

Motilal Oswal 5 Year G - Sec ETF

Frequently Asked Questions

What is Motilal Oswal 5 Year G-Sec ETF?

The Motilal Oswal 5 Year G-Sec ETF seeks investment return that closely corresponds (before fees and expenses) to total returns of the security as represented by the 'Nifty 5 Yr. Benchmark G-Sec Index', subject to tracking error.

Is this an actively managed fund or passively managed?

Motilal Oswal 5 Year G-sec is an Exchange Traded Fund (ETF), and is passively managed.

Where would the fund manager invest my money?

Funds will be invested in underlying security of the Nifty 5yr Benchmark G-sec Index. The Nifty 5yr Benchmark G-sec Index is a single bond index tracking the most liquid 5 year benchmark security issued by the Government of India. As on 31st October 2020, the underlying constituent was 5.22% GS 2025 (IN0020200112).

For detailed methodology - [click here](#); for historical Index values - [click here](#).

Is it safe to invest in Motilal Oswal 5 Year G-sec ETF?

The ETF is labelled as 'Moderately Low Risk' according to 'Riskometer'. The ETF invests in government securities (G-Sec) which are backed by Government of India, hence virtually carry 'No default' risk.

What is constant maturity structure?

Bond prices are sensitive to changes in interest rate. Typically active fund managers tend to alter the duration of the fund based on their interest rate outlook, whereas in case of Constant Maturity structure the overall duration at fund level is maintained in the pre-set range.

Risk involved in Motilal Oswal 5 Year G-Sec ETF?

Typically the debt fund and especially G-Sec fund has lower risk in term of their price volatility over medium to long term. However yet there are few risks which need to be noted as below.

- **Credit Risk:** The fund has practically NIL credit risk since it invests in Government Securities which is backed by Government of India.
- **Price Risk:** The price of debt instruments including G-Sec is sensitive to changes in market interest rate, an increase in interest rate may cause bond prices to fall. The ETF is expected to have lower risk as compared to long duration G-Sec whereas higher risk as compared to short duration G-Sec.
- **Reinvestment Risk:** Coupons received will be reinvested in the underlying index basis prevailing yield.
- **Liquidity Risk:** The underlying index, includes security which is the most liquid G-Sec in the given duration bucket. Hence fund has low liquidity risk, given historical trend.
This above list is indicative and not exhaustive, please read the offer document before investing or contact your financial advisor

Are there any assured returns?

Like any other debt mutual fund schemes, there are no assured returns

How can I invest in this fund?

Investing in the ETF is easy. You may reach out to your financial advisor or log-in to www.motilaloswalmf.com. You can also call us at +91 8108 622 222.

What is the minimum application amount?

During NFO: Rs 500/- and in multiples of Re 1/- thereafter

On-going basis:

- **On Exchange:** Investors can purchase/redeem units of ETF on Stocks Exchanges like equity share; the units can be bought/sold in round lots of 1unit and in multiples thereafter. We have appointed market makers to provide ongoing liquidity to buyers/sellers on exchange
- **Directly with AMC:** In addition units of ETF can be purchased/redeemed directly with the Mutual Fund for the creation unit size of 20,000 units (approx. amount of basket is INR 950,000/-¹)

What is the Total Expense Ratio of the ETF?

Total Expense Ratio for the ETF is 0.22% (i.e. 22 basis points)

Is there an entry/exit load?

There is NIL entry/exit load

Are there any restrictions on purchase/withdrawal? Is there a lock-in period?

There are no restriction either on purchase/withdrawals. The ETF has NO lock-in period.

What happens to the Coupon payment received on the underlying security?

The coupon received on the underlying security will be reinvested in the underlying index constituent.

Who can invest in Motilal Oswal 5 year G-sec ETF?

Any resident individual (including NRIs) and non-individual can invest, please refer to the offer document and consult your financial advisor before investing². As it is an ETF, transaction will be settled compulsorily in dematerialized form and an investor is required to have a Demat and trading account.

Will this ETF be liquid on Stock Exchanges?

We have appointed a 'Market Maker' in order provide sufficient liquidity to buyers and sellers on the Stock Exchanges. The market maker also has an additional responsibility to maintain spread between buy and sell price as low as possible.

What is the Settlement Period for the Fund (buy & sell)?

The units of Motilal Oswal 5 Year G- Sec ETF will be settled as per the normal settlement cycle (T+2), like any other equity share.

What is tax treatment?

If the investment is held for more than 3 years it qualifies for Long Term Capital Gains Tax @ 20%, along with option to avail indexation benefit. Any investment horizon lower than 3 year, would attract the Short Term Capital Gain Tax and taxed as per the applicable tax bracket.

Illustrations of Indexation Benefit?

Particulars	G-Sec ETF	Fixed Deposit
Assumptions		
Invested Amount (FY 2018) (a)	1,00,000.00	1,00,000.00
Rate of Return	8%	8%
Holding Period	3 Year	3 Year
Redemption/Sell Amount (FY 2021) (b)	1,25,971.20	1,25,971.20
Indexation Benefit	Yes	NA
Cost of Inflation Index		
CII- FY 18	272	NA
CII- FY 21	301	NA
Tax Calculation		
Indexed Cost of Investment	1,10,661.80	NA
Taxable Amount (c)=(a)- (b)	15,309.40	25,971.20
Tax Paid [#]	3,061.90	7,791.40
Return After Tax (INR)	22,909.30	18,179.80
CAGR Post Tax	7.12%	5.73%

Source- Cost of inflation index- Incometaxindia.gov.in. #Debt ETF taxed @20% (LTCG), while Fixed Deposit investor assumed to be in highest tax bracket and taxed@30% The above table is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

Where can I track this ETF? Or Is the investment transparent?

The daily portfolio holding is disclosed at www.mostshares.com under Creation Unit. This helps investors know in which security the fund is investing. In addition, the NAV is calculated for all business days and is published on www.mostshares.com, www.motilaloswalmf.com and www.amfiindia.com before 11.00 p.m. on every business day.

Can I hold it in physical form?

Units of the ETF will be settled compulsorily in dematerialized form. The investor must have Demat account in order to invest in this ETF. During NFO, the investor must disclose the DP's name, DP ID Number and Demat account number. All applications without relevant details of investor's depository account are liable to be rejected.

Is STP / SIP & SWP is allowed in this fund during the NFO?

No. As this is an ETF, STP/SIP & SWP are not allowed.

NFO

Closes on 04th December, 2020



<p>Name of the scheme</p> <p>Motilal Oswal 5 Year G – Sec ETF (MOFGSEC) (An open ended scheme replicating/tracking Nifty 5 yr Benchmark G-Sec Index)</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Return that corresponds generally to the performance of the Nifty 5 yr Benchmark G – Sec Index, subject to tracking error. Investment in securities of Nifty 5 yr Benchmark G-Sec Index 	<p>Riskometer</p> <p>Investors understand that their principal will be at Moderately Low risk</p>
<p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>		

Mutual Fund investments are subject to market risks, read all scheme related documents carefully