

# DECODING THE SURGE: WHY MOTILAL NASDAQ 100 FOF DELIVERED UNUSUAL RETURNS IN DEC 2024 AND WHAT REVERSED IT

## INTRODUCTION

In the realm of passive investing, the core expectation is that index-tracking funds will closely replicate the performance of their underlying benchmarks. This fundamental principle ensures transparency and predictability for investors. However, December 2024 presented a striking deviation from this norm, particularly for the Motilal Oswal Nasdaq 100 Fund of Fund (FOF). While the Nasdaq 100 Index experienced a modest decline of -0.72% during the month, the Motilal Oswal Nasdaq 100 FOF reported an astonishing +19.54% monthly return. This significant divergence immediately caught the attention of market observers, prompting a closer examination into the factors driving such an unusual performance.

## PART 1: WHAT ACTUALLY HAPPENED IN DECEMBER 2024?

Despite the Nasdaq 100 Index posting negative returns in USD, the Motilal Oswal Nasdaq 100 FOF's NAV surged by nearly 20% in INR during December 2024. This significant discrepancy stemmed from a combination of key factors:

- **ETF Premium Surge:** As the sole Nasdaq 100 ETF listed on Indian exchanges (NSE and BSE), the Motilal Oswal Nasdaq 100 ETF (MOFN100) experienced a substantial premium to its Net Asset Value (NAV). This was driven by a sharp increase in investor demand against limited supply, artificially inflating the FOF's NAV beyond the actual performance of the underlying index.
- **Currency Movement:** Although not a primary driver, any weakening of the INR against the USD during December would have positively impacted the INR value of USD-denominated assets, providing a minor boost to the FOF's returns.
- **NAV Timing Differences:** Disparities in market closing times between Indian and U.S. exchanges meant that the FOF's NAV, calculated based on the Indian ETF's close, could sometimes favor the FOF during periods of high volatility or rapid price changes in the U.S. market.

	Motilal Nasdaq 100 NAV	ABSL Nasdaq 100 NAV	Nasdaq 100
31-05-2024	31.40	12.41	18536.65
31-12-2024	44.35	14.81	21012.17
% change	41.20%	19.29%	13.35%

PART 2: IS MOTILAL NASDAQ 100  
ETF UNIQUE IN INDIA?

Yes, the Motilal Oswal Nasdaq 100 ETF (MOFN100) stands alone as the only Nasdaq 100 ETF currently listed on Indian exchanges (NSE & BSE). This grants it distinct characteristics compared to other Nasdaq 100-linked products available in India:

- **Real-time Trading:** It can be bought and sold throughout market hours, like a stock.
- **Market-Driven Price:** Its price is subject to real-time supply and demand, allowing it to trade at a premium or discount to its NAV, unlike other Indian Nasdaq 100 funds (from Kotak, ABSL, ICICI) which are only available as FOFs or index funds with no real-time price discovery.

PART 3: HOW DOES MOTILAL  
INVEST IN THE NASDAQ 100?

Contrary to a common assumption among investors, Motilal Oswal approach to gaining exposure to the Nasdaq 100 Index does not involve investing in existing U.S.-listed Exchange Traded Funds (ETFs) such as QQQ or QQQM. Instead, it employs a direct replication strategy.

This strategy means that the Motilal Oswal fund directly invests in the individual constituent stocks that comprise the Nasdaq 100 Index. These stocks are acquired in precisely the same proportional weightage as their representation within the index and are securely held through established foreign custodial arrangements.

This method differs fundamentally from what is often termed the "feeder route" strategy. Other Indian Asset Management Companies (AMCs), including examples like Kotak and Navi, typically utilize this feeder route by investing in an underlying foreign ETF (e.g., a U.S.-listed Nasdaq 100 ETF) to achieve their international index exposure.



# NASDAQ FOF MONTHLY RETURNS - SCHEME WISE

Month	Nasdaq	Motilal Oswal Nasdaq 100 FOF	Aditya Birla Sun Life Nasdaq 100 FOF	Kotak NASDAQ 100 Fund of Fund	ICICI Prudential NASDAQ 100 Index Fund
Jun-24	6.18%	8.14%	8.65%	8.93%	6.35%
Jul-24	-1.63%	-4.02%	-2.27%	-2.32%	-1.36%
Aug-24	1.10%	2.28%	0.36%	0.37%	1.27%
Sep-24	2.48%	1.91%	2.99%	2.92%	2.36%
Oct-24	-0.85%	1.90%	0.11%	2.91%	-0.55%
Nov-24	5.23%	5.69%	5.41%	2.50%	5.72%
Dec-24	0.39%	21.19%	3.00%	2.43%	1.94%
Jan-25	2.22%	-3.63%	3.49%	4.15%	3.37%
Feb-25	-2.76%	-10.93%	-4.41%	-4.45%	-1.93%
Mar-25	-7.69%	-1.54%	-9.80%	-9.69%	-9.62%
Apr-25	1.52%	-6.64%	0.32%	0.77%	0.81%
May-25	9.16%	6.52%	11.88%	11.27%	9.71%

\*Note: Last day of last month is considered to find Monthly Returns

## INVESTING 10K MONTHLY

Month	Nasdaq	Motilal Oswal Nasdaq 100 FOF	Aditya Birla Sun Life Nasdaq 100 FOF	Kotak NASDAQ 100 Fund of Fund	ICICI Prudential NASDAQ 100 Index Fund
Jun-24	10,618	10,814	10,865	10,893	10,635
Jul-24	20,282	19,977	20,391	20,408	20,354
Aug-24	30,615	30,661	30,501	30,521	30,740
Sep-24	41,622	41,437	41,712	41,704	41,701
Oct-24	51,183	52,415	51,769	53,209	51,417
Nov-24	64,383	65,966	65,110	64,789	64,930
Dec-24	74,673	92,063	77,364	76,606	76,384
Jan-25	86,553	98,358	90,413	90,200	89,295
Feb-25	93,888	96,515	95,984	95,741	97,378
Mar-25	95,899	1,04,875	95,598	95,495	97,049
Apr-25	1,07,509	1,07,247	1,05,936	1,06,307	1,07,916
May-25	1,28,273	1,24,891	1,29,709	1,29,415	1,29,365

### PART 4: WHY DID THE TREND REVERSE IN 2025?

The Motilal Nasdaq 100 FOF’s substantial outperformance in late 2024 proved transient. From June to December 2024, it surged 41.4% (INR 1 lakh to INR 1.41 lakh), far exceeding the Nasdaq 100 Index’s 16.73% gain (INR 1 lakh to INR 1.16 lakh). Yet, a dramatic reversal occurred from January to May 2025: the FOF dropped from INR 1 lakh to INR 80,940 while the index recovered to INR 1.01 lakh. This shift is attributable to:

- Normalization of ETF Premium:** The significant ETF premium observed in December stemmed from a critical demand-supply imbalance. As investor frenzy subsided and market dynamics adjusted in early 2025, this premium corrected, exerting downward pressure on the FOF’s NAV despite the underlying index’s recovery.

- **Currency Stabilization:** The Indian Rupee stabilized or slightly appreciated against the U.S. Dollar. This reduced any prior currency-driven benefit that had contributed to the FOF's magnified performance.

What actually transpired in December was that the Motilal Nasdaq 100 ETF couldn't accumulate more units, but Systematic Investment Plan (SIP) money continued to flow in. Consequently, only the units that had already been accumulated were available for trading, creating a huge demand that pushed the ETF's market price to a substantial premium.

	Motilal Nasdaq 100 NAV	ABSL Nasdaq 100 NAV	Nasdaq 100
31-12-2024	44.35	14.81	21012.17
29-05-2025	37.27	14.83	21363.95
% change	-15.95%	0.17%	1.67%

FINAL TAKEAWAY

Ultimately, the extraordinary FOF rally in December 2024 was a textbook case of structure-driven distortion, not genuine outperformance. Factors such as ETF premiums, demand-supply imbalances, and NAV timing discrepancies collectively fueled that short-term spike. As these temporary distortions faded, the fund's performance predictably re-aligned with the Nasdaq 100 Index. For long-term investors, this episode critically underscores the importance of understanding a fund's underlying structure, beyond simply the index it purports to track.

