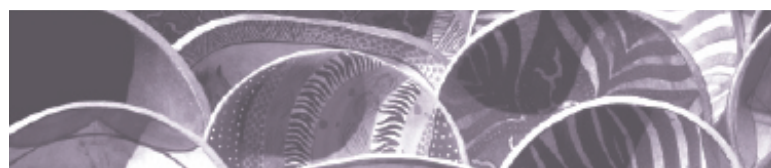


IDFC Arbitrage Fund

An open-ended equity fund

Fund characteristics

Fund name	IDFC Arbitrage Fund (IDFC-AF)
Nature	Equity & Equity Derivatives
Fund manager	Ashwin Patni and Arjun Parthasarathy
Investment objective	The investment objective of the Scheme is to generate capital appreciation and income by predominantly investing in arbitrage opportunity in the cash and the derivative segments of the equity markets and the arbitrage opportunity available within the derivative segments 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.
Investment style	The Scheme seeks to capture the "Cost of Carry" by executing simultaneous buy (in the cash market) and sell (in the futures) trades. The amount not so invested is invested in FDs and money market instruments.
Ideal investment horizon	1 year or more
Entry load	Nil
Exit load	0.25% in both Plan A and Plan B, if redemption / switch is requested within 30 days from the date of purchase, during ongoing period. (w.e.f. August 24, 2009). In case of Switches, Exit load shall be NIL for all switch transactions between equity schemes of IDFC Mutual Fund w.e.f. October 12, 2009.
Options available	Growth, Dividend & Dividend Sweep (w.e.f. 16-Nov-2009)
Minimum investment amount	Plan A : Rs. 5,000 Plan B : Rs. 25,00,000 (w.e.f. July 6, 2009)
Additional investment amount	Re. 1
SIP (minimum amount)	NA
Inception date	21 December 2006



Introduction

The IDFC Arbitrage Fund is a fund that invests predominantly in arbitrage opportunities in the cash and the derivative segments of the equity market. Such trades are market neutral and low risk in nature. As an open ended equity fund, it offers the tax benefits that equity schemes enjoy.

The world of arbitrage

Arbitrage opportunities within the equity derivative market are constantly sought and evaluated. Here is an example of how it works. The fund buys 10,000 shares of Company A in the spot market at Rs. 180 and at the same time sells 10,000 Company A futures for current month expiry at Rs. 182. This allows the fund to lock in a spread of Rs. 2 or 1.11% (2/180) on the position. The spread of 1.11% represents the 'yield' realized to the fund over the tenure of the position. At the end of the tenure, the fund may either unwind or rollover the future position to the next month depending on whether the cash-future spread for the next month is favorable.

Apart from single stock futures, the fund can also carry out similar trades using indices such as Nifty on which futures are available.

Who is it for?

This product is for conservative investor seeking the comfort of a relatively less risky portfolio in addition, they can avail of tax benefits as well. Dividends declared by equity fund are completely tax-free and equity funds attract zero long term capital gains tax if units are held for more than 365 days.

Fund manager's comment

Cash-future spreads improved as FII arbitrage books shrunk in size. The fund was able to successfully roll-over its futures positions into July.

IDFC Arbitrage Fund

An open-ended equity fund

Performance (30 Jun 2010)

Period	IDFC-AF Growth Returns	Benchmark Returns
Last 1 year CAGR	3.13%	3.29%
Last 2 year CAGR	4.18%	5.81%
Last 3 year CAGR	5.33%	6.13%
Since inception CAGR	6.11%	6.50%

Inception date: 21 Dec 2006. Benchmark : Crisil Liquid Fund Index. The returns have been calculated on the basis of compounded Annualised Growth Rate: Past performance may or may not be sustained in future.

Dividend History (30 Jun 2010) (face value Rs.10/-)

Date	Rs./Unit	NAV
19-Apr-10 B	0.0100	10.5203
11-May-10 B	0.0100	10.5498
21-Jun-10 B	0.0100	10.5834

Portfolio (30 Jun 2010)

Name	Market Value in Lakhs	% of NAV	Market Value (in Lakhs) Futures
Century Textiles & Industries Ltd.	1150.07	4.89	-1146.33
Hindustan Petroleum Corporation Ltd.	896.75	3.82	-898.75
Piramal Healthcare Limited	879.77	3.74	-885.63
Jaiprakash Associates Ltd.	755.87	3.22	-761.46
Orchid Chemicals & Pharmaceuticals Ltd.	742.59	3.16	-703.57
Pantaloon Retail (India) Ltd.	705.76	3.00	-711.88
Hindalco Industries Ltd.	656.03	2.79	-661.48
Balrampur Chini Mills Ltd.	638.44	2.72	-639.95
Ispat Industries Ltd	574.20	2.44	-578.99
JSW Steel Ltd.	570.53	2.43	-574.56
Reliance Industries Ltd.	542.20	2.31	-543.89

Portfolio (Contd.)

Name	Market Value in Lakhs	% of NAV	Market Value (in Lakhs) Futures
Firstsource Solutions Limited	535.25	2.28	-539.97
Welspun Corp Ltd.	531.24	2.26	-535.80
Shree Renuka Sugars Ltd	515.66	2.19	-520.22
ICSA India Ltd	515.31	2.19	-514.42
Biocon Limited	491.43	2.09	-489.39
Housing Development & Infrastr Ltd	454.82	1.94	-458.46
India Infoline Ltd.	433.89	1.85	-437.70
Mercator Lines Limited	397.46	1.69	-400.01
Vijaya Bank	392.46	1.67	-380.30
Moser Baer India Limited	389.65	1.66	-392.49
Indiabulls Real Estate Limited	327.91	1.40	-330.82
KS Oil Limited	312.02	1.33	-316.01
Bajaj Hindustan Ltd.	308.75	1.31	-310.86
Rolta India Ltd.	295.59	1.26	-298.14
Unitech Ltd.	252.79	1.08	-254.66
Canara Bank	242.33	1.03	-243.97
Reliance Mediaworks Ltd.	229.32	0.98	-231.48
Cairn India Limited	224.78	0.96	-226.33
Oil & Natural Gas Corporation Ltd.	191.52	0.82	-191.94
Television Eighteen India Ltd.	177.65	0.76	-179.58
Reliance Power Limited	164.54	0.70	-165.84
Mphasis Limited	163.42	0.70	-164.39
Yes Bank Ltd.	158.89	0.68	-159.71
Praj Industries Limited	157.25	0.67	-158.50
Reliance Infrastructure Limited	150.13	0.64	-151.16
Jain Irrigation Systems Ltd.	147.37	0.63	-148.36
Noida Toll Bridge Co. Ltd.	143.18	0.61	-143.87
India Cements Ltd.	135.89	0.58	-133.69
Tata Teleservices (Mah) Limited	102.36	0.44	-103.28
IFCI Limited	93.40	0.40	-94.14
Bharat Forge Ltd.	92.61	0.39	-93.15
Wipro Ltd.	83.28	0.35	-83.89
Nagarjuna Fertilizers & Chemicals Ltd.	71.79	0.31	-71.23
Mangalore Refinery & Petrochemicals Ltd.	69.64	0.30	-70.15
Kingfisher Airlines Ltd	35.68	0.15	-36.00
Triveni Engineering And Industries Ltd.	16.31	0.07	-16.45
Total	17117.74	72.85	-17152.82
Call / Reverse Repo/ CBLO Total	2870.41	12.22	
Bank Deposit Total	4000.00	17.02	
Net Current Asset	-490.51	-2.09	
Grand Total	23497.64	100.00	

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Risk Factors: Mutual Funds and securities investments are subject to market risks, reinvestment risk, changes in political, economic environment and government policy and there is no assurance or guarantee that the objectives of the Scheme will be achieved. The NAV of the Scheme can go up or down depending on factors and forces affecting the Securities Market including fluctuation in interest rates, trading volumes and reinvestment risk. Past performance of the Sponsor/AMC/Mutual Fund is not necessarily indicative of the future performance of the Scheme and may not necessarily provide a basis for comparison with other investments. IDFC Arbitrage Fund (IDFC - AF) is the name of the Scheme and does not in any manner indicate either the quality of the Scheme, its future prospects or returns. The Sponsor or any of its associates is not responsible or liable for any loss resulting from the operation of the Scheme beyond the corpus of the Trust of Rs. 30,000/-. **Terms of Issue & Load Structure:** Entry Load : Nil, Exit Load IDFC- AF - 0.25% in both Plan A and Plan B, if redemption / switch is requested within 30 days from the date of purchase, during ongoing period. (w.e.f. August 24, 2009). In case of Switches, Exit load shall be NIL for all switch transactions between equity schemes of IDFC Mutual Fund w.e.f. October 12, 2009. **Investment Objective:** The investment objective of the Scheme is to generate capital appreciation and income by predominantly investing in arbitrage opportunity in the cash and the derivative segments of the equity markets and the arbitrage opportunity available within the derivative segments 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. **Statutory Details:** IDFC Mutual Fund has been set up as a trust by Infrastructure Development Finance Company Limited (IDFC) (liability restricted to corpus of Trust of Rs. 30,000) with IDFC AMC Trustee Company Ltd as the trustee and IDFC Asset Management Company Ltd as the investment manager.

Copy of Scheme Information Document and Key Information Memorandum along with application form may be obtained from the office of IDFC Mutual Fund, One IndiaBulls Centre, 841, Jupiter Mills Compound, Senapati Bapat Marg, Elphinstone Road, (West), Mumbai 400 013. Contact Call Free: 1-800-226622

For other scheme specific risk factors and other details please read the Scheme Information Document / Statement of Additional Information carefully before investing.