

# SMALL THINGS. BIG IMPACT.

**SMALL-CAPS** IN SMALL STEPS



## EDELWEISS SMALL CAP FUND

(An Open Ended Scheme predominantly investing in Small Cap Stocks)

Invest in **Edelweiss Small Cap Fund** in small steps through a unique **Smart Trigger enabled Plan\***  
It helps you invest in a staggered manner and mitigates market timing risk

**NFO PERIOD: Jan 18, 2019 to Feb 1, 2019**



## Small-Caps in Small STePs

While small-cap stocks may have started looking attractive, looking at the market volatility and other macro and political factors no one can predict the bottom

**Invest in Edelweiss Small Cap Fund in a staggered way through STeP (Smart Trigger enabled Plan) and reduce timing risk**

**Smart**

Through STeP facility investors can spread their investment in Edelweiss Small Cap Fund in 5 equal monthly instalments

**Trigger enabled**

Under this feature 20% of the application money will be invested upfront in Edelweiss Small Cap Fund

**Plan**

Remaining 80% will be invested in Edelweiss Liquid Fund and will switch to Edelweiss Small Cap Fund in 4 equal monthly instalments on market dips



## Let's understand – STeP

### STeP Facility (Smart Trigger enabled Plan)

On Allotment – Feb-19

**1<sup>st</sup>**  
Investment

**20%**

Investment in Edelweiss Small Cap Fund directly  
Remaining 80% will be invested in Edelweiss Liquid Fund – Growth Option and will be subsequently switch into Edelweiss Small Cap Fund

Mar-19

**2<sup>nd</sup>**  
Instalment

**20%**

3% fall in small-cap index from the date of allotment or on the last business day of the month if trigger does not hit

Apr-19

**3<sup>rd</sup>**  
Instalment

**20%**

Further 3% fall in small-cap index from the date of allotment or on the last business day of the month if trigger does not hit

May-19

**4<sup>th</sup>**  
Instalment

**20%**

Further 3% fall in small-cap index from the date of allotment or on the last business day of the month if trigger does not hit

Jun-19

**5<sup>th</sup>**  
Instalment

**20%**

Further 3% fall in small-cap index from the date of allotment or on the last business day of the month if trigger does not hit



## Why now ?

Investing in small-caps has been rewarding when last one year returns are negative. Currently small-cap Index is down over 28% in last one year and this may be a good time to invest

53% small-cap stocks have fallen more than 30% from their peak. This provides good opportunity for picking quality small-cap stocks

Last 1yr return (Small-Cap Index)	Subsequent 5yr Average Return (Absolute)
From -30% to -20%	90%
From -20% to -10%	102%
From -10% to 0%	92%
From 0 to 10%	74%
From 10% to 20%	38%
From 20% to 30%	32%

Rolling return analysis done using nifty smallcap 100 index since Jan 2004 till Dec 2018

Fall from peak	% Stocks
Less than 10%	4
10% to 20%	2
20% to 30%	16
30% to 50%	53
More than 50%	25
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NSE small cap 250 index used for the above analysis. Data as on Dec 2018.



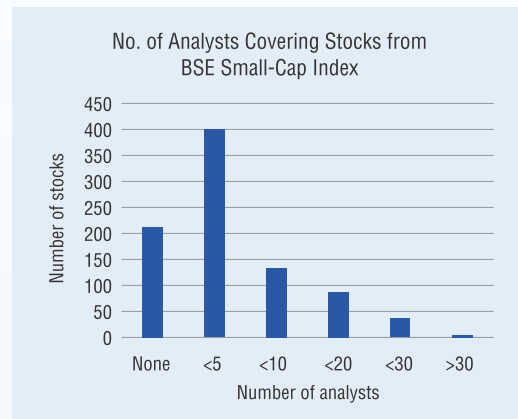
## Why invest in Small-Cap ?

### Relatively higher alpha:

- Quality small-caps outperform as they show stronger earnings growth compared to large-caps
- Out of 870 stocks in BSE small-cap Index more than 400 stocks covered by less than 5 analysts providing edge to fund manager in generating alpha

### Wider scope to invest:

- Over 2500 stocks are available in small-cap segment across many unique sectors not covered by large-caps



Data source: Bloomberg. S&P BSE Small-cap Index considered for this analysis. Data as on Dec-18

### Growth stories unique to small-caps



#### Industrial / Infra Sector

- Small-cap stocks account for 69% of companies and 27% of market cap
- Sector shall do well over medium term as it is levered to acceleration in economic growth



#### Chemicals Companies

- 83% of listed chemical companies are small-caps accounting for 50% of market cap
- These companies continue to gain market share from China in select product categories and are expected to do well over medium to long term



#### Staffing Companies

- 2/3rd of the staffing services companies (both in terms of numbers and market cap) are small-caps
- These companies are growing fast and shall continue to do well in medium to long term



## About The Fund

### Investment Objective

The investment objective of the scheme is to generate long term capital appreciation from a portfolio that predominantly invests in equity and equity related securities of small-cap companies

### Investment Strategy



#### Invests predominantly in small-cap companies that are

- Compounding stories with reasonable growth prospects
- High quality businesses with strong return ratios
- Operating in niche environment
- Eye on quality - higher degree of due diligence



#### Aim to benefit from both sources of return

- Compounding of earnings
- Valuation re-rating



#### Asset Allocation

- 65% to 100% into equity and equity related securities of small-cap companies
- 0% to 35% into equity and equity related securities of other companies
- 0% to 35% into debt and money market instruments



## Fund Features

Exit Load	If the Units are redeemed / switched out on or before 365 days from the date of allotment – 1.00% If the Units are redeemed / switched out after 365 days from the date of allotment – Nil
MICR Cheques	Till end of business hours on Feb 1, 2019
RTGS and Transfer Cheques	Till end of business hours on Feb 1, 2019
Switches	Switches from equity schemes and other schemes – Feb 1, 2019; Till cut off time (specified for switch outs in the source scheme)
Plans and Options	Direct and Regular Plan with Growth and Dividend Payout and Sweep
Minimum Application Amount	Rs.5,000/- (plus in multiple of Re.1)
Fund Manager	Harshad Patwardhan
Benchmark	Nifty small-cap 250 TR index

\*Smart Trigger enabled Plan (STeP) is a unique facility that enables investors to invest in the scheme in a staggered manner during the New Fund Offer Period only. For more information about STeP facility, please refer the Application Form.

### Terms & Conditions for STeP Facility:

Smart Trigger enabled Plan ("STeP") is a unique feature that enables investors to invest in the Edelweiss Small Cap Fund ("the Scheme") in a staggered manner. You can opt for this facility only during the New Fund Offer (NFO) Period. Minimum Investment amount under the STeP facility is Rs. 25000/-. Investment for an amount of less than Rs. 25000/- will not be eligible for the STeP facility and will be considered under the Lump Sum purchase option. Through STeP Facility investors can spread their investments equally over 5 monthly instalments, wherein the initial 20% of the investment amount will be considered upfront in the NFO of the Scheme and the remaining 80% will be invested under Edelweiss Liquid Fund - Growth Option as per the NAV applicable on the date of allotment of Edelweiss Small Cap Fund. Post the closure of the NFO of the Scheme, the amount invested under Edelweiss Liquid Fund shall be switched into Edelweiss Small Cap Fund in 4 equal monthly instalments which will be triggered on the basis of 3% fall in the Nifty Small Cap 250 Index on a monthly basis which will be calculated based on the value of the index on the date of initial allotment. Please refer to the illustration table below for more information. In case the above trigger does not occur in a month, 20% of the amount invested during the NFO period will be switched to Edelweiss Small Cap Fund on the last business day of the month. Only one Switch will be triggered in a month. In case of the last instalment under the STeP facility, the entire balance units available in Edelweiss Liquid Fund will be switched in line with points 4 & 5 above. Units will be allotted in Edelweiss Small Cap Fund at the applicable NAV prevalent on the date of Switch. A new folio will be opened for all investments received under the STeP Facility. In case of redemption of units under Edelweiss Liquid Fund during the tenure of the STeP facility, the amount / number of instalments to be switched would stand reduced to the extent of the amount redeemed or in case of full redemption, the facility will be discontinued.

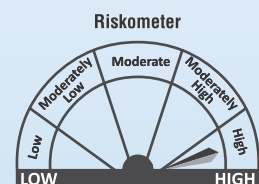
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### Edelweiss Small-Cap Fund is suitable for investors who are seeking\*:

- Long-term capital appreciation
- Investments predominantly in equity and equity related securities of small-cap companies

Offer of Units of Rs.10/- each during the New Fund Offer Period and at NAV based prices upon re-opening

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



Investors understand that their principal will be at high risk



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