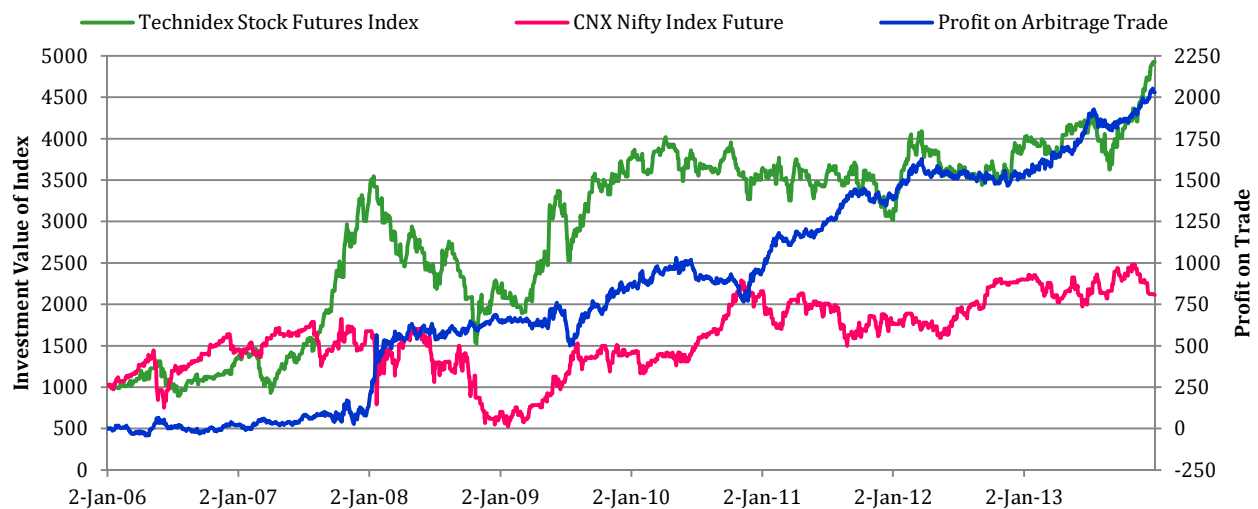


Hedged Strategy 2

Index Gap Arbitrage Strategy

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	588.47	2,165.83	2,025.66
CNX Nifty Index Future	2,819.70	6,354.70	-	-	-	
Normalized CNX Nifty Index Future	1,000.00	2,253.68	Short	2,113.50	(140.17)	



** 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 hedged strategy using them as a pair. Our strategy is based on the daily change in gap between **Technidex Stock Futures Indexes[©]** & Normalized CNX Nifty Index Future. **This Arbitrage Strategy has yielded a Net Profit of 2,029.47 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 gap declines (day over day) in favor of Nifty and vice versa on days when the gap improves (day over day) in favor of **Technidex Stock Futures Indexes[©]**.

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

The gap declined in favor of CNX Nifty Index Future continuously from Jan 15, 2008, till it turned up on Jan 23, 2008, hence we were short **Technidex Stock Futures Indexes[©]** and long CNX Nifty Index Future. The former declined 19.30% and the latter lost 14.34% during the period resulting in a net gain of 4.96%!

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