

Mirae Asset Nifty 100 Low Volatility 30 ETF

(NSE: LOWVOL BSE: 543858)

(An open-ended scheme replicating/tracking Nifty 100 Low Volatility 30 Index)

Monthly Update: April 2024

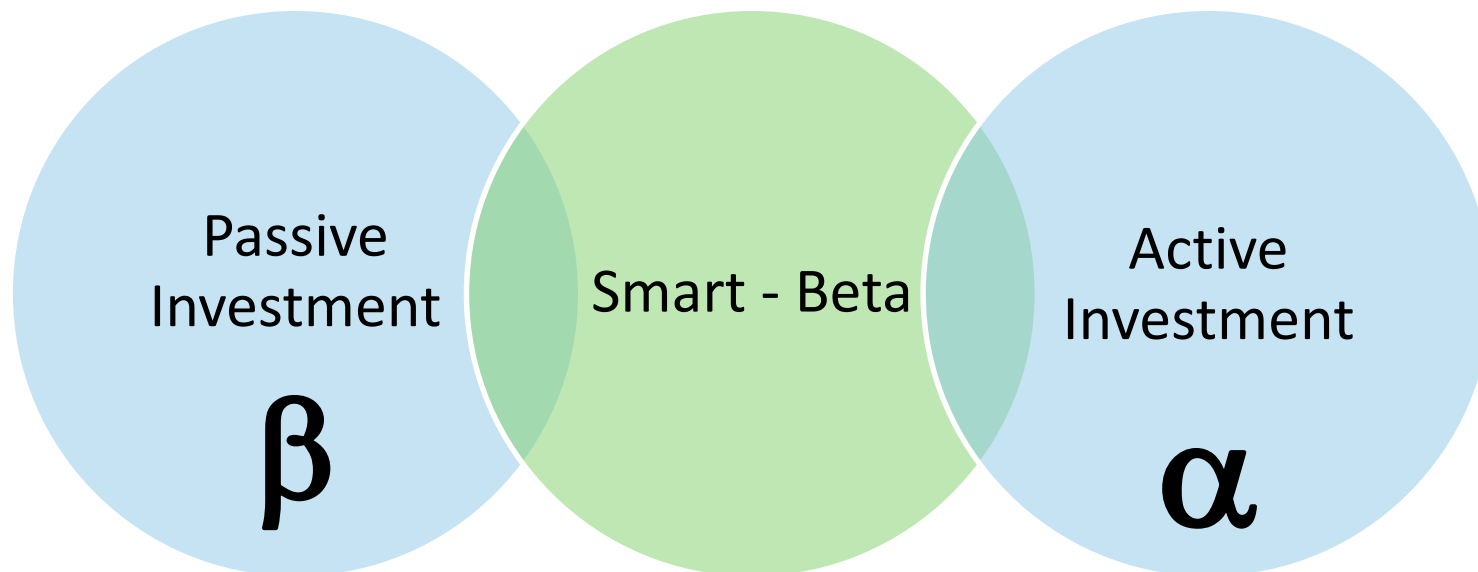
What is Smart-Beta Investment ?

Evolution of Indexing

- **1. Economic Indicator:** An illustration of market performance
- **2. Tools for Benchmarking:** Performance analysis for active manager
- **3. Underlying component of financial product:** Passive Investment
- **4. Tools to assess market risk:** Different Indices now cover different asset classes
- **5. Defining Strategy :** To generate alpha using factors (Smart- Beta)
- **6. Exotic Product :** Leverage and Inverse index strategy

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

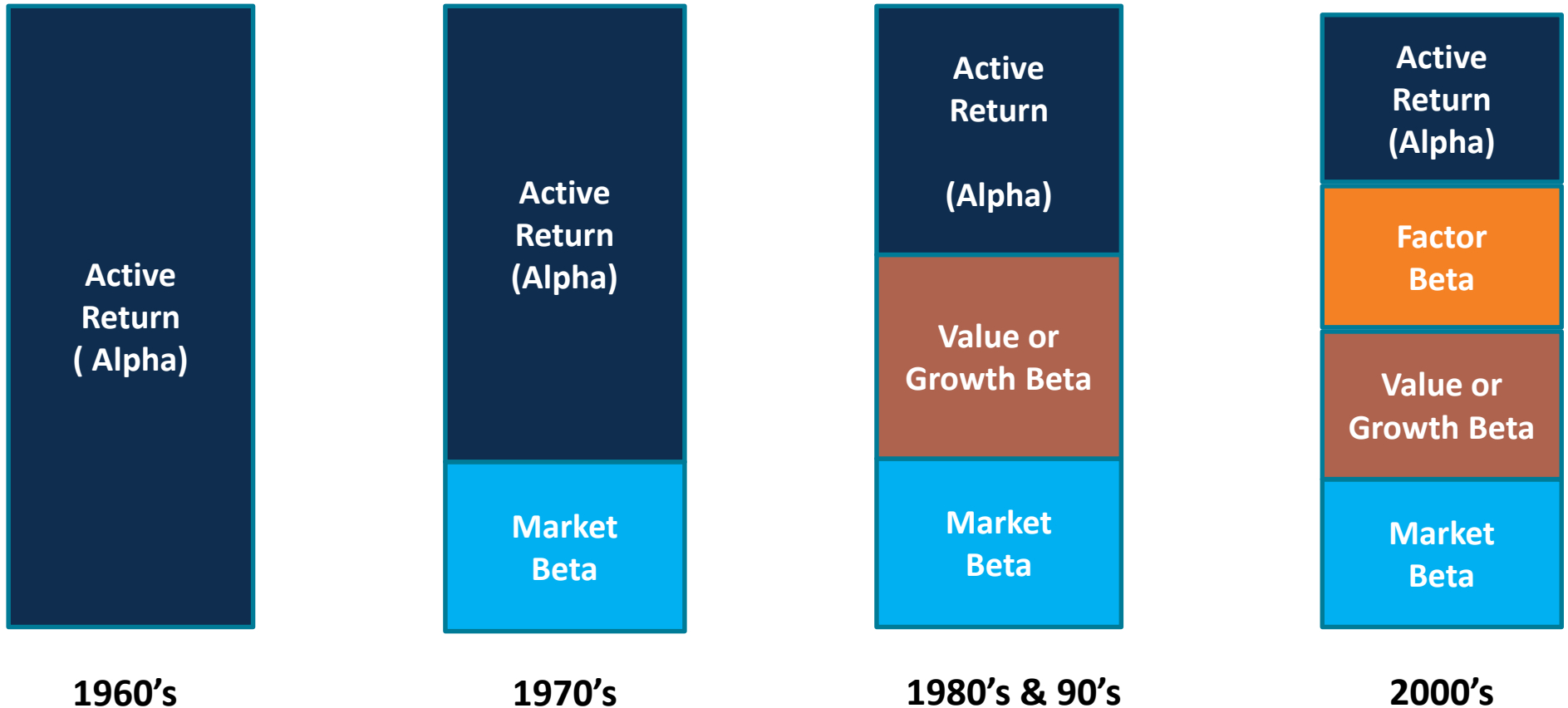
Smart Beta: Aims to potentially combine the best of both world !



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

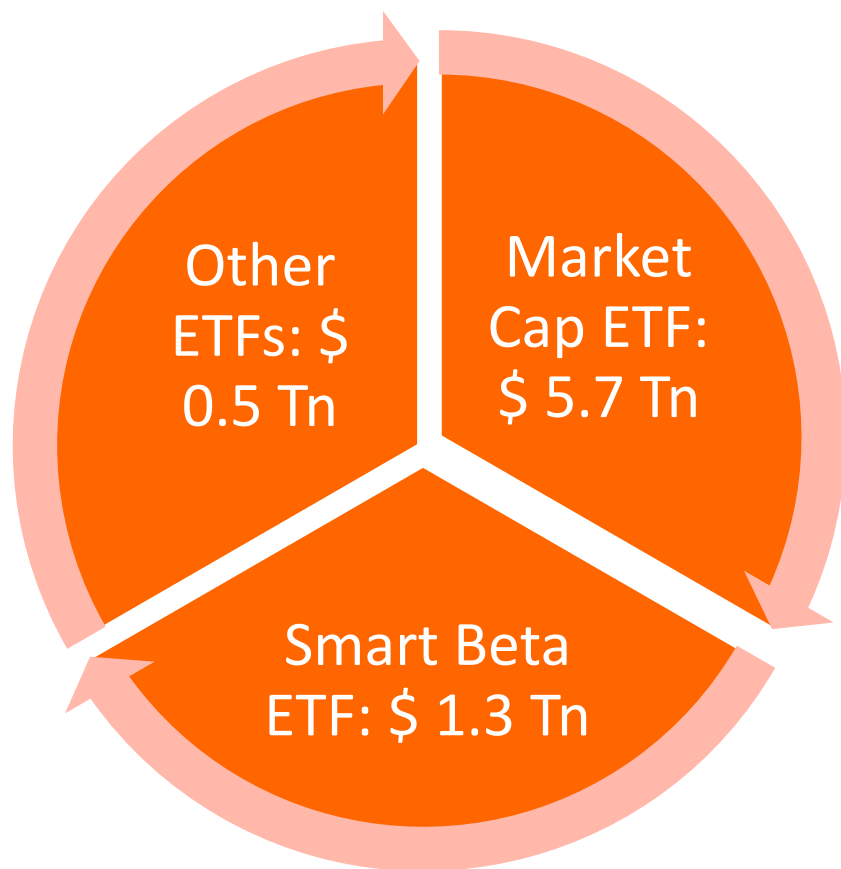
Smart beta strategies typically capture factor exposures using systematic, rules-based approaches in a cost effective manner

Evolving understanding of source of return across various periods



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

Smart-Beta ETFs are gaining popularity across the globe



- Total number of ETF product based on plain vanilla market capitalization : 4,912
- Total number of ETF product based on Smart-Beta Strategies : 1,275
- Market Cap ETF 5 Yr. AUM Growth: 23.7%
- Smart Beta ETF 5 Yr. AUM 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 March 2024.

Pros and Cons of Smart-Beta Investment

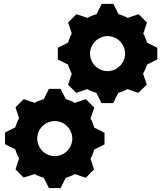
- ✓ What was once perceived to be source of alpha is now being converted into smart-beta index product
- ✓ Investors get an opportunity to avoid the fund manager risk but can continue to potentially keep his/her exposure intact in the factors
- ✓ Investing in factors can help improve portfolio outcomes and reduce volatility.
- ✓ Most of the factor indices have historically outperformed their simple market-cap weighed indexes in long-run (Refer Slide no. 21 & 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 to a group of securities/portfolio that is important in explaining their returns and risk



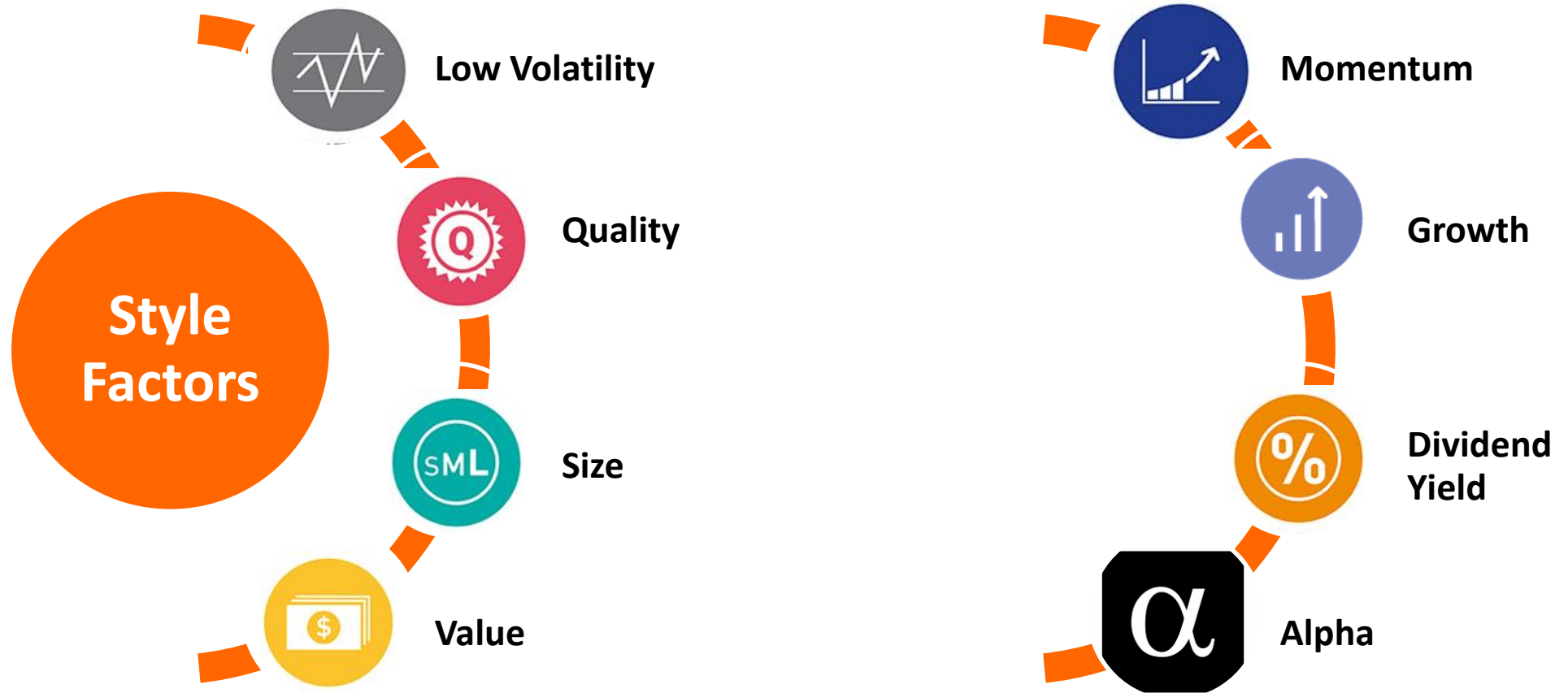
Factors that are persistent over time and have strong explanatory power over a broad range of stocks and can be used to construct smart-beta products



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



Various style factors have helped in explaining equity return across time

Systematic factors and their historical risk

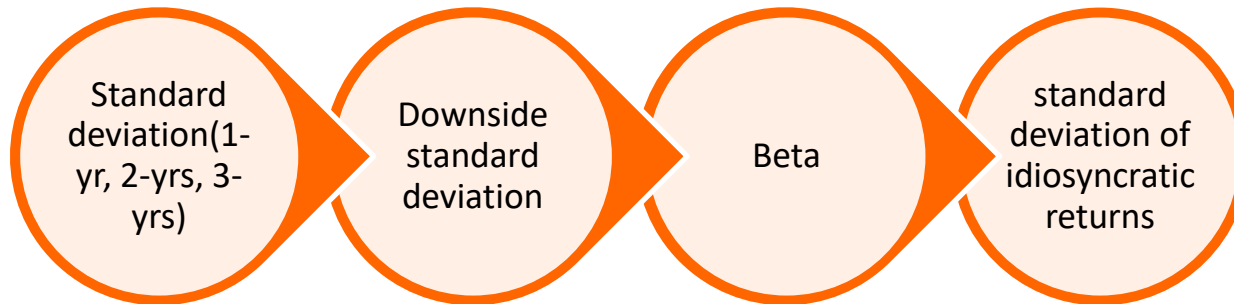
Factors	Description	When it is considered to work well ?*
VALUE	Captures returns to stocks that have low prices relative to their fundamental value	Works well in recovery market. Is typically cyclical in nature
LOW SIZE	Captures returns of smaller firms (by market capitalization) relative to their larger 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

Low Volatility Factor

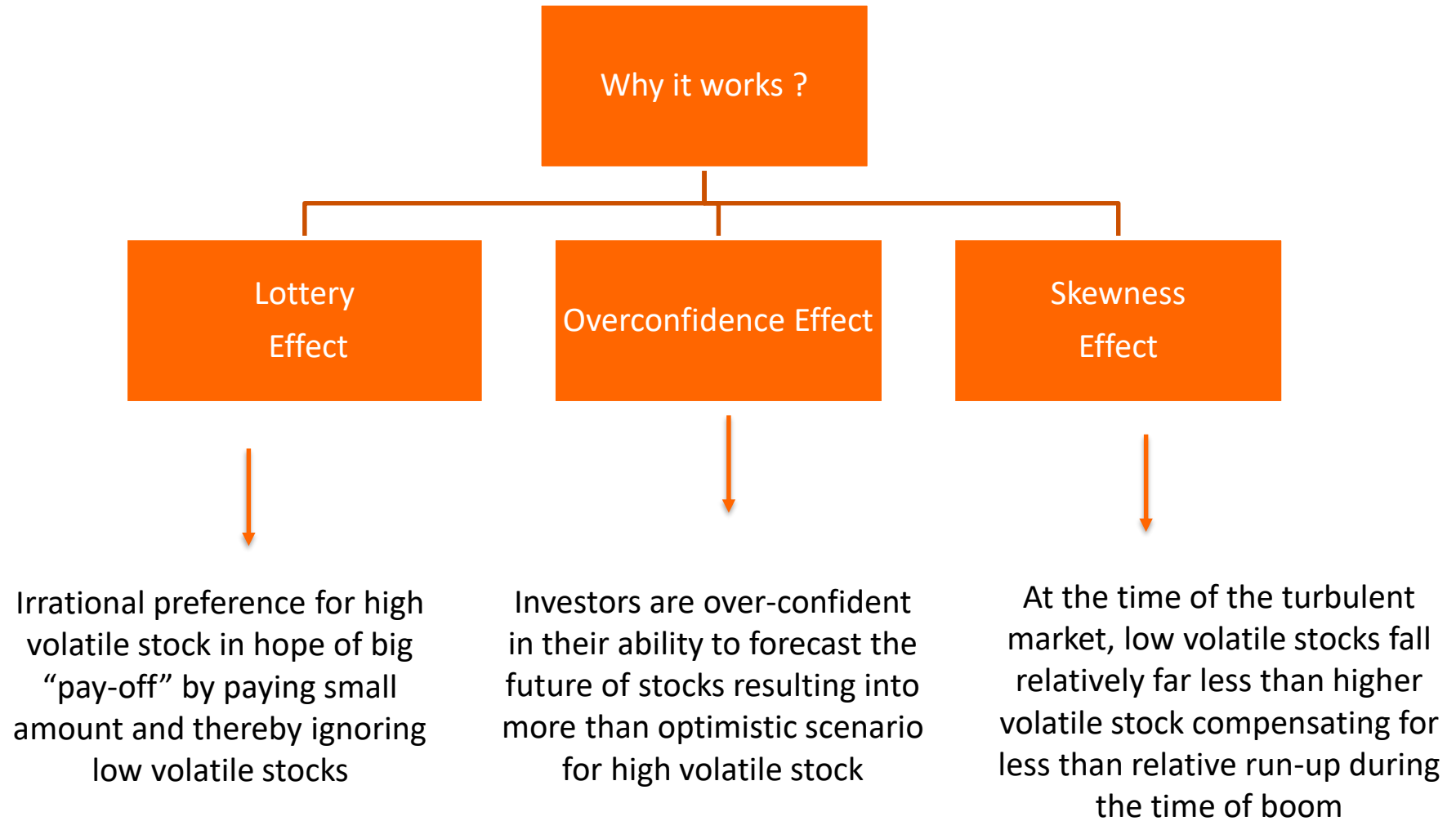
What is low volatility ?

- Low volatility is one of the few factors that have historically performed well in turbulent markets (Refer Slide 16)
- 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. 17)
- It aims to generate excess return based on portfolio of stocks that are characterized by lower than average volatility



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

Why Low Volatility works?



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:

- i. The securities forming part of Nifty 100 Index are eligible for inclusion in the index
- ii. Securities should have a minimum listing history of 1 year
- iii. Securities should be available for trading in derivative segment (F&O).

Selection Criteria:

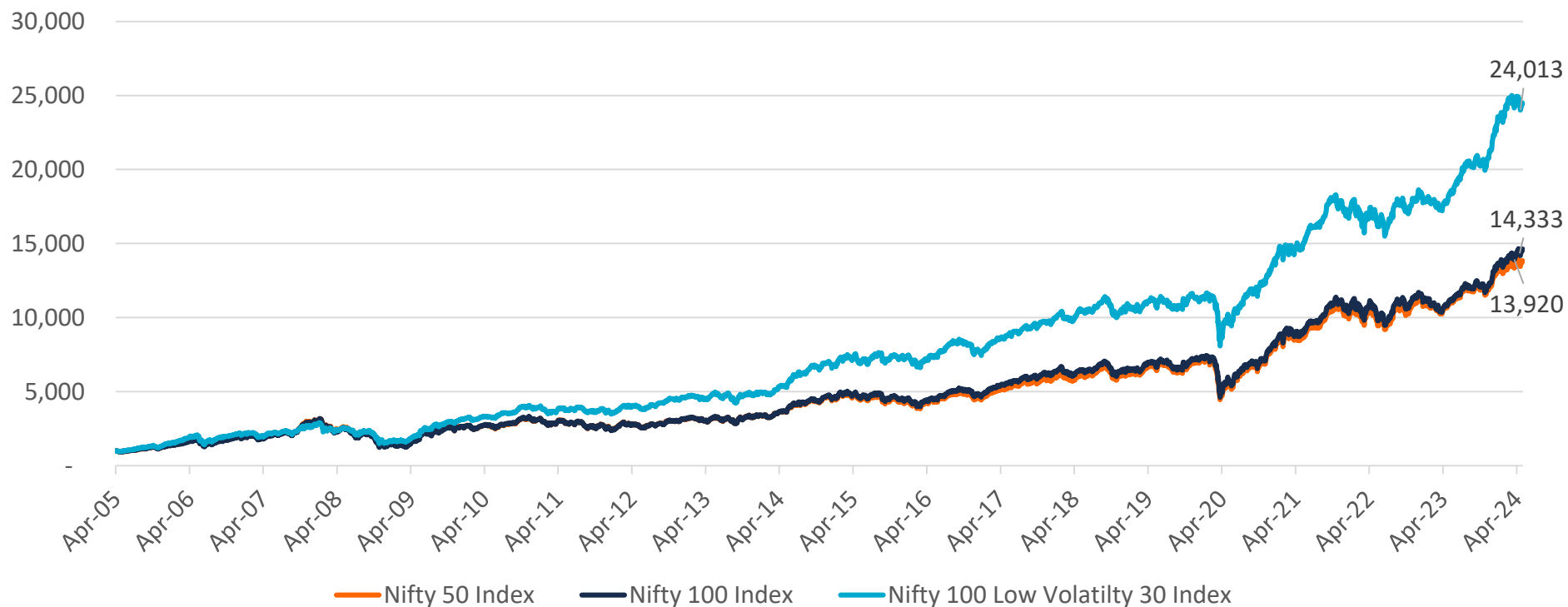
- i. Stocks are assessed on the basis of volatility for index inclusion
- ii. Volatility is calculated as the standard deviation of daily price returns (log normal) for last one year
- iii. Eligible stocks are then ranked based on their volatility score, with stock having lowest volatility getting a rank of 1
- iv. Top 30 ranked stocks with least volatility form part of the index

Index Rebalancing & Weighing:

- i. The index is reviewed on quarterly basis
- ii. 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
- iii. Weight of securities is based on volatility score

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

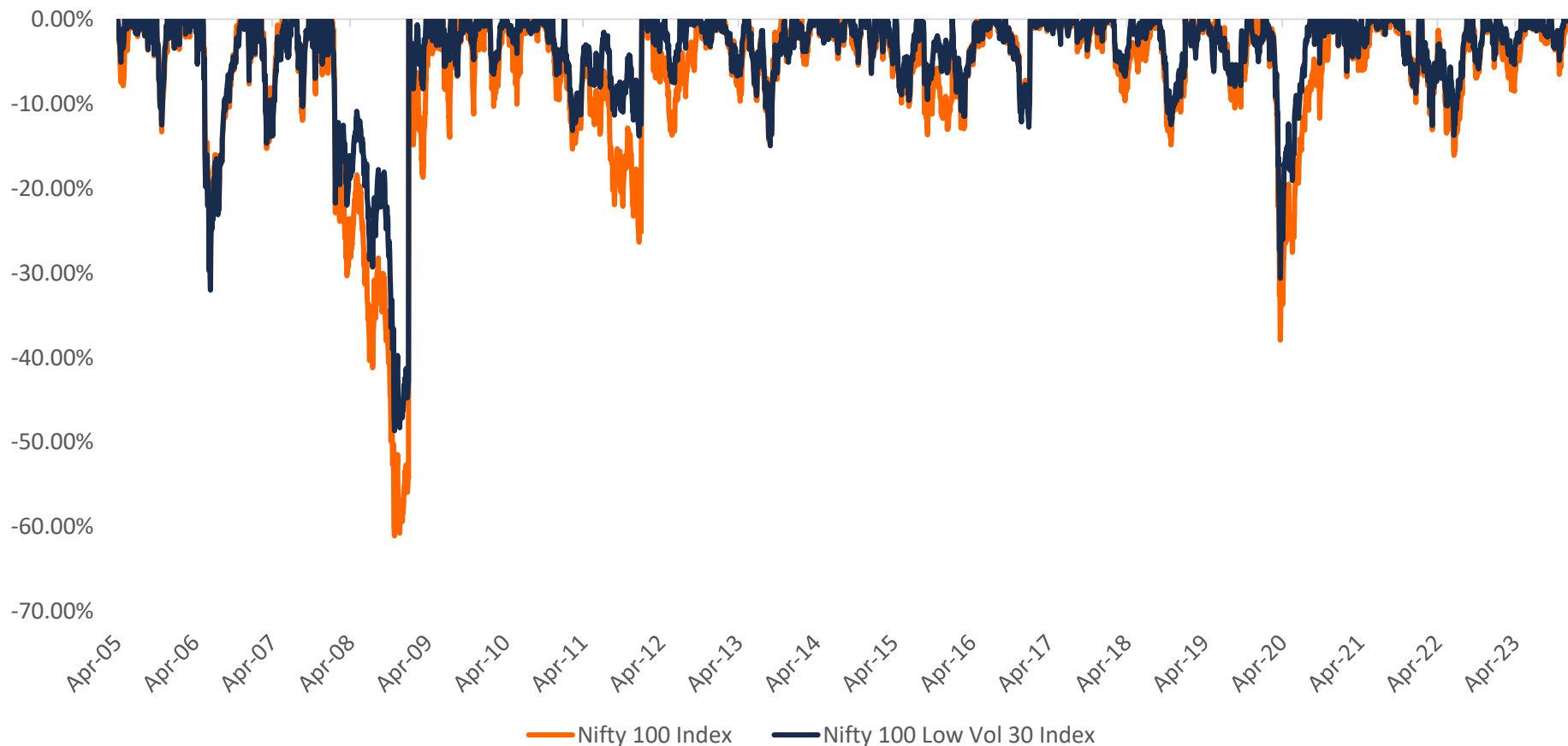
Historical Performance of Nifty 100 Low Volatility 30 Index v/s Nifty 100 Index
v/s Nifty 50 Index



Nifty 100 Low Volatility 30 Index has outperformed Nifty 100 and Nifty 50 Index over different time horizon

Low Volatility among all the factors tends to have lower drawdown

Nifty 100 Index v/s Nifty 100 Low Volatility 30 Index: Drawdown Comparison



Low volatility has relatively lower drawdown as compared to other factors

Nifty 100 Low Volatility 30 Index has done relatively well over longer horizon

Periodic Performance				
Period	Nifty 50 Index	Nifty 100 Index	Nifty 100 Low Volatility 30 Index	Nifty 100 Quality 30 Index
Since Inception	14.8%	15.1%	18.2%	-
10 Years	14.3%	14.9%	16.5%	14.1%
7 Years	14.9%	14.8%	15.8%	14.6%
5 Years	15.3%	15.9%	16.8%	15.7%
3 Years	16.9%	17.9%	18.7%	18.3%
1 Year	26.5%	32.3%	34.1%	32.9%
6 Months	18.8%	23.4%	20.7%	19.4%
3 Months	4.2%	6.4%	2.9%	4.1%
Periodic Volatility				
Since Inception	21.4%	21.3%	17.3%	-
10 Years	16.5%	16.3%	14.1%	18.1%
7 Years	17.2%	17.0%	14.4%	18.5%
5 Years	19.1%	18.7%	15.9%	20.0%
3 Years	13.4%	13.4%	11.5%	17.9%
1 Year	9.9%	10.0%	9.3%	12.5%
6 Months	11.0%	11.1%	10.2%	14.3%
3 Months	10.0%	10.3%	10.2%	15.9%

Nifty 100 Low Volatility 30 Index has outperformed Nifty 100 and Nifty 50 Index over different time horizon

Source: NSE Indices Limited, data as on Apr 30, 2024; 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..

Nifty100 Low Volatility 30 Index has done well at the time of market distress

Calendar Year	Nifty 50 Index	Nifty 100 Index	Nifty 100 Low Volatility 30 Index	Nifty 100 Alpha 30 Index	Nifty 100 Quality 30 Index
2006	41.9%	40.2%	43.3%	53.2%	-
2007	56.8%	59.5%	31.5%	85.9%	-
2008	-51.3%	-53.1%	-42.3%	-67.2%	-
2009	77.6%	84.9%	92.9%	61.6%	-
2010	19.2%	19.3%	25.5%	22.3%	24.8%
2011	-23.8%	-24.9%	-12.0%	-13.4%	-14.3%
2012	29.4%	32.5%	32.1%	34.4%	26.9%
2013	8.1%	7.9%	6.6%	9.6%	21.8%
2014	32.9%	34.9%	36.8%	32.5%	32.7%
2015	-3.0%	-1.3%	9.8%	15.8%	3.5%
2016	4.4%	5.0%	3.1%	5.5%	2.2%
2017	30.3%	32.9%	30.3%	51.4%	23.5%
2018	4.6%	2.6%	7.4%	0.7%	5.0%
2019	13.5%	11.8%	5.2%	10.4%	5.7%
2020	16.1%	16.1%	24.3%	23.7%	22.6%
2021	25.6%	26.4%	24.2%	41.1%	22.2%
2022	5.7%	4.9%	2.0%	-1.2%	-0.9%
2023	21.3%	21.2%	31.9%	19.5%	32.0%

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

Source: NSE Indices Limited, data as on Calendar Year Data as on Dec 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. Highlighted portion indicates times of financial distress

Nifty 100 Low Volatility 30 Index has outperformed actively managed funds

Performance v/s Regular Plan	1 Year	3 Years	5 Years	7 Years	10 Years
Nifty 100 Low Volatility 30 Index	34.1%	18.7%	16.8%	15.8%	16.5%
Average Return of Large Cap Funds - Regular Plan	34.9%	17.7%	15.5%	13.5%	14.5%
Average Alpha over active Large Cap Funds	-0.8%	1.0%	1.4%	2.3%	2.0%
# Schemes outperformed by Index	14	21	21	23	23
Total Large Cap Funds	30	27	26	24	24
Schemes outperformed by Index	46.7%	77.8%	80.8%	95.8%	95.8%

Performance v/s Direct Plan	1 Year	3 Years	5 Years	7 Years	10 Years
Nifty 100 Low Volatility 30 Index	34.1%	18.7%	16.8%	15.8%	16.5%
Average Return of Large Cap Funds - Direct Plan	36.4%	18.9%	16.6%	14.7%	15.7%
Average Alpha over active Large Cap Funds	-2.3%	-0.2%	0.2%	1.2%	0.8%
# Schemes outperformed by Index	11	14	16	18	15
Total Large Cap Funds	30	27	26	24	24
Schemes outperformed by Index	36.7%	51.9%	61.5%	75.0%	62.5%

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

Nifty 100 Low Volatility 30 Index provides alternate exposure in large cap

Sector	Nifty 100 Low Volatility 30 Index	Nifty 50 Index	Nifty 100 Index
FMCG	24.9%	8.5%	8.4%
Financial Services	14.5%	32.5%	32.5%
Healthcare	12.9%	3.8%	3.8%
Consumer Durables	10.3%	2.7%	2.7%
Information Technology	8.9%	9.9%	9.9%
Automobile	8.6%	7.4%	7.4%
Power	6.2%	4.4%	4.4%
Construction Materials	3.7%	1.8%	2.2%
Oil & Gas	3.6%	11.4%	11.4%
Construction	3.2%	3.4%	3.4%
Chemicals	3.1%	0.5%	1.5%

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

Portfolio of Nifty100 Low Volatility 30 Index

No.	Company Name	Holding(%)	No.	Company Name	Holding(%)
1	ICICI BANK LTD.	4.5%	16	NTPC LTD.	3.2%
2	HINDUSTAN UNILEVER LTD.	4.3%	17	COLGATE PALMOLIVE (INDIA) LTD.	3.1%
3	ASIAN PAINTS LTD.	4.0%	18	MARICO LTD.	3.1%
4	ITC LTD.	3.9%	19	SBI LIFE INSURANCE COMPANY LTD.	3.1%
5	TITAN COMPANY LTD.	3.8%	20	TORRENT PHARMACEUTICALS LTD.	3.1%
6	BRITANNIA INDUSTRIES LTD.	3.8%	21	PIDILITE INDUSTRIES LTD.	3.1%
7	SUN PHARMACEUTICAL INDUSTRIES	3.7%	22	POWER GRID CORPORATION OF INDIA	3.0%
8	NESTLE INDIA LTD.	3.7%	23	BAJAJ AUTO LTD.	3.0%
9	ULTRATECH CEMENT LTD.	3.7%	24	DABUR INDIA LTD.	2.9%
10	RELIANCE INDUSTRIES LTD.	3.6%	25	BOSCH LTD.	2.9%
11	HDFC BANK LTD.	3.6%	26	WIPRO LTD.	2.8%
12	TATA CONSULTANCY SERVICES LTD.	3.4%	27	CIPLA LTD.	2.7%
13	DR. REDDY'S LABORATORIES LTD.	3.4%	28	HCL TECHNOLOGIES LTD.	2.7%
14	KOTAK MAHINDRA BANK LTD.	3.4%	29	HERO MOTOCORP LTD.	2.6%
15	LARSEN & TOUBRO LTD.	3.2%	30	BERGER PAINTS INDIA LTD.	2.4%

Nifty 100 Low Volatility 30 Index has a well diversified portfolio with lower stock concentration

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 18 & 20)
- ✓ In the long-term, it may be potentially used for investment as Nifty 100 Low Volatility 30 Index has generated higher risk-adjusted return over longer horizon (Refer Slide 19 & 20)
- ✓ 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. 18)
- ✓ Nifty 100 Low Volatility 30 Index provides alternate sectoral exposure which is different than Nifty 100 Index (Slide no. 22)
- ✓ Nifty100 Low Volatility 30 Index has outperformed actively managed large cap funds (Slide no. 21)
- ✓ While Nifty 100 Low Volatility 30 Index has done well historically over long-term horizon, however it is exposed to cyclicality 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.

THANK YOU



Disclaimers

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

For further information about other schemes (product labelling and performance of the fund) please visit the website of the AMC: www.miraeassetmf.co.in

Please consult your financial advisor or mutual fund distributor before investing

PRODUCT LABELLING

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

- Returns that commensurate with the performance 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.

