

niff noun, slang a
ne-
■ nifty adj. [19c]
nifty adj (-ier, -ly)
ga-
■ niftily adv. [19c]
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niggardly adj 1

What is Nifty Next 50 Index Fund and Why Should Investors Consider It?

The Indian stock market offers a wide array of investment avenues for individuals with varying financial goals and risk appetites. One such category gaining growing attention is the Nifty Next 50 Index Fund, a passive investment vehicle that tracks the performance of the Nifty Next 50 index. Positioned as a stepping stone to the Nifty 50, this fund offers exposure to the future blue-chip companies of India. For those seeking diversification, long-term growth, and a systematic investment route, the Nifty Next 50 Index Fund could be a strategic choice.

What is Nifty Next 50 Index Fund?

Before understanding the fund, one must understand what is Nifty Next 50 index fund. The Nifty Next 50 Index Fund is a type of index mutual fund that seeks to replicate the performance of the Nifty Next 50 index, which consists of the 50 companies ranked just below the Nifty 50 in terms of free-float market capitalisation and liquidity. These companies are considered potential candidates for inclusion in the Nifty 50 in the future.

Unlike actively managed funds, Nifty Next 50 index funds do not try to outperform the market but aim to mirror the index. The fund manager simply replicates the underlying Nifty Next 50 index, ensuring minimal tracking error and low fund management costs.

Composition of Nifty Next 50 Index

The Nifty Next 50 index is maintained and reviewed by NSE Indices Limited. It comprises companies from diverse sectors such as financial services, consumer goods, healthcare, industrial manufacturing, and technology. These companies are relatively smaller than those in the Nifty 50 but hold substantial potential for future growth.

The Nifty Next 50 is dynamic in nature. When a stock from the Nifty 50 is removed, the top-performing stock from the Nifty Next 50 generally replaces it. This cyclical promotion ensures that investors in a Nifty Next 50 mutual fund are always exposed to emerging leaders in the market.

Key Benefits of Investing in Nifty Next 50 Index Fund

1. Exposure to emerging leaders

The Nifty Next 50 fund gives investors access to high-potential companies that are on the verge of entering the elite Nifty 50 group. These firms are often in their growth phase and could deliver superior returns over the long term.

2. Diversification

With a well-diversified portfolio spread across multiple sectors and industries, the Nifty Next 50 Index Fund reduces company-specific risk while maintaining exposure to different areas of the economy.

3. Low Cost

Since Nifty Next 50 index funds are passively managed, they involve lower expense ratios compared to actively managed equity funds. This makes them suitable for cost-conscious investors.

4. Potential for Higher Volatility and Returns

While more volatile than the Nifty 50, historical data suggests that Nifty Next 50 returns have been robust over the long term. This makes the fund attractive to investors with a long investment horizon and higher risk appetite.

5. Transparent and Rules-Based

The index methodology is rules-based and transparent. Investors can clearly see which stocks are included, how weightages are determined, and how frequently the index is reviewed.

Taxation Rules for Nifty Next 50 Index Fund

The Nifty Next 50 Index Fund falls under the category of equity mutual funds for taxation purposes. Hence, it follows the taxation norms applicable to equity-oriented schemes:

- **Short-term capital gains (STCG):** If the units are sold within 12 months, the gains are taxed at 20%.
- **Long-term capital gains (LTCG):** Gains above INR 1.25 lakhs in a financial year after holding for more than 12 months are taxed at 12.5% without the benefit of indexation.
- Dividend income received from the Nifty Next 50 mutual fund is also added to the investor's total income and taxed according to their applicable slab rate. Taxation can impact net Nifty Next 50 returns, hence investors must be mindful of the holding period and applicable capital gains tax when planning their exit.

Who Should Invest in Nifty Next 50 Index Fund

The Nifty Next 50 fund is ideal for long-term investors who can withstand market volatility in pursuit of capital appreciation. It is suitable for:

- Young professionals starting their investment journey and looking to build wealth gradually.
- Investors using SIPs (Systematic Investment Plans), who can use a SIP calculator to plan monthly contributions based on desired future corpus.
- Experienced investors seeking to diversify their portfolio beyond large-cap funds while staying within the equity segment.
- Passive investors who prefer low-cost, index-based investing with transparency.

Since the Nifty Next 50 Index Fund may witness higher fluctuations than its Nifty 50 counterpart, it is better suited for individuals with moderate to high risk tolerance and a long-term investment horizon.

Conclusion

The Nifty Next 50 Index Fund provides a unique opportunity to invest in tomorrow's market leaders at today's valuations. By understanding what is Nifty Next 50 index fund, investors can make informed decisions aligned with their financial objectives. With the potential for attractive Nifty Next 50 returns, wide diversification, and tax efficiency, the fund holds strong appeal for those who wish to benefit from India's evolving economic landscape.

As with any investment, one must assess risk appetite, investment horizon, and financial goals. Tools like a SIP calculator can assist in planning a systematic approach to building wealth. With disciplined investing and a long-term view, the Nifty Next 50 mutual fund can be a valuable addition to an investor's portfolio.

An investor education initiative by Edelweiss Mutual Fund

All Mutual Fund Investors have to go through a onetime KYC process. Investor should deal only with Registered Mutual Fund (RMF).

For more info on KYC, RMF and procedure to lodge/redress any complaints, visit - <https://www.edelweissmf.com/kyc-norms>

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.