



5 Best ETFs Based On Past Performance

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Over the last one year there has been seen an enormous investor interest in ETFs or exchange traded funds both from HNIs as well as retail investor class. So, here we will detail the asset class and how you can select ETFs for your portfolio:

What are ETFs?

ETFs or exchange traded funds aggregate funds of several individuals and buy into different tradable assets such as debt securities, shares etc. These are listed and traded on exchanges and most of these ETFs are registered with the SEBI.

So, to diversify one's asset base, one can take a dig into ETFs and it hence suits investors who do not have much understanding of the India's highly volatile stock market.

Also, these ETFs provide investors with an opportunity to have a broad based exposure to even stock markets of different countries with less of difficulty, on a real time basis as well as at a lower cost in comparison to various other investment forms.

How ETFs work?

Exchange traded fund with underlying constituents reflecting the composition of an index say for instance Nifty or Sensex has its

trading value which is decided basis the NAV of its underlying stocks. So, ETFs work more or less similar to mutual funds.

Further these can be actively and passively managed and in passive management, the funds are deployed after looking trend of specific market indices and investing in those company only which are on the higher side.

ETFs-Suitable for whom?

These can be chosen by novice investors. "They can get exposure to a diversified basket of stocks with only a small amount of money," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. Also, there remains no concern in respect of choosing the fund manager.

Also, one looking for optimal asset allocation at precisely low cost can look at these instruments from rather a long term investment perspective, instead of considering them just as a tradable instrument.

Recent Traction In ETFs

Even as investors continue to offload their holding in equity mutual funds, there has been increased interest in ETFs and this was cleared through a recent report which suggested that Nifty-50 based ETF has seen AUM or asset under management rise to Rs. 1 lakh crore; while AUM of ETFs of both equity and debt taken on a combined basis has crossed Rs. 2 lakh crore.

Why you should invest in ETFs?

ETFs come in handy and can be in fact the best investment choice in volatile and uncertain times as in the current phase as even most sorted-out and experienced investor may not be able to infer correctly

as which sectors may or may not falter. Hence investing in low-cost instrument that provides good enough exposure will be good.

Also, these ETFs serve good in providing you with international exposure such as those tracking indices of foreign nations such as NASDAQ, Hang-Seng that are available in India say for instance Motilal Oswal NASDAQ 100 ETF i.e. the most lucrative providing 1-year return of 43.11%.

Also, for hedging one's equity related and debt risk one can go for gold ETFs which are highly liquid and at the same time too rewarding given the current sharp run to the tune of 40% in gold thus far on a year to date basis.

Criteria to choose best ETF

1. Expense ratio:

As per experts take, total investment cost in case of ETF including the brokerage cost should be lower than that charged for similar index fund. So, go for an ETF with a discount broker.

2. Liquidity:

Liquidity should be another factor which can be known basis the trading volume represented on the stock exchanges as well impact cost. And fund with the lower impact cost tends to be more liquid.

3. Tracking error:

This error which judges the fund's performance in comparison to the underlying index assist in choosing a better managed fund. Say, a fund with lower tracking error will provide returns similar to the index.

5 Best ETFs Basis Past Performance

Scheme	Asset Size (Crore)	Expense Ratio	NAV (Rs/unit)	Return in % (1 year)	2 years	3 years
Motilal Oswal NASDAQ 100 ETF	1,650.95	0.54%	789.28	43.11	21.42	27.67
Birla Sun Life Gold ETF (G)	120.19	0.51%	4677.14	30.35	27.56	18.39
Invesco India Gold ETF	33.63	0.45%	4615.17	30.25	27.63	18.41
SBI - ETF Gold	866.34	0.51%	4565.84	30.11	27.46	18.23
Kotak Gold ETF	381.42	0.55%	444.87	30	27.45	18.31