MIRAE ASSET | ETF

Experiencing Market Volatility?

Aim for a smoother ride.

Invest in

Mirae Asset Nifty 100 Low Volatility 30 ETF

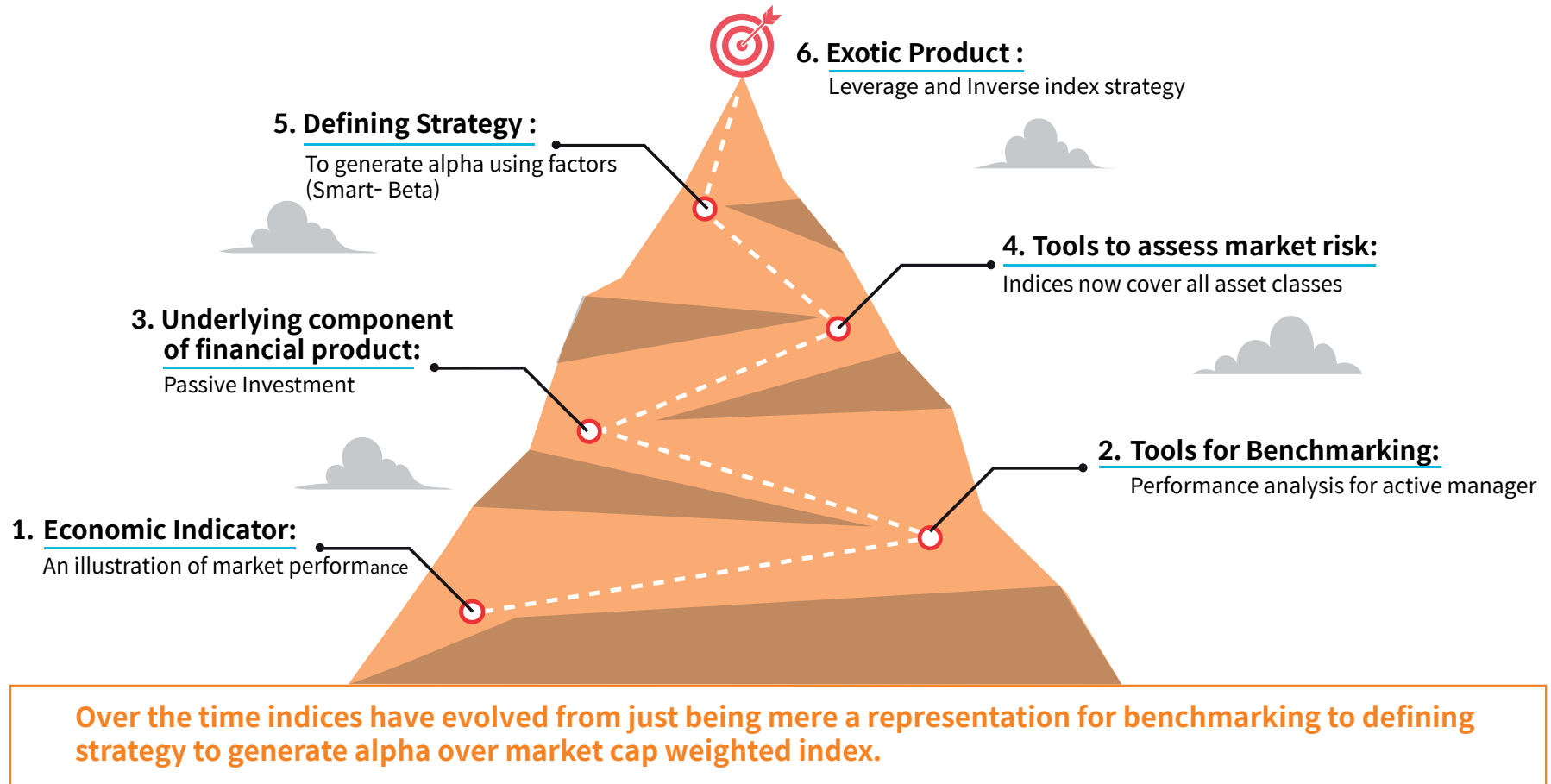An open ended scheme replicating/tracking Nifty 100 Low Volatility 30 Total Return Index

New Fund Offer (NFO) Opens: **March 13, 2023** | Closes: **March 21, 2023**
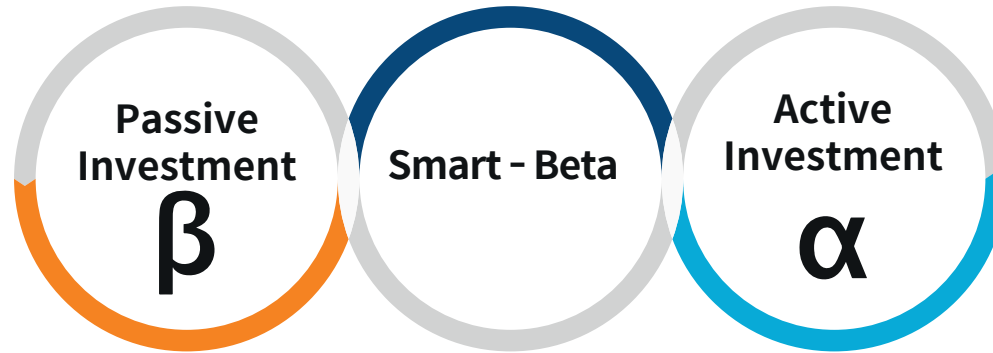Re-opens for continuous Sale and Repurchase: **March 27, 2023**

ETF Listing on exchange: Within 5 working days from the date of allotment

What is Smart-Beta Investment ?
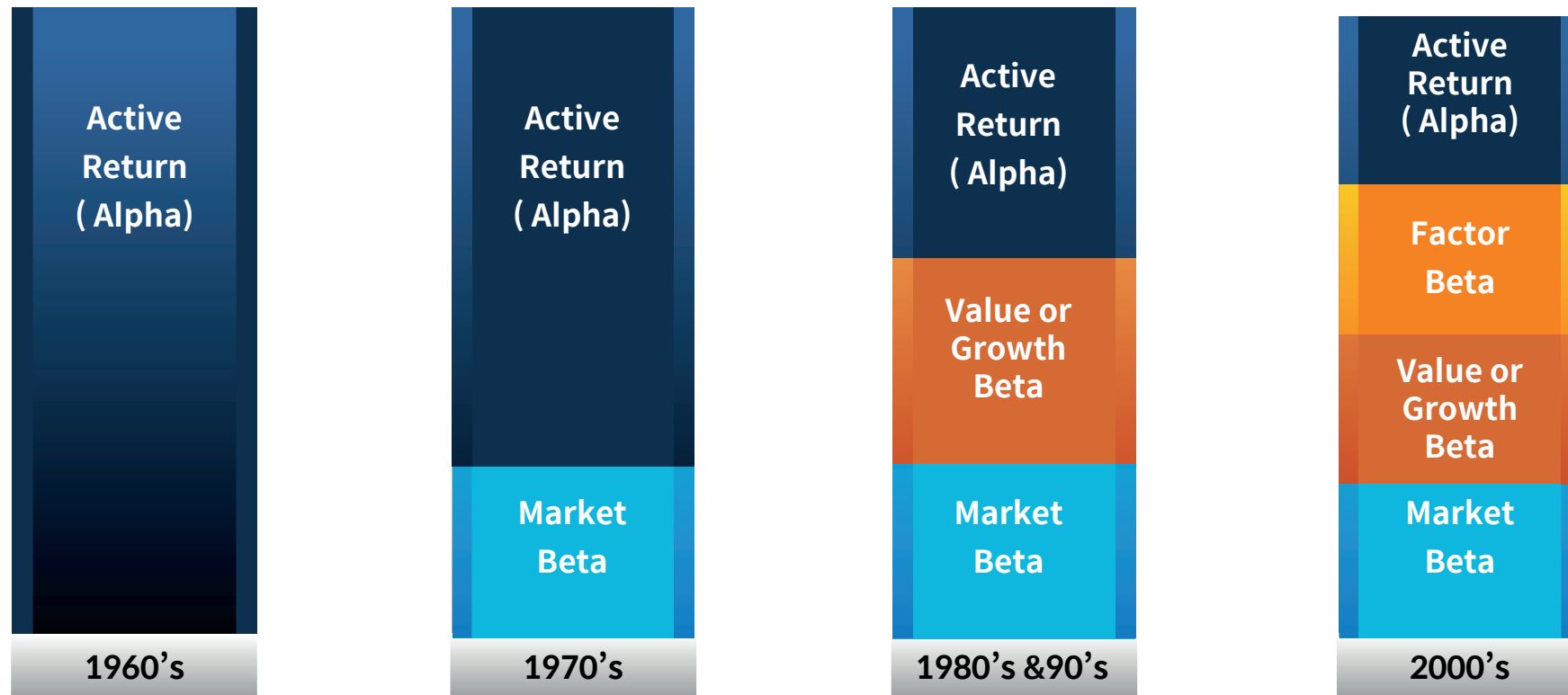
Evolution of Indexing

6. Exotic Product :
Leverage and Inverse index strategy

5. Defining Strategy :
To generate alpha using factors
(Smart- Beta)

4. Tools to assess market risk:
Indices now cover all asset classes

**3. Underlying component
of financial product:**
Passive Investment

2. Tools for Benchmarking:
Performance analysis for active manager

1. Economic Indicator:
An illustration of market performance

Over the time indices have evolved from just being mere a representation for benchmarking to defining strategy to generate alpha over market cap weighted index.

Aims to potentially combine the best of both world!

| Passive Investment	Smart- Beta	Active Investment
Market Return/Market Beta	Combines best of both the World (Rule based framework + Use of Factors)	Potential to Outperform market
Relatively Low Cost		Exploit Market Inefficiencies
Transparent		Identify factors to generate alpha
Rule Based Framework		Fund Manager risk

Smart beta strategies typically capture factor exposures using systematic, rules-based approaches in a cost effective manner

Identifying source of return across various periods

1960's — Active Return (Alpha)

1970's — Active Return (Alpha), Market Beta

1980's & 90's — Active Return (Alpha), Value or Growth Beta, Market Beta

2000's — Active Return (Alpha), Factor Beta, Value or Growth Beta, Market Beta

Identification of various factors as source of return as helped in building of smart-beta products

Smart-Beta ETFs are gaining popularity across the globe
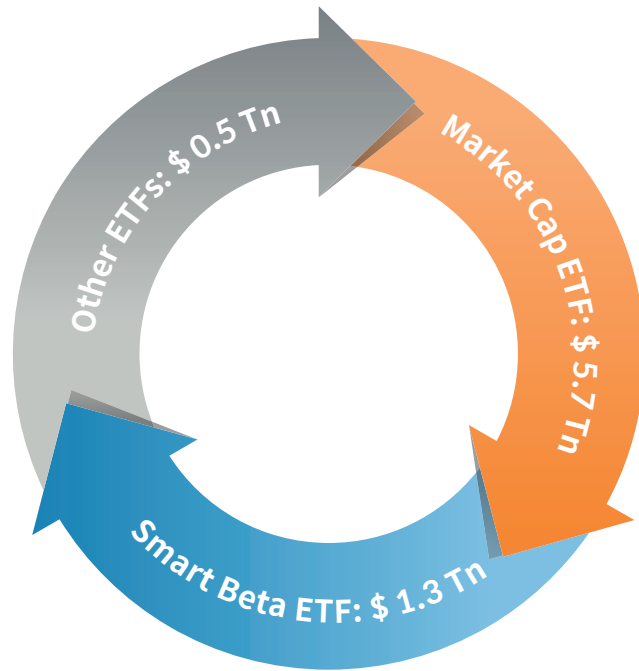
- ❏ **Total number Market Cap ETF product : 4,912**

- ❏ **Total number of Smart Beta ETF product: 1,275**

- ❏ **Market Cap ETF 5 Yr. Growth: 23.7%**

- ❏ **Smart Beta ETF 5 Yr. Growth: 24.1%**

There were 1,275 smart beta ETFs listed globally, with 2,627 listings, assets of $1.26 Tn, from 201 providers listed on 48 exchanges in 38 countries at the end of November 2022.

Source: As on Nov 30, 2022, ETFGI ; Other ETFS include : Leverage, Inverse and Active ETFs.

Pros and Cons of Smart-Beta Investment

- What was once perceived to be source of alpha is now being converted into smart-beta index product

- Investors get an opportunity to avoid the fund manager risk along with continue to keep exposure intact

- Investing in factors can help improve portfolio outcomes and reduce volatility

- For example, most of the factor indices have historically outperformed their simple market-cap weighed indexes (Refer Slide 21 and 22)

- Factors are highly cyclical in nature. There are periods when factors have given persistence underperformance

- Stocks forming part of specific factors can result into concentrated exposure to certain sector or segment of the market

- Most of the smart-beta strategies or factors are based on analyses of historical data in a hope that it may continue to do well even in future.

- Smart-Beta products are relatively expensive compared to simple market cap weighted/broad based indices

What are Factors?

What are factors?

Factor can be thought of as any characteristic (trait) relating a group of securities/portfolio that is important in explaining their returns and risk
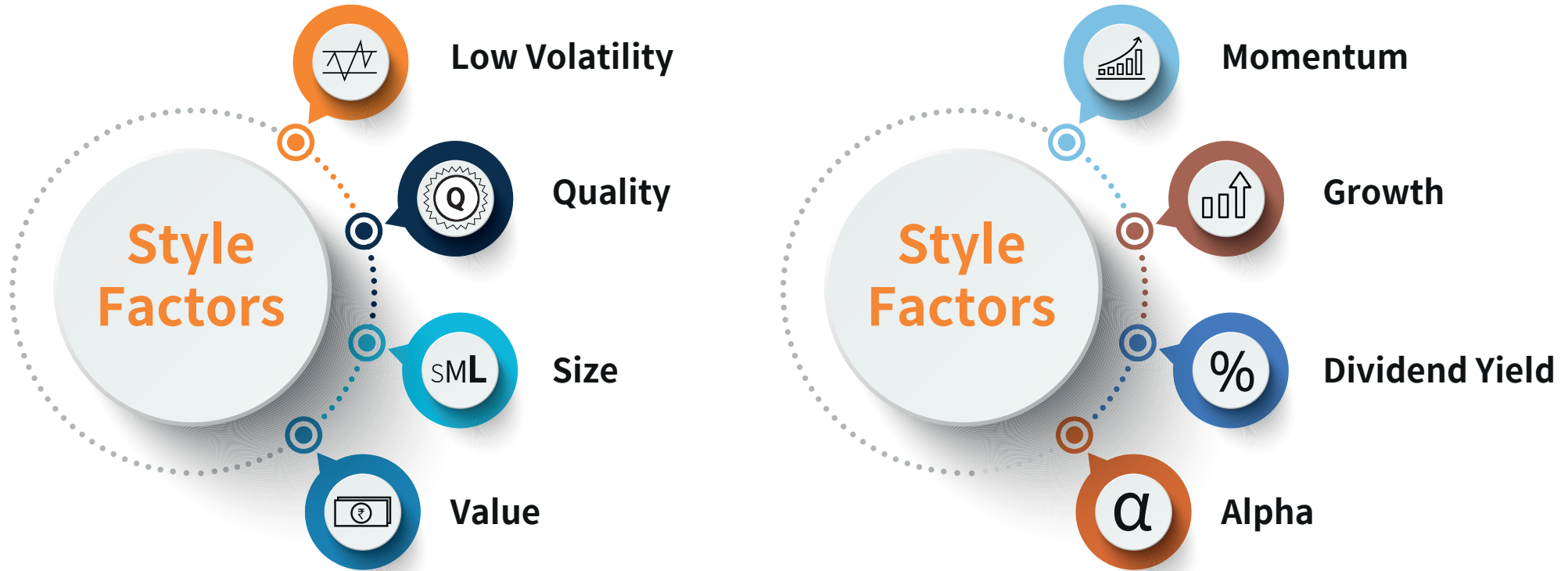
Factors that are persistent overtime and have strong explanatory power over a broad range of stocks and can be used to construct smart-beta products

There are two main types of factors: macroeconomic (capture broad risks across asset classes such as economic cycle, GDP, inflation, interest etc.) and style.

Factor investing is identifying and investing in such traits to target a desired performance profile

Different type of style factor in equities

Style Factors
- Low Volatility
- Quality
- Size
- Value

Style Factors
- Momentum
- Growth
- Dividend Yield
- Alpha

Various style factors have helped in explaining equity return across time and market

Source: MSCI and Black Rock

Systematic factors and their historical risk

Factors	Description	When it is considered to work well ?*
Value	Captures returns to stocks that have low prices relative to their fundamental value	Works well in recovery market. Is typically cyclical in nature
Low Size	Captures returns of smaller firms (by market capitalization) relative to their larger peer	Performs well in broader market rally
Momentum	Reflects returns to stocks with stronger recent performance	Performs well in bull market but may have higher drawdowns in turbulent market
Low Volatility	Captures returns to stocks with lower than average volatility, beta, and/or idiosyncratic risk	Performs relatively better in turbulent market. Typically exhibits lower drawdowns which also aids in long term performance
Dividend Yield	Captures returns to stocks that have higher than average dividend yields	Works well when market are expected to be range bound with focus to generate returns from dividends
Quality	Captures returns to stocks that are characterized by low debt, stable earnings growth and other "quality" metrics	Stable and robust, especially during bear market

The aim of various factors to enable to generate potentially excess return over the market

Different factors perform differently across time periods

2007	2008	2009	2010	2011	2012	2013	2014
100.2% (VA)	-41.7% (LV)	125.5% (VA)	30.0% (QA)	-9.6% (QA)	42.3% (VA)	14.9% (MO)	44.9% (QA)
88.7% (MO)	-44.8% (QA)	104.0% (QA)	26.2% (LV)	-12.7% (LV)	41.5% (MO)	11.6% (QA)	42.9% (LV)
63.7% (DY)	-51.6% (DY)	91.2% (DY)	25.9% (MO)	-15.4% (MO)	32.8% (BM)	11.0% (LV)	40.0% (VA)
63.0% (BM)	-52.5% (VA)	90.4% (BM)	25.4% (VA)	-23.6% (DY)	32.8% (QA)	9.2% (DY)	37.8% (BM)
44.0% (LV)	-56.6% (BM)	89.3% (LV)	19.5% (DY)	-25.3% (BM)	32.6% (DY)	6.3% (BM)	34.5% (DY)
42.5% (QA)	-62.0% (MO)	67.9% (MO)	17.9% (BM)	-39.0% (VA)	32.3% (LV)	-7.0% (VA)	31.7% (MO)

2015	2016	2017	2018	2019	2020	2021	2022
13.5% (LV)	16.6% (VA)	51.6% (MO)	8.7% (LV)	17.2% (MO)	26.8% (LV)	56.9% (VA)	26.3% (VA)
13.2% (QA)	12.8% (MO)	46.0% (VA)	0.3% (BM)	10.2% (BM)	26.0% (QA)	33.7% (MO)	13.0% (QA)
12.9% (MO)	10.6% (DY)	39.7% (QA)	-3.5% (DY)	5.3% (LV)	17.9% (BM)	30.0% (BM)	12.4% (DY)
0.3% (BM)	7.4% (QA)	36.1% (BM)	-3.9% (QA)	3.9% (QA)	12.8% (VA)	28.3% (DY)	9.0% (MO)
-3.2% (DY)	5.3% (BM)	30.2% (LV)	-6.5% (MO)	3.7% (DY)	7.6% (MO)	19.4% (QA)	5.2% (BM)
-15.8% (VA)	4.4% (LV)	29.0% (DY)	-26.9% (VA)	-7.3% (VA)	6.8% (DY)	19.3% (LV)	4.5% (LV)

Value (VA) **Momentum (MO)** **Dividend Yield (DY)** **Broad Market (BM)** **Low Volatility (LV)** **Quality (QA)**

Key element of factor investing is understanding factor cyclicality

Cumulative Return over Broad Market Return

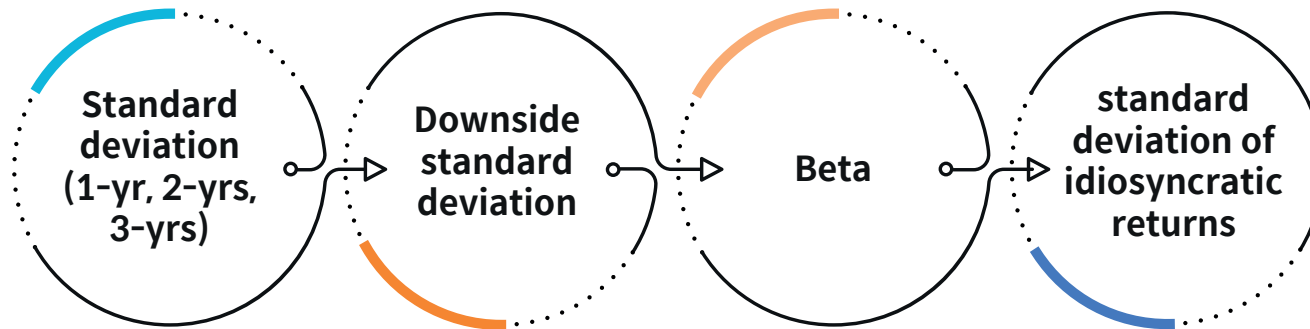Legend: Momentum, Low Volatility, Quality, Value, Dividend Yield, Broad Market

While factor indexes have exhibited excess risk adjusted returns over long time periods, over short horizons factors exhibit cyclicality, including periods of underperformance

Low Volatility Factor

What is low volatility?

➢ **Low volatility is one of the few factors that have historically performed well in turbulent markets**

➢ **Low Volatility is an anomaly to one of the most basic theories in finance that one should not be rewarded with greater returns for taking less than market risk (Refer Slide No.21)**

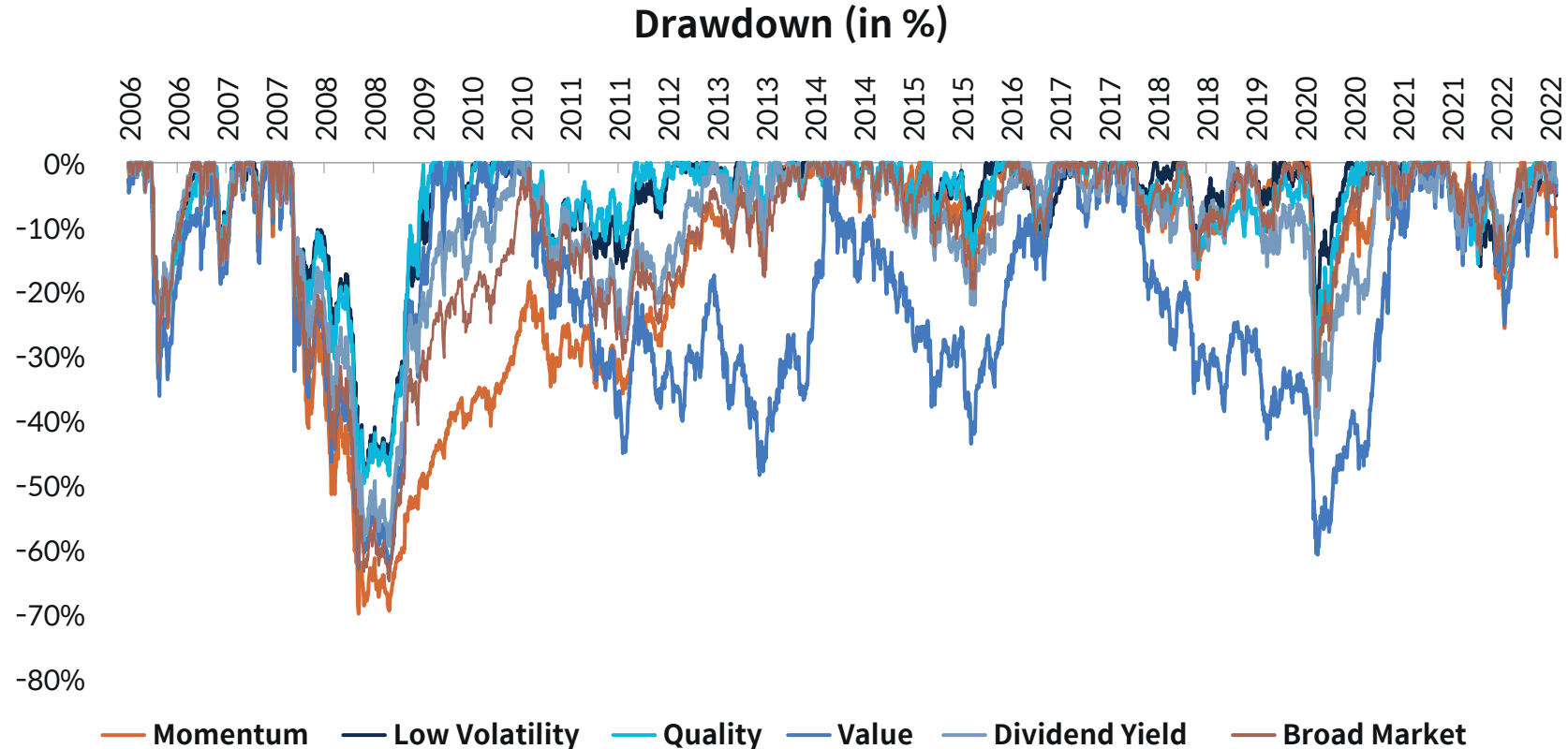➢ **It aims to generate excess return based on portfolio of stocks that are characterized by lower than average volatility**

Standard deviation (1-yr, 2-yrs, 3-yrs) → Downside standard deviation → Beta → standard deviation of idiosyncratic returns

Low Volatility is an anomaly to traditional finance and there are multiple ways of measuring minimum volatility

Source: MSCI, Black Rock

Why Low Volatility works?

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                          Why it works?
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Lottery Effect	Overconfidence Effect	Skewness Effect
Irrational preference for high volatile stock in hope of big "pay-off" by paying small amount and thereby ignoring low volatile stocks	Investors are over-confident in their ability to forecast the future of stocks resulting into more than optimistic scenario for high volatile stock	At the time of the turbulent market, low volatile stocks fall relatively far less than higher volatile stock compensating for less than relative run-up during the time of boom

Low Volatility among all the factors tends to have lower drawdown

Drawdown (in %)

Legend: Momentum, Low Volatility, Quality, Value, Dividend Yield, Broad Market

Low volatility has relatively lower drawdown as compared to other factors

Nifty100 Low Volatility 30 Index

About the index

Nifty100 Low Volatility 30 Index aims to measure the performance of the low volatile securities in the large market capitalization segment.

Eligible Universe:

The securities forming part of Nifty 100 are eligible for inclusion in the index

Securities should have a minimum listing history of 1 year

Securities should be available for trading in derivative segment (F&O).

Selection Criteria:

Stocks are assessed on the basis of volatility for index inclusion

Volatility is calculated as the standard deviation of daily price returns (log normal) for last one year

Eligible stocks are then ranked based on their volatility score, with stock having lowest volatility getting a rank of 1

Top 30 ranked stocks with least volatility form part of the index

Index Rebalancing & Weighing:

The index is reviewed on quarterly basis

At time of review, if the existing constituent of the index is ranked within top 60 based on the low volatility score, then the stock is retained in the index

Weight of securities is based on volatility score

Nifty 100 Low Volatility 30 Index has done relatively better than other factors

Total Return Index Value

Legend: Nifty 100 Alpha 30 Index · Nifty 100 Low Vol 30 Index · Nifty 100 Index · Nifty 50 Index

Nifty 100 Low Volatility 30 Index has lower drawdown than broad market

Legend: Nifty 100 Alpha 30 Index — Nifty 100 Low Vol 30 Index — Nifty 100 Index

Nifty100 Low Volatility 30 Index has done relatively well over longer horizon

When it works well?					
Period	**Nifty 100 Low Vol 30 Index**	**Nifty 100 Alpha 30 Index**	**Nifty 100 Index**	**Nifty 50 Index**	**Nifty 100 Quality 30 Index**
Since Inception	17.5%	15.9%	14.3%	14.2%	-
15 Years	14.3%	10.3%	10.1%	9.9%	-
10 Years	14.1%	16.5%	12.9%	12.7%	13.0%
5 Years	11.4%	11.5%	10.4%	11.3%	9.9%
3 Years	16.1%	14.8%	14.6%	15.2%	14.3%
1 Years	3.4%	-8.0%	1.6%	3.2%	3.2%
6 months	2.1%	-4.3%	1.5%	3.3%	0.3%
3 months	-0.6%	-14.1%	-3.5%	-1.9%	-1.9%
Periodic Risk (Annualized Volatility)					
Since Inception	17.8%	22.7%	21.8%	21.9%	-
15 Years	16.6%	21.4%	21.1%	21.3%	-
10 Years	14.6%	18.3%	17.0%	17.2%	15.2%
5 Years	16.2%	20.1%	19.1%	19.4%	17.3%
3 Years	18.5%	23.4%	22.1%	22.5%	19.5%
1 Years	14.6%	22.3%	17.0%	16.9%	15.7%
6 months	10.8%	19.9%	13.2%	12.9%	11.4%
3 months	9.4%	21.1%	11.5%	11.0%	9.2%

Nifty 100 Low Vol 30 Index has been able to outperform other indices over long horizon at relatively lower volatility

Nifty 100 Low Volatility 30 Index has done well at the time of market distress

Period	Periodic Return				
	Nifty 100 Low Vol 30 Index	Nifty 100 Alpha 30 Index	Nifty 100 Index	Nifty 50 Index	Nifty 100 Quality 30 Index
2005	52.6%	41.0%	38.1%	39.3%	-
2006	43.3%	53.2%	40.2%	41.9%	-
2007	31.5%	85.9%	59.5%	56.8%	-
2008	-42.3%	-67.2%	-53.1%	-51.3%	-
2009	92.9%	61.6%	84.9%	77.6%	-
2010	25.5%	22.3%	19.3%	19.2%	24.8%
2011	-12.0%	-13.4%	-24.9%	-23.8%	-14.3%
2012	32.1%	34.4%	32.5%	29.4%	26.9%
2013	6.6%	9.6%	7.9%	8.1%	21.8%
2014	36.8%	32.5%	34.9%	32.9%	32.7%
2015	9.8%	15.8%	-1.3%	-3.0%	3.6%
2016	3.1%	5.5%	5.0%	4.4%	2.2%
2017	30.3%	51.4%	32.9%	30.3%	23.5%
2018	7.4%	0.7%	2.6%	4.6%	5.0%
2019	5.2%	10.4%	11.8%	13.5%	5.7%
2020	24.3%	23.7%	16.1%	16.1%	22.6%
2021	24.2%	41.1%	26.5%	25.6%	22.2%
2022	2.0%	-1.2%	4.9%	5.7%	-0.9%

Nifty 100 Low Vol 30 Index has outperformed Nifty100 Index in 10/18 Calendar Years

On Rolling basis Nifty 100 Low Volatility 30 Index has done better

Instances of Nifty 100 Low Vol 30 Index outperforming Nifty 100 Index (Excess Return)						
Rolling returns period	>7%	>5% & <7%	>3% & <5%	>1% & <3%	>0% & <1%	Total
10 years	0	9%	61%	25%	6%	100.0%
7 years	3%	24%	31%	34%	5%	97.3%
5 years	10%	17%	23%	32%	14%	96.5%
3 years	16%	9%	20%	28%	11%	84.6%
1 year	26%	11%	12%	9%	3%	60.8%

Instances of Nifty 100 Low Vol 30 Index outperforming Nifty 100 Index (Excess Return)						
Rolling returns period	>7%	>5% & <7%	>3% & <5%	>1% & <3%	>0% & <1%	Total
10 years	0	35%	20%	16%	26%	96.2%
7 years	10%	36%	19%	3%	2%	70.1%
5 years	11%	35%	15%	10%	1%	72.5%
3 years	17%	25%	22%	9%	4%	77.1%
1 year	40%	10%	8%	7%	4%	68.8%

Nifty 100 Low Vol 30 Index has outperformed Nifty 100 Index at more instance than Nifty 100 Alpha 30 Index

Source: NSE Indices Limited, data as on Jan 31 2023; Past performance may or may not sustain in future. The index return are in Total Return Variant. The data shown above pertains to the index and does not in manner indicate performance of any scheme of the Fund.

Nifty 100 Low Volatility 30 Index is tilted towards defensive stocks

Sector	Nifty 100 Low Volatility 30 Index	Nifty 50 Index	Nifty 100 Index	Nifty 100 Alpha 30 Index
FMCG	24.5%	9.0%	9.4%	11.0%
Information Technology	17.1%	14.7%	13.3%	-
Financial Services	13.2%	36.8%	34.2%	24.8%
Healthcare	7.4%	3.9%	3.7%	5.8%
Automobile	7.1%	5.8%	5.4%	12.6%
Power	6.8%	2.0%	3.1%	11.6%
Oil & Gas	6.3%	12.2%	11.8%	9.0%
Consumer Durables	5.7%	2.9%	2.9%	1.5%
Construction Materials	5.6%	1.8%	2.4%	2.5%
Construction	3.5%	3.3%	2.8%	-
Chemicals	2.7%	0.5%	1.5%	2.2%

Nifty 100 Low Vol 30 Index is skewed towards Fast Moving Consumer Goods (FMCG) stocks and healthcare compared to Nifty 100 Index

Portfolio of Nifty 100 Low Volatility 30 Index

No.	Company Name	Holding(%)	No.	Company Name	Holding(%)
1	Nestle India Ltd.	4.3%	16	Wipro Ltd.	3.3%
2	ITC Ltd.	4.2%	17	Kotak Mahindra Bank Ltd.	3.3%
3	Tata Consultancy Services Ltd.	3.9%	18	Infosys Ltd.	3.3%
4	Bajaj Auto Ltd.	3.9%	19	Ultratech Cement Ltd.	3.2%
5	Dr. Reddy's Laboratories Ltd.	3.8%	20	Hero MotoCorp Ltd.	3.2%
6	HCL Technologies Ltd.	3.7%	21	HDFC Life Insurance Co Ltd.	3.1%
7	Britannia Industries Ltd.	3.7%	22	Reliance Industries Ltd.	3.0%
8	Hindustan Unilever Ltd.	3.6%	23	Dabur India Ltd.	3.0%
9	Cipla Ltd.	3.6%	24	Marico Ltd.	2.9%
10	Larsen & Toubro Ltd.	3.5%	25	Tech Mahindra Ltd.	2.9%
11	NTPC Ltd.	3.5%	26	Asian Paints Ltd.	2.9%
12	SBI Life Insurance Company Ltd.	3.4%	27	Berger Paints India Ltd.	2.8%
13	HDFC Bank Ltd.	3.3%	28	Colgate-Palmolive (India) Ltd.	2.8%
14	Power Grid Corporation Of India Ltd.	3.4%	29	Pidilite Industries Ltd.	2.7%
15	Indian Oil Corporation Ltd.	3.3%	30	ACC Ltd.	2.4%

Nifty 100 Low Volatility 30 Index has outperformed actively managed funds

Period	% of Active Funds underperforming		Average Alpha over the index		Count of Active Funds
	Nifty 100 Low Vol 30 Inde	Nifty 100 Index	Nifty 100 Low Vol 30 Index	Nifty 100 Index	
15 Years	100%	75%	-5.3%	-1.0%	16
10 Years	96%	63%	-1.9%	-0.7%	24
7 Years	88%	88%	-1.7%	-1.8%	24
5 Years	96%	96%	-2.5%	-1.5%	25
3 Years	100%	85%	-3.3%	-1.8%	26
1 Year	86%	72%	-3.4%	-1.6%	29
6 Months	45%	31%	0.2%	0.8%	29
3 Months	97%	33%	-2.2%	0.5%	30

Nifty 100 Low Vol 30 Index has done relatively better than actively managed large-cap funds specially over the longer investment horizon

Why you may consider investing in the fund?

➢ **In short term, it may be used as an investment during the times of bear market/choppy markets (Refer Slide 21 & 22)**

➢ **In the long term, it can be potentially used for investment as Nifty 100 Low Volatility 30 Index has generated higher risk adjusted return over longer horizon (Refer Slide 21 & 22)**

➢ **Nifty 100 Low Volatility 30 Index has outperformed Nifty 100 index on rolling return basis (Slide no. 23)**

➢ **Nifty 100 Low Volatility 30 Index has relatively lower draw down compared to broad market as well other factor indices, thereby providing downside protection (Slide no. 20)**

➢ **Nifty 100 Low Volatility 30 Index provides alternate sectoral exposure which is different than Nifty 100 Index (Slide no. 24)**

➢ **Nifty100 Low Volatility 30 Index has outperformed actively managed large cap funds (Slide no. 26)**

➢ **While Nifty 100 Low Volatility 30 Index has done well historically over long term horizon, however it is exposed to cyclicity i.e. period of underperformance. This fund may be used by investors who are cautious about portfolio volatility, downside risk and are keen to generate long term wealth with lower risk.**

Scheme Details

NFO Period
March 13, 2023 to
March 21, 2023

Listing Date
Within 5 working days from
the date of allotment

Benchmark
Nifty 100 Low Volatility
30 Index

Fund Manager
Miss. Ekta Gala

Minimum Investment in NFO
₹5000/- (in multiples
of ₹1/- thereafter)

Minimum Additional Application Amount post NFO
₹1000/- and in
multiples of ₹1/- thereafter.

Taxation
Equity

Exit Load
Entry Load – Nil

Disclaimers

PRODUCT LABELLING

Mirae Asset Nifty 100 Low Volatility 30 ETF is suitable for investors who are seeking*

- Returns that commensurate with the preformance of Nifty 100 Low Volatility 30 Total Return Index, subject to tracking error over long term
- Investment in equity securities covered by Nifty 100 Low Volatility 30 Total Return Index

*Investors should consult their financial advisors if they are not clear about the suitability of the product.

Scheme Riskometer

Investors understand that their principal will be at Very High Risk

Scheme Benchmark:
Nifty 100 Low Volatility 30 Total Return Index

The Benchmark is at Very High Risk

Mirae Asset ETF is a part of Mirae Asset Mutual Fund and is used for Exchange Traded Funds managed by Mirae Asset Investment Managers (India) Private Limited.

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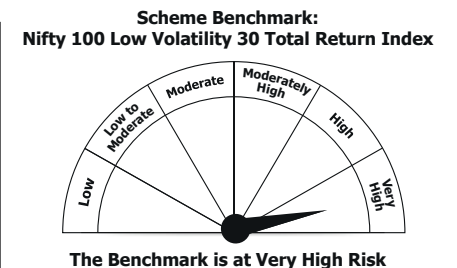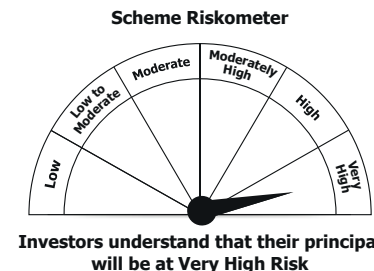
Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

THANK YOU