

Nifty BeES™

(Nifty Benchmark Exchange Traded Scheme)

FREQUENTLY ASKED QUESTIONS (FAQs)

1. What is Nifty BeES?

Nifty BeES is an Open-Ended Exchange Traded Mutual Fund. Nifty BeES is a transferable and tradable Mutual Fund Unit. Nifty BeES is a new generation investment tool. It is a combination of a Share and a Mutual Fund Unit. You can conveniently buy or sell it on the National Stock Exchange (NSE) and at the same time, to diversify at low cost, you can buy a diversified basket of fifty shares and trade it real-time. Nifty BeES tracks the S&P CNX Nifty Index and is listed on the Capital Market Segment of NSE.

Nifty BeES has won the Golden Peacock Award for the Most Innovative Financial Product in 2002-03 given by Institute Of Directors (IOD), New Delhi. [Top ▲](#)

2. Why should I invest in an Index Fund?

Index Tracking has widely been acclaimed in theory and in practice as a winning strategy for long term investing. As per the argument put forward by William Sharpe, a financial Economist and a Noble Prize winner, all active fund managers together can never outperform the market. This has been demonstrated in practice too. In the U.S., over the last 10 years, around 77% of active Fund Managers have underperformed the S&P 500 Index. (Source: www.funds-sp.com)

Buying an Index Fund is easy through ETF concept. Index tracking is low cost, provides instant diversification and is completely transparent. As a result, Institutional and Retail Investors are increasingly moving towards investing in well defined Indices, which are managed professionally. The growth of assets in indexing has resulted in making the S&P 500 Index Fund, managed by Vanguard, one of the largest mutual fund scheme in the world. [Top ▲](#)

3. What are the ETFs?

ETFs are Exchange Traded Funds which are listed and traded on the Stock Exchange.

Globally, since their introduction in U.S. in 1993, ETFs are available in U.S., Europe, India, Sweden, Finland, Canada, Singapore, Hong Kong, South Korea, Japan, Australia and Turkey. Among the popular ones are SPDRs (Spiders) based on the S&P 500 Index, QQQs (Cubes) based on the Nasdaq-100 Index, iSHARES based on MSCI Indices and TRAHK (Tracks) based on Hang Seng Index. [Top ▲](#)

4. What are the advantages of investing in Index Fund?

- i) Simple
 - ii) Economical
 - iii) Convenient
 - iv) Liquid
 - v) Neutral
 - vi) Transparent
 - vii) Instant Diversification
 - viii) Equitable Structure
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5. What is the portfolio interpretation of index movements?

To create a portfolio, which will give you the exact returns which market Index gives, i.e. if market Index goes up by 4%, the portfolio should also give you 4 % returns. For index investment you have to invest either in Index Fund or Derivatives Index Futures or Index Options. Suppose an Index is made of two stocks, one with a market cap of Rs. 1,000 crore and another with a market cap of Rs. 3,000 crore, and then the Index portfolio will assign a weight of 25% to the first and 75% weight to the second. If we form a portfolio of these two stocks, with a weight of 25% on the first and 75% on the second, then the portfolio returns will be equal to the index returns. So if you want to buy Rs. 1 lakh of this two-stock Index, you would buy Rs. 25,000 of the first and Rs. 75,000 of the second; this portfolio would exactly mimic the two-stock Index. A Stock Market Index is hence just like other price

indices in showing what is happening on the overall Indices -- the Wholesale Price Index is a comparable example. In addition, the market Index is attainable as a portfolio. [Top ▲](#)

6. How Nifty BeES is different from Nifty Futures?

Even though, Nifty BeES and Nifty Futures allow investors exposure to the Index, they are different in many regards. While Nifty Futures is a derivative product and trades in the F&O Segment of NSE, Nifty BeES is a Cash Market product and trades in the Capital Market Segment of NSE. Minimum Exposure in Nifty Futures is 100 times Nifty and multiples thereof while for Nifty BeES it is approximately 1/10th of S&P CNX Nifty Index. As Futures are leveraged product, investment in futures is riskier. In terms of Taxation, with Index Futures it is not possible to take advantage of Long Term Capital Gains since the maximum tenure available is 3 months and the tax liability will crystallize with each rollover while Nifty BeES can be held for as long as the investor wants. [Top ▲](#)

7. How Nifty BeES is different to Open Ended Index Funds?

Attribute	Nifty BeES	Traditional Open Ended Index Funds
Traded Throughout the Day	Yes	No
Low Expense Ratio	Yes	No
Trade through any Broker	Yes	No
Hedging Tool	Yes	No
Ability to Lend Units	Yes	No
Tracking	Best	Average
NAV	Real time	Daily end of day
Derivatives Margin	Yes	No Margin
Liquidity	Fund and Stock market	Fund
Intraday Trading	Yes	No
Portfolio Disclosure	Daily	Monthly
Structure	Insulates long term investor from short term trading activity	Does not insulate long term investors from short term investor activity

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8. Who can invest in Nifty BeES?

All types of investor whether Retail or Institutional, Long Term or Short Term, can use it to their advantage without being at a disadvantage to others.

- ▶ It appeals to long term investor because it is cost effective and insulates them from short term trading activity
- ▶ It appeals to short term investors because of intra-day liquidity
- ▶ It appeals to retail investors, as initial investment is low cost, liquid and has all the benefits of Index tracking. [Top ▲](#)

9. Can I buy or sell any time during the trading hours?

Yes you can buy or sell Nifty BeES exactly as you can buy or sell any other shares. Nifty BeES trades on the Capital Market Segment of NSE. The units of Nifty BeES are priced at 1/10th of the S & P CNX Nifty Index. Nifty BeES are in dematerialized form and settled like any other share in the T+2 rolling settlement. [Top ▲](#)

10. How can I buy or sell Nifty BeES directly from the Fund?

An investor can Buy or Sell minimum 10,000 units of Nifty BeES and in multiples thereof directly with the Fund. For further details, please call our toll free number or visit our website. [Top ▲](#)

11. What is the rating and award for Nifty BeES?

Nifty BeES has also been awarded the "*Best Performing Mutual Fund of the Year in the Index Fund Category at the CNBC - TV18 - Crisil Mutual Fund of the Year Award 2007.*"

11 index schemes were qualified for this award category.

Eligibility Criteria & Methodology Funds should be ranked for all the four quarterly CRISIL~CPRs (Composite Performance Rankings) in the year 2007. The scores of individual parameters for each of the four quarterly CRISIL~CPRs in 2007 are considered

individually for the schemes eligible for the category. The eligible schemes are scaled with the best score for each quarter. The average scaled scores constitute the parametric scores. The final weighted-average score for each scheme is arrived at by applying an assigned weightage, as in the CRISIL~CPR, to each of the parametric scores.

(Ranking Source: CRISIL Fund Services, CRISIL Limited)

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12. What are the basic requirements to invest in Nifty BeES?

The basic requirements are:

- A Share Trading Account
- A Demat Account

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13. What is the Investment Objective?

The investment objective of Nifty BeES is to provide investment returns that, before expenses, closely correspond to the total returns of securities as represented by the S&P CNX Nifty Index.

Other Specifications:

Exchange Listed Ltd	National Stock Exchange of India Ltd
NSE Symbol	NIFTYBEES
ISIN	INF732E01011
Entry / Exit Load	Nil
Other Codes	Reuters - NBES.NS
	Bloomberg - NBEES:IN
	ICICI Direct - NIFBEE
Pricing (Per Unit)	1/10th of Index
Minimum Lot	One unit/share
Tracking Error	0.24% annualized (as on 29 th May, 2009)
Total Expense Ratio	0.50% Annualised (as on 29 th May, 2009)

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14. S&P CNX Nifty Statistics (as on 29th May, 2009)

Mkt. Cap.	Rs. 2,789,788.64 Cr.
P/E Multiple	20.82
P/B Multiple	3.63
Dividend Yield	1.23%

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15. Performance History of Nifty BeES (as on 29th May, 2009)

Period	Nifty BeES	CNX Nifty Index (Benchmark Returns)	Total Returns Index
1 Mth	27.98%	28.07%	28.08%
3 Mths	60.64%	60.98%	61.02%
6 Mths	61.72%	61.48%	62.16%
1 Yr	(7.91)%	(8.67)%	(7.73)%
3 Yrs	14.40%	13.16%	14.60%
5 Yrs	26.26%	24.58%	26.42%
Since Inception	23.19%	21.73%	23.81%

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16. Top 10 Industry Weightage (as on 29th May, 2009)

Industry	Weightage
Petroleum Products	15.72%
Power	11.53%
Banks	11.15%
Oil	10.53%
Telecom - Services	9.25%
Software	8.16%
Industrial Capital Goods	5.43%
Ferrous Metals	3.61%
Auto	3.22%
Construction	3.05%

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17. Top 10 Stocks (as on 29th May, 2009)

Company	Weightage
Reliance Industries Limited	12.80%
Oil & Natural Gas Corporation Ltd	8.95%
NTPC Limited	6.36%
Bharti Airtel Limited	5.58%
State Bank of India	4.25%
BHEL	3.82%
Infosys Technologies Limited	3.29%
ICICI Bank Limited	2.95%
Larsen & Toubro Limited	2.94%
Steel Authority of India Limited	2.55% Top ▲

18. What is Benchmark Asset Management Company all about?

Benchmark Asset Management Company Pvt. Ltd. is the Investment Manager to Benchmark Mutual Fund. It is the first and only company with focus on Indexing and Quantitative Asset Management style.

► Currently it manages 9 Mutual Fund Schemes out of which 6 are Exchange Traded Funds. The details of various schemes are mentioned below:

- **Nifty BeES:** The First ETF in Asia (Barring Japan)
- **Junior BeES:** The First and only Midcap Index Fund and ETF in India
- **Bank BeES:** The First Sector Index Fund and ETF in India

- **PSU BeES:** The First PSU Bank Sector Index Fund and ETF in India
- **Gold BeES:** The First Gold ETF in India
- **Liquid BeES:** The First and only Liquid ETF in the World
- **Benchmark Derivative Fund:** The First Equity Arbitrage Fund in India
- **Benchmark Equity & Derivatives Opportunities Fund:** The Equity Arbitrage and Volatility Trading (various options based strategies) Fund
- **Benchmark S&P CNX 500 Fund:** The First and only Index Fund in India Benchmarked against S&P CNX 500 Index

► It is also managing Portfolio Management Schemes based on Quantitative Models.

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BENCHMARK

M U T U A L F U N D

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Statutory Details

Benchmark Mutual Fund has been set up as a Trust by Niche Financial Services Pvt. Ltd. with Benchmark Trustee Company Pvt. Ltd. as the Trustee (Trustee under the Indian Trust Act, 1882) and Benchmark Asset Management Company Pvt. Ltd. as the Investment Manager.

RISK FACTORS:

- Mutual funds and Securities investments are subject to market risks and there can be no assurance or guarantee that the objective of the Scheme will be achieved.
- As with any investment in securities, the Net Asset Value (NAV) of the units issued under the Scheme can go up or down depending on the factors and forces affecting the Bullion Market, Capital Market and Money Market respectively.
- Past performance of the Sponsors / Investment Manager / Mutual Fund and its affiliates does not indicate the future performance of the Schemes of the Mutual Fund and may not necessarily provide a basis of comparison with other investments.
- Nifty BeES, Junior BeES, Bank BeES, Liquid BeES, Benchmark Derivative Fund, Gold BeES, PSU Bank BeES, Benchmark Equity & Derivatives Opportunities Fund and Benchmark S&P CNX 500 Fund are the names of the Schemes and does not in any manner indicate either the quality of the Schemes or its future prospects and the returns. Investors are therefore urged to study the terms of offer

carefully and consult their Investment Advisor before they invest in the Schemes.

- Nifty BeES, Junior BeES, Bank BeES, Liquid BeES, Gold BeES and PSU Bank BeES are Exchange Traded Funds (ETF). Though ETFs are popular abroad, it is still a new concept in India
 - The Sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the Schemes beyond the initial contribution made by it of an amount of Rs. 1 Lac towards setting up of the Mutual Fund.
 - Investors in the Schemes are not being offered any guaranteed or assured returns.
 - The Schemes' NAV will react to the stock market movements. The Investor could lose money over short periods due to fluctuation in the Scheme's NAV in response to factors such as economic and political developments, changes in interest rates and perceived trends in stock prices/bullion prices, market movements, and over longer periods during market downturns respectively.
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