


**SBI MUTUAL FUND PRESENTS**

**SBI**   
**GOLD FUND**

 An Open Ended Fund of Fund Scheme

# SBI GOLD FUND FAQs

## 1. Why gold as a wealth creator?

Gold has a deep intrinsic value embedded in our culture. It is an asset which has various facets and multiple benefits. In India, consumption of gold is very high because of their ornamental and religious value eg. Buying gold for wedding, exchange gold on festivals (gifts) is considered as a good omen. These aspects of Indian culture has made India the world's largest consumer of gold in jewellery (source: world gold council).

- **Safe Haven:** In uncertain times, gold purchased is mortgaged against a loan or sold to generate cash. For these reasons, gold is considered as a safe haven for the future. It is valued as a savings vehicle and is one of the preferred investment avenue.
- **Safety & Purity:** As markets have evolved, gold is now purchased in demat form by way of investing in Gold ETF. This solves the issues of safe custody required for precious metal and ensures that the purity is intact.
- **Store of value:** Gold as an investment asset has given positive returns (in USD) for each calendar year during the last decade outpacing most of asset classes.
- **Hedge against other asset class:** Gold, as an asset class has low correlation with other asset classes like equity and bonds. It has low correlation with economic downturn in volatile times and is a good hedge against inflation. Coupled with strong appreciation for over a decade, Gold has emerged as an important asset class for investments in customer's portfolio.

## 2. Why SBI Gold Fund?

The two most important concerns while buying gold are purity and safety (in terms of storage). To ensure both these issues, people have started investing into gold in the dematerialized (demat) form through Gold ETF.

Considering that dematerialization is a new concept in India, there is very low penetration of demat accounts amongst Indian investors. This low penetration has prevented access to gold as an asset class for investors who don't have a demat account.

Continuing our endeavor to provide investors an access to this investment vehicle, SBI Mutual Fund is launching a SBI Gold Fund.

SBI Gold Fund is an investment avenue for the investors, where investors can invest in gold without having the demat account.

## 3. What is SBI Gold Fund?

Salient features of this fund are:

- The fund will track the performance of SBI GETS.
- The fund replicates the value of purest form of gold for the investors, as the units of SBI Gold Fund derive its value from SBI GETS, which has the underlying asset of LBMA standard physical gold.
- As the fund is the feeder fund, the fund will not charge any investment management or advisory fee from the investor
- SBI Gold fund provides an opportunity for the investor, to take exposure into Gold as an asset class, in smaller and convenient investment amount without having a demat account.

#### 4. What are the benefits of investing in SBI Gold Fund?

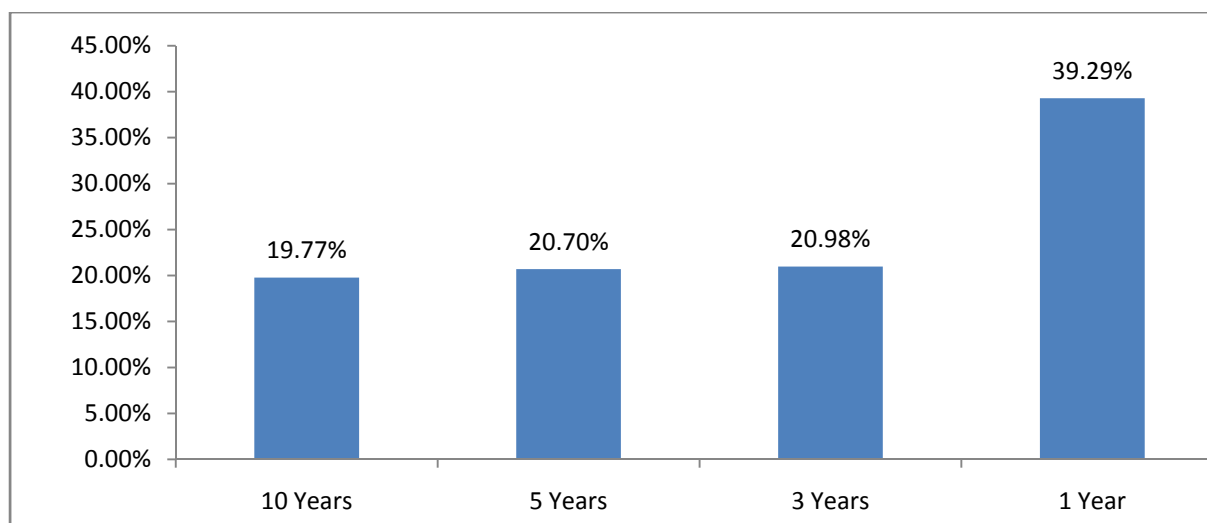
- **Purity:** Gold will be bought in the purest form. All Gold bullion in the Gold ETF would be of fineness (purity) of 995 parts per 1000.
- **Liquidity:** Investor can subscribe and redeem gold fund on all business day.
- **Custody:** Gold held by the underlying scheme i.e. SBI GETS will be in safe custody of custodians.
- **Systematic Investment Plan (SIP):** A long term disciplined investment technique which provides a systematic way of investing in Gold.
- **No DEMAT account:** SBI Gold fund provides an opportunity for the investor, to take exposure into Gold as an asset class, in smaller and convenient investment amount without having a demat account.
- **Cost Effective:** Investing in gold through the SBI Gold 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. However, investors will be bearing the recurring expenses of the scheme, in addition to the expenses of underlying Scheme.
- **Availability of add on facility:** The fund allows investors to avail add on facility like systematic transfer plan, systematic investment plan, and systematic withdrawal plan.

## 5. Comparison of Gold Fund vis a vis other Gold instruments

Benefit	Physical Gold	Commodity Exchange	Gold ETF	SBI Gold Fund
Good control on quality of gold	No	Yes	Yes	Yes
Lower cost of holding	Yes	High Brokerage Cost	Yes	Yes
Risk of theft	Yes	No	No	No
Availability in smaller denomination	Yes	Yes	Yes	Yes
Wealth Tax	Yes	No	No	No
Long term investment	Yes	Speculation or Trading	Yes	Yes
Long term capital gain tax	After 3 years	No	After 1 year	After 1 year
Auto SIP facility	No	No	No	Yes

SBI Gold Fund is one of the most economic and efficient way of investing into gold

## 6. What is the Gold performance in past year?



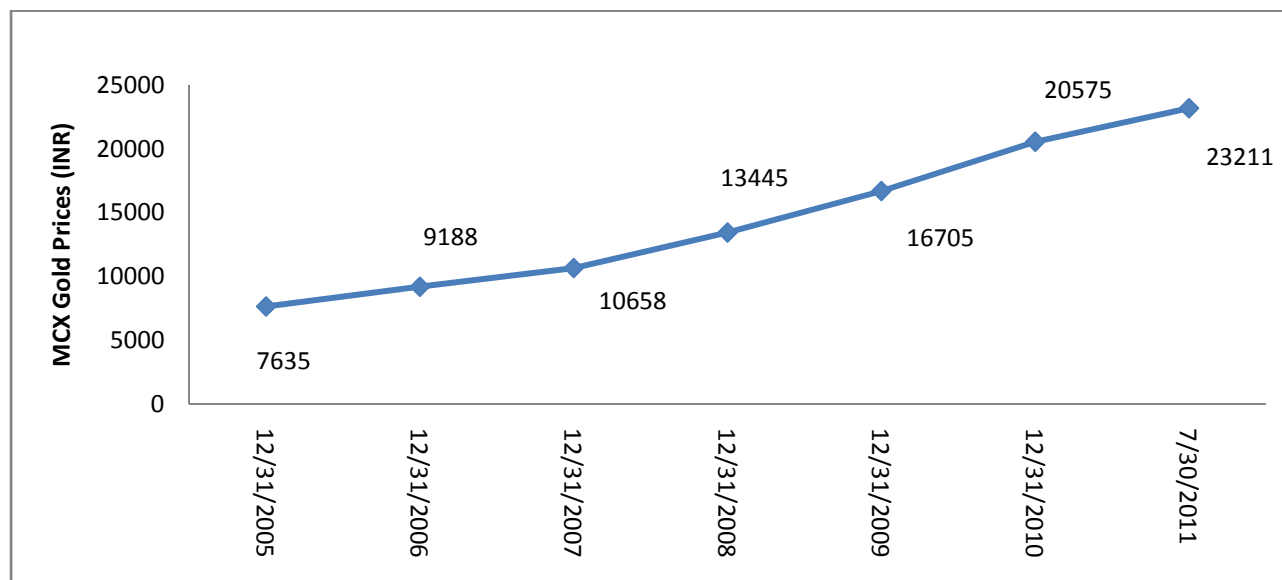
Returns are in CAGR. Return of Gold in USD as on July 29, 2011

Source: Bloomberg

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

On a long term basis also this commodity has delivered better returns than equity market.

### Annual Gold price movement

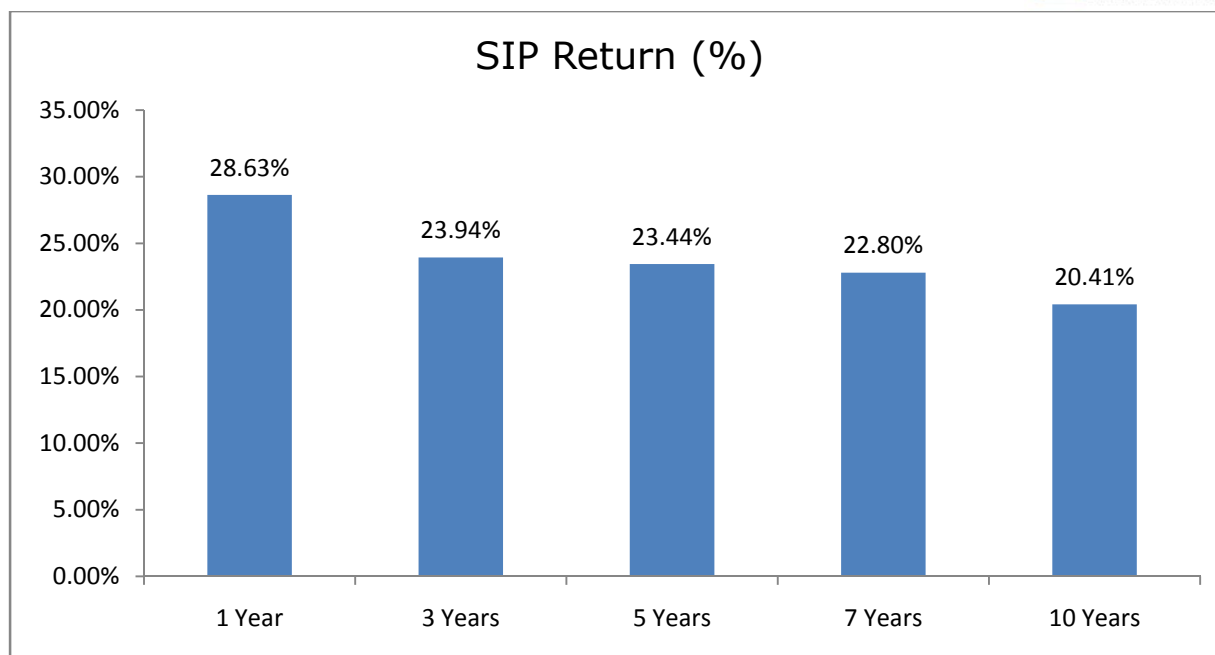


Annual MCX Gold price movement from Dec 2005 to July, 2011  
Source: Bloomberg

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

#### SIP returns in Gold

	1 Year	3 Years	5 Years	7 Years	10 Years
Amount Invested	60,000	180,000	300,000	420,000	600,000
SIP Start Date	01/08/2010	01/08/2008	01/08/2006	01/08/2004	01/08/2001
Gold Value (as on July 29, 2011)	2,292.98	2,292.98	2,292.98	2,292.98	2,292.98
Units Accumulated	30.00	110.98	233.55	411.97	767.04
Investment Value (as on July 29, 2011)	68,797.16	254,483.35	535,535.46	944,640.43	1,758,806.03
Returns	28.63%	23.94%	23.44%	22.80%	20.41%



Returns are as on 29/07/2011 with SIP being done on 1<sup>st</sup> of every month. Returns are CAGR & have been calculated for cash flows at different point of time using XIRR function in excel spreadsheet for LBMA AM Fix closing prices converted into INR. **Past performance may or may not be sustained in the future.**

## 7. What are the fund features?

<b>INVESTMENT OBJECTIVE</b>	The investment objective of the Scheme is to seek to provide returns that closely correspond to returns provided by SBI Gold Exchange Traded Scheme (SBI GETS).																												
<b>INVESTMENT STRATEGY</b>	<p>To achieve the investment objective, the scheme will predominantly invest in units of SBI GETS which is registered with SEBI and / or permitted by SEBI from time to time. The investments could be made either directly with the underlying fund or through the secondary market. The scheme will also invest in money market instruments. The investment strategy would largely be active in nature. The AMC shall endeavor that the returns of SBI Gold Fund will replicate the returns generated by the underlying ETF.</p> <p>The AMC shall endeavor that the returns of SBI Gold Fund will replicate the returns generated by the underlying ETF and is not expected to deviate more than 2%, on an annualized basis net of recurring expenses in the Scheme. This deviation would mostly be on account of receipt of cash flows which currently takes 5 days as per current operational procedures.</p> <p>The table shows below the impact that could happen on fund performance as a result of delay in receipt of money over previous six months ending on May 31, 2011.</p> <table border="1" data-bbox="558 1031 1430 1314"> <thead> <tr> <th></th> <th>2 Day</th> <th>3 Day</th> <th>4 day</th> <th>5 day</th> <th>6 day</th> <th>7 day</th> </tr> </thead> <tbody> <tr> <td>Average</td> <td>0.14%</td> <td>0.22%</td> <td>0.29%</td> <td>0.36%</td> <td>0.44%</td> <td>0.52%</td> </tr> <tr> <td>Max</td> <td>1.96%</td> <td>2.94%</td> <td>3.41%</td> <td>3.07%</td> <td>3.62%</td> <td>3.87%</td> </tr> <tr> <td>Min</td> <td>-2.69%</td> <td>-2.90%</td> <td>3.12%</td> <td>3.19%</td> <td>3.41%</td> <td>-3.38%</td> </tr> </tbody> </table> <p>Above calculations are based on SBI GETS NAV. The assumption is that entire corpus is delayed by the no. of days tabulated above. But in reality, since the daily subscription may not be material to the total corpus of the fund the impact would not be material. Moreover subscriptions over periods of time would normally be expected to iron out the deviations. The fund would endeavor to maintain the indicated asset allocation as mentioned above. However there could be a variance in the asset allocation on account of receipt of cash flows, which on an average takes 5 business days to clear given the existing operational procedure.</p>		2 Day	3 Day	4 day	5 day	6 day	7 day	Average	0.14%	0.22%	0.29%	0.36%	0.44%	0.52%	Max	1.96%	2.94%	3.41%	3.07%	3.62%	3.87%	Min	-2.69%	-2.90%	3.12%	3.19%	3.41%	-3.38%
	2 Day	3 Day	4 day	5 day	6 day	7 day																							
Average	0.14%	0.22%	0.29%	0.36%	0.44%	0.52%																							
Max	1.96%	2.94%	3.41%	3.07%	3.62%	3.87%																							
Min	-2.69%	-2.90%	3.12%	3.19%	3.41%	-3.38%																							
<b>BENCHMARK</b>	The Scheme's performance will be benchmarked against the price of physical gold. As there are no indices catering to the gold sector or securities linked to the Gold, currently SBI Gold Fund shall be benchmarked against the domestic price of gold. The price here refers to the morning fixing of Gold by London Bullion Market association (LBMA).																												

<b>FUND MANAGER</b>	Raviprakash Sharma		
<b>PLANS AND OPTIONS</b>	Growth and Dividend Plan (with both payout and reinvestment options)		
<b>MIN. INVESTMENT SIZE INITIAL PURCHASE</b>	Rs. 5000/- and in multiples of Re. 1 thereof		
<b>ASSET ALLOCATION PATTERN</b>		<b>As % of Net Assets (Min.-Max.)</b>	<b>Risk Profile</b>
	Units of SBI GETS	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
	<p>The Scheme shall not invest in securitized debt.</p> <p>*The Fund Manager may invest in Liquid Schemes of SBI 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.</p>		
<b>EXPENSES</b>	Up to 0.75% on average weekly assets (The investors in the Scheme will be charged a maximum of 1.50% of the daily or average weekly net assets of SBI Gold Fund including the expenses charged in its underlying investments in SBI GETS)		

### 8. What will be the tax benefits for investors in this fund?

<b>Applicable Tax</b>	<b>Applicability to SBI Gold Fund</b>
Wealth Tax	Nil
Long term capital gain	Without indexation benefit - 10% * With indexation benefit - 20%*

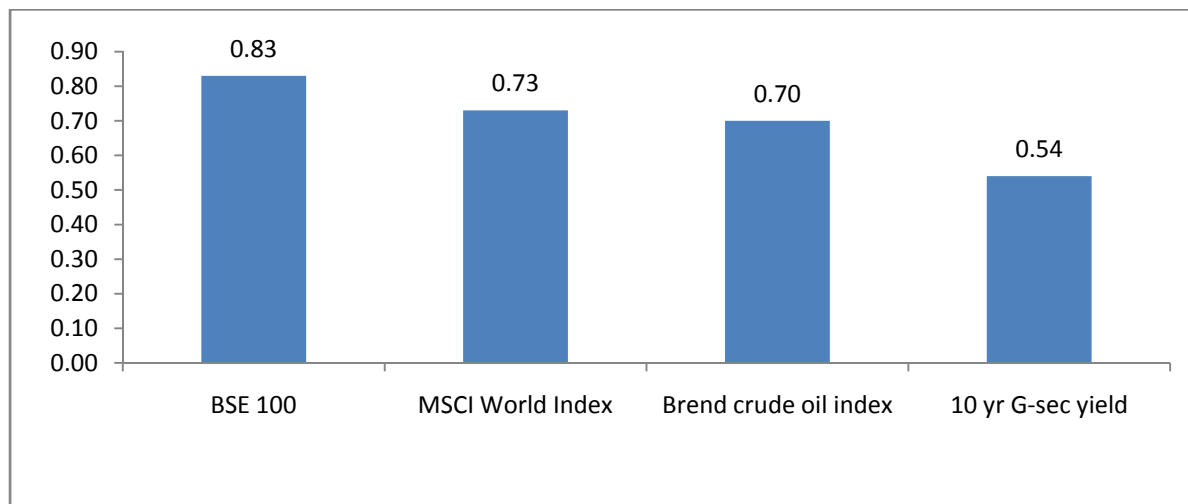
\* Plus applicable surcharge and education cess

For further details on taxation please refer to the clause on Taxation in the SAI

Please consult your financial/tax advisor before investing.

## 9. Gold as hedge against other asset classes

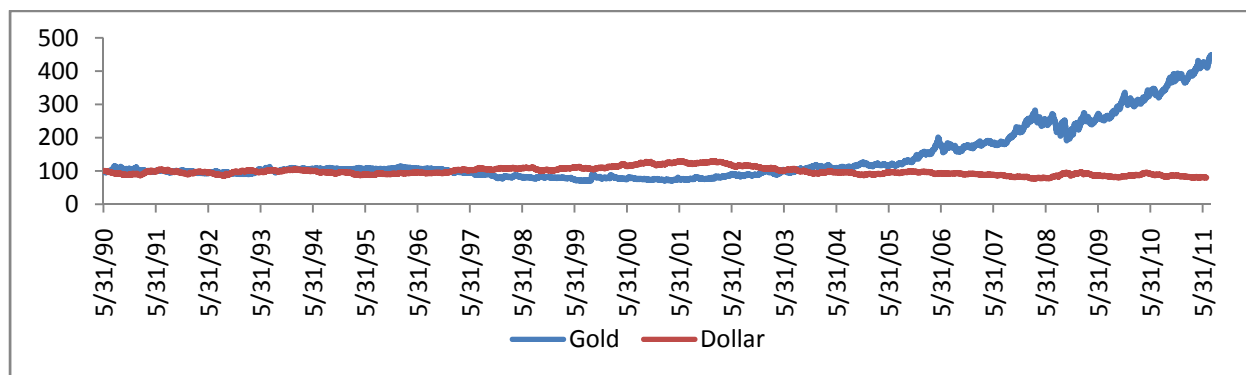
Correlation with other asset classes



Gold, BSE 100, MSCI World Index, Brent Crude Oil - Values in USD

Source: Bloomberg, Data from 01/08/2008-29/07/2011

Correlation with US Dollar



Correlation of gold with other asset classes such as stocks, cash, and debt is found to be either low or negative. Empirical evidence also shows that over the last decade, Gold has enjoyed a low correlation with Stocks during bull phases but a high negative correlation during bear phases. This means that Gold has not necessarily fallen when stocks rose but has mostly risen when stocks fell, thereby reducing risk during bear phases but not affecting returns significantly during bull phases. Investing in a basket of low to negatively correlated assets reduces risk

without materially affecting returns. To sum up, gold's deep, liquid and accessible market, coupled with its low correlation and tame volatility relative to many other assets, as well as its long history as a dollar and inflation hedge make compelling arguments for its inclusion in investor's portfolio.

**The investor will be bearing the recurring expenses of the Scheme, in addition to the expenses of underlying scheme.**

**Disclaimer:**

**Name of Scheme:** SBI Gold Fund **Type of Scheme:** An open ended fund of fund scheme  
**Investment Objective:** The investment objective of the Scheme is to seek to provide returns that closely correspond to returns provided by SBI Gold Exchange Traded Scheme (SBI GETS). **Asset Allocation:** Units of SBI GETS – 95% to 100%, 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 to 5%, The Scheme shall not invest in securitized debt. \*The Fund Manager may invest in Liquid Schemes of SBI 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.  
**Minimum Investment size:** Rs. 5000/- and in multiples of Rs. 1/- thereafter **Load Structure: Entry Load:** Not Applicable **Exit Load:** Exit within 1 year from the date of allotment – 1 %, Exit after 1 year from the date of allotment – Nil **Terms of Issue:** Sale of units - Rs. 10/- per unit during NFO and at NAV related prices on all business days on continuous basis, **Liquidity:** The scheme would provide repurchase facility to investors on an ongoing basis on all business day. **Investor benefits and general services offered** – The Scheme offers Systematic Investment Plan during the NFO period. NAV of the Scheme would be computed and declared on all business day. AMC shall disclose the NAV on the AMFI website (www.amfiindia.com) and on the website of the Fund by 10.00 a.m. the following business day. **Risk Factors: Mutual Funds and Securities Investments are subject to market risks and there is no assurance or guarantee that the objective of scheme will be achieved. As with any other 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.** Past performance of the Sponsor/AMC/Mutual Fund/Scheme(s) and their affiliates do not indicate the future performance of the scheme of the Mutual Fund. **SBI Gold 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.** SBI Gold Fund would be investing in the units of SBI GETS. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the underlying scheme of mutual funds wherein the Scheme has invested. As a result, the time taken by the Mutual Fund for the redemption of units may be significant in the event of a high number of redemption requests or a restructuring of the scheme. The Mutual Fund is not assuring any dividend nor is it assuring that it will make any dividend distributions. All dividend distributions are subject to the availability of distributable surplus and would depend on the performance of the scheme. The Scheme's NAV will react to the prices of gold. The investor could lose money over short periods due to fluctuation in the Scheme's NAV in response to factors such as economic and political developments, changes in interest rates and perceived trends in gold prices, market movements and over longer periods during market upturns. Additionally, the prices of gold may be affected by several factors such as global gold supply and demand, investors' expectations with respect to the rate of inflation, currency exchange rates, interest rates, etc. Crises may motivate large-scale sales of gold, which could decrease the domestic price of gold. The Investor will be bearing the recurring expenses of the Scheme, in addition to the expenses of underlying Scheme and also risk of the underlying Scheme. The Scheme (at Portfolio level) to have  $\geq 20$  investors and no investor to account for  $> 25\%$  of the corpus of the Scheme. In case of non fulfillment with either of the above two conditions, the AMC shall comply with the specified SEBI Guidelines in this regard. The Mutual Fund is not assuring any returns nor is it assuring that it will make periodic distributions by way of dividends.  
**Statutory details: SBI Mutual Fund has been set up as a trust under the Indian Trusts Act, 1882. State Bank of India ('SBI'), the sponsor is not responsible or liable for any loss resulting from the operation of the schemes beyond the initial contribution made by it of an amount of Rs. 5 lakhs towards setting up of the mutual fund. Asset Management Company:**

SBI Funds Management Private Limited (A joint venture between SBI & AMUNDI). **Trustee Company: SBI Mutual Fund Trustee Company Private Limited. A copy of the Scheme Information Document & Statement of Additional Information and Key Information Memorandum along with the application form may be obtained from our ISC's, ISD's, SBI Mutual Fund Corporate Office, SBI MF agents or can be downloaded from website – [www.sbimf.com](http://www.sbimf.com). Please read the Scheme Information Document & Statement of Additional Information carefully before investing.**