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# Investing in mutual fund for first time? Don't opt for CPSE ETF

*RELIANCE MUTUAL FUND CPSE ETF IS A NARROW FUND WHERE MOST FIRMS ARE FROM GOVTOWNED ENERGY SECTOR*

MUMBAI: Reliance Nippon Life Asset Management Ltd announced a third Further Fund Offer (FFO3) of its Central Public Sector Enterprises-Exchange Traded Fund (CPSE ETF) to raise up to ₹8,000 crore as an initial amount plus an addition amount, if any, based on the instruction of the Government of India. "An additional amount of ₹6,000 crore may be required in the future. The total issue size may be up to ₹14,000 crore," said Pankaj Gupta, director of ministry of finance, department of investment and public asset management.



ILLUSTRATION: SUDHIR SHETTY

## WHAT IS ON OFFER?

The CPSE ETF is open to retail investors from November 28 to November 30. For anchor investors, it is open only on November 27. "In India, there is a huge section of investors who support the government. The government too wants more retail participation in the growth story of these

companies," said Jain. You will get an upfront discount of 4.5%. For the previous tranche, the upfront discount was 2.5%. Compared with the previous tranches, the composition in this tranche has been changed. In the composition of the ETF, four new companies and one sector found space. Three power companies, NTPC Ltd, NLC India Ltd and SJVN Ltd, and one construction company, NBCC (India) Ltd, were added earlier this month.

"The companies removed had hit the government disinvestment cycle," said Jain. The CPSE ETF composition has given 63% to the energy sector, 19% to other oil PSUs, 7% to infrastructure and engineering and 12% to PSU financials. "No single company will be given more than 20% weightage. We wanted to reduce dependence on oil and petrol and make it a broad based disinvestment program of the Government of India," said Sundeep Sikka, chief executive officer of Reliance Nippon Life Asset Management.

#### SHOULD YOU INVEST IN IT?

There are five types of ETFs available to Indian investors, mirroring the Sensex and the Nifty. "Investors who are looking for a broad market exposure should look at ETFs. ETFs are efficient and have a lower cost. The largest of the funds available in the country happen to be ETFs. However, the Reliance Mutual Fund CPSE ETF is a narrow one where a large proportion of the companies are from government-owned energy sector. It is almost like a sector fund," said Dharendra Kumar, founder and chief executive officer of online investment advisory platform ValueResearchOnline.com. Who should consider it? "Reliance MF's CPSE ETF is not as diversified as any other ETF that tracks the exchanges. Investors who already have a broad-based exposure in other products can look at this product as an additional one, but it should not be the first product one buys. You should have a 5-10 year investment horizon if you want to invest in the CPSE ETF," said Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors. If you are new to mutual fund, this one is not for you.

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