

## EPFO decides to invest Rs2,800 cr in CPSE ETF

BY PRASHANT K. NANDA  
prashant.n@livemint.com

NEW DELHI

**A** day before the Central Public Sector Enterprises exchange traded fund's (CPSE-ETF) follow-on sale begins, the Employees' Provident Fund Organisation (EPFO) has said it would invest at least Rs2,800 crore or over 62% of the original issue size of the further fund offer. This is the first time EPFO is participating in the government's divestment plans.

"The finance ministry wanted us to invest Rs3,000 crore but we have agreed to invest Rs2,800 crore as of now," central provident fund commissioner V.P. Joy said.

As a part of its divestment programme, the government last week announced the launch of its second tranche sale of the CPSE ETF, aiming to raise Rs4,500 crore, stretchable up to Rs6,000 crore. EPFO officials said although the finance ministry had sounded them out earlier, they got in touch with the pension fund last week after its formal announcement.

"The finance ministry has more expectations from us and the Rs2,800 crore may get stretched by Rs100 crore more," said a government official who declined to be named.

The CPSE ETF was launched by Goldman Sachs Asset Management India in March 2014, and comprises stocks of 10 firms: Oil and Natural Gas Corp. Ltd, Coal India Ltd, Indian Oil Corp. Ltd, GAIL (India) Ltd, Rural Electrification Corp. Ltd, Oil India Ltd, Power Finance Corp. Ltd, Container Corp. of India Ltd, Bharat Electronics Ltd and Engineers India Ltd.

Reliance Mutual Fund is managing the CPSE ETF after Goldman Sachs exited the mutual fund business in India.

While the retirement fund manager's move will assure

the finance ministry of achieving its ETF sale target, it also signifies the expansion of the EPFO's equity portfolio.

EPFO authorities said they are already investing in two ETFs managed by the SBI Mutual Fund and investing in the CPSE ETF is an extension of their equity portfolio.

EPFO entered the stock market in August 2015, channelling its investments through two ETFs -- SBI-ETF Nifty and SBI Sensex ETF. While 75% of the corpus went to SBI Nifty, the rest was invested in SBI Sensex. The ETFs mimic the Nifty 50 and Sensex 30 index.

EPFO invested Rs6,577 crore in 2015-16 and will pump over Rs13,000 crore into equities in 2016-17, after the labour ministry-controlled retirement fund manager decided to double its equity exposure from 5% of its incremental corpus to 10%. EPFO manages a corpus of over Rs8.5 trillion, with some 40 million subscribers contributing to the fund every month.

On whether the EPFO's CPSE ETF exposure would earn better returns, both EPFO authorities and the track record of the ETFs appear positive. "CPSE ETF is a passive investment fund that was created to help the government in its divestment programme. The fund has clocked an impressive return of 17% CAGR since inception (after accounting for the loyalty units)...the CPSE ETF would be suitable for investors with a long term horizon," stock broking firm IIFL said in a 14 January posting on its website.

It, however, underlined that since the CPSE ETF portfolio is heavily skewed towards energy sector, with the top four (ONGC, Coal India, Indian Oil and GAIL) "having 74% weightage in the index, any unfavourable movement in the prices of crude oil, natural gas and coal will negatively impact the returns".



EC issues notice to Arvind Kejriwal for 'bribery' remark  
bit.ly/2jQVwT