

NFO Insight: ICICI Prudential Contra Fund opens for subscription. Is contra investing suited for current market conditions?

By Surbhi Khanna, Published on: 2nd October 2026



ICICI Prudential Mutual Fund has launched the ICICI Prudential Contra Fund which is open for subscription and will close on October 12. The fund is an open ended equity scheme following a contrarian investment strategy.

The scheme will be managed by Sankaran Naren, along with Dharmesh Kakkad, Sakshat Goel, Gaurav Chikane. The performance will be benchmarked against Nifty 500 TRI. The minimum investment amount is Rs 1,000 (& in multiples of Re 1).

What the CIO says about the launch

S Naren, ED & CIO

Contrarian investing is not just about buying cheap. It requires robust research and a long term outlook. The beauty of contrarian investing is that we will buy when a stock is out of favour, when there are more sellers than buyers and the price has therefore fallen substantially.

The scheme has the flexibility to invest across market capitalisations, but our prime focus will be to identify underperformers. The key is to identify the suitable investment through research and have the patience to wait, because a contrarian situation does not turn around quickly

What is contrarian investing?

A contrarian strategy is an investing style which typically invests against prevailing market trends. Contrarian investing seeks to identify investment opportunities in companies that are currently out of market favour or undervalued temporarily, yet exhibit strong fundamentals and a turnaround potential over the long term.

By adopting a long-term investment horizon over a complete market cycle, a contrarian approach allows investors to take a differentiated market exposure, benefiting from market inefficiencies such as price-value dislocations, while enabling portfolio diversification.

As leadership rotates across sectors such as metals, real estate, banking, or auto, over various phases of market cycles, the need for diversified and differentiated investment exposure across such sectors has become increasingly important.

What does an expert say on this NFO

Experts typically ask investors to avoid investing in NFOs unless they offer something unique. The uniqueness could be that the scheme is offering an investment option that is not available in the market or offering something extra to an existing option. Otherwise, the experts believe investors are better off with an existing scheme with a long performance record. This is because you have some historical data to base your investment decision. You don't have any data when it comes to new offerings.

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors told ETMutualFunds that the contra strategy works by doing the exact opposite of what the broader market is doing and instead of chasing popular stocks that everyone is buying, it searches for overlooked or temporarily mispriced companies where short-term fear or market overreactions have pushed prices down.

"The fund is expected to evaluate cheap valuations, business cycle strength, potential turnaround triggers, and market mood through its "VCTS" framework, while using a C.L.O.U.D checklist to verify low debt, minimal crowd ownership, clear growth upside, and low disruption risk."

Dhawan further said that the fund will target out-of-favor companies with strong core balance sheets and clear upside as earnings recover; at the same time, it will try to avoid over-owned opportunities, heavily debt-ridden businesses, and permanently dying industries like traditional print media or landlines.

Adil Chacko, Executive Director, Anand Rathi Wealth Limited shared with ETMutualFunds that a contra fund follows a contrarian investment approach and the fund manager looks for stocks or sectors that are currently out of favour with investors, but where the underlying business remains fundamentally sound.

Chacko further said that contra investing is similar to value investing, but the approach is broader as a value fund mainly looks for stocks that appear undervalued based on their fundamentals whereas a contra fund can also look at businesses that are out of favour or going through a potential turnaround, even when they are not trading at particularly low valuations and the idea is that the market's current view may not always reflect the company's longer-term prospects. If the business improves or investor sentiment changes, the stock could see its valuation improve.

Investment strategy and portfolio allocation

The scheme takes a non-consensus, research-driven approach to identifying such opportunities and is aimed at investors with a long-term horizon who are willing to wait for the sentiment to reverse, according to a press release by the fund house.

The scheme shall follow a top-down approach and/or bottom up approach. The scheme may follow a diversified approach & have flexibility to invest across market capitalization. However, at times the scheme may have higher concentration towards a particular market capitalization, sector or stocks.

The scheme's contra strategy can rest on any single factor or a combination of factors, organised under the VCTS framework.

The fund will allocate 80-100% in equity & equity related instruments following contrarian investment strategy, 0-20% in other equity and equity related instruments, 0-20% in money market instruments, other liquid instruments, units of overnight funds, liquid funds and money market funds, 0-20% in Gold ETFs and Silver ETFs and 0-10% in units issued by INVITs .

The fund house said that in terms of portfolio construction, the aim is to adopt a CLOUD approach which stands for

Calculate: Research and calculate before taking the call,

Leverage: Be careful with leveraged stocks,

Ownership: Low institutional ownership can be a positive,

Upside: Clear upside potential, and

Disruption: Caution around Disruption risk.

When does contra investing work, and what are the risks?

Chacko said contra investing does not require a particular market environment to work as it is a broader strategy, and its performance will depend on what the fund manager identifies as an opportunity and how the portfolio is constructed.

The current market offers opportunities in attractively valued stocks, but contra funds could underperform if momentum and growth stocks continue to lead; since sentiment shifts can take time, investors should be prepared for periods of underperformance and take a long-term view, he further said.

On the other hand, Dhawan said that contra investing works best during times of market noise, economic shocks, regulatory changes, intense competition, or emotional overreactions that temporarily knock down

good companies and these conditions are also there due to global growth worries, regional conflicts, foreign investor selloffs, and uneven sector performance in India, where areas like IT, FMCG, Banks and Energy are lagging.

A contra fund can underperform for long periods if the market continues to favor fast-moving growth or popular momentum stocks because the fund avoids crowded/mainstream investment opportunities, it must wait for investor mood to shift, during which unloved stocks can stay flat or fall for multiple years before turning around and thus patience is key, he further said.

Suitability and investment horizon

According to the fund house, the fund is suitable for investors who are seeking long term wealth creation and want an open ended equity scheme following contrarian investment strategy.

Dhawan said that the ideal investment horizon for anyone considering a contra fund is 7-10 years and time is essential because waiting for a company's business metrics to heal, management changes to take effect, or public opinion to flip from negative to positive simply may not happen quickly.

Chacko said a contra strategy typically requires a 3-5 year investment horizon and this is because it can take time for investor sentiment around a stock or sector to change.

He further said that a company may remain out of favour for some time even when its fundamentals remain strong and similarly, a turnaround story can take several quarters to play out. As a result, the performance of a contra fund may take time to come through.

Other funds following contrarian strategy

Around three contra funds have completed three years of existence in the market of which Kotak Contra Fund delivered the highest return of 12.31%. Invesco India Contra Fund and SBI Contra Fund gave 11.83% and 8.83% respectively.

In the last five years, out of these three contra funds, SBI Contra Fund gave 13.10%, followed by Kotak Contra Fund and Invesco India Contra Fund that gave 11.82% and 10.92% respectively.

Way ahead for contra strategy

Chacko said contra as an investment style is likely to gain more relevance as investors look for strategies beyond the current market leaders. SEBI earlier allowed AMCs to offer either a value or contra fund, but now they can offer both, leading more fund houses to launch contra funds.

He further said that with more options available, investors should assess an NFO's holdings once disclosed and compare them with existing contra funds. Attractive valuations in some companies could support the strategy, with a 5-10% allocation offering exposure to stocks currently out of favour.

Dhawan said contra investing is a flexible, "go-anytime" long-term wealth creation approach that can adapt and spot value across any market environment; widespread global uncertainties, shifting interest rate policies, and uneven domestic returns across different sectors create a fertile setup for finding mispriced opportunities.

He further said that investors may want to consider contra funds with an existing track record that has done well and seen multiple market cycles, and also evaluate their own ability to stay patient through years of underperformance, before allocating to a contra fund.

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