

# Nippon India Small Cap Fund

(An open-ended equity scheme predominantly investing in small cap stocks)

# Product Label

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## PRODUCT LABEL

Nippon India Small Cap Fund is suitable for investors who are seeking\*:

- Long term capital growth
- Investment in equity and equity related securities of small cap companies

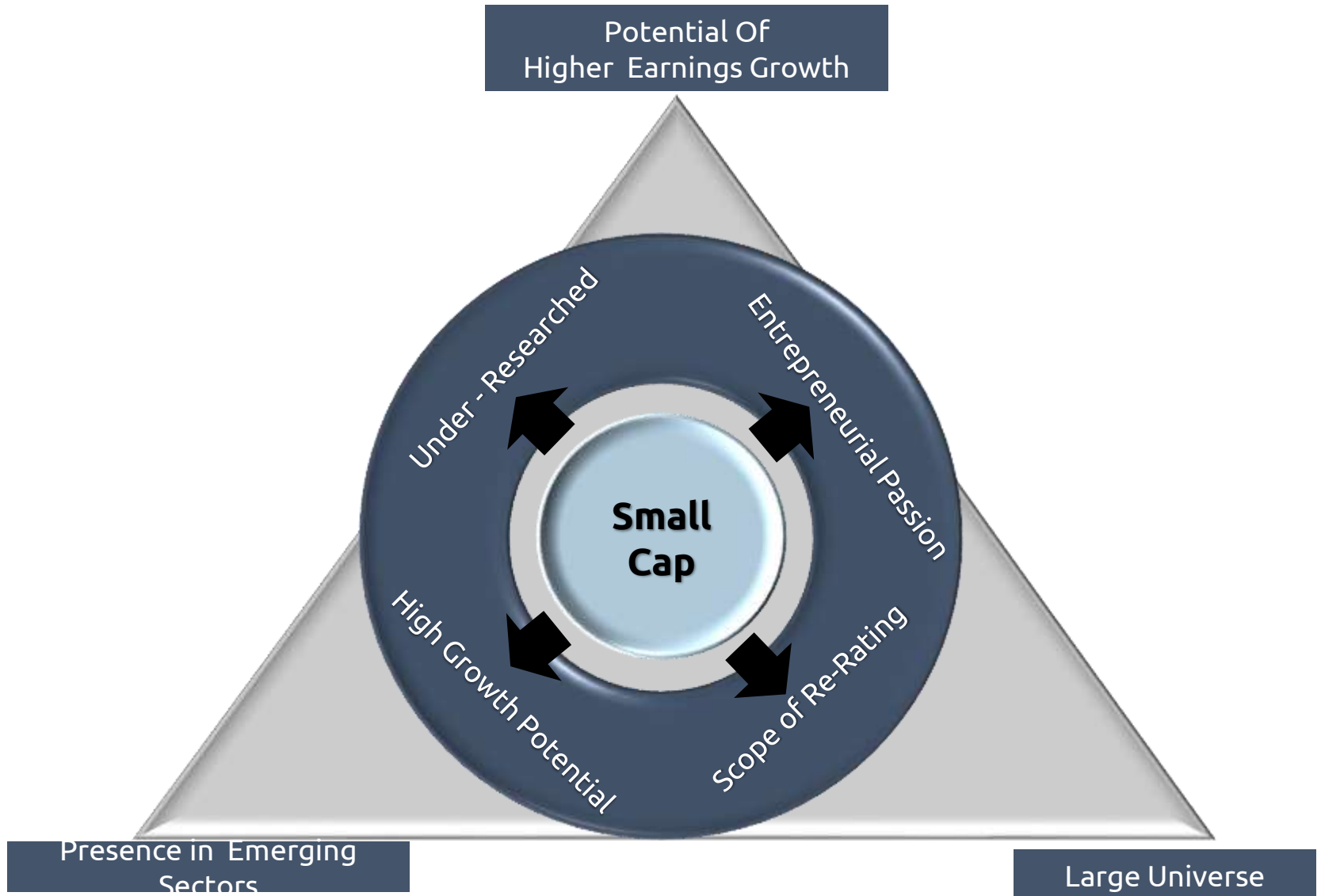
\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.



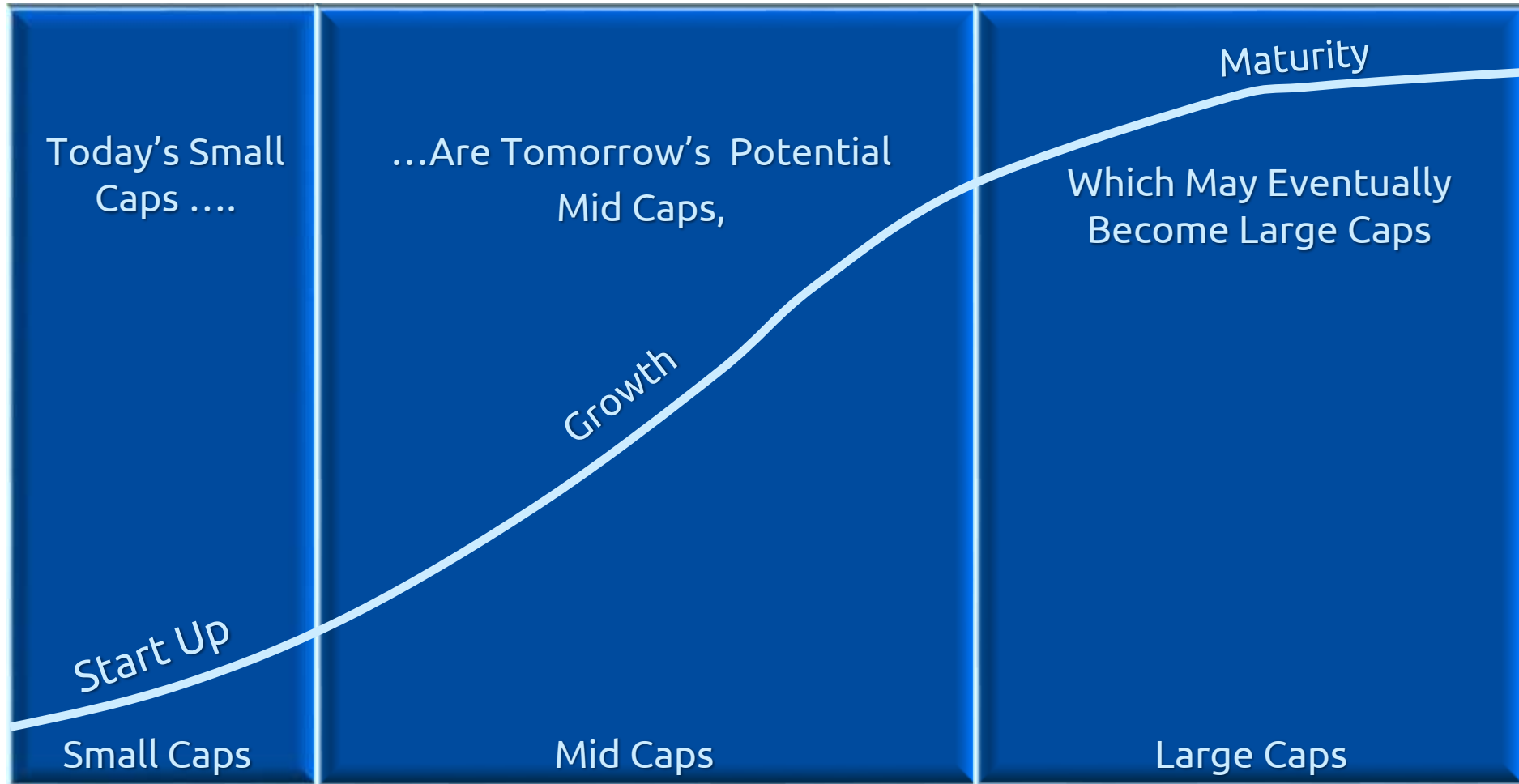
Investors understand that their principal will be at Very High risk

# Virtues of Small Cap Investing

# Key Benefits Of Investing In Small Caps



# Emergence of Small Caps to Large Caps



# What Differentiates Small Caps?

	Small Caps	Mid Caps	Large Caps
Entrepreneurial Passion	High	Moderate	Low
Research Available	Low	Moderate	Large
Institutional Ownership	Low	Moderate	Large
Valuation Multiple	Low	Moderate	Fair
Re-Rating Potential	High	Moderate	Moderate
Scalability	High	Moderate	Moderate

Note: The current fund philosophy may change in future depending on market conditions or fund manager's views. Source : MFI Explorer

$$\text{Market Capitalization} = \text{Net Profits} \times \text{Perception}$$
$$\text{Market Price} \uparrow = \text{EPS} \uparrow \times \text{PE} \uparrow$$

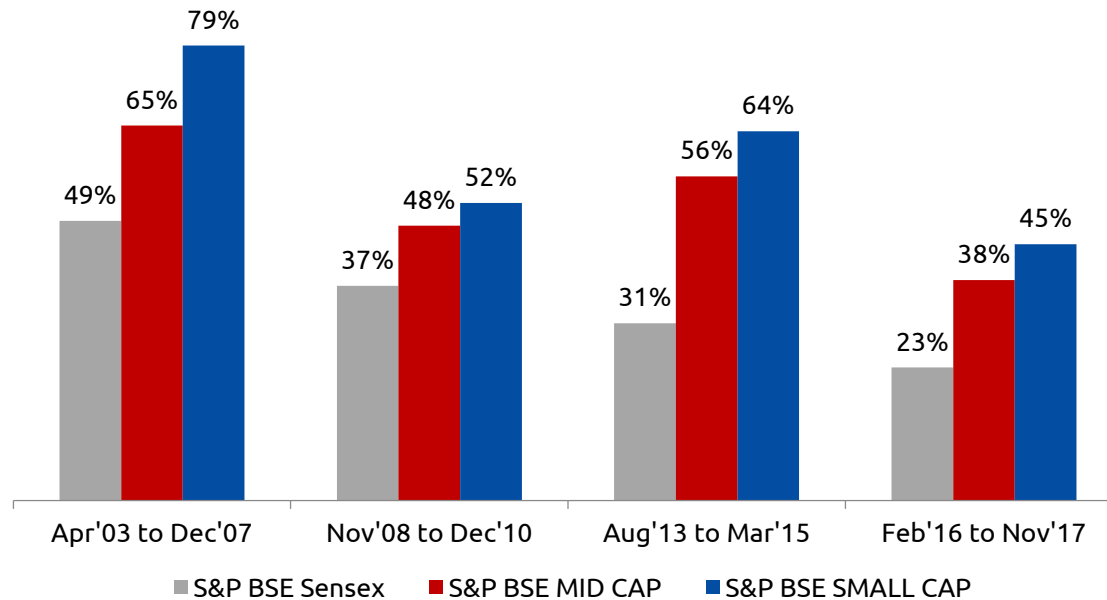


- High Growth Potential / Scalability
- Differentiated Business Model
- Emergence of Educated & Passionate Management
- Niche focus & ability to attract talent in form of Quasi Entrepreneurs & Stock Options

- Under Ownership, Under Researched & Under Covered
- Understanding Value of Market Cap
- Various Modes of Fund Raising
- Emerging Sectors start small – Technology, Retail, Real Estate, Insurance etc

This simultaneous impact on both EPS & PE creates a MULTI BAGGER

# Mid & Small Caps Outperform in Uptrend phases



Note: The returns mentioned above are compounded annualized returns. Only select periods have been considered in making the above graph wherein the markets were up-trending. In down-trending markets, small caps may perform differently from the above depicted data. Past performance may or may not be sustained in future.

- Small cap stocks tend to relatively out-perform during bull markets as seen in the past.
- In previous bull markets they have given much higher return as compared to broader indices.

Source: MFI Explorer



# Nippon India Mutual Fund (NIMF) – Fund Management Expertise

# Strong Processes - Differentiated Investment Approach

550 Stocks  
Covered

30 member  
Equity  
Investment  
Team

400+ Man years in  
Capital Markets  
&  
150 years with  
NIMF

Investment Philosophy: Growth at Reasonable Valuations

Focus on Long Term Wealth creation: Several Businesses held > 5-7 years

Strong Emphasis on In-house Research to create differentiated positioning

Specialized Research – Macro Economic, Fundamental, Sector & Quant

Support Systems – KMS, Quant Tools, Analyst KPI linked to Idea Sharing

# Robust Research Process

- Research Team split into two:
  - Smallcap Team (covering stocks beyond top 300 stocks primarily)
  - Sectoral Team (covering top 300 - 350 stocks by market cap)
- Number of stocks per analyst: 40 - 45
- Analyst output systems to capture calls of varying levels of conviction



# Nippon India Small Cap Fund

# Fund Strategy – Long Term Investment Approach

- ❑ **Relatively high risk/ relatively high return fund**
  - Allocation to small cap stocks - maximizes return potential
  - Tactical allocation to other market caps – aims to minimize risk
  
- ❑ **Right Risk:** Focus on good quality co's with scalable businesses and strong managements currently ignored due to non-fundamental reasons. i.e. 'Right Risk' without compromising on quality.
  
- ❑ **Bottom Up investing** - Attempt to identify winners across sectors/themes
  
- ❑ **Sustained Alpha:**
  - **Differentiated investments in unique high conviction ideas**, driven by internal research capabilities – 'Exclusive Alpha'
  - **Opportunistic investments to benefit from new or changing trends**
  
- ❑ **Risk Management**
  - Focus on ideas with high margin of safety
  - Well diversified portfolio across stocks and sectors
  - Exposure to a single stock not more than 5%
  - Investments are held over longer time periods to smoothen volatility

Note: The current fund philosophy may change in future depending on market conditions or fund manager's views.

# Key Themes

## ❑ Diversified portfolio across investment themes:

- **High Growth:** Good quality companies with reasonable size across range of growth sectors. Will be the core portfolio which can give better than market returns
- **Economic Revival:** Themes which can benefit from economic revival and govt. policy actions
- **Thematic plays:** Bets on changing consumption habits, global trends, etc.
- **Value investments:** Investments in quality companies available at significant discount to core value and which can turnaround over the medium term

Note: The current fund philosophy may change in future depending on market conditions or fund manager's views.

# Concentration Analysis (As on March 31, 2021)

Top 10 Holdings	Weightage
Deepak Nitrite Limited	5.11%
Tube Investments of India Limited	3.23%
Bajaj Electricals Limited	2.71%
Orient Electric Limited	2.67%
Navin Fluorine International Limited	2.57%
Birla Corporation Limited	2.17%
Affle (India) Limited	2.12%
Honeywell Automation India Limited	1.96%
CreditAccess Grameen Limited	1.92%
Tata Consumer Products Limited	1.84%

Top 10 Sectors	Weightage
Chemicals	10.88%
Software	9.61%
Consumer Non Durables	9.26%
Consumer Durables	8.78%
Auto Ancillaries	6.48%
Industrial Capital Goods	6.39%
Industrial Products	4.90%
Pharmaceuticals	4.36%
Finance	3.82%
Capital Markets	2.73%

The sectors mentioned in the table is not a recommendation to buy/sell in the said sectors. The scheme currently holding investments in the said sectors may or may not have future position in the same. The stocks mentioned form a part of the portfolio of the scheme and may or may not form a part of the portfolio in future. Please read Scheme Information Document carefully for more details and risk factors.

# Scheme Performance

NAV as on Mar 31, 2021: Rs 59.1544

Particulars	CAGR %			
	1 Year	3 Years	5 Years	Since Inception
Nippon India Small Cap Fund	117.42	10.88	19.44	18.36
B:Nifty Smallcap 250 TRI	118.68	4.59	12.67	9.19
AB:S&P BSE Sensex TRI	69.82	15.81	15.73	10.78
<b>Value of ₹10000 Invested</b>				
Nippon India Small Cap Fund	21,742	13,646	24,317	59,155
B:Nifty Smallcap 250 TRI	21,868	11,447	18,160	25,276
AB:S&P BSE Sensex TRI	16,982	15,559	20,773	29,433

## Fund Manager : Samir Rachh (Since Jan 2017)

Since Inception Date - 16/09/2010

Different plans shall have a different expense structure. The performance details provided herein are of Growth Plan (Regular Plan).

Source : MFI Explorer, As on Mar 31, 2021

**B:** Benchmark, **AB:** Additional Benchmark, **TRI:** Total Return Index

**Past performance may or may not be sustained in future** and the same may not necessarily provide the basis for comparison with other investment. Performance of the schemes (wherever provided) are calculated basis CAGR for the past 1 year, 3 years, 5 years and since inception. In case, the start/end date of the concerned period is non-business day (NBD), the NAV of the previous date is considered for computation of returns. TRI - Total Returns Index reflects the returns on the index arising from (a) constituent stock price movements and (b) dividend receipts from constituent index stocks, thereby showing a true picture of returns.



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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

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**Nippon *india* Mutual Fund**

Wealth sets you free

Thank you for your time!