



R&D Spenders

Companies investing heavily in R&D to be future-ready beacons of innovation

Moderate Risk

Index Value

270.32

CAGR

19.72%

smallcase rationale

Indian companies across sectors like pharmaceuticals, chemicals, auto & auto ancillaries, etc have been investing heavily into R&D to develop sustainable competitive advantage and become future-ready.

- Research and development (R&D) expenditure in India is anticipated to grow from 0.9% of the GDP in 2014 to 2.4% of the GDP by 2034
- Government has also been providing tax incentives and policy support to encourage companies to invest more into R&D
- This smallcase consists of companies focused on innovation whose R&D expenditure as a percentage of sales has been consistently above their sector averages
- These companies also record more than 10% increase in their absolute spending on R&D over the years

This smallcase comprises companies that are spending on R&D to build innovative, future-ready goods and services.

Created by **smallcase Research** SEBI Reg. Number **INH200005984** Subscription Type **Free**

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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 smallcase Research team studies research papers and documented investment philosophies and strategies. Ideas and strategies are then adapted for the Indian markets, with which a criteria for stock screening is finalized



Stock Screening

- Proprietary liquidity filters are applied to remove ill-liquid stocks from the universe
- A special check is applied to remove stocks, where a significant part of the promoter holdings are pledged, to define the investable universe
- The model criteria identified in the previous step is applied on the investable universe to select qualifying stocks



Weighting

This list of selected stocks is equal weighted



Historical back-testing

All model based smallcases are checked for historical outperformance to ensure that only consistently outperforming models are selected



Rebalance

This smallcase has an annual rebalance schedule. Once every year, the research team reviews this smallcase and drops stocks which do not meet the model criteria and adds new stocks

Ratios

Ratio	smallcase	NIFTY Midcap
PE Ratio	18.78	17.09
PB Ratio	3.18	2.11
Sharpe Ratio	0.86	1.07
Dividend Yield (%)	1.40	1.58

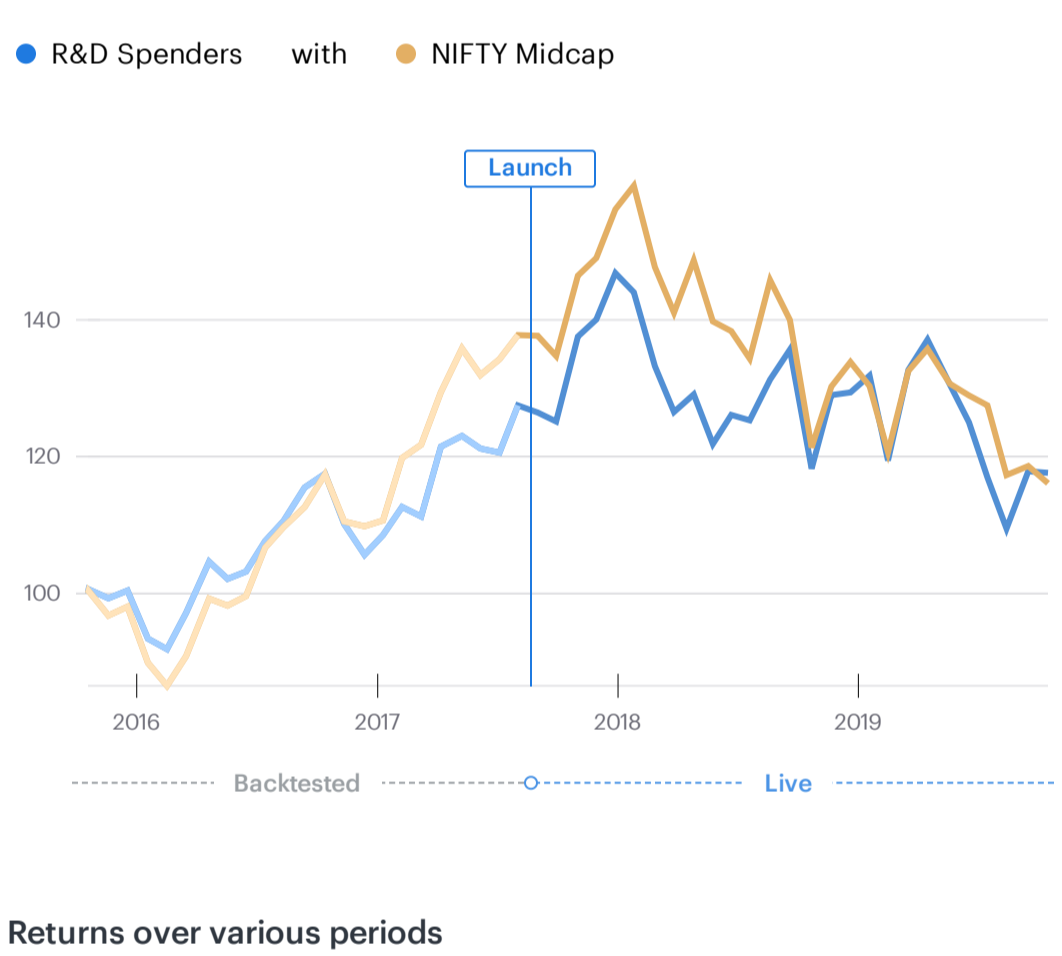
Important Dates

Inception Date	Launch Date	Benchmark
March 3, 2014	August 22, 2017	NIFTY Midcap
Review Frequency	Last Reviewed	Next Review On
Annual	September 13, 2019	September 13, 2020

Market Cap Distribution

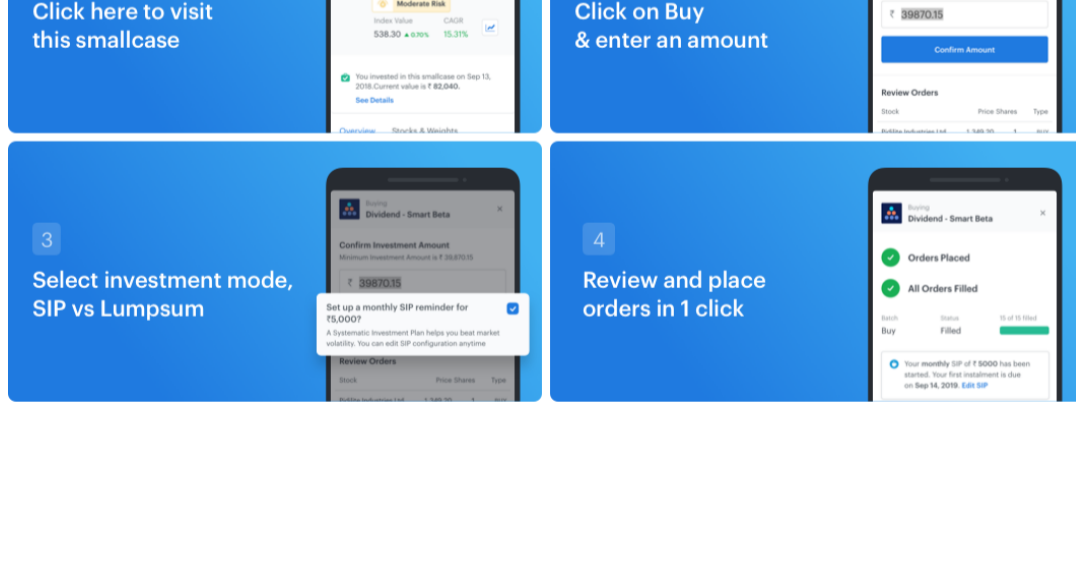


Past Performance Comparison with NIFTY Midcap



Returns over various periods

6M Returns	1Y Returns	3Y Returns	5Y Returns
smallcase -12.35%	smallcase -5.44%	smallcase 11.92%	smallcase 27.9%
NIFTY Mid... -12%	NIFTY Mid... -8.94%	NIFTY Mid... 9.27%	NIFTY Mid... 24.75%



Definitions and Disclosures

Index Value

Index value for all smallcases start from 100 since their inception date and helps investors easily calculate the returns generated since inception or between two specific dates. For example, if the current index value of the smallcase is 150, it means it has generated 50% since its inception. If the index value of a smallcase was 215 last month and the current index value is 245, it means it has generated $(245/215)-1 = 13.9\%$ return in last one month

CAGR

CAGR (compounded annual growth rate) is a useful measure of growth or performance of a portfolio. It represents the growth/return rate that gets you to the current value of the investment, starting from the initial investment value and assuming that investment has been compounding at the fixed growth/return rate for the period.

In simple words, it indicates the annual return generated by the smallcase from the date of inception

Risk Label

Change in value of your investment, due to changing prices of stocks on a daily basis is called the Risk. If the daily change in the investment value of portfolio is too drastic, it means prices of stocks in the portfolio are changing very rapidly. Such portfolios have High Risk.

Every smallcase is categorized into one of the three risk buckets - High Risk, Moderate Risk and Low Risk. This is done by comparing the volatility of the smallcase with market volatility since inception. Investing in High Risk smallcases means that change in your investment values can be very sudden and drastic.

Segment

Stocks/ETFs belonging to a smallcase are categorized under different segments. Weightage of a segment is calculated as sum of weights of all stocks belonging to that segment. Suppose 4 stocks, with each having a weight of 10%, belong to the Food Products segment. Then the weight of the Food Product segment in the smallcase will be 40% (4*10)

Review

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

Disclosure

smallcases are only created by SEBI registered Research Analysts, Investment Advisers and Portfolio Managers. Details like Name and SEBI registration number of the creator of this smallcase can be found on the first page of the factsheet.

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