smallcase rationale

India is likely to be the third-largest consumer market in the world by 2030.

- Expanding Indian middle-class consumption patterns have coupled with the significant disposable income in the hands of millennials.
- India's experimental class is huge and its level consumption is also very high.
- This change in consumption patterns will increase demand across sectors such as food, housing, health, entertainment, leisure, household goods, healthcare and beyond.
- Companies with strong brands will benefit from such consumption.
- It is best to avoid a scenario that contains companies with debt/equity which creates a risk for the company.

This smallcase comes with companies that have been able to leverage their brand power into an outstanding financial success over the years.

Created On: 19-Mar-2021
Minimum Capital: ₹50,000

SEBI Reg. Number: INA000000825
Subscription Type: Free

Invest in this smallcase here

Methodology

Defining the universe

All publicly traded companies on the National Stock Exchange of India, covering 90% market capitalization, are included in the universe.

Research

The Research Team at Stockedge does an in-depth research, along with internal presentations and decides the criteria to be used for stock screening.

Stock Screening

- Proprietary liquidity filters are applied to remove stocks with a lighter trading volume.
- A special check is applied to remove stocks where a significant part of the promoter holdings are pledged, to define the investible universe.
- All stocks in the investible universe, belonging to the selected sectors are checked individually to ensure perfect theme fit.

Weighting

The points considered while assigning weights to stocks in the selected sectors are:
Revenue derived/exposure from particular theme related business activities
Market capitalization of the company
Revenue growth
Company debt

Rebalance

The smallcase has a quarterly rebalance schedule. Once every quarter, the research team reviews the smallcase to add or drop stocks/ETFs, if applicable.

Ratios

Ratio	smallcase	Equity Large Cap
PE Ratio	46.59	24.57
Market Cap	8.74	4.04
Sharpe Ratio	1.13	1.11
Dividend Yield (%)	0.94	1.12

Market Cap Distribution

Note: Low performance indicates, it is a bad or unsatisfactory financial return information and should not be seen as advertisement or promotion.

Returns over various periods

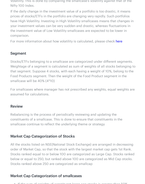
6M Returns	1Y Returns	2Y Returns	3Y Returns
smallcase	smallcase	smallcase	smallcase
8.73%	16.4%	39.05%	19.02%
Equity Large...	Equity Large...	Equity Large...	Equity Large...
7.89%	15.41%	34.24%	14.63%

How to Invest

Important Fields

Inception Date: March 3, 2014
Rebalance Frequency: Quarterly
Last Rebalance: April 4, 2016
Last Revised: March 14, 2021
Weightage Category: Equity Large Cap
Next Review On: June 14, 2021

Performance



Performance Vs Equity Large Cap

Definitions and Disclosures

CAGR

CAGR (compounded annual growth rate) is a useful measure of growth in various periods such as revenue, earnings, or stock price. It represents the growth rate of a particular metric that has been consistent over the period covered by the portfolio (ex 5%, 10 & 15%, respectively in the first, second and third year. Then CAGR would be 10% for the three years). However, it is rarely that the growth in performance was at the exact 10% series over period. Actual performance could be 5% & 15% in the first two years and drops by 5% in the third year. The CAGR in this case is still 10% for the three years but with wide variance in the growth. The investment value at the end of the third year, if your portfolio gains by 5,15% and drops by 5% is the same as if it had grown at a consistent 10% rate.

Similarly, if a company has a 10% CAGR in revenue, it does not mean it has grown at the same rate of growth. But nonetheless the fact that it does indicate returns in the long run. Similarly, if a company has a 10% CAGR in earnings, it does not mean that earnings growth doesn't include fluctuations.

P/E - CAGR combination methodology per quintiles from 3Yr Apr'21 to all smallcases Platform. Please refer to the methodology section for more details.

Volatility Label

Volatility in stock/ETF prices on a daily basis result in fluctuations in the investment value of your portfolio. In order to help investors understand the extent of fluctuation they might expect when their investment value changes, we have classified a smallcase into one of three volatility buckets - High, Medium and Low. Volatility Label is calculated using the smallcase's standard deviation over the last 3 years.

If the daily change in the investment value of a portfolio is low (ex.0), it means that the investment value of the portfolio is not fluctuating much and is relatively low risk. Conversely, a high volatility implies that the investment value of your investment varies over time with sudden and drastic whereas fluctuations in investment value. Low volatility smallcases have relatively lower risk of capital loss.

For more information about how volatility is calculated, please check here.

Segment

Segment for Fundamental Weighted smallcases are categorized under different segments. Weightage of a segment is calculated as sum of weights of all stocks belonging to that segment. Segments are Large Cap, Mid Cap, Small Cap, Micro Cap, Sector and Thematic/Broad Market. Then the weight of the smallcase is distributed in the ratio of 50:30:20 for Large Cap, Mid Cap and Small Cap.

Micro Cap and Sector smallcases are not impacted any weights, equal weights are assumed for calculations.

Review

Rebalancing is the process of periodically reviewing and updating the constituents of a smallcase. This is done to ensure that the composition in the smallcase continues to reflect the underlying theme or strategy.

Market Cap Categorization of Stocks

Stocks ranked equal to or better than 250th rank (largest cap) are categorized as Large Cap. Stocks ranked next to the last Large Cap stock are categorized as Mid Cap. Stocks ranked equal to or better than 500th rank (largest cap) are categorized as Small Cap. Stocks ranked next to the last Small Cap stock are categorized as Micro Cap. Stocks ranked worse than 1000th are not considered.

Market Cap Categorization of smallcases

- If the sum of weights of constituent large cap stocks is greater than 50%, then smallcase is categorized as Large Cap.
- If the sum of weights of constituent mid cap stocks is greater than 50%, then smallcase is categorized as Mid Cap.
- If the sum of weights of constituent small cap stocks is greater than 50%, then smallcase is categorized as Small Cap.
- If the sum of weights of constituent large cap stocks is greater than 30%, the sum of weights of mid cap stocks are greater than 30%, and sum of weights of small cap stocks are greater than 20%, then smallcase is categorized as Large & Mid Cap.
- If the sum of weights of constituent small cap stocks is greater than 30%, the sum of weights of mid cap stocks are greater than 30%, and sum of weights of large cap stocks are greater than 20%, then smallcase is categorized as Mid & Small Cap.
- In case of other scenarios as mix, then smallcase is categorized as Multicap.

For smallcases where manager has not prescribed any weights, equal weights are assumed for calculations.

Comparison of fee performance

Fee Performance Ratio, Fundamental decisions, smallcase platform provide many tools. One of the tools provided on the platform is the comparison of the fee charged by managers vs the returns they deliver. The fee performance ratio provides a quick view on how much returns are being delivered for every unit of fee/commission. The following methodology is used to provide users different options to compare the performance of various managers.

- All smallcases have an option to compare their performance against Nifty50 and Equity Large Cap benchmarks. Nifty 50 and Equity Large Cap
- FD returns are calculated using the data available from RBI. The annual returns for FD are calculated by taking the average of the last 3 years of data. If the annual deposit rates for last 3 years is not available, then the return of the same after 3 years is calculated as (1+r/4)^(4*3) - 1 (r = 7.25%). Quarterly compounding is assumed. Tax is not considered while calculating returns.
- Inflation returns are calculated using the data available from RBI. The annual returns for inflation are calculated by taking the average of the last 3 years. If data is not available, then the last available data is used. Inflation is the rate of the service consumed in the annual inflation rates provided by the RBI. Inflation rate for the last 3 years is used to calculate the 3 year return. If the inflation rate for the last 3 years is not available, then the last available data is used. (7.5%). This series is also utilized to determine the CAGR between any 3 specified dates.
- Equity returns represent the returns generated by Nifty 50 Index.

Fee Performance Ratio = Fund Manager Fee / Fund Manager Performance Fee. Fund Manager Performance Fee = Fund Manager Performance - Benchmark (Nifty50 Index).

A lower ratio is categorized into one of the market cap categories using the methodology explained in the section above. Following options are made available, as per the selected comparison benchmark.

Market Cap Category	Comparable Option
Large-cap	Nifty 100
Mid-cap	Nifty Midcap 150
Smallcap	Nifty Smallcap 250
Large & Mid-cap	Nifty Largemidcap 250
Mid & Smallcap	Nifty Midsmallcap 400
Multicap	Nifty 500

General Investment Disclosures

Clients and performance numbers on the platform do not include any transaction fees. Please refer to the Review Calculation Methodology for more details on how returns are calculated on the platform. Data used for calculation of historical returns and other ratios shown on the platform is sourced from NSE India. Corporate actions such as stock splits and bonus issues are adjusted for the historical prices. Dividends and other corporate actions are not considered for calculation of returns. Equal weights are used to calculate all returns, numbers and ratios shown on the platform.

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- The company has financial interest in the subject company(ies) at the end of the month immediately preceding the date of publication of reports or reports created by the company. Our associates may have financial interest in the subject company(ies).
- Research Analyst or his/her relatives/Group Companies have not traded in the subject company(ies) at the end of the month immediately preceding the date of publication of reports or reports created by the company.
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- Research Analyst or his/her relatives/Group Companies have not received any compensation from the subject company(ies) in the past 12 months.
- Research Analyst or his/her relatives/Group Companies have not received any compensation from the company in the past 12 months.
- Research Analyst or his/her relatives/Group Companies have not been a director or employee of the company in the past 12 months.
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