

SMALL CAN GROW MIGHTY WITH TIME



Invest in
Principal
Small Cap Fund

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

Available with: **STEP** Aims to protect against sharp fall in market | **AUTO TRIGGER** Shifts appreciated amount to another fund

NFO: 22nd April – 6th May, 2019

FREQUENTLY
ASKED
QUESTIONS





What is STEP facility?

- Smart Trigger Enabled Plan or STEP is a feature that lets you stagger your investments
- It divides and deploys your investment in 4 parts:
 - 25% is invested in the Principal Small Cap Fund and 75% in Principal Cash Management Fund
 - When Nifty Small Cap 100 Index is valued at 1000 points. The value of the index falls by 3% i.e. to 970 points on June 10, 2019, 25% of the amount i.e., Rs. 25,000/- will be switched from Principal Cash Management Fund to Principal Small Cap Fund.
 - However, if the value of the index does not fall by 3% till the last business day of June 2019, then 25% will be switched from Principal Cash Management Fund to Principal Small Cap Fund on the last business day of June 2019.
 - Alternatively, if the index level falls by 3% from the initial allotment date for the first time on July 10, 2019 (i.e. to 970 level), then the July 2019 instalment of 25% will be triggered on that date.
 - Thereafter, if index level falls by additional 3% (from the date of Allotment) from 970 to 940 (i.e. 3% in July 2019 + 3% in August 2019 = 6% fall from allotment day) on August 10, 2019 the final 25% (with any appreciation/depreciation) will be switched to Principal Small Cap Fund.

All the above is tabulated below:

Instalment No.	Month	% of Investment	Trigger
1	Allotment Date (13th May 2019)	25	Allotment of units under Principal Small Cap Fund
2	Jun 2019	25	3% fall in Nifty Small Cap 100 Index from the date of initial allotment or last business day of the Month (if STEP did not activate during the month)
3	Jul 2019	25	Further 3% (total 6%) fall in Nifty Small Cap 100 Index from the date of initial allotment or last business day of the Month (if STEP did not activate during the month)
4	Aug 2019	25*	Further 3% (total 9%) fall in Nifty Small Cap 100 Index from the date of initial allotment or last business day of the Month (if STEP did not activate during the month)



What are benefits of STEP facility?

STEP aims to facilitate the investors of Principal Small Cap Fund in taking advantage of the downfall in the Index i.e. Nifty Small Cap 100. In a scenario when the market correction is 3% or more on cumulative basis from the date of Allotment, the investments are moved from Principal Cash Management Fund to Principal Small Cap Fund. This facility reduces the market timing related risk for the investors.



What is Minimum investment amount for STEP facility?

Minimum Investment amount under the STEP Facility is Rs. 25,000/-. If the investment amount is less than Rs 25000/- under STEP facility, then such application will be considered under the lump sum purchase option.



Can investors invest in STEP Facility under existing Folio?

Yes. However, a new folio will be created for investments received under STEP facility in Principal Small Cap Fund NFO.



Do investors need to fill sperate form to avail STEP Facility?

Yes. Once the STEP box is ticked in Section 4 of the NFO form, the applicant must fill up the STEP Facility Form. In this form, the applicant and joint holder (if any), must mention Name & PAN number in the relevant box. tick the consent box and then duly sign.



What is the Allotment and Reopening Date of Principal Small Cap Fund?

- Allotment Date: 13th May, 2019
- Reopening Date: 15th May, 2019



How many STEP Installments can happen in a month?

- Maximum 1 STEP instalment in any month



Can investor discontinue STEP facility post allotment?

- Yes, by opting for full redemption/ switch out from Principal Cash Management Fund



What If investors don't fill the STEP Facility Form?

Following table illustrates various scenarios for units to be allocated under STEP

In NFO application form	STEP Facility Form	Cheque Drawn on	Unit Allotment
STEP box ticked	Ticked, Signed & Submitted	Principal STEP Facility	Principal STEP Facility
STEP box ticked	Ticked, Signed & Submitted	Principal Small Cap Fund	Principal Small Cap Fund
STEP box ticked	Form not Submitted	Principal STEP Facility	Principal Small Cap Fund
LUMPSUM box ticked	Ticked, Signed & Submitted	Principal STEP Facility	Principal Small Cap Fund
LUMPSUM box ticked	Ticked, Signed & Submitted	Principal Small Cap Fund	Principal Small Cap Fund
LUMPSUM box ticked	Form not Submitted	Principal STEP Facility	Principal Small Cap Fund
BLANK	Ticked, Signed & Submitted	Principal STEP Facility	Principal Small Cap Fund
BLANK	Ticked, Signed & Submitted	Principal Small Cap Fund	Principal Small Cap Fund
BLANK	Form not Submitted	Principal STEP Facility	Principal Small Cap Fund



For STEP & Lumpsum, cheque should be drawn on what?

- For STEP-“Principal STEP Facility”
- For Lumpsum-“Principal Small Cap Fund NFO”

Refer to above table for different scenarios



What will happen if investor redeems post allotment of units under STEP Facility?

In case of redemption of units under source scheme i.e. Principal Cash Management 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.

Example:

Explanation as to how amount/
installment would stand
reduced if redeemed from
Principal Cash Management Fund



Assumptions

1

Amount invested during NFO

100000

2

STEP facility selected

3

25% will be invested Principal Small Cap Fund

25000

4

75% will be invested in Principal Cash
Management Fund

75000

5

For simplicity and convenience to explain
the example

- The date of fall in the month is assumed as the last date of
the month and which is not a holiday

- Any appreciation / depreciation amount to 75% of
investment in Principal Cash Management Fund is not taken
into consideration.



Scenario 1:

STEP amount reduced at the time of processing last instalment from Principal Cash Management Fund

Event	Action	Amount
Index fall on 30 June 19	First STEP - Switch out from Principal Cash Management Fund	25000
Index fall on 31 July 19	Second STEP - Switch out from Principal Cash Management Fund	25000
Redemption on 5 Aug 19	Redemption in amount from Principal Cash Management Fund	10000
Index Fall on 31 Aug 19	Third STEP - Switch out from Principal Cash Management Fund	15000



Scenario 2:

STEP amount and Instalment reduced when redeemed from Principal Cash Management Fund

Event	Action	Amount
Index fall on 30 June 19	First STEP - Switch out from Principal Cash Management Fund	25000
Redemption on 5 July 19	Redemption in amount from Principal Cash Management Fund	40000
Index fall on 31 July 19	Second STEP - Switch out from Principal Cash Management Fund	10000



What will be the exit load on investments coming in through STEP facility?

For switches from Cash Management Fund, load as applicable to redemptions from Cash Management Fund will be applicable. Currently, there is no exit load for redemptions/switch outs from Cash Management Fund.



What if, there is no fall in index? Then how will the STEP work?

If there is no fall in index, the STEP instalment will be triggered on the last date of the month. In case the last date of the month is non-business day, then the STEP function will get activated on a day preceding the non-business day. Please refer Page simulation 1 as to how the same works.



How does STEP work in different scenarios?

Simulation of STEP Facility

SIMULATION – 1: In case there no fall in Index

MONTH	INDEX FALL DATE	INDEX FALL	TRIGGER DATE	TRIGGER
May 2019		NA	13th May 2019	25%
Jun 2019	-	NIL	28th Jun 2019	25%
Jul 2019	-	NIL	31st Jul 2019	25%
Aug 2019	-	NIL	30th Aug 2019	25%

SIMULATION – 2: When index falls more than -3% every month

MONTH	INDEX FALL DATE	INDEX FALL	TRIGGER DATE	TRIGGER
May 2019		NA	13th May 2019	25%
Jun 2019	7th Jun 2019	-3%	7th Jun 2019	25%
Jul 2019	3rd Jul 2019	-3%	3rd Jul 2019	25%
Aug 2019	16th Aug 2019	-3%	16th Aug 2019	25%



How does STEP work in different scenarios?

Simulation of STEP Facility

SIMULATION – 3: When Index falls over different months leads to -3%

MONTH	INDEX FALL DATE	INDEX FALL	TRIGGER DATE	TRIGGER
May 2019		NA	13th May 2019	25%
Jun 2019	-	NIL	28th Jun 2019	25%
Jul 2019	3rd Jul 2019	-2%	31st Jul 2019	25%
Aug 2019	16th Aug 2019	-1% (Total fall since allotment is 3%)	16th Aug 2019	25%

SIMULATION – 4: When Index falls over different months leads to -3%

MONTH	INDEX FALL DATE	INDEX FALL	TRIGGER DATE	TRIGGER
May 2019		NA	13th May 2019	25%
Jun 2019	7th Jun 2019	-3%	7th Jun 2019	25%
Jul 2019	3rd Jul 2019	-1%	31st Jul 2019	25%
Aug 2019	16th Aug 2019	-2% (Total fall since allotment 3%+3%=6%)	16th Aug 2019	25%

SIMULATION – 5: When index falls more than -3% multiple times in same month

MONTH	INDEX FALL DATE	INDEX FALL	TRIGGER DATE	TRIGGER
May 2019		NA	13th May 2019	25%
Jun 2019	-	NIL	28th Jun 2019	25%
Jul 2019	3rd Jul 2019	-3%	3rd Jul 2019	25%
Jul 2019	10th Jul 2019	-1%	-	-
Jul 2019	18th Jul 2019	-2%	-	-
Aug 2019	1st Aug 2019	- (Total Fall in previous month was 6%)	1st Aug 2019	25%



Can investors opt for STEP facility after the NFO

No. STEP facility is available exclusively during NFO period



Can investors switch out from existing investments in Principal Funds to Principal Small Cap Fund and avail for STEP facility

Yes, existing investors can switch out their existing investments to Principal Small Cap Fund and avail for STEP facility under NFO.



If investor has invested via STEP facility, can he/she discontinue the feature in between?

Yes. By opting for Full Redemption from the Principal Cash Management Fund



What is Auto Trigger Facility?

Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors on the date of happening of the event. A trigger will activate a transaction/alert when the event selected for, has reached a value greater or less than the specified particular value (trigger point).



When will Auto Trigger exactly occur?

Consider the following example: Mr. A bought some units and the NAV on the date of allotment is Rs 12. Now if Mr. A decides that he wants to redeem all his units when the NAV reaches Rs 13 he has to keep track of the NAV daily and then send a redemption request within a stipulated time period to get the redemption returns at the NAV of the intended day.

Now instead of keeping a track of the NAV every day and keep to the timeline, Mr. A can set a Trigger: To redeem all units when NAV is Rs 13 or more.

Now the AMC will keep track on behalf of Mr. A and redeem his units for him, on the day when the NAV reaches Rs 13 or more.

Thus Trigger provides a convenient and useful financial planning tool.



How one can use Trigger Facility?

This helps the unitholders to minimize the loss and/or timely book the profits. Also trigger is an additional facility provided to the unitholders to save time on completing the redemption/switch formalities on happening of a particular predetermined event.



What are the different kinds of triggers available to the investor?

The NFO application form has the Auto Trigger Facility to Switch appreciated amount to any other Principal Fund's. For other Trigger options available under the scheme, investors may refer the SID. They can fill the Trigger form available on the website to opt for any other trigger options.



What is the registration time of Trigger?

7 days is the registration time for Trigger facility

**Is trigger Option available Post Principal Small Cap NFO?**

Yes. Trigger is an ongoing option in Principal Small Cap Fund.

**Which NAV will be used for Trigger both for source and target scheme?**

For trigger amount less than Rs. 2 lakhs, NAV as on the date of Index Fall will be applicable.

For trigger amount of Rs. 2 Lakh and above, switch-out NAV of the same day from Cash Management Fund and Switch-in NAV will be of next T+1 business Day.

**If investors want to switch from existing scheme, what form they must submit?**

Investor must submit NFO Application Form, Mention Existing Folio Number, choose investment option under section 4 and then proceed to Section 5B. **In case STEP box is ticked, then duly filled Principal STEP Facility Form should be submitted along with payment instrument which should be in the name of Principal STEP Facility.**

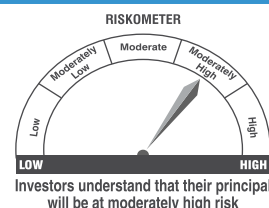
PRINCIPAL SMALL CAP FUND

(An Open Ended Equity Scheme predominantly investing in small cap stocks)

This product is suitable for investors who are seeking~

- Long term Capital Growth.
- Predominantly investment in equity and equity related instruments of small cap companies.

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



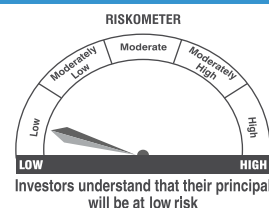
PRINCIPAL CASH MANAGEMENT FUND

(An Open Ended Liquid Scheme)

This product is suitable for investors who are seeking~

- Income over a short term investment horizon.
- Investment in Debt & Money Market Instruments, with maturity not exceeding 91 days.

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



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