

Edelweiss Arbitrage Fund

(An Open ended Equity Scheme)

NFO Opens on : June 12, 2014

NFO Closes on : June 20, 2014

Scheme Reopens for ongoing subscription on : June 30, 2014

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



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EDELWEISS ENTERPRISE PEDIGREE

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EDELWEISS ASSET MANAGEMENT COMPANY

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ARBITRAGE EXPLAINED

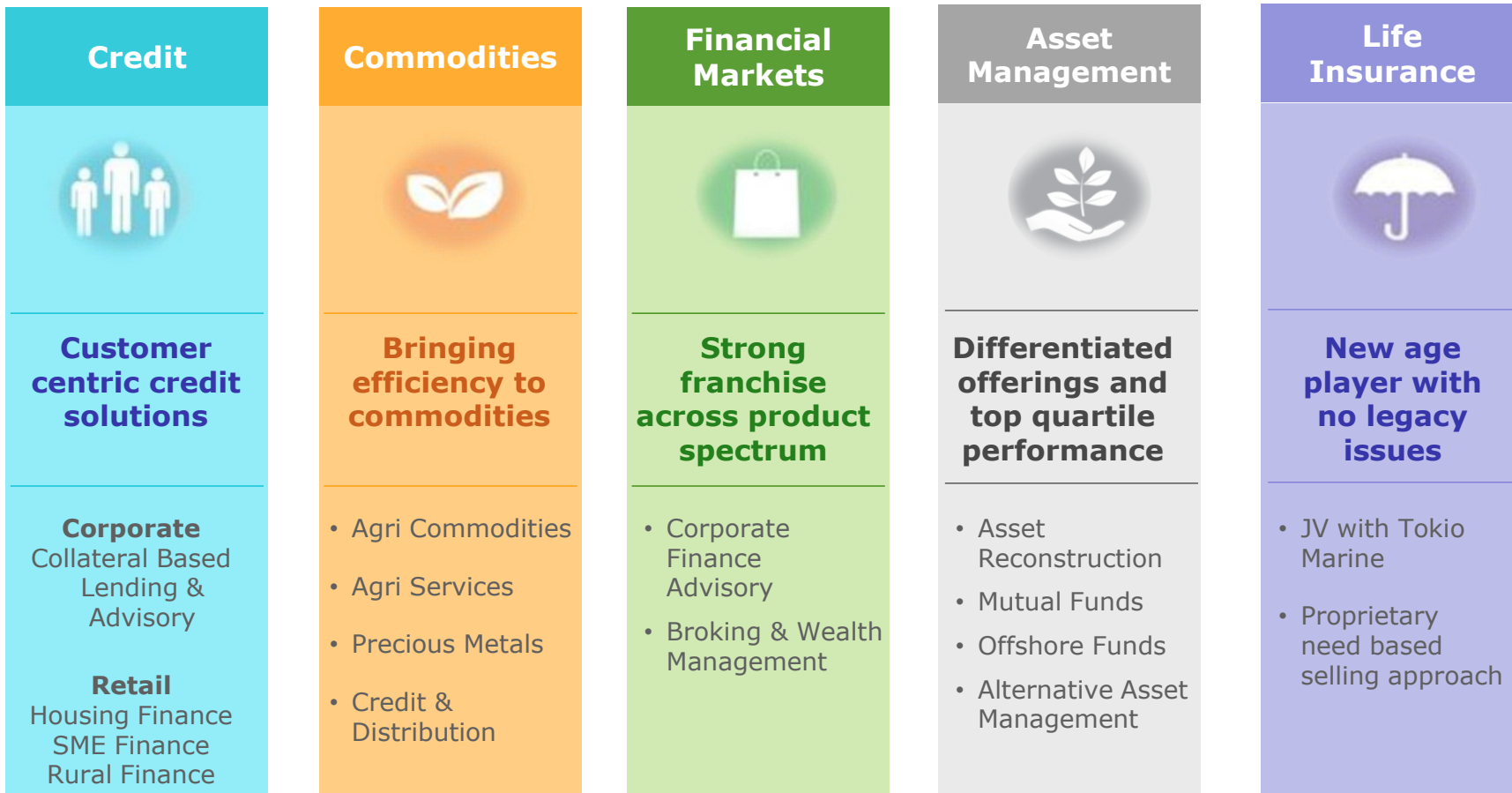
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EDELWEISS ARBITRAGE FUND



				Life Insurance
				Commodities Agri+ Precious Metals
			Retail Broking & Dist. IPO Distribution	Retail Broking & Dist. + Broking, Anagram acquisition
			Asset Management Alternatives	Asset Management + AMC
		Credit Sponsor and IPO	Credit + ESOP	Credit + LAS, Home Loans, SME
		HNI Businesses Broking	HNI Businesses + Fin Product Dist.	Wealth Advisory + Wealth Management + Financial Planning
	Treasury Equities Arbitrage	Treasury + Special Situations	Treasury + Fixed Income	Treasury + Balance Sheet Mgt
	Institutional Equities Equity Derivatives	Institutional Equities + MFs and Insurance	Institutional Equities + International Long	Institutional Equities + Automated Trading
Investment Banking PE Syndication	Investment Banking + M&A Advisory	Investment Banking + ECM	Investment Banking + DCM	Investment Banking + Project Finance
1996 - 2000	2000 - 2005	2005 - 2007	2007 - 2009	2009 - 2014

From an Investment Banking Firm to a Diversified Financial Services Group



Balance Sheet Management Unit	<ul style="list-style-type: none"> • Balance sheet management & ALM • Liquidity management • Capital preservation with optimum returns
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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 Absolute Return Fund



Meet MR. ABSOLUTE
showcasing
Edelweiss Absolute Return Fund (ARF)[^]
(An Open-ended Equity Scheme)

- * 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

^{*} Mr. Absolute seeks to personify the characteristics of Edelweiss Absolute Return Fund: generate absolute returns with low volatility over a longer tenure of time. The term 'Zero Heart Attack' has been used to emphasize the key strategy of the Scheme which is to minimize volatility and downside risk. [^]The Scheme is an equity-oriented Scheme. Investors in the Scheme are not being offered any guaranteed / assured returns. Edelweiss Absolute Return Fund is suitable for investors who are seeking*: • To create wealth over long term and prevent capital erosion in medium term • Investment predominantly in equity and equity related securities including through arbitrage opportunities with balance exposure to debt and money market securities • High risk ■ (BROWN) *Investors should consult their financial advisers if in doubt about whether the product is suitable for them **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 Diversified Growth Equity Top 100 Fund



Meet EDGEMaster
showcasing
Edelweiss Diversified Growth Equity Top 100 Fund (E.D.G.E Top 100) Fund[^]
(An Open-ended Equity Scheme)

- * Focuses on 100 largest corporates by market capitalisation, listed in India. It seeks to invest in large caps which are resilient to downtrend 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

^{*} EDGEMaster seeks to personify the attributes of E.D.G.E Top 100 Fund: A large cap Fund focusing on 100 largest corporates in India by market capitalization | Invests in large caps which are resilient to downtrends | Uses Quant style of investing that helps in sensing the change in the trend quickly and ensures that the portfolio has the potential to deliver returns higher than the benchmark index. [^]The Scheme is an open-ended equity Scheme. Investors in the Scheme are not being offered any guaranteed / assured returns. Edelweiss Diversified Growth Equity (E.D.G.E) Top 100 Fund is suitable for investors who are seeking*: • To create wealth in the long term • Investment predominantly in equity and equity-related securities including equity derivatives of the 100 largest companies by market capitalization, listed in India. • High risk ■ (BROWN) *Investors should consult their financial advisers if in doubt about whether the product is suitable for them **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 Select Midcap Fund



Meet Master Midcap^{}**
showcasing
Edelweiss Select Midcap Fund[^]
(An Open-ended Equity Scheme)

- **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

^{**} Master Midcap seeks to personify the attributes of Edelweiss Select Midcap Fund: to generate long term capital appreciation from a portfolio predominantly comprising of equity and equity related securities of Mid Cap Companies, selected for their growth potential from a primary universe of stocks comprising of the top 101-300 companies in India by market capitalization | [^]The Scheme is an open-ended equity Scheme. Investors in the Scheme are not being offered any guaranteed / assured returns. [^]The Scheme is an open-ended equity Scheme. Investors in the Scheme are not being offered any guaranteed / assured returns. Edelweiss Select Midcap Fund is suitable for investors who are seeking*: To create wealth in the long term | Investment predominantly in equity and equity related securities including equity derivatives of Mid Cap companies | High risk ■ (BROWN) *Investors should consult their financial advisers if in doubt about whether the product is suitable for them **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**



Client Centricity

- * Believe in Suno, Samjho, Suljhao (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

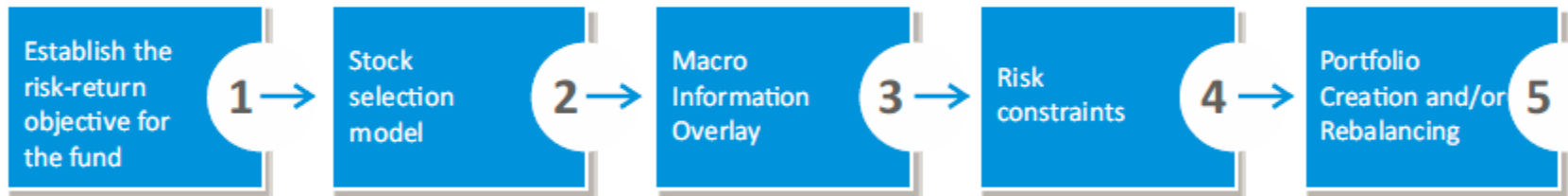
Investment Approach

- * Driven by structured and adaptive process for investment



Edelweiss Approach	v/s	Fundamental Approach
Objective and Scientific		Elements of subjectivity can be there
Process oriented		Individual fund-manager dependent
Adaptive in nature		Style dependent
Consistent performance within defined range across time periods		Prone to periods of spectacular outperformance and disappointing underperformance

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



Our Adaptive process helps us deliver consistent performance



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

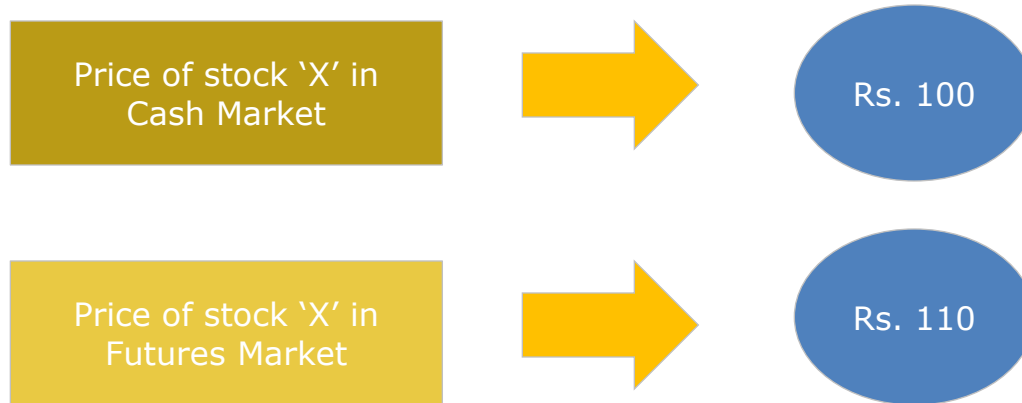
Source : InvestorWords

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

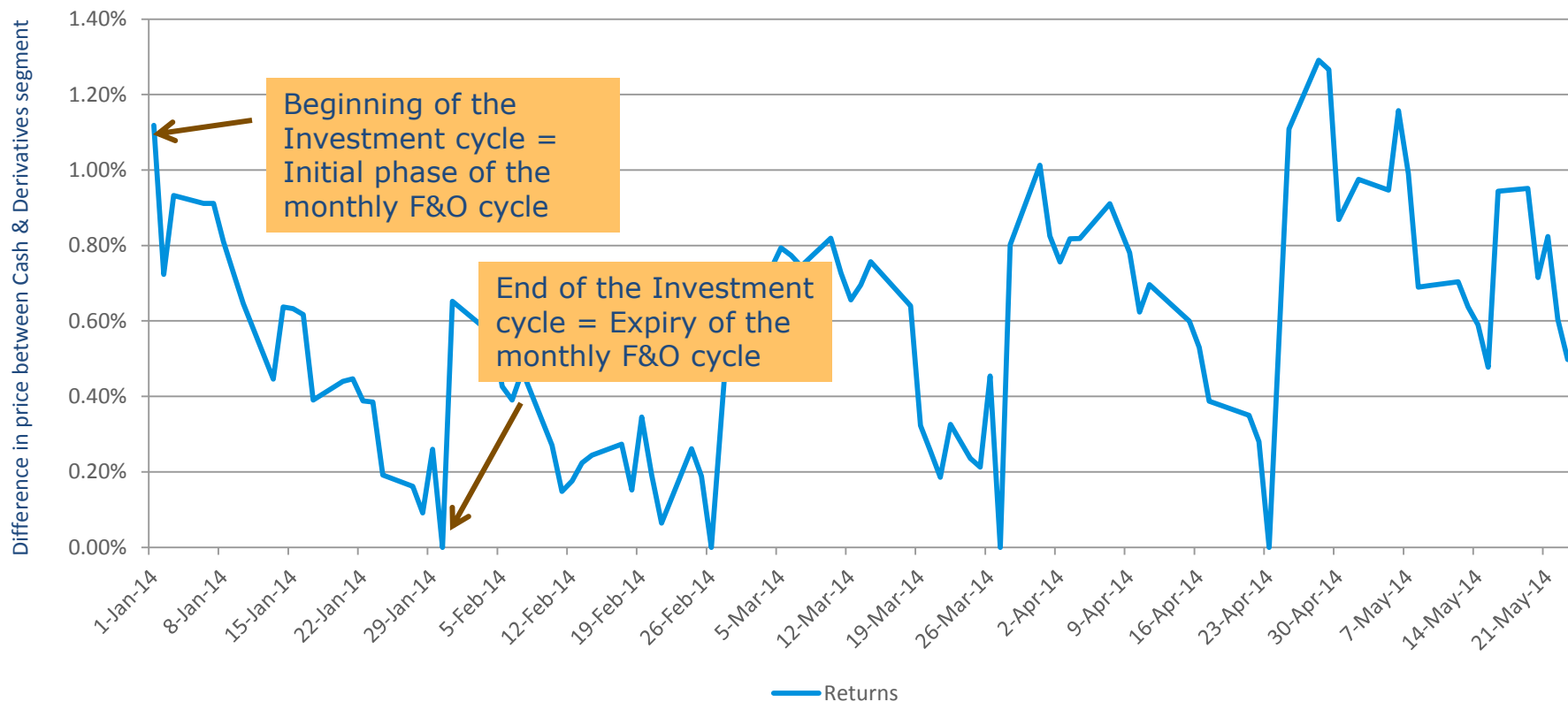


ARBITRAGE OPPORTUNITY



Making a gain of : $\text{Rs } 10 (110-100) * 100 (\text{quantity}) = \text{Rs. } 1,000$

Typical Investment Cycle



Returns in the above chart represent the difference in price of a particular stock in Cash and Derivatives segment of the market

Source : Bloomberg

The above example is for illustration purpose only



* **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)

On Initiating a trade				
Date of Initiating trade: 01 Jan. 2014	No. of shares	Price	Value	Net Value (Post Brokerage & taxes)
Buy Cash	8000	109.75	878000	876771
Sell Stock futures	8000	110.95	887600	887334
On Reversing a trade				
Date of Reversing trade: 30 Jan. 2014	No. of shares	Price	Value	Net Value (Post Brokerage & taxes)
Sell Cash	8000	91.70	733600	732573
Buy Stock futures	8000	91.70	733600	733453
Transaction Details		Amount (Rs.)		
Loss on cash segment		-144198		
Profit on future segment		153880		
Net Profit from trade		9683		
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%		

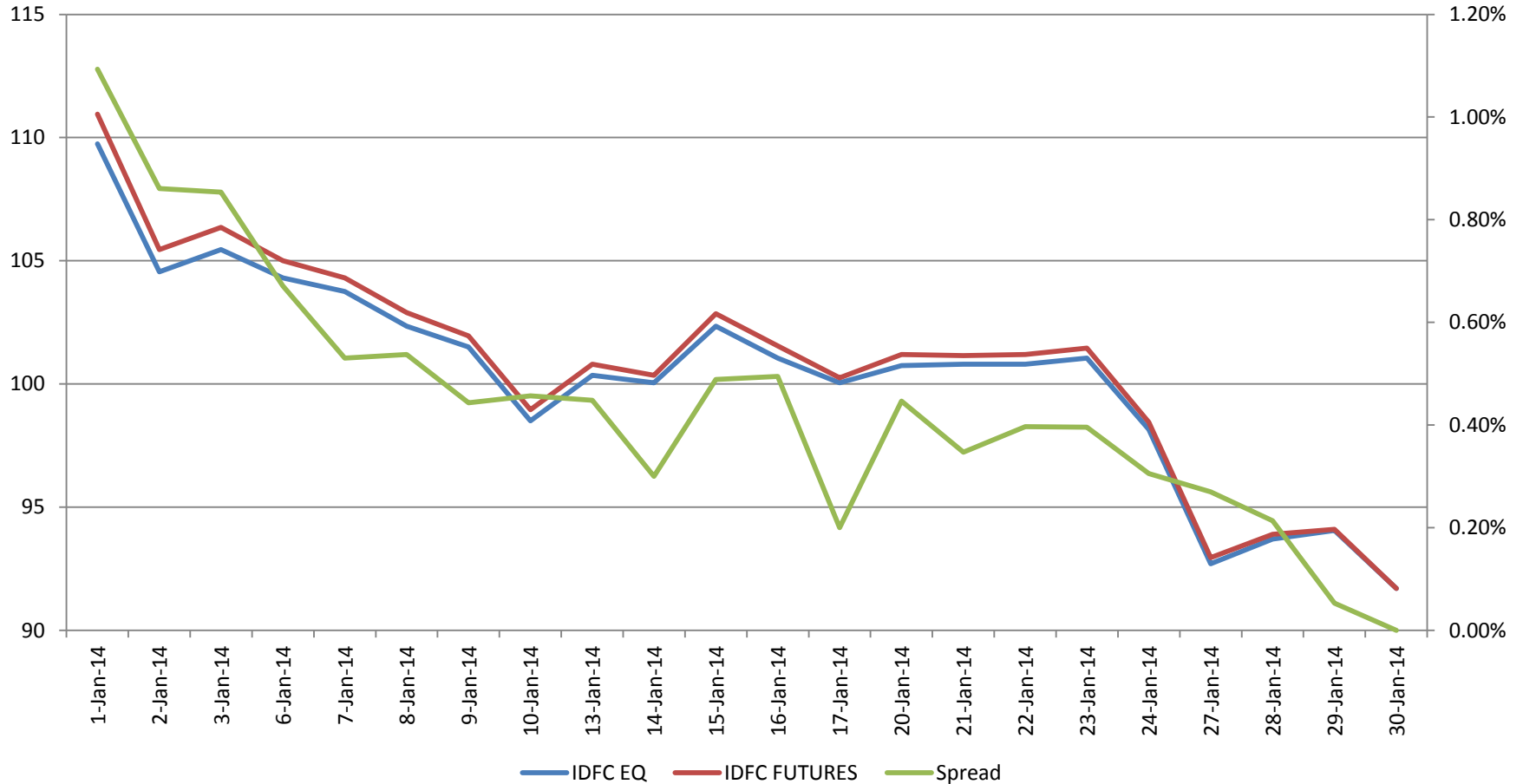
Past performance may or may not be sustained in future.

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. 1vis – a – vis initial corpus.

Example 1



Company : IDFC



Past performance may or may not be sustained in future.

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Example 2



Company : ZEE

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

On Initiating a trade				
Date of Initiating trade: 01 Jan. 2014	No. of shares	Price	Value	Net Value (Post Brokerage & taxes)
Buy Cash	3000	277.00	831000	829837
Sell Stock futures	3000	279.55	838650	838398
On Reversing a trade				
Date of Reversing trade: 14 Jan. 2014	No. of shares	Price	Value	Net Value (Post Brokerage & taxes)
Sell Cash	3000	284.55	853650	852455
Buy Stock futures	3000	283.65	850950	850780
Transaction Details		Amount (Rs.)		
Profit on cash segment		22618		
Loss on future segment		-12381		
Net Profit from trade		10237		
Total (Initial Corpus + Profit On Initiating The Trade)		1,010,237		
Initial Corpus		1,000,000		
Net Profit from the Arbitrage Trade		10,237		
Annualised returns		12.9%		

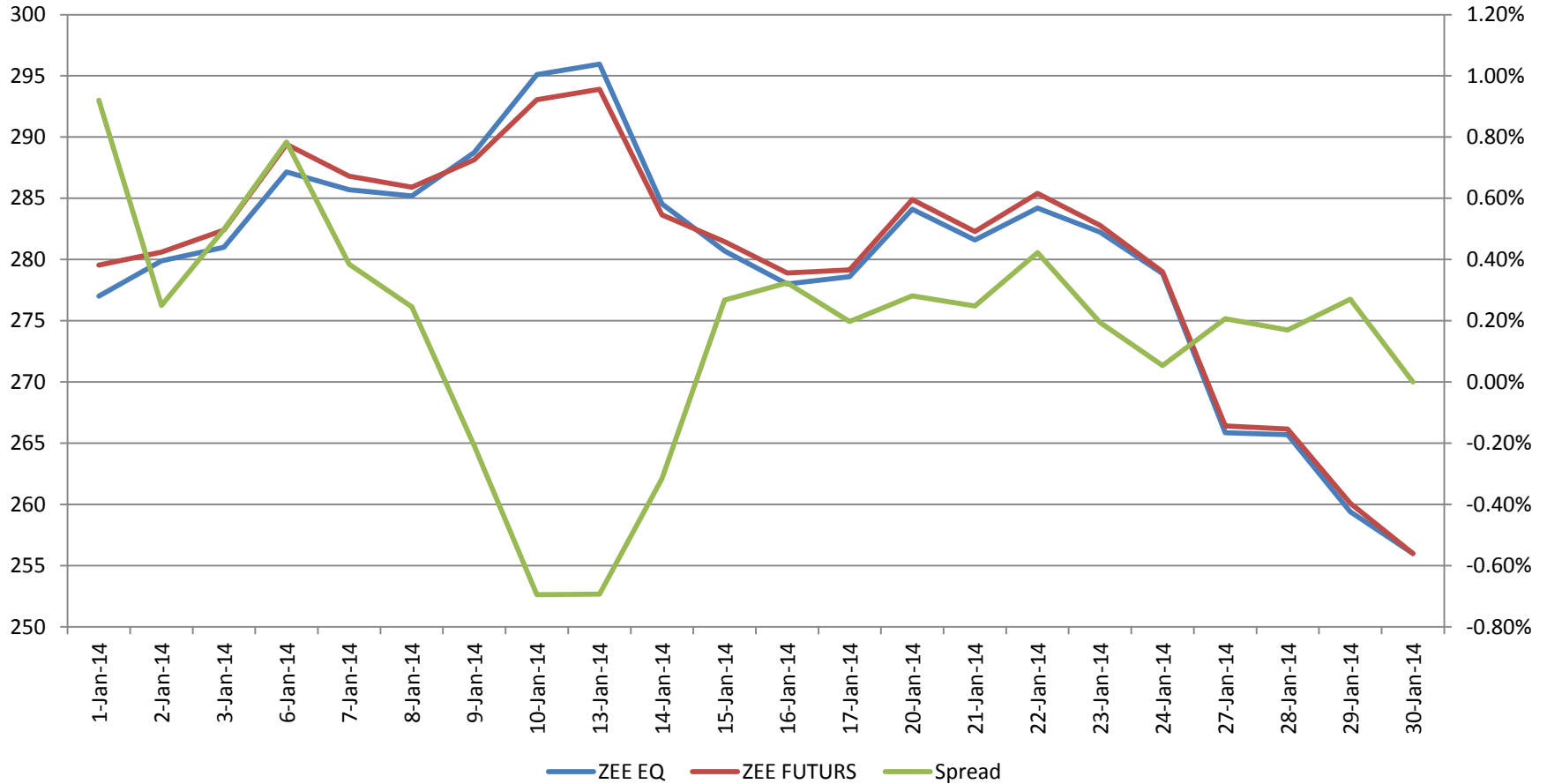
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Example 2



Company : ZEE



Past performance may or may not be sustained in future.

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- * 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.



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



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



- * 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	<p>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.</p>
Benchmark	<p>CRISIL Liquid Fund Index</p>
Plans / Options	<p>The Scheme offers two Plans: Regular Plan and Direct Plan Each Plan offers: Growth Option, Dividend Option, and Bonus Option Dividend Option offers: Reinvestment, Payout and Sweep facility</p>
Fund Manager	<p>Mr. Bhavesh Jain - Fund Manager Mr. Paul Parampreet - Co-Fund Manager</p>
Exit Load Structure	<p>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</p>
Minimum Application amount (For lump sum application)	<p>Rs 5,000/- and in multiples of Re 1/- thereafter</p>



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

Instruments	Risk Profile	Indicative Allocation
Equity & Equity related instruments including Derivatives	Medium to High	65%-100%
Debt & Money Market instruments including the margin money deployed in derivative transactions	Low	0% -35%

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:

Instruments	Risk Profile	Indicative Allocation
Equity & Equity related instruments including Derivatives	Medium to High	0%-35%
Debt & Money Market instruments including the margin money deployed in derivative transactions	Low	65% -100%

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.