

Item No. 4 Investment in BHARAT 22 ETF by EPFO.

1. The Government of India in August, 2017 announced a new ETF by the name of "BHARAT 22 ETF". It has 22 constituents including CPSE, Public Sector Banks and strategic holding of *Specified Undertaking of the Unit Trust of India (SUUTI)*. Overall it is a well diversified portfolio constituting of 6 sectors.
2. Investment in BHARAT 22 ETF has been permitted under Category IV(d) of Pattern of Investment notified on 23rd April 2015 - Equities and Related Investments – ETF's issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporates.
3. The said ETF was analyzed in consultation with M/s. CRISIL Ltd, Consultant of Central Board and the salient features of the ETF are as under:-
 - a. ICICI Prudential Mutual Fund is the AMC for this product and it has kept the total expense ratio of less than 1 bps which is considerably lower than the total expense ratio charged by other existing ETFs.
 - b. The number of stocks is capped at 22 out of a investable universe of 69 (which are listed on Bombay Stock Exchange (BSE) which forms the underlying universe of the S&P Bharat 22 index), the weight of each individual stock is capped at 15% and each BSE sector at 20% of the index. These weight constraints are to be applied during the annual index rebalancing in March each year.
 - c. Companies considered as eligible to be included in the Index needed to have given dividend of not less than 4% including bonus for the 7 years immediately preceding or for atleast 7 out of the 8/9 years immediately preceding period.
 - d. An average free float capitalisation of more than Rs 1000 crores for last six months has been considered for deciding eligibility of the companies in the index.
 - e. A discount of 3% on the "Reference Price" of the underlying index shares has been given to the Scheme by the Seller.
 - f. Risk adjusted returns of S&P BSE Bharat 22 Index compared to Nifty 50 and S&P BSE Sensex was higher in long term (5 year and 7 year rolling returns).
4. Based on the above a proposal for investing ₹2,000 crores in said ETF was placed before the Hon'ble Chairman, Central Board, EPF, which was approved.
5. BHARAT 22 ETF opened for subscription on 14th Nov 2017 in its Anchor category which was oversubscribed by six times. Thus in-order to get an allocation of ₹2,000 crores, higher amount was invested in Non-Anchor category. The details of investment made, allocation and refund category wise are appended below:-

BHARAT 22 ETF ALLOTMENT					
(DATE OF ALLOTMENT - 25.11.2017)					
Scheme / Account No.	Category	Subscription amount (in crores)	Allotment (in crores)	Units	Amount Refunded (in crores)
EPF (5)	ANCHOR	500.00	149.75	41631915.00	350.25
EPF (5)	NON - ANCHOR	1375.00	1375.00	382262996.00	0.00
EPS (11)	NON - ANCHOR	500.00	500.00	139004726.00	0.00
TOTAL		2375.00	2024.75	562899637.00	350.25

Proposal: The item is placed before the Board for information.