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UNDERSTANDING

METALS AS A NEW INVESTMENT

Also NSEL E-Series is a Shariah Compliant Product

TAQWAA ADVISORY AND SHARIAH INVESTMENT SOLUTIONS (P) LTD.
Corporate Office: 5, Natalwala Building, 110, S.V.S. Road, Mahim, Mumbai - 400 016.
Tel.: 91-22-24454610 | Email: info@tasis.in | Website: www.tasis.in

Shariah Certificate

REGARDING SHARIAH COMPLIANCE OF TRADING IN E-GOLD, E-SILVER AND E-COPPER ON NATIONAL SPOT EXCHANGE LIMITED

Pursuant to agreement dated 30th October 2010, between National Spot Exchange Limited (henceforth NSEL) and Taqwaa Advisory and Shariah investment Solutions (P) Ltd. (henceforth TASIS), relating to shariah certification and ongoing monitoring of products, E-gold, E-silver and E-copper that NSEL is offering its potential clients, TASIS has studied NSEL's system of operation and regulation of its relationship with its members as well as that between its members and their clients and has scrutinized the relevant documents relating to the same, and specifically NSEL's circulars Nos.

- NSEL/TRD/2010/041 dated March 11, 2010,
- NSEL/TRD/2010/067 dated April 19, 2010,
- NSEL/TRD/2010/177 dated November 9, 2010

pertaining to the commencement of Spot Trading in units of E-gold, E-silver and E-copper respectively,

its circular No. NSEL/MEM/2008/016 October 14, 2008 pertaining to "Know Your Client" procedure for dealing with clients, including Annexures I, II and III thereto relating to formats for

- Registration Form for Individual Client,
- Registration Form for Non-Individual Client, and
- Member-Client Agreement,

Page 1 of 2

(MUFTI) KHALID SAIFULLAH REHMANI
DIRECTOR AL - MAHAD UL AALI AL ISLAMI
HYDERABAD - INDIA

Regd. Office : Khatau Bldg., 1st Floor, 44 Bank Street, Fort, Mumbai - 400 001. Fax : 91-22-22663021

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prescribed format of Contract Note issued by Member acting for Client as Agent (including therein Terms and Conditions relating to the Transactions executed on the Trading System of National Spot Exchange Limited and forming part of the Contract Note), and prescribed format of Membership Application Form for seeking Trading-cum-Clearing Membership of NSEL (including therein Terms and Conditions governing the relations of Members with the Exchange).

On the basis of the said study and scrutiny, we certify that as of date of this Certificate, persons trading on NSEL whether on their own account as Clients/Members or as Members acting on behalf of Clients, shall be Shariah compliant so long as they adhere to the following:

1. They shall not enter into sale transactions for E-gold, E-silver or E-copper units which they have not already bought earlier;
2. They shall not at any time consciously enter into transactions for purchase of E-gold, E-silver or E-copper units for which at the point of entering into the transaction they do not have the means and intention to pay; and
3. They shall endeavour to ensure that they do not default in payment of storage charges for demat units purchased by them, thereby avoiding the need to pay interest on their defaulted amounts.

In accordance with the above referred agreement between TASIS and NSEL, TASIS shall monitor the operational methodology of NSEL on a quarterly basis and shall advise NSEL in further updates of this Certificate from time to time about the Shariah non-compliance impact, if any, of future changes in NSEL's operational methodology.

For **Taqwaa Advisory and Shariah Investments Solutions Pvt. Ltd**

Mufti Khalid Saifullah Rahmani
(Shariah Advisor)
11/02/2011

Page 2 of 2

(MUFTI) KHALID SAIFULLAH REHMANI
DIRECTOR AL - MAHAD UL AALI AL ISLAMI
HYDERABAD - INDIA

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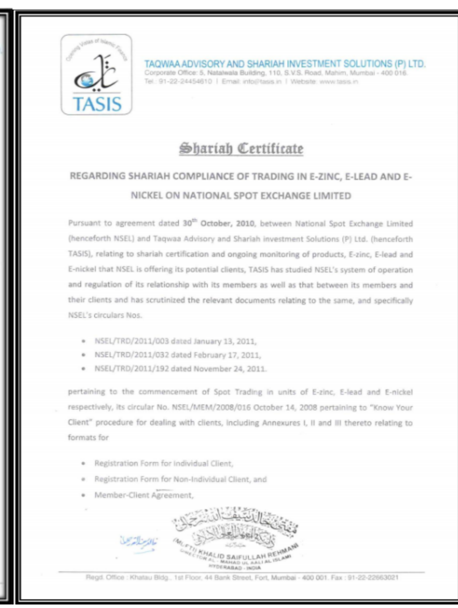

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Shariah Certificate

REGARDING SHARIAH COMPLIANCE OF TRADING IN E-ZINC, E-LEAD AND E-NICKEL ON NATIONAL SPOT EXCHANGE LIMITED

Pursuant to agreement dated **30th October, 2010**, between National Spot Exchange Limited (henceforth NSEL) and Taqwaa Advisory and Shariah investment Solutions (P) Ltd. (henceforth TASIS), relating to shariah certification and ongoing monitoring of products, E-zinc, E-lead and E-nickel that NSEL is offering its potential clients, TASIS has studied NSEL's system of operation and regulation of its relationship with its members as well as that between its members and their clients and has scrutinized the relevant documents relating to the same, and specifically NSEL's circulars Nos.

- NSEL/TRD/2011/003 dated January 13, 2011,
- NSEL/TRD/2011/032 dated February 17, 2011,
- NSEL/TRD/2011/192 dated November 24, 2011.

pertaining to the commencement of Spot Trading in units of E-zinc, E-lead and E-nickel respectively, its circular No. NSEL/MEM/2008/016 October 14, 2008 pertaining to "Know Your Client" procedure for dealing with clients, including Annexures I, II and III thereto relating to formats for

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1. They shall not enter into sale transactions for E-zinc, E-lead or E-nickel units which they have not already bought earlier;
2. They shall not at any time consciously enter into transactions for purchase of E-zinc, E-lead or E-nickel units for which at the point of entering into the transaction they do not have the means and intention to pay; and
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For **Taqwaa Advisory and Shariah Investments Solutions Pvt. Ltd**

Mufti Khalid Saifullah Rahmani
(Shariah Advisor)
4/2/12

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DIRECTOR AL - MAHAD UL AALI AL ISLAMI
HYDERABAD - INDIA

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Are Base Metals an investment option?

Base metals - Industrial metals include copper, nickel, aluminum, zinc, lead, tin and iron /steel. Base metals are generally plentiful, and are used in a variety of commercial and industrial applications so mostly it was ignored by investor as an investment option. But since last few years base metals had emerge as a good investment option because of its consistent returns also they are mainly used in industrial and infrastructure related activities, their overall demand is dependent on global economic growth. And since last few years world has witnessed a very sharp rally in all major economics from US, Europe, China, India, Brazil, Japan….. and so on which has created a huge consumption demand and this will stay further also as all leading economy will try to see growth only. Looking to the returns and never ending consumption pattern from major countries now base metals has come out as a new investment option with having good support from ETF's, Futures / Spot exchanges which has given a good, user-friendly and transparent platform to the investor to invest in it.

Commodity	Cmp*	1 Year		2 Year		3 Year		4 Year	
		Close	% Chg	Close	% Chg	Close	% Chg	Close	% Chg
COPPER	421	384.95	8.56	373.05	11.39	306.85	27.11	211.50	49.76
ZINC	106	95.00	10.38	108.75	-2.59	101.90	3.87	57.95	45.33
NICKEL	880	931.80	-5.89	1040.00	-18.18	851.70	3.22	623.50	29.15
LEAD	121	98.80	18.35	109.70	9.34	106.95	11.61	75.10	37.93
ALUMINIUM	107.25	104.40	2.66	105.65	1.49	105.65	1.49	99.90	6.85
SILVER	61000	55313.00	9.32	36951.00	39.42	26050.00	57.30	16948.00	72.22
16/11/2012		1/11/2011		1/11/2010		1/11/2009		1/11/2008	

Source: MCX

What types of investors invest in base metals?

Commodity futures markets largely remain underdeveloped in India. This is in spite of the country's long history of commodity derivatives trade as compared to the US and UK, but still the journey is remarkable as compare with other market. Investors lobby that were mainly attracted with the base metals because of its daily volatility as they try to lock trading profit as per market movement.

Also we have witnessed large number of equity market player in commodity market trading in base metals as they feel metals more secured as compare with equities, even we have heard the words like ***"Commodity (metal) will never loses its value may sometimes up may be some time down but overall year on year they will gain value, while equity we don't' know whether company will survive or not, investor still remembers the era of Harshad Mehta, Ketan Parikh and latest Satyam cries which are still in the minds".***

Commodity	Re Volatilty	% Volatility
COPPER	4.92	1.16
ZINC	1.48	1.46
NICKEL	13.51	1.53
LEAD	2.04	1.77
ALUMINIUM	1.42	1.35
SILVER	806.46	1.35

Source: MCX

Currency	Re Volatilty	% Volatility
$ INDEX	0.36	0.45
USDINR	0.43	0.80
EURINR	0.51	0.72
GBPINR	0.63	0.73
JPYINR	0.76	1.11

Source: MCX-SX

A spill over investment coming into base metals being gold and silver overheated, real estate and currency facing uncertainty?

A spillover of investment as currency market since last 1year had been a very active and volatile as the financial crisis, central banks and governments around the world from US, Europe, China, India and many more have been able to head off some big swings by buying and selling currencies.

Even in Precious metal which has got a tremendous investment as in these tough economic times when other investments are losing money people feel Precious metals make the perfect solution for investment capital because over the last decade these prices have gone through the roof, and show no signs of coming down any time soon. And now people feeling the pinch of higher prices and started searching for the other investment avenues which can give same type of returns with capital security so we have seen diversion coming in Silver that is also known as “Poor man’s Gold” and also in Base metals as still market sees good run-up is still pending in the industrial metals as now economy are started with a consolidated move to support the world economy which can result as higher consumption demand from the industries. So in coming months we can see base metals can show a good jump and can stand at par with bullion also.

While in real estate also we feel prices in India likely to crash any time as it is not digestible that the economy is growing at the rate of eight per cent per annum previously and now it has dropped below six per cent per annum then how can one expect the prices of property to appreciate at 150-200 per cent or more what we have seen earlier. Today, the prices of the property have gone out of hands for the common people as minimum ticket size of standard 1BHK is atleast near by 15-18lakhs in any metro cities.

So looking to the other avenues we feel base metals can survive and can give better returns in near term as consumption from industries in any economy will never reduce.

Forecast for base metals' price behaviour for both short term and long term and why?

See initially if we eye on short term price behavior let's take for Q4' 2012 we feel there is still room for an another 10-12 per cent appreciation in the prices in last quarter also as historically also Q4 has emerge as a positive months for the metals also support seen on the hope that US, Europe, Japan, China and others will successfully stimulate their economy in Q4, thereby boosting demand for base metals.

While any time the prices of commodities rally on the hope that something positive will happen It's no surprise that market can rally once again in the next year or two on the hope that China will once again ride to the rescue of commodity demand as it did after the 2008 global financial crisis, but it would seem that this time there are more reasons to be cautious. What's different between now and 2008 is that the size of the stimulus is going to be much smaller, and probably more carefully managed over a longer period of time. This means that while demand may well increase for base metals, it's unlikely to post rapid gains but steady and sustainable gain cannot be ruled out for next 3-5year. The other main difference for the steady and sustainable gain is that inventories are higher as it's only very recently that commodity producers and consumers finally recognised that demand had been weakening and was unlikely to rebound quickly. Also it appears that the supply response to lower prices is finally happening, with miners lowering output, and lowering the output will keep the balance on demand and supply resulting in stability in the prices and steady growth in consumption will certainly push the prices again in north direction with an average annual again of 10-12 percent per annum.

COMMODITY	2009			2010			2011		
	OCT	NOV	DEC	OCT	NOV	DEC	OCT	NOV	DEC
COPPER	3.52	4.57	6.19	1.88	4.88	11.71	10.98	4.10	-0.92
ZINC	9.82	1.59	13.75	10.26	-12.24	11.02	0.53	7.41	-2.79
NICKEL	3.33	-15.70	13.71	-0.99	0.07	6.66	4.47	-8.20	12.27
LEAD	-1.58	-1.17	4.70	7.55	-8.17	12.15	-3.97	6.46	3.72
ALUMINIUM	0.39	4.08	9.51	1.58	-2.18	6.56	-1.03	-3.84	3.74
STEEL	-6.39	-1.18	20.48	-2.74	0.12	8.55	7.54	-1.81	4.20

* % Gained

Source- MCX

Is this the right time to enter into base metals trading?

"Yes, it is a buy right now," even though base metal rallied nearly 6-8 percent in last 1-2 month period and Copper is at an all-time high, I think one should still look in it for a atleast gain for another 10-12 percent in next 2-3 months period as prices to rebound in the fourth quarter of the year if the Chinese economy picks up pace. Base Metals gained on stronger note after FOMC minutes showed members demanding more Easing along with fresh hopes from China after yet another disappointing Economic data report. The release of minutes from the most recent meeting of the U.S. Federal Open Market Committee suggested increased support for more quantitative easing if a substantial and sustainable improvement does not occur soon. Base Metals saw a round of gains and would likely have been at even higher levels.

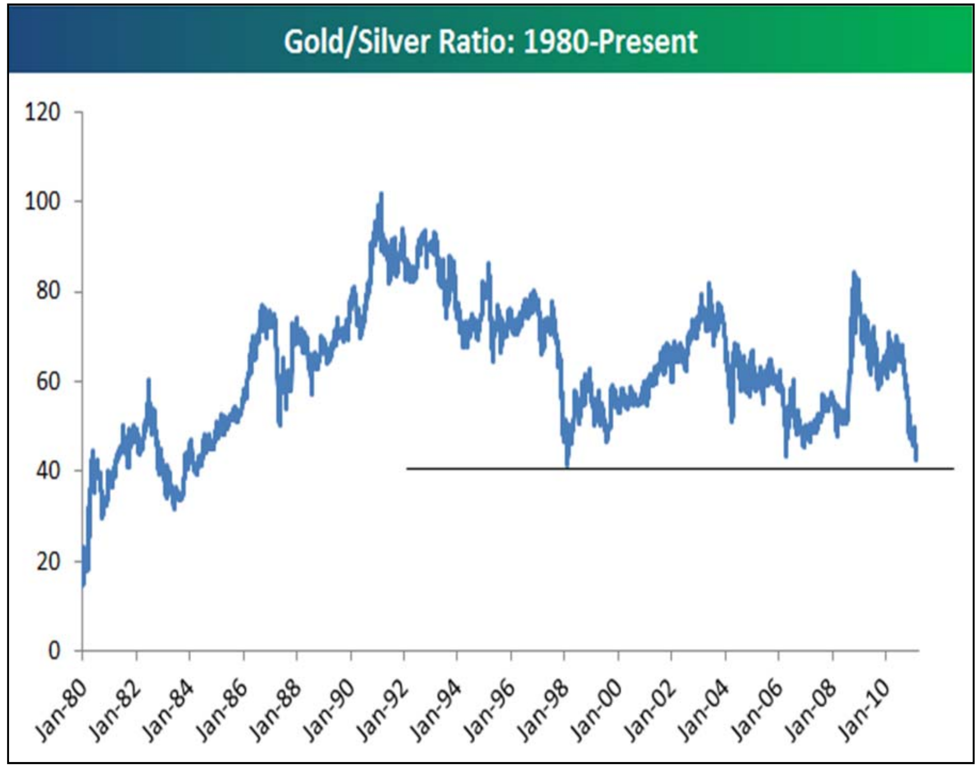
Another Investment avenue is Silver

Silver today hit a new 30 year high of $35.00 an ounce as the world anxiously watches the dollar dropping due to global turmoil over oil and the economy. Unlike the credit crisis of 2008 when the dollar index dropped to 72 before rebounding back to 88 over the next two years, this new drop below 77 has the dollar in much more danger than during that time. China has accumulated much more assets in gold, silver, copper, and oil over the past three years, and the dollars dominancy is being questioned at every turn.

Silver on the other hand has become the safe haven for wealth protection, even more so than gold. The gold to silver ratio is threatening to fall below 40 to 1, and the price per ounce has in essence de-coupled from gold, and has much more room to climb. Technical charts show that reaching the next level of $38-40 an ounce has little resistance, and once it crosses there $46 and then $60.00 are easily in play. Also as the political turmoil in the Middle East and North Africa continues and government debt -- namely in the US -- increases finding a bear among the gold and silver bulls is becoming increasingly difficult.

Why Silver…….

Like most commodities, the price of silver is driven by speculation and supply and demand. Compared to gold, the silver price is notoriously volatile. This is because of lower market liquidity, and demand fluctuations between industrial and store of value uses. At times this can cause wide ranging valuations in the market, creating volatility.



Silver often tracks the gold price due to store of value demands, although the ratio can vary. The gold/silver ratio is often analyzed by traders, investors and buyers. In 1792, the gold/silver ratio was fixed by law in the United States at 1:15, which meant that one troy ounce of gold would buy 15 troy ounces of silver; a ratio of 1:15.5 was enacted in France in 1803. The average gold/silver ratio during the 20th century, however, was 1:47. The lower the ratio/number, the more expensive silver is compared to gold. Conversely the higher the ratio/number, the cheaper silver is compared to gold.

How the Ratio Works

When gold trades at $500 per ounce and silver at $5, traders refer to a gold-silver ratio of 100. Today the ratio floats, as gold and silver are valued daily by market forces, but this wasn't always the case. The ratio has been permanently set at different times in history - and in different places - by governments seeking monetary stability.

Gold Silver Ratio

The recent price trend of rising silver with the upheld or choppy Gold made the Gold to silver ratio trading at Multi years low which can be noted by above graph. We can see that an ounce of Gold bought can buy 42.64 ounce of Silver indicating the dearness of Silver as against the Gold. It has broken the 1985 low of 49 and trading around 42.35 which is well in line with the early 1984 level. The Silver as we know is a double edged sword having the Industrial demand as well as Jewelry demand which supports the price rise. Whereas in case of Gold the industrial demand this is mainly in dentistry and some technology accounts for a meager share. Hence, due to the Industrial demand rising in the developing countries as well as credit crisis in the developed world the Silver becomes dearer and Dearer to traders.

An overview of that history:

2007 – For the year, the gold-silver ratio averaged 51.
1991 – When silver hit its lows, the ratio peaked at 100.
1980 – At the time of the last great surge in gold and silver, the ratio stood at 17.
End of 19th Century – The nearly universal, fixed ratio of 15 came to a close with the end of the bi-metallism era.
Roman Empire – The ratio was set at 12.
323 B.C. – The ratio stood at 12.5 upon the death of Alexander the Great.

Year	Silver price (yearly cum. avg.) US$/ozt	Gold price (yearly cum. avg.) US$/ozt	Gold/silver ratio
1840	1.29	20	15.5
1900	0.64	20	31.9
1920	0.65	20	31.6
1940	0.34	33	97.3
1960	0.91	35	38.6
1970	1.63	35	22.0
1980	16.39	612	37.4
1990	4.06	383	94.3
2000	4.95	279	56.4
2005	7.31	444	60.8
2009	14.67	972	66.3
2010	20.19	1225	60.7
2011 (28th Feb)	33.49	1411	42.1

Reasons which play for the lowest Gold Silver ratio in 13 years. Some of them are as follows:

Silver is not an obsolete metal, as many used to think a couple of years ago. The decline of analogue photography has significantly lowered silver demand in this area. But silver is an indispensable component of solar panels and flat screens. Hedge fund managers have cut their long bets on silver by 42% since October, they continue to hold net long positions, i.e. they remain bullish on silver going forward. Market remains bullish too, because central banks are expected to raise their gold reserves for the third year in a row. The last time this happened was in the late 1970s, and we all know what happened back then. The sale of Silver Eagles by the US Mint has never been stronger and rose to record levels last month.

Industrial demand for silver to hit its highest level since 1990 and silver-backed exchange traded funds are expected to boom as well. Any good news in one of the demand sector will support the uptrend. And now days the increase in the industrial metal demand by developing countries (Mainly India & China) is on northwards move. With the Middle Crisis and Greenback losing its value by failure of QE to infuse liquidity and boost the greenback has failed which gives rise to heaven demand.

Commodity Price: Another basic reason is the price of both the commodities itself, i.e. the investment done in the purchase of an ounce of gold purchased can fetch more than 40 times of Silver. Hence to a general mind it seems that why not purchase certain commodity which has basic bimetallism characteristics as well as which comes at very cheaper price.

Year	Total Demand	Total Supply	Investment
2002	3363	3560	197.0
2003	3206	3879	673.0
2004	3512	3361	-151.0
2005	3753	3984	231.0
2006	3436	3574	138.0
2007	3569	3488	-81.0
2008	3811	3605	-206.0
2009	3480	4034	554.0
2010	3812	4108.3	296.3

(Source:www.gold.org)

Historical Gain: If we take a look at the historical gain of the Gold as compared to Silver than we can say that rise in Gold has already being mounted in past years whereas Silver is not at that Premium. Gold prices have moved up by 650% since its trading on COMEX at 1975 whereas Silver has gained on 292% since the trading began in 1984. Hence, the cheaper prices of Silver as compared to Gold has lead it towards the dearness of investors.

Particulars	2002	2003	2004	2005	2006	2007	2008	2009	2010
Demand									
Jewellary Consumption	2662	2484	2616	2718	2298	2417	2193	1759	2060
Net Retail Investment or Bar & Coin Demand	340	301	349	394	416	434	858	731	995
ETFs & Other Similar Products	3	39	133	208	260	253	321	617	338
Industrial & Dental (Technology Demand)	358	382	414	433	462	465	439	373	420
Total Identifiable Demand	3363	3206	3512	3753	3436	3569	3811	3480	3812
Supply									
Mine Production	2591	2593	2469	2522	2486	2473	2410	2584	2659
Net producer hedging	-412	-270	-427	-86	-410	-447	-352	-252.2	-116.2
Total Mine Supply	2179	2322	2042	2436	2076	2026	2058	2332	2543
Official Sector Reserves	545	617	470	659	370	485	232	29.7	-87.3
Recycled Gold	835	939	849	889	1129	977	1316	1672	1653
Total Identifiable Supply	3560	3879	3361	3984	3574	3488	3605	4034	4108
Inferred Investment	197	673	-151	231	138	-81	-206	554	296.3

(Source: www.gold.org)

The Investment Flow: As a general rule of economics "Higher the prices of Commodity will lead it towards the lesser demand." Hence, due to the fundamental weakness in the Gold as compared to Silver the whole investment flow of hedge fund investors and large investors has moved towards the Silver by liquidating the positions at the Gold market.

The global economic recovery is gaining traction. Several leading indicators, such as business and consumer confidence, are pointing towards a solid recovery of services and manufacturing activity in Germany and the United States. In spite of a slow recovery in the West of give or take 1.5 to 3%, Asia is still growing at a 6 to 8% annual rate that will support industrial demand. The U.S. Mint reported record one-month silver-coin sales of 6.422 million ounces in January. For February to date, they are just above 2.6 million, already topping the 2.1 million for all of February 2010. Gold Could Outperform in Shorter Term as Ratio Corrects Morgan and Smith both look for silver to keep outperforming gold in the longer term, but nevertheless caution that gold could be poised to make some headway against the grey metal in the foreseeable future. Much of this may be due to chart-based considerations rather than any shift in fundamental factors.

Demand Supply Statics : As the following chart shows Gold has investment cushion between the Demand and Supply. It is in excess supply to the demand indicating more often the investment held in physical form. By 2010 there prevails 296.43 tons of Gold held in investment form. As it can be observed from the above mentioned table that the majority of Gold demand is from Jewellery consumption and there prevails dearth of Investment demand as well as ETFs and Other investment avenues are also not so keen in actively participating.

Source:MCX

Conclusion

After looking the above mentioned facts and figure and looking to the our 1ST preference will be silver as in coming session looking strong while strong bounce in all base metal can be seen.

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Projected Jump till Next Diwali

Looking to the above fundamentals for the base metals one can't ignore the potential growth in base metals sector one can buy for the projected targets for next one year.

Sr. No.	Name of the E-Series	Current Market Price	Projected Jump in 1year in terms of % gain	Target Price
1	E-COPPER	508.40	24%	630.00
2	E-ZINC	139.00	22%	169.50
3	E-NICKEL	1160.50	28%	1485.40
4	E-LEAD	163.00	16%	189.10
5	E-SILVER	6150.00	30%	7995.00

NSEL RATE @ 20-11-2012

Silver looks a good destination for Investment, also one can make a SIP for the same:

A new way to set up systematic investment plan in e-Series through NSEL

E-Series products of National Spot exchange (NSEL) redefined the investment with offering of diversifying the portfolio in commodities conveniently and in seamless manner. Taking it forward the exchange has now introduced systematic investment plan (SIP) scheme enabling investors to keep investing in the same way as they do in equity market. A systematic investment plan is a way to invest regularly. It is basically a long-term disciplined investment technique which allows an investor to accumulate gold silver and other commodities in small amounts regularly. The idea is to set apart a sum every month or quarter as per investor's choice, and use that to buy E-series units, regardless of its price. People like such a system because it helps them save regularly and build up an investment. In line with the growing commodity investment demand more particularly in gold and silver introducing SIP is aimed at to cultivate a regular savings habit among investors to accumulate commodity in small amount. SIP is the preferred route of investment by the retail investors in equity and mutual funds.

Commodity provides an opportunity to enhance portfolio returns over a period of time and acts as a perfect diversifier for one's investment portfolio. Gold and silver are the natural savings mechanism built in our culture and hence well understood. Similar is the case of all other commodities but not prominent as bullion. The E-Series products SIP offer is a convenient way to diversify investment portfolio and reap the returns of gold, silver and other commodities from a long-term perspective. The investment objective of the scheme is to provide returns that correspond to the returns in physical commodity. Investors can directly subscribe/redeem E- series units on all business days through the physical mode at the various designated centers across the country, thereby, making it easily accessible and convenient.

Why to choose SIP in E- series:

1. Regular saving habit: Perhaps the best benefit of setting up an E-Series SIP is that it forces one to set apart some money every month and enforces saving discipline. One could argue that this can be done without a SIP also but just that automation enforces a little more rigor.

2. Protects from timing the market: If one has already committed money to a SIP in E-Series – he will most likely continue to invest regardless of a big fall or huge gains in the price. This in turn will enable to invest regularly rather than try to time the market, which not many small investors can do successfully.

3. SIP lead to building wealth: Good saving and investing habits are more likely to help to accumulate wealth in the long run.

Main Benefits of E-Series SIP are:

- SIP Styled Investments.
- Diversified investment with Compounding effect.
- Option to Invest in Gold, silver, copper, lead, zinc etc.
- Option to purchase Gold/silver Bars/Coins at the time of redemption of E-Gold/silver units.
- Wide Array of Portfolio Selections.
- The Investor holds his investment in a Demat Account.
- Investment amount starts as low as Rs. 150 in the case of E-Zinc to Rs 6100 in the case of E-silver.

So Investing in E-Gold/silver and other E-Series products through SIP give all the advantages of investing in gold and silver while eliminating drawbacks of physical gold/silver -- cost of storage, liquidity and purity. E-gold/silver allows investment in gold and silver in small denominations, which makes it easy on the wallet. On the other hand E-Series products are transparent investment vehicles that will have to conform to rigid regulations on investment norms and valuations. As almost everything here – the conclusion is for you to decide. This might work very well for every investor.

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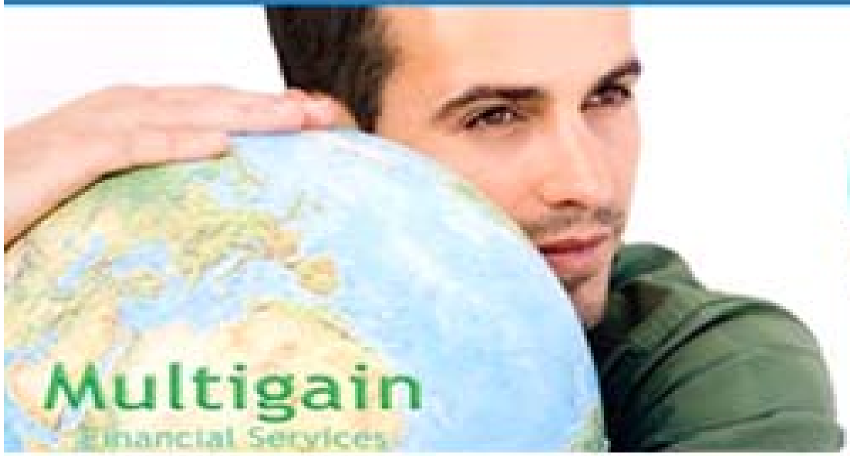

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Contact Us

Registered Office:

H-50, Lajpat Nagar, Moradabad – 244001 (U.P.)

Tel: 0591-2490200/ 400 / 500 0591-6456733 / 744
097600 91101/02/03 **Fax:** 0591-2490400

E-mail: info@multigain.in

Corporate Office: 402, Vishal Chamber,Sector 18, Noida – 201301 (Delhi NCR)
Tel: 0120-4226383/84 0120-2514383 Fax: 0120-2514383
E-Mail: info@multigain.in