

RELIANCE

Mutual Fund

Reliance Gold Savings Fund

An Open Ended Fund of Fund Scheme

NFO Opens On: 14th February, 2011

NFO Closes On: 28th February, 2011

Gold – A foundation asset class for wealth creation

Gold is seen as a symbol of security and a sign of prosperity. Indian consumers consider gold jewellery as an investment and are well aware of gold's benefits as a store of value. Gold is also recognized as a form of money in India, a tradable liquid asset.

It is one of the foundation assets for Indian households and a means to accumulate wealth from a long term perspective. Gold investment has been in the culture of Indian tradition and has been on rise amongst the modern investors as well due to the financial uncertainty and inflationary pressures.

Sector View & Outlook

Gold as an investment asset has given positive returns for each year during the last decade outpacing most of asset classes. Gold has provided compounded annual return ~ 18per cent during the decade. Gold ended the decade with a bang and moved up by ~30 per cent during the year 2010 making a new high for tenth year in a row.

The risk of sovereign default because of higher debt burden, rising fear of inflation as a result of loose monetary and fiscal policy, uncertainties associated with global growth outlook, thrust for portfolio diversification were few of prim drivers that help gold prices move higher. Situation remains unchanged to a great extent and the concerns that kept gold prices at elevated levels are not yet addressed. The risk of



sovereign debt default continues, concerns over rising inflation and weaker outlook for US dollar still remains. Central banks, having huge Foreign exchange reserves like India and China, have only started diversification away from US dollar and they will require huge quantum of gold for further diversification. All these factors create a constructive environment for higher gold prices.

As per news articles physical demand in India and China remains extremely robust. As per remarks made by the chairman of Shanghai Gold Exchange, China's gold imports jumped 480% y-y to a record of 209.7 tons in the first 10 months of the current year. Mr. Wang Zhe, General Manager of Shanghai Gold Exchange stated that the imports for first 11 months totaled to 247 tons from 60 tons in FY 2009. He further added that government purchase were not behind the surge. The biggest drivers should be jewellery demand, gold bars for investment and the year end gift-giving. Similarly, Gold imports in India, the world's largest gold consumer, has likely reached a record last year driven by investment demand according to World Gold Council. As per market sources total gold imports in India amounted to around 750 tons during 2010 compared to around 557 MnT of gold imports in 2009. Gold investment demand in India surges 73 per cent in the year ended Sept, 2010.

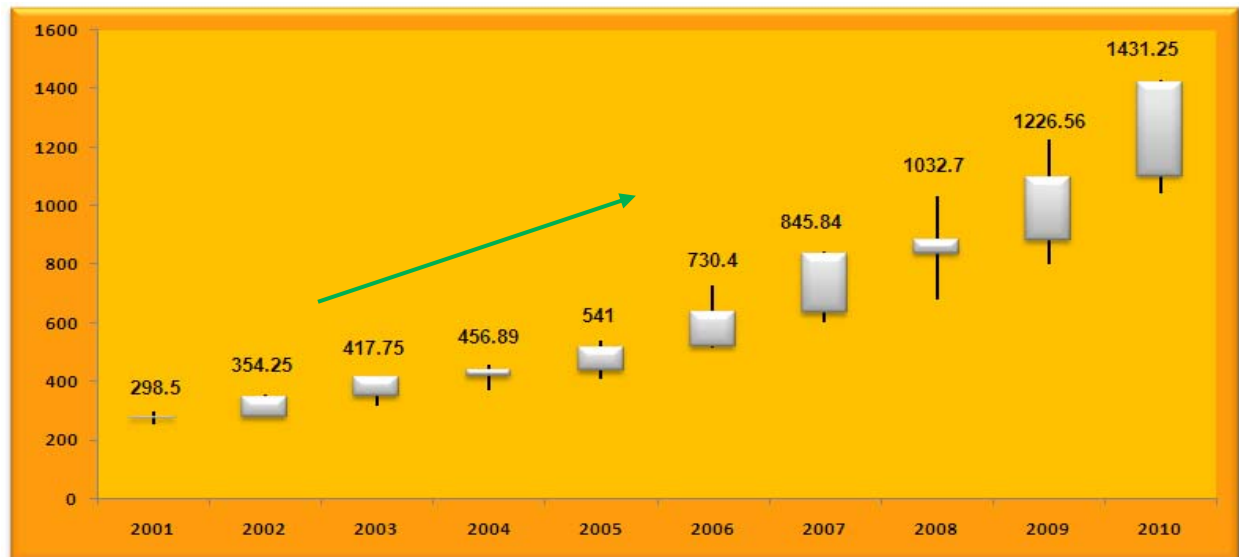
Gold is likely to continue to benefit due to lower interest rate regime globally, higher inflation expectation, European debts concerns and thrust for portfolio diversification. The longer term outlook for US dollar remains bearish. On a short run dollar may benefit due to concerns over European debt. But over longer term fundamental weakness in US economy will lead to dollar depreciation and that may benefit gold. During the uncertain global environment gold tends to benefit due to its safe haven appeal. Volatility in global markets is likely to go up given the current macroeconomic environment and that is supportive of higher gold prices. The typical characteristic of a bubble in any financial markets are nowhere in sight for gold market and hence gold prices are expected to continue to move higher. Geo political uncertainty is the other important demand drivers for gold.

Source: Bloomberg



Investment Case for Gold – an asset class apart

The yellow metal continues to breach its high (YOY) since 2001 till date.



The graph above shows the open, close high and low for a ten year period. The figure in the graph indicates the high level of gold prices for each year.

- ❑ The gold prices have risen for 10 consecutive years driven by recovery in key sectors of demand and continued global economic uncertainty.
- ❑ Moreover there is a mismatch in demand and supply of gold with the declining trend of official sector sales. In fact for the first time over two decades, the official sector is set to record net inflows in 2010.(Source: World Gold Council)
- ❑ The performance of gold has not only been strong, but its volatility also remained low, providing a foundation for a well diversified portfolio.
- ❑ Asset allocation with gold aims to provide an opportunity to enhance and stabilize returns over a period
- ❑ Gold as asset over centuries has maintained its value against inflation and considered a hedge against inflation.

*“From being an alternative investment option, gold has gained the status of ‘**must have**’ in any portfolio”*

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In line with this growing gold investment demand combined with India's culture for buying gold, Reliance Mutual Fund offers Reliance Gold Savings Fund that would enable investors to invest in gold – the mutual fund way.

Positioning of the Fund

Reliance Gold Savings Fund, is the first gold fund of fund in the industry which opens a new avenue for investing in gold as an asset class. The fund seeks to provide returns of gold through investments in Reliance Gold Exchange Traded Fund, which in turn invest in physical gold. It enables you to reap the returns of gold in a paper form without the need of a demat account.

It is a passively managed fund which would enable an investor to save for gold in a convenient manner either through lump sum investment or through systematic investment - the mutual fund way from a long term perspective. It aims to give investors the opportunity to participate in the bullion market in a relatively cost effective and convenient way as you can directly purchase and sell the units at the AMC.

Investment Philosophy

A modern way of accumulating "Gold" the mutual fund way. An investment opportunity which enables an investor to allocate gold a foundation asset to his portfolio in a systematic way. This fund would enable you to add the yellow metal which is considered as a safe haven, hedge to inflation and diversify your portfolio in a convenient way.

- Passively managed Fund of Fund investing in Open-ended Reliance Gold Exchange Traded fund
- Invests exclusively in Reliance Gold Exchange Traded Fund which in turn invests in physical gold which shall be of fineness(or purity) of 995 parts per 1000 (99.5 %) or higher
- Portfolio focused on providing returns that closely correspond to the returns provided by Reliance Gold Exchange Traded Fund



Benefits of Investing in Reliance Gold Savings Fund

- ❑ **Open door for non - demat a/c holders:** Investors can invest in this fund through the physical mode across the country thereby making it easily available and convenient **for non demat a/c holders”**
- ❑ **Systematic Investment Plan (SIP):** a long term disciplined investment technique under which you invest a fixed sum of money on a monthly or quarterly basis in a scheme at the prevailing NAV. This allows you to save and invest regularly while you are earning.

This investment technique enables you the following benefits:

- **Small, regular investments:** A simple way to enter the market by investing small amounts. Small but regular investments go a long way in creating wealth over time
 - **Rupee cost averaging:** Fewer units during rising markets and more units during falling markets, thereby reduces the average cost per unit
 - **No need for ‘timing the markets’:** No need to select the right time and quantity to buy and sell as timing the market is time consuming and risky. It eliminates the need to actively track the markets.
- ❑ **Availability of add-on facilities:** Ease of availing add on facilities like Systematic Transfer Plan/ Systematic Withdrawal Plan / Systematic Investment Plan/ auto switch /trigger facility etc.
 - ❑ **Liquidity:** An investor of Reliance Gold Savings Fund can subscribe and redeem units on all business days directly from the AMC, while purchase and sale of gold ETF units is a factor of liquidity on the exchange.
 - ❑ **Ease of investing:** Investing in gold through Reliance Gold Savings Fund, the investor can directly subscribe/ redeem units through the physical mode at the various designated investor service centre across the country thereby making it easily accessible and convenient.
 - ❑ **Cost Effective:** Investing in gold through the Reliance gold Savings Fund in physical application mode enables you invest in a low cost manner as the investor does not have to incur charges like annual maintenance charges for demat account , delivery brokerages charges, transaction charges incurred for investing through the dematerialized mode. *The investors will be bearing the recurring expenses of the scheme, in addition to the expenses of underlying Scheme.*



- ❑ **Taxation:** Investments in Reliance Gold savings Fund enables you to claim for long term capital gains tax after a period of one year of investments, whereas for physical long term taxation is available after 3 years.

The tax benefits are as per the current Income Tax laws & rules and any other law for the time being in force. Please refer to Statement of Additional Information for more details. Readers are advised to seek independent professional advice and consult their tax advisors and arrive at an informed investment decision before making any investments.

Systematic Investing in Gold- An edge to accumulating wealth

Reliance Gold Savings Fund endeavors to inculcate a regular saving habit to your investments in gold through systematic investment plan. It provides an easy and a convenient way to reap the returns of gold through regular and small amount investment.

SIP Return as on Dec 30, 2010				
Period	1 Year	3 Year	5 Year	10 Years
SIP Start Date	04/01/2010	02/01/2008	03/01/2006	02/01/2001
Gold Price (Rs/Gm) (As on 30/12/2010)	2031.42	2031.42	2031.42	2031.42
Total No. of gms accumulated	34	124	258	839
Total Amount Invested in Rs.	60000	180000	300000	600000
Market Value if invested in Gold in Rs.	68590.34	252253.81	523837.89	1703880.5
Return on SIP in Gold	27.92%	23.28%	22.51%	20.16%

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Past Performance may or may not be sustained in future.

Assumptions - Returns on SIP of Gold are annualized and cumulative investment return for cash flows resulting out of uniform and regular monthly subscriptions have been worked out on "Excel" spreadsheet function known as XIRR. It is assumed that a SIP of Rs. 5000/- each executed on 2nd of every month has been taken into consideration including the first installment.

Disclaimers - The amounts invested in SIP and the market values of such investments at respective periodic intervals thereof are simulated for illustrative purposes for understanding the concept of SIP. This illustration should not be construed as a promise, guarantee on or a forecast of any minimum returns. The Mutual Fund or the Investment Manager does not assure any safeguard of capital and the illustrated returns are not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments. SIP does not guarantee or assure any protection against losses in declining market conditions.



Scheme Features

Asset Allocation:

Under normal circumstances, the anticipated asset allocation would be:

Instruments	Indicative asset allocation (% of total assets)		Risk Profile
	Minimum	Maximum	
Units of Reliance Gold ETF (RGETF)	95	100	Medium to High
Reverse repo and /or CBLO and/or short-term fixed deposits and/or Schemes which invest predominantly in the money market securities or Liquid Schemes*	0	5	Low to Medium

*The Fund Manager may invest in Liquid Schemes of Reliance Mutual Fund. However, the Fund Manager may invest in any other scheme of a mutual fund registered with SEBI, which invest predominantly in the money market securities.

The deviation from the underlying ETF may occur mainly on account of the receipt of cash flows which on an average takes 5 days given the existing operational procedure.

Scheme Features:

Investment Objective	The investment objective of the Scheme is to seek to provide returns that closely correspond to returns provided by Reliance Gold Exchange Traded Fund
Minimum amount for purchase / redemption / switches	Minimum Application Amount: Rs. 5,000 and in multiples of Re. 1 thereafter
	Additional Purchase Amount Rs 1000 and in the multiple of Re.1 thereafter
	Minimum Switch Amount Will be as per the minimum application amount in the respective scheme which may have been opted by the investor for switching the units/amount where the switch facility is available.
Minimum Investment Amount for Systematic Investment Plan	Minimum investment amount for investing SIP route is as follows: (1) Rs.100/- per month and in multiples of Re. 1/- thereafter for minimum 60 months (2) Rs.500/- per month and in multiples of Re. 1/- thereafter for minimum 12 months (3) Rs.1000/- per month and in multiples of Re. 1/- thereafter for minimum 6 months (4) Rs.500/- per quarter and in multiples of Re. 1/- thereafter for minimum 12 quarters (5) Rs.1500/- per quarter and in multiples of Re. 1/- thereafter for minimum 4 quarters



NFO Opening Date	14 February,2011
NFO Closure Date	28 February,2011
Re-opening For Continuous Sale and Re-purchase On or Before	14 March, 2011
Load Structure	Entry Load* : Nil <small>*In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 no entry load will be charged for purchase / additional purchase / switch-in accepted by the Fund with effect from August 01, 2009. Similarly, no entry load will be charged with respect to applications for registrations under systematic investment plans/ systematic transfer plans accepted by the Fund with effect from August 01, 2009.</small>
	Exit Load: 2%- If redeemed or switched out on or before completion of 1 year from the date of allotment of units, Nil - If redeemed or switched out after the completion of 1 year from the date of allotment of units
Benchmark	The Scheme's performance will be benchmarked against the price of physical gold.
Fund Manager	Hiren Chandaria

Disclaimers

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The Sponsor, the Investment Manager, the Trustee, any of their respective directors, employees including the fund managers, affiliates, representatives including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies) / specific economic sectors mentioned herein.

Reliance Gold Savings Fund (An Open Ended Fund of Fund Scheme): The investment objective of the Scheme is to seek to provide returns that closely correspond to returns provided by Reliance Gold Exchange Traded Fund (RGETF). **Asset allocation Pattern:** Units of RGETF – 95 to 100%, Reverse repo and /or CBLO and/or short-term fixed deposits and/or Schemes which invest





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predominantly in the money market securities or Liquid Schemes* - 0 to 5%. *The Fund Manager may invest in Liquid Schemes of Reliance Mutual Fund. However, the Fund Manager may invest in any other scheme of a mutual fund registered with SEBI, which invest predominantly in the money market securities. **Load Structure:** (for investments made during NFO and Ongoing offer period) **Entry Load** - Nil. **Exit Load** - 2%- If redeemed or switched out on or before completion of 1 year from the date of allotment of units, Nil thereafter.

Terms of issue and mode of sale and redemption of units: The units are available at Rs. 10/- per unit during NFO & thereafter at applicable NAV based prices. The Scheme will offer for Subscription/ Switch-in and Redemption / Switch-out of Units on every Business Day on an ongoing basis, within five business days of allotment. The redemption or repurchase proceeds shall be dispatched to the unitholders within 10 Business Days from the date of redemption or repurchase. **Investor benefits and general services offered:** The Scheme offers Systematic Investment Plan, Auto Switch facility and Online Transactions during the NFO period. The NAV of Scheme shall be published on a daily basis by the Mutual Fund at least in two daily newspapers and will also be uploaded on the AMFI site www.amfiindia.com and Reliance Mutual Fund site i.e. www.reliancecmutual.com.

RGETF is an open-ended Gold Exchange Traded Fund that tracks the domestic prices of gold through investments in physical Gold.) 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 Pattern:** Physical Gold or Gold Related Instruments as permitted by regulators from time to time - 90 to 100%, Money Market instruments, Bonds, Debentures, Government Securities including T-Bills, Securitised Debt & other debt securities as permitted by regulators from time to time – 0 to 10%. **Load Structure** – Entry Load & Exit Load – Nil. **Terms of Issue** - As the units of the scheme are listed on the Exchange, subsequent buying or selling (trading) by Unit holders can be made from the secondary market on all trading days. The minimum number of Units that can be bought or sold on the exchange is 1 (one) unit.

Statutory Details: Reliance Mutual Fund has been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882. **Sponsor:** Reliance Capital Limited. **Trustee:** Reliance Capital Trustee Company Limited. **Investment Manager:** Reliance Capital Asset Management Limited (Registered Office of Trustee & Investment Manager: "Reliance House" Nr. Mardia Plaza, Off. C.G. Road, Ahmedabad 380 006). The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956. 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.

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 securities market. Reliance Gold Savings Fund and Reliance Gold Exchange Traded Fund are only the names of the Schemes and do not in any manner indicate either the quality of the Scheme; its future prospects or returns. Past performance of the Sponsor/AMC/Mutual Fund is not indicative of the future performance of the Scheme. The Mutual Fund is not assuring that it will make periodical dividend distributions, though it has every intention of doing so. All dividend distributions are subject to the availability of distributable surplus in the Scheme. 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. Being a Fund of Fund Scheme, it may be noted that the investors are bearing the risk and the recurring expenses of RGETF also. For detailed risk factors, please refer to the Scheme Information Document & Key Information Memorandum, which is available at all the DISC, Distributors and www.reliancecmutual.com. Investors can also call at our call centre 1800-300-11111 (toll free) for more details. **Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**



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GOLD
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