

NIFTY Next 50

July 2017

Introduction

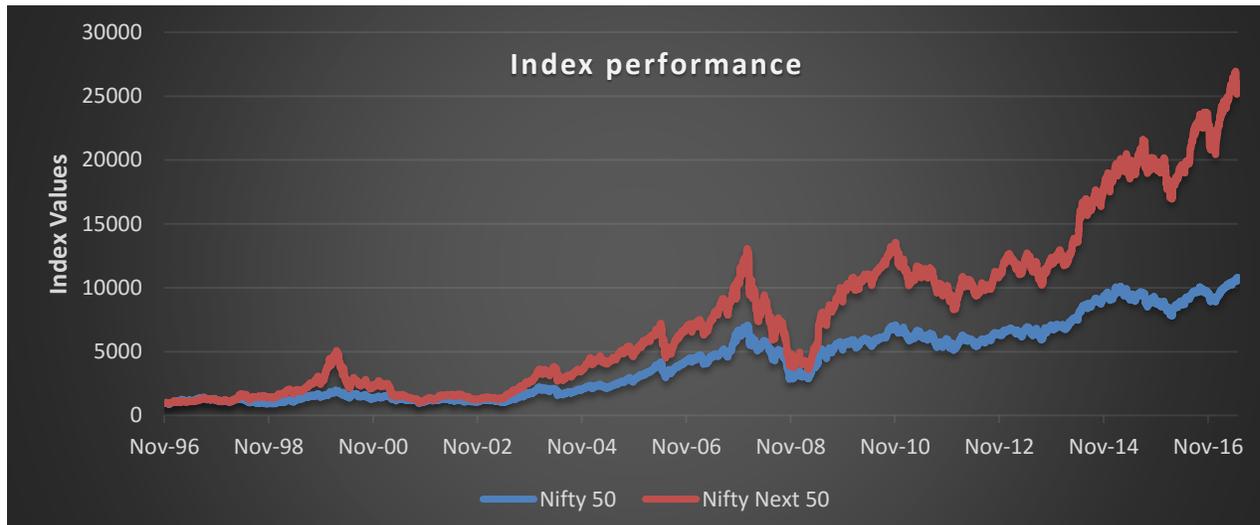
NIFTY 50 is the benchmark index of India, reflecting the overall dynamics of Indian equity market as well as the Indian economy. NIFTY 50 captures the performance of top 50 blue-chip companies listed at NSE and thus provide a representative benchmark for investments in top large-cap companies in India.

NIFTY Next 50 is an index that represents the performance of 'next' 50 stocks which come after the top 50 in order of free float market capitalization, subject to index criteria. NIFTY Next 50 thus represents companies which are presently below the NIFTY 50 index constituents and may be potential candidates for inclusion in NIFTY 50 in future, subject to index criteria.

About the NIFTY Next 50 index

- The index has a base date of November 03, 1996 and a base value of 1000
- Index aims to measure the performance of 50 large-cap companies after the top 50 companies forming part of the NIFTY 50.
- The selection of securities and weights are based on free float market capitalization
- The NIFTY Next 50 Index represents about 11.9% of the free float market capitalization of the stocks listed on NSE as on March 31, 2017.
- As on March 2017, total six months traded value of all index constituents is approximately 15.4% of traded value of all stocks on NSE.

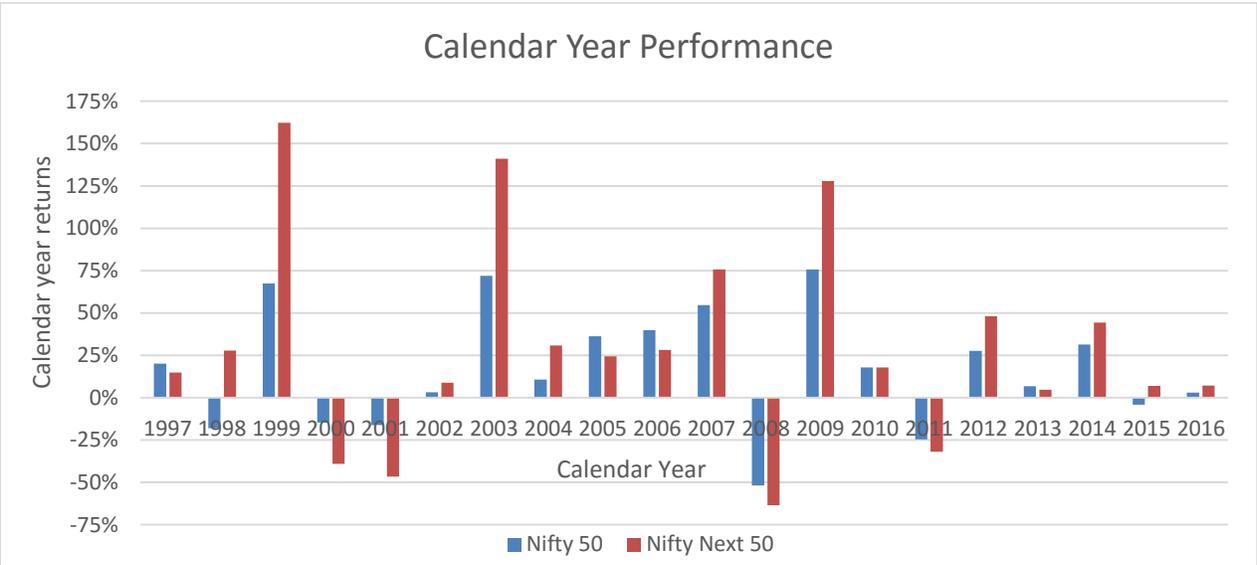
The NIFTY Next 50 index has achieved higher risk-adjusted returns as compared to the NIFTY 50 in the long-run



Period	Annualized Returns		Annualized Volatility		Return to Risk Ratio	
	NIFTY Next 50	NIFTY 50	NIFTY Next 50	NIFTY 50	NIFTY Next 50	NIFTY 50
Since Inception	17.2%	12.2%	27.9%	24.5%	0.61	0.49
10 years	12.6%	8.7%	25.6%	23.5%	0.49	0.37
7 years	13.3%	9.1%	17.5%	16.1%	0.76	0.56
5 years	22.2%	13.3%	17.0%	14.8%	1.3	0.89
3 years	18.4%	8.3%	17.3%	14.3%	1.06	0.58
1 year	33.6%	16.7%	15.6%	11.3%	2.15	1.47

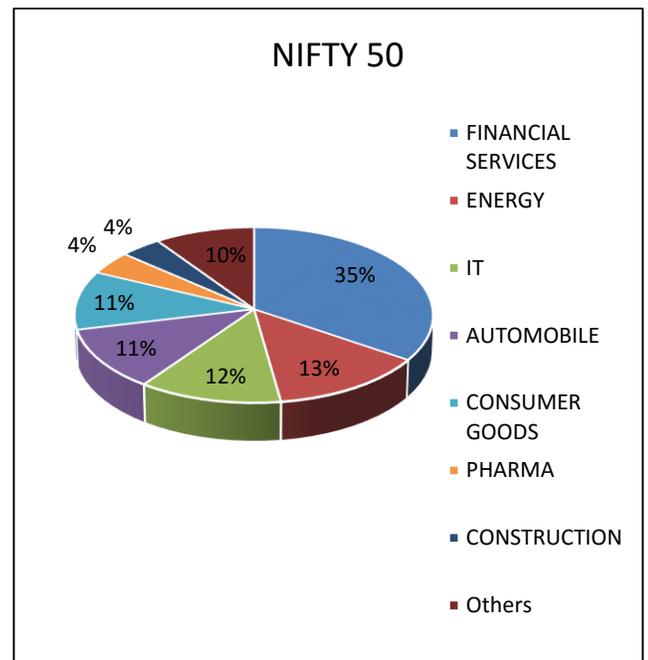
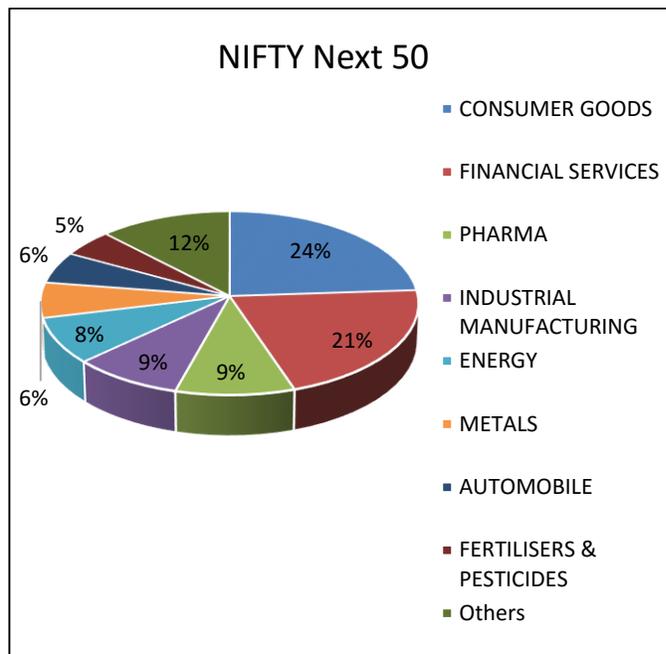
**As on June 15, 2017*

Since its inception in November 1996, the NIFTY Next 50 index has delivered an annualized return of 17.2% as compared to 12.2% of NIFTY 50, a substantial excess return of 5% per annum. Similar outperformance of NIFTY Next 50 can be observed across various periods as seen in the table above. While the returns of NIFTY Next 50 have been impressive, the risk (read standard deviation) has been only marginally higher as compared to that of NIFTY 50. The risk to return ratio for the NIFTY Next 50 is thus considerably better than that of the NIFTY 50 – at least for periods longer than 1 year.



Looking at year-wise performance, the relative performance of NIFTY Next 50 is more or less balanced, with it outperforming the NIFTY 50 in 11 out of 20 calendar years. Calendar years 1999, 2003, 2009 and 2012 specifically witness great outperformance by NIFTY Next 50 as can be seen in the graph above.

The NIFTY Next 50 witnesses higher sector diversification



*Weight considered are as on May 2017

NIFTY Next 50 has a well-diversified portfolio across sectors with relatively less concentrated exposure to any one sector. For instance, Top 5 sectors in NIFTY Next 50 accounts for 71% exposure as compared to 82% in case of NIFTY 50. Sector exposure of both the indices can be seen in the graph above. Further, in NIFTY Next 50, there are as many as 13 sectors that have individual sector weight lesser than 10% each. In case of NIFTY 50 there are 7 such sectors. This makes NIFTY Next 50 a well-diversified index strategy which may appeal to proponents of 'investment diversification'.

NIFTY Next 50 has low-concentration to individual stocks resulting in highly diversified portfolio.

NIFTY Next 50 Portfolio	
Stocks	Weight (%)
UPL Ltd.	4.79
Bajaj Finance Ltd.	4.33
Hindustan Petroleum Corporation Ltd	4.20
Bajaj Finserv Ltd.	3.86
Motherson Sumi Systems Ltd	3.56
Godrej Consumer Products Ltd.	3.47
LIC Housing Finance Ltd.	3.38
Piramal Enterprises Ltd.	3.37
Britannia Industries Ltd.	3.16
JSW Steel Ltd.	3.07

As on May 2017

On a stock level basis, NIFTY Next 50 boasts of a diversified and evenly distributed portfolio with top 10 stocks contributing close to 37% exposure with individual stock weights ranging between 4.79 % to 3.07%, as can be seen in the table above.

Range in market capitalization of stocks	
Parameter	Based on Free Float Market Cap (in Rs Crs)
Largest Stock	31,501
Smallest Stock	5,146
Median Stock	11,932

As on May 2017

In terms of market capitalization of stocks forming part of the NIFTY Next 50, the largest stock has a Free Float market capitalization of Rs. 31,501 crs, the smallest stock of Rs. 5,146 crs and the median stock of Rs. 11,932 crs.

Along with portfolio diversification, the investability of the NIFTY Next 50 portfolio is also high. If a Rs 100 crs portfolio needs to be created tracking the NIFTY Next 50 index, it can be created by buying individual stocks in the range of 0.48% to 42% of their individual average daily trade value with the median stock at 2.18%. This typically results in lower tracking error since funds can be deployed relatively quickly.

Signing off...

NIFTY Next 50 represents companies which are presently constituents of NIFTY 100 and may be potential candidates for inclusion in NIFTY 50. NIFTY Next 50 index has historically outperformed NIFTY 50 index since its inception with a higher return to risk ratio for various longer periods. The year-wise relative performance on the other hand is more or less balanced. NIFTY Next 50 has witnessed a very well diversified portfolio at both stock and sector level. These fundamental attributes of the index coupled with good historical performance both on a return and risk basis makes NIFTY Next 50 an appealing index strategy.

For information on Index methodology and factsheet, please visit us at www.nseindia.com

About India Index Services & Products Ltd. (IISL):

India Index Services & Products Ltd. (IISL), a NSE group company, was setup in May 1998 to provide a variety of indices and index related services for the capital markets. IISL is India's first specialised company focused upon the index as a core product. IISL maintains more than 100 equity indices comprising broad-based benchmark indices, sectoral indices and customised indices. IISL also maintains fixed income indices based on Government of India bonds. Many investment and risk management products based on IISL indices have been developed in the recent past, within India and abroad. These include index based derivatives traded on NSE, Singapore Exchange Ltd. (SGX), Chicago Mercantile Exchange Inc. (CME) and Osaka Exchange Inc. (OSE) and a number of index funds and exchange traded funds. The flagship 'NIFTY 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.

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