

IDFC Arbitrage Plus Fund

(IDFC-APF)

An open-ended equity fund

Fund characteristics

Fund name	IDFC Arbitrage Plus Fund (IDFC - APF)
Nature	Equity Derivatives
Fund manager	Mr. Kenneth Andrade & Mr. Suyash Choudhary (w.e.f. 25Mar 2011)
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.
Investment Style	The fund aimed to generate absolute returns by investing in trades in the equity and derivative markets. The trades can consist of cash-futures arbitrage as well as relative value (such as pair trades and corporate event- based strategies) and derivatives strategies.
Ideal investment horizon	1 year or more
Entry load (Plan A & Plan B)	Nil
Exit load	IDFC- APF - Plan A & Plan B: 0.50% of NAV on investors who purchase/switch in and seek to redeem/switch out such units within 365 days such from the date of effecting such purchase/switch in. (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 : ₹ 5,000 Plan B : ₹ 25,00,000
Additional investment amount	₹ 1
Inception date	9 June 2008

The Scheme aims to provide absolute returns by taking advantage of opportunities/ pricing inefficiencies in equity cash and derivative markets. The scheme will target low volatility with low correlation to the equity market returns. Substantial allocation will be to cash and carry arbitrage. The various strategies used are briefly described below.

Cash-Future Arbitrage

Strategy involves taking a long position in the spot market and a short position in the future market of the same stock. Since the position is certain to converge on the day of derivative expiry the strategy is low-risk in nature. This tends to perform well in positive and neutral market condition.

Pair Trading

This involves taking a long position in one stock and simultaneously taking a short position in another stock to exploit relative value aberrations. The trades are selected using a statistical model and use stocks that belong to the same sector and have a high correlation. In a rising market the Long Position should go up more than the short position while in a falling market, the Long Position should fall less than the short position.

Event Play

This involves taking a position in companies where a corporate event creates an arbitrage opportunity. One example of the same is in cases when a set of buyers make an 'open offer' to the shareholders of a company as per SEBI takeover guidelines. In case the open offer price is at a premium to the prevailing price, arbitrage may be possible. Other corporate actions that may give rise to such opportunities are Mergers & Acquisitions, buybacks, delisting and dividends.

Alpha Trading

This involves taking a long position in one stock and simultaneously taking a short position in another stock. The trade seeks to capture the out performance of one stock/sector relative to the another stock/sector. The position can also use indices in place of individual stocks.

Option Trading

Cash-future spreads improved with the continued rally in equity markets. The fund was able to successfully roll-over its futures positions related to arbitrage. The fund exited its pair trade positions as markets moved up sharply affecting the same.

Fund manager's comment:

Cash-future spreads remained attractive in May. The fund was able to successfully roll-over its arbitrage positions into June. The fund also had positions in corporate action and pair trades.

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Performance (31 May 2011)

Period	IDFC-APF Growth Returns	Benchmark Returns
Last 3 months (absolute)	1.59%	1.97%
Last 6 months (absolute)	3.56%	3.89%
Last 1 year CAGR	6.96%	6.90%
Last 2 year CAGR	5.33%	4.99%
Since inception CAGR	6.08%	6.20%

Inception date: 9 June 2008. Benchmark : Crisil Liquid Fund Index.
Past performance may or may not be sustained in future.

Portfolio (31 May 2011)

Name	Market Value in Lakhs	% of NAV	Market Value (in Lakhs) Futures
Aurobindo Pharma Ltd	44.15	2.36	-44.44
Balrampur Chini Mills Ltd	47.04	2.51	-47.39
Bharat Forge Ltd	60.75	3.24	-61.19
Cairn India Ltd	50.84	2.72	-51.22
Central Bank Of India	28.27	1.51	-28.47
Kingfisher Airlines Ltd	45.95	2.45	-46.22
GVK Power & Infrastructure Ltd	45.50	2.43	-45.90
Hindalco Industries Ltd	59.21	3.16	-59.39
Hindustan Petroleum Corporation Ltd	45.66	2.44	-45.82
Tata Teleservices (Mah) Ltd	76.97	4.11	-77.47
Firstsource Solutions Ltd	54.44	2.91	-55.07
Indusind Bank Ltd	50.17	2.68	-50.06
IVRCL Ltd	51.10	2.73	-51.45
Larsen & Toubro Ltd	57.48	3.07	-57.87
Ispat Industries Ltd	32.78	1.75	-32.93
Orchid Chemicals & Pharmaceuticals Ltd	49.64	2.65	-49.95
Pantaloon Retail (India) Ltd	65.93	3.52	-66.31
Rural Electrification Corporation Ltd	59.60	3.18	-59.85
Rolta India Ltd	41.57	2.22	-41.88
State Bank Of India	57.45	3.07	-57.63
Shipping Corporation Of India Ltd	48.00	2.56	-48.16
Shree Renuka Sugars Ltd	54.91	2.93	-55.00
Syndicate Bank	14.04	0.75	-13.67
Unitech Ltd	53.88	2.88	-54.11
Equities Total	1195.33	63.84	
Nirma Ltd	78	4.17	
Pair Trade Total	78.00	4.17	
CBLO	240.05	12.82	
Corporate Bond Total	60.01	3.21	
Net Current Asset	298.98	15.97	
Grand Total	1872.37	100.00	

Dividend History (31 May 2011) (face value ₹10/-)

Plan	Date	Rs./Unit	NAV
Plan A	10-May-11	0.02	11.0452
Plan B	10-May-11	0.02	11.1357
Plan A	15-Apr-11	0.02	11.0168
Plan B	15-Apr-11	0.02	11.1049
Plan A	10-Mar-11	0.02	10.9474
Plan B	10-Mar-11	0.02	11.0321

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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 Plus Fund (IDFC - APF) 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 ₹ 30,000/-.

Terms of Issue & Load Structure: Entry Load : Nil, Exit Load IDFC- APF - Plan A & Plan B: IDFC- APF - Plan A & Plan B : 0.50% of NAV on investors who purchase/switch in and seek to redeem/switch out such units within 365 days such from the date of effecting such purchase/switch in. (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.

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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 ₹ 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.