

# CATCH THEM YOUNG

Introducing

**Bandhan Nifty Smallcap 250 Index Fund**

**Invest Now**

**NFO Opens: 12<sup>th</sup> December 2023**

**NFO Closes: 19<sup>th</sup> December 2023**



## **Bandhan Nifty Smallcap 250 Index Fund**

(An open ended scheme tracking Nifty Smallcap 250 Index)

This product is suitable for investors who are seeking\*:

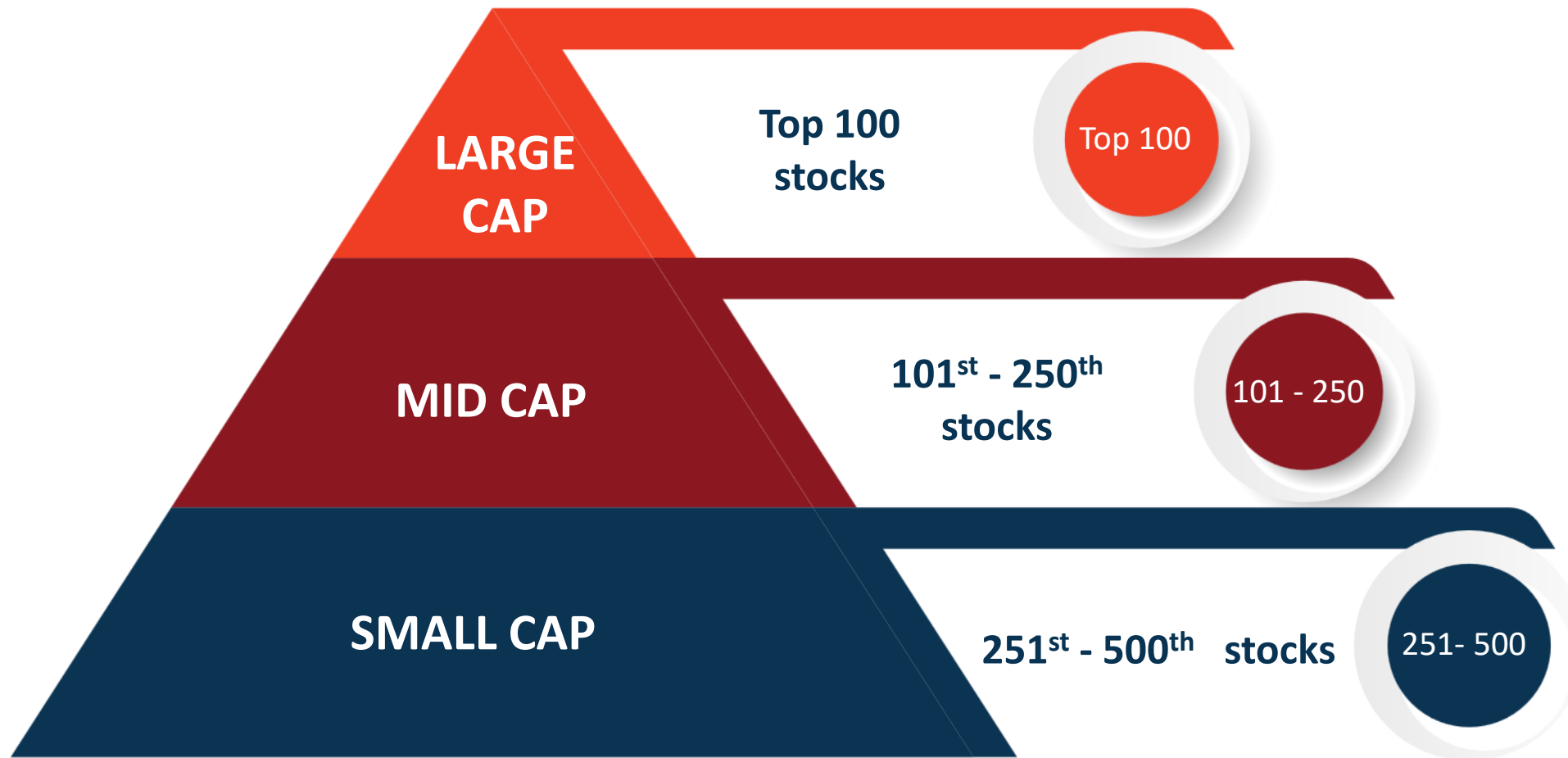
- To create wealth over a long term.
- Investment in equity and equity related instruments belonging to Nifty Smallcap 250 Index

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

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

# What are Small caps?

Small caps are stocks ranked 251-500 from the top 500 based on total market capitalization.

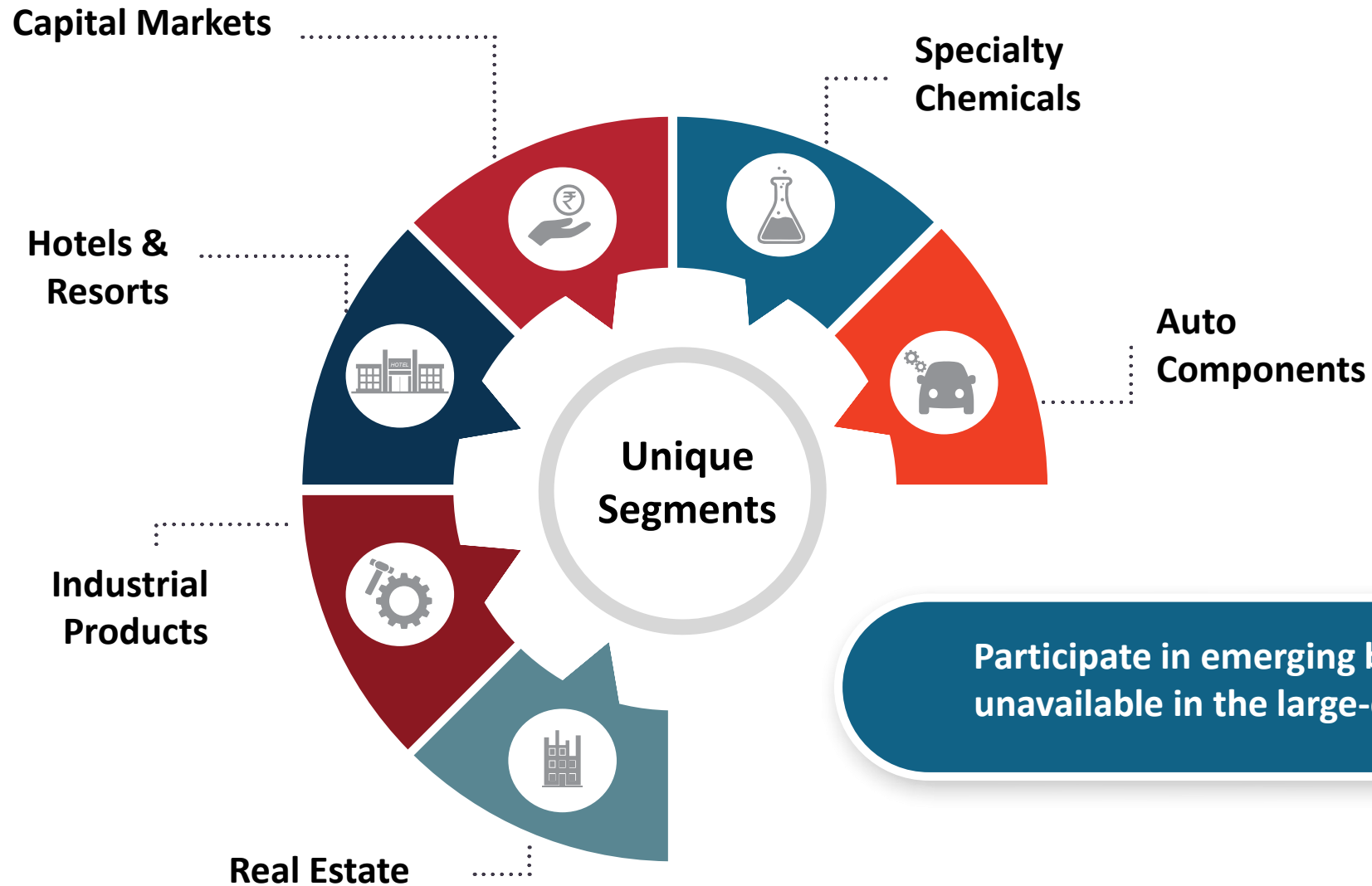


Source/Disclaimer: Data as on 30<sup>th</sup> November 2023. Small-cap definition based on NSE Methodology. For detailed index methodology, visit <https://www.niftyindices.com/>. The above chart is used to explain the concept and is for illustration purpose only. It should not be used for the development of investment strategy.



# The case for Small caps

# 1. Small Caps: Gateway to emerging businesses not available in Large caps



Participate in emerging businesses unavailable in the large-cap space.

Source/Disclaimer- NSE, AMFI classification. Data as of 30<sup>th</sup> November 2023. Industry/Sub-industry classification based on industry classification by AMFI. The industry/sub-industry mentioned above is for illustration purposes only and should not be used for the development/implementation of investment strategy. It may not be construed as investment advice to any party.

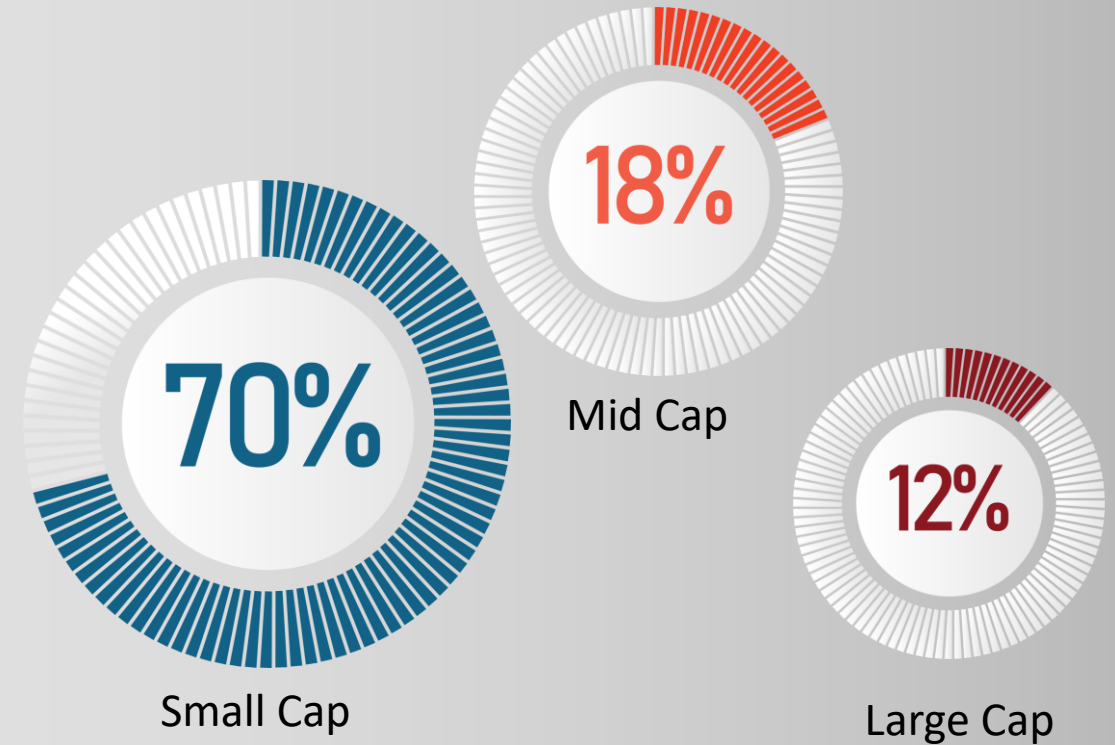
# 1. Unique industries in Small caps, poised to benefit from emerging themes

Broad-Theme	Emerging Themes	Key Industries
<b>Make-in-India/PLI Scheme*</b>	Energy Transition	Automotive Parts & Equipment
	Import Substitution	Specialty Chemicals, Consumer Electronics, Industrial Machinery
	Export Industries	Textiles
<b>Traditional Growth Areas</b>	Domestic consumption	Hotels & Resorts, Automobile manufacturers
	Manufacturing	Industrial products
<b>Digitalization</b>	Internet	Online travel bookings, Transaction & Payment processing services
<b>Other Themes</b>	Healthcare	Healthcare, Biotechnology
	Financialization	Capital Markets, Financial services, Real Estate

Source/Disclaimer: Goldman Sachs Global Investment Research. Report published on 01<sup>st</sup> June 2023. \*PLI Scheme- Production-linked incentive is a form of performance-linked incentive to give companies incentives on incremental sales from products manufactured in domestic units. The industries/sub-industries mentioned above are for illustration purposes only and should not be used for the development/implementation of investment strategy. It may not be construed as investment advice to any party. They may or may not be a part of our portfolio/strategy/scheme.

## 2. India churns out most Multibaggers - 70% of which were Small-caps

- India has delivered the highest proportion of Multibaggers across major markets
- Multibaggers\* are defined as stocks generating 10x returns within a 5-year rolling period since 2000
- About 54% or 269 stocks within the top 500 stocks generated over 10x returns
- **Historically, it has been dominated by Small caps**



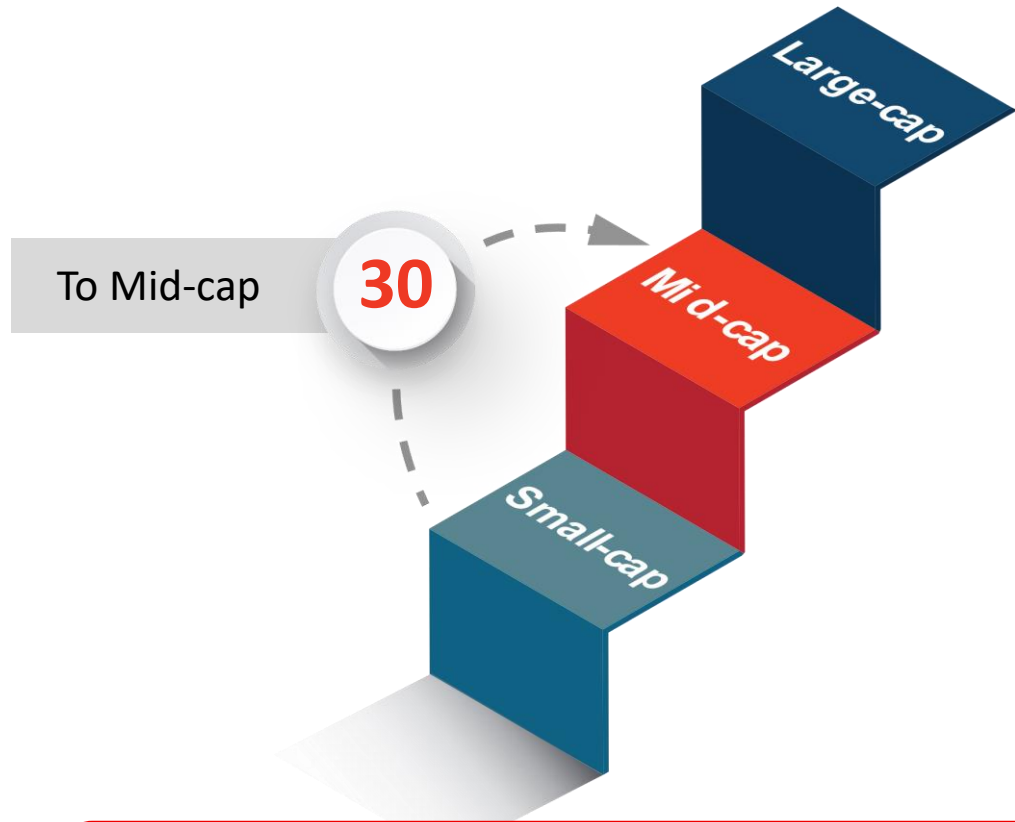
## 2. Historically, Small caps have delivered outsized gains during bull markets

Calendar Year	Large Cap	Mid Cap	Small Cap
2005 (Apr-Dec)	39.3%	43.4%	55.8%
2006	41.9%	28.5%	32.9%
2007	56.8%	78.2%	97.4%
2008	-51.3%	-64.9%	-68.6%
2009	77.6%	113.9%	117.4%
2010	19.2%	20.1%	17.6%
2011	-23.8%	-31.0%	-35.1%
2012	29.4%	46.7%	40.4%
2013	8.1%	-1.3%	-6.4%
2014	32.9%	62.7%	71.7%
2015	-3.0%	9.7%	11.3%
2016	4.4%	6.5%	1.4%
2017	30.3%	55.7%	58.5%
2018	4.6%	-12.6%	-26.1%
2019	13.5%	0.6%	-7.3%
2020	16.1%	25.6%	26.5%
2021	25.6%	48.2%	63.3%
2022	5.7%	3.9%	-2.6%
2023YTD	6.4%	23.2%	27.6%
Top Performer (in 19 CY)	7/19	3/19	9/19

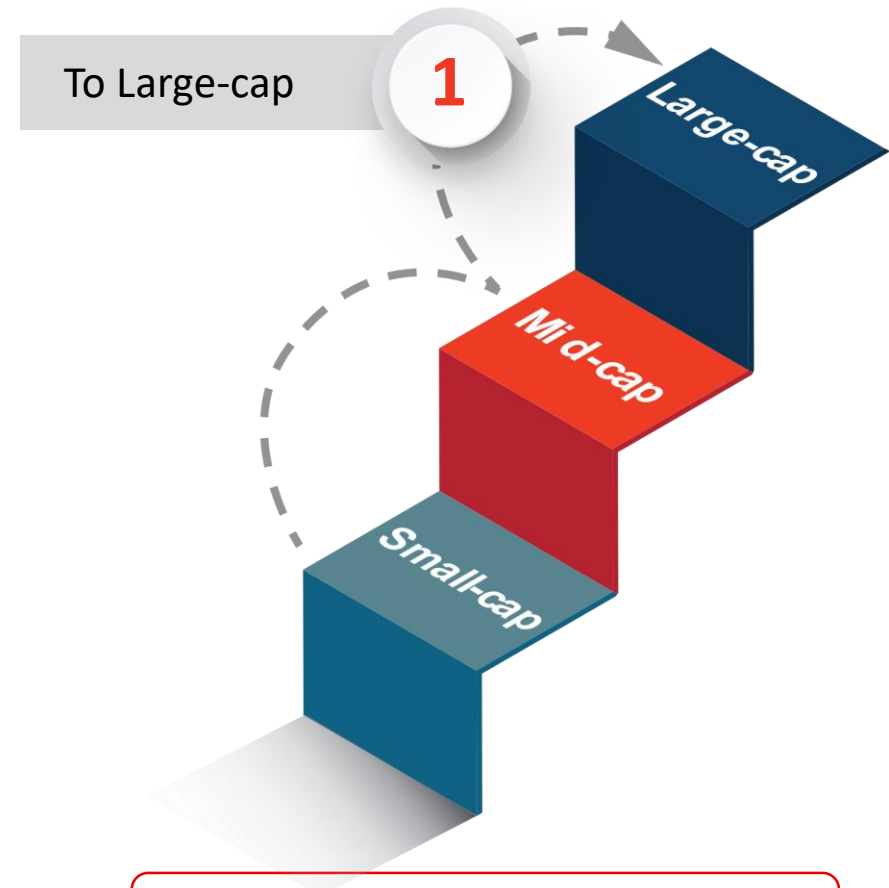
- Whenever Small caps have been the top performer, they have given outsized returns in comparison to Large caps
- Historically, Small caps have tended to outperform during a strong bull market and underperform during bear markets
- During bear markets, Small caps tend to see significant underperformance

### 3. Benefit from upward migration

Number of stocks transformed to Large and Mid cap since Dec-2019



Tata Elxsi Ltd., Deepak Nitrite Ltd., Navin Fluorine Ltd.,  
Dixon technologies, Kajaria Ceramics Ltd etc



Tube investments of India Ltd.

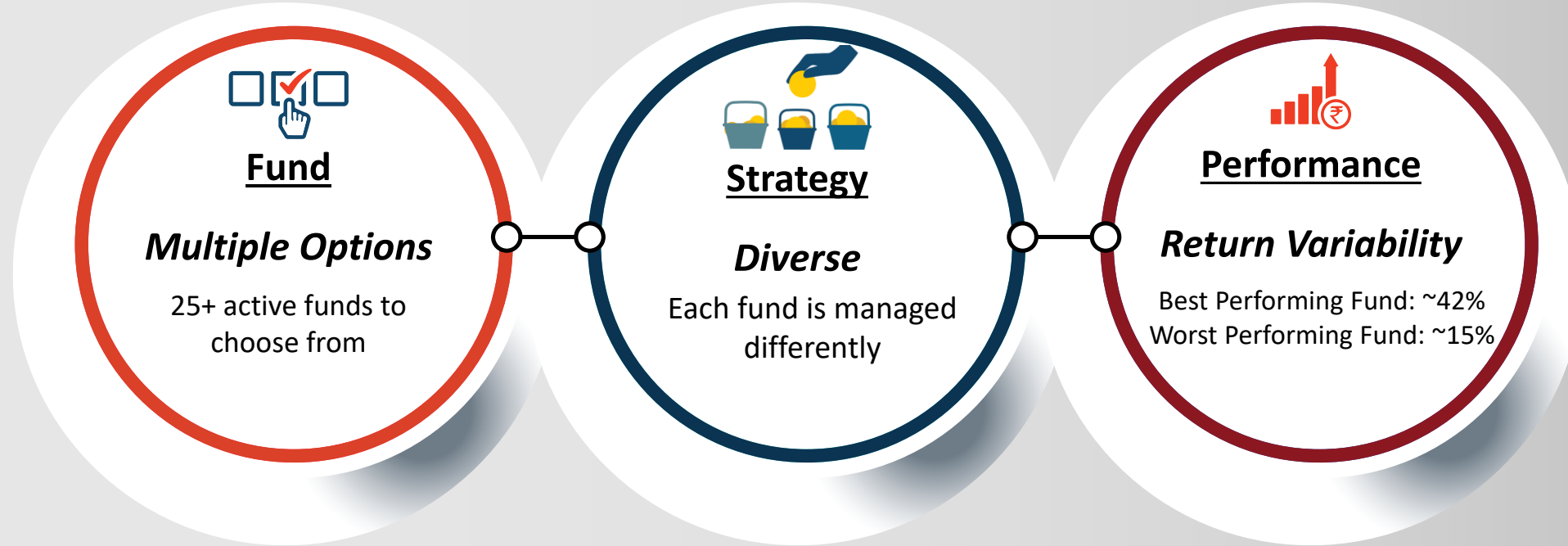
Source/Disclaimer: Nifty 500 Year-end portfolios from 2019 to 2022 and Oct 2023 are considered. The sectors/stocks mentioned herein are only for illustrative purposes. They should not be construed as a recommendation from Bandhan Mutual Fund or indicative portfolio of any scheme of Bandhan Mutual Fund. Bandhan Mutual Fund may or may not hold any position in these sectors/stocks. The portfolio of the fund would depend on asset allocation and investment strategy as stated in the Scheme Information Document and market conditions at the time of investment.



# The case for Small cap 'Index Fund'

# Choosing an active fund could be challenging

Investors need to make 3 decisions right



OR

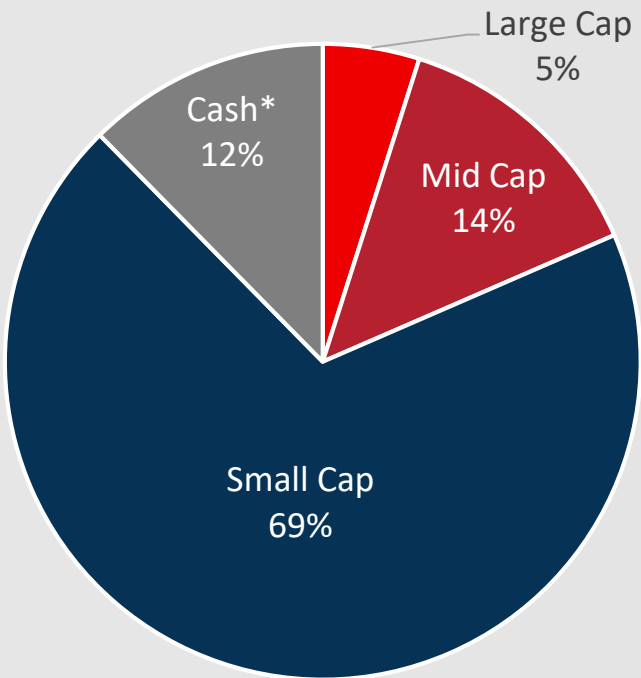


Simply choose a fund that tracks the \*small-cap universe

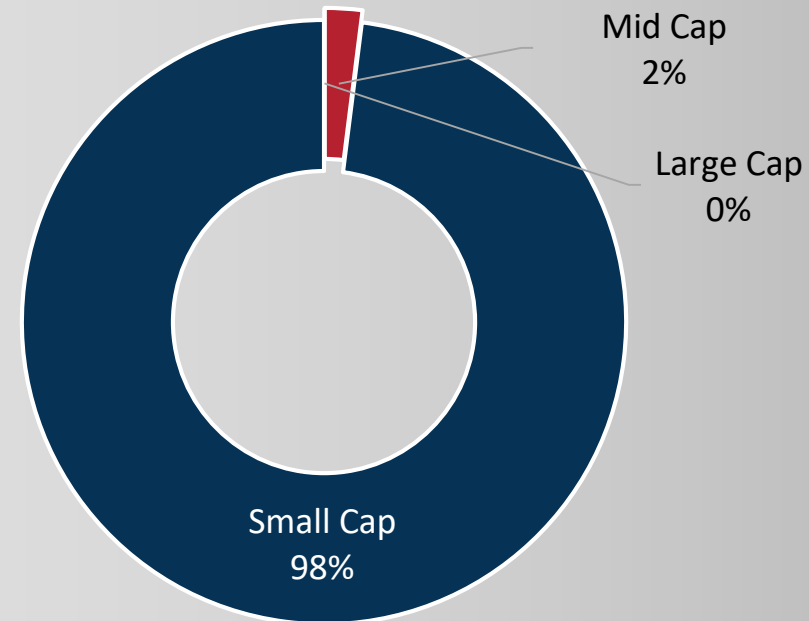
Source/Disclaimer: ACEMF. Data as of 30<sup>th</sup> November 2023. \*Small Cap universe as defined by NSE Methodology. For detailed index methodology, visit <https://www.niftyindices.com/>. The return variability is basis 1-year CAGR for active small cap schemes. The above chart is used to explain the concept and is for illustration purposes only. It should not be used for the development of investment strategy. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future.

# Index Funds provide True to label exposure

## Average holding of active Small cap funds



## Nifty Smallcap 250 Index



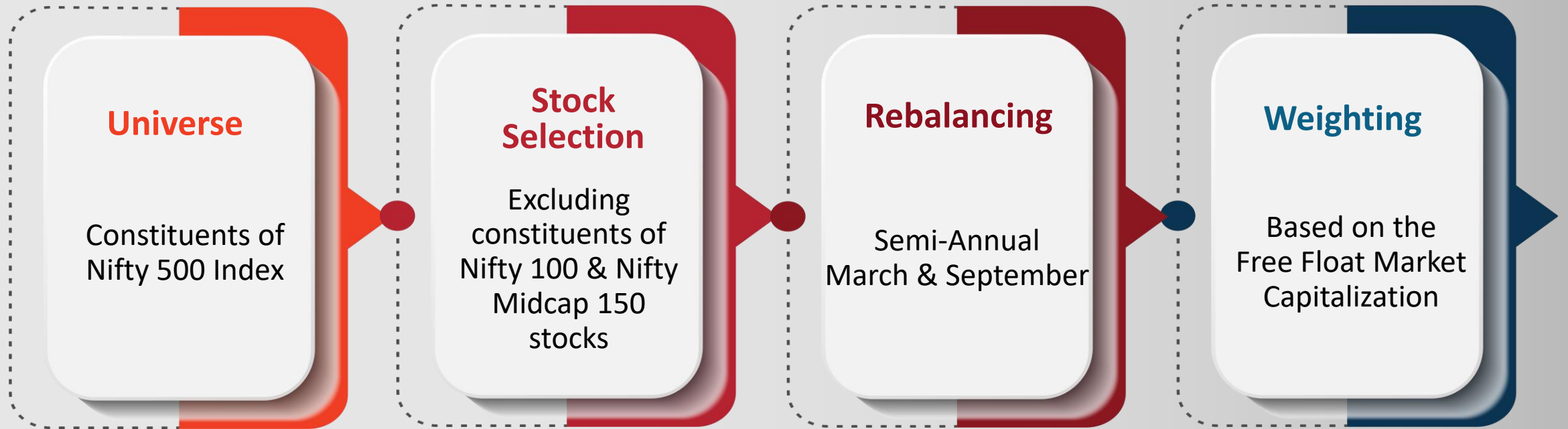
**The Smallcap 250 Index is true to label, offering exposure to only\* small-cap stocks. On the other hand, active small-cap funds have the flexibility to adapt to changing market conditions.**

Source/Disclaimer- NSE, AMFI. Data as of 30<sup>th</sup> November 2023. Size classification as per AMFI classification. \*Few midcaps seen in the Nifty Smallcap 250 Index are primarily due to different rebalancing cycles and stock buffers applied as per index methodology. The charts shown above are for illustration purposes and should not be used for the development/implementation of an investment strategy. It may not be construed as investment advice to any party.



# About Nifty Smallcap 250 Index

# Nifty Smallcap 250 Index methodology





# Index Performance, Composition and Valuation

# Performance: The Small cap index has noted strong historical performance

The Nifty Smallcap 250 Index has delivered strong performance, albeit with higher volatility

Parameter	Periodicity	Large Cap	Mid Cap	Small Cap
Annualized Returns	1 year	8.5%	10.6%	<b>32.8%</b>
	3 year	17.2%	17.5%	<b>30.0%</b>
	5 year	14.5%	12.7%	<b>21.9%</b>
	10 year	13.9%	15.8%	<b>21.7%</b>
Annualized Volatility	1 year	9.6%	12.3%	11.5%
	3 year	14.6%	16.2%	16.2%
	5 year	19.0%	18.7%	18.7%
	10 year	16.4%	17.7%	17.4%

Source/Disclaimer- Bandhan MF. NSE. Data as of 30<sup>th</sup> November 2023. Performance for Large Cap represented by Nifty 50 TRI, Mid Cap by Nifty Midcap 150 TRI, and Small Cap by Nifty Smallcap 250 TRI. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future.

## Performance: Historically, even SIPs have helped generate good returns

Nifty Smallcap 250 TRI	1 Year	3 Year	5 Year	10 Year
SIP Returns	61.2%	29.3%	30.2%	18.6%
Amount Invested	1,20,000	3,60,000	6,00,000	12,00,000
Market Value	1,56,568	5,47,890	12,59,993	31,87,607

Source/Disclaimer- Bandhan MF. NSE. Data as of 30<sup>th</sup> November 2023. Performance for Large Cap represented by Nifty 50 TRI, Mid Cap by Nifty Midcap 150 TRI, and Small Cap by Nifty Smallcap 250 TRI. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future.



# Diversified exposure

## Portfolio outcomes are less dependent on the performance of a few stocks or sectors

Sr. No	Stock	Sector	Weight
1	SUZLON ENERGY LTD.	Industrials	3.1%
2	BSE LTD.	Financial Services	2.5%
3	CENTRAL DEPOSITORY SERVICES (INDIA) LTD.	Financial Services	1.3%
4	MULTI COMMODITY EXCHANGE OF INDIA LTD.	Financial Services	1.2%
5	CYIENT LTD.	Information Technology	1.2%
6	KEI INDUSTRIES LTD.	Industrials	1.2%
7	IDFC LTD.	Financial Services	1.2%
8	ANGEL ONE LTD.	Financial Services	1.1%
9	RBL BANK LTD.	Financial Services	1.1%
10	SONATA SOFTWARE LTD.	Information Technology	1.0%
<b>Total</b>			<b>14.9%</b>

Sr.No	Sectors	Small cap Index	Large cap Index
1	Financial Services	23.5%	35.3%
2	Capital Goods	15.9%	0.0%
3	Healthcare	9.9%	4.2%
4	Information Technology	6.3%	13.6%
5	Chemicals	5.4%	0.3%
6	Consumer Durables	4.9%	3.2%
7	Automobile and Auto Components	4.4%	6.6%
8	Consumer Services	4.4%	0.0%
9	Fast Moving Consumer Goods	4.3%	9.2%
10	Construction	3.7%	4.3%
11	Services	3.4%	0.7%
12	Oil, Gas & Consumable Fuels	2.1%	11.3%
13	Telecommunication	2.0%	2.9%
14	Realty	1.7%	0.0%
15	Media, Entertainment & Publication	1.7%	0.0%
16	Metals & Mining	1.6%	3.8%
17	Construction Materials	1.3%	2.0%
18	Textiles	1.3%	0.0%
19	Power	1.2%	2.5%
20	Forest Materials	0.7%	0.0%
21	Diversified	0.4%	0.0%

For context, the top 10 stocks account for ~58% of the Nifty 50 Index

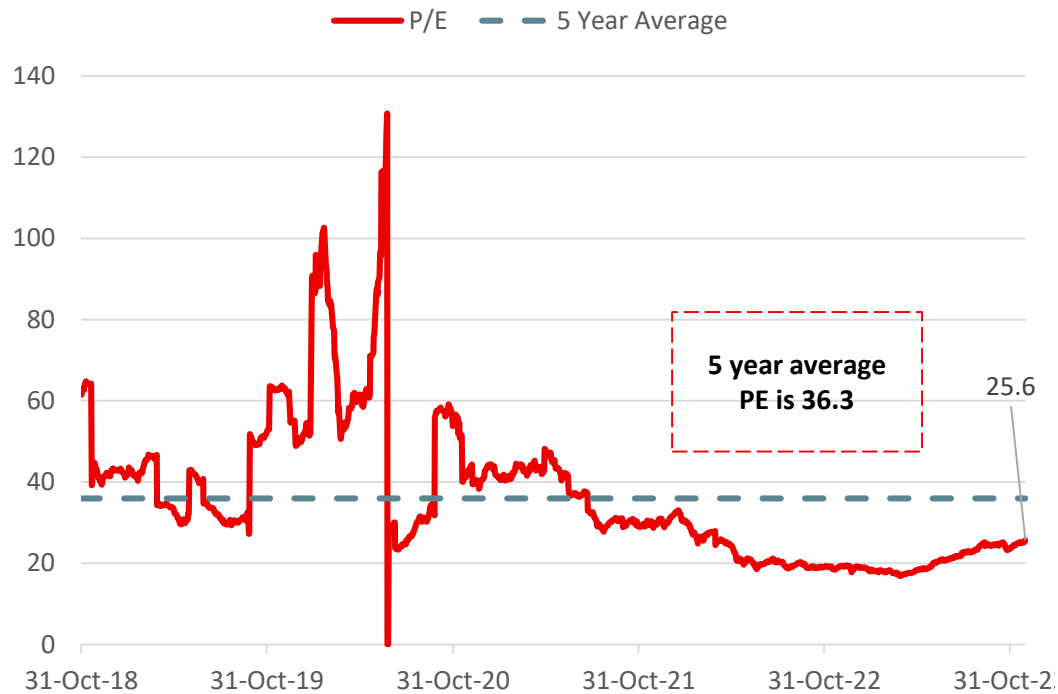
Source/Disclaimer- NSE, AMFI. Data as of 30<sup>th</sup> November 2023. Macroeconomic sector classification as per AMFI classification. The sectors/stocks mentioned herein are only for illustrative purposes. They should not be construed as a recommendation from Bandhan Mutual Fund or indicative portfolio of any scheme of Bandhan Mutual Fund. Bandhan Mutual Fund may or may not hold any position in these sectors/stocks. The portfolio of the fund would depend on asset allocation and investment strategy as stated in the Scheme Information Document and market conditions at the time of investment.

# Valuation: Index run-up backed by strong earnings

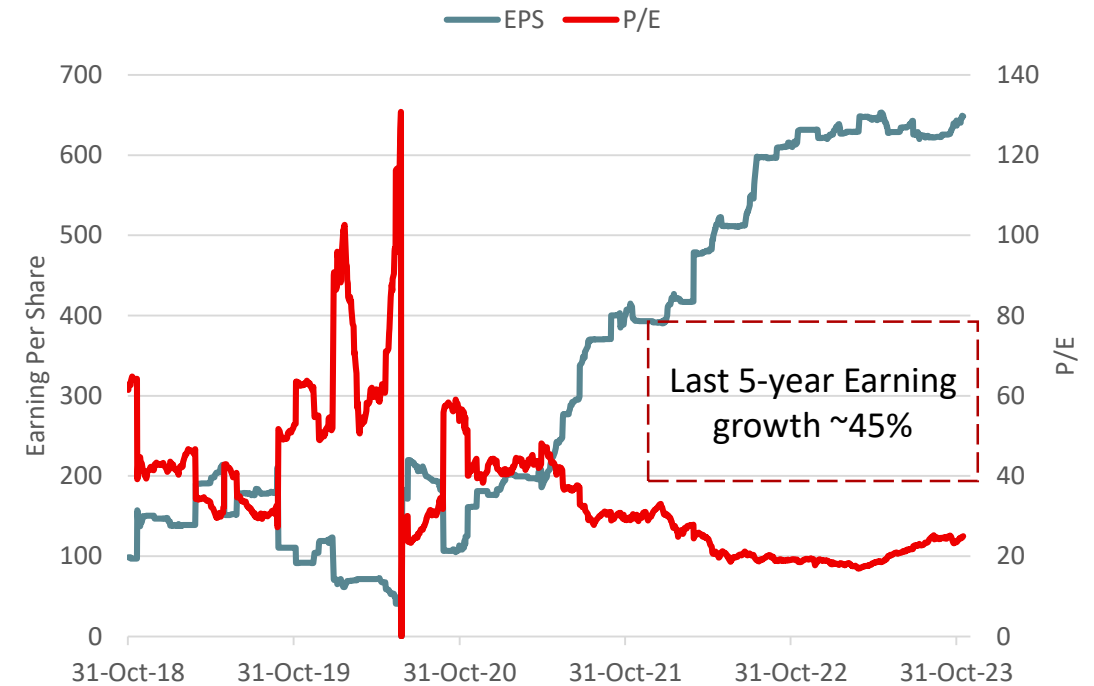
Currently, the index is trading below its 5-year average PE

Lower PE has been largely due to growth in strong earnings

### PE- Nifty Smallcap 250 Index



### PE moderation due to earning growth



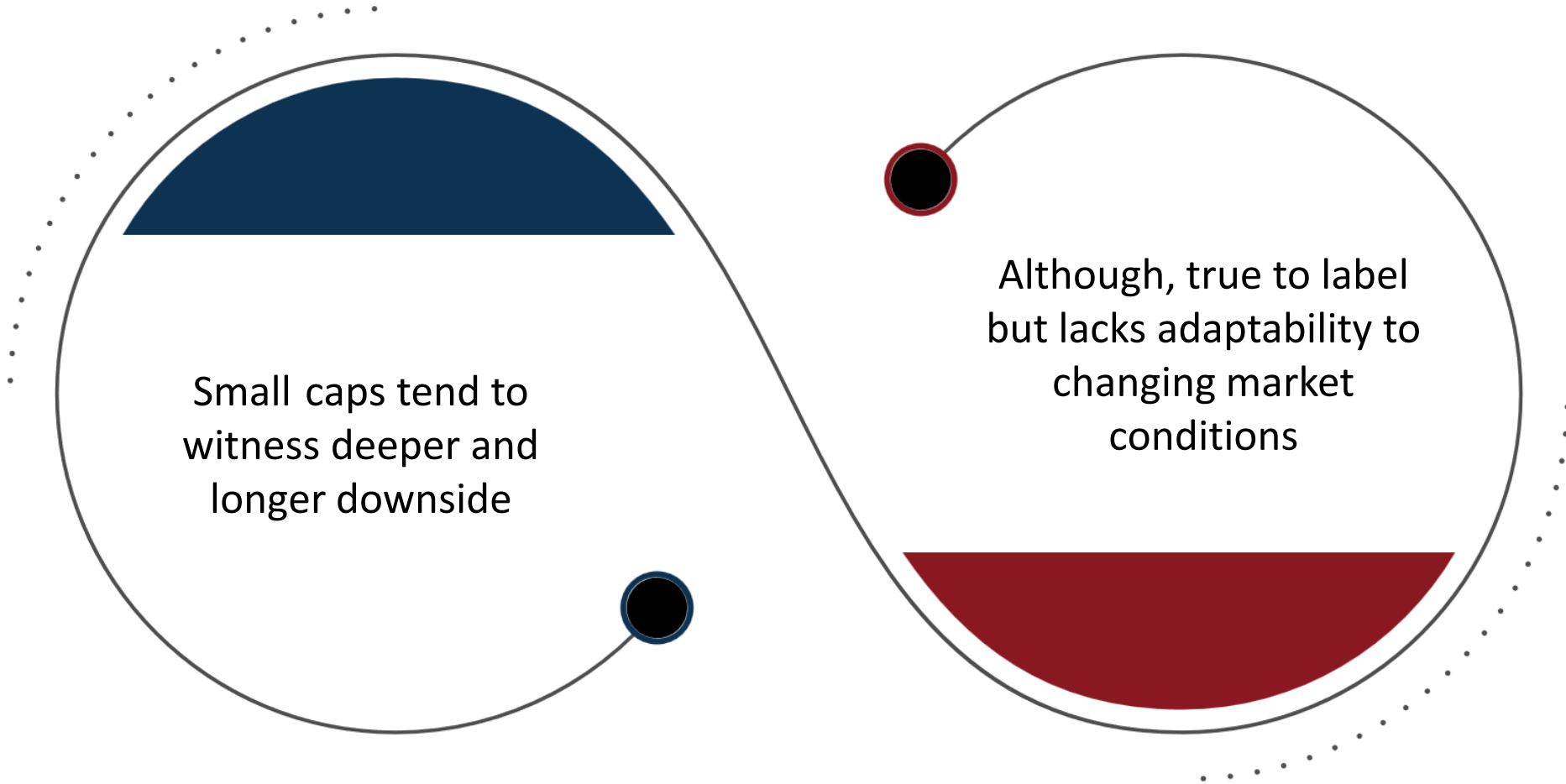
Source/Disclaimer- NSE. Bandhan MF. The Data as of 30<sup>th</sup> November 2023. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future. The graph is used to explain the concept and is for illustration purposes only. It should not be used for the development or implementation of an investment strategy.

# Valuation- Key Metrics

Index Characteristics	Large Cap	Mid Cap	Small Cap	Commentary
<b>FY23-25E earnings CAGR (estimated)</b>	16.3%	28.3%	<b>20.9%</b>	<ul style="list-style-type: none"> <li>▪ Index earnings are estimated to grow higher than Large Caps; being at a discount to both Large Cap as well as Mid Cap with lower PB</li> <li>▪ Index valuations are lower than Large and Mid Caps for the expected growth</li> </ul>
<b>PE Ratio<sup>^</sup></b>	18.9	19.2	<b>17.5</b>	
<b>PB Ratio<sup>^</sup></b>	2.7	2.7	<b>2.4</b>	
<b>PEG Ratio<sup>^</sup></b>	1.2	0.7	<b>0.8</b>	
<b>ROE<sup>^</sup></b>	14.3%	14.0%	<b>13.8%</b>	

Source: Bloomberg, Large: S&P BSE100, Mid: S&P BSE 150, Small Cap: S&P BSE Small Cap 250; Data as of 29th September 2023, <sup>^</sup>FY25E Estimated. Data provided for BSE Smallcap 250 index due to unavailability of Nifty Smallcap 250 estimates. Performance results may have inherent limitations, and no representation is being made that any investor will or is likely to achieve. Past performance may or may not be sustained in the future.

# Limitations to investing in Small cap Index Fund



Source: For illustration purpose only.

## Who should invest in Small cap Index Fund?

**01**

Investors who have  
a higher risk  
appetite

**02**

Investors seeking  
to add aggressive  
strategy to their  
portfolio

**03**

Investors with  
long term horizon

# Key Take Aways

1

The Nifty Smallcap 250 Index tracks the performance of stocks ranked 251-500 from the top 500 based on total market capitalization.

2

Small caps provide exposure to industries not available in Large caps. These industries may be positioned to benefit from emerging themes.

3

India has delivered the highest proportion of Multibaggers across major markets, 70% of which were from Small caps.

4

Investors can benefit from upward migration; Small caps are growing to become Mid or Large caps.

5

Investors seeking to uncomplicate investing in the small cap segment can consider investing in a fund that tracks a Small cap index.



## About Bandhan Nifty Smallcap 250 Index Fund

Investment in Nifty Smallcap 250 Index is possible through  
Bandhan Nifty Smallcap 250 Index Fund

# Features of Bandhan Nifty Smallcap 250 Index Fund



## NFO Dates

12<sup>th</sup> December to 19<sup>th</sup> December  
2023



## Fund Manager

Mr. Nemish Sheth



## Benchmark

Nifty Smallcap 250 TRI



## Exit Load

Nil



## Subscription

Lumpsum purchase - Rs. 1000/- and in multiples of Re. 1/- thereafter  
Additional purchase – Rs. 1000/- and in multiples of Re. 1/- thereafter  
Repurchase/Redemption - Rs. 500/- or the account balance of the investor, whichever is less  
SIP - Rs. 100/- and in multiples of Re. 1 thereafter [Minimum 6 installments]  
SWP - Rs. 200/- and any amount thereafter  
STP - Rs. 500/- and any amount thereafter



## Investment Objective

The investment objective of the Scheme is to replicate the Nifty Smallcap 250 index by investing in securities of the Nifty Smallcap 250 Index in the same proportion/weightage with an aim to provide returns before expenses that closely correspond to the total return of Nifty Smallcap 250 Index, subject to tracking errors. However, there is no assurance or guarantee that the objectives of the scheme will be realized, and the scheme does not assure or guarantee any returns.

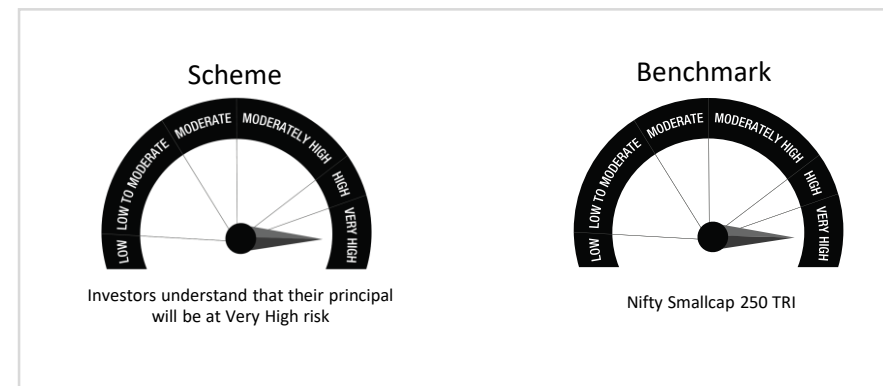


## This product is suitable for investors who are seeking\*:

- Create wealth over a long term
- Investment in equity and equity related instruments belonging to Nifty Smallcap 250 Index

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

## Risk-o-meter



## Bandhan Nifty Smallcap 250 Index Fund (An open-ended scheme tracking Nifty Smallcap 250 Index)

### MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

The Disclosures of opinions/in house views/strategy incorporated herein is provided solely to enhance the transparency about the investment strategy / theme of the Scheme and should not be treated as endorsement of the views / opinions or as an investment advice. This document should not be construed as a research report or a recommendation to buy or sell any security. This document has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of Bandhan Mutual Fund. The information/ views / opinions provided is for informative purpose only and may have ceased to be current by the time it may reach the recipient, which should be taken into account before interpreting this document. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision and the security may or may not continue to form part of the scheme's portfolio in future. Investors are advised to consult their own investment advisor before making any investment decision in light of their risk appetite, investment goals and horizon. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time. Neither Bandhan Mutual Fund (formerly known as IDFC Mutual Fund)/ Bandhan Mutual Fund Trustee Limited (formerly IDFC AMC Trustee Company Limited) / Bandhan AMC Limited (formerly IDFC Asset Management Company Limited), its Directors or representatives shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.



Thank You