



YOUR MONEY

Prefer value-driven approach? Go for equal-weight index

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DSP Mutual Fund recently launched the Nifty Top 10 Equal Weight Index Fund, and Exchange-Traded Fund (ETF), which invest equally in the top 10 companies by free-float market capitalisation in the Nifty. Several equal-weight index funds and ETFs based on the Nifty 50 and the Nifty 100 exist from fund houses like Sundaram, DSP, Aditya Birla, HDFC, ICICI Prudential, and UTI.

In a market cap-weighted index, the free-float market cap determines the stock's weight in the index. Stocks with higher free-float market cap have a larger weight. "An equal-weight strategy provides equal opportunity for each stock to perform," says Anil Ghelani, head of passive investments and products, DSP Mutual Fund. In the Nifty50 Equal Weight Index, for instance, each of the 50 stocks gets a 2 per cent weight.

Outperform during broader rallies

In an equal-weight index, a single stock or a few top stocks don't determine the index's performance. These indices typically perform well during a broader rally. "In phases when smaller stocks do well, an equal-weight index performs better than its market cap-weighted peer," says Deepesh Raghaw, a Sebi-registered investment advisor.

Their portfolios are also

better diversified across sectors. In the Nifty 50 index, for instance, financial services have a 32 per cent weight, while in the Nifty 50 Equal Weight Index, it is 21 per cent. This frees up space for other sectors to have a higher weight.

"Equal-weight indices can be less risky than market cap-weighted indices since their performance is not dependent on a few companies," says Arnav Pandya, founder, Moneyeduschool.

Prolonged poor show possible

Equal-weighted indices, says Pandya, underperform during narrow market rallies when only a few large stocks are doing well.

In these indices, the stocks that are outperforming are sold in favour of those that are underperforming. "These funds will not suit investors who prefer the momentum style of investing," says Raghaw. They are better suited for those who prefer the value approach.

These indices can underperform their market cap-based

peers for long periods. "After outperforming during the first decade of this century, the Nifty 50 Equal Weight Index underperformed the Nifty 50 Index during the second decade," says Raghaw.

Should you invest?

Investors seeking greater diversification in their portfolios may consider equal-weight indices. "They would also suit investors who desire less concentration of weights and hence less risk," says Pandya.

Investors must have the conviction to hold on to these funds during the long periods when they underperform their market cap-weighted peers.

Investors could allocate up to 10 per cent of their equity allocation to equal-weight index funds and ETFs. "Enter them with at least a 7-10-year horizon. Since the markets are not inexpensive, enter via a systematic investment plan (SIP) or a systematic transfer plan (STP)," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

The performance of equal-weight index funds also depends on the underlying index — whether it is a concentrated index like the Nifty Top 10 or a more diversified one such as the Nifty 50 or the Nifty Top 100. "The Nifty Top 10 Equal Weight Index will do well during periods of polarisation in the market," says Ghelani.

Dhawan warns that while such an index could deliver high outperformance, it can also underperform drastically. "While it will give exposure to largecap blue chips, it is likely to be volatile," he says.

PASSIVE INVESTING

Nifty top 10 equal-weight index fund

PROS

- ▶ Gives investors exposure to a portfolio of bluechip companies
- ▶ Does well during phases of polarisation in the market



CONS

- ▶ Concentrated index which can be volatile
- ▶ Will underperform during phases of broad market rally

Things to know when renting your home to a foreign national

Fifty-two flat owners in a residential society of Gurugram were booked this week for not following the set norms while renting out property to foreign nationals. What are the norms? We explain it to you in a nutshell.

Register with the FRR0

The first step is to register with the Foreigners Regional Registration Office (FRR0). This registration is a one-time process that establishes you as a legitimate provider of accommodation to foreign nationals.

Fill and submit Form C

Once registered with FRR0, you must submit Form C for each foreign guest within 24 hours of their check-in. This ensures that the Bureau of Immigration is promptly informed of the foreign national's presence.

Where to submit?

Form C can be submitted online through the Bureau of Immigration's platform at indianfrr0.gov.in. The online submission process is relatively straightforward and allows you to manage multiple entries if necessary.