

Reliance Small Cap Fund

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Reliance Small Cap Fund

Reliance Small Cap Fund is an open ended equity fund which will invest predominantly in equity and equity related instruments of companies which are small by market capitalisation.

Snap Shot

Investment Objective	The primary investment objective of the scheme is to generate long term capital appreciation by investing predominantly in equity and equity related instruments of small cap companies and the secondary objective is to generate consistent returns by investing in debt and money market securities
Nature of the Scheme	An Open Ended Equity Scheme
Benchmark	BSE Small Cap Index
Proposed Asset Allocation	Equity & Equity Related Securities of small cap companies including derivatives [#] - 65%-100% Equity & Equity Related Securities of any other companies including derivatives [#] - 0%-35% Debt & Money Market Securities ^{**} 0% - 35% <i>** including securitized debt upto 30%</i> <i># The Scheme proposes to invest at least 65% of the corpus in Equity & equity related instruments of small cap companies which may go upto 100% of the corpus.</i> <i>The investment in Equity & equity related instruments of any other companies other than small cap companies will be in the range of 0-35% of the corpus.</i>
Fund Manager	Sunil Singhania
Choice of Plans/Options	Growth Plan: Growth & Bonus Option Dividend Plan: Dividend Payout Option & Dividend Reinvestment Option
Minimum Investment	Rs. 5000 & in multiples of Re 1 thereafter
Load Structure (During New Fund Offer & Continuous Offer including SIP Installments)	Entry Load: Nil Exit Load: 2% If redeemed or switched out on or before completion of 12 months from the date of allotment of units 1% If redeemed or switched out after 12 months but on or before completion of 24 months from the date of allotment of units Nil If redeemed or switched out after the completion of 24 months from the date of allotment of units.

Our View:

Risk return Profile:

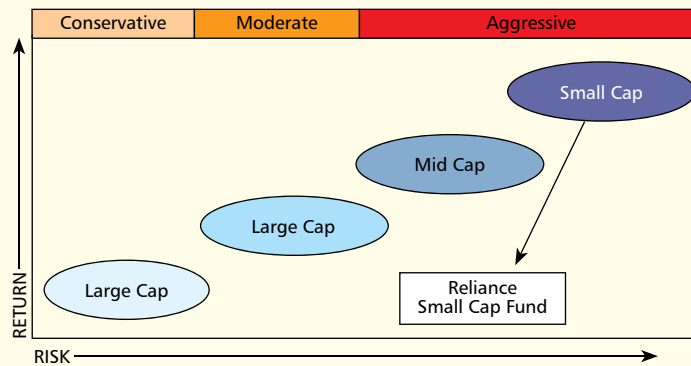
The fund seeks to invest primarily in smallcap stocks. Since high volatility is associated with such stocks, investment in this fund involves higher degree of risk when compared to a diversified or a largecap fund. However, due to high growth potential of smallcap stocks, its return potential is also higher. Therefore, it is placed in the aggressive risk-return category.

Suitability:

The aggressive scheme is suitable for an investor who is willing to take considerably higher risk so as to achieve higher returns than other equity funds.

Preferred investment duration:

To realise the true potential of smallcap stocks, investment should be made for long-term. Also, as prices of such stocks are very volatile, long-term holding avoids short-term fluctuations. Hence, the fund should be held for a period of at least 5 years.



Market Cap Sizes under each Index

Indices	Categorisation	No. of Companies	Index Market Cap Range (crs.)
BSE Sensex	Largecap	30	15300-329400
BSE Midcap	Midcap	273	1000-12350
BSE Smallcap	Smallcap	534	170-2300

The small cap company Opportunity

- ❖ 4300+ Cos. listed on Bombay Stock Exchange
- ❖ 1383 Cos. with Market Capitalization of over Rs.100 Cr
- ❖ 1065 Cos. with Market Capitalization of over Rs.200 Cr
- ❖ 664 Cos. with a Sales Turnover of over Rs.200 Cr
- ❖ 613 Cos. with an Operating Profit over Rs.25 Cr
- ❖ 548 Cos. with net profit of over Rs.10 Cr

How has smallcap index fared during the last three years.

Benchmark	CAGR	
	1 Year	3 Years
BSE MIDCAP	37.2950	8.1474
BSE SENSEX	17.1661	8.2696
BSE SMALLCAP	48.9781	9.5820
S&P CNX Nifty	18.5728	9.5156

Dynamics of successful Smallcap Investing

Stock Selection

- ❖ Small Cap investing is all about stock selection rather than asset allocation
- ❖ Stock selection based on
 - ❖ Size of opportunity
 - ❖ Possible higher growth and its sustainability
 - ❖ Emerging theme / sector (Example: real estate, retail, food processing etc)
 - ❖ Zeal of management to scale and grow
 - ❖ Stock price movement tend to be more volatile
 - ❖ Limited research
 - ❖ Lesser/negligible institutional ownership
- ❖ However the sharp volatility subsides over a longer period and makes way for higher profitability.

Huge universe of smallcap stocks

Agriculture	Food processing	Paints
Auto	Gems & Jewellery	Paper
Auto Components	Healthcare	Petrochemicals
Cables	Hotels	Plastic products
Capital goods	Housing	Power
Cement	IT	Regional cement players
Chemicals	Leather products	Retail
Construction	Logistics	Telecom
Consumer durables	Media & publishing	Textile
Engineering	Metal	Tourism
Fertilizers & pesticides	Mining	Transport equipments
Finance	Oil & gas	Transport services
FMCG	Packaging	Diversified
Entertainment	Logistics	Real Estate

Taxation

As the fund will invest at least 65% of its funds in Indian equities, it will be treated as an equity oriented fund and the tax implications are

- ❖ Dividends will be completely tax free.
- ❖ **Short term capital gain:** 16.995%
- ❖ **Long term capital gain:** Nil

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