

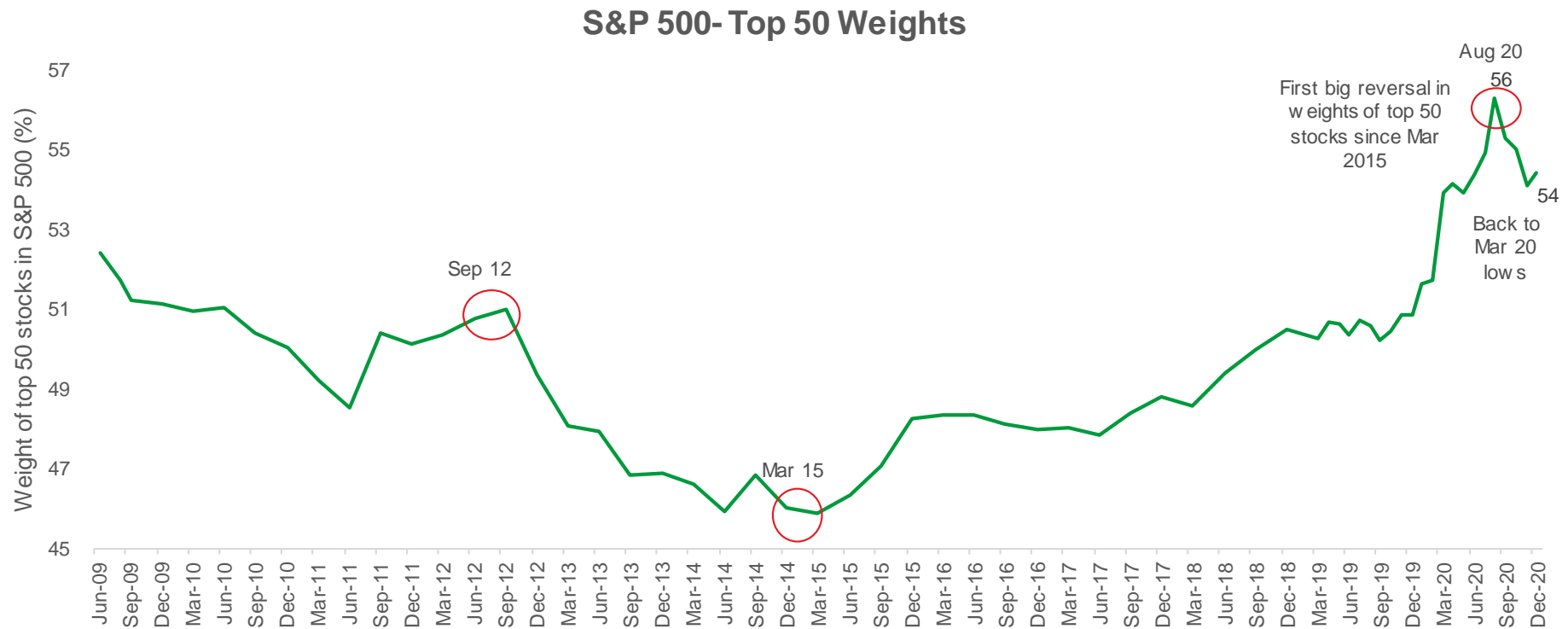
# Depolarization has begun

- First Big Pause since 2018

**Nifty 50 Equal Weight Index (NEW)  
vs  
Nifty 50 Index (N50)**

December 31, 2020

# Depolarization in US markets too?



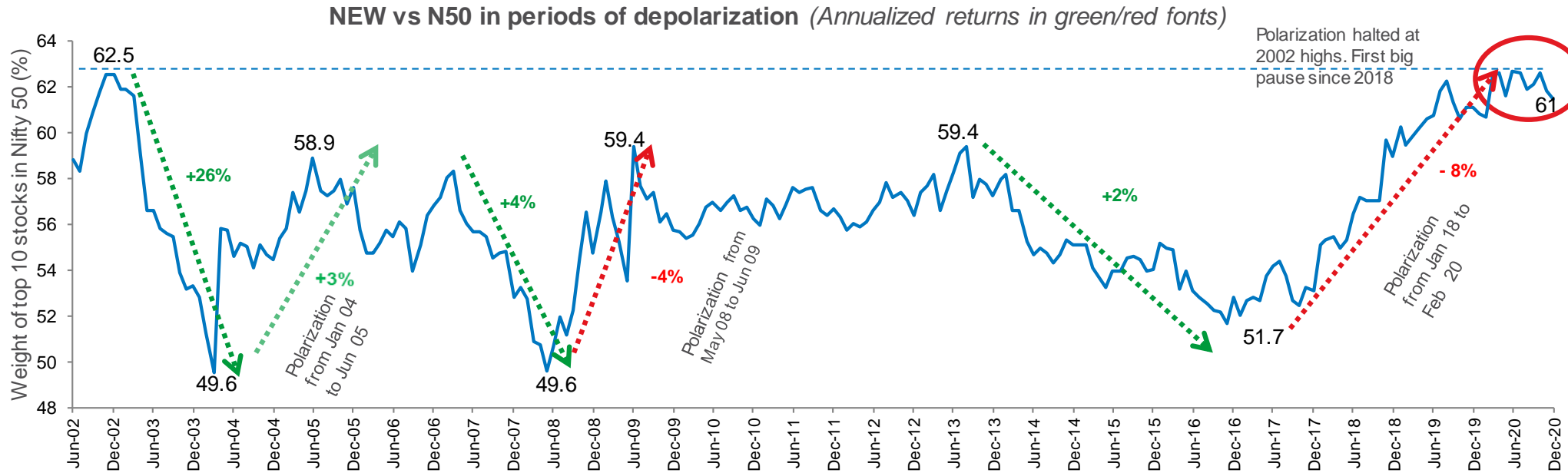
- ▶ The weight of Top 50 stocks in the S&P 500 have been increasing since 2015 and picked up sharp pace post 2019
- ▶ A substantial reversal in the last few months indicate initial signs of depolarization in the US markets

Source : Elara Capital ; Weights as on December 28, 2020; For detailed disclaimers, refer Slide No.10

**Weights of top 50 stocks in the S&P 500 Index saw the first big reversal since 2015**

# First big pause since 2018

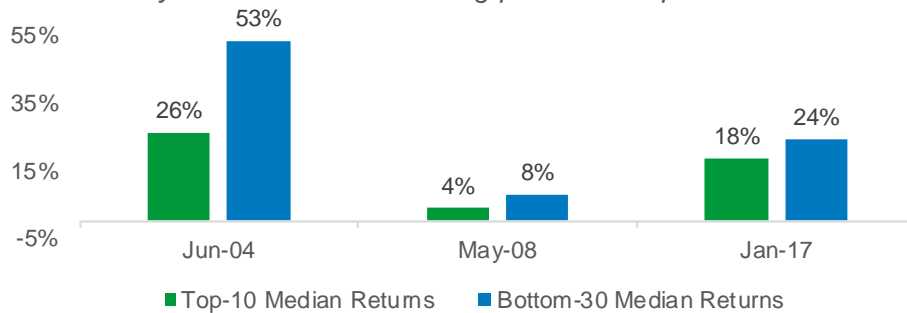
similar signs in India too?



Source: NSE, Elara Capital; Data till Dec 31, 2020 ;

## Top 10 vs Bottom 30 stocks

1 year median returns during periods of depolarization



Source : NSE, Bloomberg, Elara Capital; Data as on dates mentioned; For detailed disclosures, refer to Slide No. 10

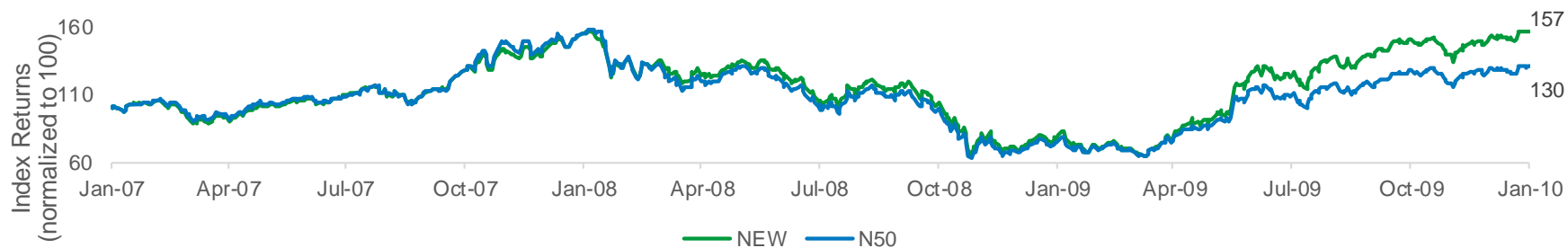
- ▶ Steep polarization Since Jan 2018- weight of top 10 stocks near all time high
- ▶ Longest pause in weights of top 10 stocks (From Feb 2020 to Dec 2020 weights varied from 60 to 62%).

**No meaningful reversal in weights BUT first Big Pause in weights of top 10 stocks since 2018!**

# Outperformance of Nifty 50 Equal Weight Index (NEW) playing out

- ▶ Post 2008 crash, tail of Nifty 50 gained market share on the back of strong fundamentals and pick up in demand – NEW outperformed N50

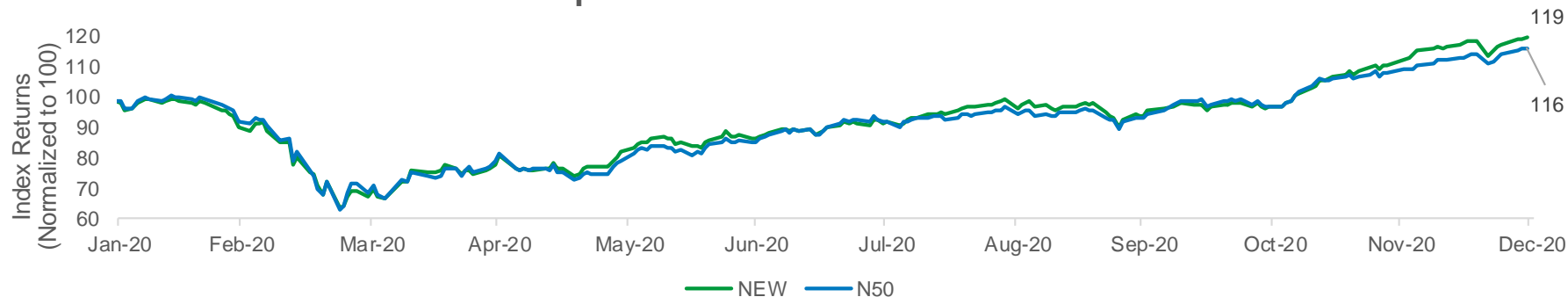
### NEW vs N50 post 2008 Global Financial Crisis



Source: Internal, Bloomberg; Data for the period Jan 1, 2007 to Jan 1, 2010

- ▶ After the correction in March-2020, markets saw a strong rally which included smaller stocks – NEW outperforming N50 in this rally

### NEW s N50 performance in current Covid-19 crisis



Source: NSE, Elara Capital; Data till Dec 31, 2020 ; For detailed disclosures, refer to Slide No. 10

**In times of crises, NEW has outperformed N50**

# Big resistance still away

## Nifty 50 Equal Weight Index performance



- ▶ Last month, the Nifty 50 Equal Weight Index crossed 2018 highs.
- ▶ While the Index has already outperformed the Nifty 50 Index this calendar year, it still seems away from its expected top.
- ▶ The next big resistance level (Level at which index value is not expected to rise any higher) is still 8-10% away.

Source: NSE, Elara Capital; Data till Dec 22, 2020; For detailed disclosures, refer to Slide No. 10

**Momentum in the NEW Index is expected to continue for a while**

# Momentum build-up in Bottom 30 stocks

## Nifty 50 Equal Weight Index - Bottom 30 stocks performance



- ▶ The index measures the equal weight performance of bottom 30 stocks in the Nifty 50 Index.
- ▶ These stocks were on a downtrend since 2018, but finally broke out of it in September 2020.

**Bigger moves in Nifty 50 can come from bottom weight stocks, while heavy weights may relatively underperform**

Source : Elara Capital ; Weights as on December 22, 2020; For detailed disclaimers, refer Slide No.10

# Nifty 50 Equal Weight Index: Balanced diversification

## Top 10 companies as per Nifty 50 Index

Company Name	Weight in Nifty 50 Index	Weight in Nifty 50 Equal Weight Index
Reliance Industries	10.7%	2.0%
HDFC Bank	10.3%	2.0%
Infosys	7.6%	2.0%
Housing Development Finance Corporation.	7.6%	2.0%
ICICI Bank Ltd.	6.1%	2.0%
Tata Consultancy Services Ltd.	5.0%	1.9%
Kotak Mahindra Bank Ltd.	4.9%	2.0%
Hindustan Unilever Ltd.	3.5%	2.0%
ITC Limited	3.0%	2.0%
LT	2.6%	2.0%
<b>Total</b>	<b>61.3%</b>	<b>19.9%</b>

## Bottom 10 companies as per Nifty 50 Index

Company Name	Weight in Nifty 50 Index	Weight in Nifty 50 Equal Weight Index
SBI Life Insurance Corp Ltd.	0.6%	2.0%
Hindalco Industries	0.6%	2.0%
Oil & Natural Gas Corp Ltd.	0.6%	2.0%
Tata Motors	0.5%	2.0%
Shree Cement	0.5%	2.0%
Bharat Petroleum Corp Ltd.	0.5%	2.0%
Coal India Ltd.	0.5%	2.0%
UPL Ltd.	0.4%	2.0%
Indian Oil Corp. Ltd.	0.4%	2.0%
GAIL.(India) Ltd.	0.4%	2.0%
<b>Total</b>	<b>5.0%</b>	<b>20.0%</b>

**Every player has an equal potential to perform**

Top 10 companies: Nifty 50 Index= 61.8% weight, Nifty 50 Equal Weight Index= 21.1%\* weight

Source : NSE, Internal ; Weights as on Dec 31, 2020 (After quarterly Index rebalance); For detailed disclaimers, refer Slide No.10

# Sector View – What was and what is

## In September 2020

Sector Name	Weight in N50	Weight in NEW	Underweight/Overweight
Financials	33%	20%	<b>Underweight</b>
IT	16%	11%	<b>Underweight</b>
Auto	6%	<b>13%</b>	<b>Overweight</b>
Metals	2%	<b>9%</b>	<b>Overweight</b>
Pharma	3%	<b>6%</b>	<b>Overweight</b>

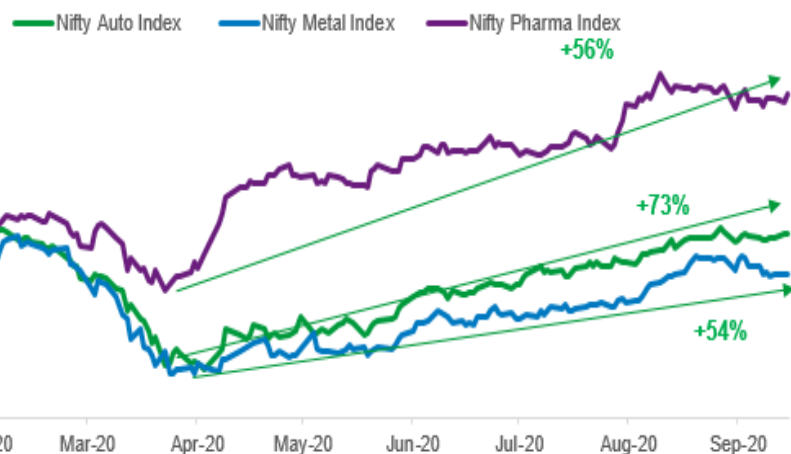
- We had recognized three game changing sectors – **Auto, Metals and Pharma**
- Being **overweight** in these sectors, NEW was well positioned.

## In December 2020

Sector Name	Weight in N50	Weight in NEW	Underweight/Overweight
Financials	39%	22%	<b>Underweight</b>
IT	16%	10%	<b>Underweight</b>
Auto	5%	<b>12%</b>	<b>Overweight</b>
Metals	3%	<b>8%</b>	<b>Overweight</b>
Pharma	4%	<b>8%</b>	<b>Overweight</b>

- We had recognized three game changing sectors – **Auto, Metals and Pharma**
- Being **overweight** in these sectors, NEW was well positioned.

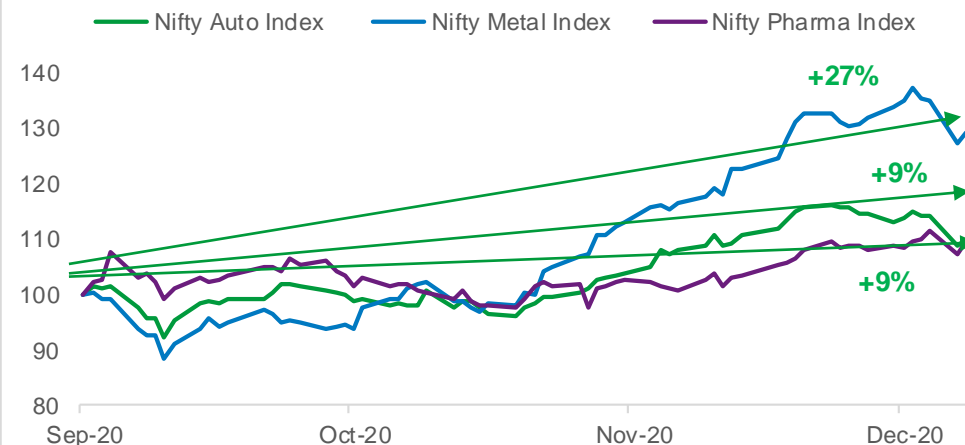
Absolute Index Returns (Normalized)



Source : NSE, Bloomberg; Data from Jan 1, 2020 to Sep 15, 2020;

Auto	N50 Weight	NEW Weight
Bajaj Auto	0.7%	2%
Eicher Motors	0.6%	2%
Hero Motocorp	0.7%	2%
M&M	1.1%	2%
Maruti	1.7%	2%
Tata Motors	0.5%	2%

Absolute Index Returns (Normalized)



Source : NSE, Bloomberg ; Data from Sep 15, 2020 to Dec 22, 2020;

Metal	N50 Weight	NEW Weight
Coal India	0.5%	2%
Hindalco	0.6%	2%
Jsw Steel	0.6%	2.1%
Tata Steel	0.8%	2%

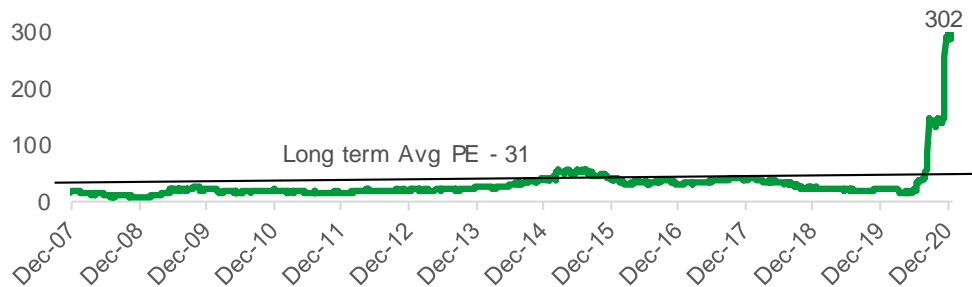
Pharma	N50 Weight	NEW Weight
Cipla	0.7%	1.9%
Divi's Lab	0.8%	2%
Dr Reddy's Labs	1.0%	2%
Sun Pharma	1.1%	2%

Source : Internal, NSE; Data as on Dec 31, 2020 (After quarterly Index rebalance); For detailed disclaimers, refer Slide No.10

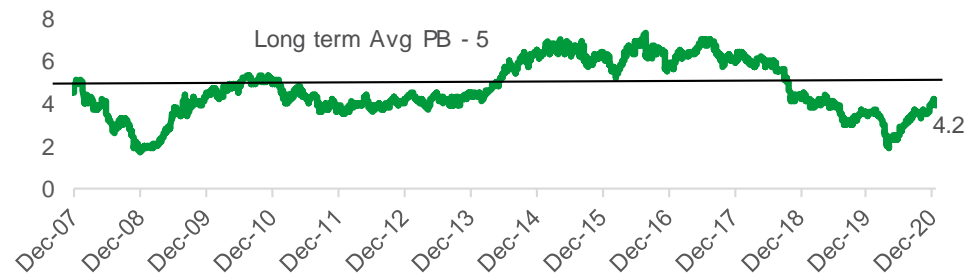


# Sector Valuations – still attractive?

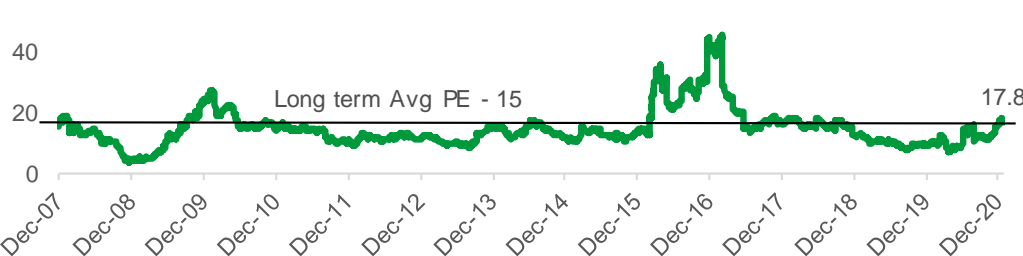
### Auto P/E



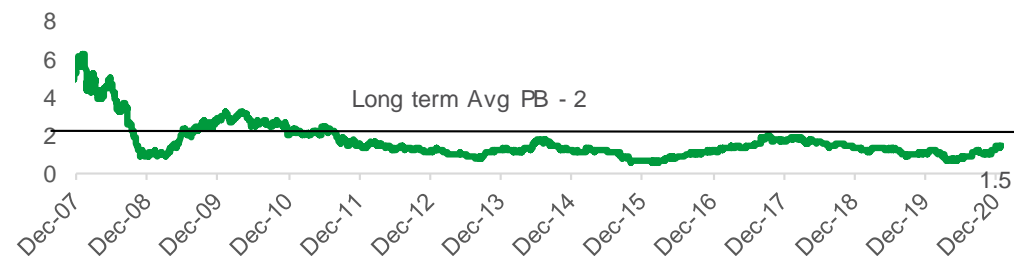
### Auto P/B



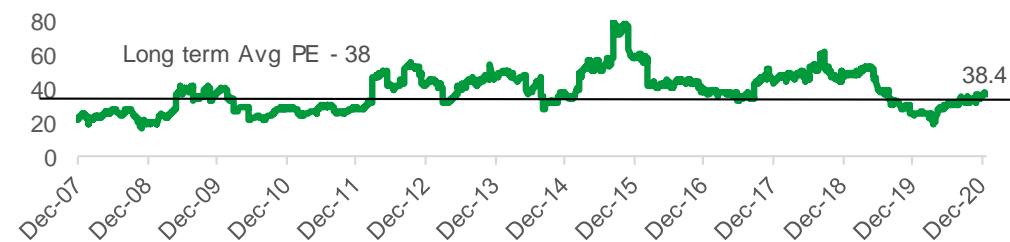
### Metals P/E



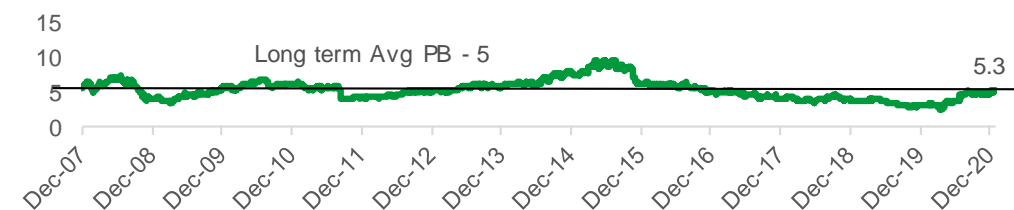
### Metals P/B



### Pharma P/E



### Pharma P/B



Source : NSE, Bloomberg ; Data till Dec 31, 2020; For detailed disclaimers, refer Slide No.10

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