

THINK



INVEST IN SMALL

PRESENTING

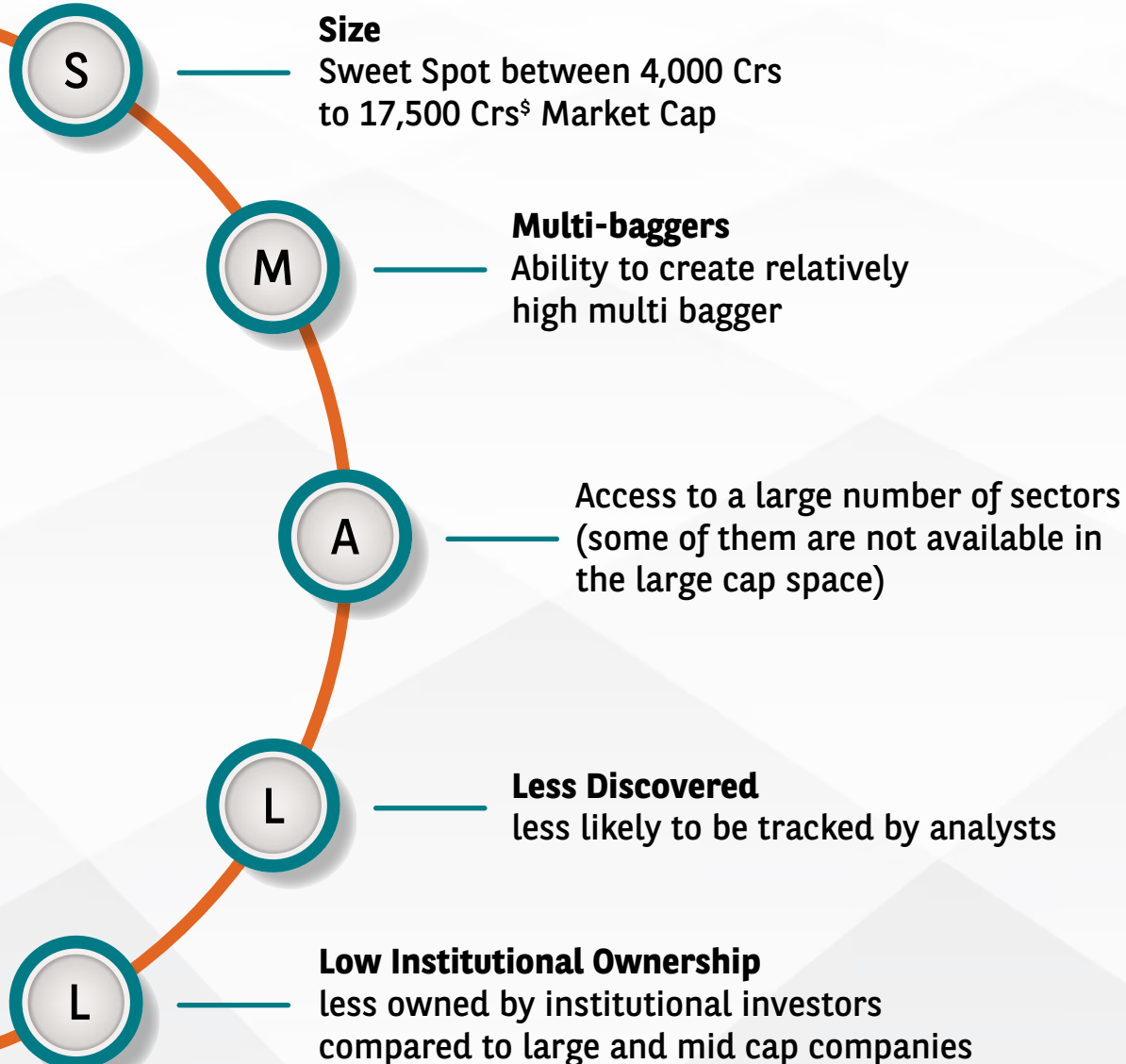
**BARODA BNP PARIBAS**  
**SMALL CAP FUND**

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

**NFO**  
PERIOD

6<sup>TH</sup> - 20<sup>TH</sup> OCT, 2023

# S-M-A-L-L Caps

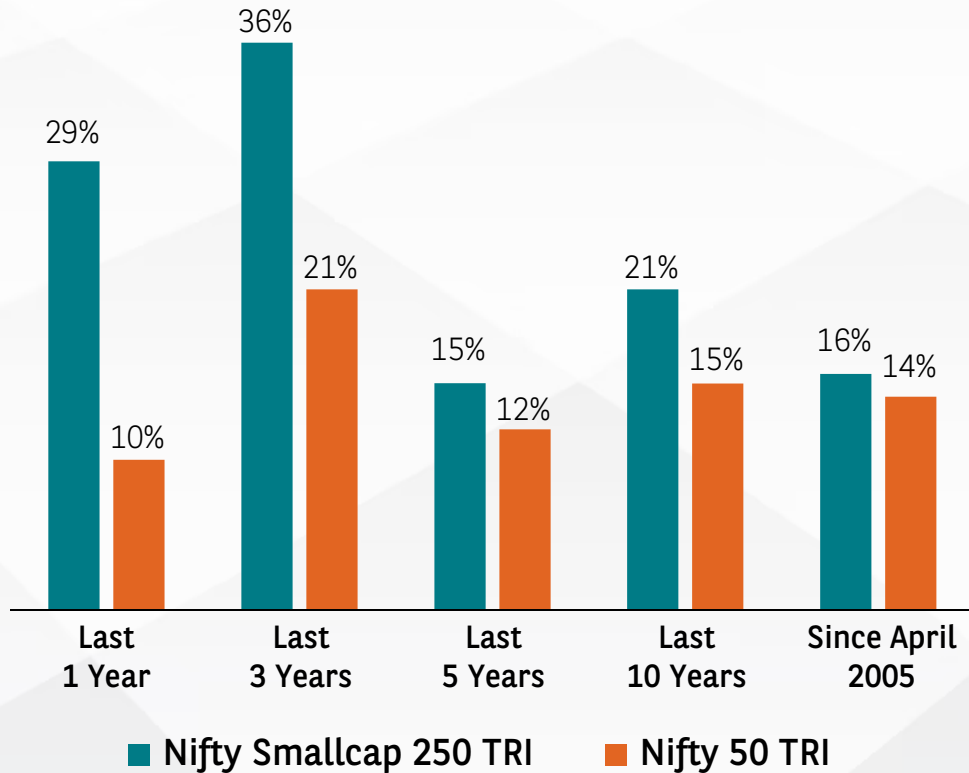


# Think big invest in small

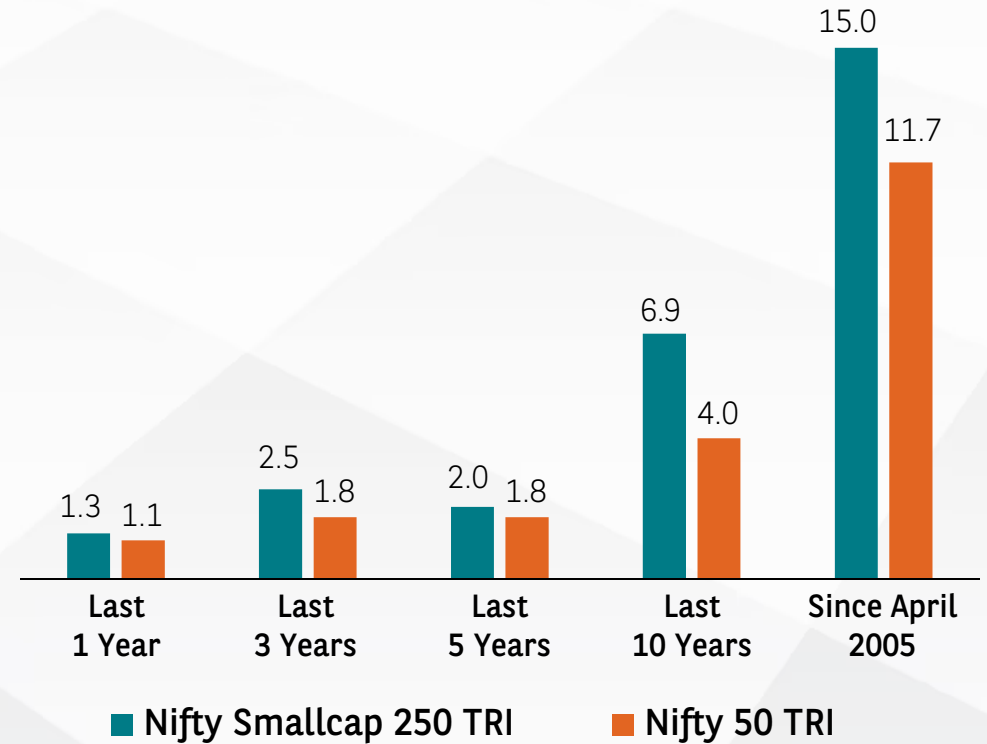


# Small Caps have outperformed Large Caps

**CAGR (%)**



**Value of Rs 1 lakh invested at the beginning of the period**



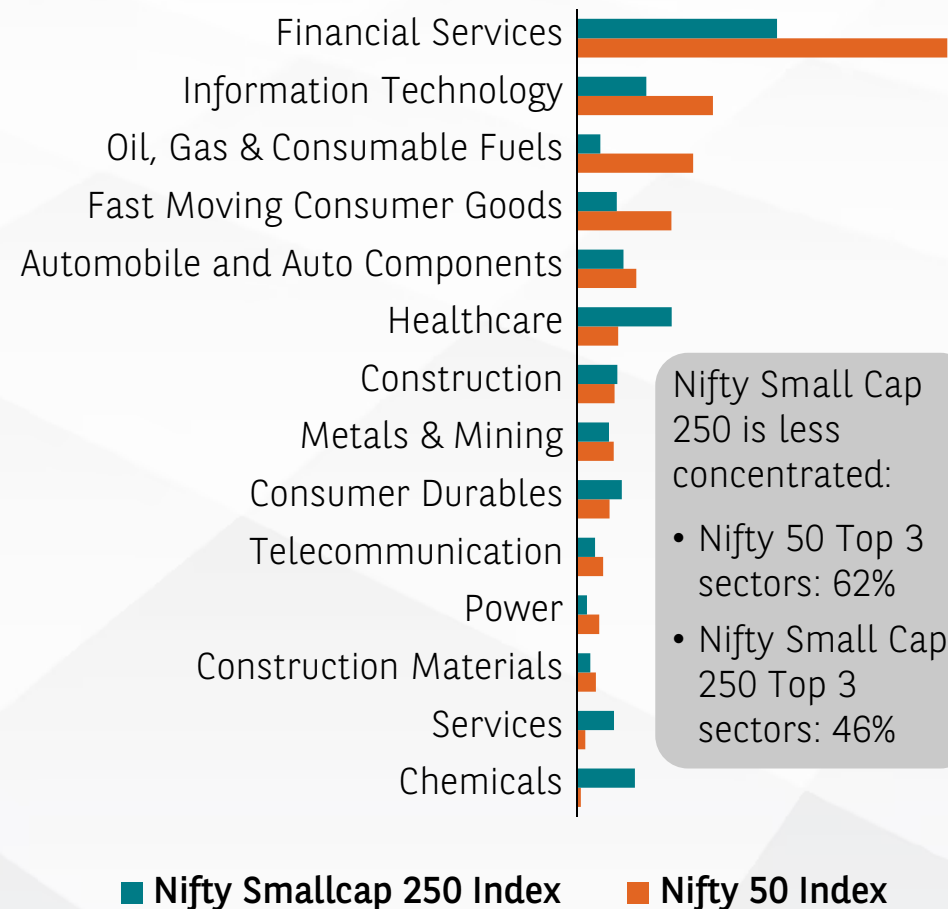
Source: MFI explorer. Data since Apr 01, 2005 (the inception of the Nifty Small cap Index), to Aug 31, 2023. **Past performance, including such scenarios, is not an indication of future performance.** The risks involved in investing in the small cap companies could be higher compared to the large/ mid cap ones and hence investor should consider their risk appetite at the time of investing in small cap funds.

# Investing in a bigger slice of the economy

## Top Industries with no opportunities in Large Caps

Industrial Products	7.7
Capital Markets	5.7
Auto Components	4.2
Electrical Equipment	4.2
Chemicals & Petrochemicals	4.0
Leisure Services	3.3
Industrial Manufacturing	2.7
Commercial Services & Supplies	2.3
Realty	1.9
Retailing	1.8

## Well Diversified: Large cap v/s Small Cap



Source: Nifty Indices and Internal. Data as on August 31, 2023. Large caps are represented by Nifty 50 TRI and small caps by Nifty Small Cap 250 Index. The sector(s) mentioned in this document do not constitute any recommendation of the same and Baroda BNP Paribas Mutual Fund may or may not have any future position in these sector(s)/stock(s). Further, the portfolio of the Scheme is subject to changes within the provisions and limitations of Scheme Information Document (SID). For further details on asset allocation, investment strategy and risk factors of the Scheme please refer to SID available on our website ([www.barodabnpparibasmf.in](http://www.barodabnpparibasmf.in)).

# High Promoter Stake: More skin in the game

## Promoter's Ownership (%)



- Higher promoter ownership indicate more skin in the game.
- Greater alignment of interest.

Source: Nse India. Data as on August 31, 2023. Large caps are represented by stocks in Nifty 50 TRI and small caps by stocks in the Nifty Small Cap 250 Index.

The ownership pattern is calculated basis by taking the weighted average of share holding pattern of individual stocks in the respective indices.

The above graph is for illustration purpose only and should not be considered as investment advice.



# Low Institutional Ownership: Potential Hidden Gems

## Institutional Ownership (%)



- Low institutional ownership indicates yet under-researched /un-discovered space.
- This provides an opportunity to invest in good stocks at an early stage.

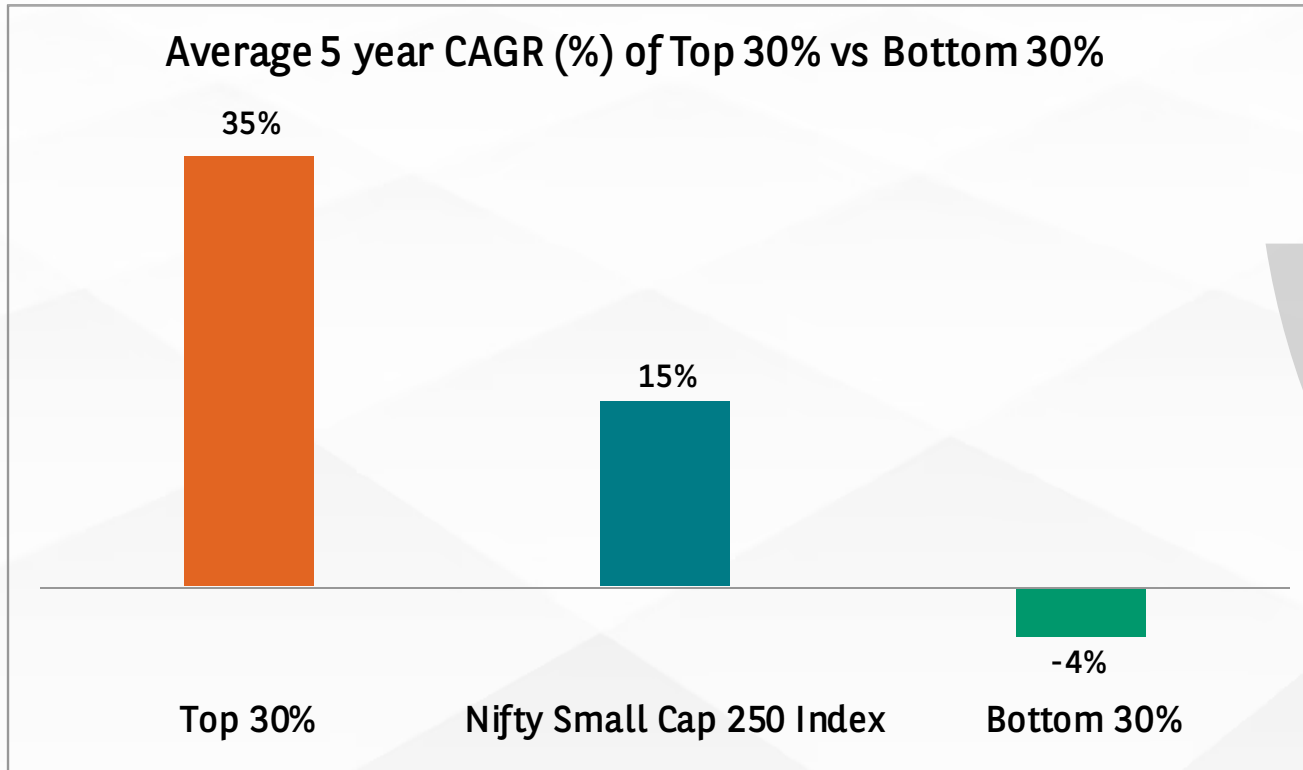
Source: Nse India. Data as on August 31, 2023. Large caps are represented by stocks in Nifty 50 TRI and small caps by stocks in the Nifty Small Cap 250 Index.

The ownership pattern is calculated basis by taking the weighted average of share holding pattern of individual stocks in the respective indices.

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# Stock Picking is the Key: Tale of two Parts



- Small Caps tend to have polarized returns.
- Stark difference between top and bottom performers of the Nifty Small Cap 250 Index.

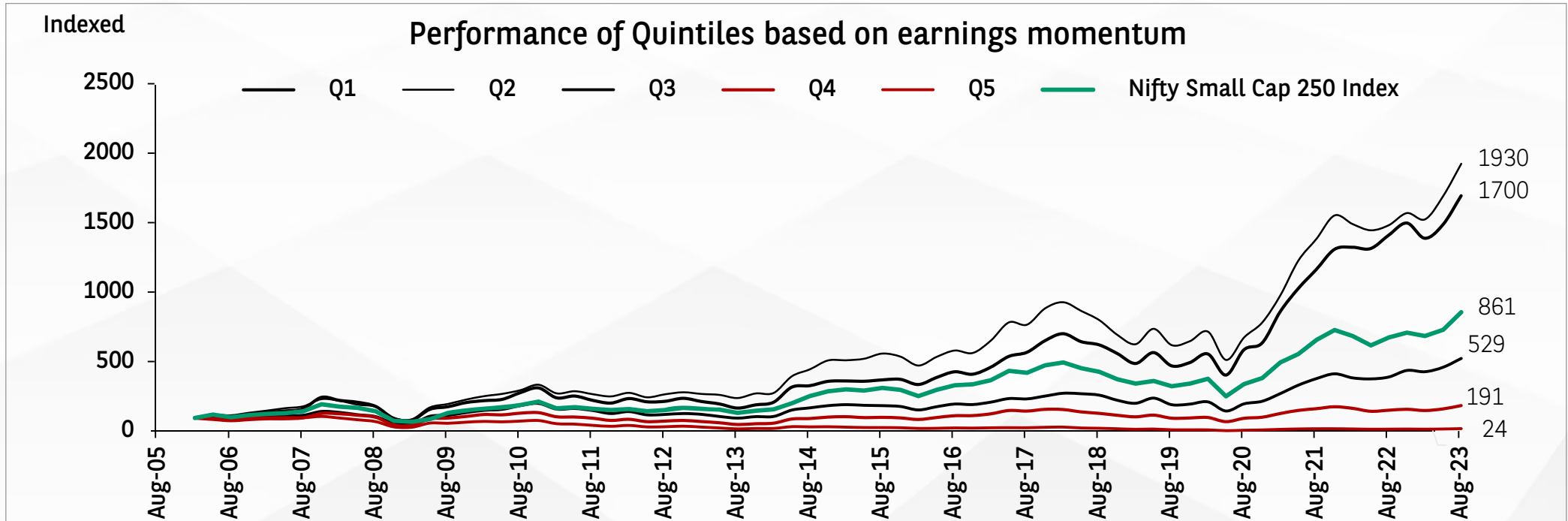
Source: Bloomberg and Internal. Data as on August 31, 2023. Small Cap is represented by Nifty Small Cap 250 Index, The small cap universe used for study comprises of all companies in the Nifty Smallcap 250 Index. The returns are calculated on a compounded annualised growth rate (CAGR) basis from 31<sup>st</sup> August 2018 to 31<sup>st</sup> August 2023. 191 stocks showed were in existence since Aug- 2018. 30% consists of 57 companies

**Past performance, including such scenarios, is not an indication of future performance.**



# Stock Picking is the Key: Tale of two Parts

Companies with Superior earnings momentum\* tend to perform better:



- There is clear distinction in performance of top 2 quintile stocks and the bottom 2 quintiles.
- Small cap stocks are divided into 5 quintiles based on earnings momentum.

Source: Ambit capital, and Internal. Data as on August 31, 2023. The graph on the right is based on BSE Small cap 250 stock universe. The 250 stocks in BSE Small Cap 250 Index is divided into 5 quintiles depending on their earnings momentum. \*Earnings momentum is defined as growth in trailing twelve months of EPS over last 1 quarter.

**Past performance, including such scenarios, is not an indication of future performance.**

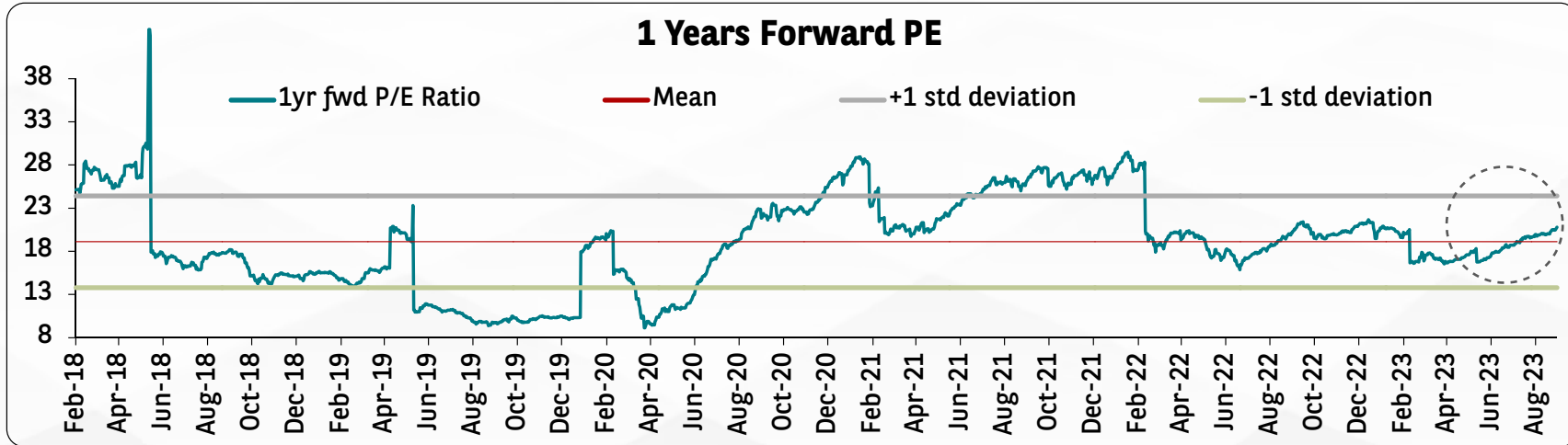
# Why now?



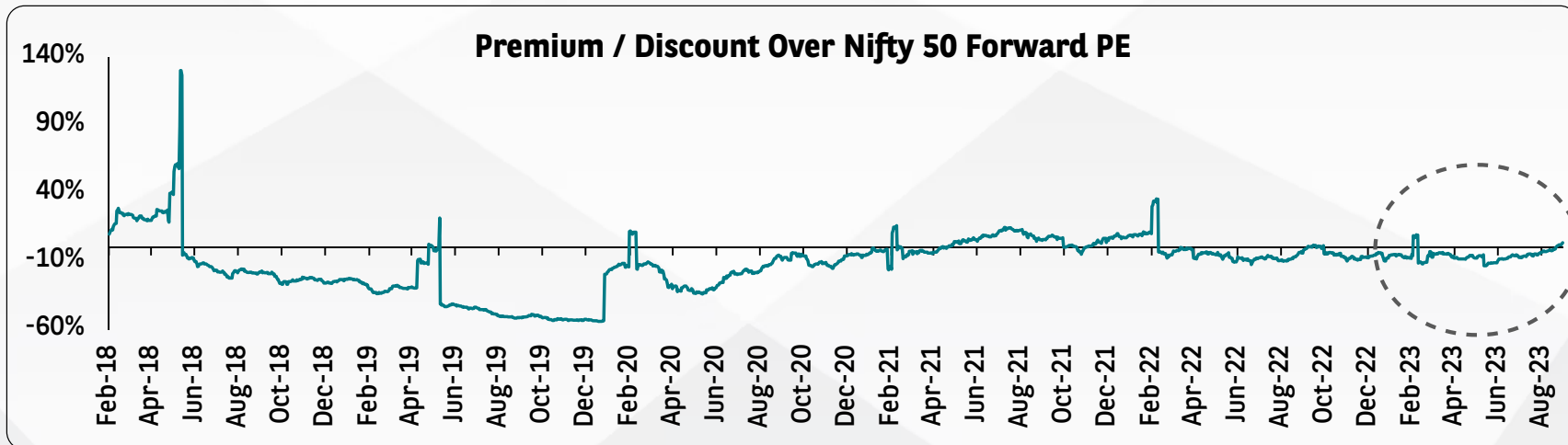
# Stock Returns are a blend of earnings and growth



# Valuations in reasonable zone



Valuations in line with their historic forward averages and have potential for further growth

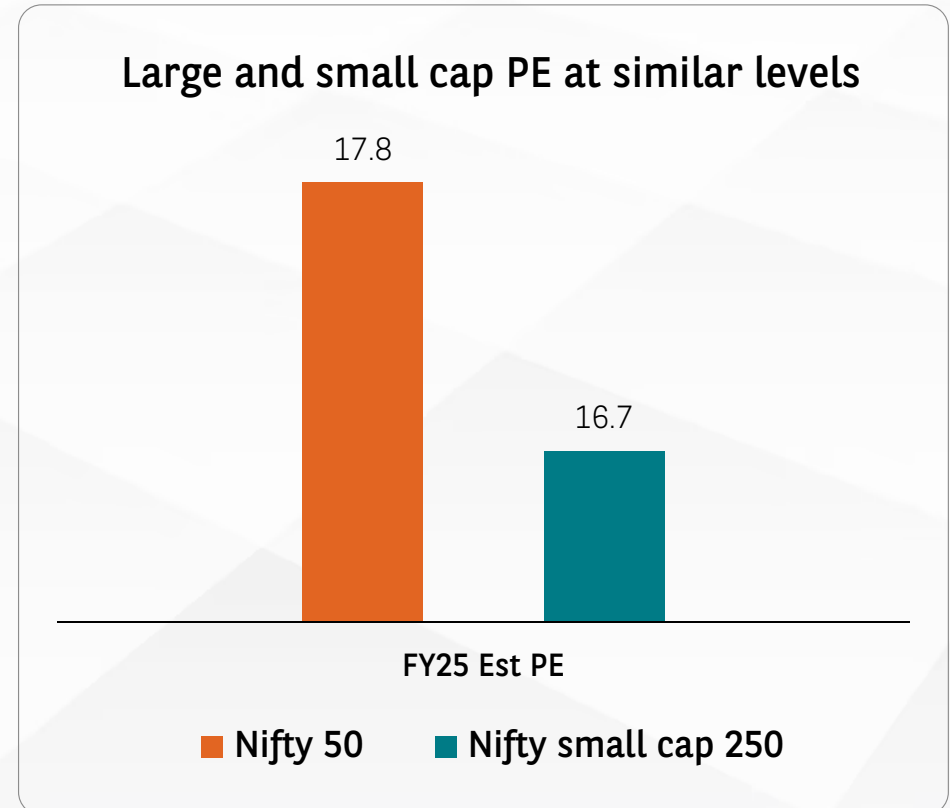
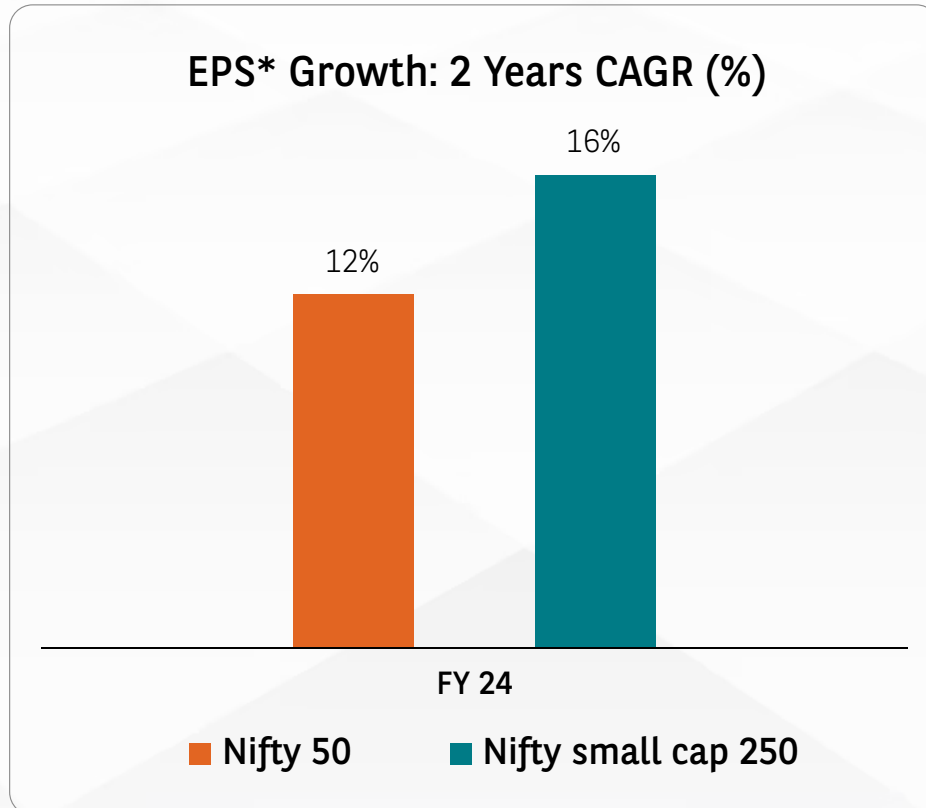


Small Caps forward PE is at the similar level of large cap forward PE

Source: Bloomberg and Internal. Data since February 02, 2018, to August 31, 2023. Bloomberg 1 yr Forward PE has been used. Large caps represented by Nifty 50 Index and Small Caps by Nifty Smallcap 250 Index. + 1 Std Deviation stands for mean plus standard deviation. - 1 Std Deviation stands for mean minus standard deviation. Discount / Premium over Large cap is calculated by  $(\text{small cap PE} - \text{large cap PE}) / \text{large cap PE}$ .

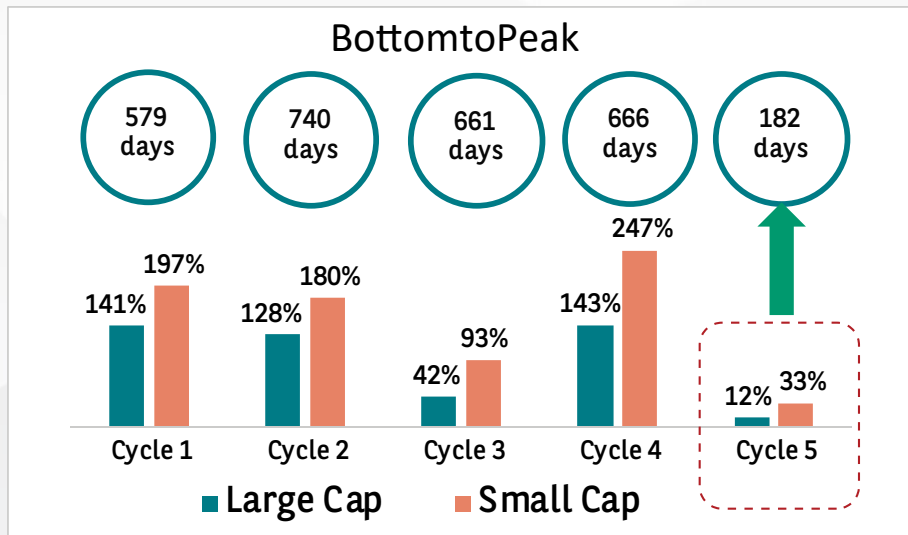
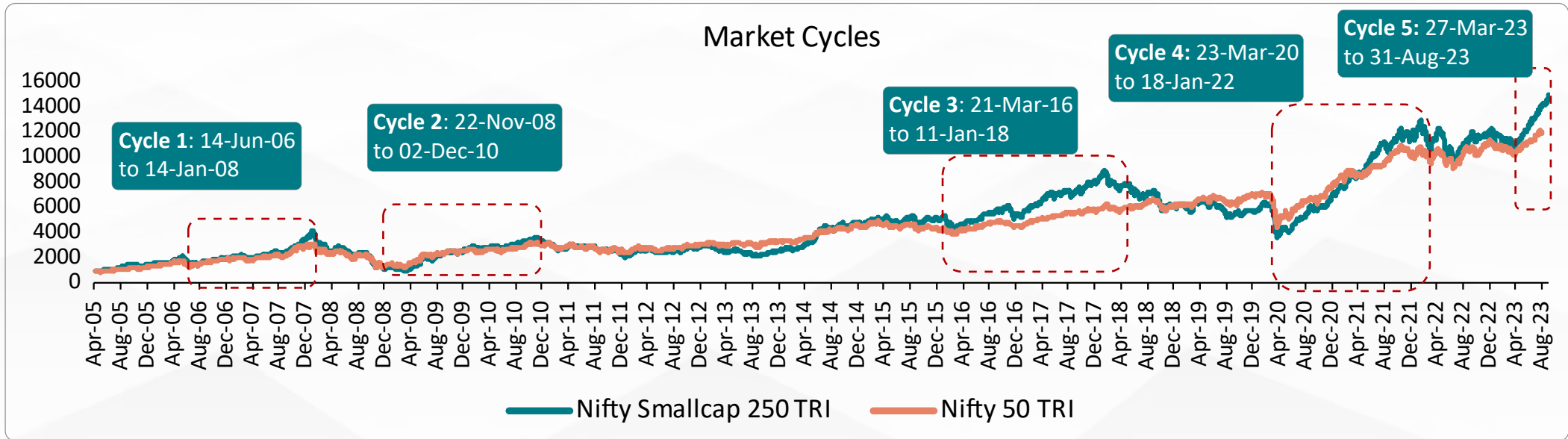
**Past performance, including such scenarios, is not an indication of future performance.**

The current increased interest in the small cap companies reflects the expected high earnings growth



Source: Bloomberg Data as on August 31, 2023. Bloomberg estimates have been considered for Nifty 50 Index and Nifty Small Cap 250 Index.  
**Past performance, including such scenarios, is not an indication of future performance.** \*EPS growth excluding extraordinary profit from FY24 and FY 25 estimates has been considered for 2 yr CAGR calculations. CAGR stands for compounded annualized growth rate.

# Small Cap Cycle: Potential to grow..



- An average bottom to top cycle lasts about 660 days
- Small caps grew 179% on an average in absolute terms across the 4 cycles
- Current cycle has completed 182 days and small caps have gone up by 33% suggesting headroom for growth

Source: NSE Indices and Internal Research. Data as of August 31, 2023. The average is calculated by taking a simple average of returns in cycle 1, cycle 2, cycle 3 and cycle 4. Similarly average number of days is also calculated by taking a simple average of number day in cycle 1, cycle 2, cycle 3 and cycle 4. **Past performance, including such scenarios, is not an indication of future performance.**

# Introducing...

# Baroda BNP Paribas Small Cap Fund





The fund will invest more than 65% of the net assets into small cap companies.



The fund aims to build wealth of investors by tapping into companies which have the potential to become leading companies of the future.



The fund will follow a bottom-up stock picking approach.



Emphasis will be on selecting companies with strong fundamentals, quality business models and high quality and reputation of management.



The fund will be sector agnostic.



# Core Belief : Companies create wealth, not markets

In search of companies with **superior** and **sustainable** earnings growth



Identify superior businesses, with strong management, at reasonable valuations

\* A sustainable competitive advantage

B.M.V.: Business, Management, Valuation. Source: Source: Internal Research

# STAR\* Framework for Portfolio Construction

Portfolio stocks may fall in one of the following buckets:

**S**

## Scalability

Strong Business models with ability to grow in scale for multi year period.  
Strong management.



**T**

## Tomorrow's Leaders

Endeavor to invest in companies which have the ability to become future leaders in their respective niche sectors.



**A**

## Alpha Generators

Companies which are growing faster than the broader market on consistent basis.



**R**

## Right Sectors

Market leaders in niche or upcoming sectors.  
Companies shifting from unorganized to organized sectors.



\*STAR is acronym coined to define the portfolio construction strategy. Investment strategy stated above may change from time to time and shall be in accordance with the investment objective and strategy stated in the SID of the scheme.

# STAR\* Framework: Key Themes

## Scalability

S



Formalization of economy.

- Demonetization
- Implementation of GST
- Rising use of digital payments

## Tomorrow's Leaders

T



Make in India Initiative

- Defence - Aatmanirbhar Bharat
- Railway Investment - deeper connectivity and electrification
- PLI schemes: Induce technology to mushroom and up share of manufacturing
- Specialised sops / regulations for sectors eg. renewables

## Alpha Generators

A



India: Coming of age as a large player

- Autos: Largest 2W and tractor market in the world
- Agriculture: largest producer of milk, pulses and jute. 2<sup>nd</sup> largest producer of rice, wheat, sugarcane, groundnut and cotton
- The World's pharmacy: Largest generic drug maker for the world

## Right Sectors

R

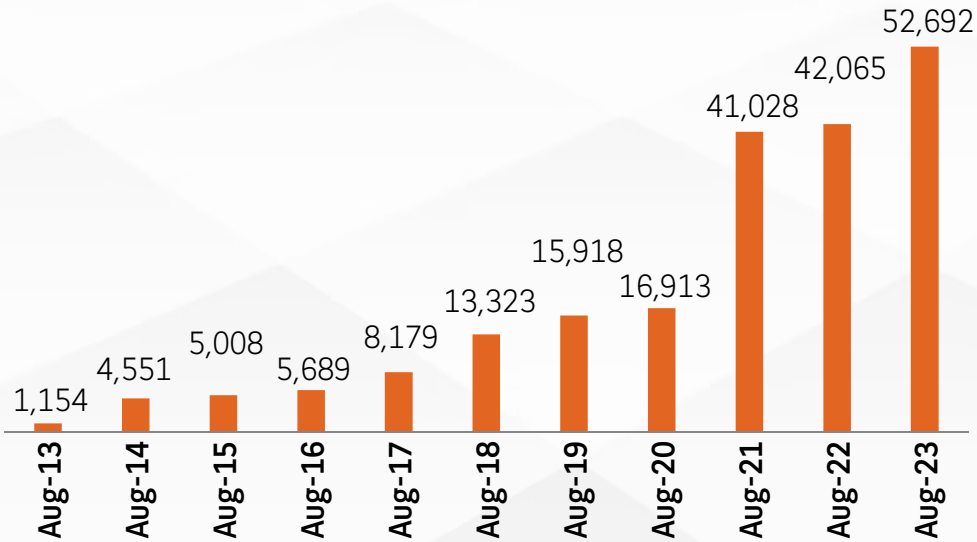


Evolution as market consumer

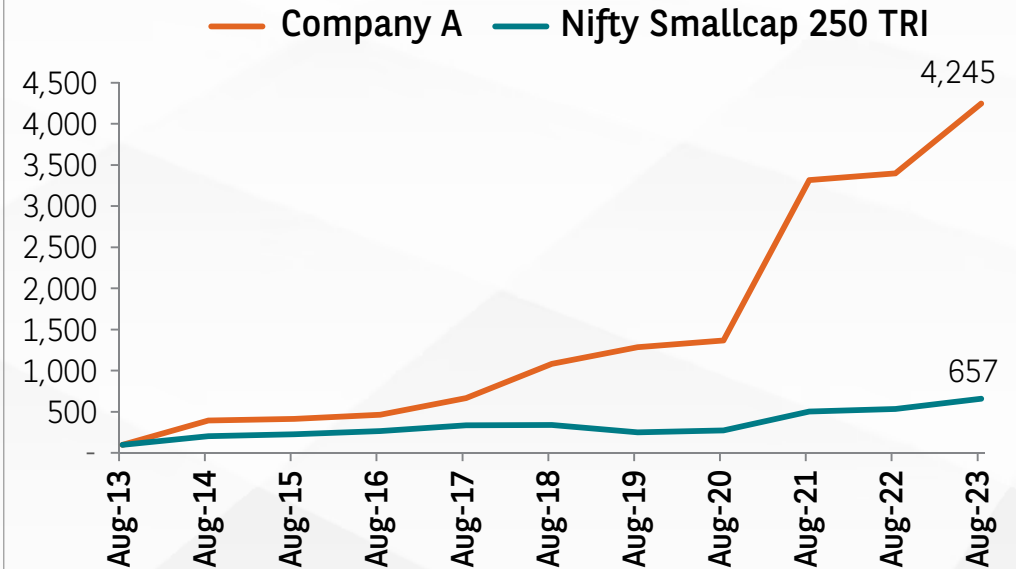
- 5<sup>th</sup> largest for Apple phones globally
- Largest household consumer of gold
- 3<sup>rd</sup> largest for US Polo

# Scalability: Single Product Single Market to Multi Product Multi Market

### Mkt Cap (In Crs) of Company A



### Price Movement



- The company is in the business of hardware and paints.
- The company started with one product and was almost bankrupt during the initial days.
- However, strong business model and governance helped the company to not only survive but also thrive.
- Company scaled by adding new products like bathware and paints.
- Expanded its distribution network to include new geographies.

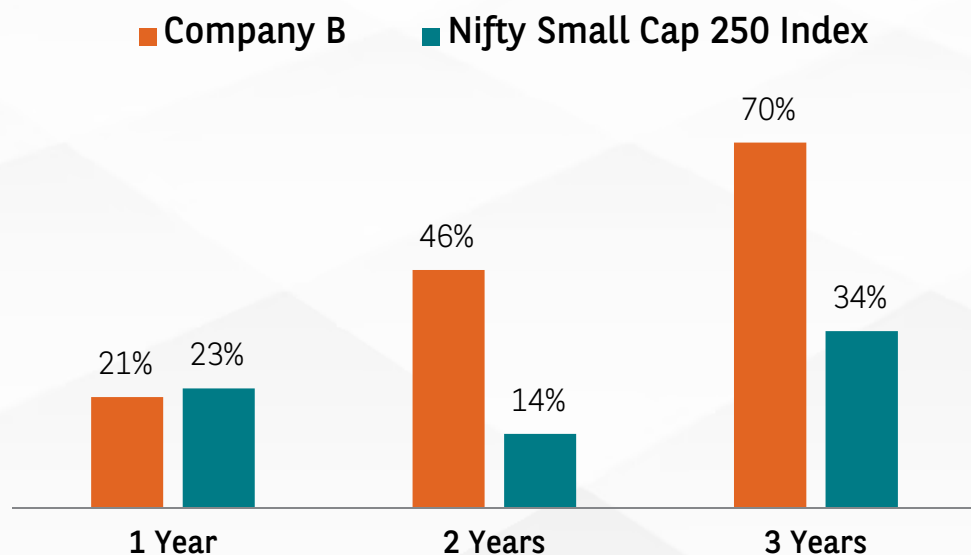
Source: Bloomberg, Hindu Business Line and Internal. Data as on 31<sup>st</sup> August 2023.

The above-mentioned company is for illustration purposes only and not a recommendation for investment. The scheme may or may not invest in such companies.

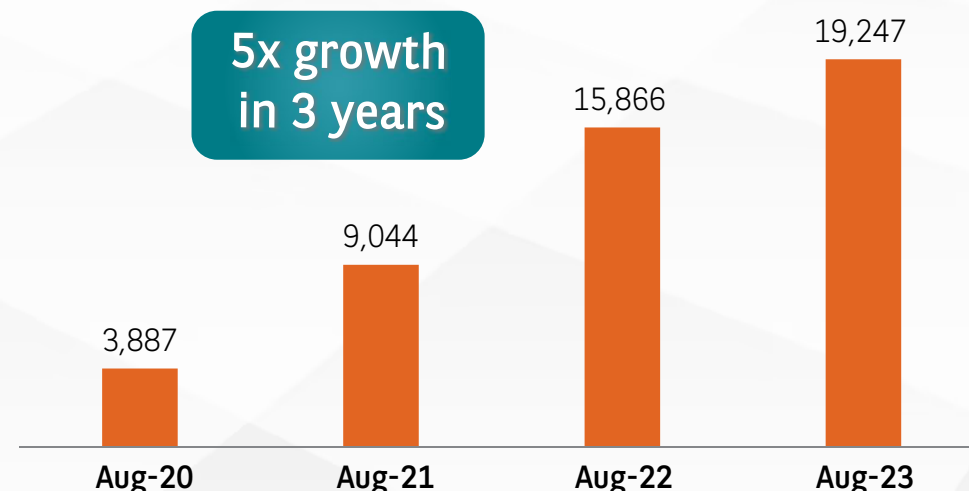
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# Tomorrow's Leaders: Investing in New Tech and Capabilities

### Performance



### Market Cap Growth for Company B



- Favourable regulations allow states to build stability of voltage and frequency known as grid strengthening.
- Play on grid strengthening as higher share of renewables feeds into the national grid.
- Big play on rail safety as company offers highly automated solutions on network interlocking.

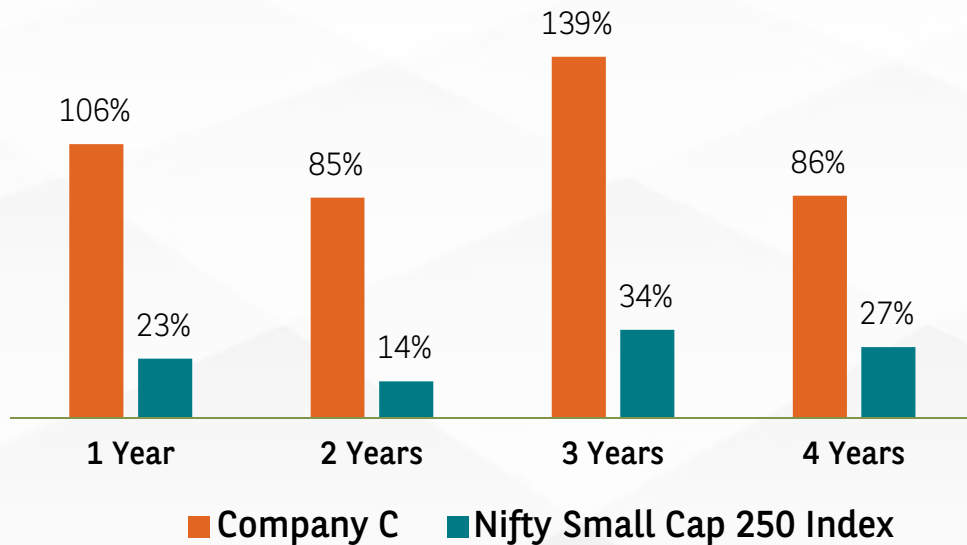
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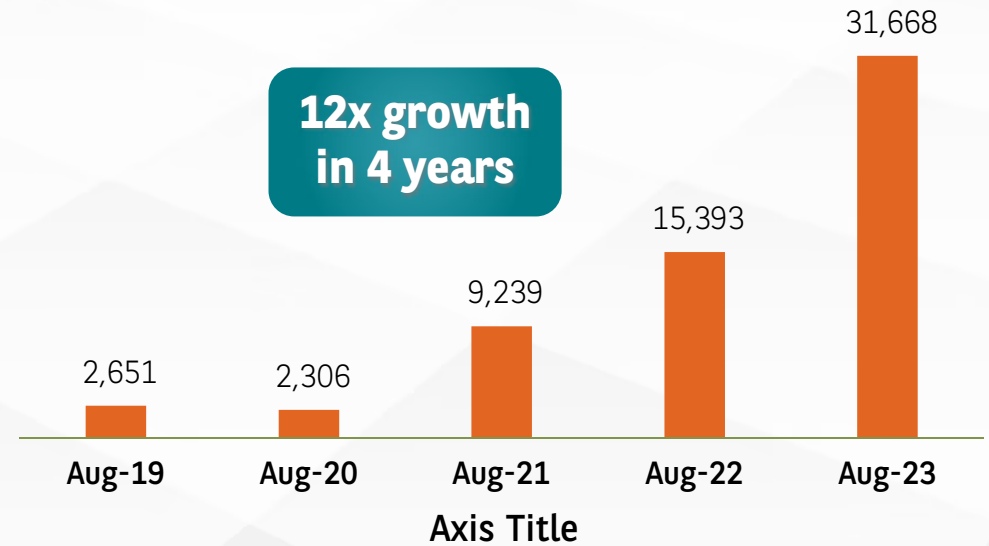
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# Alpha Generators: Staying Ahead of the Curve

### Performance



### Market Cap Growth for Company C



- This company provides emerging tech to the automotive sector.
- Ability to develop new technologies and discern emerging trends in the automotive sector like the rapid acceptance of EVs (Electric Vehicles).
- Massive scale up on emerging technologies in automotive sector led to higher alpha generation.

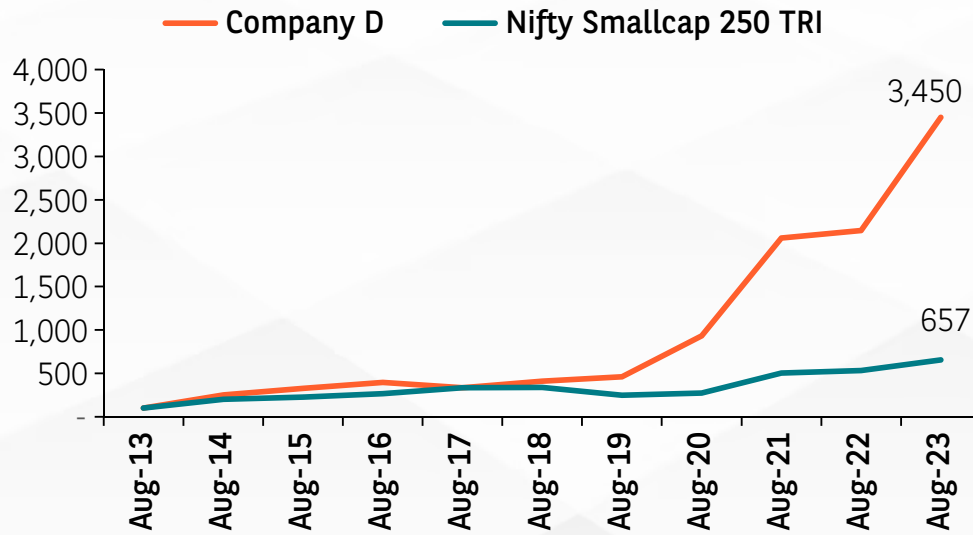
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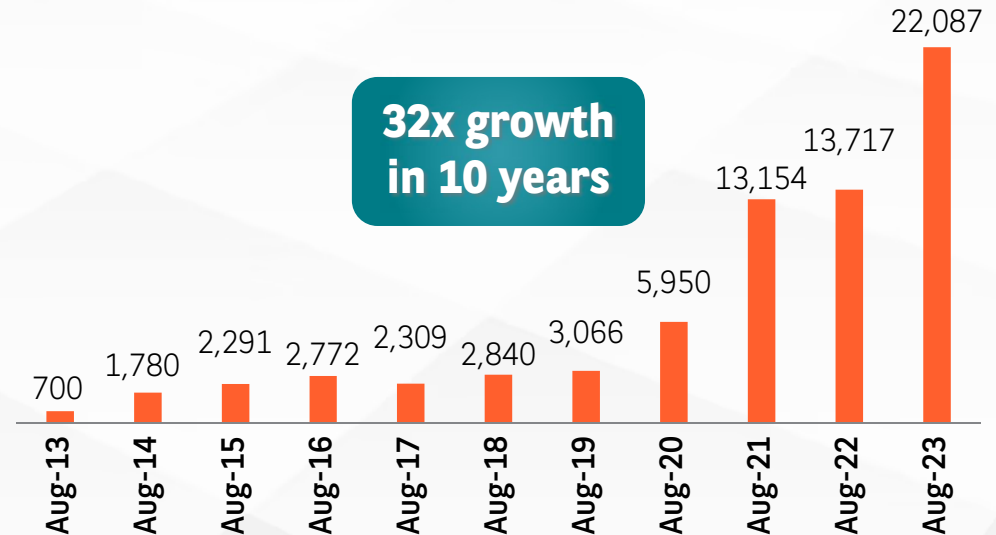
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# Right Sector: Targeting the Niche Industry Segments

### Price Movement



### Mkt Cap of Company D (In Crs.)



- This is a company operating in a niche segment of the pharmaceutical industry.
- Its business is focussed on in cardio segments and expanded presence across chronic (hypertension, gastro-intestinal etc) and cardiac procedures.
- Large presence in lozenges via its CDMO segment.
- It has developed these businesses both, organically and inorganically.

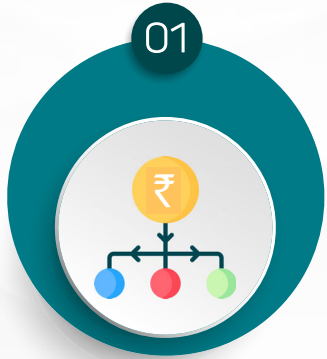
Source: Bloomberg, and Internal. Data as on 31<sup>st</sup> August 2023.

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# Who is it Suitable for?

01



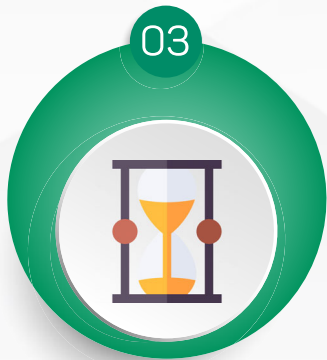
Investors with predominant large and mid cap portfolio looking for diversification into small caps.

02



Long term investors looking for comparatively higher returns with higher risk.

03



Investors willing to invest for more than 5 years.

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





## CIO – Mr. Sanjay Chawla (33 Years of Experience)

Fund Manager,  
Small Cap Fund

Experience

Jitendra Sriram 26  
Years

Shiv Chanani 24  
Years

Pratish Krishnan 23  
Years

Sandeep Jain 16  
Years

Miten Vora 14  
Years

Experience

Swapna Shelar 12  
Years

Kushant Arora 09  
Years

Alka Katiyar 08  
Years

Jigar Shah 08  
Years

Arjun Bagga 05  
Years

<b>Scheme Name:</b>	<b>Baroda BNP Paribas Small Cap Fund</b>
<b>Scheme Type:</b>	An open-ended equity scheme predominantly investing in Small Cap stocks.
<b>Investment Objective:</b>	The scheme seeks to generate long-term capital appreciation by investing predominantly in equity and equity related securities of small cap companies. The scheme does not guarantee/indicate any returns.
<b>Benchmark:</b>	Nifty Small Cap 250 TR Index
<b>Fund Manager*:</b>	Mr. Shiv Chanani (Senior Fund Manager - Equity) (Experience: 24 years)
<b>Load Structure:</b>	Entry Load : Not applicable Exit Load : <ul style="list-style-type: none"> <li>• If units of the scheme are redeemed or switched out up to 10% of the units within 1 year from the date of allotment - Nil.</li> <li>• If units of the scheme are redeemed or switched out in excess of the limit within 1 year from the date of allotment - 1% of the applicable NAV.</li> <li>• If units of scheme are redeemed or switched out after 1 year from the date of allotment - Nil.</li> </ul>
<b>Plans and Options:</b>	The Scheme offers following two plans: <ul style="list-style-type: none"> <li>• Baroda BNP Paribas Small Cap Fund - Regular Plan</li> <li>• Baroda BNP Paribas Small Cap Fund - Direct Plan</li> </ul> Each Plan offers Growth Option and Income Distribution cum Capital Withdrawal (IDCW) Option The IDCW option offers two options: Payout of Income Distribution cum capital withdrawal option and Reinvestment of Income Distribution cum capital withdrawal option.
<b>Minimum Application Amount:</b>	Lumpsum investment: ₹5,000 and in multiples of ₹1 thereafter. SIP: (i) Daily, Weekly, Monthly SIP: ₹500/- and in multiples of ₹1/- thereafter; (ii) Quarterly SIP: ₹1500/- and in multiples of ₹1/- thereafter. There is no upper limit. The AMC reserves the right to change the minimum application amount from time to time.

#### Asset Allocation:

Type of Instruments	Minimum Allocation (% of Net Assets)	Maximum Allocation (% of Net Assets)	Risk Profile
Equity & Equity related instruments ^ of small cap companies\$	65	100	High
Equity and equity related instruments^ of other than small cap companies	0	35	High
Debt** & Money Market instruments	0	35	Low to Medium
Units issued by REITs & INvITS	0	10	Medium to High
Units of Mutual Fund Scheme	0	10	Medium to High

For complete details refer SID

\$ Small Cap companies are those companies which are classified as small cap companies by Securities and Exchange Board of India (SEBI) or Association of Mutual Funds in India (AMFI) in terms of market capitalisation. Small Cap Companies as defined by SEBI: 251st company onwards in terms of full market capitalization.

\*\*Debt instruments may include securitised debt up to 20% of the debt portfolio of the scheme.

^The Scheme may invest up to 50% of equity assets in equity derivatives instruments as permitted under the SEBI (Mutual Funds) Regulations, 1996 from time to time. The Scheme may use equity derivatives for such purposes as maybe permitted under the SEBI (Mutual Funds) Regulations, 1996, including but not limited for the purpose of hedging and portfolio balancing, based on the opportunities available and subject to guidelines issued by SEBI from time to time. The scheme shall not invest in debt derivative instruments.

\*Mr Miten Vora is the dedicated fund manager for overseas investments

#Market Capitalization as per AMFI - Large Cap: 1st - 100th company, Mid Cap: 101st - 250th company and Small Cap: 251st company onwards in terms of full market capitalization. Average market cap of 251st company as of Dec 22 to June 23 of Rs 17,385 Crs

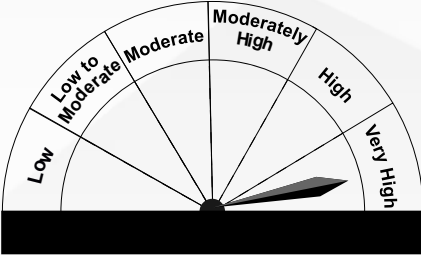
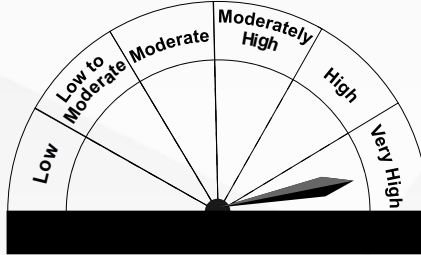
#### Disclaimer:

All figures and other data given in this document are dated and may or may not be relevant at a future date. The recipient alone shall be fully responsible / liable for any decision taken based on this document. Prospective investors are therefore advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implications or consequence of subscribing to the units of the schemes of Baroda BNP Paribas Mutual Fund. Past performance may or may not be sustained in the future. Please refer to the Scheme Information Document of the schemes before investing for details of the scheme including investment objective, asset allocation pattern, investment strategy, risk factors and taxation. The risks involved in investing in the small cap companies could be higher compared to the large/ mid cap ones and hence investor should consider their risk appetite at the time of investing in small cap funds.

The risks associated with investments in equities include fluctuations in prices, as stock markets can be volatile and decline in response to political, regulatory, economic, market and stock-specific development etc. Please refer to scheme information document for detailed risk factors, asset allocation, investment strategy etc.

Further, to the extent the scheme invests in fixed income securities, the Scheme shall be subject to various risks associated with investments in Fixed Income Securities such as Credit and Counterparty risk, Liquidity risk, Market risk, Interest Rate risk & Re-investment risk etc., Further, the Scheme may use various permitted derivative instruments and techniques which may increase the volatility of scheme's performance. Also, the risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments. The risks involved in investing in the small cap companies could be higher compared to the large/ mid cap ones and hence investor should consider their risk appetite at the time of investing in small cap funds.

Please refer to Scheme Information Document available on our website ([www.barodabnpparibasmf.in](http://www.barodabnpparibasmf.in)) for detailed Risk Factors, assets allocation, investment strategy etc.

<p><b>This product is suitable for investors who are seeking*:</b></p>	<p><b>Risk-o-meter for the Scheme^^</b></p>  <p>Investors understand that their principal will be at very high risk</p>	<p><b>Benchmark (Tier 1) Riskometer^^</b> Nifty Small Cap 250 TRI</p>  <p>Benchmark riskometer is at very high risk</p>
<ul style="list-style-type: none"> <li>• Long term capital growth</li> <li>• Investment in equity &amp; equity related securities predominantly in small cap stocks</li> </ul>		
<p><b>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</b></p>		

Riskometer as on 31<sup>st</sup> August 2023\*

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

^^the riskometer assigned is based on internal assessment of the scheme characteristics and the same may vary post NFO when actual investments are made.

In the preparation of the material contained in this document, Baroda BNP Paribas Asset Management India Ltd. ("AMC") (formerly BNP Paribas Asset Management India Private Limited) has used information that is publicly available, including information developed in-house. The AMC, however, does not warrant the accuracy, reasonableness and/or completeness of any information. This document may contain statements/opinions/ recommendations, which contain words, or phrases such as "expect", "believe" and similar expressions or variations of such expressions that are "forward looking statements". Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, etc. The AMC (including its affiliates), Baroda BNP Paribas Mutual Fund ("Mutual Fund"), its sponsor / trustee and any of its officers, directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner. The recipient alone shall be fully responsible / liable for any decision taken based on this document. All figures and other data given in this document are dated and may or may not be relevant at a future date. Prospective investors are therefore advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of the schemes of Baroda BNP Paribas Mutual Fund . Past performance may or may not be sustained in the future. Please refer to the Scheme Information Document of the schemes before investing for details of the scheme including investment objective, asset allocation pattern, investment strategy, risk factors and taxation.

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