

5. Bharat 22 ETF

Prelims: Economics- Investment Models

Mains: GS-III- Investment models

Why in News?

- ▶▶ The Further Fund Offer 2 (FFO 2) of Bharat 22 Exchange-Traded Fund (ETF), which is part of the government's divestment programme, will be open for subscription for investors.

Bharat 22:

- ▶▶ Bharat 22 is an ETF that will track the performance of 22 stocks, which the government plans disinvest.
- ▶▶ The ETF unit represents a slice of the fund, issued units are listed on exchanges for anyone to buy or sell at the quoted price.
- ▶▶ The B22 will span six sectors, such as basic materials, energy, finance, FMCG, industrials and utilities.
- ▶▶ Besides public sector banks, miners, construction companies, and energy majors, the ETF will also include some of the government's holdings in SUUTI (Specified Undertaking of Unit Trust of India).
- ▶▶ The B22 ETF will be managed by ICICI Prudential AMC while Asia Index will be the index provider.
- ▶▶ The index will be rebalanced annually.

Exchange Traded Funds (ETFs):

- ▶▶ ETFs are mutual funds listed and traded on stock exchanges like shares.
- ▶▶ The ETF simply copies an index and endeavours to accurately reflect its performance.
- ▶▶ In an ETF, one can buy and sell units at a prevailing market price on a real-time basis during market hours.
- ▶▶ There are four types of ETFs already available — Equity ETFs, Debt ETFs, Commodity ETFs and Overseas Equity ETFs.
- ▶▶ The Bharat 22 ETF to be offered now allows the Government to park its holdings in selected PSUs in an ETF and raise disinvestment money from investors at one go.