



What is Nifty 100 Index Fund?

Introduction

If you are on the lookout for investment opportunities, you are bound to find new terms every now and then. NIFTY 100 is one of these terms that you may have come across in the list of index mutual funds. The NIFTY 100 is an index of the National Stock Exchange (NSE). This article can equip you with the essential knowledge to understand more about the NIFTY 100 index and whether or not you should be investing in a NIFTY 100 index fund.

What is NIFTY 100?

The NIFTY 100 is a stock market index in India. It represents the top 100 companies listed on the NSE based on their market capitalisation. It includes companies from the NIFTY 50 and NIFTY Next 50 indices. It is calculated using the free float market capitalisation method and has a base date of January 01, 2003, with a base value of 1,000. The index is rebalanced semi-annually on January 31 and July 31.

The NIFTY 100 index is market capitalisation-weighted, which means that companies with higher market capitalisations have a greater impact on the index's value. Given below is the list of stocks under NIFTY 100.

Stocks under NIFTY 100

As mentioned above, NIFTY 100 comprises the top 100 stocks of different companies*. Here are a few of them:

1. HDFC Bank Ltd.
2. Housing Development Finance Corporation
3. ICICI Bank Ltd.
4. ITC Ltd.
5. Reliance Industries Ltd.
6. Tata Consultancy Services Ltd.

All of these companies and others are large-cap companies and are typically well-established with a track record of stability and reliability. They may be more resilient during market downturns and economic uncertainties. By investing in these large-cap companies, you can potentially benefit from their growth and stability and minimise risk.

Having said that, investing in a NIFTY 100 index fund can present pros and cons both, which is why it is important to fully understand the advantages and disadvantages of the index.

Advantages of NIFTY 100

- **Diversification:** The NIFTY 100 index comprises the top 100 companies across various sectors, providing you with a diversified portfolio of different stocks.
- **Long-term capital appreciation:** Since a NIFTY 100 index fund is primarily an equity mutual fund, you can invest in it for your long-term financial goals and take advantage of potential wealth creation opportunities.

Disadvantages of NIFTY 100

- **Market-cap bias:** The NIFTY 100 index composition is determined by market capitalisation. Sectors with a larger market cap have a higher representation in it. This may limit your exposure to only large-cap companies, thereby excluding mid and small-cap stocks.
- **Lack of flexibility:** The NIFTY 100 has a fixed number of companies. An index fund that follows NIFTY 100 as its benchmark will simply mirror the index. With a lack of flexibility, the fund cannot adjust its holdings based on changing market conditions.

Conclusion

You can invest in the NIFTY 100 index through passive equity funds, such as index funds. However, keep in mind that since these are equity funds, they may carry high risk. Therefore, it is advised to consider your risk appetite before selecting any fund.