

Headline: Equity ETFs rise on investor interest

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Assets climb 3-fold, driven by demand from retail and institutional buyers

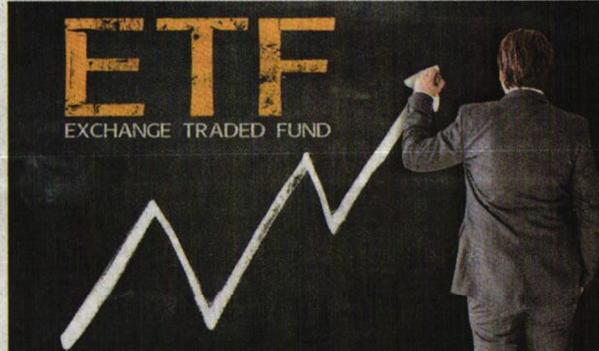
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Equity exchange-traded funds (ETFs) saw significant growth in the financial year 2016-17 (FY17) with the total assets under management (AUM) increasing three-fold on the back of higher demand from both retail and institutional investors.

The total AUM of equity ETFs was pegged at ₹43,234 crore as on March 31, 2017 compared with ₹15,066 crore as on March 31, 2016, according to a study by India Index Services & Products, a subsidiary of the National Stock Exchange (NSE).

Nifty indices

The AUM of the ETFs tracking Nifty indices account for 85% of the total equity ETF assets, the study said. The AUM of equity ETFs tracking Nifty indices in India touched ₹36,803 crore as on



Buying frenzy: The number of retail investors in ETFs has risen 82% in FY17. ■ GETTY IMAGES/ISTOCK

March 31, 2017, as against ₹12,865 crore as on March 31, 2016.

The key drivers of the increase in AUM of equity ETFs are increasing popularity of ETFs among retail investors, investments by pension funds including Employees' Provident Fund Organization in equity through the ETF route and

the Government of India using the ETF route for disinvestment. Incidentally, in the previous financial year, the government mobilised ₹8,500 crore through CPSE ETF, which tracks the Nifty CPSE index.

ETF is a fund comprising a group of securities, which is traded like an individual stock on an exchange. A re-

tail investor can buy ETFs for as little as ₹100 and then trade on the exchange with a minimum trading lot of one unit and carry significantly lower fund management costs.

As on March 2017, there were 47 equity ETFs trading in India out of which 34 were benchmarked to the Nifty family of indices. Of these funds, 13 ETFs track the benchmark 50-share Nifty. There are ETFs that track other indices as well like Nifty CPSE, Nifty Bank, Nifty Next 50, Nifty 100, Nifty PSU Bank and Nifty Quality 30 among others.

ETF trading volumes have also grown significantly. In the last two financial years, average daily volume was pegged at ₹186 crore, compared with ₹92 crore in FY15. In the last 10 years, the average daily traded volume has grown annually by 32%.