Bharat-22 ETF

Why in news?

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Recently government has launched new Exchange Traded Fund Bharat-22.

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What is Exchange Traded Fund?

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- ETF is an investment fund traded on stock exchanges, much like stocks.
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- An ETF holds assets such as stocks, commodities, or bonds and generally operates with an arbitrage mechanism.
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- It is designed to keep it trading close to its net asset value, although deviations can occasionally occur.
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- ETFs may be attractive as investments because of their low costs, tax efficiency, and stock-like features.
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- Bharat-22 ETF is the second ETF from Govt. of India after CPSE ETF, hence it is attracting investors in the stock market.
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What are the highlights of Bharat 22 ETF?

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- Bharat 22 is an ETF that will track the performance of 22 stocks, which the government plans disinvest.
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- 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.
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- The Bharat-22 ETF will span six sectors, such as basic materials, energy, finance, FMCG, industrials and utilities.
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- 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).
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- The Bharat 22 ETF will be managed by ICICI Prudential AMC while Asia Index will be the index provider.
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- The index will be rebalanced annually.
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Why is it important?

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- The ETF mechanism has proven to be a smart, effective way for the government to help meet its disinvestment targets.
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- It is a key factor to keep fiscal deficit under control.
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- The ETF route provides a neat workaround by letting the government pare small stakes (2-3 per cent) in a big basket.
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- The Bharat 22 ETF has more than double the 10 stocks in the CPSE ETF and much wider sector coverage.
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Source: Business Line

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