



## Low Risk - Smart Beta

Low-risk, large cap stocks for passive long term investing



Index Value

754.63

CAGR

17.75%

### smallcase rationale

Even though higher risk should ideally yield higher returns, research has shown that, low-risk stocks have consistently outperformed high-risk stocks and provided higher returns. This effect, termed as the "Low Risk Anomaly", challenges the basic notion of risk-return trade off and is the bedrock of low volatility investing.

- Low volatility investing offers better returns at lower risk levels by deriving the portfolio weighting scheme using volatility, instead of keeping it equi-weighted or market-cap weighted
- This smallcase picks only liquid stocks from top 150 market cap stocks listed on NSE
- The smallcase offers a much better risk-reward ratio compared to Nifty Index and Nifty ETFs

This smallcase is best suited for passive long-term investing.

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 are sorted by marketcap. Only the top 150 companies on the basis of marketcap are included in the universe



#### Research

The smallcase Research team studies research papers and documented various smart beta algorithms and strategies. Algorithms 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

Depending on the strategy, smallcase research team picks a quantitative weighting scheme to be applied



#### Historical back-testing

All smart beta smallcases are checked for historical outperformance over more than decade, to ensure that only consistently outperforming strategies are selected



#### Rebalance

This smallcase has a quarterly rebalance schedule. Once every quarter, the research team reviews this smallcase and drops stocks which do not meet the criteria of smart beta strategies

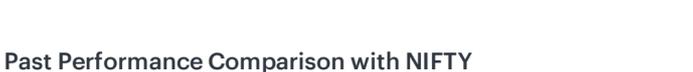
### Ratios

Ratio	smallcase	NIFTY
PE Ratio	20.88	20.53
PB Ratio	2.85	2.88
Sharpe Ratio	1.75	0.90
Dividend Yield (%)	1.93	1.34

### Important Dates

Inception Date	Launch Date	Benchmark
February 28, 2007	July 20, 2018	NIFTY
Review Frequency	Last Reviewed	Next Review On
Quarterly	September 13, 2019	December 13, 2019

### Market Cap Distribution

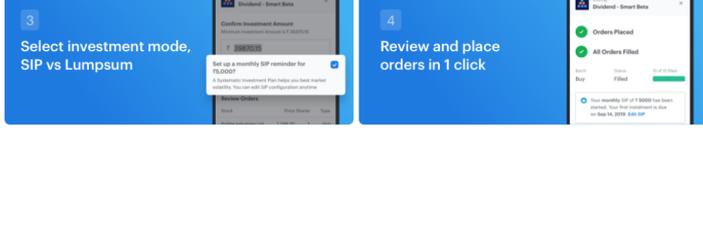


### Past Performance Comparison with NIFTY



### Returns over various periods

6M Returns	1Y Returns	3Y Returns	5Y Returns
smallcase -0.32%	smallcase -0.31%	smallcase 33.34%	smallcase 59.76%
NIFTY -4.52%	NIFTY -3.5%	NIFTY 25.19%	NIFTY 29.92%



### 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.

Smallcases represent a collection of stocks/ETFs picked by the smallcase creator to represent a particular theme, idea or strategy and is not a recommendation or advice. Thus, smallcases should not be construed as an investment advice and investors should exercise due diligence and consult their Investment Advisor before investing. Stocks and ETF investing is subjected to market risk.

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