

“Greatness Starts Small”



## ITI Small Cap Fund

(An open ended equity scheme predominantly investing in small cap stocks)

Small Cap companies have the potential to grow higher, as they are in the early stage of growth. **ITI Small Cap Fund** intends to identify such opportunities among Small Cap stocks at attractive valuations that could offer superior risk adjusted returns over the long term.

### WHEN IS THE RIGHT TIME TO INVEST IN SMALL CAPS? 🕒

Statistically right time to invest in Small Caps is when the pessimism is at the highest and valuation is at the cheapest point. This is displayed every 5-7 years with equity market giving an opportunity to invest in Small Cap funds. Year 2003, 2008 and 2013 were quite attractive levels to invest in Small Caps and now in 2020 we believe the opportunity is again glaring at you.

#### Current Scenario



Economy is at the trough and about to recover

- IIP is negative
- GDP at 4.5%
- Credit growth at 8%
- Low interest rates



Differential valuation between Large Caps and Small Caps is big



Valuation is cheap



Sentiment is bad within market participants

Structural measures taken by the government might have impacted the economy in the near term, but are quite positive from a long term perspective. Now, the formalisation of economy is happening at a rapid pace. In such a scenario, investing in Small Caps can be really rewarding.

*Past Performance may or may not be sustained in future. Kindly consult your financial advisor before investing.*

### WHY INVEST IN SMALL CAPS? ❓

- 📈 Significant wealth creation opportunity
- 🕒 Timing is the key
- 🔍 Significant Alpha over large and midcap stocks
- 📈 Size is in favour and hence huge growth potential
- 📊 SEBI Categorization has enhanced the category prospects
- 🔧 Small Caps – Breeding Ground for Multi baggers
- 🏢 Today's great companies were Small Caps a few years back

## WHICH

### SMALL CAPS TO BET ON?



Stocks meeting our SQL Investment Philosophy



Government Policies in favour



Trading at cyclical bottom



Pertaining to emerging sectors



Maximum macros headwinds and can reverse



Beneficiaries of formalization of the economy

## WHO

### WILL BE MANAGING THE FUND?

**Mr. George Heber Joseph, CEO & CIO** of ITI Mutual Fund & **Mr. Pradeep Gokhale, Senior Fund Manager and Head of Research** with more than 2 decades of experience along with robust research support aim to make ITI Small Cap Fund management quite rewarding for our investors.

## HOW

### DO WE CHOOSE OUR STOCKS?



Quality, Scalability & Stability



Strong Promoter Pedigree, Corporate Governance and Management with sound track record of execution



Capable of sustaining good Return on Equity (ROE) and Return on Capital Employed (ROCE)



Offers sustainable return potential with lower volatility



Ability to withstand business cycles and shocks



Sound balance sheet

## WHAT

### WILL BE THE INVESTMENT STRATEGY?



The fund will be benchmark and sector agnostic.



The fund will follow a differentiated strategy to manage risk during bullish and bearish market scenarios and suitably align the portfolio.



Portfolio construction is dependent on business cycles, valuations and earnings growth prospects of the companies selected.



We focus on investing in good and sound businesses which we understand well.



Normally, the fund would be invested minimum 90%. However, in frothy valuation scenarios, the fund can move to Debt & Money Market Instruments or Cash Equivalents up to 35%.



The fund will have a well-diversified portfolio. Individual stock exposure will be capped at 3%.



At the time of purchase, the fund will stick to Small Cap universe as defined by AMFI.



At least 80% of the portfolio will be of 'core' stocks and tactical bets will not be more than 20%.

## KEY POINTS

### FOR INVESTING IN SMALL CAPS



Simply selecting Small Caps as a category is not enough; bottom up stock selection is vital

Small Cap investors should be willing to absorb short term volatility 



Both risk and return have to be considered



Patience is the key 



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

- Capital appreciation over the long term
- Investment in a diversified Portfolio which predominantly consists of 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.**

RISK METER



LOW HIGH

Investors understand that their principal will be at moderately high risk

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