Source : www.livemint.com Date : 2020-08-25

EXCHANGE TRADED FUNDS: ALL YOU NEED TO KNOW

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Capital Market & SEBI

An ETF has to invest at least 95% of its total assets in securities of the index that it is tracking.

Exchange Traded Funds or ETFs have witnessed major inflows in the last one year. The assets under Gold ETFs have soared by 155% in the last one year to 12,941 crore as on July 31. Other ETF AUM has also risen by 37% in the same period. An ETF is a passive form of investing which invests in a basket of securities that mostly tracks a certain index. It tries to mirror the return of the index it is tracking. Unlike mutual funds, ETFs can be bought and sold only through the stock exchanges. Demat account is a must to trade in ETFs. Since they are passively manged, ETFs are cheaper and have a much lower expense ratio compared to actively-managed mutual funds.

Here is all you need to know about ETFs:

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