

Reliance Natural Resources Fund

An Open-Ended Equity Scheme

Opens: 1st Jan 08

Closes: 30th Jan 08

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Reliance Mutual Fund: New Fund launches

- Garnering funds not the only objective
- Thought behind fund launches
- Potential with a longer term view – key criteria
- Attempt to provide diversification and uniqueness to an investors portfolio
- Themes aim to capture maximum return

Flashback: Sector Fund Series

- ❑ Launched sector funds during 2003-04 when they were not very popular
- ❑ Unique Dynamic Asset Allocation having flexibility to invest 0 -100% in equity and/or 0-100% in debt instruments
- ❑ Four funds launched with a view of 5-7 years
 - Reliance Diversified Power Sector Fund
 - Reliance Media & Entertainment Fund
 - Reliance Banking Fund
 - Reliance Pharma Fund

Dynamic Asset Allocation Sector funds

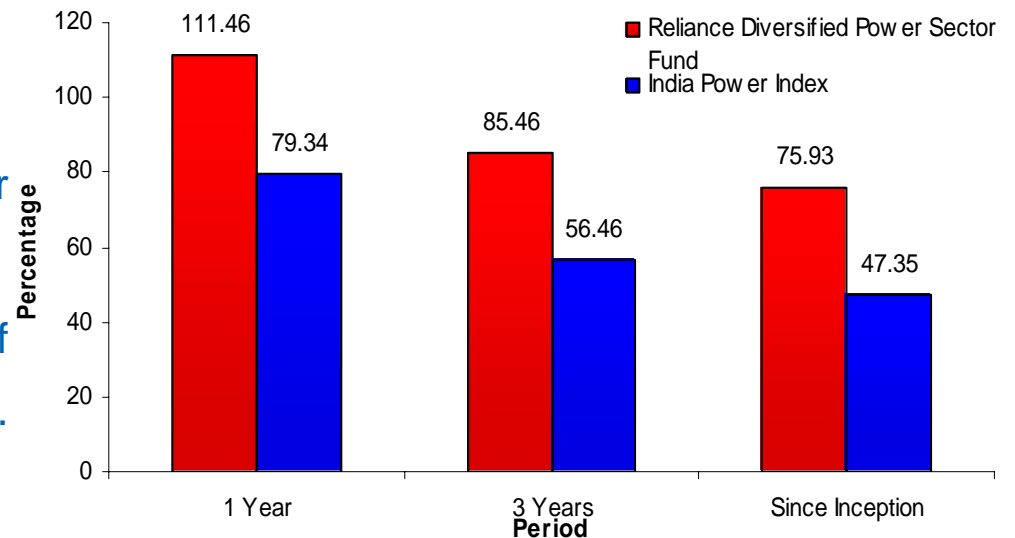
Journey through our Sector Funds

Reliance Diversified Power Sector Fund –

An open ended Power Sector scheme

- ❑ Launched in 2004
- ❑ Objective was to tap the power sector growth potential
- ❑ At the time of its launch, the universe of investment limited to a few companies. This has now grown with new listings.
- ❑ The AUM of the Fund grew by 12 times from Rs 376 Crs in May 04 (at inception) to Rs 4937 Crs in Nov 07.

RDPSF vs India Power Index



Past Performance may or may not be sustained in the future. Compounded annualized returns of Growth Option as on 17th Dec 07. (Inception Date: 10th May 2004) Calculations assume that all payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV.

For investment objective of the fund please refer to slide no 52

*Source: Bloomberg

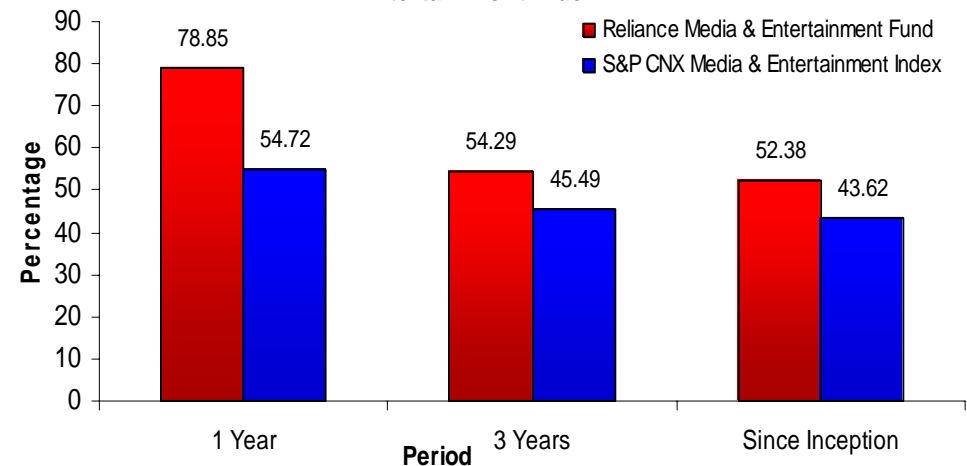
Dynamic Asset Allocation Sector fund

Journey through our Sector Funds

Reliance Media & Entertainment Fund- An open ended Media & Entertainment sector scheme

- ❑ Launched in 2004
- ❑ Objective was to venture into a sector in its infant stage and to tap the potential early
- ❑ At the time of its launch, the universe of investment was hardly a handful of companies.
- ❑ Now the sector is really set to bloom
- ❑ India has the largest number of channels and makes the largest number of movies.
- ❑ Stocks in newer genres tapping the capital markets

Reliance Media & Entertainment Fund vs S&P CNX Media & Entertainment Index



Past Performance may or may not be sustained in the future. Compounded annualized returns of Growth Option as 17th Dec 07. (Inception Date: 7th Oct 2004) Calculations assume that all payouts during the period have been reinvested in the units of the scheme at the then prevailing NAV.

For investment objective of the fund please refer to slide no 52

* Source: Bloomberg

Dynamic Asset Allocation Sector fund

What next?

World GDP has been on an upswing

GDP Growth Rates (%)

	2001	2004	2007	CAGR (2000 – 2007)
World	2.5	5.3	4.9	4.3
U.S.	0.8	3.9	2.2	2.5
Euro Area	1.9	2.0	2.3	1.7
India	4.1	7.8	8.4	7.2
China	8.3	10.1	10.0	9.8

Source: IMF

- ❑ Global Economy has been on an upswing since 2001
- ❑ Emerging economies have grown faster than the developed economies

Leading to growing appetite for

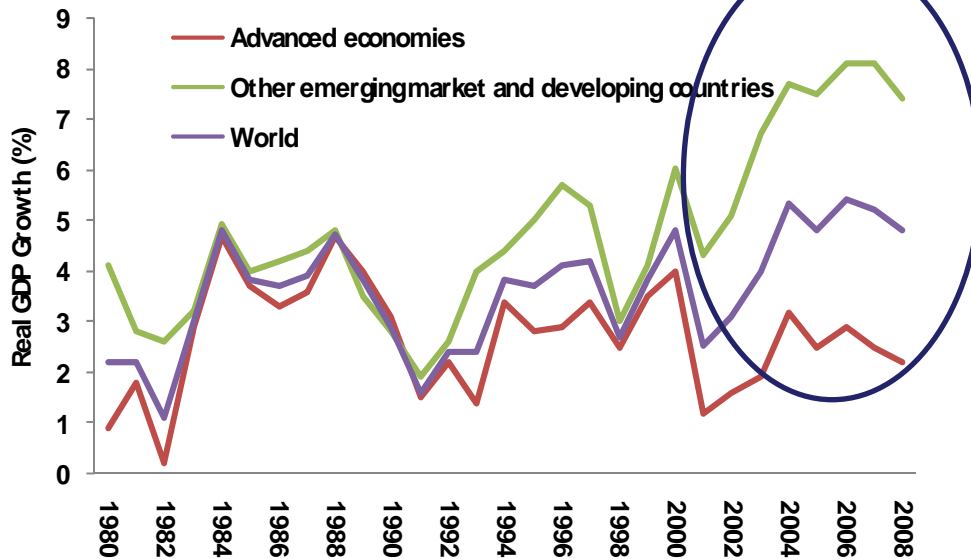
- ❑ Infrastructure & Investments
- ❑ Consumables & Materials
- ❑ Food & Agri products
- ❑ Power & Energy

This has been supported by

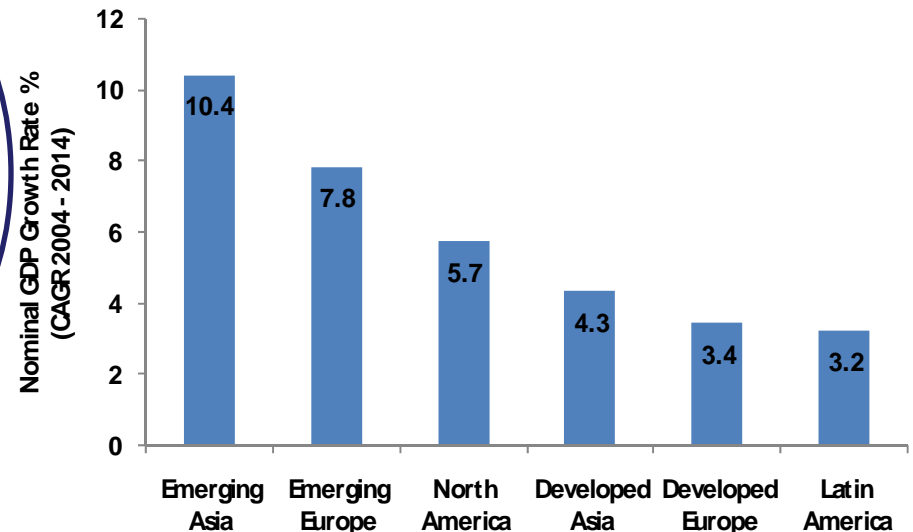
- Capital availability – both debt and equity
- Low interest rates
- Higher Income levels
- Appetite for risk and diversification from investors
- Money shifting partially to emerging economies

Growth to continue - Emerging economies to lead

GDP Growth Trend 1980-2008



GDP Growth Outlook 2004-14 (CAGR %)



Source: IMF, World Economic Outlook, 2007

Source: Consensus Forecast Global Outlook, Macquarie Research

- ❑ Global growth in the current decade has been driven by emerging economies and future outlook remains similar
- ❑ This would continue to drive Infrastructure demand in the developing world
- ❑ And hence put pressure on natural resource demand

When large economies like India and China start building, need for resources sustain for a long period....

...Offering profitable investment opportunities

Presenting
another
Unique Theme
&
India's First Natural Resources Fund
“Reliance Natural Resources Fund”

Reliance Natural Resources Fund

- Will allow investor to participate in Indian and Global stocks of :
 - Minerals & Commodities
 - E.g. Copper, Iron-ore, Zinc
 - Precious Metals
 - E.g. Gold, Silver, Diamonds
 - Energy Resources
 - E.g. Coal, Oil, Natural Gas, Uranium, Lignite
 - Non-conventional resources
 - E.g. Air, Water, Solar
 - Agricultural Products
 - E.g. Cotton, Wheat, Corn, Rice, Sugarcane, Bio-Fuels
 - Ancillaries to the above
 - E.g. Component suppliers, Equipment suppliers
 - Other related companies

The fund would invest in STOCKS and not natural resources themselves

Why invest in a natural resources fund?

- ❑ From India's No 1 Mutual Fund with an AUM of Rs 77,764 Crs* (as on 30th Nov 07)
- ❑ An innovative product to compliment current portfolio of funds
- ❑ Huge growth opportunity
- ❑ Valuations attractive compared to potential growth
- ❑ Diversified across resources – not a commodity play
- ❑ Will invest in future growth areas - Agriculture, renewable resources, water, etc
- ❑ Stocks do better than resources themselves in an uptrend

*Source: www.amfiindia.com

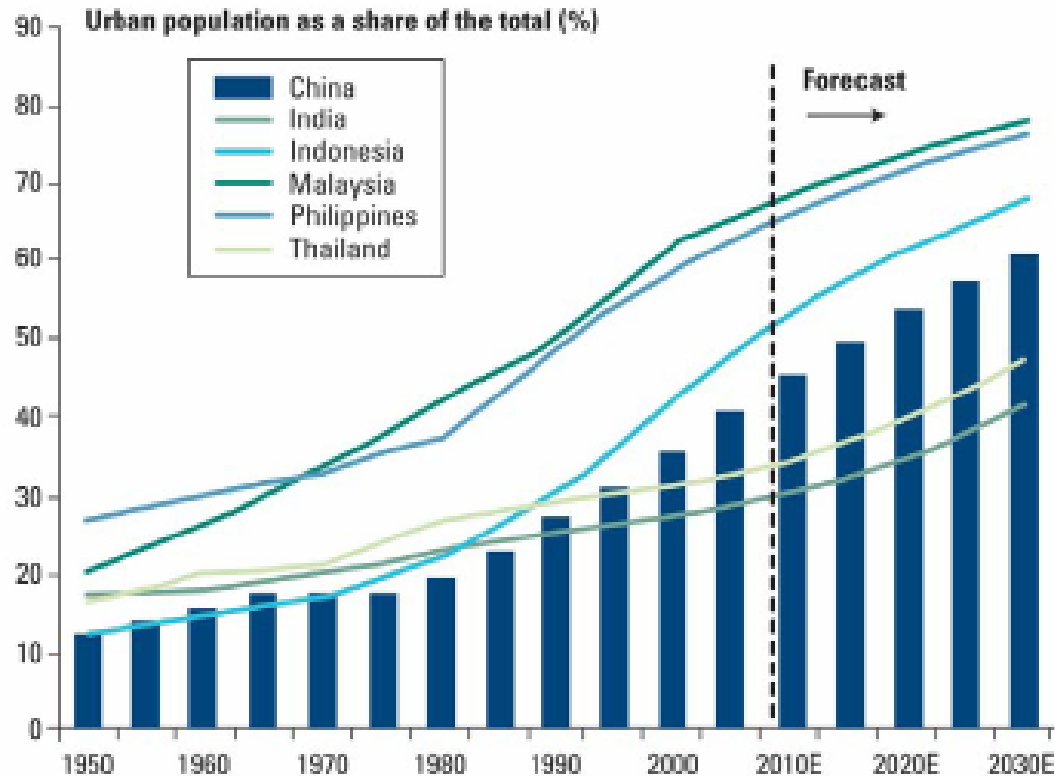


Minerals
&
Commodities

Genesis of current cycle

- Focus on cost-cutting started driving business from developed to developing economies.
- Economies opened up to global trends embracing economic reforms
- This in turn, fuelled significant infrastructure demand
- Lower interest rates also proved favorable for investment environment...
- Generating demand for materials such as coal, iron ore, cement amongst others
- Past under-investment meant that supplies were slow to respond
- Pushing up the prices and profits for resource companies.

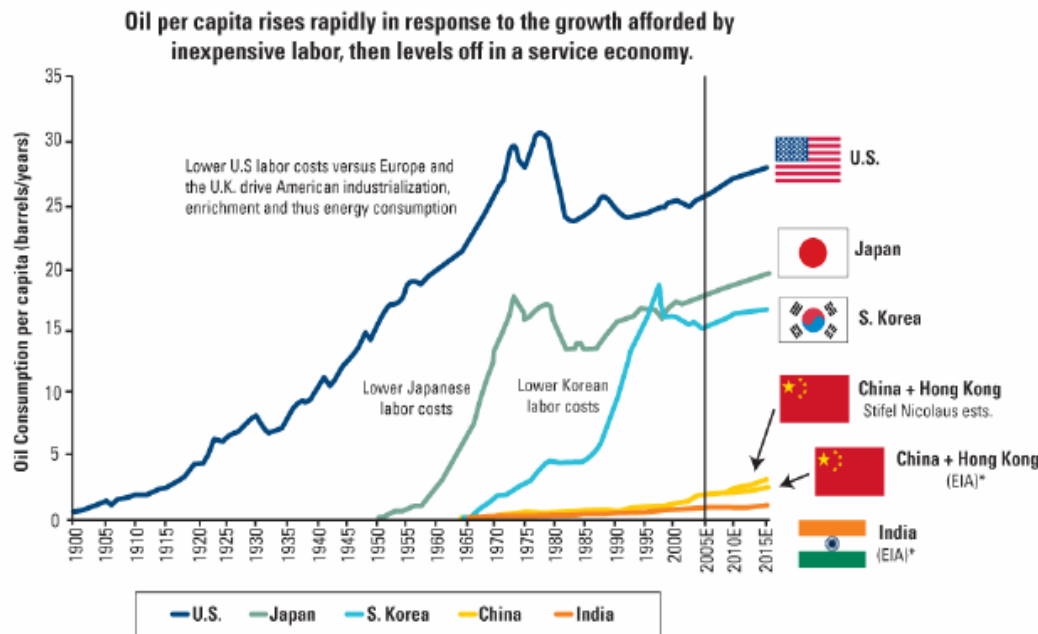
Growing urbanisation...



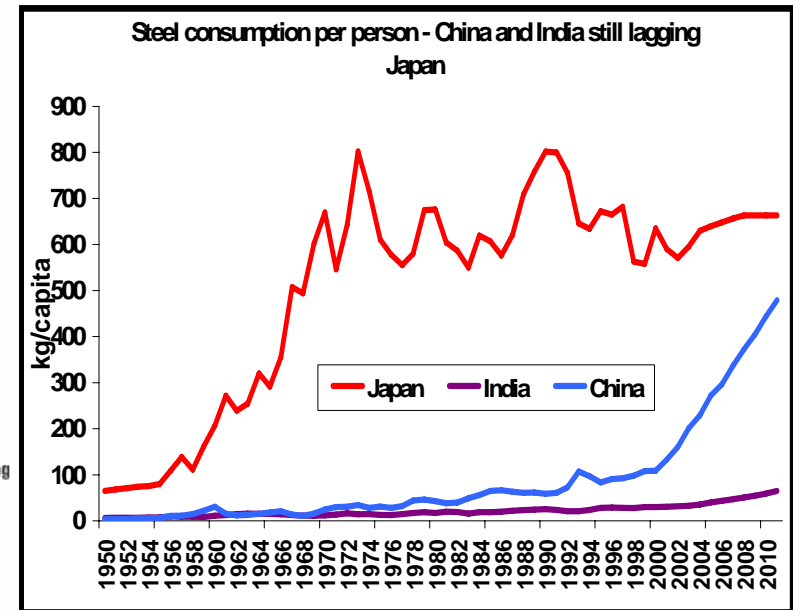
Source: UNDP, Dr. Marc Faber

- As population in developing countries urbanise, demand for urban infrastructure is accelerating
- This is creating demand for:
 - Building materials
 - Transport infrastructure
 - Water Infrastructure
 - Energy

BRICs to drive future demand



*The two lower lines are EIA's High Growth case for China + Hong Kong and India



Source: Stifel, Nicolaus & Company, Inc., Dr. Marc Faber

Source: IISI, Macquarie Research, July 2007

- Most economies are still at a take off stage from consumption point of view

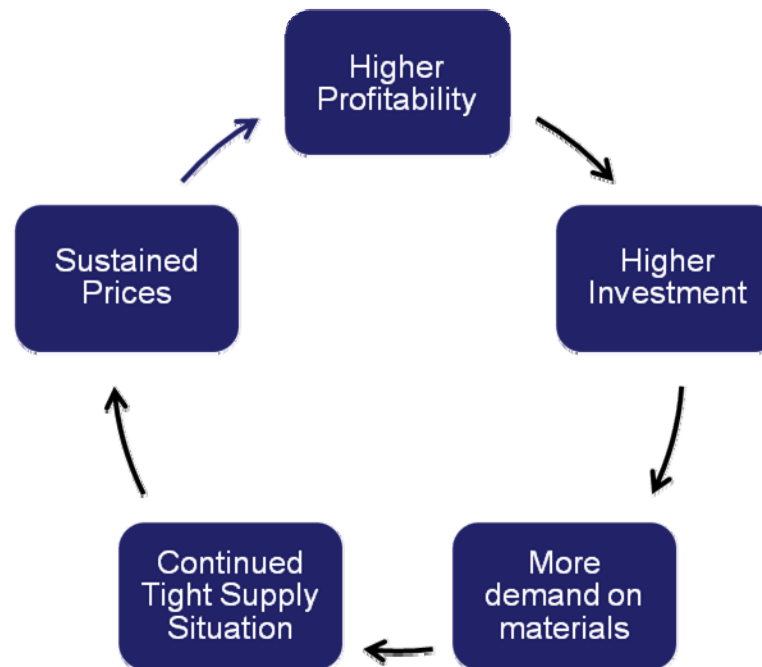
India – a few years behind China

Units in '000 tonnes	India's consumption in 2007	China consumed this amount in year	China's consumption in 2007	Multiple times India's
Steel	50,000	1983	4,44,000	9
Aluminum	1,185	1992	9,400	8
Copper	517	1983	4,574	9
Zinc	393	1987	3,800	10

Source: Macquarie Research, July 2007

- China has gone from 10–15% of world demand a decade ago to 25 –30% of world demand now.
- India barely registers on the world demand map yet, but will become a more significant consumer over the next 5–10 years.

Demand pull would sustain prices

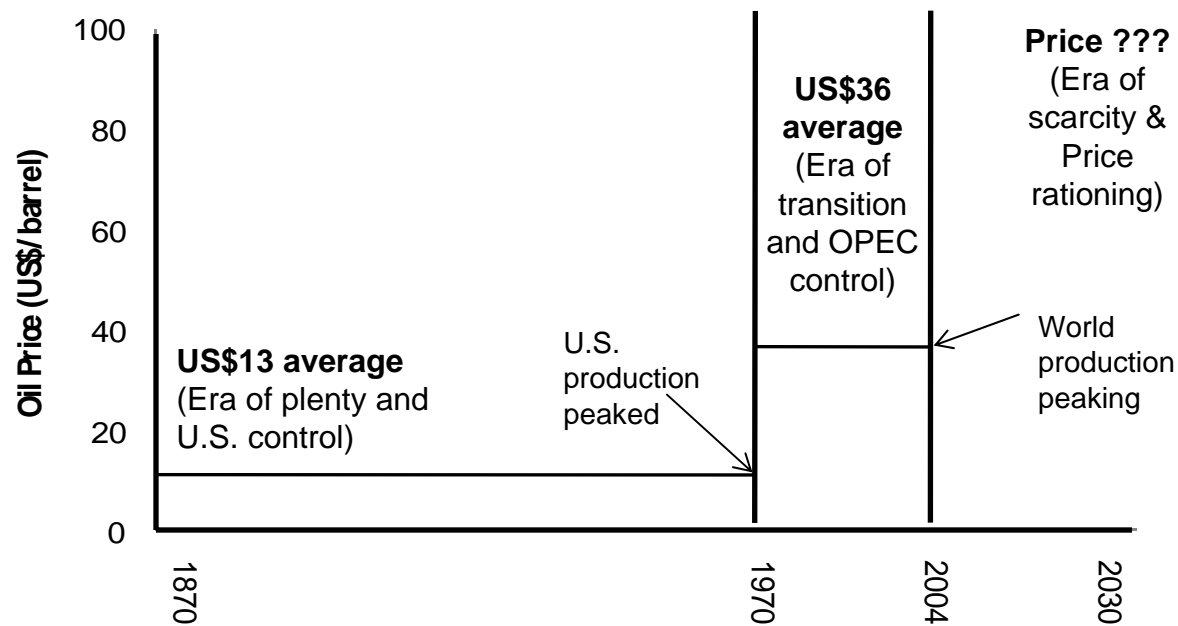


- ❑ We believe that global infrastructure demand is not even half way through and hence demand will continue to outpace supply for next few years.
- ❑ Sustained higher prices have pushed up profitability of companies on a sustained basis.
- ❑ This has created a virtuous cycle - higher profitability inducing higher capex and higher material demand - leading to sustained commodity prices in spite of increase in supply.



Energy Resources

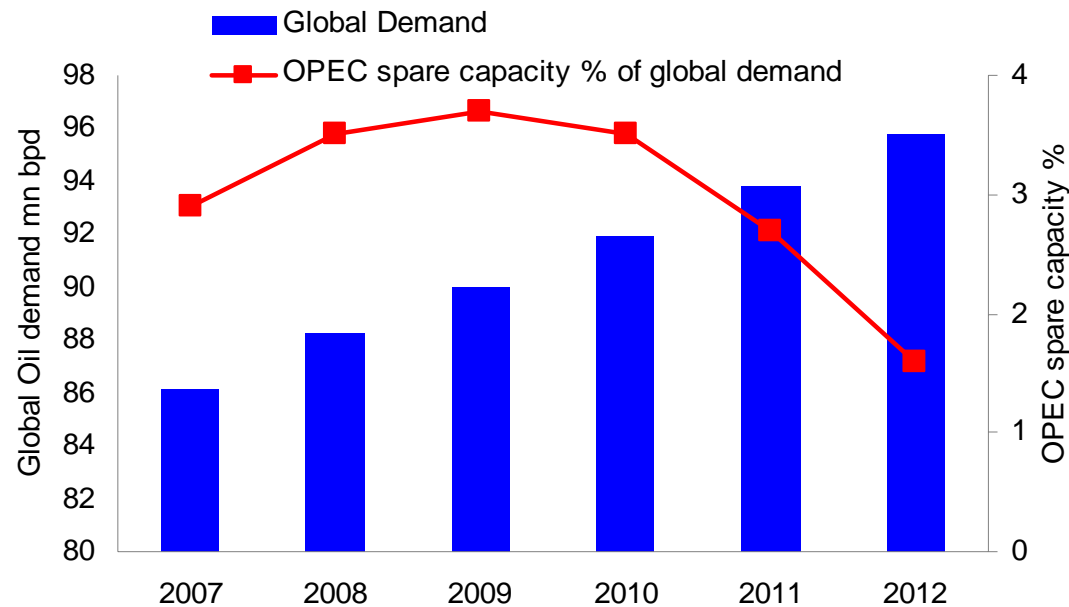
Oil



Source: Groppe, Long & Littell, BMO Financial Group

- ❑ Era of easy oil is over
- ❑ The new oil being explored comes at significantly higher prices
- ❑ Price would need to be high to justify higher exploration costs

Oil (Cont'd...)

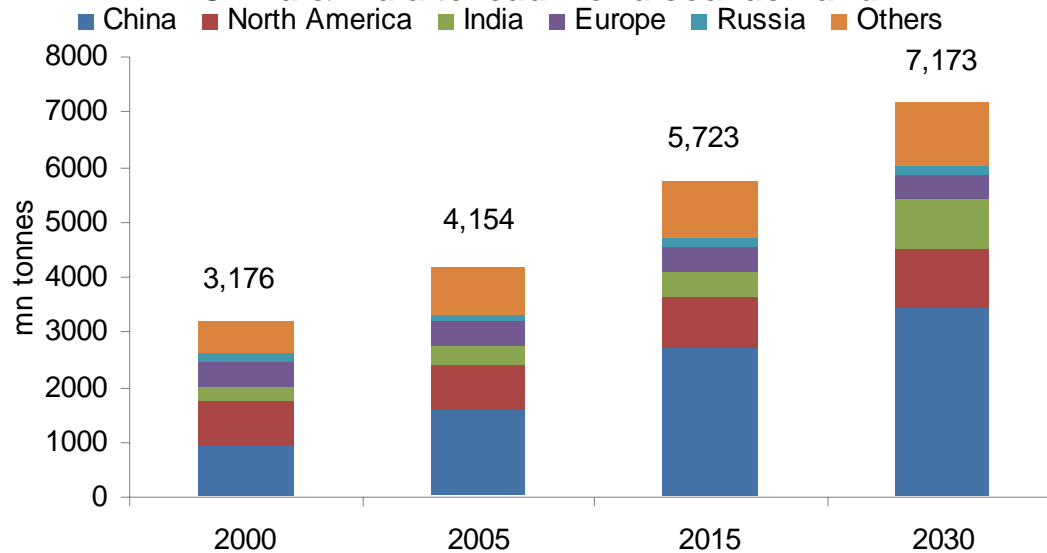


Source: IEA, July 2007

- ❑ Demand to be led by Asia and Middle East, where countries will reach the threshold per capita buoying demand for cars and energy consuming white goods.
- ❑ Supplies to remain constrained due to project slippages and geopolitical problems.

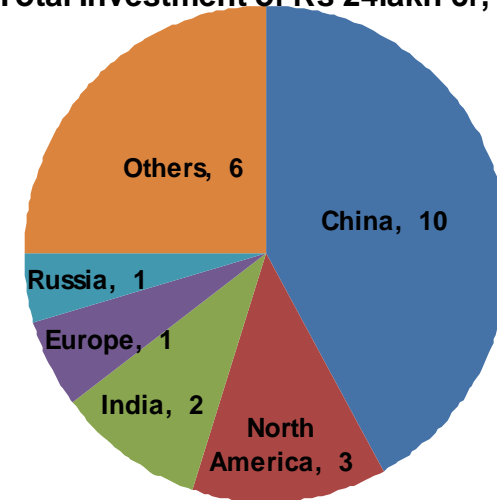
Coal

China & India to lead world coal demand



Source: IEA World Energy Outlook 2007, (Reference Scenario)

Total Investment of Rs 24lakh cr, 2006-2030



Source: IEA World Energy Outlook 2007,

Note: includes mining, processing, international ports & shipping

- **China & India would lead the worldwide coal demand**
 - Would together account for 60% of world demand by 2030 vs. 15% in 2005
 - Driven by demand from power sector
- **Rs 24 lakh cr (US\$600bn) investment opportunity**
 - Exploration and development of mines
 - Manufacture and sell of equipments and technology
 - Related infrastructure for take-off from the mines

Natural Gas

- Projected increase in natural gas is second only to coal
 - Attractive choice for new power plants due to higher fuel efficiency and lower emissions
- World-wide, significant natural gas reserves remain to be discovered
 - Est 4,136tcf (US\$29trillion) to be discovered against proven reserves of 6,183tcf
 - Part of the above would become viable as gas prices go up
 - This would necessitate investment in pipeline infrastructure
- Huge opportunity in India
 - Share in India's energy consumption to go up from 8% to 20% by 2025
 - Supply to double post KG D6 Gas
 - 32% of Indian sedimentary area is unexplored

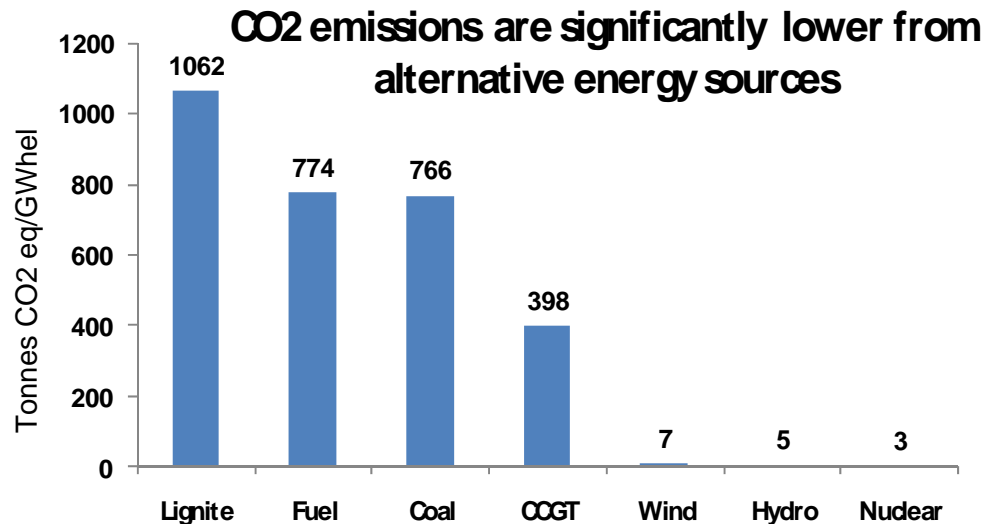
Source: Energy Information Administration, International Energy Outlook 2007

Investment Commission of India



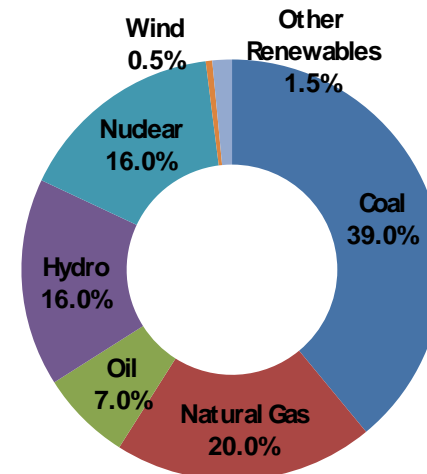
Non-conventional Resources

Alternate Energy Sources



Source: World Energy Council/entire life cycle analysis, Special Report 2004 (lowest values)

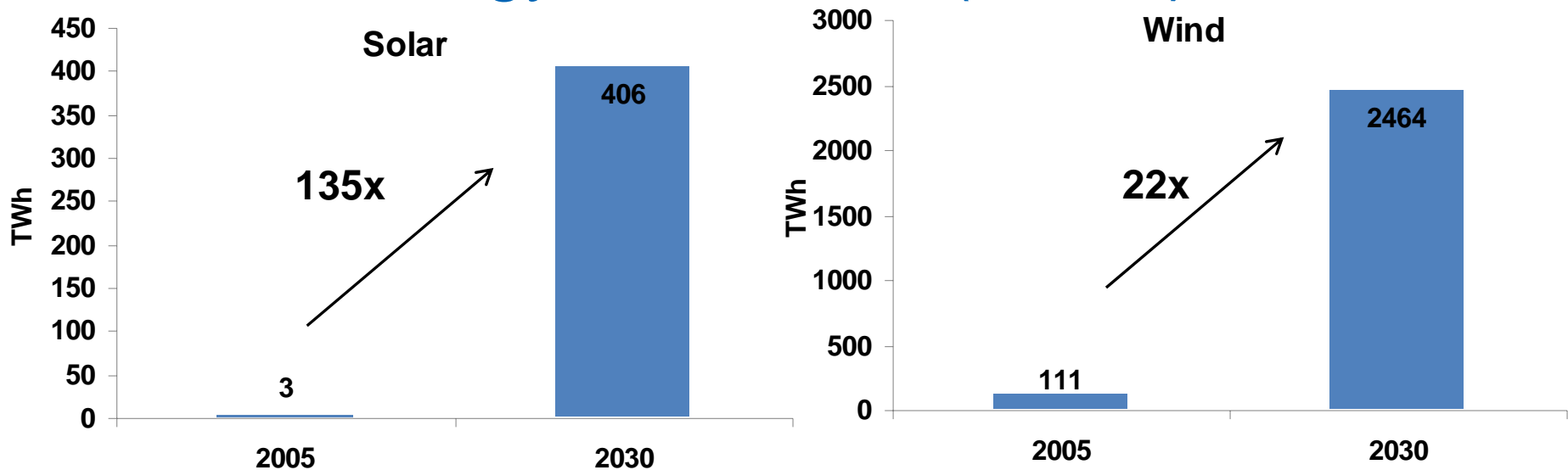
Share of Alternative Resources is still low



Source: IEA World Energy Outlook 2006

- ❑ Higher oil & gas prices has made it imperative to look at alternative energy sources as sustainable source of energy
- ❑ Low price of generation provides immunisation from fluctuation in resource prices
 - Air (wind power), water (hydro) and sun (solar) come free!
- ❑ Environment friendliness makes them an attractive proposition politically
- ❑ Carbon Credits add to financial attractiveness

Alternate Energy Resources (contd.)



Source: IEA. World Energy Outlook, 2007
(450 Stabilisation or best case scenario)

1 TWh= 1 Tera watt hour= 1 mn mega watt hrs

- Prices would come down as
 - Political compulsions push more and more countries to frame policies mandating use of alternative energies and providing subsidies for the same
 - Larger installations lead to economies of scale
 - Technologies evolve towards more efficient utilisation
- Market potential for each of these alternate energy resources varies between 2x – 135x!!
- Investment opportunities range from direct energy producers to technology providers to

Water

Countries	Current exp on water infrastructure (US\$bn)	Avg annual investment by 2025 (US\$bn)	Multiple of 2025 over current exp. (x)
U.S .	99	230	2
Europe	136	284	2
Russia	3	59	20
UK	17	32	2
Asia	85	606	7
China	40	379	10
India	6	96	16
Japan	33	99	3
Total for all countries	356	1,213	3



**16x jump in spending
by India
&
9x by China**

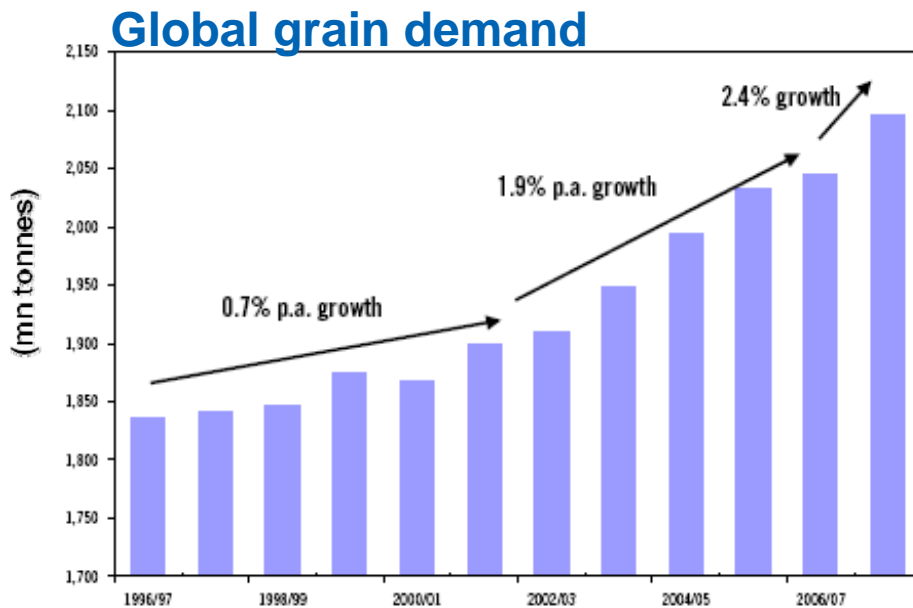
Source: OECD, IMF, Credit Suisse estimates

- ❑ Water use is rising at double the rate of global population growth, while supply of fresh water is relatively static.
- ❑ This presents a host of opportunities in segments like water treatment, water infrastructure, improving usage efficiencies, etc.

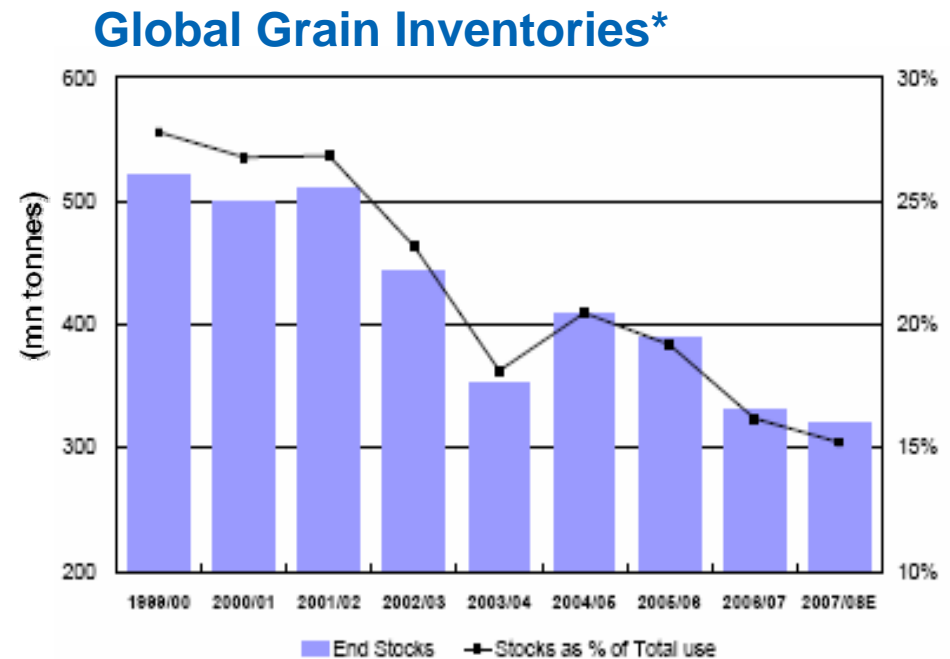


Agricultural Products

Demand has outpaced supply



Source: Citigroup

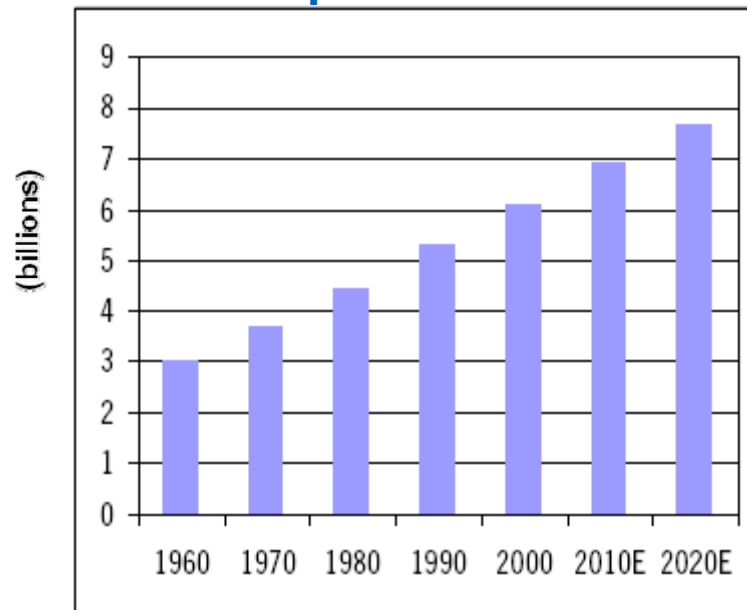


Source: Citigroup * Year End

- ❑ Global agriculture demand has been accelerating driven by rising income levels in emerging economies as also by alternatives uses such as bio-fuel.
- ❑ Supply has failed to keep pace with demand due to area under cultivation shrinking
- ❑ This has resulted in continuous decline in stock piles and even steeper decline in stocks held as proportion of demand pushing up the prices.

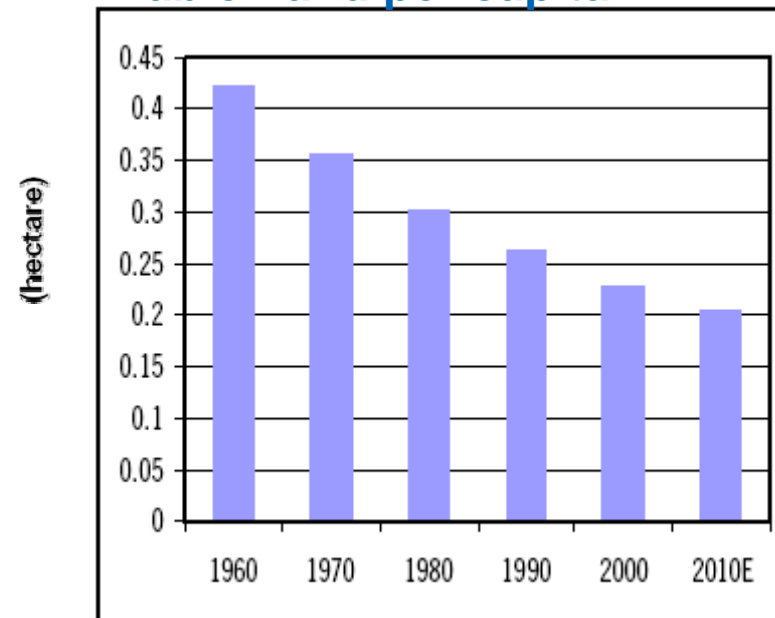
Area under cultivation is shrinking

Global Population



Source: Citigroup

Arable Land per capita

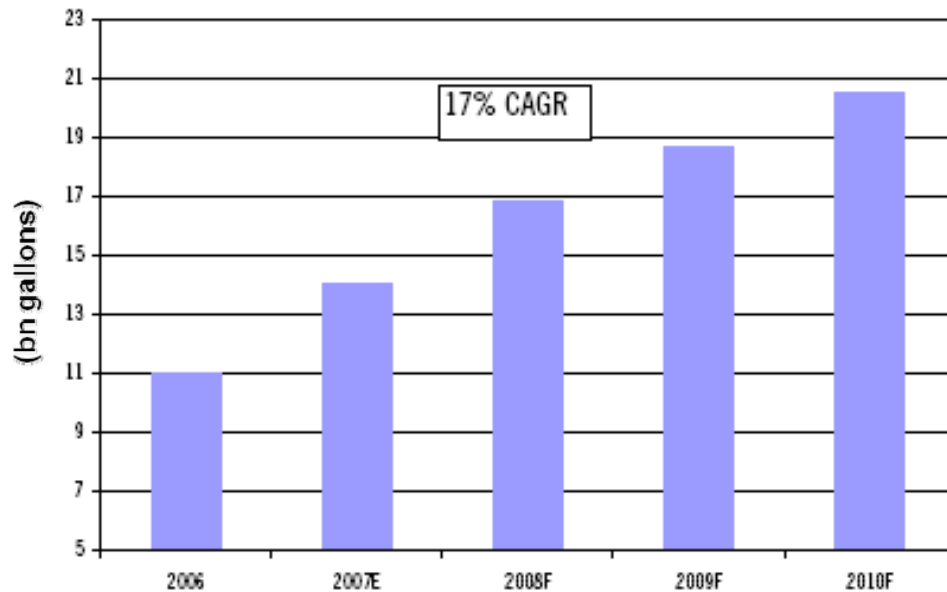


Source: Citigroup

- World population has doubled between 1960 and 2000, however, arable acreage has grown just 9%.
- Population is expected to go up by another 25% by 2020 even as arable acreage is shrinking due to rapid urbanisation.

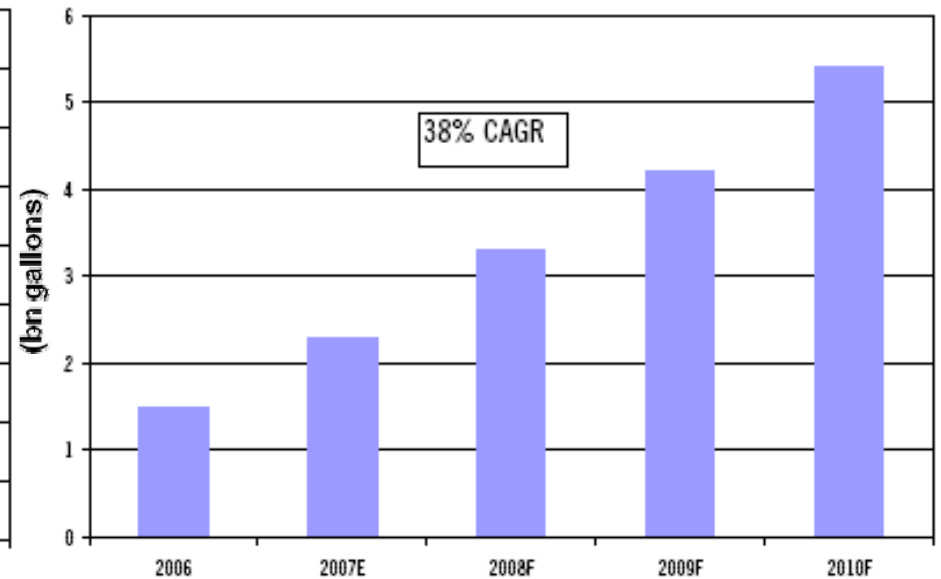
Alternate usage is further impacting supply

Global Ethanol Production



Source: Citigroup

Global Biodiesel Production

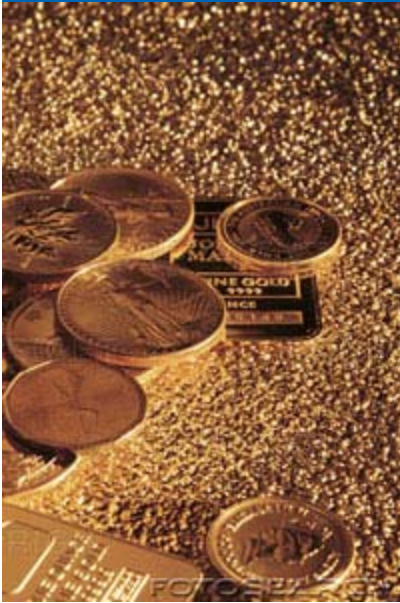


Source: Citigroup

- ❑ Emergence of alternate usage such as fuel source has further put pressure on agricultural products such as corn, sugar and maize
- ❑ A concurrent impact has been, shifting crop patterns away from traditional crops to more of the above.

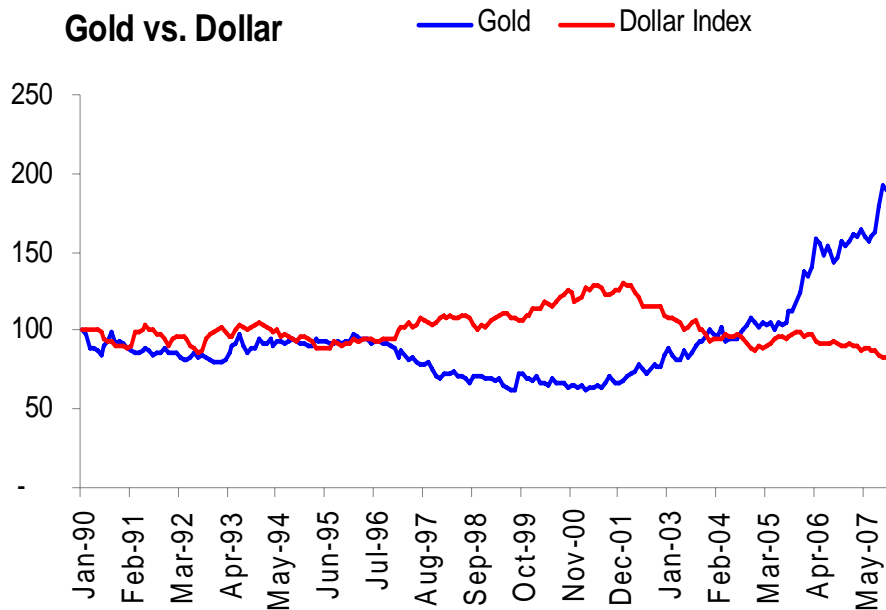
India Inc. has warmed upto the opportunity

- A tight demand supply situation has created demand for several productivity enhancement solutions
 - Hybrid seeds
 - Pesticides and Insecticides
 - Higher nutrient content fertilisers
 - Higher mechanisation
- This has also meant higher profitability which has attracted the corporate sector
 - This will facilitate capital inflows into the hitherto neglected sector
 - Organised sector would also ensure infusion of latest technology to enhance productivity
- Many corporates have also entered contract farming to ensure raw material requirement

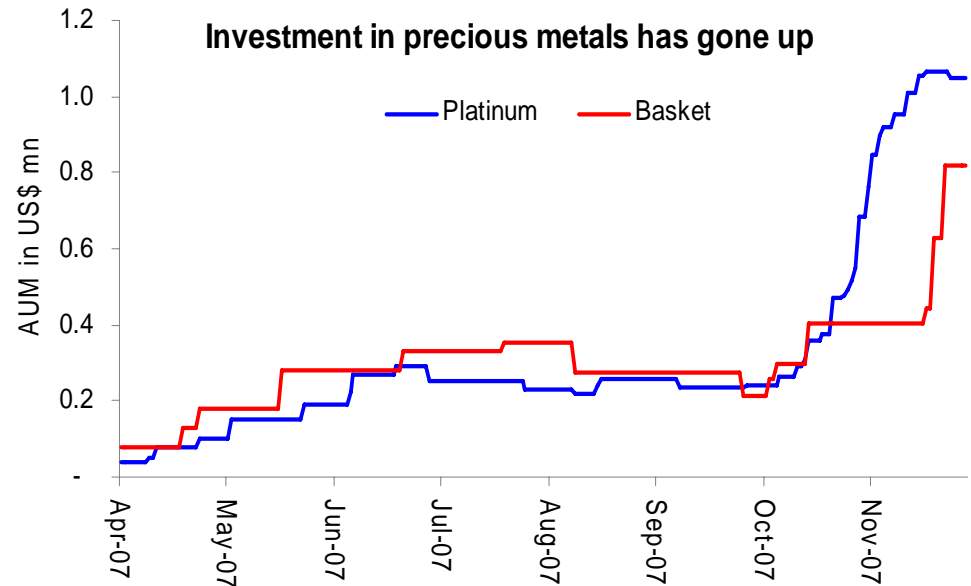


Precious Metals

Demand going from strength to strength



Source: Bloomberg

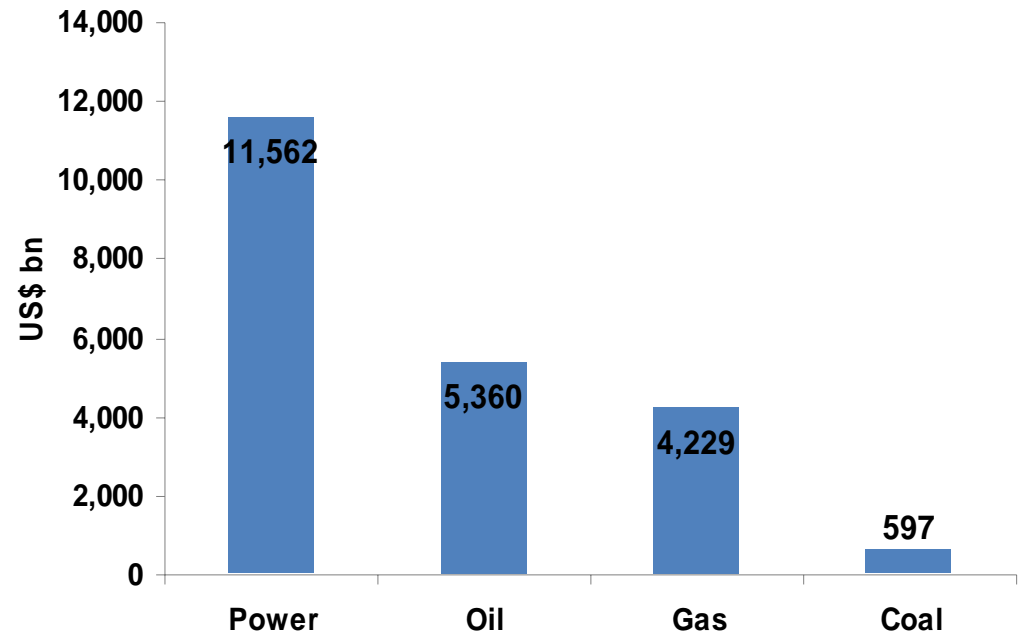
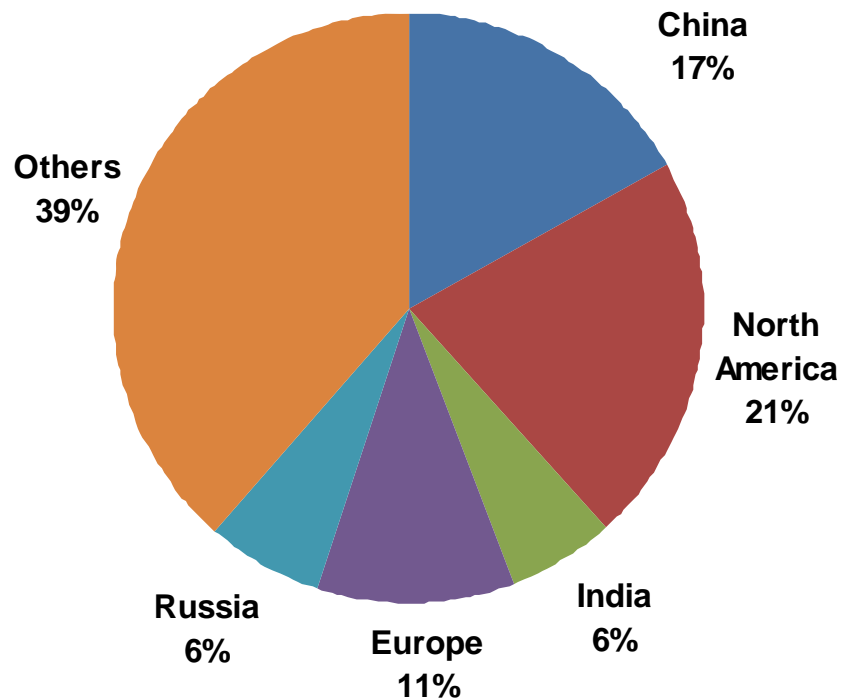


Source: J P Morgan

- ❑ Jewellery demand buoyed by wealth effect in countries such as India and middle east
- ❑ Dollar weakness makes these safe heaven
- ❑ Some of the central banks have been increasing gold reserves
- ❑ Emergence of precious metals as investment class leading to strong inflows in ETFs



Rs. 35 lakh cr p.a. to be spent over next 25 yrs



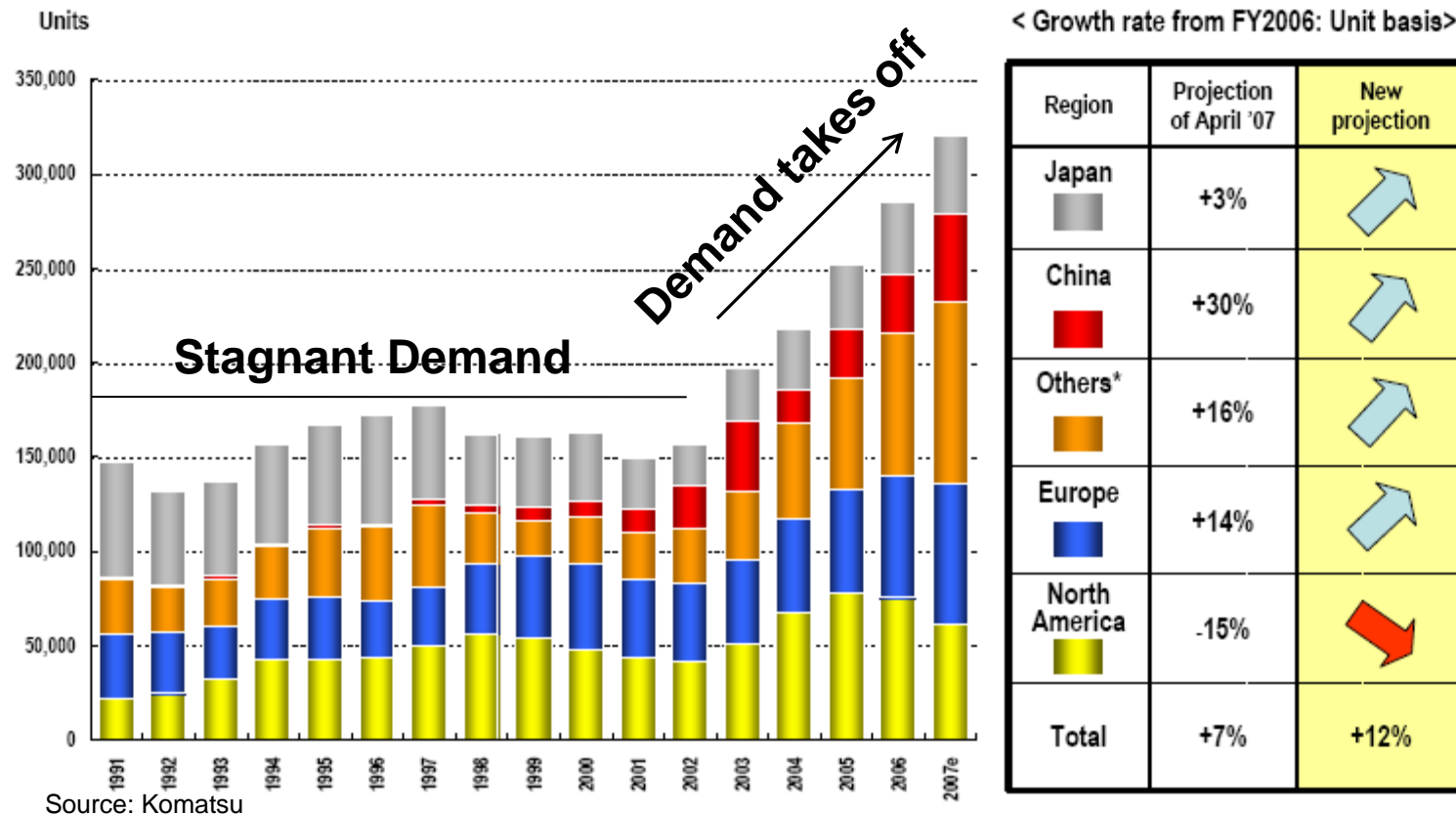
Source: IEA World Energy Outlook 2007 (Reference Scenario)

Note: Coal includes mining, processing, international ports & shipping

- ❑ Meeting demand on natural resources requires proper infrastructure for evacuation and transportation to the end market.
- ❑ It is estimated that a total investment of Rs. 35 lakh crores p.a. or Rs. 880 lakh crores (US\$22 trillion) would be required towards energy infrastructure over next 25 years.
- ❑ India's share at US\$1.3tn is more than current GDP!!

Equipment bank not geared to this demand

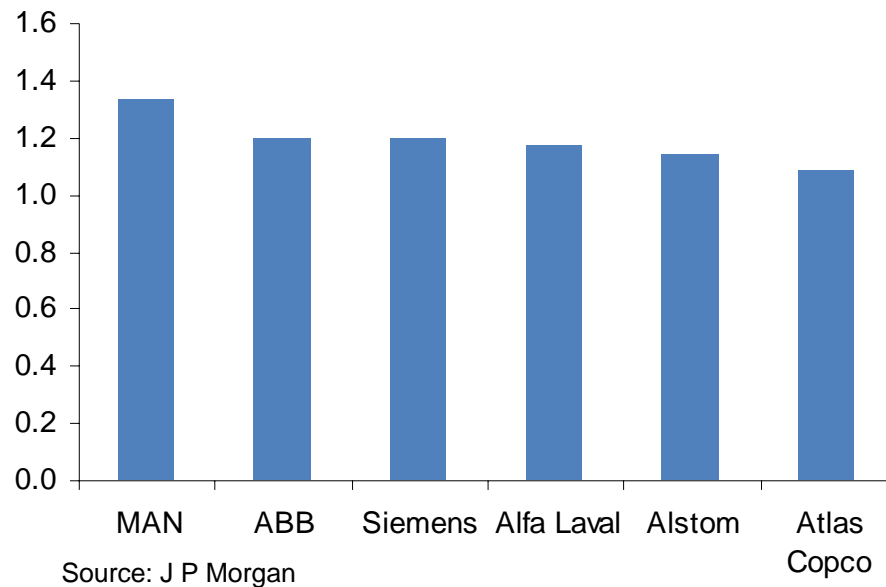
Construction & Mining Equipment Demand by region



- ❑ Demand for equipments is on uptick after almost 12 years of stagnation
- ❑ This demand is barely able to meet the replacement needs, leaving the fresh demand unsatisfied

Creating huge order backlog

4Q Rolling Book to Bill Ratio



- ❑ Many companies are running order book more than a year
- ❑ Given that increment demand is from emerging market, companies are looking to expand in these markets



Outlook

Outlook

- Demand would continue to be strong
 - Sustained Infrastructure spending by economies such as India and China would mean tight markets
 - Natural Resources as an 'asset class' would only gain more prominence
- Supply side constraints would remain
 - Inventories to remain at low levels making it difficult to have sustained surplus.
 - Supply would increase but at a lower pace due to significant past under investment
 - Bottlenecks such as lack of skilled manpower would prevent from all out supply glut
- Prices to remain high
 - Capex costs and operating costs have risen pushing up the long-term prices
 - Higher industry concentration would mean better pricing discipline

Natural Resources could only be extracted, not created!!

Key Features

- ❑ The fund will invest in STOCKS of natural resources and NOT natural resources themselves
- ❑ 65-100% to be invested in Indian Equities
 - This would enable the investors to avail of the tax benefits
- ❑ Upto 35% in Foreign Equities
 - This will enable investors to participate in the global opportunity particular where there are no listed plays in India
- ❑ Fund will be benchmarked against a custom index with weightage of:
 - 65% - BSE200; and
 - 35% - MSCI World Energy Index

For further details of the scheme features please refer to slide no 49 & 50

Why Global Diversification now?

- ❑ So far, we felt India was a better investment option offering superior returns, a stand that has been vindicated by strong market performance in India
- ❑ Going forward, merit in looking at opportunities outside India too
- ❑ India does not offer play on many of the resources
- ❑ Some of the global companies are available at attractive valuations
- ❑ Many global companies are now in consolidation phase leading to interesting opportunities as M&A plays.
- ❑ Global companies also offer larger scale plays

Our Investment Approach

- Strong Investment Team
 - Fund management team already researching global companies while comparing valuations of Indian companies with peers
 - In-house Commodity team provides specific commodity inputs
 - In-house Economic research team provides macro-economic inputs
 - Access to global research and experts
 - Continuous travel by equity team
- We will continue to maintain our bottom-up approach
 - Look for companies with management capabilities
 - Scalability of the business model
 - It may take 3-6 months' time to invest the funds

Reliance Natural Resources Fund

An Open-Ended Equity Scheme

NFO opens on : 1st Jan 2008
NFO closes on : 30th Jan 2008

Product Features

Reliance Natural Resources Fund

- ❑ **Type:** An open-ended Equity Scheme
- ❑ **Investment Objective:** The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in companies principally engaged in the discovery, development, production, or distribution of natural resources and the secondary objective is to generate consistent returns by investing in debt and money market securities.
- ❑ **Minimum Application Amount:** Rs 5,000/- per plan per option and in multiples of Re. 1 thereafter
- ❑ **Benchmark Index:** A custom benchmark created using the BSE-200 to the extent of 65% of portfolio and MSCI World Energy Index for balance 35%
- ❑ **Plan & Options**
 - **Growth Plan:** Growth and Bonus option
 - **Dividend Plan :** Dividend payout and Dividend Reinvestment option

Product Features

Reliance Natural Resources Fund

▣ Asset Allocation

Instruments	% of Corpus (indicative #	Risk Profile
Equity and Equity related Securities of companies principally engaged in the discovery, development, production, or distribution of natural resources in: - Domestic Companies - Foreign securities as permitted by SEBI/RBI from time to time	65% to 100% 65% to 100% 0% to 35%	Medium to High
Debt and Money market securities (including investments in securitized debt*)	0% to 35%	Low to Medium

including investments in ADRs/GDRs/Foreign Securities/Overseas ETFs and any other instruments as may be permitted by SEBI/RBI upto 35% of the net assets of the scheme, exposure in derivatives upto a maximum of 100% of the portfolio value.

* including securitised debt upto 35%

Product Features

Reliance Natural Resources Fund

Load Structure (During the New Fund Offer and continuous offer including SIP installments)

Entry Load

- ❑ For subscription below Rs. 2 crs- 2.25%
- ❑ For subscription of Rs 2 crs & above and below Rs 5 crs- 1.25%
- ❑ For subscription of Rs 5 crs and above- Nil

Exit Load: Nil

New Fund Offer price: Rs.10/- per unit subject to applicable Entry Load.

Product Features

Reliance Natural Resources Fund

Investment Strategy

- ❑ The Fund will invests principally in equity securities of issuers in natural resources industries.
- ❑ The Fund normally will invest in securities of companies listed on the following exchanges;
 - The Bombay stock Exchange Limited (BSE),
 - The London stock Exchange Limited (LSE),
 - The New York Stock Exchange (NYSE),
 - The Toronto Stock Exchange (TSE) and
 - The Australian Stock Exchange (ASX)
- ❑ Companies in natural resources industries include companies principally engaged in the discovery, development, production, or distribution of natural resources or are service providers to the Natural Resources Industry; the development of technologies for the production or efficient use of natural resources in addition also furnishing of related supplies or services.
- ❑ Natural resources may include, for example, energy sources, precious and other metals, forest products, food and agriculture, and other basic commodities.

Investment Objective

Reliance Banking Fund: The primary investment objective of the scheme is to generate continuous returns by actively investing in equity and equity related or fixed income securities of Banks.

Reliance Diversified Power Sector Fund: The primary investment objective of the scheme is to seek to generate continuous returns by actively investing in equity / equity related securities or fixed income securities of power and other associated companies.

Reliance Media & Entertainment Fund: The primary investment objective of the Scheme is to generate consistent returns by investing in equity / equity related or fixed income securities of media & entertainment and other associated companies.

Risk Factors

Statutory Details: Sponsor: Reliance Capital Limited. **Trustee:** Reliance Capital Trustee Co. Limited. **Investment Manager:** Reliance Capital Asset Management Limited. **Statutory Details:** The Sponsor, the Trustee and the Investment Manager are incorporated under the Companies Act 1956.

Scheme Specific Risk Factors: Given the nature of the scheme, the portfolio turnover ratio may be very high and the AMC may change the portfolio according to the asset allocation commensurate with the investment objective of the scheme. The effect of high portfolio turnover could be higher brokerage and transaction costs. Due to these factors the NAV of scheme might be impacted. **Terms of Issue:** The AMC will calculate and disclose the first NAV not later than 30 days from the closure of New Fund Offer Period. Subsequently, the NAV will be calculated at the close of every working day and shall be published in two daily newspapers and also uploaded on the AMFI site i.e www.amfiinida.com and Reliance Mutual Fund site i.e. www.reliancecapital.com.

General 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. As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Sponsor/AMC/Mutual Fund is not indicative of the future performance of the Scheme. Reliance Natural Resources Fund is only 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 is not responsible or liable for any loss resulting from the operation of the Scheme beyond their initial contribution of Rs.1 lakh towards the setting up of the Mutual Fund and such other accretions and additions to the corpus. The Mutual Fund is not guaranteeing or assuring any dividend/ bonus. The Mutual Fund is also not assuring that it will make periodical dividend/bonus distributions, though it has every intention of doing so. All dividend/bonus distributions are subject to the availability of the distributable surplus in the Scheme. For details of scheme features apart from those mentioned above and scheme specific risk factors, please refer to the provisions of the offer document. Offer Document and KIM cum application form is available at all the DISCs/ Distributors of RMF/www.reliancecapital.com. **Please read the offer document carefully before investing.** The information contained herein has been obtained from sources published by third parties. While such publications are believed to be reliable, however, neither the AMC, the Trustees, the Fund nor any of their affiliates or representatives assume any responsibility for the accuracy of such information."

Thank you