SCHEME INFORMATION DOCUMENT

IDFC Arbitrage Plus Fund
An Open Ended Equity Scheme from IDFC Mutual Fund

Offer of Units at NAV based prices during the continuous offer period

Name of Mutual Fund	:	IDFC Mutual Fund
Name of Asset Management Company	:	IDFC Asset Management Company Limited
Name of Trustee Company	:	IDFC AMC Trustee Company Limited
Addresses, Website of the entities	:	One IndiaBulls Centre, 841, Jupiter Mills Compound, Senapati Bapat Marg, Elphinstone Road (West), Mumbai – 400 013
Website	:	www.idfcmf.com

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of IDFC Mutual Fund, Tax and Legal issues and general information on www.idfcmf.com

SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated April 16, 2010.

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HIGHLIGHTS/SUMMARY OF THE SCHEME:

Sponsor	The sponsor of IDFC Mutual Fund is Infrastructure Development Finance Company Limited (IDFC)	
Name of the Scheme	IDFC Arbitrage Plus Fund	
Plans	There will be two plans: Plan (Regular) and Plan B (Institutional)	
Options under the Plans	**<u>Growth Option:</u>**	**<u>Dividend (Payout , Reinvestment Option & Dividend Sweep):</u>**
	This option is suitable for investors who are not seeking dividend.	This option is suitable for investors seeking income through dividend declared by the scheme. Reinvestment facility is also available Under this option, the Fund will endeavour to declare dividends from time to time. This dividend shall be dependent on the availability of distributable surplus.
Structure	An Open Ended Equity Scheme	
Investment Objective	The investment objective of the scheme is to generate income (absolute to low volatility returns) by taking advantage of opportunities in the cash and the derivative segments of the equity markets including the arbitrage opportunities available within the derivative segment, by using other derivative based strategies 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.	
Liquidity	Units of the scheme may be purchased or redeemed on every Business Day at NAV based prices subject to the prevailing load structure. The units of the Scheme are presently not proposed to be listed on any exchange. Investors having a bank account with any Bank with whom the Fund has an arrangement from time to time can avail of the facility of direct debit/credit to their account for purchase/sale of their units. The Fund will despatch redemption cheques within 10 (ten) business days from the date of acceptance of redemption request at any of the official point of acceptance of transactions.	
Transparency & NAV	NAV will be determined on every Business Day except in special	

disclosure	circumstances. Please refer to the para on "Suspension of Sale and Redemption of Units" in this document. NAV of the Scheme shall be made available at the website of AMFI (by 9.00 p.m. on all business days) at www. amfiindia.com, the Registrar at www.camsonline.com and the Mutual Fund at www.idfcmf.com and are available on the call free number: 1-1800-22-66-22. The Fund shall have the NAV published in two daily newspapers. A complete statement of the Scheme portfolio would be published by the Fund as an advertisement in two newspapers within one month from the close of each half-year (i.e. 31 March and 30 September) or would be mailed to the unitholders.
Minimum Application Amount	Plan A: Rs. 5,000/- per application Plan B: Rs. 25,00,000/- per application
Additional Purchase	In multiple of Re. 1
Minimum Subscription amount to be raised	Rs 1 crore
New Fund Offer Expenses	New Fund Offer expenses Rs. 0.02 Crs (being 0.01% of the amount mobilized during the NFO.) NFO expenses were borne by AMC.
New Fund Offer Price	Rs. 10/- per Unit (subject to applicable load)
Ongoing Sales/Repurchases	Offer of Units when the scheme becomes open after closure of new fund offer
Dividend Re-investment Price	At ex-dividend NAV
Dividend Frequency / Preference	Monthly, subject to availability of distributable surplus.
Despatch of Redemption Proceeds	The Fund will despatch redemption cheques within 10 (ten) busines days from the date of such acceptance at any of the official points o acceptance within the cut off times specified.
Minimum Redemption Amount	In multiples of Re. 1/-
Minimum Balance to be maintained	Re 500/-
NAV Declaration	NAV calculated upto four decimal places and declared on each business day
Switch Facility	Unitholders can easily move from one scheme to another scheme/plan or another option of the scheme to another option according to their needs.
Repatriation Facility	NRIs, FIIs and PIOs may invest in the scheme on a full repatriation basis. (Investment will be governed by rules laid down by RBI/SEBI in this regard).
Benchmark	Crisil Liquid Fund Index

Load Structure

Entry Load: Nil

Exit Load: 0.50% of NAV on investors who purchase / switch and seek to redeem switch out such investments within 365 days from the date of effecting such purchase / switch in.

The investor is requested to check the prevailing load structure of the scheme before investing.
For any change in load structure AMC will issue an addendum and display it on the website/Investor

Service Centres.

The exit load/ CDSC of up to 1% of the redemption value charged to the unit holder by the Fund on redemption of units shall be retained by each of the schemes in a separate account and will be utilized for payment of commissions to the ARN Holder and to meet other marketing and selling expenses. Any amount in excess of 1% of the redemption value charged to the unit holder as exit load/ CDSC shall be credited to the respective scheme immediately

I. INTRODUCTION

RISK FACTORS

Standard 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.
- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the scheme invests fluctuates, the value of your investment in the scheme may go up or down depending on the factors and forces affecting the capital markets.
- Past performance of the Sponsor and other affiliates/AMC/Mutual Fund (or any of its schemes) does not guarantee future performance of the scheme.
- IDFC Arbitrage Plus Fund (IDFC-APF) is the name of the scheme does not in any manner indicate 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 scheme beyond the initial contribution of Rs.30,000 made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return *scheme*

Scheme Specific Risk Factors

- The scheme proposed to invest in equity and equity related instruments. Equity instruments by nature are volatile and prone to price fluctuations on a daily basis due to both micro and macro factors. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities' purchases due to settlement problems could cause the Scheme to miss certain investment opportunities.

- The success of the Scheme's investment activities will depend on the fund manager's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the strategies to be pursued by the Fund manager involve uncertainty. No assurance can be given that the Fund Manager will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. A reduction in the pricing inefficiency of the markets in which the Scheme will seek to invest will reduce the scope for the Fund Manager's investment strategies. In the event that the perceived mispricings underlying the Scheme's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Fund Manager, the Scheme may incur a loss. The Fund Manager's investment strategies may result in high portfolio turnover and, consequently, high transactions costs.

- The Fund Manager will employ certain strategies that depend upon the reliability and accuracy of the Fund Manager's analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, the Scheme may not perform as anticipated, which could result in substantial losses.

- **Price-Risk or Interest-Rate Risk**: Fixed income securities such as bonds, debentures and money market instruments run price risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates.

- **Reinvestment Risk**: Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

- **Credit Risk**: In simple terms this risk means that the issuer of a debenture/bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government securities, there is no credit risk to that extent.

- **Basis Risk (Interest - rate movement)**: During the life of a floating rate security or a swap, the underlying benchmark index may become less active and may not capture the actual movement in interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio.

- **Spread Risk**: In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However, depending upon the market conditions, the spreads may move adversely or favourably leading to fluctuation in the NAV.

- **Liquidity Risk**: Due to the evolving nature of the floating rate market, there may be an increased risk of liquidity risk in the portfolio from time to time.

- **Other Risk**: In case of downward movement of interest rates, floating rate debt instruments will give a lower return than fixed rate debt instruments.

Risk Factors for derivatives

1. **Credit Risk**: The credit risk is the risk that the counter party will default obligations and is generally negligible, as there is no exchange of principal amounts in a derivative transaction. (especially in case of debt derivatives).

2. **Market risk**: Derivatives carry the risk of adverse changes in the market price.

3. **Illiquidity risk**: The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.

4. The risk is to the extent that returns are limited for the investor in case of extreme movement in call rates. (applicable to debt derivatives)

5. The fund pays the daily compounded rate. In practice however there can be a difference in the actual rate at which money is lent in the call market and the benchmark, which appears and is used. (applicable to debt derivatives)

6. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the

fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

7. The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments

Risks in Foreign Securities

- To the extent the assets of the scheme are invested in overseas financial assets, there may be risks associated with currency movements, restrictions on repatriation and transaction procedures in overseas market. Further, the repatriation of capital to India may also be hampered by changes in regulations or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration, bi-lateral conflict leading to immobilization of the overseas financial assets and the prevalent tax laws of the respective jurisdiction for execution of trades or otherwise.

- The Scheme may also invest in ADRs / GDRs / Other Foreign Securities as permitted by Reserve Bank of India and Securities and Exchange Board of India from time to time. To the extent that some part of the assets of the Schemes may be invested in securities denominated in foreign currencies, Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by the changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital also may be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment as applicable .

- As the investment may be made in stocks of different countries, the portfolio shall be exposed to the political, economic and social risks with respect to each country. However, the portfolio manager shall ensure that his exposure to each country is limited so that the portfolio is not exposed to one country.Investments in various economies will also diversify and reduce this risk.

- Currency Risk: The schemes may invest in securities denominated in a broad range of currencies and may maintain cash in such currencies. As a consequence, fluctuations in the value of such currencies against the currency denomination of the relevant scheme will have a corresponding impact on the value of the portfolio. Furthermore, investors should be aware that movements in the rate of exchange between the currency of denomination of a fund and their home currency will affect the value of their shareholding when measured in their home currency.

- In respect of the corpus of the Scheme that is invested in overseas mutual fund schemes, investors shall bear the proportionate recurring expenses of such underlying scheme(s), in addition to the recurring expenses of the Scheme. Therefore, the returns attributable to such investments by the Scheme may be impacted or may, at times, be lower than the returns that the investors could obtain by directly investing in the said underlying scheme.

Risk Associated with Securitised Debt

The Scheme may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage backed securities (MBS). Asset Backed Securities (ABS) are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage backed securities (MBS) are securitized debts

where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/MBS instruments reflect the undivided interest in the underlying pool of assets and do not represent the obligation of the issuer of ABS/MBS or the originator of the underlying receivables. The ABS/MBS holders have a limited recourse to the extent of credit enhancement provided. If
the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

At present in Indian market, following types of loans are securitised:

Auto Loans (cars / commercial vehicles / two wheelers)

Residential Mortgages or Housing Loans

Consumer Durable Loans

Personal Loans

Corporates Loans

The main risks pertaining to each of the asset classes above are described below :

Auto Loans (cars / commercial vehicles /two wheelers)

The underlying assets (cars etc) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk. ie if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.

Commercial vehicle loans are susceptible to the cyclicality in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

Housing Loans

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

Consumer Durable Loans

The underlying security for such loans is easily transferable without the bank’s knowledge and hence repossession is difficult. The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

Personal Loans

These are unsecured loans. In case of a default, the bank has no security to fall back on.

The lender has no control over how the borrower has used the borrowed money.

Further, all the above categories of loans have the following common risks:

All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes
different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.

In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

Corporate Loans

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass through certificates in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend on economic cycles.

<u>Risk Factors Associated with Securities Lending:</u>

The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure to comply can result in the possible loss of rights in the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary. The Mutual Fund may not be able to sell such lent securities and this can lead to temporary illiquidity.

B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

In each quarter, on an average basis, the scheme(s) shall endeavour to meet with both the conditions i.e. of minimum number of investors (20 investors) and holding as a percentage (25%) of the corpus. The average net assets of the scheme would be calculated daily and any breach of the 25% holding limit by an investor would be determined. At the end of the quarter, the average of daily holding by each such investor is computed to determine whether that investor has breached the 25% limit over the quarter. If there is a breach of limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. In the event, the scheme is unable to comply with the afore said conditions, the scheme shall be wound up as
per SEBI Regulations.

C. SPECIAL CONSIDERATIONS, if any

All the above factors not only affect the prices of securities but may also affect the time taken by the Fund for redemption of units, which could be significant in the event of receipt of a very large number of redemption requests or very large value of redemption requests. The liquidity of the assets may be affected by other factors such as general market conditions, political events, bank holidays and civil strife. In view of this, the Trustee has the right in its sole discretion to limit redemption (including suspension of redemption) under certain circumstances. Please refer to Section titled "Units on Offer".

The liquidity of the Scheme's investments may be restricted by trading volumes, settlement periods and transfer procedures. In the event of an inordinately large number of redemption requests or of a restructuring of the Scheme's portfolio, the time taken by the Scheme for redemption of Units may become significant. In view of this, the Trustee has the right in its sole discretion to limit redemption (including suspension of redemption) under certain circumstances. Please refer to Section titled "Units on Offer".

The Scheme may trade in derivatives as permitted under the Regulations subject to guidelines issued by SEBI and RBI from time to time. Trading in Derivatives involves risks, which are explained in Section titled "Investment Objectives and Policies".

The Scheme may also invest in overseas financial assets as permitted under the applicable regulations. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

In case the scheme undertakes stock lending under the Regulations, the Scheme may, at times be exposed to counter party risk.

Redemptions due to change in the fundamental attributes of the Scheme or due to any other reasons may entail tax consequences. The Trustee, AMC, Mutual Fund, their directors or their employees shall not be liable for any such tax consequences that may arise.

The tax benefits described in this Scheme Information Document are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the AMC regarding the law and practice in force in India and the Unitholders should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Unitholder is advised to consult his/ her own professional tax advisor.

No person has been authorised to give any information or to make any representations not confirmed in this Scheme Information Document in connection with the Scheme Information Document or the issue of Units, and any information or representations not contained herein must not be relied upon as having been authorised by the Mutual Fund or the Asset Management Company.

D. DEFINITIONS AND ABBREVIATIONS

In this document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:.

AMC	IDFC Asset Management Company Limited previously known as Standard Chartered Asset Management Company Private Limited (which was earlier known as ANZ Grindlays Asset Management Company Private Limited), a company set up under the Companies Act, 1956, and approved by SEBI to act as the Asset Management Company for the Schemes of IDFC Mutual Fund
Applicable NAV	Unless stated otherwise in the Scheme information document, Applicable NAV is the Net Asset Value as of the Day as of which the purchase or redemption is sought by the investor and determined by the Fund. (For details, please refer to the section on "Applicable NAV")
Application Form	A form meant to be used by an investor to open a folio and purchase units in the scheme
Business Day	A day other than (i) Saturday or Sunday or (ii) a day on which the Stock Exchange, Mumbai or National Stock Exchange of India Limited or Reserve Bank of India or banks in Mumbai are closed or (iii) a day on which the Reserve Bank of India & / or Banks in Mumbai are closed for business or clearing or (iv) a day on which there is no RBI clearing / settlement of securities; or (v) a day on which the Bombay Stock Exchange and/or National Stock Exchange are closed; or (vi) a day on which theRedemption of Units is suspended by the Trustee / AMC; or (vii) a day on which normal business could not be transacted due to storms, floods, other natural calamities, bandhs, strikes or such other events or as the AMC may specify from time to time (viii) a book closure period as may be announced by the Trustees / AMC.
CDSC	Contingent Deferred Sales Charge permitted under the Regulations for a "No Load Scheme" to be borne by the Unit holder upon exiting (whether by way of redemption or Inter- scheme switching) from the scheme based on the period of holding of units**.**
Continuous Offer	Offer of units when the scheme becomes available for subscription, after the closure of the New Fund Offer
Custodian	Deutsche Bank, Mumbai, acting as Custodian to the Scheme, or any other custodian who is approved by the Trustee

Cut Off time	A time prescribed in the scheme information document prior to which an investor can submit a subscription / redemption request along with a local cheque or a demand draft payable at par at the place where the application is received, to be entitled to the Applicable NAV for that Business Day.
Distributor	Such persons/firms/ companies/ corporates who fulfill the criteria laid down by SEBI/AMFI from time to time and as may be appointed by the AMC to distribute/sell/market the Schemes of the Fund
Entry Load	A load charged to an investor on purchase of units based on the amount of investment or any of the criteria decided by the AMC
Exit Load	A charge that may be levied as a percentage of NAV at the time of exiting the scheme.
FIIs	Foreign Institutional Investors, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
Fixed Income Securities	Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, Unincorporated SPVs and any other entities which may be recognised/permitted which yield at fixed or variable rate by way of interest, premium, discount or a combination of any of them
Floating Rate Debt Instruments	Floating rate debt instruments are debt securities issued by the Central and/or a State Government, Corporates or PSUs with interest rates that are reset periodically. The periodicity of the interest reset could be daily, monthly, quarterly, half-yearly, annually or any other periodicity that may be mutually agreed between the issuer and the fund. The interest on such instruments may also be in the nature of fixed basis points over the benchmark gilt yields.
Fund or Mutual Fund	IDFC Mutual Fund (“the Mutual Fund” or “the Fund”) previously known as Standard Chartered Mutual Fund (which was earlier known as ANZ Grindlays Mutual Fund), had been constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) vide a trust Deed dated December 29, 1999. The office of the Sub-Register of Assurances at Mumbai had registered the Trust Deed establishing the Fund under the Registration Act, 1908. The Fund was registered with SEBI vide Registration No.MF/042/00/3 dated March 13, 2000. A deed of amendment to the Trust Deed had been executed and registered to recognize the change in sponsor of the Mutual Fund.

The Scheme	IDFC Arbitrage Plus Fund
Gilt or Govt. Securities	Securities created and issued by the Central Government and/or a State Government (including Treasury Bills)
New Fund Offer	Offer of the Units of Plans under IDFC Arbitrage Plus Fund during the New Fund Offer Period
New Fund Offer Period	The dates on or the period during which the initial subscription to Units of the Plans under this Scheme can be made. New Fund Offer Period for the Plans will be announced at the time of the launch subject to the earlier closure, if any; such offer period not being more than 30 days
Investment Management Agreement :	The Agreement dated January 3, 2000 entered into between IDFC AMC Trustee Company Limited previously known as Standard Chartered Trustee Company Private Limited (which was earlier known as ANZ Grindlays Trustee company Private Limited) and IDFC Asset Management Company Limited previously known as Standard Chartered Asset Management Company Private Limited (which was earlier known as ANZ Grindlays Asset Management Company Private Limited) as amended from time to time
Official Points of acceptance of transaction	All applications for purchase/redemption of units should be submitted by investors at the official point of acceptance of transactions at the office of the registrar and/or AMC as may be notified from time to time. For details please refer to the application form and/or website of the Mutual Fund at www.idfcmf.com
Load	A charge that may be levied as a percentage of NAV at the time of entry into the Scheme or at the time of exiting from the Scheme
Money Market Instruments	Commercial papers, Commercial bills, Treasury bills, Government Securities having an unexpired maturity upto one year, call or notice money, certificates of deposit, usance bills and any other like instruments as specified by the Reserve Bank of India from time to time including mibor linked securities and call products having unexpired maturity upto one year
NAV	Net Asset Value of the Units of the Scheme / Plan and Options therein, shall be calculated at intervals not exceeding one week in the manner provided in this Scheme information document or as may be prescribed by Regulations from time to time
NRIs	Non-Resident Indians

Scheme information document	This document is issued by IDFC Mutual Fund, offering Units of Plans under IDFC Arbitrage Plus Fund
Person of Indian Origin	A citizen of any country other than Bangladesh or Pakistan, if- a) he at any time held an Indian passport, or b) he or either of his parents or any of his grand-parents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955) or c) the person is a spouse of an Indian citizen or a person referred to in sub clause (a) or (b)
RBI	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, as amended from time to time
Repo / Reverse Repo	Sale / Purchase of Government Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase / resell them at a later date
Repurchase / Redemption	Repurchase / Redemption of units of the scheme, as permitted under the scheme
Sale / Subscription	Sale or allotment of units to the unitholders upon subscription by an investor / applicant under this scheme
SEBI	Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992, as amended from time to time
The Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time
Sponsor	Infrastructure Development and Finance Company Limited (IDFC)
Transaction Slip	A form meant to be used by Unit holder seeking additional purchase or redemption of units in the scheme, change in bank account details, switch-in or switch-out and such other facilities offered by the AMC and mentioned in transaction slip
Trustee	IDFC AMC Trustee Company Limited previously known as Standard Chartered Trustee Company Private Limited (which was earlier known as ANZ Grindlays Trustee company Private Limited) a company set up under the Companies Act, 1956, and approved by SEBI to act as the Trustee for the Scheme/s of IDFC Mutual Fund
Trust Deed	The Trust Deed dated December 29, 1999 establishing IDFC Mutual Fund previously known as Standard Chartered Mutual Fund (which was earlier known as ANZ Grindlays Mutual Fund) as amended from time to time
Trust Fund	Amounts settled/contributed by the Sponsor towards the corpus of the IDFC Mutual Fund and additions/accretions thereto

Unit	The interest of an investor that consists of one undivided share in the Net Assets of the Scheme
Unitholder	A holder of Units in any scheme of 'The Scheme', as contained in this Scheme information document.
Valuation Day	Business Day

For all purposes of this Scheme information document, except as otherwise expressly provided or unless the context otherwise requires:

- the terms defined in this Scheme information document include the plural as well as the singular
- pronouns having a masculine or feminine gender shall be deemed to include the other
- all references to "Sterling Pounds" refer to United Kingdom Sterling Pounds , "dollars" or "$" refer to United States Dollars and "Rs" refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand"

E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

(i) the draft Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Fund) Regulations, 1996 and the guidelines and directices issued by SEBI from time to time

(ii) all legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., by the Government and any other competent authority in this behalf, have been duly complied with

(iii) the disclosure made in the Scheme Information Document are true, fair, and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme

(iv) the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

For IDFC Asset Management Company Limited
(Investment Manager of IDFC Mutual Fund)

Sd/-

Jyothi Krishnan
Compliance Officer

Place: Mumbai
Date: April 16, 2010

The updated SID was filed with SEBI on May 15, 2009

II. INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME – An Open Ended Equity Scheme

B. INVESTMENT OBJECTIVE OF THE SCHEME

The investment objective of the scheme is to generate income (absolute to low volatility returns) by taking advantage of opportunities in the cash and the derivative segments of the equity markets including the arbitrage opportunities available within the derivative segment, by using other derivative based strategies 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..

ASSET ALLOCATION

The asset allocation under the scheme will be as follows:

Under Normal circumstances:

Asset Class	**Range of allocation (% of Net Assets)**	**Risk Profile**
Equities & Equity related instruments *	65 – 100	Medium to High
Derivatives *	65-100	Medium to High
Debt & Money Market instruments including the margin money deployed in derivative transactions	0 - 35	Low

Under Defensive circumstances:

Asset Class	**Range of allocation (% of Net Assets)**	**Risk Profile**
Equities & Equity related instruments *	0 - 35	Medium to High
Derivatives *	0 - 35	Medium to High
Debt & Money Market instruments including the margin money deployed in derivative transactions	65 - 100	Low

+ Defensive circumstances are when the arbitrage opportunities in the market are negligible, in view of the fund manager

Investments in securitized debt can be made upto 35% of the portfolio.

Investment in derivatives can be made 100% of the net assets of the scheme.

Investment in Securities Lending can be made upto 50% of net assets of scheme

Investments in Foreign debt instruments – up to 35% of the net assets of the Scheme

Investments in ADRs and GDRs issued by Companies in India, as permitted by SEBI regulations – upto 50% of the net assets of the scheme.

*Equity allocation is measured as the Gross exposure to equities, equity related instruments and derivatives. The scheme will enter into equity positions to hedge the investments in derivatives. The derivative positions will be hedged against corresponding positions in either equity or derivative markets depending on the strategies involved and execution costs. On the total portfolio level there will be no short-positions. **Unhedged positions in the portfolio (investments in equity shares without corresponding exposure to equity derivative) shall not exceed 5%.**

D.WHERE WILL THE SCHEME INVEST?

The corpus of the Scheme will be invested in equity and equity related products & in debt and money market instruments. Subject to the Regulations, the corpus of the Scheme can be invested in any (but not exclusively) of the following securities / instruments:

1) Equity and Equity related instruments include equity warrants and convertible instruments.

2) ADRs / GDRs issued by Indian companies subject to necessary regulatory requirements (or such other limits that the regulations may permit from time to time).

3) Stock futures / index futures and such other permitted derivative instruments.

4) Securities created and issued by the Central and State Governments and/or repos/reverse repos in such Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).

5) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).

6) Debt instruments issued by domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee.

7) Corporate debt and securities (of both public and private sector undertakings) including Bonds, Debentures, Notes, Strips, etc.

8) Debt instruments (both public and private sector) issued by banks / development financial institutions.

9) Money market instruments permitted by SEBI including call money market or in alternative investments for the call money market as may be provided by RBI to meet the liquidity requirements.

10) Certificate of Deposits (CDs).

11) Commercial Paper (CPs).

12) Securitised Debt instruments.

13) The non-convertible part of convertible securities.

14) Any other domestic fixed income securities including Structured Debt instruments.

15) Any overseas debt instrument, as permitted by extant regulations.

16) Pass through, Pay through or other Participation Certificates representing interest in a pool of assets including receivables.

17) Any other securities / instruments as may be permitted by SEBI from time to time.

18) Any other securities / instruments as may be permitted by SEBI from time to time

For the purpose of further diversification and liquidity, the Scheme may invest in another scheme managed by the same AMC or by the AMC of any other Mutual Fund without charging any fees on such investments, provided that aggregate inter-scheme investment made by all schemes managed by the same AMC or by the AMC of any other Mutual Fund shall not exceed 5% of the net asset value of the Fund.

The securities mentioned above could be listed, unlisted, privately placed, secured, unsecured, rated or unrated and of any maturity. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals.

The scheme may invest the funds of the scheme in short term deposits of scheduled commercial banks as permitted under extant regulations.

The Scheme may also enter into repurchase and reverse repurchase obligations in all securities held by it as per the guidelines and regulations applicable to such transactions.

The scheme shall not make investments in Foreign Securitised debt. The Scheme may participate in securities lending as permitted under the Regulations.

Investment in overseas securities shall be made in accordance with the requirements stipulated by SEBI and RBI from time to time.

E. INVESTMENT STRATEGIES AND RISK CONTROL

Investment Strategy

The investment objective of the scheme is to generate income (absolute to low volatility returns) by taking advantage of opportunities in the cash and the derivative segments of the equity markets including the arbitrage opportunities available within the derivative segment, by using other derivative based strategies and by investing the balance in debt and money market instruments. The scheme will enter into derivative based strategies to take advantage of pricing inefficiencies in the market. These strategies will be undertaken based on certain statistical models/ technical analysis carried out by the fund manager. The scheme will also invest a part of its corpus in debt and money market instruments.

The scheme will target to generate returns with a low correlation with equity markets.

The following strategies will be used by the fund manager:

1. Cash-Futures Arbitrage

2. Relative Value Trades

3. Derivative strategies and structured investments

Additionally the fund manager may invest in debt and money market instruments for margin and cash flow management purposes.

Provided below is a detailed explanation of the individual strategies proposed to be undertaken by the scheme.

1. Cash-Futures arbitrage

a. cash and carry arbitrage

The scheme will endeavor to invest predominantly in arbitrage opportunities between spot and futures prices of exchange traded equities. Such opportunities may arise due to differences in prices between the spot and futures of the same stock. The fund manager will evaluate the difference between the price of the stock in the futures market and in the spot market. Typically future prices tend to trade at a premium to the spot prices.

If the price of a stock in the futures market is higher than in the spot market, after adjusting for costs and taxes the scheme shall buy the stock in the spot market and sell the same stock in equal quantity in the futures market, simultaneously.

For example, on 15-12-2005, the scheme buys 10,000 shares of Reliance capital on spot @ Rs. 430.00 and at the same time sells 10,000 Reliance Capital futures for December 2005 expiry @ Rs.432.00. The scheme thus enters into a fully hedged transaction by selling the equity position in the futures market for expiry on say 25 December 2005. If the scheme holds this position till expiry of the futures, the scheme earns an annualized return of 16.97% irrespective of what is the price of Reliance Capital on the date of expiry.

In the eventuality that the scheme has to unwind the transaction prior the expiry date on account of redemption pressures or any other reason, the returns would be a function of the spread at which the transaction is unwound. For example, if spot is sold at Rs.430 and the futures are bought at Rs.433 then there would be negative returns on the trade. If the spot is sold at Rs.430 and the futures are sold at Rs. 431 then there would be positive returns from the trade.

On the date of expiry, if the price differential between the spot and futures position of the subsequent month maturity still remains attractive, the scheme may rollover* the futures position and hold onto the position in the spot market. In case such an opportunity is not available, the scheme would liquidate the spot position and settle the futures position simultaneously.

Rolling over of the futures transaction means unwinding the short position in the futures of the current month and simultaneously shorting futures of the subsequent month maturity, and holding onto the spot position.

There could also be instances of unwinding both the spot and the future position before the expiry of the current-month future to increase the base return or to meet redemption. Return enhancement through the use of arbitrage opportunity would depend primarily on the availability of such opportunities.

The scheme will endeavor to build similar 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, selling the basket of index constituents in futures and buying the index futures, Buying ADR/GDR and selling the corresponding stock future etc. the scheme will also look at arbitrage opportunities arising out of ETFs/ Index futures linked to the Indian equity markets in other overseas exchanges such as Singapore, Hong Kong etc.

The scheme would also look to avail of opportunities between one futures contract and another. For example on 16 March 06, the scheme buys 1000 futures contracts of ABB Ltd. for March expiry at Rs.3000 each and sells an equivalent 1000 futures contract of ABB Ltd. for April expiry at Rs.3030. Thereby the scheme enters into a fully hedged transaction. Closer to the expiry date of the March contract, the scheme has two options.

1) Unwind the transaction by selling the 1000 March contracts and buying 1000 April contracts of ABB. The returns are a function of the spread between the sale price of the April contract and the buy price of the March contract. If this spread is less than Rs.30, the returns are positive else the returns are negative.

2) On the expiry date i.e. 30 March 06, the scheme would let the March contract expire and square off 1000 contracts that it holds for April maturity. The returns would be a function of the spread between settlement price of the March contract and the price at which April contracts are squared-off. If this spread is lower than Rs.30 then the returns are positive and if it is higher than Rs.30 the returns are negative.

The scheme can also initiate the transaction in the opposite direction i.e. by selling the March futures and buying the April futures, if it sees a profit potential. Under all circumstances the scheme would keep its net exposures neutral to the underlying direction of the market by maintaining completely hedged positions. In addition to stock specific futures, the scheme can also take offsetting positions in index futures of different calendar month.

b. Reverse cash and carry arbitrage

If permitted by SEBI, the scheme may enter into reverse cash and carry arbitrage. This will involve borrowing stock for a defined period from a recognized counter-party and selling it in the market while simultaneously taking a long position in the stock futures. The above trade will be remunerative in scenarios where the stock/ index futures are trading at a discount to the underlying cash market. Once the discount narrows or converts to a premium, the position is unwound by buying back the stock/index and squaring off the futures transaction. The purchased stock/index is returned to the lender as per the agreed terms.

c. Dividend arbitrage

Around dividend declaration time, the stock futures/options market can provide a profitable opportunity. Generally, the stock price decline by the dividend amount when the stock goes ex-dividend.

Risk associated with this strategy:

- Lack of opportunities available in the market
- Inability of the derivatives to correlate perfectly with underlying assets, indices etc.
- Mispricing or improper valuation
- Execution risk, whereby the rates seen on the screen may not be the rates at which the ultimate execution takes place.

2. Relative Value Trades

Consists of purchase and sale of diversified basket of securities selected by the Fund Manager using certain statistical/ analytical models. The long and short positions will be balanced and hence expected to be market-neutral in nature.

There are different approaches possible for selection of the long-short baskets. The various approaches to be considered by the fund managers are as listed below.

a. Pair Trades

Fund managers will create and review pairs of stocks that are correlated. Long-short positions can be taken in such pairs when one of stocks moves out of its historical trading range with respect to the other stock and the fund manager expects the pair to revert to the trading range.

Illustration: Consider hypothetical stocks A and B. The 2 have a historical price ratio of 2, that is the price of A tends to be twice the price of B.

On a given trading day the price could be as follows:
Stock A – 125
Stock B – 50

Hence the ratio between the stocks based on the above prices is 120/50 = 2.4. The same is higher than the historical mean of 2 as mentioned earlier.

If the fund manager feels that the pair will revert to the mean of 2, it can take a position where it can go long on Stock B in either cash or futures market, and correspondingly go short on Stock A in the futures market.

To take a position of Rs 10,000 on each side, it would involve:
Sell Short Stock A – 80 shares
Go Long Stock B – 200 shares

Assuming the pair revert to the ratio of 2 as follows
Stock A – 150
Stock B – 75

Then the scheme will lose 80*(150-125) = 2000 on its short position on Stock A, but will gain 200*(75-50) = 5000 on its long position on Stock B for a net gain of Rs 3000 on its position.

Its notable that the above gains are independent of the direction taken by the share and depend on only the price ratio. Hence the strategy is market neutral.

Pair strategy can also be used for a basket of stocks rather than a single stock. The pair in such a scenario can be either a single stock against a basket of stocks or one basket of stocks against another basket of stocks. Except for the number of stocks, all other aspects of the trade remain similar to the single stock pair scenario as described above.

Risk associated with this strategy:

- Lack of opportunities available in the market
- Loss due to non performance of the selected stock / basket etc.
- Inability of the derivatives to correlate perfectly with underlying assets, indices etc.
- Mispricing or improper valuation

- Execution risk, whereby the rates seen on the screen may not be the rates at which the ultimate execution takes place.

a. Alpha Trades

Fund managers will select a stock/basket of stocks/index using fundamental/ technical/ quantitative analysis that are expected to beat another stock/basket of stocks/index. The scheme can then take a long position in the first stock/basket/index while going short on second stock/basket/index to capture this out performance.

Provided below are illustrations of trades that the fund manager can take in order to seek alpha:

a) buying a bank stock and selling the bank index future (if that stock is expected out-perform the bank index), or
b) by buying any stock and selling Nifty future (if that stock is expected to out-perform Nifty), or
c) by buying bank index and selling the IT index (if the bank index is expected to outperform the IT index)

As explained in the pair trade section, the returns from the above strategy are also independent of the direction taken by the market and instead depend on the chosen long basket outperforming the short position.

Risk associated with this strategy:

- Lack of opportunities available in the market
- Loss due to non performance of the selected stock / basket etc.
- Inability of the derivatives to correlate perfectly with underlying assets, indices etc.
- Mispricing or improper valuation
- Execution risk, whereby the rates seen on the screen may not be the rates at which the ultimate execution takes place.

b. Corporate action/ event driven strategies

Buy backs/ open offers

Companies that are targets for buy-backs/ open offers, provide opportunities depending on the difference between the traded price and the buy-back open offer price. The scheme will take a long position in a stock for which the buy-back/ open offer price is expected to be higher then the traded price. Depending on the probability of the open offer and acceptance of shares, the scheme may take a certain short position in the future of the same stock.

Since the position is related to a stock-specific event, it is expected to be uncorrelated with the overall direction of the equity markets.

Risk Arbitrage

This strategy involves investment in shares of companies that are the subject of a takeover bid or other corporate action. Typically, the anticipated event is the closing of an acquisition.

Since the position is related to a stock-specific event, it is expected to be uncorrelated with the overall direction of the equity markets.

Merger

When the Company announces any merger, amalgamation, hive off, de-merger, etc, there could be opportunities due to price differential in the cash and the derivative market.

Convertible Securities Arbitrage (when available)

This strategy attempts to extract value from options embedded in convertible securities. Typically, the strategy involves purchasing a convertible security and then hedging the underlying equity security.

Risk associated with this strategy :

- Lack of opportunities available in the market
- Inability of the derivatives to correlate perfectly with underlying assets, indices etc.
- Execution risk, whereby the rates seen on the screen may not be the rates at which the ultimate execution takes place

3. Derivative strategies & Structured Investments

The scheme will take structured positions in derivative markets depending on certain views and cost-benefit analysis. The positions will involve buying/ selling stock/ index futures and/or options. The positions will strive to take advantage from perceived anomalies in option prices across different expirations and strike prices.

Provided below is an illustration of certain strategies that the fund manager will consider deploying.

a. Volatility trades

These positions look at the current implied volatilities in the option markets and compare it with historical implied and actual levels. The expectation is that the volatility is mean reverting and hence option positions can go long on volatility (typically through purchase of options) when current implied vols are high relative to historical levels. The opposite position is taken in the converse market scenario.

The option trades for the above can consist of single options, covered call strategies, straddles or strangles.

Covered call strategies consist of writing a call option and simultaneously taking a long position on the underlying. The strategy allows the fund manager to earn premium from writing the option.

Covered put strategies consist of writing a put option and simultaneously taking a short position on the futures of the underlying.

Straddles and strangles consist of simultaneously buying a call and a put option of either the same strike price close to current market levels (straddle) or different strike prices around the current market levels (strangle). The position can be either long or short depending on whether the implied vols are low or high respectively compared to expected levels.

Flow Strategies consist of purchase or sale of instruments for which the Fund manager believes that there is or is anticipated to be a temporary supply or demand imbalance. Such imbalances may occur as a result of, among other things, high demand for an initial public offering, the inclusion of a security in an index, or imbalances resulting from significant short selling in a security.

b. Spread trades

Spread trades are undertaken to take advantage of anticipated market direction in the short term based on technical and statistical analysis by the fund manager. While individual trades may be directionally linked to the markets, the fund manager can create the position to benefit from either up moves or down moves and hence overall the strategy's returns are expected to have a low correlation with the market and will depend on the accuracy of the fund manager's models.

A spread trade consist of a long and short position in either a put or a call with different strike prices. For example a bull spread can be created by buying an at-the-money call option and reducing the cost of purchase of the option by selling an out-of-the-money call option. This strategy will be adopted if the security is expected to go up as per the technical/ statistical models created by the fund manager.

c. Structured debentures

The scheme will look to invest in variable rate equity-linked debentures based on the pay-off conditions and comparing them with the view of the fund manager. The investments will target coupons/ absolute return which are higher than the comparable fixed income papers and with a low correlation to the direction of the equity market.

4. Debt & Money Market Instruments

The debt and money market instruments include any margin money that has to be maintained for the derivative position. The margin money could also be maintained partly as Fixed Deposits with scheduled commercial banks. The maturity profile of the rest of the debt and money market component would be determined by the view of the fund manager.

If the view of the fund manager is that interest rates would go up then the average maturity of the debt and money market portfolio would be reduced and if the view of the fund manager is that interest rates would decline, then the average maturity may be increased. This would however depend on the view of the fund manager and can substantially change, depending on the prevailing market circumstances.

NOTE ON DEBT & MONEY MARKET IN INDIA

The Indian debt markets are one of the largest such markets in Asia. Government and public Sector enterprises are predominant borrowers in the market. While interest rates were regulated till a few years back, there has been a rapid deregulation and currently both the lending and deposit rates are market determined.

The debt markets are developing fast, with the rapid introduction of new instruments including derivatives. Foreign Institutional Investors are also allowed to invest in Indian debt markets now. There has been a considerable increase in the trading volumes in the market with the relatively high trading volumes. The trading volumes are largely concentrated in the Government of India Securities, which contribute a high proportion of the daily trades.

The money markets in India essentially consist of the call money market (i.e. market for overnight and term money between banks and institutions), repo transactions (temporary sale with an agreement to buy back the securities at a future date at a specified price), commercial papers (CPs, short term unsecured promissory notes, generally issued by corporates), certificate of deposits (CDs, issued by banks) and Treasury Bills (issued by RBI). A predominantly institutional market, the key money market players are banks, financial institutions, insurance companies, mutual funds, primary dealers and corporates.

Certain instruments currently available for investments and their current yields are given as under:

Following table exhibits various debt instruments along with indicative yields as on January 31, 2010

Instruments	Yield Range (% per annum)
G – Sec 5 year	7.17%
G – Sec 10 year	7.59%
Corporate Debentures AAA 3 year	7.62%
Corporate Debentures AAA 5 year	8.35%
CP's / CD's 3 months	4.50%
CP's / CD's 1 year	6.00%
Treasury Bills 3 months	4.00%
Treasury Bills 1 year	4.70%

The actual yields will, however, vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time,

INVESTMENT IN SECURITIZED DEBT INSTRUMENTS

Investment in such securities will not exceed 35% of the net assets of the Scheme or such other limit as may be decided by the Trustee from time to time. Scheme may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage backed securities (MBS). Asset Backed Securities (ABS) are securitized debts where the underlying assets are receivables arising from automobile loans, personal loans, loans against consumer durables, etc. Mortgage backed securities (MBS) are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. At present in Indian market, following types of loans are securitised 1) Auto Loans (cars / commercial vehicles /two wheelers) 2) Residential Mortgages or Housing Loans 3) Consumer Durable Loans & 4) Personal Loans. Investments in securitised debt instruments shall be made when in view of the Fund Manager, such investments could provide reasonable returns commensurate with risks associated with such investments and shall be made in accordance with the investment objective of the Scheme. Typically, investments in securitised debt instruments offer better yield to the investors. The various types of receivables that can be securitised can be receivables from auto loans, personal loans, loans to corporates etc. The investment would be made in line with the objective of the fund.

TRADING IN DERIVATIVES

Equity Derivatives as a product was introduced in India only in June 2000. The first derivative product was Index Futures on the S&P CNX Nifty. European style index options on the NIFTY were first introduced in June 2001. We have come a long way since then. As of today, Index Options are available on 3 indices - S&P CNX Nifty, CNX IT, and Bank Nifty. American Style Stock Options were introduced in July 2001 and are currently
available in around 117 stocks.

We were one of the few markets to introduce Single Stock Futures (SSF). Following India's lead, other leading exchanges such as EUREX and EURONEXT have introduced SSF's for trading. All derivative contracts currently are available for 3 maturities - First month (Near), Second month (Middle) and Third month (Far Month).

Indian Equity Derivatives - The growing Opportunity: The volume of derivative contracts traded continues to increase. Average daily futures volumes have increased to Rs. 13,000 crores. At present the volume in the Derivative market is twice that of the cash market.

Increasing International Interest: FIIs hold around 30-35% of the total Futures Open Interest. Arbitrage funds are very active traders in India with Investments at any given point of time exceeding Rs. 4,500 crores. Directional fund managers use Index / Stock Futures for trading as well as hedging.

The scheme intends to use derivatives for purposes that may be permitted by SEBI Mutual Fund regulations from time to time.

Derivative transactions that can be undertaken by the Scheme include a wide range of instruments, including, but not limited to

- Futures
- Options
- Swaps
- Any other instrument, as may be regulatorily permitted

Derivatives can be either exchange traded or can be over the counter (OTC). Exchange traded derivatives are listed and traded on Stock Exchanges whereas OTC derivative transactions are generally structured between two counterparties.

SEBI has vide its circular DNPD/Cir-29/2005 dated September 14, 2005 interalia specified the guidelines pertaining to trading by Mutual Funds in Exchange Traded derivatives. The position limits have subsequently been modified vide circulars interalia including circular no. DNPD/Cir-30/2006 dated January 20, 2006 and circular no. SEBI/DNPD/Cir-31/2006 dated September 22, 2006.

All derivative position taken in the portfolio would be guided by the following principles.

i. Position limit for the Mutual Fund in index options contracts

a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.

b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

ii. Position limit for the Mutual Fund in index futures contracts:

a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs. 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.

b. This limit would be applicable on open positions in all futures contracts on a particular underlying index.

iii. ***Additional position limit for hedging***

In addition to the position limits at point (i) and (ii) above, the Mutual Fund may take exposure in equity index derivatives subject to the following limits:

1. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.

2. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

iv. Position limit for Mutual Fund for stock based derivative contracts

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts, is defined in the following manner:-

1. For stocks having applicable market-wise position limit (MWPL) of Rs. 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or Rs. 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or Rs. 150 crores, whichever is lower.

2. For stocks having applicable market-wise position limit (MWPL) less than Rs. 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or Rs. 50 crore which ever is lower.

v. Position limit for each scheme of a Mutual Fund for stock based derivative contracts

The scheme-wise position limit / disclosure requirements shall be –

1. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:

1% of the free float market capitalisation (in terms of number of shares) or 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

2. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

3. For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

Illustrations

Index Futures

Index Futures have been introduced by BSE and NSE. Generally three futures of 1 month 2 months and 3 months are presently traded on these exchanges. These futures expire on the last working Thursday of the respective months.

If the Nifty (Index) was 1875 at the beginning of a month and the quotes for the three futures were as under:

Month	Bid Price	Offer Price
1	1880	1885
2	1900	1915
3	1910	1930

The Fund can buy an Index of month 1 on the last day of the month prior to month 1 in the illustration above at an offer price of 1885.

Numerical example of futures trade

The following is a hypothetical example of a typical likely index future trade and the associated costs.

Particulars	Index Future	Actual purchase of stocks
Index at the beginning of the month	1875	1875
Price of 1 Month Future	1885	
A. Execution Cost: Carry and other Index Future costs (1885-1875)	10	Nil
B. Brokerage Cost: Assumed at 0.30% for Index Future and 0.50% for spot Stocks (0.30% of 1885) (0.50% of 1875)	5.66	9.38
C. Gains on Surplus Funds: (assumed 10% return on 90% of the money left after paying 10% margin) (10%*1875*90%*30 days/365)	13.87	Nil
Total Cost (A+B-C)	**1.79**	**9.38**

In this example, the Index Future trade has resulted in profitability compared to actual purchase of the underlying index stocks. The profitability of Index Future as compared to an individual security will interalia depend upon the carrying cost, the interest available on surplus funds and the transaction cost.

The AMC retains the right to enter into such derivative transactions as may be permitted by the applicable regulations from time to time.

Debt Derivatives

In terms of Circular No. MFD.BC.191/07.01.279/1999-2000 and MPD.BC.187/07.01.279/1999-2000 dated November 1, 1999 and July 7, 1999 respectively issued by Reserve Bank of India permitting participation by Mutual Funds in Interest Rate Swaps and Forward Rate Agreements, the Fund will use derivative instruments for the purpose of hedging and portfolio balancing. The AMC would undertake the same for similar purposes only.

Interest Rate Swaps (IRS)

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while the other receives a floating (variable) rate of interest.

Forward Rate Agreement (FRA)

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

EXAMPLE OF A DERIVATIVES TRANSACTION

Basic Structure Of A Swap

Bank A has a 6 month Rs 10 crore liability, currently being deployed in call. Bank B has a Rs 10 crore 6 month asset, being funded through call. Both banks are running an interest rate risk.

To hedge this interest rate risk, they can enter into a 6 month MIBOR (Mumbai Inter Bank Offered Rate) swap. Through this swap, A will receive a fixed preagreed rate (say 7%) and pay "call" on the NSE MIBOR ("the benchmark rate"). Bank A's paying at "call" on the benchmark rate will neutralise the interest rate risk of lending in call. B will pay 7% and receive interest at the benchmark rate. Bank A's receiving of "call" on the benchmark rate will neutralise his interest rate risk arising from his call borrowing.

The mechanism is as follows:

- Assume the swap is for Rs.10 crore from March 1, 2002 to September 1, 2002. A is a fixed rate receiver at 7% and B is a floating rate receiver at the overnight compounded rate.
- On March 1, 2002 A and B will exchange only an agreement of having entered this swap. This documentation would be as per International Swaps and Derivatives Association (ISDA).
- On a daily basis, the benchmark rate fixed by NSE will be tracked by them.

On September 1, 2002 they will calculate the following:

- A is entitled to receive interest on Rs.10 crore at 7% for 184 days i.e. Rs. 35.28 lakh, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
- B is entitled to receive daily compounded call rate for 184 days & pay 7% fixed.

- On September 1, 2002, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 35.28 lakhs, A will pay B the difference. If the daily compounded benchmark rate is lower, then B will pay A the difference.
- Effectively Bank A earns interest at the rate of 7% p.a. for six months without lending money for 6 months fixed, while Bank B pays interest @ 7% p.a. for 6 months on Rs. 10 crore, without borrowing for 6 months fixed.

The AMC retains the right to enter into such derivative transactions as may be permitted by the applicable regulations from time to time.

INVESTMENT IN OVERSEAS ASSETS/ FINANCIAL SECURITIES

In line with the investment objective and in accordance with guidelines issued by SEBI vide circular No SEBI/IMD/CIR NO. 7/104753/2007 dated September 26, 2007, the scheme may invest in the foreign/overseas securities and such other securities as may be permitted by SEBI/RBI from time to time.

SEBI vide its circular no. SEBI/IMD/CIR No2/122577/08 dated April 08, 2008 has increased the aggregate ceiling for the mutual fund industry to invest in following securities Up to US $ 7 billion, and within this limit of US $ 7 billion, individual Mutual Fund can make overseas investments in following securities to a maximum of US $ 300 million. Following are the securities in which a mutual fund scheme can invest:

SEBI vide circular dt. September 26, 2007 has permitted mutual funds to invest in following types of foreign securities:

- ADRs/GDRs issued by Indian companies or foreign companies, Equity of overseas companies listed on recognized stock exchanges overseas
- Initial and follow on public offering for listing at recognized stock exchange overseas
- Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- Money market instruments rated not below investment grade
- Repos in the form of investment, where the counterparty is rated not below investment grade; repos should not however, involve any borrowing of funds by mutual funds
- Government securities where the countries are rated not below investment grade
- Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities
- Short term deposits with banks overseas where the issuer is rated not below investment grade

- Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).

Mutual Funds are also permitted to invest in overseas Exchange Traded Funds (ETFs) cumulatively upto US$ 1 billion with a sub – ceiling of US $ 50 million for individual Mutual Fund. Portfolio of overseas / foreign securities shall be managed by a dedicated Fund Manager. While selecting the securities, the Fund Manager may rely on the inputs received from internal research or research conducted by external agencies in various geographies. The fund may also appoint overseas investment advisors / managers to advise / manage portfolio of foreign securities.

The investment in such Overseas Financial Assets shall not exceed the limit as may be imposed by SEBI/ RBI from time to time.

AMC believes that overseas securities offer new investment and portfolio diversification opportunities into multi-market and multicurrency products. However, such investments also entail additional risks. The Fund may, where necessary, appoint other intermediaries of repute as advisors, sub-managers, or sub custodians for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements, if any, of SEBI.

To manage risk associated with foreign currency and interest rate exposure and for efficient portfolio management, the fund may use derivatives such as cross currency swaps etc. The use of derivatives would be in accordance with the prevailing regulations.

Debt Markets Abroad:

Overseas debt markets are deep and vibrant and much more sophisticated than the Indian debt markets. Most individual bonds are bought and sold in the over-the-counter (OTC) market, although some corporate bonds are also listed on the New York Stock Exchange. The OTC market comprises hundreds of securities firms and banks that trade bonds by phone or electronically. Some are dealers that keep an inventory of bonds and buy and sell these bonds for their own account; others act as agent and buy from or sell to other dealers in response to\ specific requests on behalf of customers. Quotes are available for an entire gamut of securities of varying maturities. Among the types of bonds one can choose from are: Government securities, municipal bonds, corporate bonds, mortgage and asset-backed securities, federal agency securities and foreign government bonds.

Bond choices range from the highest credit quality Treasury securities, which are backed by the full faith and credit of the government, to bonds that are below investment-grade and considered speculative. Since a bond may not be redeemed, or reach maturity, for years - even decades, credit quality becomes an important consideration when you are evaluating a fixed/ floating-income investment.

In the United States, major rating agencies include Moody's Investors Service, Standard & Poor's Corporation and Fitch. Each of the agencies assigns its ratings based on in-depth analysis of the issuer's financial condition and management, economic and debt characteristics and the specific revenue sources securing the bond. The highest ratings are AAA (S&Pand Fitch) and Aaa (Moody's). Bonds rated in the BBB category or higher are considered investment grade; securities with ratings in the BB category and below are considered "high yield" or below investment grade. While experience has shown that a diversified portfolio of high-yield bonds will, over the long run, have only a modest risk of default, it is extremely important to understand that, for any single bond, the high interest rate that generally accompanies a lower rating is a signal or warning of higher risk.

The Link between Interest Rates and Maturity

Changes in interest rates do not affect all bonds equally. The longer it takes for a bond to mature, the greater the risk that prices will fluctuate along the way and that the fluctuations will be greater and the more the investors will expect to be compensated for taking the extra risk. There is a direct link between maturity and yield. It can best be seen by drawing a line between the yields available on like securities of different maturities, from shortest to longest. Such a line is called a yield curve. A yield curve could be drawn for any bond market but it is most commonly drawn for the Treasury market, which offers securities of every maturity and where all issues bear the same top credit quality. By watching the yield curve, as reported in the daily financial press, you can gain a sense of where the market perceives interest rates to be headed one of the important factors that could affect your bonds 'prices. A normal yield curve would show a fairly steep rise in yields between short and intermediate term issues and a less pronounced rise between intermediate and long term issues. That is as it should be, since the longer the investor's money is at risk, the more the investor should expect to earn.

Procedure & Recording of Investment Decisions and Risk Control

All investment decisions, relating to the Scheme, will be undertaken by the AMC in accordance with the Regulations and the investment objectives specified in this Offer Document. All investment decisions taken by the AMC in relation to the Scheme shall be recorded.

The Investment Management Committee (IMC) consisting of senior employees including the Managing Director of the AMC to over see the Investment function, will be responsible for laying down the broad Investment Policy and the Specific scheme mandates, in addition to monitoring scheme performance and reviewing portfolio strategy. The risk control parameters would be laid down for each scheme based on the objectives of the scheme and prudent fund management practices will ensure that investor monies are invested in the appropriate risk/reward environment. The AMC would ensure that investments are made in accordance with the regulatory / internal guidelines, if any. Internal guidelines may be set by the AMC from time to time and reviewed in line with the market dynamics.

The designated Fund manager of the scheme will be responsible for taking the day-to-day investment decisions and will inter-alia be responsible for asset allocation, security selection and timing of investment decisions.

The Scheme performance would be benchmarked to the CRISIL Composite Liquid Fund Index. The fund reserves the right to change the said benchmark and/or adopt one/more other benchmarks to compare the performance of the Scheme.

In case of investments in debt instruments, the AMC aims to identify securities, which offer superior levels of yield at lower levels of risks. With the aim of controlling risks, the investment team of the AMC will carry out requisite credit evaluation of the securities. Rated Debt instruments in which the Scheme invests will be of investment grade as rated by a credit rating agency. The AMC will be guided by the ratings of Rating Agencies such as CRISIL, CARE, ICRA and Fitch or any other rating agencies that may be registered with SEBI from time to time. In case a debt instrument is not rated, prior approval of the Board of Directors of Trustee and the AMC will be obtained for such an investment.

The AMC may approach rating agencies such as CRISIL, ICRA, etc for ratings of the scheme.

The Scheme may use various derivatives and hedging products from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance Unit holders' interests.

The Scheme may invest in other Schemes managed by the AMC or in the Schemes of any other Mutual Funds, provided it is in conformity to the investment objectives of the Scheme and in terms of the prevailing Regulations. As per the Regulations, no investment management fees will be charged for such investments and the aggregate inter-Scheme investment made by all Schemes of IDFC Mutual Fund or in the Schemes under the management of other asset management companies shall not exceed 5% of the net asset value of the IDFC Mutual Fund. The limit however does not apply to any Fund of Funds scheme.

For the present, the Scheme does not intend to enter into underwriting obligations. However, if the Scheme does enter into an underwriting agreement, it would do so after complying with the Regulations.

Portfolio Turnover

Portfolio turnover in the scheme will be a function of market opportunities. It is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio. The AMC will endeavor to optimize portfolio turnover to optimize risk adjusted return keeping in mind the cost associated with it. A high portfolio turnover rate is not necessarily a drag on portfolio performance and may be representative of investment opportunities that exist in the market.

US treasuries : (As on March 31, 2010)

1 Month : 0.145%
3 Month : 0.1501%
6 Month : 0.2314%
2 Year : 1.0158%
5 Year : 2.5435%
10 Year : 3.8257%
30 Year : 4.7129%

F: FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i)Type of the scheme

Open Ended Equity Scheme

(ii) Investment Objective

The investment objective of the scheme is to generate income (absolute to low volatility returns) by taking advantage of opportunities in the cash and the derivative segments of the equity markets including the arbitrage opportunities available within the derivative segment, by using other derivative based strategies and by investing the balance in debt and money market instruments.

Asset Allocation Pattern as defined in Section C

(iii) Terms of Issue

Redemption of Units as detailed in Section III B of this document.

Fees and Expenses as specified in Section IV B of this document,

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and

The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

G. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?

Currently no AMFI - recognised benchmark is available for strict comparison for the Scheme. However CRISIL Composite Liquid Fund Index being a widely used benchmark in the market, the same has been selected as a standard benchmark for the purpose of this Scheme.

H. WHO MANAGES THE SCHEME?

The Scheme is jointly managed by Mr. Arjun Parthasarathy and Mr. Ashwin Patni:

Mr. Arjun Parthasarathy	Senior Fund Manager – Fixed Income	MBA, MA Economics	Over 10 years of experience in Fund Management, trading & research in Fixed Income, Eqiuties & Derivatives

Last Assignments Held: In his last assignment with Sundaram BNP Paribas Asset Management Company Limited, he was designated as the Head – Portfolio Management Services (April 2007 – May 2008). Prior to that he worked at Patco Investments & Consultancy Services Private Limited and was designated as Portfolio Manager (June 2006- March 2007). He worked at Citigroup as Fixed Income Trader (August 2002 – September 2005) & before that was employed at IDBI Bank as Fixed Income Trader (March2001 – July 2002). From September 1999 till February 2001 he worked at Cholamandalam Cazenove Asset Management Company Limited and was designated as the Fund Manager. Prior to that he worked at Cholamandalam Securities Limited as Equity Research Analyst (January 1998 – August 1999). Age: 38 years.

Mr. Ashwin Patni	Fund Manager	B.E, PGDM - IIM, Calcutta	Over 6 years of experience in Wealth Management, Structured Finance, Credit and Market Groups and Business Consulting

Last Assignments held: He has over six years of experience in Wealth Management, Structured Finance, Credit and Market Groups and Business Consulting. In his last assignment he was designated as Product Manager, Investment Services for Wealth Management Function of Standard Chartered Bank (January 2005-November 2007). Prior to this he was working as Manager, Syndication for ICICI Bank (February 2003 – January 2005). He has also worked with Accenture India Pvt Ltd as Analyst (June 2001 – January 2003). Age: 30 Years

Mr. Arjun Parthasarathy and Mr. Ashwin Patni also manages the following scheme of IDFC Mutual Fund:

IDFC Arbitrage Fund (IDFC-AF)

Appointment of dedicated fund manager for foreign/overseas investment

Ms. Punam Sharma	33 Years / B.Sc- Non Medical, MBA - Finance	She has over 8 years experience in research, co-ordinating details on products and markets for the sales team. In the last assignment with Kotak Mahindra Asset Management Company she was responsible for setting up of the research desk, working on reports on products and markets and developing databases

Other schemes under her management: None

I. WHAT ARE THE INVESTMENT RESTRICTIONS?

Pursuant to the Regulations and amendments thereto, the following investment restrictions are presently applicable to the Scheme:
1) The Fund under all its schemes shall not own more than 10% of any company's paid up capital carrying voting rights.

2) The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative securities and in all cases of sale, deliver the securities and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance

4) The Scheme shall not invest more than 10% of its net assets in equity shares or equity related instruments of any company.

5) The Scheme shall not invest more than 5% of its net assets in unlisted equity shares or equity related instruments.

5) Debt instruments in which the Scheme invests should be rated as investment grade by a credit rating agency. Till the regulations so require, not more than 15% of the Net Assets of the Scheme shall be invested in debt instruments issued by a single issuer. Provided that such investment limit may be exceeded to 20% of the Net Assets of the Scheme with the prior approval of the Board of Trustees and the Board of the AMC till such time the regulation requires such approvals. Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a rating agency registered with SEBI.

No mutual fund scheme shall invest more than thirty percent of its net assets in money market instruments of an issuer. Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations."

7) All investments in unrated debt instruments shall be made with the prior approval of the Board of the AMC and the Trustee till the regulations so require. SEBI vide its circular no.MFD/CIR/9/120/2000 dated November 24, 2000 has permitted

8. Till the regulations so require, the Scheme shall not make any investment in:

a) any unlisted security of an associate or group company of the sponsor;

b) any security issued by way of private placement by an associate or group company of the sponsor or

c) the listed securities of group companies of the sponsor which is in excess of 25% of the net assets.

9 Transfer of investments from one Scheme to another Scheme in the same Mutual Fund is permitted provided:
a) such transfers are done at the prevailing market price for quoted instruments on a spot basis (spot basis shall have the same meaning as specified by a Stock Exchange for spot transactions); transfer of unquoted securities will be made as per the policies laid down by the Trustees from time to time, and

b) the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

10. The Scheme may invest in other Schemes under the same AMC or any other Mutual Fund without charging any fees, provided the aggregate inter-Scheme investment made by all the Schemes under the same management or in Schemes under management of any other asset management company shall not exceed 5% of the Net Asset Value of the Fund. Provided that this clause shall not apply to any Fund of Funds scheme.

11. The Fund shall get the securities purchased transferred in the name of the Fund on account of the concerned Scheme, wherever investments are intended to be of a long-term nature.

12. The Fund may buy and sell securities on the basis of deliveries and will not make any short sales or engage in carry forward transactions except as and when permitted by the RBI in this regard (for example “when issued market” transactions).

13. All the Scheme’s investments will be in transferable securities or bank deposits or in money at call or any such facility provided by RBI in lieu of call.

14. No loans for any purpose can be advanced by the Scheme.

15. The Fund shall not borrow except to meet temporary liquidity needs of the Fund for the purpose of repurchase/ redemption of units or payment of interest and/or dividend to the Unitholders, provided that the Fund shall not borrow more than 20% of the net assets of the individual Scheme and the duration of the borrowing shall not exceed a period of 6 months.

16. Pending deployment of funds of a Scheme in securities in terms of investment objectives of the Scheme, the AMC can invest the funds of the Scheme in short-term deposits of scheduled commercial banks or in call deposits.

17. The Scheme may also use various hedging and derivative products from time to time, as are available and permitted by SEBI, in an attempt to protect and enhance the interests of the Unitholders at all times. Derivatives are contractual instruments whose performance is derived from that of an underlying asset.

18. The scheme shall not make any investment in a Fund of Funds scheme.

The Scheme will comply with SEBI regulations and any other Regulations applicable to the investments of Mutual Funds from time to time. The Trustees may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and/or as deemed fit in the general interest of the Unitholders.

All investment restrictions shall be applicable at the time of making the investment.

Investments by the AMC in the Fund

The AMC reserves the right to invest its own funds in the Scheme as may be decided by the AMC from time to time and in accordance with SEBI Circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 regarding minimum number of investors in the Scheme/ Plan. Under the Regulations, the AMC is not permitted to charge any investment management and advisory services fee on its own investment in the Scheme.

J. HOW HAS THE SCHEME PERFORMED?

IDFC Arbitrage Plus Fund (IDFC APF)

Absolute returns	**Scheme returns %**	**Benchmark returns %**
Last 6 Months	1.32%	1.44%
Last 1 year	2.98%	3.88%
CAGR Since allotment	5.85%	6.14%

Benchmark –Crisil Liquid Fund Index
Past performance may or may not be substantiated in future.
Performance of the Scheme (As on February 26, 2010)

III. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

NFO Opened: May 5, 2008

NFO Closed : May 30, 2008

During the Continuous Offer of the Scheme, the units will be available at the NAV.

Minimum Amount for Application during the ongoing offer

The minimum application amount per option in Plan A is Rs. 10,000/- and in multiple of Re. 1/- and in Plan B is Rs. 1, 00, 000/- and in multiple of Re. 1/- thereafter. There would be no maximum limit.

Minimum Target Amount during the NFO: Rs. 1,00,00,000

In accordance with the Regulations, if the scheme fails to collect the minimum subscription amount as specified above, the Fund shall be liable to refund the money to the applicants.

In addition to the above, refund of subscription money to applicants whose applications are invalid for any reason whatsoever will commence immediately after the allotment process is completed. Refunds will be completed within 6 weeks of close of New Fund Offer. If the Fund refunds the amount after six weeks, interest @ 15% per annum shall be paid by the AMC. Refund orders will be marked ‘Account Payee Only’ and drawn in the name of applicant in the case of sole applicant and in the name of first applicant in all other cases.

Options offered

Under the scheme, investors may choose either the Growth Option or the Dividend Option

(i) Growth Option

The Schemes will generally not declare any dividend under this option. The income attributable to Units under this Option will continue to remain invested in the Scheme and will be reflected in the Net Asset Value of Units under this option. This option is suitable for investors who are not looking for dividend, but who have invested with the intention of capital appreciation. If the Units under this option are held as a capital asset for a period of at least one year, from the date of acquisition, Unitholders should get the benefit of long term capital gains tax.

If no indication is given by the investor in the Scheme, the default options that will become applicable are as under :

If no indication is given under the following	**Default option**
Option	Growth
Dividend Payout / Reinvestment	Reinvestment

(ii) Dividend Option

Under this option, the Fund will endeavour to declare dividends from time to time.

This option is suitable for investors seeking income through dividend declared by the scheme. The distribution of dividend will be made out of the net surplus under this Option subject to availability of distributable profits, as computed in accordance with SEBI Regulations. The remaining net surplus after considering the dividend and tax, if any, payable thereon will remain invested in the Scheme and be reflected in the NAV.

Presently dividends are envisaged to be declared on a monthly basis. However the AMC retains the right to introduce dividend declarations at such frequencies that it may deem appropriate from time to time. Dividends, if declared, to those Unitholders whose names appear in the Register of Unitholders on the record date. There is no assurance or guarantee to Unitholders as to the rate of dividend distribution nor that dividends will be paid, though it is the intention of the Mutual Fund to make dividend distributions under the Dividend Option of the Scheme. In order to be a Unitholder, an investor has to be allocated Units against clear funds. The exact record date will be communicated to the Registrar. Dividends declared under the Reinvestment Option will be compulsorily reinvested at a price based on the prevailing Ex-Dividend Net Asset Value per Unit.

Any such reinvestment will result in the Unit holder being credited with additional Units representing the value of dividend reinvested at the ex-dividend NAV. The dividend so reinvested shall be constructive payment of dividend to the Unitholders and constructive receipt of the same amount from each Unitholder for reinvestment in Units.

However, it must be distinctly understood that the actual declaration of dividend and the frequency thereof will inter-alia, depend on the availability of distributable profits as computed in accordance with SEBI Regulations. The decision of the Trustee/AMC in this regard shall be final. The AMC reserves the right to change the record date and the AMC also reserves the right to change the frequency of dividends. Dividend declaration will be in accordance with the existing applicable SEBI regulations from time to time.

Investors should indicate the Option for which the subscription is made by indicating the choice in the appropriate box provided for this purpose in the application form. In case of valid applications received, without indicating any choice of Option, it will be considered for the Growth Option and processed accordingly. Investors may also opt to invest in both the Options of the Scheme subject to minimum subscription requirements under each Option.

The Fund reserves the right to introduce new investment option/s at a later date.

The NAV of the Unit holders in the Dividend Option will stand reduced by the amount of dividend declared on the Record Date. The NAV of the Growth Option will remain unaffected.

As per the Regulations, the Fund shall despatch the dividend warrants within 30 days of declaration of Dividend. However, the Mutual Fund will endeavour to make dividend payments sooner to Unitholders.

There is no assurance or guarantee to Unitholders as to the rate of dividend distribution nor that dividends will be paid, though it is the intention of the Mutual Fund to make dividend distributions under the respective options of the Scheme

The investors should note that the NAVs of the Dividend Option and the Growth Option will be different after the declaration of dividend under the Scheme.

Dividend Re investment facility:

Investors opting for the Dividend Option may choose to re-invest the dividend to be received by them in additional Units of the Scheme. Under this provision, the dividend due and payable to the Unitholders will compulsorily and without any further act by the Unitholders, be re-invested in the same option (at the first ex-dividend NAV). The dividends so re-invested shall constitute a constructive payment of dividends to the Unitholders and a constructive receipt of the same amount from each Unitholder for re-investment in Units.

On re-investment of dividends, the number of Units to the credit of the Unitholder will increase to the extent of the dividend re-invested divided by the NAV applicable as explained above. There shall, however, be no entry load on the dividends so re-invested

Dividend Policy

Dividend declaration and distribution shall be in accordance with SEBI Regulations as applicable from time to time. The AMC reserves the right to declared dividend from time to time, depending on availability of distributable surplus.

Allotment

Full allotment will be made to all valid applications received during the New Fund Offer Period of respective Plan(s). Allotment of Units, shall be completed not later than 30 days after the close of the New Fund Offer Period.

ACCOUNT STATEMENTS

An Account Statement will be sent by ordinary post / courier / any other permitted mode, to each Unitholder, stating the number of Units allotted, not later than 30 Days from the close of the New Fund Offer Period / date of transaction (during the continuous offer). The account statement shall not be construed as a proof of title and is only a computer generated statement indicating the details of transactions under the Scheme and is a non-transferable document. The account statement will be issued in lieu of Unit Certificate/s.

UNIT CERTIFICATES

Normally no Unit Certificates will be issued. However, if the applicant so desires, the AMC shall issue a non-transferable Unit Certificate to the applicant within 6 weeks of the receipt of request for the certificate. A Unit Certificate if issued must be duly discharged by the Unitholder(s) and surrendered along with the request for redemption/switch or any other transaction of Units covered therein.

Refund

In accordance with the Regulations, if the Scheme fails to collect the minimum subscription amount as specified above, the Fund shall be liable to refund the money to the applicants.

In addition to the above, refund of subscription money to applicants whose applications are invalid for any reason whatsoever will commence immediately after the allotment process is completed. Refunds will be completed within six weeks of the close of the New Fund Offer Period. If the Fund refunds the amount after six weeks, interest @ 15% per annum shall be paid by the AMC. Refund orders will be marked "Account Payee only" and drawn in the name of the applicant in the case of the sole applicant and in the name of the first applicant in all other cases.

WHO CAN INVEST?

THE FOLLOWING PERSONS MAY APPLY FOR SUBSCRIPTION TO THE UNITS OF THE SCHEME (SUBJECT, WHEREVER RELEVANT, TO PURCHASE OF UNITS OF MUTUAL FUNDS BEING PERMITTED UNDER RESPECTIVE CONSTITUTIONS, RELEVANT STATUTORY REGULATIONS AND WITH ALL APPLICABLE APPROVALS):

- Resident adult individuals either singly or jointly
- Minor through parent/lawful guardian
- Companies, Bodies Corporate, Public Sector Undertakings, association of persons or bodies of individuals whether incorporated or not and societies registered under the Societies Registration Act, 1860 (so long as the purchase of units is permitted under the respective constitutions).
- Trustee(s) of Religious and Charitable and Private Trusts under the provision of Section 11(5) (xii) of the Income Tax Act, 1961 read with Rule 17C of Income Tax Rules, 1962 (subject to receipt of necessary approvals as “Public Securities” where required)
- The Trustee of Private Trusts authorised to invest in mutual fund Schemes under their trust deed.
- Partner(s) of Partnership Firms.
- Karta of Hindu Undivided Family (HUF).
- Banks (including Co-operative Banks and Regional Rural Banks), Financial Institutions and Investment Institutions.
- Non-resident Indians/Persons of Indian origin residing abroad (NRIs) on full repatriation basis or on non-repatriation basis.
- Foreign Institutional Investors (FIIs) registered with SEBI on full repatriation basis.

- Army, Air Force, Navy and other para-military funds.
- Scientific and Industrial Research Organizations.
- Mutual fund Schemes.
- Provident/Pension/Gratuity and such other Funds as and when permitted to invest.
- International Multilateral Agencies approved by the Government of India.
- Others who are permitted to invest in the Scheme as per their respective constitutions
- Other Schemes of IDFC Mutual Fund subject to the conditions and limits prescribed in SEBI Regulations and/or by the Trustee, AMC or sponsor may subscribe to the units under this Scheme.
- Subscriptions from residents in the United States of America and Canada shall not be accepted by the Scheme.
- The Fund reserves the right to include / exclude new / existing categories of investors to invest in this Scheme from time to time, subject to regulatory requirements, if any.
- This is an indicative list and investors are requested to consult their financial advisor to ascertain whether the scheme is suitable to their risk profile.
- Where can you submit the filled up applications.
- Filled up applications can be submitted at the Offices of the collecting bankers, as per the details given on the last few pages of this document including the back cover page.

HOW TO APPLY?

Please refer to the SAI and Application form for the instructions.

Mode of Payment

Investors may make payments for subscription to the Units of the Scheme at the bank collection centres by local Cheque/Pay Order/Bank Draft, drawn on any bank branch, which is a member of Bankers Clearing House located in the Official point of acceptance of transactions where the application is lodged or by giving necessary debit mandate to their account or by any other mode permitted by the AMC.

Cheques/Pay Orders/Demand Drafts should be drawn as follows:

1. The Cheque/DD/Payorder should be drawn in favour of IDFC Arbitrage Plus Fund as mentioned in the application form/addendum at the time of the launch.
Please note that all cheques/DDs/payorders should be crossed as "Account payee".

2. Centres other than the places where there are Official point of acceptance of transactions as designated by the AMC from time to time, are Outstation Centres. Investors residing at outstation centres should send demand drafts drawn on any bank branch which is a member of Bankers Clearing House payable at any of the places where an Official point of acceptance of transactions is located.

Payments by cash, money orders, postal orders, stockinvests and out-station and/or post dated cheques will not be accepted.

MANDATORY QUOTING OF BANK MANDATE AND PAN NUMBER BY INVESTORS
Pursuant to SEBI Circular No. SEBI/IMD/CIR No. 6/4213/04 dated March 1, 2004 it is mandatory for investors to mention their bank account number in their application/request for redemption. As per SEBI Circular No. MRD/DoP/Cir- 05/2007 dated April 27, 2007, it is now mandatory that Permanent Account Number (PAN) issued by the Income Tax Department would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. Accordingly investors will be required to furnish a copy of PAN together with request for fresh purchases, additional purchases and systematic investments registration (SIP) (SIP in case the aggregate investment is more than 50, 000 p.a). All SIP applications with total investments of Rs 50,

000 or more in one financial year are classified as "Normal SIP" and PAN number is mandatory for all such applications. However if the total investment is less than Rs 50,000/-, in one financial year it is classified as Micro SIP. Pursuant to the requirement of SEBI circular dated June 19, 2009, investor participating only in micro-pension i.e Micro SIP, may not be required to obtain PAN. However any one of the following PHOTO identification documents can be submitted along with Micro SIP application as a proof of identification (self attested by the investor or ARN holder) in lieu of PAN:

1. Voter Identity Card
2. Driving License
3. Government / Defense identification card
4. Passport
5. Photo Ration Card
6. Photo Debit Card (Credit card not included because it may not be backed up by a bank account).
7. Employee ID cards issued by companies registered with Registrar of Companies (database available in the following link of Ministry of Company affairs http://www.mca.gov.in/DCAPortalWeb/dca/MyMCALogin.do?method=setDefaultProperty&mode=31)
8. Photo Identification issued by Bank Managers of Scheduled Commercial Banks / Gazetted Officer / Elected Representatives to the Legislative Assembly / Parliament
9. ID card issued to employees of Scheduled Commercial / State / District Co-operative Banks.
10. Senior Citizen / Freedom Fighter ID card issued by Government.
11. Cards issued by Universities / deemed Universities or institutes under statutes like ICAI, ICWA, ICSI.
12. Permanent Retirement Account No (PRAN) card isssued to New Pension System (NPS) subscribers by CRA (NSDL).
13. Any other photo ID card issued by Central Government / State Governments /Municipal authorities / Government organizations like ESIC / EPFO.

Application Forms without these information and documents will be considered incomplete and are liable to be rejected without any reference to the investors. The procedure implemented by the AMC and the decisions taken by the AMC in this regard shall be deemed final.

LISTING AND TRANSFER OF UNITS

The Units of the Scheme are presently not proposed to be listed on any stock exchange and no transfer facility is provided. However, the Fund may at its sole discretion list the Units under the Scheme on one or more Stock Exchanges at a later date, and thereupon the Fund will make a suitable public announcement to that effect.

If a person becomes a holder of the Units consequent to operation of law, or upon enforcement of a pledge, the Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the Units. Similarly, in cases of transfers taking place consequent to death, insolvency etc., the transferee's name will be recorded by the Fund subject to production of satisfactory evidence.

PLEDGE OF UNITS FOR LOANS

The Units can be pledged by the Unitholders as security for raising loans subject to the conditions of the lending institution. The Registrar will take note of such pledge (by marking a lien etc.) / charge in its records. Disbursement of such loans will be at the entire discretion of the lending institution and the fund assumes no responsibility thereof.
The pledgor will not be able to redeem Units that are pledged until the entity to which the Units are pledged provides written authorisation to the fund that the pledge/lien charge may be removed. As long as Units are pledged, the pledgee will have complete authority to redeem such Units. Decision of the AMC shall be final in all cases of lien marking.

SUSPENSION OF REDEMPTION / REPURCHASE OF UNITS AND DIVIDEND DISTRIBUTION

The Mutual Fund at its sole discretion reserves the right to withdraw repurchase or switching of Units of the Scheme, temporarily or indefinitely, if in the opinion of the AMC the general market conditions are not favourable and /or suitable investment opportunities are not available for deployment of funds. However, the suspension of repurchase/switching either temporarily or indefinitely will be with the approval of the trustee. The AMC reserves the right in its sole discretion to withdraw the facility of switching out of the Scheme, temporarily or indefinitely. Further, the AMC & Trustee may also decide to temporarily suspend determination of NAV of the Scheme offered under this Document, and consequently redemption of Units, declaration and distribution of dividend in any of the following events:

1. When one or more stock exchanges or markets, which provide basis for valuation for a substantial portion of the assets of the Scheme are closed otherwise than for ordinary holidays.
2. When, as a result of political, economic or monetary events or any circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme is not reasonable, or would not reasonably be practicable without being detrimental to the interests of the Unitholders.
3. In the event of a breakdown in the means of communication used for the valuation of investments of the Scheme, without which the value of the securities of the Scheme cannot be accurately calculated.
4. During periods of extreme volatility of markets, which in the opinion of the AMC are prejudicial to the interests of the Unitholders of the Scheme.
5. In case of natural calamities, strikes, riots and bandhs.
6. In the event of any force majeure or disaster that affects the normal functioning of the AMC or the Registrar.
7. During the period of Book Closure.
8. If so directed by SEBI.

In the above eventualities, the time limits indicated above, for processing of requests for redemption of Units and/or distribution of dividend will not be applicable. Further an order to purchase units is not binding on and may be rejected by the Trustee, the AMC or their respective agents until it has been confirmed in writing by the AMC or its agents and payment has been received. The suspension or restriction of repurchase/redemption facility under the scheme shall be made applicable only after the approval of the Board of Directors of the Asset Management Company and the Trustee and the details of the circumstances and justification for the proposed action shall be informed to SEBI in advance.

PHONE TRANSACT

All individual investors in the scheme applying on “Sole” or “Anyone or Survivor” basis in their own capacity shall be eligible to avail of phonetransact facilities for permitted transactions inter alia on the following terms and conditions:

“Terms and Conditions” mean the terms and conditions set out below by which the Facility shall be used/availed by the Unit holder and shall include all modifications and supplements made by AMC thereto from time to time.

In order to access the Facility, the Unit holder shall be required to give Basic Identification Data (BID) to IDFC Asset Management Company Pvt. Ltd. (AMC) based on which the AMC may allow access to the Facility. The BID may be enhanced / modified by the AMC from time to time. The unitholder must provide additional BID as & when required by the AMC.

The AMC has a right to ask such information from the available data of the Unit holder before allowing him/her access to avail of the Facility. If for any reason, the AMC is not satisfied with the replies of the Unit holder, the AMC has at its sole discretion the right of refusing access without assigning any reasons to the Unit holder.

It is clarified that the Facility is only with a view to accommodate /facilitate the Unit holder and offered at the sole discretion of the AMC. The AMC is not bound and/or obliged in any ways to give access to Facility to Unit holder.

AMC may periodically provide the Unit holder with a written statement of all the transactions made by the Unit holder on a regular/as & when basis, as is being currently done.
The Unit holder shall check his/her account records carefully and promptly. If the Unit holder believes that there has been a mistake in any transaction using the Facility, or that un authorised transaction has been effected, the Unit holder shall notify AMC immediately. If the Unit holder defaults in intimating the alleged discrepancies in the statement within a period of thirty days of receipt of the statements, he waives all his rights to raise the same in favour of the AMC, unless the discrepancy /error is apparent on the face of it.

By opting for the facility the Unit holder hereby irrevocably authorises and instructs the AMC to act as his /her agent and to do all such acts as AMC may find necessary to provide the Facility.

The Unit holder shall not disclose/divulge the BID to any person and shall ensure that no person gains access to it.

The Unit holder shall at all times be bound by any modifications and/or variations made to these Terms and Conditions by the AMC at their sole discretion and without notice to them.

The Unit holder agrees and confirms that the AMC has the right to ask the Unit holder for an oral or written confirmation of any transaction request using the Facility and/or any additional information regarding the Account of the Unit holder.

The Unit holder agrees and confirms that the AMC may at its sole discretion suspend the Facility in whole or in part at any time without prior notice if (i) the Unit holder does not comply with any of the Terms and Conditions or any modifications thereof, (ii) the AMC has the reason to believe that such processing is not in the interest of the Unit holder or is contrary to Regulation/Offer Documents/amendments to the Offer Documents and (iii) otherwise at the sole discretion of the AMC in cases amongst when the markets are volatile or when there are major disturbances in the market, economy, country, etc.

The Unit holder shall not assign any right or interest or delegate any obligation arising herein.

The Unit holder agrees that it shall be his/her sole responsibility to ensure protection and confidentiality of BID and any disclosures thereof shall be entirely at the Unit holder's risk.

The Unit holder shall take responsibility for all the transactions conducted by using the Facility and will abide by the record of transactions generated by the AMC. Further, the Unit Holder confirms that such records generated by the AMC shall be conclusive proof and binding for all purposes and may be used as evidence in any proceedings and unconditionally waives all objections in this behalf.

The Unit holder shall, in case of accounts opened in the names of minors and being the natural guardian of such minor, give all instructions relating to the operation of the account and shall not, at any point of time disclose the BID to the minor / any other person

AMC shall be notified immediately if a record of the BID, is lost or stolen or if the Unit holder is aware or suspects another person knows or has used his/her BID without authority.

The Unit holder agrees and acknowledges that any transaction, undertaken using the Unit holder's BID shall be deemed to be that of the Unit holder. If any third party gains access to the Facility, the Unit holder agrees to indemnify the AMC and its directors, employees, agents and representatives against any liability, costs, or damages arising out of claims or suits by such other third parties based upon or related to such access or use.

The Unit holder agrees that use of the Facility will be deemed acceptance of the Terms and Conditions and the Unit holder will unequivocally be bound by these Terms and Conditions.

Indemnities in favour of the IDFCAMC:

The Unit holder shall not hold the AMC liable for the following:

For any transaction using the Facilities carried out in good faith by the AMC on instructions of the Unit holder.

For the unauthorized usage/unauthorised transactions conducted by using the Facility.

For any loss or damage incurred or suffered by the Unit holder due to any error, defect, failure or interruption in the provision of the Facility arising from or caused by any reason whatsoever.

For any negligence / mistake or misconduct by the Unit holder and/or for any breach or non-compliance by the Unit holder of the rules/terms and conditions stated in this Agreement.

For accepting instructions given by any one of the Unit holder in case of joint account/s having mode of operations as "Either or Survivor" or "anyone or survivor".

For not verifying the identity of the person giving the telephone instructions in the unit holder name.

For not carrying out any such instructions where the AMC has reason to believe (which decision of the AMC the Unit holder shall not question or dispute) that the instructions given are not genuine or are otherwise improper, unclear, vague or raise a doubt.

The AMC may assign any of its rights under these terms and conditions without the consent of the Unit holder to any of the AMC's group companies, subsidiary or Associate Company or such other company which the AMC deems suitable for provision of this Facility.

All other investors in the scheme/plan will be eligible to avail of phone transact facilities for permitted transactions (as may be decided by the AMC from time to time) by entering into an agreement with the AMC/Mutual Fund. Requests like change in bank mandate, change of nomination, change in mode of holding, change of address or such other requests as the AMC may decide from time to time will not be permitted using the phone transact facility. The AMC/Mutual Fund reserves the right to modify the terms and conditions of the service from time to time as may be deemed expedient or necessary.

B. ONGOING OFFER DETAILS

Ongoing Offer Period

This is a Open Ended Equity Fund and units shall be applicable for subscription within 30 days from the date of closure of the NFO

Ongoing price for subscription (purchase)/switch-in (from other schemes/plans of the mutual fund) by investors. :

During the continuous offer of the schemes, the units will be available at the applicable NAV.

This is the price that an investor will pay for purchase / switch in.

Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors:

At the applicable NAV subjects to prevailing exit load.

This is the price you will receive for redemptions/switch outs.
Example: If the applicable NAV is Rs. 10, exit load is 1% then redemption price will be:
Rs. 10 (1-0.01) = Rs. 9.90*

The Redemption Price will not be lower than 93% of the Applicable NAV and the Purchase Price will not be higher than 107% of the Applicable NAV, provided that the difference between the Redemption Price and the Purchase Price at any point in time shall not exceed the permitted limit as prescribed by SEBI from time to time, which is currently 7% calculated on the Purchase Price.

SWITCH FACILITY

Switching from any Schemes of the Mutual Fund to this Scheme

Unitholders under the Scheme have the option to switch part or all of their holdings in any scheme launched by the Mutual Fund, or within the Scheme from one Option to another, subject to conditions attached to that scheme, which is available for investment at that time. This Option will be useful to Unitholders who wish to alter the allocation of their investment among the scheme(s)/ plans of the Mutual Fund in order to meet their changed investment needs or risk profiles.

The switch will be effected by way of a redemption of Units from one Scheme / Plan/ Option and a reinvestment of the redemption proceeds in the other Scheme/ Plan/ sub plan/option and accordingly, to be effective, the switch must comply with the redemption rules of the Scheme and the issue rules of the other scheme (for e.g. as to the minimum number of Units that may be redeemed or issued). The price at which the Units will be switched out of the Scheme/options will be based on the Applicable NAV of the relevant Scheme/ Plan(s)/ sub plans/options and considering any exit/entry/ combination of entry and exit loads if any that the AMC/ Trustee may approve from time to time.

Investors who hold Units in any open ended schemes launched or to be launched hereafter of the Mutual Fund and also investors who holds Units in Plan/(s) of any close ended scheme launched or to be launched hereafter, may switch all or part of their holdings to any of the scheme available for subscription under this SID during the New Fund Offer Period of the scheme.

Investors so desiring to switch may submit a switch request, already available with them along with an application form of the Scheme indicating therein the details of the scheme to which the switch is to be made. Applications for switch as above should specify the amount/Units to be switched from out of the Units held in any of the existing Schemes of the Fund. The switch request will be subject to the minimum application size and other terms and conditions of the SID of this Scheme and the scheme from which the amount is switched out.

The Applicable NAV for switching out of the existing open-ended funds will be the NAV of the Business Day on which the switch request, complete in all respects, is accepted by the AMC, subject to the cut-off time and other terms specified in the SID of the respective existing open-ended Schemes.
Investors should note that the amount invested under Sections 54EB in the Investment Plans of IDFC Super Saver Income Fund would have to be locked-in for a period of seven years and the Units so allotted cannot be switched to another Scheme/option during the lock-in period of seven years. This is subject to any change that may be effected in the Income-tax Act, 1961 or any guidelines / amendments / rules / clarifications issued by the Central Board of Direct Taxes.

Switch from this Scheme to any other eligible Schemes of the Mutual Fund

Investors who hold Units of the Scheme may switch all or part of their holdings to any (to be launched hereafter) other Open-end/close- ended Scheme/s (where switch-in is permitted) of the Mutual Fund.
Investors so desiring to switch may submit a switch request, already available with them, indicating therein the details of the Scheme or any other Scheme of the Mutual Fund to which the switch is to be made. Applications for switch as above should specify the amount/Units to be switched from out of the Units held. The switch request will be subject to the minimum application size and other terms and conditions under this Scheme information document and the terms and conditions of the Scheme to which the amount is switched into.

Note:

The switch will be effected by redeeming Units from the Scheme in which the Units are held and investing the net proceeds in the other Scheme(s)/Plan(s), subject to the minimum balance applicable for the respective Scheme(s)/ Plan(s).

The price at which the Units will be switched out of the Scheme(s) /Plan(s) will be based on the Applicable NAV of the relevant Scheme(s)/ Plan(s) and after considering any exit/entry/ combination of entry and exit loads that the Trustee may approve from time to time

Cut off timing for subscriptions/ redemptions/ switches

The Scheme is an open ended equity scheme. Subscription facility is available on a continuous basis.

The following cut-off timings shall be observed by the fund in respect of repurchase / switch out of units in the scheme / plans, and the following NAVs shall be applied for such repurchase / switch out (repurchase / switch out facility shall be on specified repurchase date(s) / at maturity) :

a. where the application received upto 3.00 pm – closing NAV of the day of receipt of application; and

b. an application received after 3.00 pm – closing NAV of the next business day.

Where can the applications for purchase/redemption switches be submitted?

The redemption/ repurchase requests can be made on the transaction slip for redemption available at the Official point of acceptance of transactions or the office of the Registrar or the offices of the AMC on any business day (as per details given in the last few pages and the back cover page of this document).

In case the Units are standing in the names of more than one Unitholder, where mode of holding is specified as 'Jointly', redemption requests will have to be signed by all joint holders. However, in cases of holding specified as 'Anyone or Survivor', any one of the Unitholders will have the power to make redemption requests, without it being necessary for all the Unitholders to sign. However, in all cases, the proceeds of the redemption will be paid only to the first-named holder.
The Unitholder may either request for mailing of the redemption proceeds to his/her address or the collection of the same from the Official point of acceptance of transactions.

Minimum Application Amount (subscription): Rs. 5,000/- per application and in multiples of Re. 1/- thereafter in Plan A and Rs. 25,00,000 per application and in multiple of Re. 1 thereafter

Minimum amount for redemption: Rs 1

Minimum balance to be maintained and consequences of non maintenance : Rs. 500/-. The Fund may close a Unitholder's account if, as a consequence of redemption/ repurchase, the balance falls below Rs.500/-. In such a case, entire Units to the Unitholder's account will be redeemed at the Applicable NAV with the applicable Load, if any, and the account will be closed

Special Products / facilities available during the New Fund offer and the Ongoing offer

SYSTEMATIC WITHDRAWAL PLAN (SWP):

Unitholders of the Scheme have the benefit of enrolling themselves in the Systematic Withdrawal Plan. The SWP allows the Unitholder to withdraw a specified sum of money periodically from his investments in the Scheme. SWP is ideal for investors seeking a regular inflow of funds for their needs. It is also ideally suited to retirees or individuals who wish to invest lumpsums and withdraw from the investment over a period of time.

Systematic Withdrawal Plan - As per amount indicated by the Unitholder

The minimum amount which the Unitholder can withdraw is Rs. 500 and in multiples of Re. 1 thereafter. Unitholders may change the amount indicated in the SWP, subject to a minimum amount of Rs. 500 and in multiples of Re. 1 thereafter. The Unitholder may avail of this plan by sending a written request to the Registrar. This facility is available in the growth and dividend option.

SYSTEMATIC TRANSFER PLAN (STP)

Investors can opt for the Systematic Transfer Plan by investing a lumpsum amount in one scheme of the fund and providing a standing instruction to transfer sums at monthly intervals (for a minimum period of 6 months) into any other scheme of IDFC Mutual Fund. Investors could also opt for STP from an existing account by quoting their account / folio number. Investors could choose to specify a fixed sum to be transferred every month. Alternatively, in the Growth Option(s) / sub-options under the Scheme(s) of IDFC Mutual Fund, investors could opt to automatically transfer the capital appreciation (between the immediately preceding STP date and the present STP date) in the value of their investments to the Scheme(s) of IDFC Mutual Fund. Transfers would be effected as of the first / tenth / twentieth day of every month, as may be prescribed by the unitholder. In the event that such a day is a holiday, the transfer would be effected on the next business day. Transfers must be for a minimum amount of Rs.1000/- in case of STPs where a fixed sum is specified to be transferred every month.

Further STP is can also be effected on weekly, fortnightly and monthly basis. In case of weekly STP, STP is available on 7th, 14th, 21st and 28th of the month, in case of fortnightly on the 1st & 16th of the month and in case of monthly on 1st, 10th & 30th of the month. If STP day falls on non-business day, the STP transaction shall be processed on the next business day.

The AMC reserves the right to introduce STPs at such other frequencies such as quarterly / half-yearly etc. or on any dates as the AMC may feel appropriate from time to time.

SET TRANSACTION ON AUTO REMINDER (STAR)

The facility provides the unitholders with an option to withdraw and / or switch out and / or reinvest the investments made in the Scheme:
(1) On the value of investments either reaching a particular amount or on the investments depreciating in value to a particular amount.

(2) On achieving capital appreciation / on depreciation in value of investments equal to or more than a specified amount or percentage

(3) On happening of a particular event or on a particular date (with or without lock in for a particular period)

Certain illustrations have been given for clarification of STAR:

1. Value of investment depreciating to a particular amount

If the investor has opted for STAR for a redemption on the value of his investment reaching Rs. 10000 when his initial investment was Rs 11000, in such a case a redemption will be automatically triggered on the value of his investment reaching Rs 10000 based on the applicable NAV on the day the said condition is met.

2. Capital appreciation of a particular amount

If the investor has opted for STAR for redemption on achieving 30 % capital appreciation on an investment of Rs 1000, his redemption will be automatically triggered on the value of investment reaching Rs 1300 based on the applicable NAV on the day the said condition is met.

3. On the happening of an event or on a particular date

If the investor wants a particular amount on his birthday, he may opt for STAR and specify the date in such a manner that his redemption proceeds of a particular amount are made available to him on the specified date or as an instance, if the investor wants to switch his investments to certain other scheme of IDFC Mutual Fund on the first day of the next financial year, he may do so by providing such an instruction to the AMC. STAR is thus a financial tool which provides the investors with an opportunity to plan their redemptions / switch outs in accordance with their financial needs. STAR can also help an investor in minimizing losses and / or timely booking of profits. All redemptions/ switches/reinvestments etc. linked to STAR will be based on the applicable NAV of the day on which the condition specified / event occurs. STAR is only an additional facility to the unitholders which provides them with a convenient method of swithching out / reinvesting / redeeming their investments on happening of a particular predetermined condition / event. STAR is not an assurance of any return or gains on part of AMC / Fund to the investor. Nor is there any assurance of minimizing the loss of the investors.

The Trustees / AMC reserve the right to add / modify / remove the conditions / events with respect to STAR for redemption / reinvestment / switch outs in the Scheme.

SYSTEMATIC INVESTMENT PLAN FOR CORPORATE EXECUTIVES (SICE)

SICE is the Systematic Investment Plan for Corporate Executives. All the terms and conditions and other operational aspects prescribed under SIP shall be applicable to SICE also. The only difference is that rather than the individual investor giving post dated cheques, the company for which the executive works will deduct the instructed amount from the salary of the employee and will give one consolidated cheque along with the details of the investor (executive), name, amount, etc. The terms and conditions in regard to the above, will be decided between the Corporate and the AMC from time to time. The account statement/transaction slip will subsequently be sent to the investor concerned. The Fund, reserves the right to issue operational guidelines under SIP/SWP/PEP/SICE and also alter/modify their structure from time to time.

ACCOUNTS STATEMENTS

For normal transactions: sales (during the NFO and during the ongoing offer) and repurchase:

- The AMC shall issue to the investor whose application (other than SIP/STP) has been accepted, an account statement specifying the number of units allotted (state the service standard for the same)
- For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail.
- The unitholder may request for a physical account statement by writing/calling the AMC/ISC/R&T. *(state procedure).*

For SIP / STP transactions:

- Account Statement for SIP and STP will be despatched once every quarter ending March, June, September and December within 10 working days of the end of the respective quarter.
- A soft copy of the Account Statement shall be mailed to the investors under SIP/STP to their e-mail address on a monthly basis, if so mandated.
- However, the first Account Statement under SIP/STP shall be issued within 10 working days of the initial investment/transfer.
- In case of specific request received from investors, Mutual Funds shall provide the account statement (SIP/STP) to the investors within 5 working days from the receipt of such request without any charges.

Annual Account Statement:

- The Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement,
- The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme.

Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.

The AMC shall issue to the investor whose application has been accepted, an account statement specifying the number of units allotted (state the service standard for the same). For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail.

The unitholder may request for a physical account statement by writing/calling the AMC/ISC/R&T.

Any communication /despatch of redemption /dividend proceeds, account statements etc. to the unitholders would be made by the Registrar/AMC in such a manner as they may consider appropriate in line with reasonable standards of servicing. The Unitholder may request the AMC / Registrar to provide him a fresh account statement by approaching any office of either the AMC or its registrar..

ANNUAL ACCOUNT STATEMENT:

- The Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement,
- The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme.

Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated

Dividend

The dividend warrants shall be dispatched to the unitholders within 30 days of the date of declaration of the dividend.

Redemption

The redemption or repurchase proceeds shall be dispatched to the unitholders within 10 working days from the date of redemption or repurchase.

Delay in payment of redemption / repurchase proceeds

The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

C. PERIODIC DISCLOSURES

Net Asset Value

This is the value per unit of the scheme on a particular day. You can ascertain the value of your investment by multiplying the NAV with your unit balance.

NAV of units under the Scheme shall be calculated as shown below: **NAV (Rs.)=**

Market or Fair Value Scheme's investments	+	Current Assets including Accrued Income	-	Current Liabilities Provisions including accrued expenses

No. of Units outstanding under Scheme

The NAV of the Scheme will be calculated upto four decimal places and will be declared on each business day. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and shall be subject to such regulations as may be prescribed by SEBI from time to time.

The NAV shall be calculated and announced / *and released to the Press* on each business day. The NAVs of Growth Option and Dividend Option will be different after the declaration of the first dividend. NAV of the scheme shall be endeavoured to be updated on AMFI's website www.amfiindia.com by 9.00 p.m. The NAVs shall also be updated on the website of the Mutual Fund, www.idfcmf.com.

Half yearly Disclosures: Portfolio / Financial Results (This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures)

The mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located.

The mutual fund may opt to send the portfolio to all unit holders in lieu of the advertisement (if applicable).

Half Yearly Results

The mutual fund and Asset Management Company shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated.

Annual Report

Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year i..e. 31st March each year.

Associate Transactions

Please refer to Statement of Additional Information (SAI).

<table>
<tr><td rowspan="6">Taxation

The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the schemes.

(mention the tax rates as per the applicable tax laws)</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Resident Investors</td><td>Mutual Fund</td></tr>
<tr><td><u>Equity Fund</u> Tax on Dividend</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Capital Gains:
Long Term
Short Term</td><td>

Nil
15%</td><td>

Nil
Nil</td></tr>
<tr><td colspan="3">Equity scheme will also attract securities transaction tax (STT) at applicable rates.</td></tr>
<tr><td colspan="3">For further details on taxation please refer to the clause on Taxation in the SAI</td></tr>
</table>

Note: Surcharge and Educational cess will be payable in addition to the applicable taxes, wherever applicable.

1) Long-term capital gains

As per Section 10(38) of the Act, long-term capital gains arising from the sale of unit of an equity oriented fund entered into in a recognised stock exchange or sale of such unit of an equity oriented fund to the mutual fund would be exempt from income tax, provided such transaction of sale is chargeable to securities transaction tax. Companies would be required to include such long term capital gains in computing the book profits and minimum alternate tax liability under section 115JB of the Act.

2) Short-term Capital Gains

As per Section 111A of the Act, short-term capital gains from the sale of unit of an equity oriented fund entered into in a recognised stock exchange or sale of such unit of an equity oriented fund to the mutual fund is proposed to be taxed at 15 per cent effective 1 April 2008 (instead of the earlier rate of 10 per cent), provided such transaction of sale is chargeable to securities transaction tax.

The said tax rate would be increased by a surcharge of :

- 10 per cent in case of non-corporate Unit holders (excluding partnership firms), where the total income exceeds Rs.1,000,000,
- 10 per cent in case of resident partnership firms and corporate Unit holders, and
- 2.5 per cent in case of non-resident unit holders.

However, surcharge is leviable on companies and firms if their total income is in excess of Rs 10,000,000.

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge.

In case of resident individual, if the income from short term capital gains is less than the maximum amount not chargeable to tax, then there will be no tax payable.

Further, in case of individuals/ HUFs, being residents, where the total income excluding short-term capital gains is below the maximum amount not chargeable to tax1, then the difference between the current maximum amount not chargeable to tax and total income excluding short-term capital gains, shall be adjusted from short-term capital gains. Therefore only the balance short term capital gains will be liable to income tax at the proposed rate of 15 percent, plus surcharge, if applicable and education cess.

3) No income distribution tax is payable by the Fund, in respect of schemes in the nature of equity oriented fund, in terms of section 115R of the Act, which deals with tax on income distributable to unit holders of mutual funds.

Investor services

Investor Relations Officers:

Name	Region	Address and Contact Number
Sunil Aryamane	West	17/18, 3rd Floor, Vaswani Mansion, 120, Dinshaw Vachha Road, Opp. K C College, Churchgate, Mumbai - 400 020. Tel.: 22841378.E-Mail ID : sunil.aryamane@idfcmf.com
Vijith Raghavan	East	Oswal Chambers, 1st Floor, 2 Church Lane, Kolkata - 700 001. Tel. : 033-3024 9778/80/8. E-Mail ID : vijith.raghavan@idfcmf.com
Jincy John	North	4th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi - 110 001. Tel. : 011-47311323. Fax: 011-23326669, 41524332. E-Mail ID : jincy.john@idfcmf.com
Shaji Perincheri	South	Maalavika Centre, Old No. 144/145, New No. 60, Kodambakkam Road, Chennai - 600 034. Tel. : 91-44-25349340. E-Mail ID : shaji.perincheri@idfcmf.com

D. COMPUTATION OF NAV

The NAV of the Units of the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the valuation date. The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time.

All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day to day basis. The minor expenses and income will be accrued on a periodic basis, provided the non-daily accrual does not affect the NAV calculations by more than 1%.

Any changes in securities and in the number of units be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible given the frequency of the Net Asset Value disclosure, the recording may be delayed upto a period of seven days following the date of the transaction, provided that as a result of the non-recording, the Net Asset Value calculations shall not be affected by more than 1%.

In case the Net Asset Value of a scheme differs by more than 1%, due to non - recording of the transactions, the investors or scheme/s as the case may be, shall be paid the difference in amount as follows:-

(i) If the investors are allotted units at a price higher than Net Asset Value or are given a price lower than Net Asset Value at the time of sale of their units, they shall be paid the difference in amount by the scheme.

(ii) If the investors are charged lower Net Asset Value at the time of purchase of their units or are given higher Net Asset Value at the time of sale of their units, asset management company shall pay the difference in amount to the scheme. The asset management company may recover the difference from the investors

NAV of units under the Scheme shall be calculated as shown below: **NAV (Rs.) =**

Market or Fair Value of Scheme's investments	+	Current Assets including Accrued Income	-	Current Liabilities and Provisions including accrued expenses

No. of Units outstanding under Scheme

The NAV of the Scheme will be calculated upto four decimal places and will be declared on each business day. The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and shall be subject to such regulations as may be prescribed by SEBI from time to time.

The NAV shall be published atleast in two daily newspapers at intervals of not exceeding one week and shall be calculated and announced on a daily basis. The NAVs of Growth Option and Dividend Option will be different after the declaration of the first dividend.

IV. FEES AND EXPENSES (This section outlines the expenses that will be charged to the schemes)

As per the provisions of the Regulations, read with the amendments thereto, the following fee and expenses will be charged to the plans under the scheme.

A. NEW FUND OFFER (NFO) EXPENSES (These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc)

New Fund Offer expenses amounting to Rs. 0.02 Crs (being 0.01% of the amount mobilized during the NFO.)

NFO expenses were borne by AMC.

B. ANNUAL SCHEME RECURRING EXPENSES

(These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below):

The AMC has estimated that up to 2.50 % of the weekly average net assets of the scheme will be charged to the scheme as expenses. For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

Particulars	% of Net Assets
Investment Management & Advisory Fee	1.25
Custodial Fees	0.20
Registrar & Transfer Agent Fees including cost related to providing accounts statement, dividend/redemption cheques/warrants etc.	0.20
Marketing & Selling Expenses including Agents Commission	0.65
Brokerage & Transaction Cost pertaining to the distribution of units	0.10
Audit Fees / Fees and expenses of trustees	0.125
Costs related to investor communications	0.01
Costs of fund transfer from location to location	0.01
Other Expenses*	0.1275
Total Recurring Expenses	**2.50**

The purpose of the above table is to assist the investor in understanding the various costs and expenses that an investor in the Scheme will bear. These estimates are based on a corpus size of Rs.1 crore under the Scheme, and would change, to the extent assets are lower or higher. If the corpus size is in excess of Rs.1 crore, the above mentioned recurring expenses in the Scheme would change. The above expenses are subject to inter-se change and may increase/decrease as per actual and/or any change in the Regulations.

These estimates have been made in good faith as per information available to the AMC and the total expenses may be more than as specified in the table above. However, as per the Regulations, the total recurring expenses that can be charged to the Scheme in this Scheme information document shall be subject to the applicable guidelines. Expenses over and above the permitted limits will be borne by the AMC.

As per SEBI (MF) Regulations, 1996, recurring expenses will not exceed the following limits per annum:

1. on the first Rs. 100 crore of the Scheme's weekly average net assets, will not exceed 2.50%
2. on the next Rs. 300 crore of the Scheme's weekly average net assets, will not exceed 2.25%
3. on the next Rs. 300 crore of the Scheme's weekly average net assets, will not exceed 2.00% and
4. on the balance of the Scheme's weekly average net assets, will not exceed 1.75%.

Recurring expenses incurred in excess of the aforesaid limits will be borne by the AMC.

The total recurring expenses of the Scheme, will, however, be limited to the ceilings as prescribed under Regulation 52(6) of the Regulations. These estimates have been made in good faith as per the information available to the Investment Manager based on past experience and are subject to change inter-se. Types of expenses charged shall be as per the SEBI (MF) Regulations.

These estimates have been made in good faith as per the information available to the Investment Manager based on past experience and are subject to change inter-se. Types of expenses charged shall be as per the SEBI (MF) Regulations.

AMC Fee:
In terms of the Investment Management Agreement and the Regulations, the AMC is entitled to an investment management fee at 1.25% per annum of the average net assets for a corpus up to Rs.100 crore and at 1.00% per annum for the corpus amount in excess of Rs.100 crore.

C. LOAD STRUCTURE

Load is an amount which is paid by the investor to subscribe to the units or to redeem the units from the scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC (www.idfcmf.com) or may call at (toll free no.1-800-226622) or your distributor.

Load Structure

Entry load: Nil

Exit load: Exit Load for all investment including SIP/Micro SIP/STP shall be 0.50% of the applicable NAV if redeemed /switched out within 365 days from the date of allotment.

No Exit Loads / CDSC will be chargeable in case of switches made between different options of the plan.

The exit load/ CDSC of up to 1% of the redemption value charged to the unit holder by the Fund on redemption of units shall be retained by each of the schemes in a separate account and will be utilized for payment of commissions to the ARN Holder and to meet other marketing and selling expenses. Any amount in excess of 1% of the redemption value charged to the unit holder as exit load/ CDSC shall be credited to the respective scheme immediately
The investor is requested to check the prevailing load structure of the scheme before investing.

In case of changes/modifications of load, the AMC will endeavour to do the following:

1. An addendum will be attached to the Scheme Information Documents and Key Information Memorandum. The same may be circulated to brokers/distributors so that the same can be attached to all offer documents and abridged offer documents in stock. Further the addendum will be sent along with a newsletter to unitholders immediately after the changes.
2. Arrangement will be made to display the changes/modifications in the offer document in the form of a notice in all the official point of acceptance of transactions and distributor's/broker's office.
3. The introduction of the exit load / CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load / CDSC.
4. A public notice shall be given in respect of such changes in one English Daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head office of the Mutual Fund is situated.

The load collected under the scheme will be credited to a separate account. Surplus of load, if any, will be credited to the scheme whenever felt appropriate by the AMC or on maturity of the scheme.

D. DIRECT APPLICATIONS

Investors may note and follow the below-mentioned directions while applying for the units of the schemes of IDFC Mutual Fund:

(1) For direct applications, the Investor should write in the space provided for the broker code "Direct Application" or "Not Applicable (N.A.)"

(2) In case of change in broker, the investor will be required to strike off the old broker code and countersign near the new broker code, before submitting the application form / transaction form / purchase from at the applicable collection centres / OPA (Official points of Acceptance).

(3) The Registrar and the AMC are shall effect the received changes in the broker code within the reasonable period of time from the time of receipt of written request from the investor at the designated collection centres / OPA. Decision of the Registrar/AMC in this regard shall be final and acceptable to all.

(4) All Unitholders who have currently invested through channel distributors and intend to make their future investments through the Direct route, are advised to complete the procedural formalities prescribed by AMC from time to time.

(5) List of Official Points of Acceptance is available on the website of the Mutual Fund. www.idfcmf.com

The Mutual Fund need to use intermediaries such as post office, local and international couriers, banks and other intermediaries for correspondence with the investor and for making payment to the investor by cheque, drafts, warrants, through ECS etc. The investor expressly agrees and authorizes the Mutual Fund to correspond with the investor or make payments to the investors through intermediaries including but not limited to post office, local and international couriers and banks.

The Registrar, AMC, MF or any other agent or representative of any of these entities ('Mutual Fund') may accept certain transactions via facsimile or through any electronic mode ('fax/electronic transactions'), subject to the investor fulfilling certain terms and conditions as stipulated by the AMC from time to time. Acceptance of fax/electronic transactions will be as per processes / methodologies permitted by SEBI or other regulatory authorities from time to time and will be solely at the risk of the investor using the fax/electronic transaction ('Investor') and the Mutual Fund shall not be in any way liable or responsible for any loss, damage, caused to the Investor directly or indirectly, as a result of the Investor sending such fax, whether or not received by the Mutual Fund. The investor acknowledges that fax / electronic transaction is not a secure means of giving instructions / transaction requests and that the investor is aware of the risk involved including those arising out of such transmission being inaccurate, illegible, having a lack of quality or clarity, garbled, distorted, not timely etc. and that the Investor's request to the Mutual Fund to act on any fax / electronic transaction is for the investor's convenience and the investor shall not be obliged or bound to act on the same. The Investor authorizes the Mutual Fund to accept and act on any fax / electronic transaction which the Mutual Fund believes in good faith to be given by the Investor and the Mutual Fund shall be entitled to treat any such fax / electronic transaction as if the same was given to the Mutual Fund under the investor's original signature. The Investor agrees that the security procedures adopted by the Mutual Fund may include signature verification, telephone callbacks or a combination of the same. Callbacks may be recorded by tape recording device and the Investor consents to such recording and agrees to co-operate with the recipient to enable confirmation of such fax / electronic transaction requests. The investor further accepts that the fax / electronic transaction shall not be considered until time stamped appropriately as a valid transaction request in the scheme in line with SEBI Regulations. In consideration of the mutual fund from time to time accepting and acting on any fax / electronic transaction request received / believed to be received from the investor, the investor agrees to indemnify and keep indemnified the AMC, IDFC Mutual Fund, Trustees, Sponsor and the group companies of the AMC from and all actions, claims, demands, liabilities, obligations, losses, damages, costs (including without limitation, interest and legal fees) and expenses of whatever name (whether actual or contingent) directly or indirectly suffered or incurred sustained by or threatened against them. The AMC reserves the right to discontinue the above mentioned facilities at any point in time.

V. RIGHTS OF UNITHOLDERS

Please refer to SAI for details.

VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY

1. *Penalties and action(s) taken against foreign Sponsor(s) limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Also, top 10 monetary penalties of foreign sponsor(s) during the last three years.*

   None

2. *In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.*

   The National Securities Clearing Corporation Ltd. informed that IDFC Enterprise Equity Fund had an open interest in stock futures segment in one of the securities where the exposure quantity which was in excess of 1% of the free float market capitalization (in terms of shares) and that the exposure was also in excess of 5% of open interest (in terms of number of shares) in all futures and option contracts in the underlying security. In accordance with the NSCCL circular dated June 17, 2003, the MF was levied a penalty of Rs. 1 Lakh.

3. *Details of all enforcement actions(Including the details of violation, if any) taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party.*

   None

4. *Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party.*

   None

5. *Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or notified by any other regulatory agency.*

   The Clearing Corporation of India Limited, Mumbai imposed a penalty on the AMC under CCIL's Bye – Laws, Rules & Regulation on account of short fall in CCIL securities segment margin. The penalty charged to the AMC amounted to approx. Rs 49,000. The AMC has taken adequate steps to ensue that no further breach shall take place

Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

Note: The Scheme Information Document containing details of the schemes of IDFC Mutual Fund, has been approved by the Board of IDFC AMC Trustee Company Limited (formerly known as Standard Chartered Trustee Company Private Limited) on June 27, 2008.

For and on behalf of the Board of Directors of
IDFC Asset Management Company Limited

Sd/-

Naval Bir Kumar
Managing Director

Mumbai, dated April 16, 2010

Name, address and contact no. of Registrar and Transfer Agent (R&T), email id of R&T, website address of R&T, official points of acceptance, collecting banker details etc.

REGISTRAR:
Computer Age Management Services Private Limited (CAMS)
Ground Floor, 178/10, Kodambakkam High Road,
Opposite Palm Grove, Numgambakkam,
Chennai 600 034
Tel. + 91 – 44 – 28283606/07
E-Mail ID: dk_prakash@camsonline.com
Website: www.camsonline.com

Official Points of Acceptance of Transactions, CAMS

Ahmedabad 402-406, 4th Floor - Devpath Building, Off C G Road, Behind Lal Bungalow, Ellis Bridge, Ahmedabad - 380 006. Phone:079-30082468/30082469/30082470

Bangalore Trade Centre, 1st Floor 45, Dikensen Road (Next to Manipal Centre), Bangalore-560 042.
Phone : 080-30574709/30574710/30578004/30578006

Bhubaneswar 101/ 5, Janpath, Unit – III , Near Hotel Swosti, Bhubaneswar - 751 001. Phone : 0674-325 3307/325 3308

Chandigarh Deepak Towers, SCO 154-155, 1st Floor, Sector 17-C, Chandigarh-160 017.
Phone:0172-304 8720/304 8721/304 8722/3048723

Chennai Ground Floor No.178/10, Kodambakkam High Road, Opp. Hotel Palmgrove, Nungambakkam, Chennai -600 034 Phone : 044-3911 5563/ 3911 5565 /3911 5567/39115561

Cochin 40 / 9633 D, Veekshanam Road, Near International Hotel, Cochin-682 035. Phone : 0484-323 4658 /323 4662

Coimbatore Old # 66 New # 86, Lokamanya Street (West), Ground Floor, R.S.Puram, Coimbatore-641 002. Phone:0422-301 8000/301 8001.

Durgapur 4/2, Bengal Ambuja Housing Development Ltd, Ground Floor, City Centre Dist - Burdwan, West Bengal, Durgapur-713 216 Phone : 0343/329 8890 /329 8891/6451419

Goa No.108, 1st Floor, Gurudutta Bldg, Above Weekender M G Road, Panaji (Goa) - 403 001.
Phone : 0832/325 1755-325 1640

Hyderabad 102, First Floor , Jade Arcade, Paradise Circle, Secunderabad-500 003. Phone : 040-3918 2471/3918 2473 /3918 2468/3918 2469

Indore 101, Shalimar Corporate Centre, 8-B, South tukogunj, Opp.Greenpark, Indore-452 001.
Phone : 0731-325 3692/325 3646

Jaipur G-III, Park Saroj , Behind Ashok Nagar Police Station, R-7, Yudhisthir Marg ,C-Scheme. Jaipur-302 001
Phone – 0141/326 9126/326 9128/5104373/5104372

Kanpur G – 27,28 – Ground Floor, CITY CENTRE, 63/ 2, THE MALL, Kanpur-208 001. Phone : 0512-3918003/3918000/3918001/3918002

Kolkata "LORDS Building", 7/1,Lord Sinha Road, Ground Floor, Kolkata-700 071. Phone : 033/32550760/3058 2285 /3058 2303 /30582281

Lucknow Off # 4,1st Floor,Centre Court Building, 3/c, 5 - Park Road, Hazratganj, Lucknow-226 001.
Phone : 0522/391 8000/391 8001/391 8002/3918003

Ludhiana U/ GF, Prince Market, Green Field, Near Traffic Lights, Sarabha Nagar Pulli, Pakhowal Road, Above Dr. Virdi's Lab, P.O Model Town, Ludhiana-141 002. Phone : 0161-301 8000/301 8001

Madurai 86/71A, Tamilsangam Road, Madurai-625 001. Phone : 0452-325 1357/325 2468

Mangalore No. G 4 & G 5, Inland Monarch, Opp. Karnataka Bank , Kadri Main Road, Kadri, Mangalore-575 003. Phone : 0824-325 1357/325 2468

Mumbai Rajabahdur Compound, Ground Floor, Opp Allahabad Bank, Behind ICICI Bank 30, Mumbai Samachar Marg, Fort, Mumbai-400 023. Phone : 022-30282468/30282469/30282471/65257932

Nagpur 145 Lendra, Behind Indus Ind Bank, New Ramdaspeth, Nagpur - 440 010. Phone : 0712-325 8275/2432447

New Delhi 304-305 III Floor, Kanchenjunga Building, 18, Barakhamba Road, Cannaugt Place, New Delhi - 110 001. Phone : 011-3048 2471 /3048 1203 /3048 1205 /30482468

Patna Kamlalaye Shobha Plaza (1st Floor), Behind RBI Near Ashiana Tower, Exhibition Road, Patna-800 001.Phone : 0612-325 5284/325 5285/3255286

Pune Nirmiti Eminence, Off No. 6, I Floor, Opp Abhishek Hotel, Mehandale Garage Road, Erandawane, Pune - 411 004. Phone: 020-30283005/30283003/30283000/30283001

Surat Office No 2 Ahura -Mazda Complex, First Floor, Sadak Street, Timalyawad, Nanpura, Surat - 395 001. Phone : 0261/326 2267/326 2468/326 0352

Vadodara 109 - Silver Line, Besides world Trade Centre, Sayajigunj, Vadodara - 390 005
Phone :0265-301 8029/301 8031

Vijayawada 40-1-68, Rao & Ratnam Complex, Near Chennupati Petrol Pump, M.G Road, Labbipet, Vijayawada - 520 010
Phone : 0866-329 9181/329 5202

Visakhapatnam 47/ 9 / 17, 1st Floor, 3rd Lane , Dwaraka Nagar, Visakhapatnam-530016.
Phone : 0891-329 8397/329 8374/2554893