

Frequently Asked Questions

Exchange Traded Fund (ETF) Specific

1. What Are ETFs?

Exchange Traded Funds are type of mutual funds which are listed and traded on exchange. These ETFs track an underlying index and are passively managed.

2. What are Bond ETFs?

Bond ETFs invest in Bonds and are listed on exchange. These Funds are passively managed Funds which follow a specific Index. Similar to other Mutual Fund, investors get units of ETFs which are listed and trade on the Exchange. Investors can buy or sell units of ETF on the exchange any time during the market hours.

3. What is Target Maturity Bond ETF?

A Target Maturity Bond ETF is an exchange traded fund which has a defined fixed maturity that invests in bonds with similar maturity. This enables it to combine features of bond and mutual funds both. In these ETF's the underlying securities are held until they maturity of the Scheme.

BHARAT Bond ETF Specific

4. What is BHARAT Bond ETF?

BHARAT Bond ETF is an Initiative by Government of India to cater to the borrowing requirements of CPSEs by pooling investments from retail, HNI and institutional investors. Edelweiss Asset Management has been given the mandate to manage this BOND ETF program.

5. What is the Product Composition of BHARAT Bond ETF?

BHARAT Bond Exchange Traded Fund is a low-cost basket of CPSE bonds that follows an index and trades on the stock exchange. The ETF would follow the underlying index which will comprise eligible bonds issued by CPSEs, CPSUs/CPFIs and other Government organizations. ETF and indices will have a specific maturity date. For instance, BHARAT Bond ETF - April 2023 and the underlying index both will mature in April 2023.

6. Where all can BHARAT Bond ETF invest?

The ETF can invest only in high quality "AAA" rated bonds of CPSEs/CPSUs/CPFIs and other Government organizations.

7. What are the Advantages of BHARAT Bond ETF vs other debt MF and Bonds?

BHARAT Bond ETF provides following benefits

- easy and low-cost access to CPSE Bonds
- better liquidity than Bonds
- better transparency than Bonds and MFs
- predictability of return
- tax efficiency compared to Bonds as coupons from the Bonds are taxed at marginal rates. Bond ETFs are taxed with the benefit of indexation which significantly reduces the tax on return for investor.

Following table shows comparison of three above mentioned investment avenues.

	Bond ETFs	Debt Mutual Fund	Individual Bonds
Return Predictability	✓		✓
Liquidity	✓	✓	
Diversification	✓	✓	
Defined Maturity with final money distribution at Maturity	✓		✓
Tax Efficiency - Indexation	✓	✓	✓

8. How is BHARAT Bond ETF different from Fixed Maturity Plan (FMP)?

Unlike FMP, BHARAT Bond ETF will be traded on exchange and investors can buy and sell units on exchange on real time basis. Investors can also buy and sell ETF units directly through AMC, which is not possible in case of an FMP. One cannot invest or redeem form FMP as it is a close ended structure unlike BHARAT Bond ETF which is an open-ended structure. Unlike FMP, BHARAT Bond ETF can invest only in bonds which are eligible and part of the index and offers more transparency.

9. How safe is the portfolio?

BHARAT Bond ETF will invest only in the bonds issued by the Government of India's Public Sector Companies. Even within these companies, it will invest only in those bonds, which has a credit rating of AAA. Such bonds have minimal default risk.

10. What are the risks involved?

Investing in any fixed-income securities has four major risks- Price risk, Credit Risk, Reinvestment Risk and Liquidity Risk. The ETF aims to mitigate these risks in the following manner:

Price Risk: The ETF has a target maturity. This means the initial yield is locked if the investment is continued till maturity. However, if you withdraw/redeem before maturity, price risk will remain.

Credit Risk: Each bond issuer is a Public Sector Company with a credit rating of AAA. Credit risk, therefore, is relatively lower.

Reinvestment Risk: Coupons/interest received by the fund shall be reinvested in the similar underlying assets as that of the Index/portfolio.

Liquidity Risk: The AMC will appoint market makers to provide liquidity on the exchanges. Hence, investors can buy/sell their units on exchange anytime during the trading hours.

11. Are there any assured returns?

There are 'NO' assured returns. During the investment period, value of investments can go up or down depending on market conditions, and are dependent on interest rates movements in the economy. However, if investors stay invested till maturity of the ETF then return can be inline with the yield of the portfolio at the time of investments.

Index Specific

12. Who will create the underlying Index?

Edelweiss AMC has appointed NSE India for creation and maintenance of the Index.

13. What are the underlying Indices?

Each Bond ETF will have a dedicated Index. The first ETF launch is proposed to have two scheme of ETFs with 3-year & 10-year tenors.

Following will be the indices for those 3-year and 10-year tenor ETFs.

Fund	Benchmark Index
BHARAT Bond ETF – April 2023	Nifty BHARAT Bond Index – April 2023
BHARAT Bond ETF – April 2030	Nifty BHARAT Bond Index – April 2030

14. What is the Index methodology?

The Index will follow below mentioned criteria for inclusion of issuers and their bonds:

Selection:

Issuers that are CPSEs/CPSUs/CPFIs and other Government organizations are eligible to be part of the Index. Bonds issued by these issuers should be rated “AAA”. Further, issuers should have total outstanding of minimum Rs. 100 crores.

Weight Allocation:

Weight of bonds in the index will be based on total outstanding amount of each issuer. Single issuer weight will capped at 15%.

Index Rebalancing:

Index will be rebalanced/reconstituted at the end of each calendar quarter.

15. What happens if any Security downgrades?

The fund and the index have a mandate to invest only in AAA rated securities only. If a credit downgrade happens by any of the authorized rating agency approved by SEBI, then particular security will be removed from the Index in next rebalancing.

Consequently, the ETF will also exit its investment from that particular security by selling it in the secondary market depending on the nature of the downgrade. Any such downgrade in the issuer’s rating will be brought to the attention of DIPAM.

Investment Options Specific

16. What are investment gateway options available for Investors?

Investors holding demat account can invest BHARAT Bond ETF. Investor who do not hold a demat account have an alternative option to invest via BHARAT Bond Fund of Funds having similar maturity in lines with underlying ETF.

17. How can an Investor trade on the Exchange?

Units of the BHARAT Bond ETFs will be traded on the exchange where the investor can buy or sell these ETF units during the market hours in the lot size of one (1) units and multiples thereof. These transactions will be settled on T+2 basis.

18. What is the process to transact directly with the AMC, What is minimum basket size?

Apart from transacting through the Exchange, investors who are willing to buy/sell units worth minimum Rs. 25 crore can place order directly to the AMC. Redemptions / subscriptions received by the AMC / Mutual Fund within cut-off time shall be processed basis the End of the Day NAV.

19. Who can invest in BHARAT Bond ETF?

Any resident (including NRIs) individual and non-individual can invest in BHARAT Bond ETF. If you already have a Demat account, you can apply through your broking account.

20. What will be the unit creation and redemption process?

Unit creation and redemption can be done directly through AMC above specific amount – Rs. 25 crore for large investors and Rs. 1 crore for market makers. Following Charts shows the process.

Unit Creation Process:

Sr. No.	Particulars	Timeline	
1	Investor should submit subscription transaction form along with Client Master List (CML) and prescribed documents as per check list at the corporate office of AMC. Investor can also email the subscription request to the designated email id followed by a call (email and contact nos. shared above).	T+0 Day	Up to 3:00 PM
2	Investor has to transfer minimum amount of Rs. 25 Crores, in subscription account.	T+0 Day	Up to 3:00 PM
3	AMC will process request on the same day for cash received in bank account within timeline.	T+0 Day	Up to 3:00 PM
4	Investor will receive allotment advice with details of units, yesterday's end of day NAV, charges and refund if any.	T+1 Day	11:00 AM
5	Refund will be initiated to the investor, if any	T+1 Day	11:30 AM
6	Corporate action for crediting units in investors demat account will be initiated with Depositories	T+1 Day	11:30 AM

	(The realization of units in investor's DP will be based on the investors DP's timeline)		
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Note: If funds are credited in the bank account up to 3:00 PM, units will be allotted with end of day NAV and if the credit is post 3:00 PM, next business days' end of day NAV will be applicable for allotment of units. Thus, certain processes of T+0 and T+1 will move to T+1 and T+2 respectively.

Unit Redemption Process:

Sr. No.	Particulars	Timeline	
1	Investor should submit redemption transaction form along with Client Master List (CML) and prescribed documents as per check list at the corporate office of AMC. Investor can also email the redemption request to the designated email id followed by a call (email and contact nos. shared above).	T+0 Day	Up to 3:00 PM
2	Investor will transfer ETF units in MF's redemption pool account.	T+0 Day	Up to 3:00 PM
3	AMC shall confirm the receipt of units to the investor and initiate redemption process with end of day NAV.	T+0 Day	Up to 5:00 PM
4	Investor will receive redemption advice with details of units, yesterday's end of day NAV, charges and the redemption amount being paid out.	T+1 Day	Up to 11:00 AM
5	Redemption payout will be done upon receipt of units in AMC's redemption Demat account in client's bank account registered as per CML copy shared.	T+1 Day	Up to 11:00 AM

Note: Redemption amount will be transferred to investor account only on the receipt of units in AMC's redemption account. In case investor transfers the units on T+1 before 2pm will arrange to release the payout on same day or if we received after 2pm will arrange to release the Payout on Next day. Further, as per provisions in the Scheme Information Document (SID) the AMC retains the right to make the redemption payout either in Cash or in Kind & Cash.

21. Do large investors need to come to AMC or can they transact on exchange as well?

Large investors (transaction size above Rs. 25 crore) can transact directly through AMC or on the exchange. On exchange if there is no liquidity then Market Maker will help in facilitating such trades by buying/selling ETF units to that extent.

22. What is Market Maker and what is its role?

Market Makers make sure that there is enough amount of liquidity on the exchange of ETF units. These Market Makers hold a large inventory of units with them and provide liquidity and make trading accessible to investors. Market Makers buy the units of ETFs directly from the AMC in large volumes and keep inventory of units. This inventory can then be sold on the exchange if needed. At times when there are enough sellers and no buyers; market makers start buying in units on the exchange. When market makers run out of units, they simply repeat the process. This help in reducing bid-ask spread.

Taxation Specific

23. What will be the applicable Tax?

As BHARAT Fund ETF will be investing in Fixed Income securities, Debt Taxation will be applicable to investors. Short Term capital Gain (STCG) is taxed at marginal rate and Long Term Capital Gain (LTCG) after 3 years is taxed 20% post Indexation Benefit.

24. What is Indexation and how is it beneficial for Investors?

Indexation is an efficient way to lower Investor's tax on returns by adjusting it for inflation. Indexation allows an investor to adjust purchase price of their investment with inflation. It is applied to long term returns on investments. Higher inflation means higher purchase price, which means lower tax.

Example of Indexation benefit:

	Traditional Investment	BHARAT Bond ETF April 2030 (11 Indexation)
Investment Amount	Rs. 1 Lakh	Rs. 1 Lakh
Assumed Rate of Return	7.58%	7.58%
Indexation**	NA	11
Value on Maturity	Rs. 2.13 Lakh	Rs. 2.13 Lakh
Indexation Value	-	Rs. 1.54 Lakh
Taxable Amount	Rs. 1,13,488	Rs. 59,543
Applicable Tax*	Rs. 34,046	Rs. 11,909
Post Tax Value	Rs. 1,79,442	Rs. 2,01,579
Net Post Tax Return	5.79%	6.99%

- Assumed Tenure for Traditional Investment and Bond ETF (11 Indexation) - 10.38 Years.
- **Assumed Rate of Inflation is 4%.
- * Traditional Investment Taxed at 30% and BHARAT Bond ETF at 20% post indexation,
- Above is only for illustration purposes. Please consult your TAX Advisor before making any investment

Fund of Fund - Specific

25. What is BHARAT Bond - Fund of Funds?

BHARAT Bond – FoF is an alternative option of Investment. This FoF will invest in the underlying BHARAT Bond – ETF. There are two Scheme of FoF, both investing in ETFs of respective maturities. This investment option is for investors who do not have demat account hence, could not invest in BHARAT Bond ETF.

Fund of Funds	Investing in
BHARAT Bond FoF – April 2023	BHARAT Bond ETF – April 2023
BHARAT Bond FoF – April 2030	BHARAT Bond ETF – April 2030

26. Will the NAV of BHARAT Bond ETF and BHARAT Bond FoF be the same?

Although underlying assets of these two funds are exactly the same, the NAV for both of them will be different since both the Funds are different.

27. What will be the minimum investment amount of BHARAT Bond – FoF?

Minimum investment amount for the Fund will be Rs.1000 and in multiples of Re1 thereafter.

28. What is the Exit Load for BHARAT Bond FoF?

The Fund will charge Exit load as per the following slab

Upto 30 Days	0.10%
Above 30 Days	NIL

Operation Specific

29. How can I Apply for the NFO?

Applying is very simple. For ETF schemes, the Investor can directly apply to AMC by filling Application form and providing Demat and Client ID. Investor can also place the order through respective broker. Demat account is mandatory for investing in ETF.

For FoF schemes, the Investor can directly apply to AMC by filling Application form like any other mutual fund.

Individual investors can also invest through our website www.bharatbond.in

30. What is the Settlement Period for BHARAT bond ETF?

Subscription: If funds are credited in the bank account up to 3:00 PM, units will be allotted with end of day NAV and if the credit is post 3:00 PM, next business days' end of day NAV will be applicable for allotment of units.

Redemption: On Exchange: T+2 basis

Direct with AMC: T+1 basis

31. What is the Settlement Period (Redemption) for BHARAT Bond Fund of fund?

Settlement for Fund of Fund will be done on T+3 basis.

32. What is minimum investment amount in BHARAT Bond ETF?

Anchor Investors:

Anchor Investors can invest with the minimum application amount of Rs. 10,00,00,000 (Rupees Ten Crores only) and in multiples of Rs.1000 thereafter.

Retail Individual Investors:

Investors in this category can invest with the minimum investment amount of Rs. 1,000 and in multiples of Rs. 1000 thereafter, subject to maximum investment amount of Rs. 2,00,000 (Rupees Two Lakhs Only).

Retirement Funds:

Investors in this category can invest with a minimum investment amount of Rs. 201,000 (Rupees Two Lakhs and One Thousand Only) and in multiples of Rs. 1000 thereafter.

QIBs:

Investors in this category can invest with a minimum investment amount of Rs. 201,000 (Rupees Two Lakhs and One Thousand Only) and in multiples of Rs. 1000 thereafter.

Non Institutional Investors:

Investors in this category can invest with a minimum investment amount of Rs. 201,000 (Rupees Two Lakhs and One Thousand Only) and in multiples of Rs. 1000 thereafter

33. What are the definitions of different type of Investors?

Anchor Investor	Any Qualified Institutional (QIB) can be an Anchor Investor
Non Institutional investors	All investors who are neither QIBs nor Retirement Funds nor Retail Individual Investors, with a minimum application amount of more than Rs. 2,01,000/- (Rupees Two Lakh and One Thousand only) and multiples of Rs. 1000/- thereafter.
Retail Individual Investors	Retail Individual Investors shall mean natural persons including NRI, sole proprietorship concern and HUF represented by Karta, subject to maximum application amount of Rs. 2,00,000 (Rupees Two Lakhs only) per investor.
Qualified Institutional Buyers (QIB)	<p>Qualified Institutional Buyers shall mean Qualified Institutional Buyers as defined under Regulation 2(1) (ss) of the SEBI (Issue of Capital and Disclosure Requirements), 2018 and shall include the following, namely:-</p> <ol style="list-style-type: none"> 1. a mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor registered with the Board; 2. foreign portfolio investor other than individuals, corporate bodies and family offices; 3. a public financial institution; 4. a scheduled commercial bank; 5. a multilateral and bilateral development financial institution; 6. a state industrial development corporation; 7. an insurance company registered with the Insurance Regulatory and Development Authority of India; 8. a provident fund with minimum corpus of twenty five crore rupees; 9. a pension fund with minimum corpus of twenty five crore rupees; 10. National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India; 11. insurance funds set up and managed by army, navy or air force of the Union of India; 12. Insurance funds set up and managed by the Department of Posts, India; and Systemically important non-banking financial companies.
Retirement Funds	Retirement Funds shall mean any private or public trust, or any other entity, set up with the objective of making investments for the benefit of retirement or social security benefits for employees or workmen in the private or public sector and includes pension funds, gratuity funds, provident funds, annuity funds, deposit-linked insurance funds or superannuation funds, whether regulated by any authority or not.

34. What is minimum investment amount in BHARAT Bond FOF?

The minimum investment amount in the fund is Rs.1,000/- and multiples of Re. 1/- thereafter.

35. What are the modes of payment?

Physical Cheque, RTGS/NEFT/IMPS, Net Banking

36. Is SIP/STP/SWP allowed?

SIP/STP/SWP all will be allowed in BHARAT Bond FOF post NFO period only.

37. Can an Investor apply through multiple applications?

Yes, however please note under BHARAT Bond ETF- In the event that an Investor submits two or more Applications Forms, the same will be deemed to be a single application, for the purpose of determining the Investor category (Retail Individual Investors, Retirement Funds, Qualified Institutional Buyers, Non-Institutional Investors and Anchor Investors) and the total amount received under multiple Application Forms are liable to be taken together and clubbed by the AMC.

However, please note that Qualified Institutional Buyers and Retirement Funds can submit separate Applications Forms for making investments in the Scheme under the Anchor Investor category as well as under the Non-Anchor Investor category, and such separate applications would not be clubbed by the AMC.

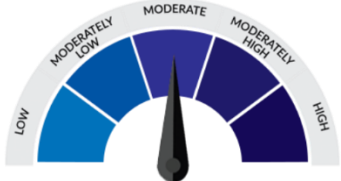
38. What are the documents required to invest in the NFO?

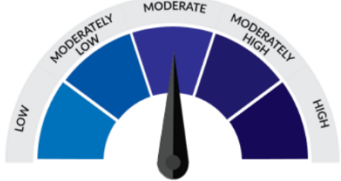
Document	Individual	Companies	Societies	Partnership Firm	Investment through POA	Trust	NRI	FII/FPI	PIO
Client Master List (CML)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Resolution/ Authorization to invest		✓	✓	✓		✓		✓	
List of authorized signatories with specimen signatures		✓	✓	✓	✓	✓			
Memorandum & Articles of Association		✓							
Trust Deed						✓			
Bye-laws			✓						
Partnership Deed				✓					
Overseas Auditor Certificate								✓	
Notarized POA					✓			✓	
Proof of Address									✓
Copy of PAN Card / PEKRN	✓	✓	✓	✓	✓	✓	✓	✓	✓
KYC Compliance	✓	✓	✓	✓	✓	✓	✓	✓	✓
PIO Card									✓
Foreign Inward Remittance Certificate							✓		✓

Disclaimer:

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Riskometer:

(An open ended Target Maturity Exchange Traded Bond Fund predominantly investing in constituents of Nifty BHARAT Bond Index - April 2023 [^] & April 2030 ^{^^}) managed by Edelweiss Asset Management Limited		
This Product is suitable for investors who are seeking*:		Riskometer
BHARAT Bond ETF - April 2023 <ul style="list-style-type: none"> Income over the Target Maturity period [^] An open ended Target Maturity Exchange Traded Bond Fund that seeks to track the returns provided by Nifty BHARAT Bond Index - April 2023. 	BHARAT Bond ETF - April 2030 <ul style="list-style-type: none"> Income over the Target Maturity period ^{^^} An open ended Target Maturity Exchange Traded Bond Fund that seeks to track the returns provided by Nifty BHARAT Bond Index - April 2030. 	
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.		Investors understand that their principal will be at Moderate Risk

(An open-ended Target Maturity fund of funds scheme investing in BHARAT Bond ETF - April 2023 [^] & April 2030 ^{^^}) managed by Edelweiss Asset Management Limited		
This Product is suitable for investors who are seeking*:		Riskometer
BHARAT Bond FOF - April 2023 <ul style="list-style-type: none"> Income over the Target Maturity period [^] A fund of funds scheme with the primary objective to generate returns by investing in units of BHARAT Bond ETF – April 2023. 	BHARAT Bond FOF - April 2030 <ul style="list-style-type: none"> Income over the Target Maturity period ^{^^} A fund of funds scheme with the primary objective to generate returns by investing in units of BHARAT Bond ETF – April 2030. 	
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.		Investors understand that their principal will be at Moderate Risk