



Factor Investing

[Source: LM](#)

Recently, more Indians have begun investing in **factor funds**, a relatively lesser-known **investment option**, as awareness of this stock selection strategy grows.

- **Assets under management** in this category **surged more than 3 times** between 2023 and 2024, highlighting a significant increase in investor interest.
- **Factor-Based Investing Strategy:**
 - About:
 - **Factor investing** involves **targeting specific drivers of return (factors)** like **size, value, momentum, growth, low volatility**, and **quality** across asset classes.
 - In India, the evolution of factor investing has moved from basic indices like **Sensex** and **Nifty** to more specialised **single-factor funds** that emphasise qualities such as quality, value, alpha, and momentum.
 - **Advantage:**
 - These help **improve portfolio returns, reduce volatility and enhance diversification.**
 - **Examples:**
 - Strategic indices on the **National Stock Exchange (NSE)** include **Nifty50 Value 20** and **Nifty200 Momentum 30.**
 - **Performance:**
 - These have significantly **outperformed the benchmark Nifty 50** in 2024, achieving **returns between 15-38%**, compared to the Nifty 50's 12% increase.

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Factor Investing Strategies



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