ETFs. An innovative, affordable way to build your financial portfolio.

An Investor Education Initiative by

ICICI PRUDENTIAL MUTUAL FUND

TARAKKI KAREIN!

What are **ETFs?**

An Exchange Traded Fund or ETF is a fund that invests in a basket of assets (bonds, stocks, gold, etc.) that reflect the composition of a benchmark index like the Nifty or BSE Sensex, for instance. They offer investors broad exposure to stock markets basis the index they track, on a real-time basis and at a lower cost than many other forms of investing.

How do **ETFs work?**

All ETFs mimic the composition of the market index they track.This is a passive style of investing and hence carries low risk and low costs. An investor who wants to benefit from the growth potential of a certain market index can choose to do so through a scheme that invests in the same securities as that market index.

Investors can buy shares of an ETF and even trade these, through the day, at a stock exchange. An ETF is represented by a ticker symbol on the stock exchange and its intraday price is easily available to investors who wish to buy or sell its shares. To take advantage of this liquidity, an investor would require a demat account.

Advantages of ETFs

Liquidity

ETFs can be bought or sold easily at a stock exchange during trading hours enabling investors to raise cash whenever required.

Low risks

ETFs passively follow a benchmark index resulting in low risks for the investor.

Reasonable returns

A passive style of investing means that returns are neither high nor low but reasonable.

Low costs

ETFs track an index that is relatively constant over the long term, hence there is no big expense due to daily churn of assets.

Suitable for the long-term

The buy-and-hold approach followed by ETFs make them suitable for long-term investing.

Transparency

ETFs publish their NAV daily.

Factors to be considered **while investing in ETFs**

Types of ETFs - You may choose between ETFs that invest in equity, debt or commodities. Another type of ETFs are the Smart Beta ETFs that use a rules-based systematic approach in selecting stocks to be included in the fund portfolio.

Liquidity - It is the ease of liquidating your investments. ETFs can be bought and sold only on the exchanges, and only if there is enough demand and supply.

Tracking Error - Pick an ETF with low tracking error. Tracking error is the difference in returns between the ETF and the index it tracks. SEBI has allowed ETFs to have a tracking error of upto 2%.

Scheme Expenses - These are the recurring expenses to manage a fund. Select a scheme with lower expense ratio as this means lower recurring costs for the investor.

ETFs vs Index Funds

	Index mutual funds	ETFs
Investment	Offers exposure to all the assets of a benchmark index	Offers exposure to all the assets of a benchmark index
Management	Actively managed	Passively managed
Liquidity	It can be brought or sold anytime, but the NAV will defer as per receipt of funds	Can be traded in real time at a stock exchange
Performance	Similar to or lower than the benchmark index	Similar to or lower than the benchmark index
Costs	Relatively higher than ETFs	Low

How to invest in ETFs

Demat account

You will need a demat account in order to invest in ETFs.

KYC compliance

You need to have completed your KYC.

Select an ETF

Choose from a wide range of ETFs across asset classes, market sectors, etc.

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Note:

I. Know Your Customer (KYC): To invest in Mutual Funds, you will need to complete your Know Your Customer (KYC) requirements. You can do so by visiting any AMC branch or nearest Point of Service and submitting the completed KYC Form along with all the required self-attested documents. Individual investors would be required to submit the following documents •A recent passport sized Photograph • A Proof of identity - A copy of your PAN card • A Proof of Address – A copy of your Voter ID card, Passport or Driving License. If you are already KYC Verified and would like to update any of your information, you can submit a completed KYC Details Change Form with the required self-attested documents at your nearest AMC branch or Point of Service.

II. SEBI registered Mutual Funds: We advise investors to make informed decisions and are cautioned to invest only with SEBI registered Mutual Funds. List of Registered Mutual Funds is available at https://www.sebi.gov.in/intermediaries.html

III. Complaint Redressal: For any queries, complaints & grievance redressal you can reach out to us at enquiry@icicipruamc.com or call us on 1800222999. If you are unsatisfied with the resolution or wish to escalate the matter, you may write to Investor Service Officer at servicehead@icicipruamc.com. For this purpose, Mr. Rajen Kotak is the Investor Relations Officer of the Mutual Fund. He can be contacted at 2nd Floor, Block B-2, Nirlon Knowledge Park, Western Express Highway, Goregaon (East), Mumbai – 400 063. Tel No.:022-2685 2000, FAX No.: 022 -2686 8313. In case the investor is not satisfied with the resolution given by AMC, he can approach SEBI by registering his complaint on SCORES (SEBI Complaints Redress System) through https://scores.gov.in/scores/Welcome.html

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.