

Nifty Smallcap250 Momentum Quality 100 Index (2024)

Mirae Asset Investment Managers (India) Pvt. Ltd.



Key Takeaways:

- The Nifty Smallcap250 Momentum Quality 100 Index aims to track the performance of the **small cap stocks** which are **selected based on the combination of momentum and quality factors**.
- The normalised momentum score for each company is determined based on its 6-month and 12-month price return, adjusted for volatility.
- The quality score for each company is determined based on Return on Equity (ROE), financial leverage (Debt/Equity Ratio) and earning (EPS) growth variability analysed during the previous 5 years.
- Companies having percentage pledged promotor's shares greater than 20% are ineligible for inclusion in the index.
- Index thus **seeks to capture the performance of quality small cap companies with comparatively better recent performance in terms of risk adjusted market returns**.
- The Nifty Smallcap250 Momentum Quality 100 Index **has outperformed 82% of small cap active funds (Direct Plan) on an investment horizon of 10 years**.
(Table 4)
- The Nifty Smallcap250 Momentum Quality 100 Index **has outperformed Nifty Smallcap250 Index in 16 out of 18 calendar years**. (Table 3)
- Over the long term, this index has historically generated comparatively better performance with similar volatility and lower drawdown in comparison to Nifty SmallCap 250 Index. (Table 2,6,7)

Table 1: Index Details

Particular	Description
Index Name	Nifty Smallcap250 Momentum Quality 100 Index
Number of Constituents	100
Methodology	Tilt Weighted
Stock Capping	3%
Eligible Stocks	Minimum Listing History of 12 Months
Universe	Nifty SmallCap 250 Index
Review & Reconstitution	Semi-Annual
Index Launch Date	December 21, 2023
Back-Tested Data Available Since	April 1, 2005
Variants	Price Return & Total Return Index
Currency Denomination	Indian Rupees (INR)
Base Value of Index	1,000

*Data as on December 31, 2023. National Stock Exchange (NSE)

Index Construction & Review Methodology:

Universe:

- Stocks forming part / going to be a part of the Nifty SmallCap 250 index at the time of review.
- Constituents should have a minimum listing history of 1 year.

Eligible Universe:

- Non – Future & Options stocks within Nifty SmallCap 250 index are ineligible for inclusion, if the total instances of the stock hitting the upper or lower circuit in the past 6 months as of the cut-off date is more than or equal to 20% of the number of total trading days over the same period.
- Companies having percentage pledged promotor's shares greater than 20% are ineligible for inclusion in the index.
- Bottom 10 percentile stocks based on 6-month average daily turnover or turnover ratio are ineligible for inclusion in the index.

Stock Selection Criteria

Factor 1: Momentum Factor

- For each eligible stock, 6 month and 12 month momentum ratio is calculated where momentum ratio is price return for the given period divided by the annualized standard deviation of the given period.
- Separately, for 6 month and 12month period, Z Score of the momentum ratio for each security is computed within the eligible universe. Z score basically calculates how far away from average (for better or worse), stock's momentum (risk adjusted performance) is.
- Finally, to arrive at final momentum score, Weighted Average Z Score is computed as:
 $50\% * (12\text{-month Momentum Z Score}) + 50\% * (6\text{-month Momentum Z Score})$
- Thus, each stock final momentum score equally considers its relative performance in 6 month and 12month period within the eligible universe. Better the average risk adjusted performance, higher the final momentum score.

Factor 2: Quality Factor

- For each eligible stock, Quality Z score is calculated on the basis of return on equity (ROE), low debt-to-equity (D/E) ratio and low EPS growth variability in the previous 5 years, where each parameter is given equal weightage.
- Debt-to equity ratio is not considered for companies belonging to financial services sector.
- Latest fiscal year data is considered for the calculation of return on equity (ROE) and debt to-equity (D/E) ratio.
- EPS growth variability in previous 5 financial years is calculated using adjusted EPS of previous 6 years. Consolidated financial data is used wherever available else standalone financial data is taken into consideration.
- Thus, the stock which has relatively better aggregate performance on higher Return on Equity, Lower Debt to Equity Ratio and lower EPS growth variability will attain higher Quality Z score.

Stock selection criteria:

- For Final stock selection, equal importance is given to stock's momentum and its Quality score.
- Thus, Aggregate Percentile Score is calculated where 50% weightage is given to percentile Momentum score and 50% of percentile Quality score.
- Finally, Top 100 stocks from the eligible universe of Nifty Small cap 250 Index is selected, based on aggregate percentile score to become the part of the index.

Performance comparison:

Table 2: Performance of various Indices

Period	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty 50 Index	Nifty Midcap 150 Index
Since Inception	23.8%	16.5%	14.8%	17.8%
15 Years	26.9%	19.1%	15.6%	21.6%
10 Years	25.4%	20.2%	14.6%	22.0%
7 Years	23.4%	18.4%	16.4%	21.1%
5 Years	25.3%	22.7%	16.2%	23.0%
3 Years	34.4%	33.4%	17.2%	30.6%
2 Years	18.7%	20.5%	13.2%	22.6%
1 Year	50.1%	49.1%	21.3%	44.6%
6 Months	30.5%	33.8%	13.8%	27.9%
3 Months	14.6%	14.9%	10.9%	12.9%

*Data as on Dec 31, 2023. National Stock Exchange (NSE). Past performance may or may not sustain in future. Index launch date: December 21, 2023. The index return is in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.

- Since inception, Nifty Smallcap250 Momentum Quality 100 Index has generated a return of 23.8% vis-à-vis 16.5% return of Nifty Smallcap250 Index and has generated an alpha of 7.3% over Nifty 50 Index.
- For investment horizon greater than 2 year, the index has outperformed Nifty Smallcap250 index over different investment tenures.
- The Nifty Smallcap250 Momentum Quality 100 Index has outperformed Nifty Smallcap250 Index in 16 out of 18 calendar years.

Stock weighing methodology:

- Stock weighing in the index portfolio is based on the combination of composite factor score (based on quality score and momentum score) and its free float market cap. Hence a stock with better composite score will have relatively higher weightage in the index portfolio as compared to portfolio weight only based on free float market cap.
- Composite Factor Score is computed as: 50% * Momentum score + 50% * Quality score.
- Weight of the stock in the index is derived by multiplying the free float market cap with the composite factor score of that stock.
- Each stock in the index is capped at 3%.

Index Re-Balancing:

- Index rebalancing and reconstitution will be done on a semi-annual basis in June and December using data ending last trading day of May and November respectively.

Calendar-year performance:

Table 3: Calendar year performance of various Indices

Period	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty 50 Index	Nifty Midcap 150 Index
2023	50.1%	49.1%	21.3%	44.6%
2022	-6.1%	-2.6%	5.7%	3.9%
2021	72.3%	63.3%	25.6%	48.2%
2020	29.6%	26.5%	16.1%	25.6%
2019	-1.9%	-7.3%	13.5%	0.6%
2018	-18.4%	-26.1%	4.6%	-12.6%
2017	72.9%	58.5%	30.3%	55.7%
2016	4.1%	1.4%	4.4%	6.5%
2015	16.9%	11.3%	-3.0%	9.7%
2014	81.6%	71.7%	32.9%	62.7%
2013	11.8%	-6.4%	8.1%	-1.3%
2012	47.7%	40.4%	29.4%	46.7%
2011	-24.6%	-35.1%	-23.8%	-31.0%
2010	27.7%	17.6%	19.2%	20.1%
2009	132.1%	117.4%	77.6%	113.9%
2008	-66.5%	-68.6%	-51.3%	-64.9%
2007	80.7%	97.4%	56.8%	78.2%
2006	50.6%	32.9%	41.9%	28.5%

*Data as on Dec 31, 2023. National Stock Exchange (NSE), **Past performance may or may not sustain in future.** Index launch date: December 21, 2023. The index return is in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.

Performance of Nifty SmallCap 250 Momentum Quality 100 v/s SmallCap Active Funds

Table 4: Comparison of Small cap active funds with Nifty Small cap 250 Momentum Quality 100 Index

SmallCap Active Funds	% of schemes underperforming Nifty SmallCap 250 Momentum Quality 100 Index					Average Alpha of Index over SmallCap active Funds				
	1 Year	3 Years	5 Years	7 Years	10 Years	1 Year	3 Years	5 Years	7 Years	10 Years
Regular Plan	83.3%	68.2%	58.8%	84.6%	81.8%	8.1	1.7	0.6	3.1	3.1
Direct Plan	79.2%	45.5%	41.2%	69.2%	81.8%	6.3	-0.1	-0.9	1.9	1.8

Funds having history of greater than 1 Year are only considered. Source: ACE MF: Data as on Dec 31, 2023. **Past performance may or may not sustain in future.** Index launch date: December 21, 2023. The returns shown are the average return of the Mutual Fund category and does not in any way indicate the returns of a particular scheme of mutual fund. The Small cap (Regular & Direct Plan - Growth Option) category is considered as per the SEBI Circular on categorization. Small cap funds are defined as minimum investment in equity & equity related instruments of small cap companies-80% of total assets. Returns greater than 1 year are CAGR returns and less than 1 year are absolute returns:

“ The Nifty Smallcap250 Momentum Quality 100 Index has outperformed 82% of Small cap active funds on an investment horizon of 10 years. Even in last 1 year, Index has outperformed 79.2% of Small cap active funds (Direct plan) by an average margin of 6.3% ”

Rolling Returns Performance of Indices:

Table 5: 3 & 5 year rolling return performance of various indices

Period	3 Years Investment Horizon			5 Years Investment Horizon		
	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty Smallcap250 Quality 50 Index	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty Smallcap250 Quality 50 Index
15 Years	20.2%	12.7%	19.0%	19.9%	11.7%	18.1%
10 Years	24.2%	16.7%	22.0%	21.8%	13.4%	19.7%
7 Years	20.6%	14.8%	17.2%	20.7%	13.4%	18.2%
5 Years	18.8%	13.6%	17.3%	16.1%	9.8%	14.0%
3 Years	27.0%	23.8%	27.1%	18.0%	12.5%	16.4%

*Data as on Dec 31, 2023. National Stock Exchange (NSE), **Past performance may or may not sustain in future.** Index launch date: December 21, 2023. The index return is in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.

“ Nifty Small cap 250 Momentum Quality Index has generated an average rolling return of 24.2% for an investment horizon of 3 years, averaged for previous 10 years ”

Index Volatility comparison:

Table 6: Volatility of various indices

Period	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty 50 Index	Nifty Midcap 150 Index
Since Inception	21.7%	21.7%	21.5%	21.2%
15 Years	19.4%	19.7%	18.6%	18.6%
10 Years	19.4%	19.3%	16.5%	17.5%
7 Years	19.3%	19.0%	17.2%	17.6%
5 Years	19.9%	19.7%	19.0%	18.7%
3 Years	17.6%	17.3%	14.6%	16.1%
2 Years	17.4%	17.1%	14.1%	15.7%
1 Year	13.4%	12.6%	9.8%	11.0%
6 Months	14.4%	13.7%	9.5%	12.0%
3 Months	16.0%	15.1%	10.5%	13.2%

*Data as on Dec 31, 2023. National Stock Exchange (NSE). **Past performance may or may not sustain in future.** Index launch date: December 21, 2023. The index return is in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.

Over the long term, this index has generated better performance and also benefited from similar volatility in comparison with Nifty SmallCap 250 Index.

Drawdown of Indices:

Table 7: Calendar year drawdown of various indices

Period	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty 50 Index	Nifty Midcap 150 Index
2023	-8.5%	-10.9%	-7.0%	-7.7%
2022	-25.5%	-26.6%	-15.8%	-20.3%
2021	-9.6%	-9.2%	-9.9%	-10.3%
2020	-40.6%	-43.5%	-38.3%	-38.5%
2019	-18.5%	-21.4%	-10.8%	-14.3%
2018	-29.5%	-35.7%	-14.4%	-23.5%
2017	-8.0%	-8.0%	-4.1%	-6.8%
2016	-21.2%	-22.5%	-12.4%	-17.0%
2015	-15.0%	-14.8%	-15.3%	-11.9%
2014	-7.7%	-8.6%	-6.5%	-7.8%
2013	-21.6%	-31.5%	-13.9%	-24.0%
2012	-8.8%	-13.9%	-13.7%	-12.2%
2011	-26.7%	-36.3%	-25.4%	-32.3%
2010	-18.9%	-20.1%	-10.6%	-16.3%
2009	-20.6%	-24.9%	-17.4%	-23.5%
2008	-71.5%	-72.8%	-59.5%	-71.7%
2007	-16.3%	-16.8%	-15.2%	-16.7%
2006	-38.1%	-37.7%	-29.7%	-38.0%

*Data as on Dec 31, 2023. National Stock Exchange (NSE). **Past performance may or may not sustain in future.** Index launch date: December 21, 2023. The index return is in Total Return Variant. The data shown above pertains to the Index and does not in manner indicate performance of any scheme of the Fund.

On overall basis, out of last 18 calendar years, Nifty Smallcap 250 Momentum Quality 100 Index recorded lower drawdowns compared to its parent index. The index had just 3 years in last 18 years, where its drawdown (marginally) was higher than its parent Nifty Smallcap 250 Index.

Sectoral Comparison of Indices:

Table 8: Sectoral composition of various indices

Period	Nifty Smallcap250 Momentum Quality 100 Index	Nifty Smallcap250 Index	Nifty 50 Index	Nifty Midcap 150 Index
Financial Services	25.8%	23.1%	35.3%	22.2%
Capital Goods	16.6%	15.4%	-	13.3%
Information Technology	12.8%	6.7%	13.6%	6.9%
Healthcare	9.0%	9.7%	4.0%	10.9%
Fast Moving Consumer Goods	5.8%	4.1%	9.2%	1.5%
Construction	4.8%	3.8%	4.4%	0.4%
Services	4.4%	3.4%	0.8%	2.4%
Chemicals	3.9%	5.5%	0.3%	5.8%
Oil Gas & Consumable Fuels	2.8%	2.2%	11.4%	3.0%
Consumer Durables	2.7%	4.6%	3.2%	4.4%
Automobile & Auto Components	2.1%	4.6%	6.5%	7.3%
Consumer Services	1.9%	4.4%	-	4.1%
Metals & Mining	1.3%	2.1%	3.8%	2.7%
Textiles	1.1%	1.2%	-	1.4%
Construction Materials	1.0%	1.3%	2.1%	2.5%
Power	0.9%	1.4%	2.7%	3.9%
Telecommunication	0.8%	2.0%	2.8%	1.8%
Realty	0.8%	1.7%	-	3.9%
Media	0.2%	1.6%	-	1.2%

Data as on Dec 31, 2023. National Stock Exchange (NSE).

- Nifty Smallcap250 Momentum Quality 100 Index when compared to its parent index, Nifty Smallcap250 Momentum Quality 100 Index is overweight on sectors like IT and financial services and underweight on chemicals and consumer services sectors
- Compared to large-cap segment, Nifty Smallcap250 Momentum Quality 100 Index is overweight on sectors like capital goods, healthcare and chemicals and underweight on oil & gas & automobile sectors and when the same is compared to midcap segment, the index is overweight on IT, construction and FMCG and underweight on realty and automobile sector.

Index Constituents of Nifty Smallcap250 Momentum Quality 100 Index:

S.No	Company Name	Weight	S.No	Company Name	Weight
1	Cyient Ltd.	3.2%	2	KEI Industries Ltd.	3.1%
3	Multi Commodity Exchange of India Ltd.	2.9%	4	Birlasoft Ltd.	2.9%
5	Sonata Software Ltd.	2.8%	6	BSE Ltd.	2.8%
7	Central Depository Services (India) Ltd.	2.8%	8	Apar Industries Ltd.	2.6%
9	Karur Vysya Bank Ltd.	2.0%	10	Glenmark Pharmaceuticals Ltd.	2.0%
11	Indian Energy Exchange Ltd.	1.9%	12	Radico Khaitan Ltd	1.7%
13	Jyothy Labs Ltd.	1.7%	14	Suven Pharmaceuticals Ltd.	1.6%
15	Narayana Hrudayalaya Ltd.	1.6%	16	Nippon Life India Asset Management Ltd.	1.5%
17	Castrol India Ltd.	1.5%	18	IIFL Finance Ltd.	1.5%
19	Welspun Corp Ltd.	1.4%	20	Zensar Technologies Ltd.	1.4%
21	Praj Industries Ltd.	1.4%	22	CreditAccess Grameen Ltd.	1.4%
23	Manappuram Finance Ltd.	1.4%	24	Hindustan Copper Ltd.	1.3%
25	NCC Ltd.	1.3%	26	Jindal Saw Ltd.	1.3%
27	IDFC Ltd.	1.2%	28	eClerx Services Ltd.	1.2%
29	Finolex Cables Ltd.	1.2%	30	Poly Medicare Ltd.	1.2%
31	PNB Housing Finance Ltd.	1.2%	32	360 ONE WAM Ltd.	1.1%
33	Amara Raja Energy & Mobility Ltd.	1.1%	34	NATCO Pharma Ltd.	1.1%
35	Redington Ltd.	1.1%	36	Indiamart Intermesh Ltd.	1.0%
37	NBCC (India) Ltd.	1.0%	38	Tata Investment Corporation Ltd.	1.0%
39	Intellect Design Arena Ltd.	1.0%	40	Tanla Platforms Ltd.	1.0%
41	PCBL Ltd.	1.0%	42	Cochin Shipyard Ltd.	0.9%
43	Century Textile & Industries Ltd.	0.9%	44	Safari Industries (India) Ltd.	0.9%
45	Usha Martin Ltd.	0.9%	46	IRCON International Ltd.	0.9%
47	NLC India Ltd.	0.9%	48	Mahanagar Gas Ltd.	0.9%
49	Motilal Oswal Financial Services Ltd.	0.9%	50	Gujarat Narmada Valley Fertilizers & Chemicals	0.9%
51	Firstsource Solutions Ltd.	0.9%	52	Can Fin Homes Ltd.	0.9%
53	Godawari Power & Ispat Ltd.	0.8%	54	Engineers India Ltd.	0.8%
55	HFCL Ltd.	0.8%	56	Gujarat State Fertilizers & Chemicals Ltd.	0.7%
57	Cera Sanitaryware Ltd	0.7%	58	KSB Ltd.	0.7%
59	Finolex Industries Ltd.	0.7%	60	Amber Enterprises India Ltd.	0.7%
61	CIE Automotive India Ltd.	0.7%	62	Eris Lifesciences Ltd.	0.7%
63	Triveni Turbine Ltd.	0.7%	64	Gujarat Pipavav Port Ltd.	0.6%
65	Chambal Fertilizers & Chemicals Ltd.	0.6%	66	Welspun Living Ltd.	0.6%
67	BLS International Services Ltd.	0.6%	68	Triveni Engineering & Industries Ltd.	0.6%
69	CSB Bank Ltd.	0.6%	70	Mastek Ltd.	0.6%
71	JK Lakshmi Cement Ltd.	0.6%	72	Metropolis Healthcare Ltd.	0.6%
73	RITES Ltd.	0.5%	74	RHI MAGNESITA INDIA LTD.	0.5%
75	Balrampur Chini Mills Ltd.	0.5%	76	Capri Global Capital Ltd.	0.5%
77	Sobha Ltd.	0.5%	78	Vardhman Textiles Ltd.	0.5%
79	Graphite India Ltd.	0.4%	80	Aegis Logistics Ltd.	0.4%
81	Indian Overseas Bank	0.4%	82	Gujarat Ambuja Exports Ltd.	0.4%
83	Birla Corporation Ltd.	0.4%	84	V.I.P. Industries Ltd.	0.4%
85	JBM Auto Ltd.	0.4%	86	Godfrey Phillips India Ltd.	0.4%
87	Balaji Amines Ltd.	0.4%	88	JK Paper Ltd.	0.4%
89	Quess Corp Ltd.	0.4%	90	PNC Infratech Ltd.	0.3%
91	FDC Ltd.	0.3%	92	KRBL Ltd.	0.3%
93	Sunteck Realty Ltd.	0.3%	94	Rallis India Ltd.	0.3%
95	Delta Corp Ltd.	0.3%	96	MMTC Ltd.	0.3%
97	Avanti Feeds Ltd.	0.2%	98	Network18 Media & Investments Ltd.	0.2%
99	Aarti Drugs Ltd.	0.2%	100	Lux Industries Ltd.	0.1%

Source: NSE Indices, Data as on Dec 31, 2023.

Statutory Details: Trustee: Mirae Asset Trustee Company Private Limited; Investment Manager: Mirae Asset Investment Managers (India) Private Limited (AMC); Sponsor: Mirae Asset Global Investments Company Limited.

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