



Understanding Market Valuations and Asset Allocation

This presentation delves into the current market valuations across various Nifty Indices and provides a comprehensive asset class view, offering insights into equity, debt, and commodities. We will explore key financial metrics and strategic recommendations for portfolio adjustments based on current market conditions.

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Decoding the Numbers: A Look at Nifty Index Valuations

Understanding the valuation metrics of different indices is crucial for informed investment decisions. The table below presents the P/E, P/B, Dividend Yield %, and ROE for various Nifty Indices as of June 25th, 2025. These numbers provide a snapshot of how different segments of the market are currently valued.

Index	P/E	P/B	Dividend Yield	ROE
Nifty 50 Index	22.69	3.67	1.11	16%
Nifty 100 Index	22.56	3.72	1.17	16%
Nifty Midcap 150 Index	34.61	5.26	0.79	15%
Nifty Smallcap 250 Index	33.19	4.15	0.64	13%
Nifty 500 Index	24.98	3.98	1.05	16%
Nifty Microcap 250 Index	23.95	3.35	0.61	14%

As of 25th June 2025, Source: Nifty Indices

Key Takeaways from Valuation Data

Analyzing the valuation metrics reveals interesting trends across different market capitalization segments. Midcap and Smallcap indices generally show higher P/E and P/B ratios compared to Largecap indices, indicating higher growth expectations or potentially richer valuations in these segments.

Midcap & Smallcap Valuations

Nifty Midcap 150 and Smallcap 250 indices exhibit significantly higher P/E ratios (34.61 and 33.19 respectively) and P/B ratios (5.26 and 4.15 respectively) compared to their large-cap counterparts. This suggests investors are pricing in higher growth potential for companies in these segments.

Large-Cap Stability

Nifty 50, and Nifty 100 indices show more moderate P/E and P/B ratios, indicating a more stable and potentially less overheated valuation environment for larger companies. Their higher Div Yield % also suggests a focus on shareholder returns.

ROE Insights

Return on Equity (ROE) is relatively consistent across most indices, ranging from 13% to 19%, with Nifty Top 10 EW Index leading at 19%. This metric indicates the efficiency with which companies generate profits from shareholders' equity.



Strategic Asset Class View: Equity

Our current outlook on equity suggests a strategic increase in exposure, leveraging specific investment vehicles and focusing on particular market segments. This approach aims to capitalize on market dynamics while managing risk.

Raising Equity Exposure

We recommend raising equity exposure by one notch. This can be achieved through fresh deployment using hybrid strategies such as Dynamic Asset Allocation or Multi Asset Allocation. These strategies are designed to adjust equity weights based on market valuations, increasing exposure when valuations are lower.

Additionally, consider topping up existing Systematic Investment Plans (SIPs) to consistently invest in the market over time, benefiting from dollar-cost averaging.



A key focus should be on large-cap stocks for staggered purchases and equity allocation. Large-cap companies typically offer more stability and liquidity, making them suitable for consistent investment. Furthermore, the BFSI sector, especially Banks, may be considered for additional allocation due to their potential for growth and resilience.

Strategic Asset Class View: Debt

In the realm of fixed income, our positive stance on spread assets, particularly corporate bonds, remains unchanged. This segment offers attractive opportunities for investors seeking stable returns and diversification within their portfolios.



Positive on Spread Assets

We maintain a positive outlook on spread assets, with a specific emphasis on corporate bonds. Corporate bonds offer a yield premium over government bonds, compensating investors for the additional credit risk. This makes them an appealing option in the current interest rate environment.

Investors should consider high-quality corporate bonds from financially sound companies to mitigate credit risk while still capturing attractive yields. Diversification across different sectors and maturities within the corporate bond space is also advisable.

Strategic Asset Class View: Commodities - Gold and Silver

Commodities, particularly precious metals like Gold and Silver, continue to be viewed as crucial uncorrelated allocations within a diversified portfolio. Their role as a store of value and a hedge against economic uncertainties has only strengthened in the current global landscape.



Gold: A Proven Store of Value

Gold has historically demonstrated its ability to preserve wealth during periods of economic instability and inflation. Its intrinsic value and limited supply make it a reliable asset in turbulent times.



Silver: Dual Role as Industrial & Precious Metal

Silver, often referred to as "poor man's gold," serves a dual purpose as both a precious metal and an industrial commodity. Its demand from various industries, coupled with its safe-haven appeal, makes it an attractive investment.



Uncorrelated Allocation

Both gold and silver tend to move independently of traditional asset classes like stocks and bonds. This uncorrelated nature makes them excellent portfolio diversifiers, reducing overall portfolio volatility.



The Enduring Role of Gold in a Geopolitical Landscape

The significance of gold as a global reserve currency and a safe haven asset has been amplified by ongoing trade wars and geopolitical conflicts. We see no compelling reason to alter our positive outlook on its trajectory.

Gold as a Global Reserve Currency

In times of heightened global uncertainty, central banks and investors often turn to gold as a reliable store of value. Its universal acceptance and lack of counterparty risk solidify its position as a de facto global reserve currency.

The increasing frequency of geopolitical conflicts and trade disputes further underscores gold's importance as a hedge against currency devaluation and economic instability.

We continue to hold a strong positive view on gold and silver, recognizing their proven track record as strong performers during periods of market stress. Their inclusion in a portfolio provides a valuable layer of protection and diversification.



Summary and Concluding Thoughts

In summary, our analysis of market valuations and asset classes points towards strategic opportunities in equity, debt, and commodities. By understanding the nuances of each asset class and implementing a disciplined investment approach, investors can navigate the current market environment effectively.

Equity: Strategic Exposure

Increase equity exposure through hybrid strategies and SIPs, with a focus on large-caps, value funds and specific sectors like BFSI (Private Banks).

Debt: Corporate Bonds

Maintain a positive view on spread assets, particularly corporate bonds, for stable returns and diversification.

Commodities: Gold & Silver

Continue to view gold and silver as essential uncorrelated allocations, especially given ongoing geopolitical conflicts and their role as a store of value.

All assets are cyclical, and a well-diversified portfolio that includes a mix of these asset classes is crucial for long-term success.

