

HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

Level the playing field in your Equity Portfolio!



Consider an example of a retail chain. Let's say the chain derives most of its revenue from just three products. Management may focus on ensuring only these current large bestsellers get the maximum and prominent shelf spaces. This may result in emerging products getting ignored.

On the other hand, giving equal shelf space to each product takes away any biases toward popular products. In the context of a portfolio, the equal-weighting approach is about not letting yesterday's winners (based on their market capitalization) dictate tomorrow's portfolio.



What is the Equal Weighting strategy?

In an equal-weighted portfolio, every stock is weighted equally, irrespective of its market capitalization, thereby avoiding stock and sector concentration risk. Periodic rebalancing ensures that weights remain aligned over time.

How can an Equal Weighting strategy help?



Structural Control over Concentration Risk

Market-cap weighted portfolios automatically allocate more money to stocks that have already risen in price. Over time, this leads to excessive exposure to a few market leaders, increasing vulnerability if those stocks underperform.

Equal weighting limits this structural risk. No single stock is allowed to dominate the portfolio, ensuring that setbacks in large names do not disproportionately impact overall performance.



Embedded Buy-Low, Sell-High Mechanism

Rebalancing is at the heart of equal weighting.

Stocks that have appreciated are trimmed.

Stocks that have underperformed are topped up.

This disciplined process systematically monetises gains and redeploys capital into fundamentally strong opportunities - something most investors struggle to execute emotionally.



Broader Participation in Market Growth

In a market-cap weighted portfolio, many of tomorrow's leaders may remain underrepresented for years.

Equal weighting gives them meaningful capital allocation from the outset, thereby helping improve participation in the early phase of growth rather than after the bulk of returns have already been captured.



Improved Portfolio Resilience

Because exposure is evenly spread, the portfolio is less sensitive to sharp drawdowns in a handful of stocks or sectors.



Behavioural Discipline without Behavioural Stress

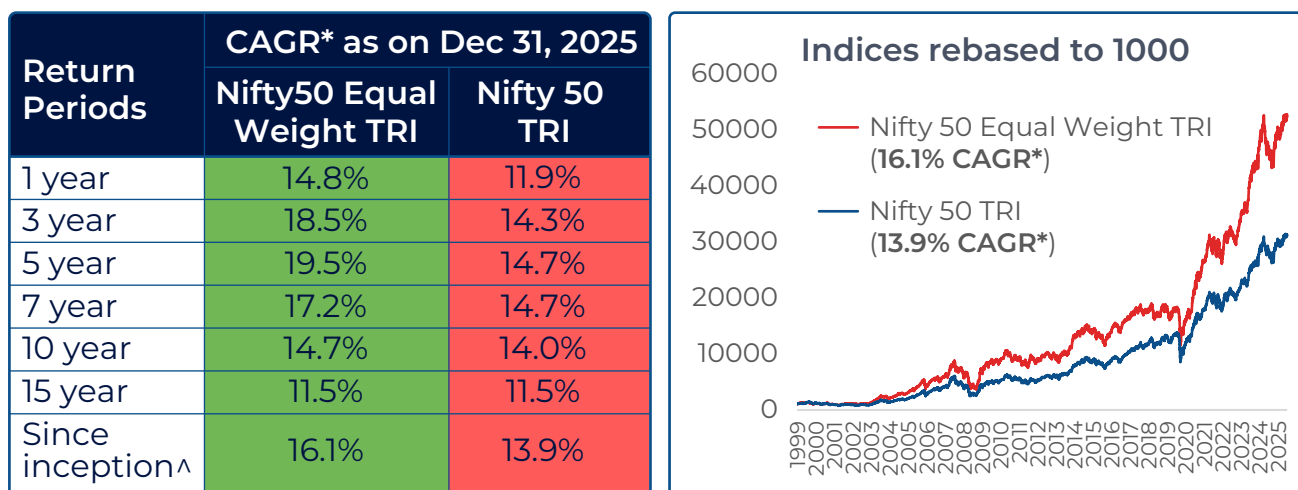
Investors naturally chase winners and hesitate to add underperformers. Equal weighting removes these emotional biases by making rebalancing rules-driven rather than decision-driven.

The strategy does the tough behavioural work in the background.



Consider the below illustration comparing the performance of an equally-weighted portfolio of India's top 50 bluechips and a free float market-cap weighted portfolio of the same stocks.

The Nifty50 Equal Weight TRI has outperformed the Nifty 50 TRI over the long term



Heatmap Key

Rank 1

Rank 2

Source: NSE Indices Ltd. and internal calculations. As on Dec 31, 2025. [^]Jun 30, 1999 has been chosen as the base date since TRI values of Nifty 50 are available from this date onwards. Past performance may or may not be sustained in the future and is not a guarantee of any future returns. HDFC AMC/Mutual Fund is not guaranteeing or promising or forecasting any returns. *CAGR: Compounded Annual Growth Rate, TRI - Total Returns Index.

Conclusion

Equal weighting is about building a portfolio that controls concentration risk, enforces discipline and helps in creating long-term wealth. In a market which is generally dominated by a few large stocks, equal weighting provides a balanced and resilient alternative.

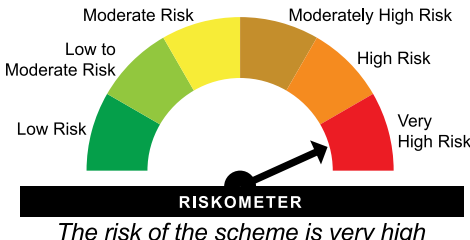
Investors may opt for the Equal Weighting strategy by considering to invest in

HDFC Nifty50 Equal Weight Index Fund

HDFC Nifty100 Equal Weight Index Fund

HDFC Nifty Top 20 Equal Weight Index Fund



| Name of Scheme / Investment Plan | This product is suitable for investors who are seeking*: | SCHEME RISKOMETER# |
|---|--|---|
| HDFC Nifty50 Equal Weight Index Fund An open ended scheme replicating/ tracking NIFTY50 Equal Weight Index (TRI) | <ul style="list-style-type: none">• Returns that are commensurate (before fees and expenses) with the performance of the NIFTY50 Equal Weight Index (TRI) over long term,subject to tracking error• Investment in securities covered by the NIFTY50 Equal Weight Index (TRI). |  |
| HDFC NIFTY 100 Equal Weight Index Fund An open ended scheme replicating/tracking NIFTY100 Equal Weight Index (TRI) | <ul style="list-style-type: none">• Returns that are commensurate (before fees and expenses) with the performance of the NIFTY 100 Equal Weight Index (TRI) over long term,subject to tracking error• Investment in equity securities covered by the NIFTY 100 Equal Weight Index | |
| HDFC Nifty Top 20 Equal Weight Index Fund An open ended scheme replicating/tracking Nifty Top 20 Equal Weight Index (TRI) | <ul style="list-style-type: none">• Returns that are commensurate (before fees and expenses) with the performance of the Nifty Top 20 Equal Weight Index (TRI), over long term, subject to tracking error.• Investment in securities covered by the Nifty Top 20 Equal Weight Index (TRI) | |
| <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. # For latest riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com Scheme Riskometer as on December 31, 2025</p> | | |

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Views expressed above are indicative and should not be construed as investment advice or as a substitute for financial planning. Due to the personal nature of investments, investors are advised to seek professional advice before investing.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world