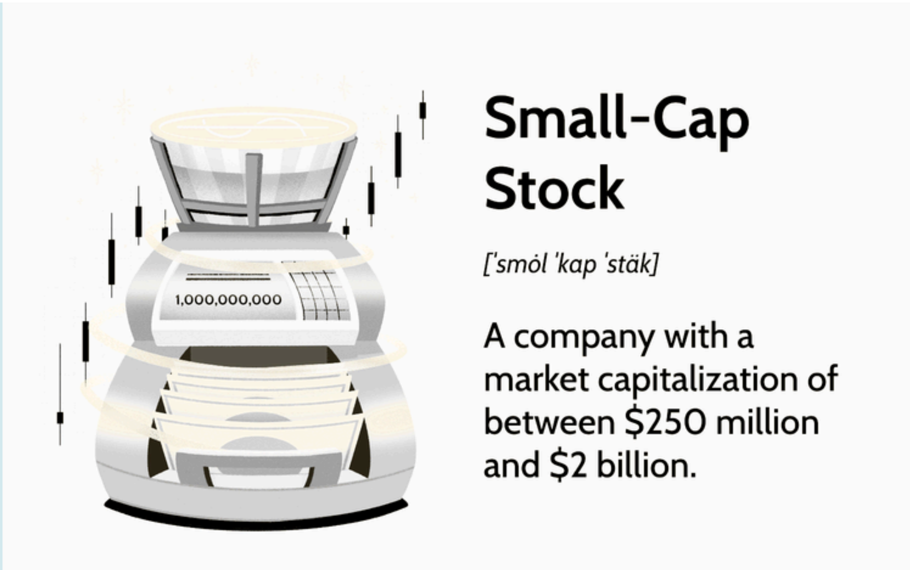
SMALL CAP FUND



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WHAT IS A MUTUAL FUND?

A mutual fund is a pool of money collected from many investors to invest in stocks, bonds, or other assets. It is managed by a professional fund manager who decides where to invest, when to buy, and when to sell. Mutual funds are a simple way for people to grow their money without having to manage investments themselves.

📚MUTUAL FUND CATEGORIES:-

EQUITY MUTUAL FUNDS

● Invest mainly in stocks (shares) of companies
● Suitable for long-term wealth creation
● Sub-types: Large Cap Fund – Big, stable companies
● Mid Cap Fund – Medium-sized growing companies
● Small Cap Fund – Small, high-growth potential companies
● Multi Cap / Flexi Cap Fund – Mix of all cap sizes
● ELSS (Tax Saving) – Equity fund with tax benefits under 80C
Debt Mutual Funds

DEBT MUTUAL FUNDS

● INVEST IN FIXED INCOME INSTRUMENTS LIKE BONDS, DEBENTURES, GOVERNMENT SECURITIES
● SAFER THAN EQUITY FUNDS, WITH STABLE RETURNS
● GOOD FOR SHORT TO MEDIUM TERM GOALS
● **SUB-TYPES:**
1. LIQUID FUNDS
2. SHORT-TERM FUNDS
3. CORPORATE BOND FUNDS
4. GILT FUNDS

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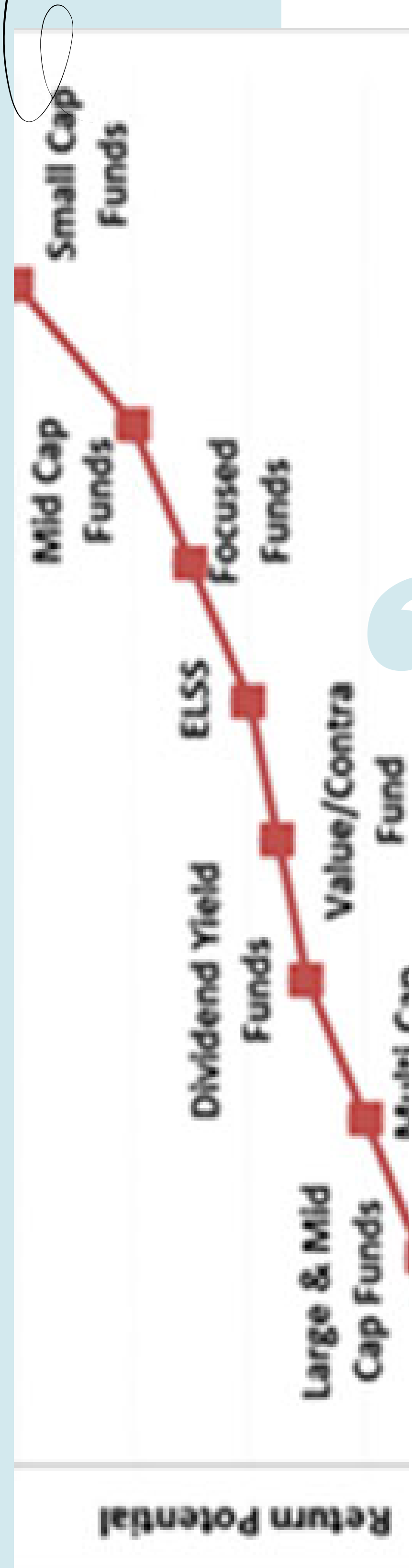
UNDERSTANDING SMALL-CAP MUTUAL FUNDS

- SMALL-CAP MUTUAL FUNDS PRIMARILY INVEST IN STOCKS OF COMPANIES WITH SMALLER MARKET CAPITALISATIONS, TYPICALLY RANKED 251ST AND BEYOND IN TERMS OF MARKET CAPITALISATION IN INDIA. THESE COMPANIES ARE USUALLY IN THEIR EARLY TO GROWTH STAGES AND HAVE THE POTENTIAL TO BECOME TOMORROW'S MID-CAP AND LARGE-CAP LEADERS.

- SMALL-CAP FUNDS ARE KNOWN FOR OFFERING THE HIGHEST GROWTH POTENTIAL AMONG ALL EQUITY FUND CATEGORIES. HOWEVER, THEY ALSO CARRY SIGNIFICANTLY HIGHER RISK AND VOLATILITY COMPARED TO LARGE-CAP AND MID-CAP FUNDS. BECAUSE OF THIS RISK-RETURN PROFILE, SMALL-CAP FUNDS ARE BEST SUITED FOR AGGRESSIVE INVESTORS WHO HAVE A HIGH RISK APPETITE AND A LONG-TERM INVESTMENT HORIZON OF 5 TO 7 YEARS OR MORE.

GROWTH POTENTIAL:

Small-cap companies are often in the early phase of their business cycle. They have substantial room for expansion, scalability, and innovation. When the economy is doing well and liquidity is abundant, these companies can deliver significantly higher returns than large-cap and mid-cap companies. Many successful Indian businesses that are large today started as small-cap companies.



MARKET CAPITALISATION :

As per SEBI guidelines, companies that rank 251st onwards by market capitalisation are classified as small-cap companies. These are generally businesses with market capitalisation below ₹5,000–₹7,000 crore (this threshold changes with market conditions).

DIVERSIFICATION:

Investing in small-cap funds provides excellent portfolio diversification. It gives exposure to emerging sectors, new business ideas, and high-growth companies that are not heavily represented in large-cap or mid-cap funds. This helps reduce over-dependence on a few large companies and captures the growth story of India's entrepreneurial ecosystem.

HIGH CONVICTION OPPORTUNITY:

Small-cap segment offers a wider universe of stocks for fund managers to choose from, allowing skilled fund managers to generate alpha (extra returns) through detailed research and early identification of future winners.

ASSOCIATED RISKS AND VOLATILITY:

Small-cap funds can grow your money faster, but they also carry substantially more risk. Small-sized companies are more affected by economic changes, have lower liquidity, and experience sharper price movements.

1. ECONOMIC SENSITIVITY:

Small companies are highly sensitive to changes in economic conditions, interest rates, and policy shifts.

2. MARKET VOLATILITY :

Small-cap stocks experience much sharper price swings during market downturns or upturns compared to larger companies.

3. LIQUIDITY RISK

Many small-cap stocks have significantly lower trading volumes, making them less liquid and potentially harder to sell during market stress.

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ROLE OF FUND MANAGERS:

The expertise of a fund manager is crucial for small-cap funds. They are responsible for identifying promising small-sized companies with strong growth prospects, rigorous due diligence, managing high portfolio risk, and navigating market complexities to generate optimal returns for investors.

STOCK SELECTION : -

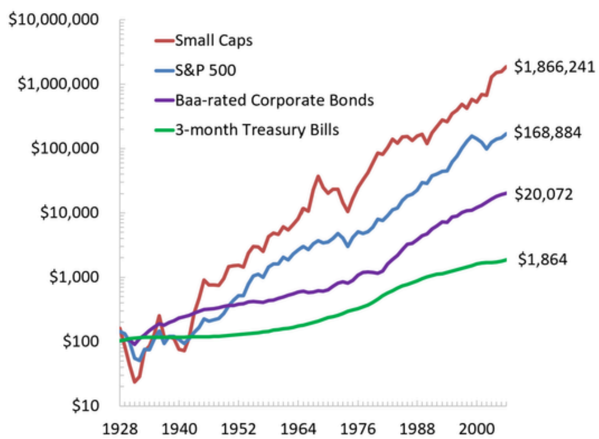
Identifying undervalued or high-growth small-cap companies with strong fundamentals.

RISK MANAGEMENT : -

Implementing strategies to mitigate the inherent high risks of small-cap investments.

PERFORMANCE TRACKING : -

Continuously monitoring and adjusting the portfolio based on market conditions.



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TOP INDIAN AMCS FOR SMALL-CAP FUNDS:

Several Asset Management Companies (AMCs) in India offer well-performing small-cap funds. Their track record, fund manager experience, and investment philosophy are key factors to consider when choosing an AMC.

1. MIRAE ASSET MUTUAL FUND

SMALL-CAP SCHEME: MIRAE ASSET SMALL CAP FUND FUND MANAGER(S): VARUN GOEL (AND TEAM)
AUM: ~₹3,300+ CRORE
ABOUT: RELATIVELY NEW BUT BACKED BY MIRAE'S STRONG EQUITY RESEARCH. FOCUSES ON QUALITY SMALL-CAP GROWTH STORIES.
STRATEGY: BOTTOM-UP APPROACH WITH EMPHASIS ON SUSTAINABLE GROWTH AND LONG-TERM POTENTIAL

2. UNION MUTUAL FUND SMALL-CAP

SCHEME: UNION SMALL CAP FUND FUND **MANAGER(S):** PRATIK DHARMSHI & GAURAV CHOPRA
AUM: ~₹1,666 CRORE
ABOUT: CONSISTENT PERFORMER WITH A BALANCED APPROACH IN THE SMALL-CAP SPACE.
STRATEGY: RESEARCH-DRIVEN SELECTION OF SMALL-CAP LEADERS WITH STRONG FUNDAMENTALS AND EARNINGS VISIBILITY.

3. ICICI PRU. SMALLCAP FUND:

MANAGER(S): RAJAT CHANDAK & TEAM (MULTIPLE) **AUM:** ~₹7,500+ CRORE
ABOUT: ONE OF THE ESTABLISHED PLAYERS WITH A LARGE AND DIVERSIFIED SMALL-CAP PORTFOLIO. STRONG TRACK RECORD.
STRATEGY: MIX OF GROWTH AND VALUE OPPORTUNITIES, DISCIPLINED RISK MANAGEMENT

4. INVESCO MUTUAL FUNDSMALL-CAP :

I**NVESCO INDIA SMALLCAP FUND**
FUND MANAGER(S): TAHER BADSHAH & PRANAV GOKHALE / ADITYA KHEMANI
AUM: ~₹9,200+ CRORE
ABOUT: KNOWN FOR STRONG PERFORMANCE AND ACTIVE MANAGEMENT IN SMALL-CAPS.
STRATEGY: HIGH-CONVICTION PICKS, FOCUS ON COMPANIES WITH SCALABLE BUSINESS MODELS AND GOOD GOVERNANCE.

5. SUNDARAM MUTUAL FUNDSMALL-CAP:

SUNDARAM SMALL CAP FUND
FUND MANAGER(S): ROHIT SEKSARIA
AUM: ~₹2,980+ CRORE
ABOUT: LONG-STANDING FUND WITH EXPERIENCE IN SMALL-CAP INVESTING.
STRATEGY: FOCUS ON QUALITY SMALL-CAP COMPANIES WITH STRONG MANAGEMENT AND LONG-TERM GROWTH POTENTIAL.

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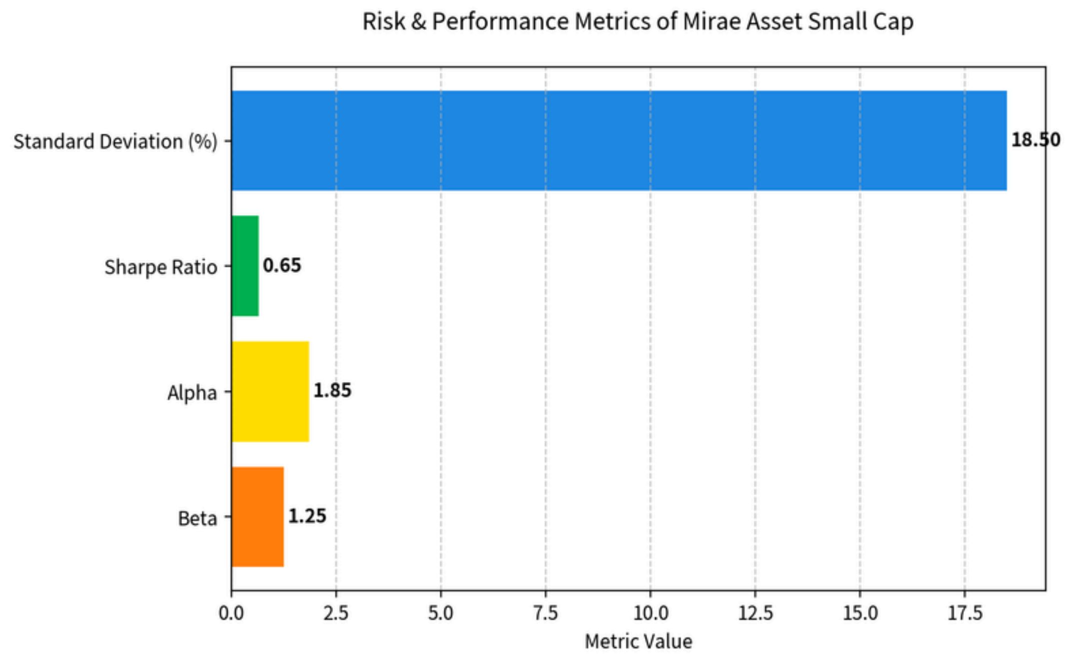
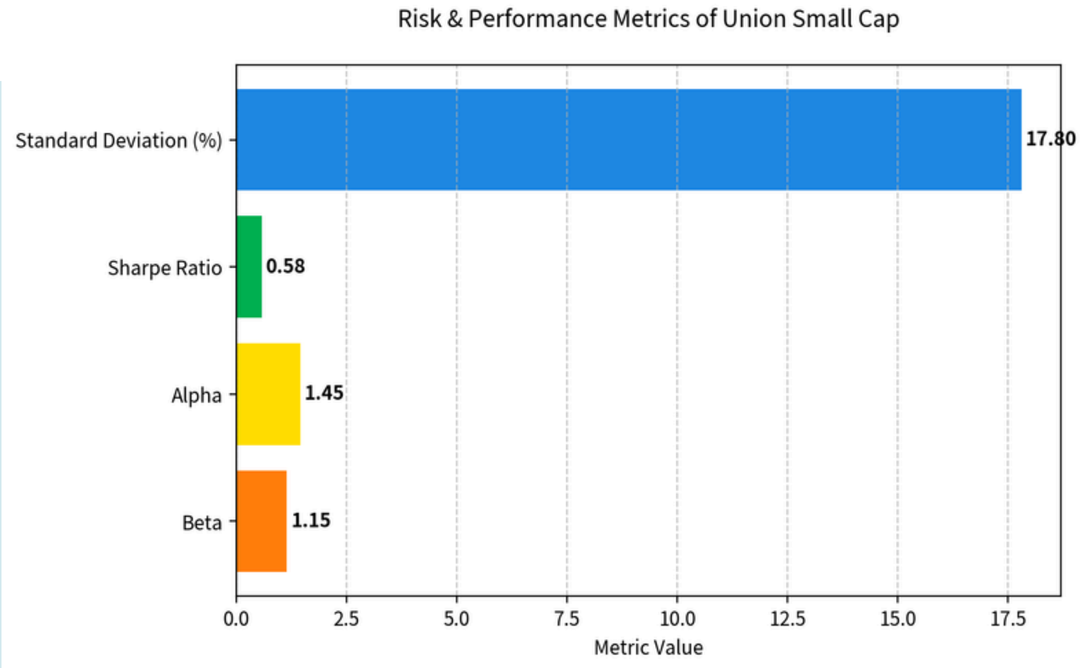
VOLATILITY MEASURES AND PERFORMANCE:

1. Mirae Asset Small Cap Fund : -



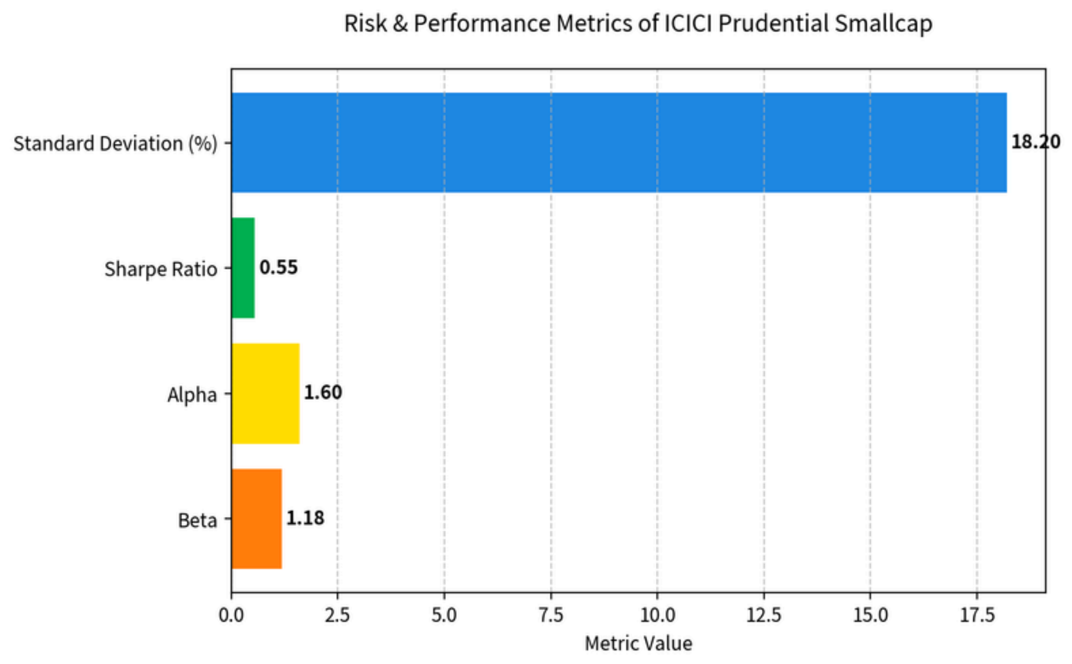
The chart shows key risk and performance metrics. The standard deviation of 18.50% indicates high volatility, typical of small-cap funds. A Sharpe ratio of 0.65 suggests moderate risk-adjusted returns. The alpha value of 1.85 reflects good outperformance. Beta of 1.25 shows higher volatility than the market. Suitable for investors with high risk appetite.

2. Union Small Cap Fund



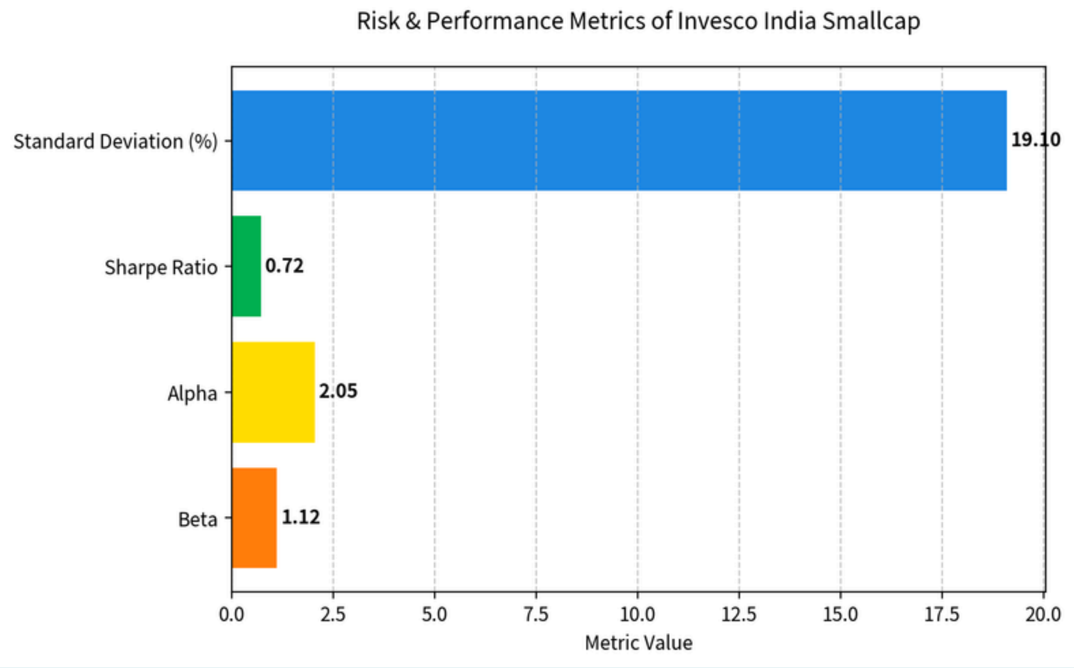
The chart shows key risk and performance metrics. The standard deviation of 17.80% indicates high volatility. A Sharpe ratio of 0.58 suggests moderate risk-adjusted returns. Alpha of 1.45 shows outperformance. Beta of 1.15 indicates slightly higher market sensitivity.

3. ICICI Prudential Smallcap Fund



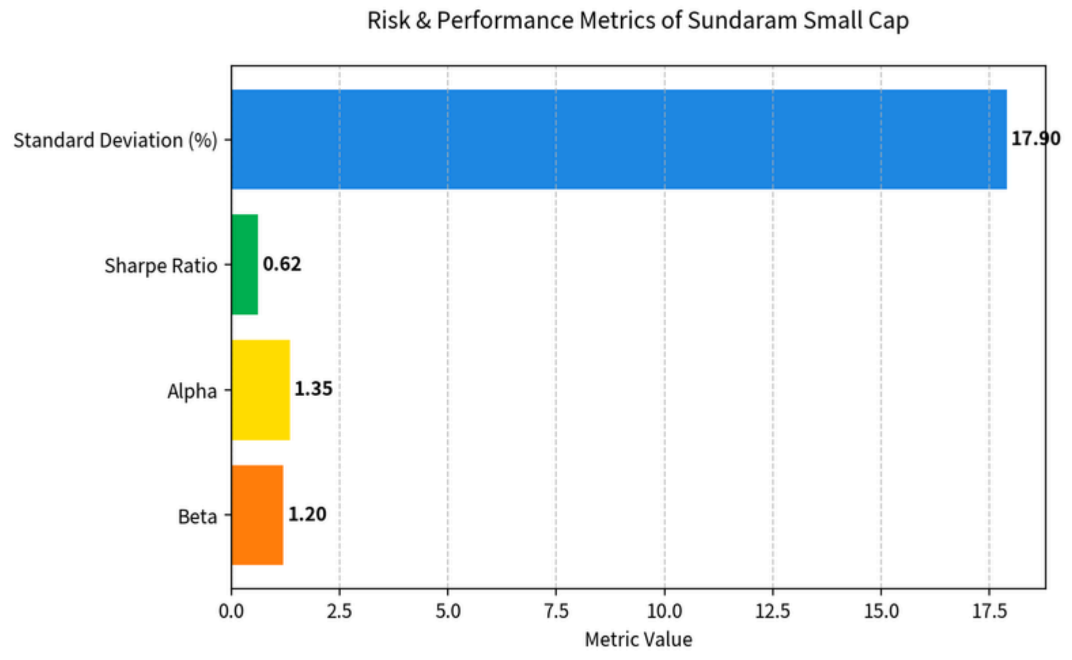
The chart shows key risk and performance metrics. Standard deviation of 18.20%. Sharpe ratio 0.55. Alpha 1.60. Beta 1.18. A large and trusted fund with strong stock selection.

4. Invesco India Smallcap Fund



The chart shows key risk and performance metrics. Standard deviation of 19.10%. Sharpe ratio 0.72 (better risk-adjusted). Alpha 2.05 (strong outperformance). Beta 1.12.

5. Sundaram Small Cap Fund



The chart shows key risk and performance metrics. Standard deviation of 17.90%. Sharpe ratio 0.62. Alpha 1.35. Beta 1.20.

CONCLUSION : -

This report provides a clear understanding of small-cap funds and highlights the performance of top AMCs in this category: Mirae Asset, Union, ICICI Prudential, Invesco, and Sundaram.

In essence, small-cap funds offer the highest growth potential among equity categories but with significantly higher volatility and risk. While they generally exhibit more volatility than large or mid-cap funds, their historical performance through active management and strategic stock selection can deliver superior long-term returns. The analysis of these top AMCs shows they effectively navigate the challenging small-cap space, offering investors a diversified and professionally managed avenue to participate in the growth of emerging Indian companies.

Investors should have a high risk tolerance and long investment horizon (5-7+ years).

Thank You

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