities

The Scheme would also look to avail of opportunities between one futures contract and another

Build market neutral positions that offer an arbitrage potential for e.g. buying the basket of index constituents in the cash or futures segment and selling the index futures.

Concentrated portfolio

The margin money requirement for the purposes of derivative exposure will be held in the form of Term Deposits, cash or cash equivalents.
Advantages

**VOLATILITY MANAGEMENT**
Simultaneous trades in the same security across exchanges/platform eliminates major risks of significant price movements.

**ALTERNATIVE TO LIQUID INVESTMENTS**
Offers similar risk–adjusted returns.

**BETTER POST-TAX RETURNS**
Being classified as an Equity Scheme, it enjoys tax advantage over Debt/Money Market Schemes.
Who Should Invest

Investors seeking:

- To generate income by investing in arbitrage opportunities available in the equity markets.
- To earn higher post-tax returns compared to Debt and Money Market funds.
- Arbitrage Funds being equity oriented schemes:
  - Dividends are not subject to DDT
  - Short Term Capital Gains is taxed at flat 15%* as compared to applicable income tax rate for Individuals / Corporates in case of Debt and Money Market Schemes
  - Long Term Capital Gains Tax is ‘NIL’ as compared to 22.66% (with indexation benefit) or 11.33% (without indexation benefit) for Debt and Money Market Schemes
- To invest with medium to long-term investment horizon

* Plus applicable Cess and Surcharge
Edelweiss Arbitrage Fund – In a nutshell...

- Will take only “fully hedged equity exposure” – each position in equity stock is hedged by corresponding position in stock futures

- An ideal fund for volatile markets

- Seeks to provide consistent positive returns

- Status of an equity-oriented fund, thus lower tax incidence compared to debt and liquid funds with respect to dividend distribution and capital gains tax
## Investment Objective

The investment objective of the Scheme is to generate income by predominantly investing in arbitrage opportunities in the cash and the derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments. However, there is no assurance that the investment objective of the scheme will be realized.

## Benchmark

CRISIL Liquid Fund Index

## Plans / Options


## Fund Manager

- Mr. Bhavesh Jain - Fund Manager
- Mr. Paul Parampreet - Co-Fund Manager

## Exit Load Structure

- If the Units are redeemed / switched out on or before 3 months from the date of allotment – 0.50%
- If the Units are redeemed / switched out after 3 months from the date of allotment – Nil

## Minimum Application amount (For lump sum application)

Rs 5,000/- and in multiples of Re 1/- thereafter
Under normal circumstances, the anticipated asset allocation pattern would be as follows:

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Risk Profile</th>
<th>Indicative Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity &amp; Equity related instruments including Derivatives</td>
<td>Medium to High</td>
<td>65%-100%</td>
</tr>
<tr>
<td>Debt &amp; Money Market instruments including the margin money deployed in derivative transactions</td>
<td>Low</td>
<td>0% -35%</td>
</tr>
</tbody>
</table>

The entire Equity portfolio will be hedged i.e. the Scheme will not take any directional calls on Equities and will not have any un-hedged positions.

Under defensive circumstances, the anticipated asset allocation pattern would be as follows:

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Risk Profile</th>
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<td>Low</td>
<td>65% -100%</td>
</tr>
</tbody>
</table>

NOTE: Defensive circumstances are when the arbitrage opportunities in the market place are negligible or returns are lower than alternative investment opportunities as per the allocation pattern. The allocation under defensive circumstances will be made keeping in view the interest of the unit holders. The portfolio under such defensive circumstances will be rebalanced within 30 days.
Scheme classification and objective: Edelweiss Arbitrage Fund (An Open-ended Equity Scheme) Investment Objective: The investment objective of the Scheme is to generate income by predominantly investing in arbitrage opportunities in the cash and the derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments. However, there is no assurance that the investment objective of the Scheme will be realized and the Scheme does not assure or guarantee any returns. Asset Allocation Pattern: Equity and equity related instruments including derivatives: 65% to 100% of the net assets; Debt and money market instruments including margin money deployed in derivative: 0% to 35% of the net assets. The Scheme will not invest in securitized debt, Foreign Securities, ADRs/GDRs issued by Indian or foreign companies or in Stock Lending and Short Selling. Terms of the Issue: Units of Rs. 10/- per unit for cash during the NFO period and at applicable NAV based prices on re-opening. NAVs will be calculated and published on all Business Days. Plans/Options: The Scheme offers two Plans – Regular and Direct Plan. Each Plan will have three options, Growth, Dividend & Bonus. Dividend Option offers Dividend Reinvestment, Payout and Sweep Facilities. Minimum Application Amount: Rs.5,000/- and in multiples of Re. 1/- thereafter. Minimum Redemption Amount: Re.1/- or any number of Units. Load Structure: Entry Load: Nil; Exit Load: If redeemed on or before 3 months from date of allotment: 0.50%; If redeemed after 3 months from the date of allotment: Nil. New Fund Offer (NFO) expenses: NFO expenses shall be borne by the AMC. Scheme Recurring Expenses: Subject to a percentage limit of average daily net assets prescribed under SEBI Regulations, expenses over and above the prescribed ceiling will be borne by the AMC.

Risk Factors: All Mutual Fund and securities investments are subject to market risk and there can be no assurance that the Scheme’s objective 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 and their Affiliates/AMC/Mutual Fund & its Scheme(s) does not indicate the future performance of the Scheme and may not necessarily provide a basis of comparison with other investments. Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal and uncertainty of dividend distribution. As the price / value / interest rates of the securities in which the Scheme invest fluctuate, the value of your investment in the Scheme may go up or down. Edelweiss Arbitrage Fund is only the name of the Scheme and does not in any manner indicates either the quality of the Scheme or its future prospects and returns. The Sponsor is not responsible or liable for any loss resulting from the operation of the Schemes beyond the initial contribution of Rs. 1,00,000/- made by it towards setting up Edelweiss Mutual Fund. Investors are not being offered any guaranteed /assured returns under any Scheme of Edelweiss Mutual Fund.
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Statutory Details: Edelweiss Mutual Fund is set up as a Trust under the Indian Trusts Act, 1882 by Edelweiss Financial Services Limited. Sponsor: Edelweiss Financial Services Limited (EFSL) [liability restricted to initial contribution of Rs. 1,00,000]. Trustee: Edelweiss Trusteeship Company Limited (ETCL), a Company registered under the Companies Act, 1956. Investment Manager: Edelweiss Asset Management Limited (EAML), a Company registered under the Companies Act, 1956. Copy of Statement of Additional Information (SAI) / Scheme Information Document (SID) and Key Information Memorandum (KIM) can be obtained from any of our Investor Services Centers as well as from our website www.edelweissmf.com.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.