

AND THAT'S HOW SMALL THINGS MAKE A BIG DIFFERENCE



The main objective of investing your hard-earned money is to witness it grow over time. And when you invest in growing companies, you allow your investments to grow with them. But to get started, you need listed companies with high growth potential, and Small-Cap Funds may be an exciting investment opportunity in that context.

Here's how -

Titans of Tomorrow: Some of the best companies around you began as a Small Cap company. Over the years, they have gone on the path to becoming titans of their specific industry niche.

For instance, let's take a look at the companies that have changed their market-cap ranks over the years.

	Listed on	MCA on listing (In Crore)	Status		MCA (In Crore) 18 Nov 2020
			On listing	Latest*	
In the past 20 years					
Bajaj Finance Ltd	Jun-99	₹49	Small Cap	Large Cap	₹2,79,863
Jubilant Food Works	Feb-10	₹1,462	Small Cap	Large Cap	₹34,076
In the past 5 years					
Laurus Labs Ltd	Dec-16	₹5,081	Small Cap	Mid Cap	₹14,560
Metropolis Healthcare Ltd	Apr-19	₹4,816	Small Cap	Mid Cap	₹10,471

*Data Source: Google Finance as on 18-11-2020. Based on the full market capitalisation of the Nifty 500 constituents as of respective periods.

- Minimum investment in Equity & Equity related instruments of Small Cap companies - 65% of total assets.
- As per new norms for definition of Market Capitalisation prescribed by SEBI, classification would be: Large Cap: 1st - 100th company (full market cap), Mid Cap: 101st - 250th company (full market cap), Small Cap: 251st company onwards (full market cap).
- The Stocks referred in this literature are not an endorsement by the Mutual Fund and AMC of their soundness or a recommendation to buy or sell these Stocks at any point of time. The names of companies are only for reference purpose. The scheme may or may not necessarily invest in all or any of these companies. Data as on 18th November 2020.

As you see in the above table, quality Stocks that began as Small Cap companies have today risen to Mid Cap and Large Cap companies over a period of time. So, despite some ups and downs seen in the short run, Small Cap companies may have the potential of growing significantly in the long run.

Potential for Undervaluation: Before you invest in undervalued Small Cap companies, you need to know about their business. Besides, most Small Cap companies are relatively unknown and generally have little or no Equity research coverage. Small Cap Fund Managers conduct in-depth research to distinguish good Stocks. Small Cap Fund Managers also look for companies going through a turnaround to help build mean reversion prospects in valuations.

Growth Prospects: Investing in Small Cap Funds could offer you considerable growth potential. What they lack in stature and market cap, they compensate with a focused business model and efficiency. They have the potential to grow the business and profits faster than their bigger rivals. However, Liquidity may become a concern, especially when investors put their money in Small Cap Stocks (and by extension in Small Cap Funds) where trading volumes may be low. Hence, as an investor, you may benefit from Small Cap Funds by staying invested in them for the long term.

Even though as per SEBI, Small Cap Funds fall into the 'Moderately high risk' category, for a well-diversified investment portfolio, investing in Small-Cap Funds becomes a striking addition.

To conclude:

History shows us that many Small Cap companies have performed well over the years (a few examples stated in the above table). So, if you are looking to take advantage of high growth potential that Small Cap Funds have to offer while adding value and increasing diversification to your portfolio, check out Small Cap Funds today.