

Common factors to consider while calculating & comparing performance for Motilal Oswal Nasdaq 100 ETF

Background:

In the past couple of years, investors have exhibited increased appetite for global investing and have started diversifying their portfolio by investing in international funds. Likewise, we have received an overwhelming response to our international funds, in particular the Motilal Oswal Nasdaq 100 ETF (scheme).

In lieu of this, we have received a lot of investor queries regarding the performance calculation & comparison of the scheme with the NASDAQ 100 TR Index. We would like to inform our investors that all performance calculation & investing process followed by us are as per the guidelines prescribed by SEBI. Therefore, investors should keep the following nuances in mind while comparing scheme performance with the NASDAQ 100 TR Index.

1. Accounting for one-day lag

As per the Master Circular for Mutual Funds by SEBI, all mutual fund houses have to report the NAV (Net Asset Value) of their schemes by 11 pm on a daily basis¹. This NAV must be calculated using latest available closing prices. In India, NSE & BSE close at 3:30 pm, so mutual fund schemes investing in domestic equities can report daily NAV without any issue. But in the case of this scheme that invests in US Equity market, the difference in time zones leads to closure of the US markets post 11 pm IST. As shown in the example below, for NAV calculation as of 8th Feb for the scheme, we use the previous day closing prices (i.e. 7th Feb) of the constituents of NASDAQ 100 TR Index.

NAV date	US date	Closing price
07-02-2022	06-02-2022	100.00
08-02-2022	07-02-2022	102.00

Hence, investors should lag NASDAQ 100 TR Index value by one-day while comparing scheme and index performance.

2. Foreign Exchange difference

Even after accounting for one-day lag, investors might see performance deviation between the NASDAQ 100 TR Index and the scheme. The depreciation (appreciation) of INR against the USD also contributes positively (negatively) to the return of the scheme. Therefore, investors must also adjust NASDAQ 100 TR Index for forex movement while comparing performance. For NAV calculation of the scheme we use the previous day forex rates as published by globally renown data provider².

In conclusion, the performance of Motilal Oswal Nasdaq 100 ETF should be compared with the performance of NASDAQ 100 TR Index adjusted for one-day lag and forex movement (USD-INR).

In the example below, performance of the scheme (column C) is compared with non-lagged non-forex adjusted (column A) and lagged forex adjusted (column B) index values. Incorrect comparison between (A) and (C) would lead to misinterpretation of high tracking difference (and thereby tracking error); the right way to compare scheme and index performance would be between columns (B) & (C).

	A	B	C
Period	NASDAQ 100 TR Index (USD non-lagged)	NASDAQ 100 TR Index (INR lagged)	Motilal Oswal Nasdaq 100 ETF
1 Year	27.5%	30.9%	30.0%
3 Year	38.3%	41.9%	40.8%
5 Year	28.6%	30.8%	29.2%
7 Year	22.5%	25.3%	23.6%
10 Year	23.1%	27.4%	25.7%

¹SEBI/HO/IMD/DF2/CIR/P/2020/156, page 116

²Forex prices published by Thomson Reuters at 5 pm

Calculation of iNAV

To help ETF investors with price discovery, the Indicative Net Asset Value (iNAV) is calculated and published by Mutual Fund houses during market trading hours. For Motilal Oswal Nasdaq 100 ETF, as mentioned earlier, when Indian markets are open for trade, the US markets are closed. Therefore, for calculating iNAV of the scheme, the previous day's NAV is adjusted for forex movement in real-time. The iNAV is published every 15 minutes at <https://www.motilaloswalmf.com/etf-fund> during Indian market trading hours (i.e. 9:15 am to 3:30 pm).

However, investors may notice some deviation between the trading price and iNAV of the scheme. This is due to the fact that some market participants may also consider price movements in live futures contract of NASDAQ 100 Index trading in Asian markets to arrive at a fair price.

For any further query, please feel free to reach out to us at mfservice@motilaloswal.com

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Name of the scheme	Scheme Riskometer	Benchmark Riskometer NASDAQ 100 TRI (INR)
Motilal Oswal Nasdaq 100 ETF (An open ended scheme replicating/tracking NASDAQ-100 Index)		
This product is suitable for investors who are seeking*	Investors understand that their principal will be at Very High risk	
<ul style="list-style-type: none">Return that corresponds generally to the performance of the Nasdaq-100 Index, subject to tracking errorInvestment in equity securities of NASDAQ-100 Index		

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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