

Analysts cite attractive valuations, entry of high growth cos from the midcap space; Over a 3-year period, index has returned 17.1% against Nifty 50's 13.4%

# Check Out Nifty Next 50 Index Fund for a Contrarian Bet on Large Caps

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**Mumbai:** Investors eyeing a contrarian bet in large caps with high margin of safety can consider the Nifty Next 50 Index fund.

Wealth managers believe its recent underperformance vis a vis the broader Nifty 50, lower overlap with active funds, reasonable valuations and exposure to some high growth sectors make this a good diversifier for investors who prefer indexing.

Over the past one year, the Nifty Next 50 has lost 2.27% compared to the Nifty 50 that gained 9.6%. However, over a 3-year period, the Nifty 50 returned 13.4% compared to the Nifty Next 50 that returned 17.1%.

"Active funds tracking broader indices also provide low exposure to Nifty Next 50 stocks. Max commonality with Nifty Next 50 is 18% by any Large cap fund and 18% by any Flexi cap fund," says Anil Ghelani, head — Passive Investments & Products, DSP Mutual fund. Ghelani points out that the Nifty Next 50 a distinct set of sector exposures and a unique risk-return profile within large caps.

In valuation terms, the Nifty Next 50

## Heavy Weights

Top 10 stocks in Nifty Next 50

Company	% Holding
Vedanta	3.9
Hindustan Aeronautics	3.7
TVS Motor	3.7
Divis Lab	3.5
Chola investment	3.1
BPCL	3.0
Britannia	3.0
Indian Hotels	2.8
Varun Beverages	2.8
Tata Power	2.8



trades at a PE of 20.66, lower than its 5-year average PE of 26.01. It is cheaper than the Nifty 50 PE of 22.64 and its 5 year average of 24.13. Over the last one year, earnings for the Nifty 50 companies has grown by 5.7%, while that for the Nifty Next 50 grew 9.7%.

The Nifty Next 50 has a lower stock concentration with the top 10 stocks accounting for 32% of the portfolio compared to the Nifty 50 where they account for 55% of the portfolio.

In addition to valuations being attractive, fund managers believe the Nifty Next 50 over a period of time also sees many high growth companies entering it from the Midcap index.

"The Nifty Next 50 is positioned between the Nifty 50 and the Nifty Midcap 150. Over the years, many high growth companies have moved from midcap space to this index," says Niranjana Awasthi, Senior Vice President, Edelweiss Mutual Fund.

Distributors believe investors could stagger their bets into this index over the next three months, "Investors could use sharp corrections in the markets to accumulate, over the next three months," says Anup Bhaiya, MD and CEO, Money Honey Financial Services.