



Equal Weight, Equal Opportunity

January 2025

Introduction

Consider any team sport around the world. A team's success often hinges on the balanced performance of all its players rather than relying solely on a few star players of that team. For example, during the 2016-2017 season, Leicester city defied expectations by winning the Premier league without relying on any superstar. Take the 1983 Indian cricket team, which defied all the odds and won the Cricket World Cup. The team's triumph was not due to the brilliance of a single player but the collective effort of every member, from consistent batting contributions to crucial wickets by less celebrated bowlers. Players like Mohinder Amarnath and Sandeep Patil stepped up in pivotal moments, showing that success comes from the balanced contribution of the entire squad. This mirrors the concept of an equal-weighted index, where each component is given the same level of importance. Just as the Indian team's World Cup victory was a result of the equal contributions from all players, an equal-weighted index treats each stock or asset with equal significance, ensuring a more balanced and

comprehensive view of market performance. This approach highlights the value of every component, preventing a few dominant elements from overshadowing the rest and offering a more nuanced understanding of overall performance. Equal weighing methodology mitigates the impact of market cap biases and capitalizes on the growth potential of smaller companies.

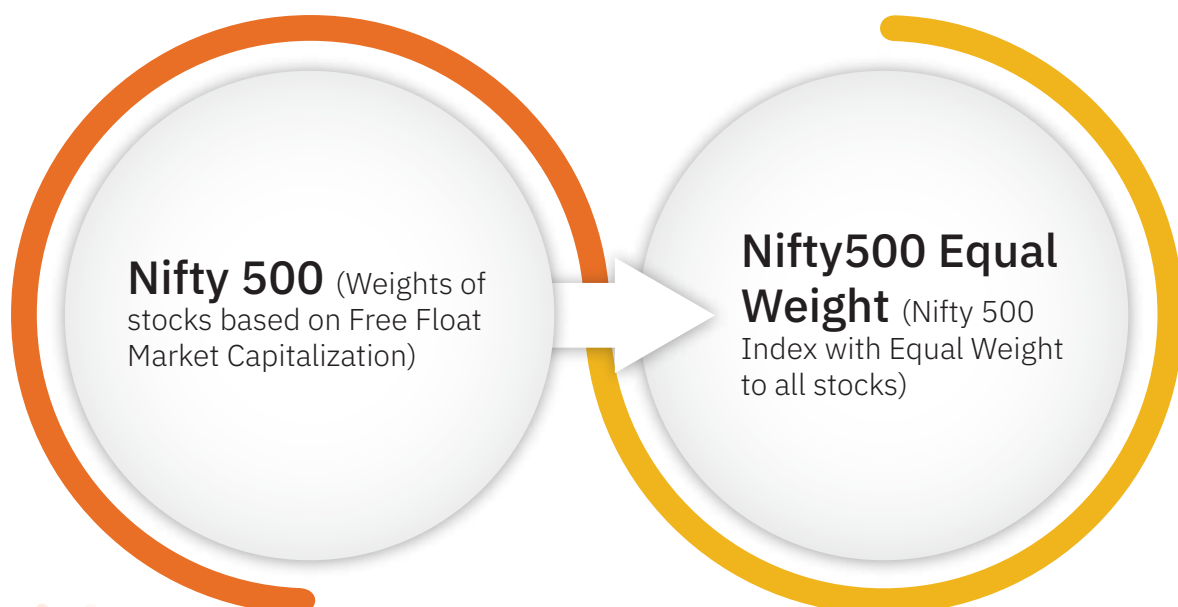
The Equal weight methodology contrasts with the standard market capitalization method of Nifty 500 where larger companies have a more significant influence on the index performance. The Nifty500 Equal Weight when compared to Nifty 500 has relatively higher weight to mid and small cap stocks compared to large cap stocks. This Equal weight methodology can be advantageous compared to the weighing based on market capitalization during periods when the small-cap and mid-cap stocks outperform the large-cap stocks.

About the Nifty500 Equal Weight index

Nifty500 Equal Weight Index represents an alternative weighting strategy to its market capitalization-based parent index, the Nifty 500 Index. The index includes the same companies as its parent index, however,

weighted equally. Essentially each stock in the index has 0.20% weight. The index has a base date of April 01, 2005, and base value of 1000.

Exhibit 1: Methodology of Nifty500 Equal Weight



The Nifty500 Equal Weight index is more distributed compared to the Nifty 500 Index

Exhibit 2: Attributes of Nifty500 Equal Weight compared to Nifty 500

Parameters	Weight (%)	
	Nifty500 Equal Weight	Nifty 500
Top Stock	0.20	7.33
Top 5 Stocks	1.00	22.89
Top 10 Stocks	2.00	33.09
Top 50 stocks	10.00	59.33
Nifty 100	20.00	70.87
Nifty Midcap 150	30.00	18.54
Nifty Smallcap 250	50.00	10.59

Source: NSE Indices. Weights as on December 31, 2024 beginning of day (BOD).

As seen in the above exhibit, the top 50 stocks contributed only 10.00% of the total weight in the Nifty500 Equal Weight Index, providing a balanced exposure across the index constituents. In contrast, the traditional Nifty 500 Index allocated a significant 59.33% weight to the top 50 stocks, reflecting a concentration in larger, more dominant companies by Free float market capitalization. This equal weighting

approach helps mitigate the influence of a few large-cap stocks, promoting broader diversification and reducing the risk associated with individual stock fluctuations. The large caps represented by Nifty 100 contributed 20.00% of the weight in the Nifty500 Equal Weight index, whereas the same large caps contributed 70.87% of the weight in the Nifty 500 index.

Sectoral Composition of Nifty500 Equal Weight Index compared to Nifty 500 Index

Exhibit 3: Sector composition of Nifty500 Equal Weight compared to Nifty 500

Sector	Nifty500 Equal Weight (%)	Nifty 500 (%)
Financial Services	18.80	29.17
Capital Goods	12.20	5.71
Healthcare	9.60	6.58
Automobile and Auto Components	6.80	6.74
Chemicals	6.60	2.08
Fast Moving Consumer Goods	6.20	6.86
Information Technology	5.40	10.53
Consumer Services	4.40	3.84
Consumer Durables	4.40	3.07
Oil, Gas & Consumable Fuels	3.60	7.22
Services	3.20	1.71
Metals & Mining	3.00	3.17
Construction	3.00	2.97
Power	2.60	3.19
Realty	2.60	1.48
Construction Materials	2.40	1.99
Telecommunication	2.20	2.99
Textiles	1.20	0.30
Media, Entertainment & Publication	1.00	0.19
Diversified	0.60	0.14
Forest Materials	0.20	0.07

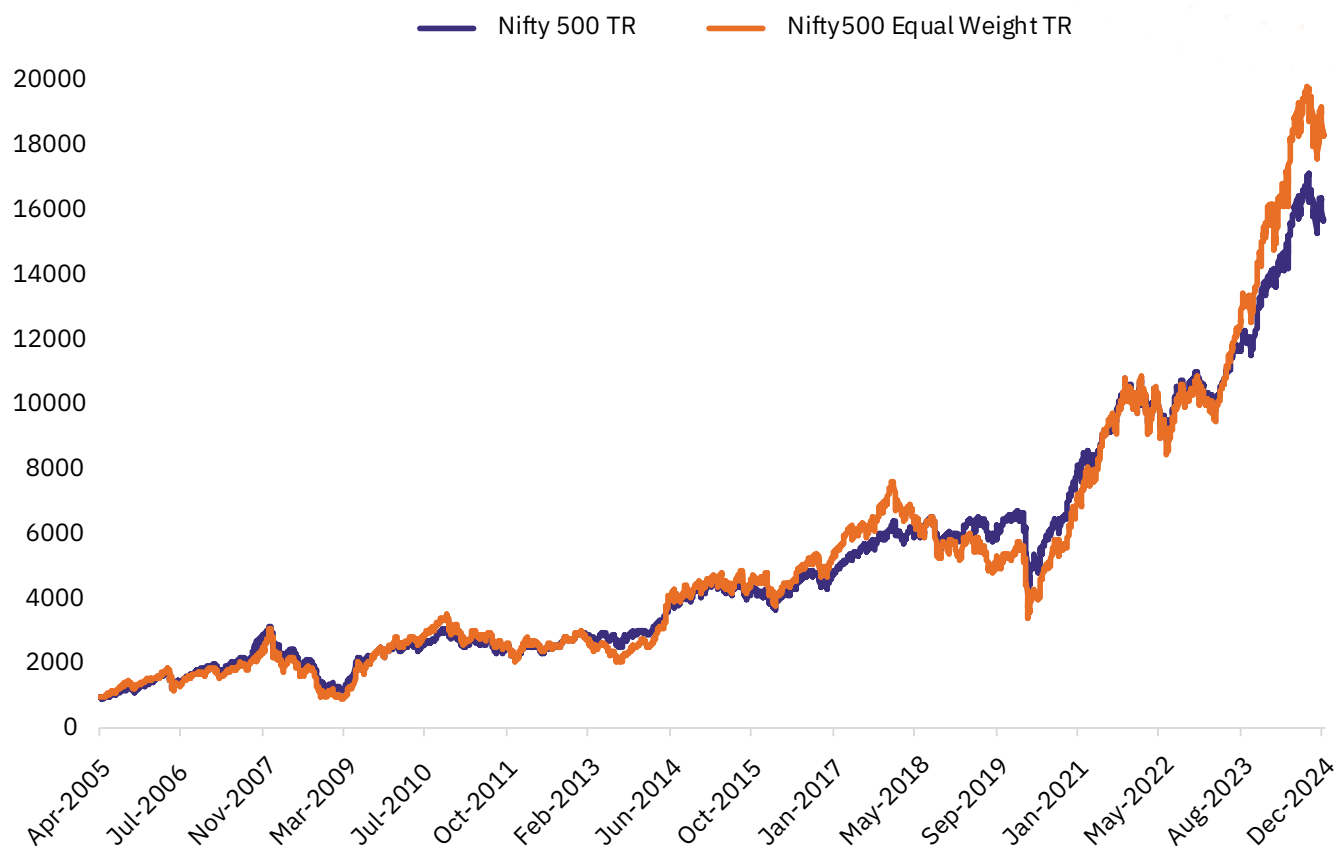
Source: NSE Indices. All data as on December 31, 2024 BOD

Exhibit 3 shows sector-wise distribution for the Nifty500 Equal Weight and Nifty 500 index. As on December 31, 2024 the Nifty500 Equal Weight index was overweight in Financial Services (18.80%), Capital Goods (12.20%) and Healthcare (9.60%) sectors.

Media, Entertainment & Publication, Diversified and Forest Materials were the sectors with lowest weights in both Nifty500 Equal Weight and Nifty 500 as on December 31, 2024.

The Nifty500 Equal Weight Total Return (TR) index has outperformed Nifty 500 Index across 15,10,5,3 and 1 year investment horizons

Exhibit 4: Performance of Nifty500 Equal Weight TR and Nifty 500 TR



Source: NSE Indices. Data as on December 31, 2024

Exhibit 5: Annualized return and volatility profile of Nifty500 Equal Weight TR and Nifty 500 TR

Period	Annualised returns		Annualised Volatility		Return to risk	
	Nifty500 Equal Weight	Nifty 500	Nifty500 Equal Weight	Nifty 500	Nifty500 Equal Weight	Nifty 500
Since April 01, 2005	15.89%	14.97%	20.88%	20.56%	0.76	0.73
15 years	13.80%	12.81%	17.90%	16.30%	0.77	0.79
10 years	15.28%	13.95%	17.95%	16.37%	0.85	0.85
7 years	13.93%	14.27%	18.41%	17.27%	0.76	0.83
5 years	27.75%	19.00%	19.12%	18.54%	1.45	1.02
3 years	21.24%	15.43%	16.43%	14.38%	1.29	1.07
1 years	23.10%	16.24%	18.05%	14.95%	1.28	1.09

Source: NSE Indices. Data based on TR index values as on December 31, 2024.

Since April 01, 2005, till December 31, 2024, the Nifty500 Equal Weight TR index has delivered annualized returns of 15.89%. On comparing the Nifty500 Equal Weight TR with Nifty 500 TR, we can observe that the Nifty500 Equal Weight TR index has outperformed Nifty 500 TR Index in all the above investment horizons except for 7 year horizon. For instance, over the last 15 years (as on December 31, 2024), the Nifty500 Equal Weight TR index has delivered 13.80% CAGR compared to 12.81% for the Nifty 500 TR Index. The Nifty 500 index is a predominantly large cap index, which is not the case for the Nifty500 Equal Weight where smallcap and midcap stocks dominate the index. This increased exposure to mid-caps and small caps is a primary factor for outperformance of the index compared to Nifty 500. In the short-term horizon of 1 year, the Nifty500 Equal Weight TR index has delivered a return of 23.10%

compared to 16.24% returns delivered by the Nifty 500 TR Index.

Over the past 15 years, the historical volatility of the Nifty500 Equal Weight TR index has been 17.90%, which is higher than the Nifty 500 TR index whose volatility has been 16.30%. The volatility of Nifty500 Equal Weight TR index is higher in all the above investment horizons when compared to Nifty 500 TR.

In terms of return-to-risk ratio, the Nifty 500 Equal weight TR index has underperformed Nifty 500 TR index in 15 and 7 year investment horizons. For the 5 year horizon, the Nifty500 Equal Weight TR index has delivered a return to risk ratio of 1.45 compared to 1.02 for the Nifty 500 TR Index. For the 3 year investment horizon, the return to risk ratio was 1.29 for the Nifty500 Equal Weight TR index compared to 1.07 for the Nifty 500 TR.

The Nifty500 Equal Weight Index has outperformed the Nifty 500 index in 11 out of 19 calendar years

Exhibit 6: Calendar year performance of Nifty500 Equal Weight TR index

Calendar Year	Nifty500 Equal Weight TR	Nifty 500 TR
2006	20.4%	36.2%
2007	68.6%	64.6%
2008	-61.8%	-56.5%
2009	132.6%	91.0%
2010	21.1%	15.3%
2011	-34.1%	-26.4%
2012	38.6%	33.5%
2013	-6.7%	4.8%
2014	62.4%	39.3%
2015	7.2%	0.2%
2016	2.5%	5.1%
2017	51.3%	37.7%
2018	-21.4%	-2.1%
2019	-6.9%	9.0%
2020	27.1%	17.9%
2021	50.2%	31.6%
2022	1.6%	4.2%
2023	42.5%	26.9%
2024	23.1%	16.2%
Count of outperformance of the Nifty500 Equal Weight Index	11/19	

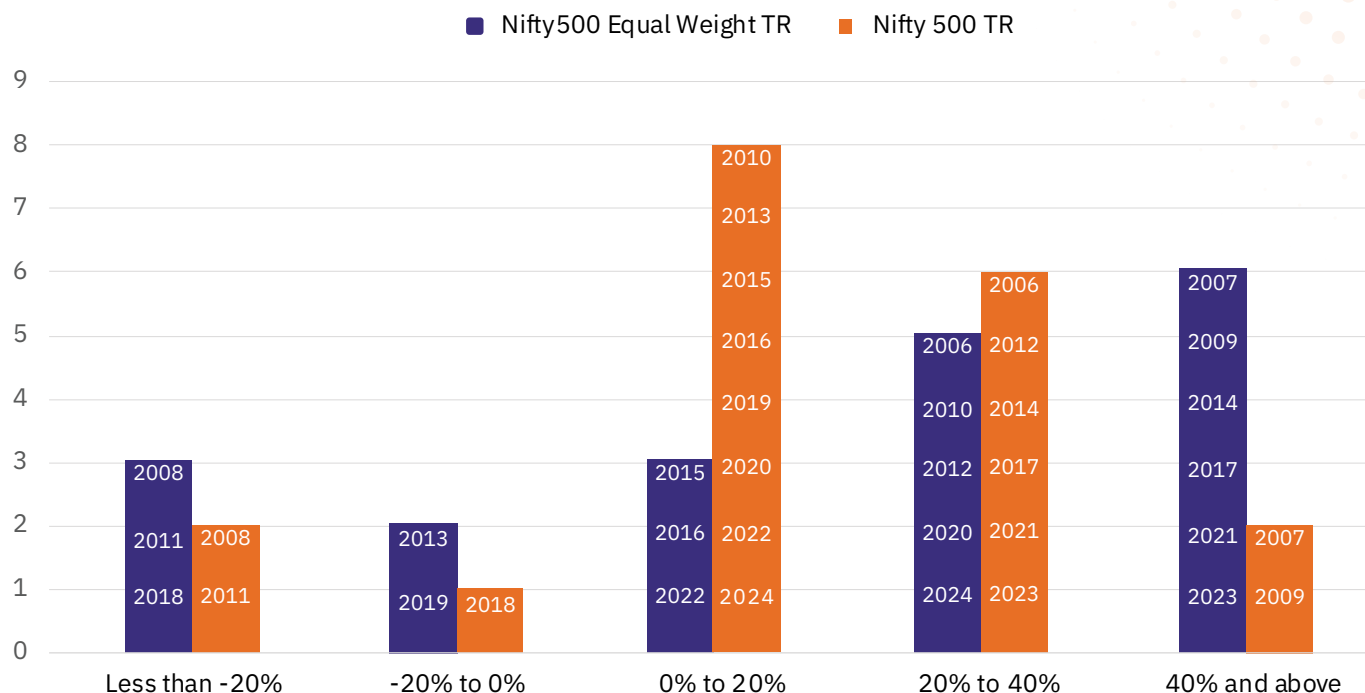
Source: NSE Indices. The cell in green are the CY years when the Nifty500 Equal Weight outperformed Nifty 500 and the cells highlighted in red are the CY years when the Nifty500 Equal Weight underperformed the Nifty 500 Index.

When compared to the Nifty 500, the Nifty500 Equal Weight TR index has outperformed in 11 out of 19 calendar years. Large caps, which are usually characterized by stable returns and lower volatility in long term tend to tide over phases of economic downturn relatively better than mid-cap and small cap stocks. This can be seen during the global financial crisis of 2008 where Nifty 500, which is dominated by large caps delivered return of -56.5% compared to -61.8% for the Nifty500 Equal Weight TR index which is dominated by small caps and mid caps.

The same can also be seen during the global economic slowdowns of 2011 and 2018.

However, during phases of economic recoveries and mega bull runs, large caps generally underperform their mid-cap and small cap counterparts. This can be seen in the recovery period of 2009 where the Nifty500 Equal Weight TR index delivered a return of 132.6% compared to 91% return delivered by the Nifty 500 TR Index. The Nifty500 Equal Weight TR index has outperformed the Nifty 500 TR index in bull runs which include 2007, 2009, 2014, 2017, 2021.

Exhibit 7: Calendar year return distribution of Nifty500 Equal Weight TR and Nifty 500



Source: NSE Indices

Over the past 19 calendar years, the Nifty500 Equal Weight TR index has delivered positive returns in 14 years. The index has delivered returns greater than 20% in 11 out of 19 calendar years compared to the Nifty 500 TR which has delivered returns greater than 20% in 8 out of 19 calendar years. Out of the 11 years where

returns were more than 20%, the Nifty500 Equal Weight TR index delivered returns greater than 40% in 6 calendar years. Similarly, the Nifty 500 index has delivered returns greater than 40% in 2 calendar years.

Daily rolling return analysis of the Nifty500 Equal Weight TR Index

Exhibit 8: Daily rolling return performance of the Nifty500 Equal Weight TR index

Analysis based on daily rolling returns										
Investment Horizon	Percentage of total instances						Return Analysis			
	Negative returns	Positive returns					Return Attributes			
	<0% CAGR	>=0% CAGR	0-5% CAGR	5-10% CAGR	10-15% CAGR	>15% CAGR	Min CAGR	Max CAGR	Median CAGR	Average CAGR
10 years	0.0%	100.0%	2.15%	16.56%	53.66%	27.62%	2.46%	20.33%	13.24%	12.99%
7 years	0.0%	100.0%	1.27%	20.20%	62.48%	16.05%	4.31%	25.33%	12.22%	12.28%
5 years	1.61%	98.39%	13.11%	23.85%	22.81%	38.62%	-5.11%	32.12%	12.53%	12.93%
3 years	16.27%	83.73%	8.65%	8.24%	18.15%	48.67%	-16.81%	42.82%	14.66%	13.66%
2 years	25.05%	74.95%	6.62%	8.16%	11.14%	49.03%	-27.03%	83.76%	14.43%	15.51%
1 year	30.77%	69.23%	8.26%	8.61%	4.65%	47.72%	-63.43%	193.12%	12.62%	20.52%

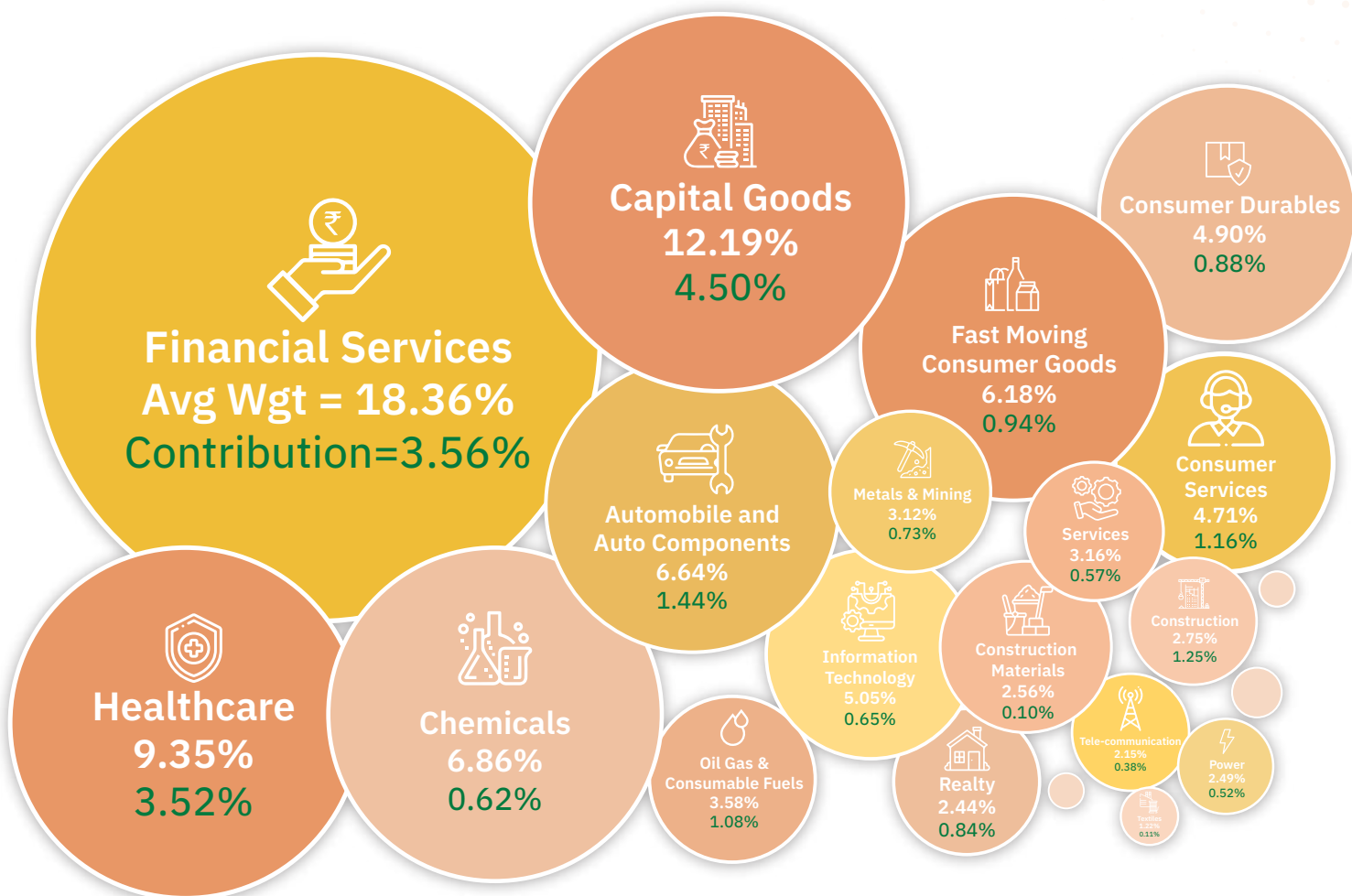
Source: NSE Indices. Data as on December 31, 2024

The Nifty500 Equal Weight TR has delivered positive returns more than 100% of the times over 7 and 10 year investment horizons based on daily rolling return analysis. Out of 100% of the times where Nifty500 Equal Weight index delivered positive returns for the 7 year horizon, the returns were more than 15% p.a. for 16.05% of the times. Similarly, for the 10 year horizon, instances of the Nifty500 Equal Weight index experiencing returns greater than 15% p.a. were 27.62% of the times.

For the 5 year horizon, the Nifty500 Equal Weight index delivered positive returns 98.39% of the time. Similarly, for the 5 year investment horizon the minimum return was -5.11% and the maximum return was 32.12% with the average return being 12.93%. For the shorter-term horizon of 1 year and 2 year, frequency of negative returns was 30.77% and 25.05% respectively. Variability in returns was seen in 1 year horizon as minimum return for the Nifty500 Equal Weight index was -63.43% and maximum return was 193.12% with the median return being 12.62%.

Sector wise contribution towards last 1 year return delivered by Nifty500 Equal Weight TR index

Exhibit 9: Sector wise return contribution of the Nifty500 Equal Weight TR Index for 1 year ended December 2024

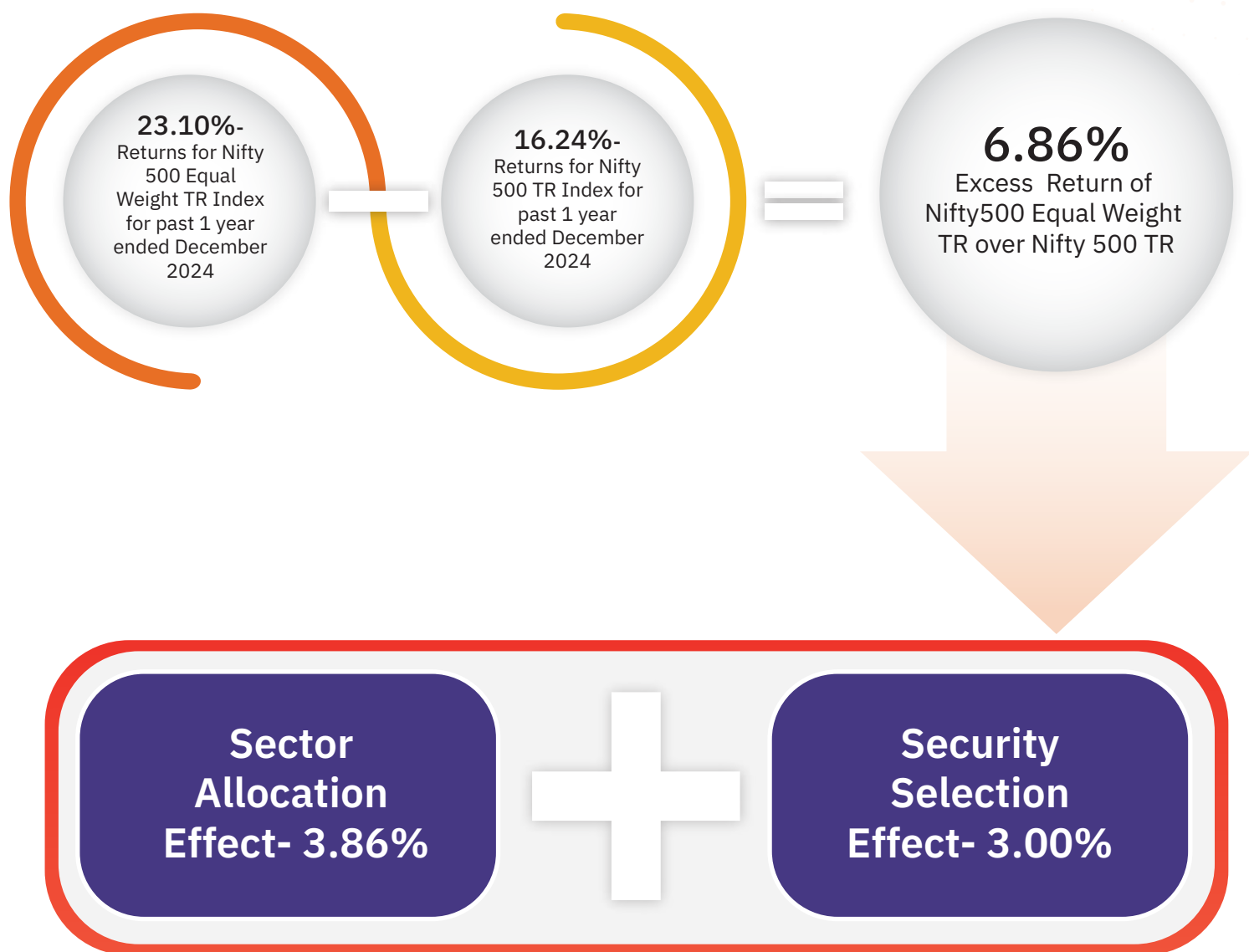


Source: NSE FixedIn Attribution Tool. Numbers indicated by green font colour indicate the contribution of the sector to the returns of the index while number indicated by black font indicates the average weight of the sector in the index throughout the year

Exhibit 9 above shows sector wise contribution to the 23.10% returns delivered by Nifty500 Equal Weight TR Index in the past 1 year (as on December 31, 2024). 20 sectors of Nifty500 Equal Weight Index have contributed positively to the returns of the index. Capital Goods, Financial Services and Healthcare were the sectors with the highest contribution to the returns of the index. Media, Entertainment & Publication,

Forest Materials and Diversified were the sectors with the lowest contribution to the index returns. Media, Entertainment & Publication was the only sector which contributed negatively to the returns of the Nifty500 Equal Weight index.

Exhibit 10: Excess return of Nifty500 Equal Weight TR over Nifty 500 TR explained through Sector Allocation and Security Selection effect.



Source: NSE FixedIn Attribution Tool

Nifty500 Equal Weight TR has generated an excess return of 6.86% over Nifty 500 TR during the past 1 year ending December 2024. This excess return can be attributable to Sector allocation effect of 3.86% and Security Selection effect of 3.00%. The Sector

allocation effect measures the impact of sector allocation decisions on the active return. The security selection effect measures the impact of security selection decisions on the active return.

Signing off.....



The Nifty500 Equal Weight Index provides an alternative weighing strategy to its market capitalization based parent index, the Nifty 500



The Nifty500 Equal Weight index is currently overweight in the Financial Services and Capital Goods sectors, while it is underweight in the Diversified and Forest Materials sectors.



Since April 01, 2005 till December 31, 2024, the Nifty500 Equal Weight Index has delivered 15.89% CAGR with an annualized volatility of 20.88%



The Nifty500 Equal Weight TR index has delivered positive returns in 14 out of 19 calendar years, while it has outperformed Nifty 500 TR in 11 out of 19 calendar years.



The Nifty500 Equal Weight TR index has given positive returns 100% of the times for 10 and 7 year investment horizon based on daily rolling return analysis



For 1 year ended December 2024, the Nifty500 Equal Weight TR index delivered a return of 23.10%. Capital Goods, Financial Services and Healthcare were the sectors with the highest contribution to the returns of the Nifty500 Equal Weight TR Index.

About NSE Indices Limited:

NSE Indices Limited (formerly known as India Index Services & Products Ltd. - IISL), a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. The company focuses on the index as a core product. The company owns and manages a portfolio of indices under the Nifty brand of NSE, including the flagship index, the Nifty 50. Nifty equity indices comprise of broad-based benchmark indices, sectoral indices, strategy indices, thematic indices and customised indices. NSE Indices Limited also maintains

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