

# TalkingPoints

## The Performance and Sector Diversification of the S&P BSE SENSEX 50



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Dig deeper into how the index tracking the 50 largest and most liquid stocks in India seeks to deliver diversification by design.

### **1. Passive investment continues to gain traction in India. Could you tell us more about the themes and asset classes that have received attention in recent years, and how index innovations are contributing to that growth?**

**Ved:** There has been a surge in growth of ETFs in recent years in India, mainly due to investments from the Employees' Provident Fund Organisation flowing into ETFs. The past year has also witnessed a large increase in passive schemes being launched by mutual funds — about 30 new schemes were launched in the passive space last year in India, and many more have been filed for approval with the regulator. In the past financial year, the AUM of passive funds have increased by 90% to over 3 lakh crores. There has also been an increase in the interest in products on global indices. Some asset managers are now exploring this space eagerly for global diversification and product differentiation. The themes that are gaining interest in India are ESG, factors, thematic, and global index strategies.

### **2. How was the S&P BSE SENSEX 50 designed and why might the index matter to market participants in general?**

**Ved:** The S&P BSE SENSEX 50 is designed to measure the performance of the top 50 largest and most liquid companies in India. The index constituents are weighted based on the float-adjusted market cap and must have a minimum annualized trading value of INR 10 billion. The S&P BSE SENSEX 50 is also a highly diversified and liquid index. The returns of the index have been promising over the past 10 years; its 10-year absolute return was 230%. The annualized returns for the 3-, 5-, and 10-year periods have also been promising, at about 15%, 16%, and 13%, respectively.

### **3. Can you tell us a little bit more about the sector diversification of the S&P SENSEX 50?**

**Ved:** The S&P BSE SENSEX 50 is a highly diversified index, including all 10 major sectors. The Finance and Information Technology sectors had the highest weights, at over 37% and 16%, respectively. The Telecom and Utilities sectors had the lowest representation, at less than 2% each.

### **4. What are some other index innovations emerging globally that could be of interest in India?**

**Ved:** The S&P Kensho New Economy Indices are gaining traction globally. This was the first fully comprehensive index series to capture the depth and breadth of companies driving the Fourth Industrial Revolution, representing groundbreaking innovations and transformative technologies. The S&P ESG Indices have gained a lot of interest and assets globally. Among broad market indices, the concept of equal-weighted indices are receiving increased interest, especially the S&P 500<sup>®</sup> Equal Weight Index. These themes are also popular locally in India, and we see a lot of local players adopting strategies used by global players.

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