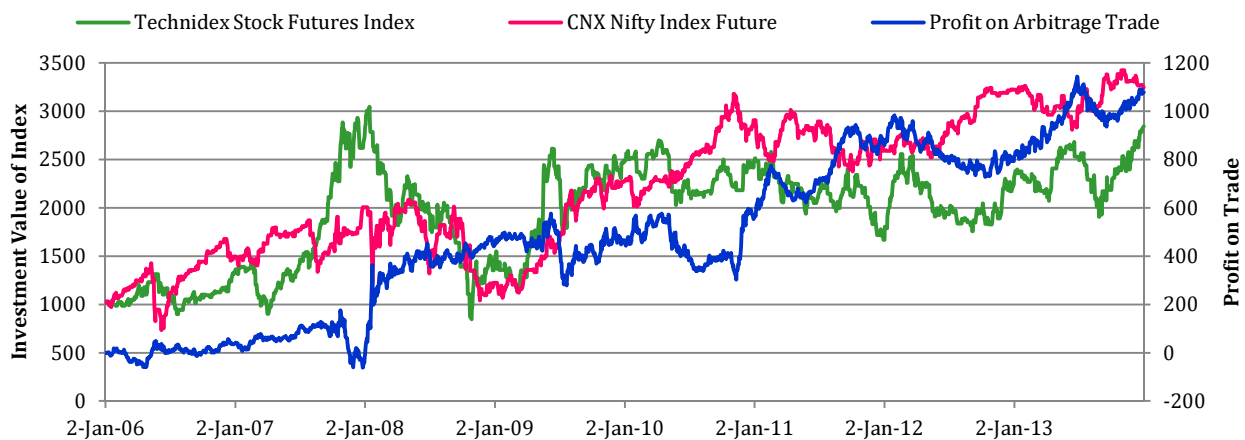


Hedged Strategy 1

Index Ratio Arbitrage Strategy

Technidex Stock Futures Index[©] & CNX Nifty Index Future have a base of 1000 on January 2, 2006 (CNX Nifty Index Future was 2819.70), hence a ratio of 1:1. The ratio was in favor of **Technidex Stock Futures Index[©]** on 1642 days and in favor of CNX Nifty Index Future on 345 days thereafter.

Index	2-Jan-06	31-Dec-13	Position	Residual Value *	Profit / Loss	Total Profit / Loss
Technidex Stock Futures Index [©]	1,000.00	2,754.30	Long	2,671.07	83.23	1,074.24
CNX Nifty Index Future	2,819.70	6,354.70	-	-	-	
Normalized CNX Nifty Index Future	1,000.00	2,253.68	Short	3,244.69	991.01	



* Residual Value of positions on Dec 31, 2013 has been arrived at after incorporating profit / loss of each trade.

Technidex Stock Futures Indexes[©] & CNX Nifty Index Future have a correlation of 0.97 hence a strategy using them as a pair reduces open market risk to the minimal. Our strategy is based on the daily change in ratio (explained on page 15) between **Technidex Stock Futures Indexes[©]** & Normalized CNX Nifty Index Future. **This Arbitrage Strategy has yielded a Net Profit of 1,078.05 on a base hedged position of 1,000.**

As a rule, the system is always either LONG or SHORT one unit of the index at the end of the day. We go SHORT in **Technidex Stock Futures Indexes[©]** and LONG Normalized CNX Nifty Index Future on days when the ratio declines (day over day) in favor of Nifty and vice versa on days when the ratio improves (day over day) in favor of **Technidex Stock Futures Indexes[©]**.

We continue being LONG till the time the ratio keeps improving or stay SHORT till the time the ratio keeps declining. As soon as the change in ratio turns from improving to declining or vice versa, we reverse the existing position and create an opposite position.

The ratio improved in favor of **Technidex Stock Futures Indexes[©]** continuously from May 14, 2009, till it turned down on May 21, 2009, hence we were long **Technidex Stock Futures Indexes[©]** and short CNX Nifty Index Future. The former gained 21.97% and the latter gained 17.18% during the period resulting in a net gain of 4.79%!

TechnidexTM

Mobile: +91 98200 27446 | Email: Research@Technidex.in | Website: www.Technidex.in

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