

# **Motilal Oswal Nifty Smallcap 250 Index Fund**

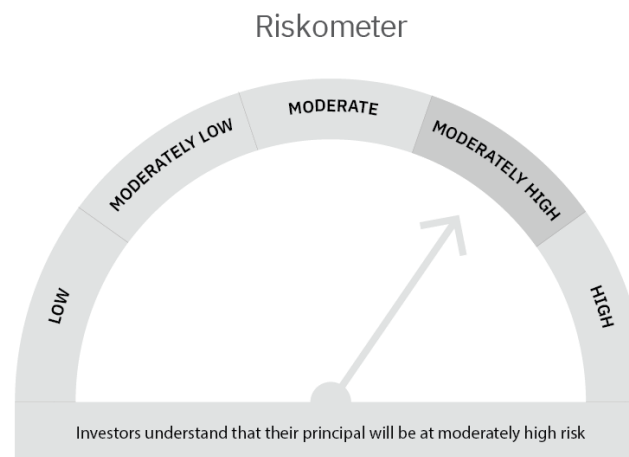
October 2020

# Product Suitability

This product is suitable for investors who are seeking\*

## Motilal Oswal Nifty Smallcap 250 Index Fund

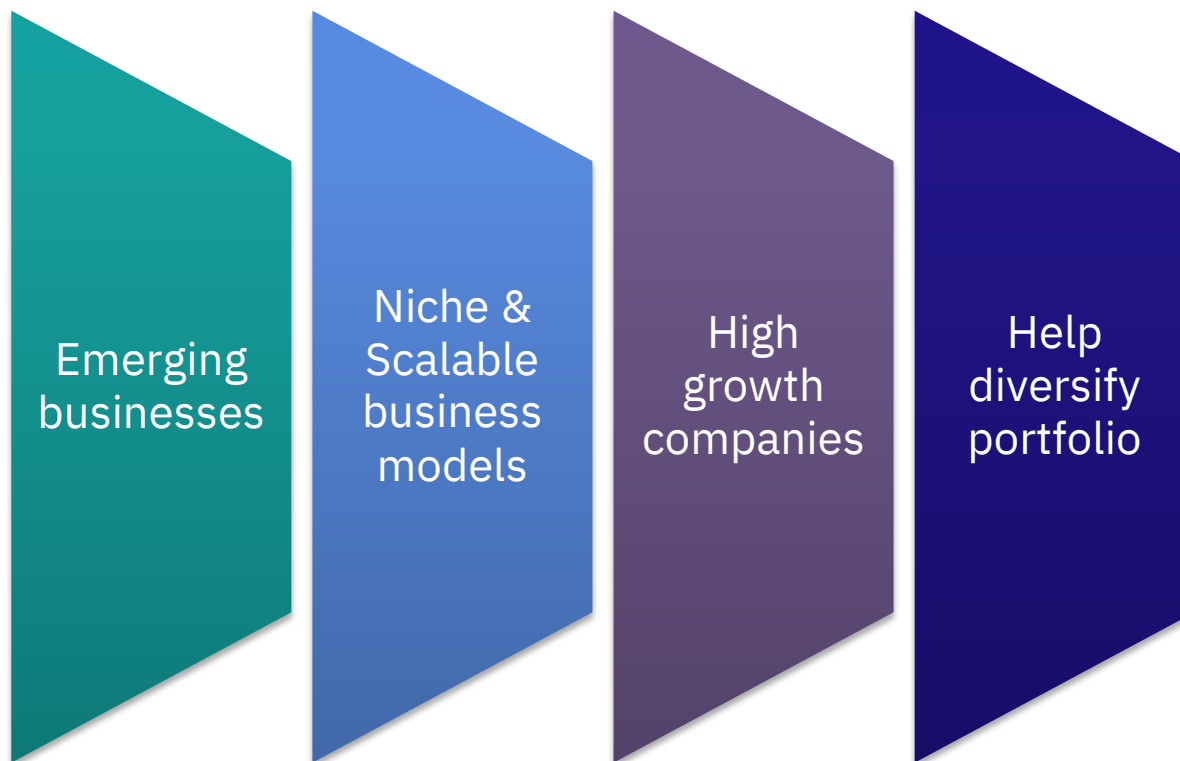
- Return that corresponds to the performance of Nifty Smallcap 250 TR Index subject to tracking error.
- Investment in Equity and Equity securities covered by Nifty Smallcap 250 Index.
- Long-term capital appreciation.



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

# Why Small Caps?

**Diversification is a key in investing** - When implementing investment strategies, it's important to account for the interaction between different size, value, and premiums.



# Future Stars?

Small Caps have the potential to become **next Mid caps or Large Caps** but also have a comparatively higher mortality rate

**Market cap buckets (Dec 2019)**

	Large cap	Midcap	Small cap	Got Acquired or Delisted	Grand Total
No of companies that were large cap 10 years back are now	61	21	12	6	100
No of companies that were mid cap 10 years back are now	21	45	73	11	150
No of companies that were small cap 10 years back are now	3	22	193	33	251

*Source/Disclaimer: Axis Mutual Fund. Above illustration includes data for all listed companies only in Nifty 500 Index. For the above analysis, Top 100 companies by market cap are considered as large cap companies, 101st to 250th companies as midcap companies and the rest as small cap companies. Data period: 31st Dec 2009 – 31st Dec 2019. The above graph/data is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.*

# Motilal Oswal Nifty Smallcap 250 Index Fund



## Investment Objective:

The Scheme seeks **investment return that corresponds to the performance of Nifty Smallcap 250 Index** subject to tracking error. However, there can be no assurance or guarantee that the investment objective of the Scheme would be achieved.

## Fund Info:

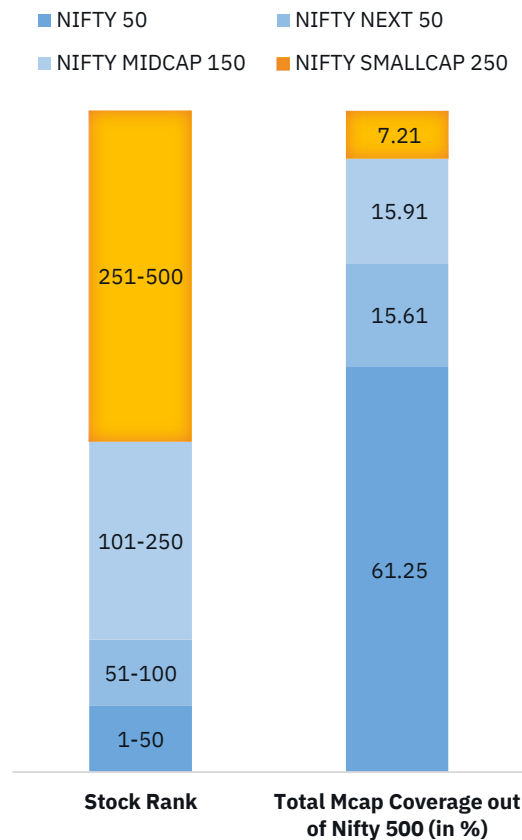
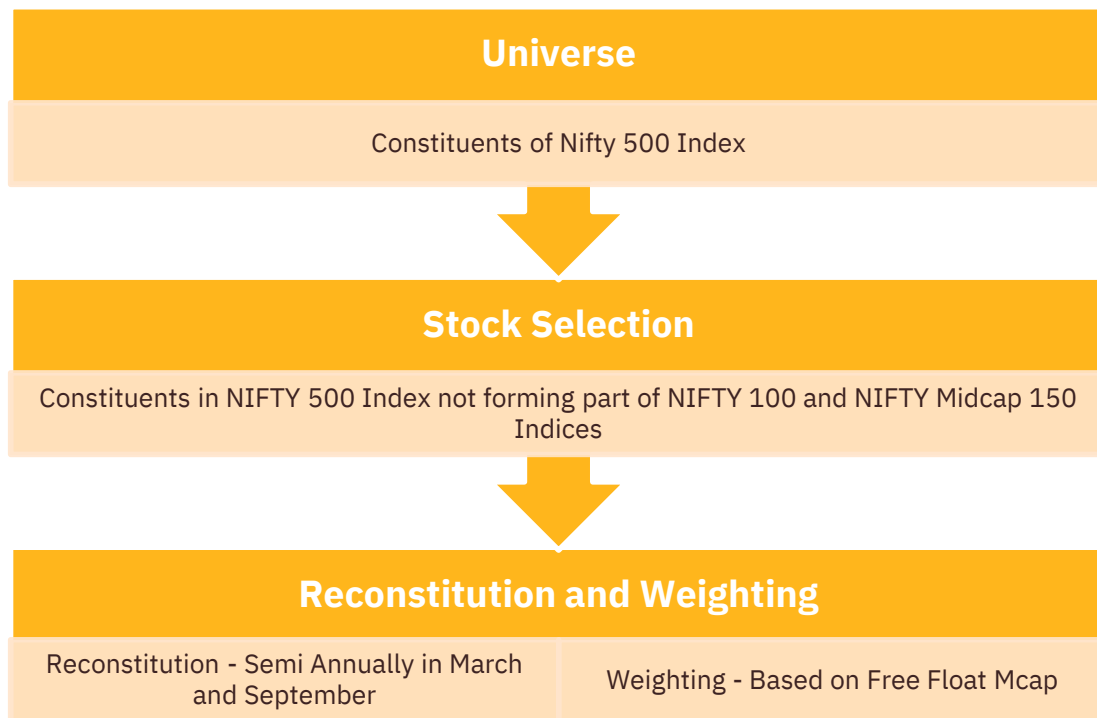
- **Category** - Index Fund
- **Date of Allotment** (inception) – 06-Sep-2019
- **Benchmark** – Nifty Smallcap 250 TR Index
- **Minimum Investment (Lumpsum & SIP)** – Minimum ₹ 500 & in multiples of ₹ 1 thereafter for every investment.
- **Fund Manager** – Mr. Swapnil Mayekar- 11 years of experience in fund management and product development
- **Scheme Statistics**- Monthly AAUM: ₹ 65.40 (cr) , Latest AUM: ₹ 65.23 (cr)  
Portfolio Turnover Ratio: 0.80
- **NAV**- Direct Growth Plan Option: ₹ 11.1261 , Regular Growth Plan Option: ₹ 11.0429
- **Total Expense Ratio** – Direct – 0.38%; Regular – 1.03%
- **Entry Load** – NA
- **Exit Load** – 1%- If redeemed on or before 15 days from the date of allotment. Nil- If redeemed after 15 days from the date of allotment.

*Source/Disclaimer: [www.motilaloswalmf.com/downloads/mutual-fund/Factsheet](http://www.motilaloswalmf.com/downloads/mutual-fund/Factsheet), as of 31-Oct-2020;  
Total Expense Ratio: [www.motilaloswalmf.com/downloads/mutual-fund/totalexpenseratio](http://www.motilaloswalmf.com/downloads/mutual-fund/totalexpenseratio)*

# About the Nifty Smallcap 250 Index

**Index Objective:** Nifty Smallcap 250 Index includes 250 stocks after excluding constituent of Nifty 100 and Nifty Midcap 150 Index from composition of Nifty 500 Index (i.e. stocks ranked 251 to 500 by full market capitalization). The index is designed to measure the performance of Smallcap universe.

## Index Methodology Snapshot:

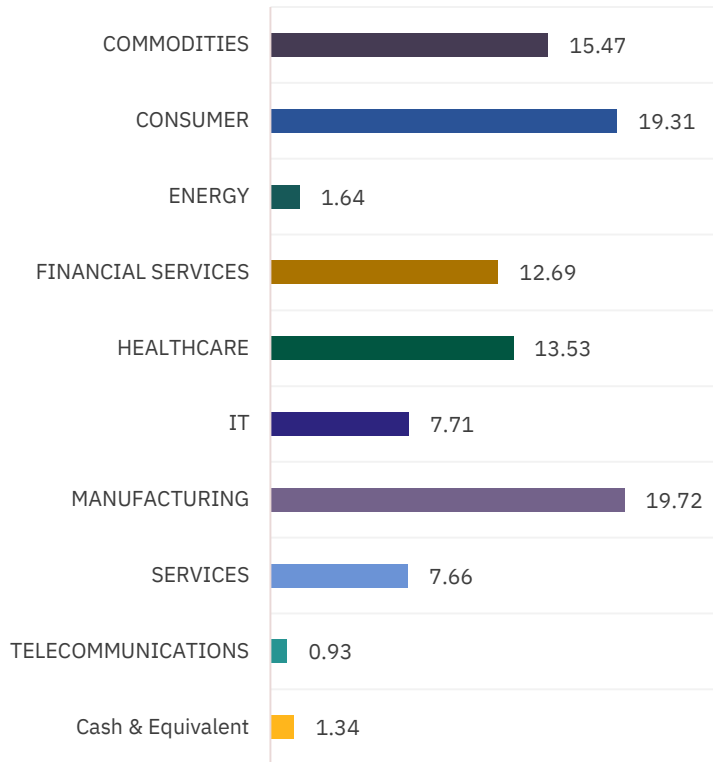


Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com), data as of 30-Sep-2020; for detailed index methodology kindly visit [www.niftyindices.com](http://www.niftyindices.com). The above data/graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Portfolio Composition of Motilal Oswal Nifty Smallcap 250 Index Fund

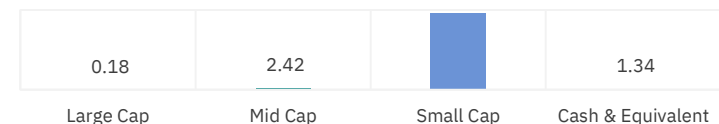


Macro Economic Sector Coverage: Motilal Oswal Nifty Smallcap 250 Index Fund



Company Name	Weight
Laurus Labs Limited	2.8
Multi Commodity Exchange of India Ltd	2.1
Dixon Technologies (India) Limited	1.5
Indian Energy Exchange Limited	1.4
Persistent Systems Ltd	1.4
Deepak Nitrite Limited	1.3
GRANULES INDIA LIMITED	1.3
Tata Elxsi Ltd	1.3
Kajaria Ceramics Limited	1.1
Indiamart Intermesh Limited	1.0
Total	15.0

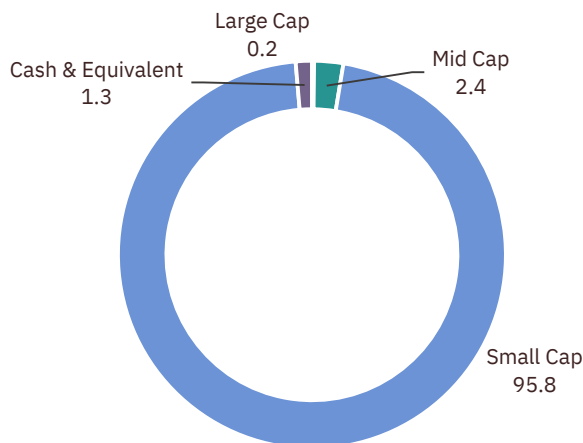
Size Coverage (SEBI): Motilal Oswal Nifty Smallcap 250 Index Fund



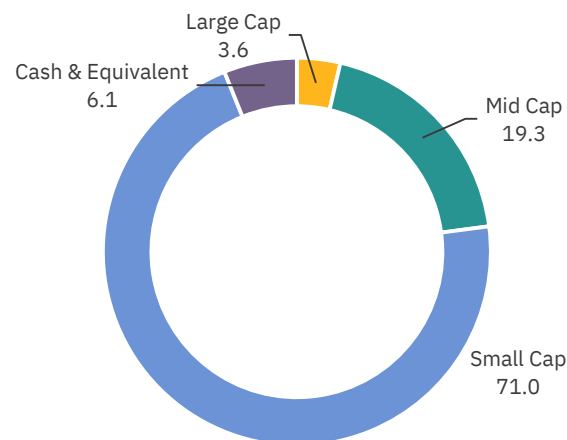
Source/Disclaimer: MOAMC; Data as of 31-Oct-2020; Sectors - Macro Economic Sectors as per AMFI Industry Classification; the stocks/sectors mentioned above are used to explain the concept and is for illustration purpose only and it should not be used for development or implementation of an investment strategy. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/schemes. Past performance may or may not be sustained in future.

# True to Label

**Motilal Oswal Nifty Smallcap 250 Index Fund**



**Average Holding of Active Smallcap Funds**



- Motilal Oswal Nifty Smallcap 250 Index Fund is the **first Smallcap passive fund** in India.
- It offers pure\* exposure to small cap companies, at relatively **low** TER of 1.03% as against industry average TER of 2.28%.

*Source/Disclaimer: MOAMC, ACEMF. \* As of 31-Oct-2020, there are 5 Midcap Stocks and 1 Largecap stock as per SEBI Classification that are part of Nifty SmallCap 250 Index. This is primarily due to different rebalancing cycles and stock buffers applied per index methodology. Nifty Size definition is in line with SEBI's size definition except rebalancing and stock buffers. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.*

# Diversification

Summary	Motilal Oswal Nifty 50 Index Fund	Motilal Oswal Nifty Next 50 Index Fund	Motilal Oswal Nifty Midcap 150 Index Fund	Motilal Oswal Nifty Smallcap 250 Index Fund
<b>No of Companies</b>	50	50	150	250
<b>Segment</b>	Large Cap	Large Cap	Mid Cap	Small Cap
<b>Sectors coverage</b>	13 Sectors out of 19	14 Sectors out of 19	18 Sectors out of 19	<b>All 19 Sectors</b>
<b>Top 5 Macro economic Sector allocation</b>	90.9%	81.7%	85.0%	80.7%
<b>Largest Macro economic Sector</b>	Financial Services 35.3%	Consumer 29.0%	Consumer 21.3%	Manufacturing 19.7%
<b>Largest Stock</b>	Reliance Industries Ltd 13.2%	Adani Green Energy Ltd 4.3%	Apollo Hospital Enterprise Ltd 2.1%	Laurus Labs Limited 2.8%
<b>*Herfindahl Index</b>	535.08	238.90	88.77	<b>64.55</b>

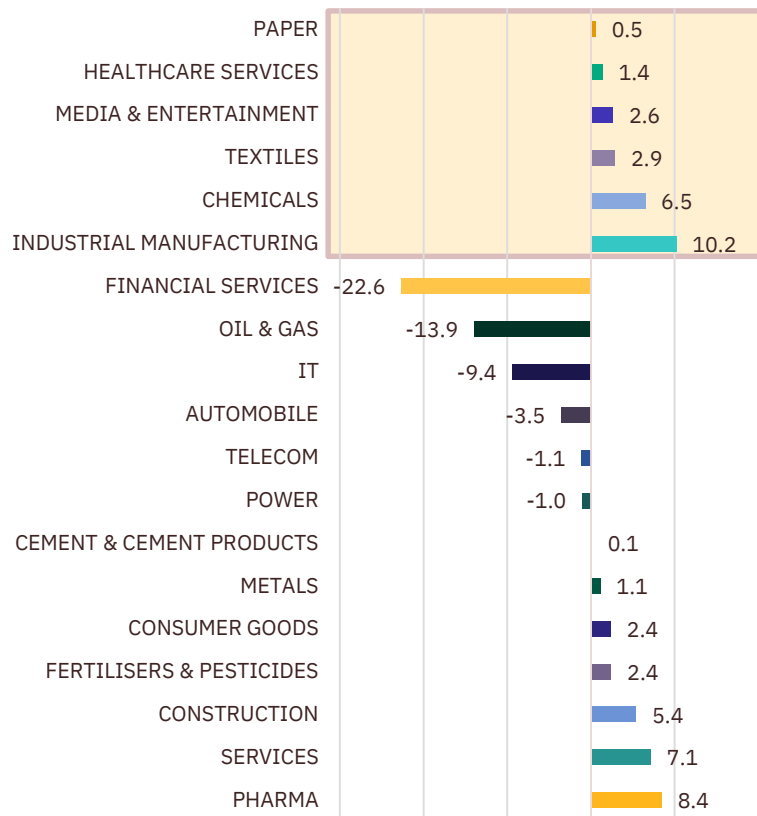
Herfindahl index is a measure of market concentration. Higher value indicates higher concentration.

**Score of Nifty Small Cap 250 signifies it is most diversified portfolio among large, mid and small caps.**

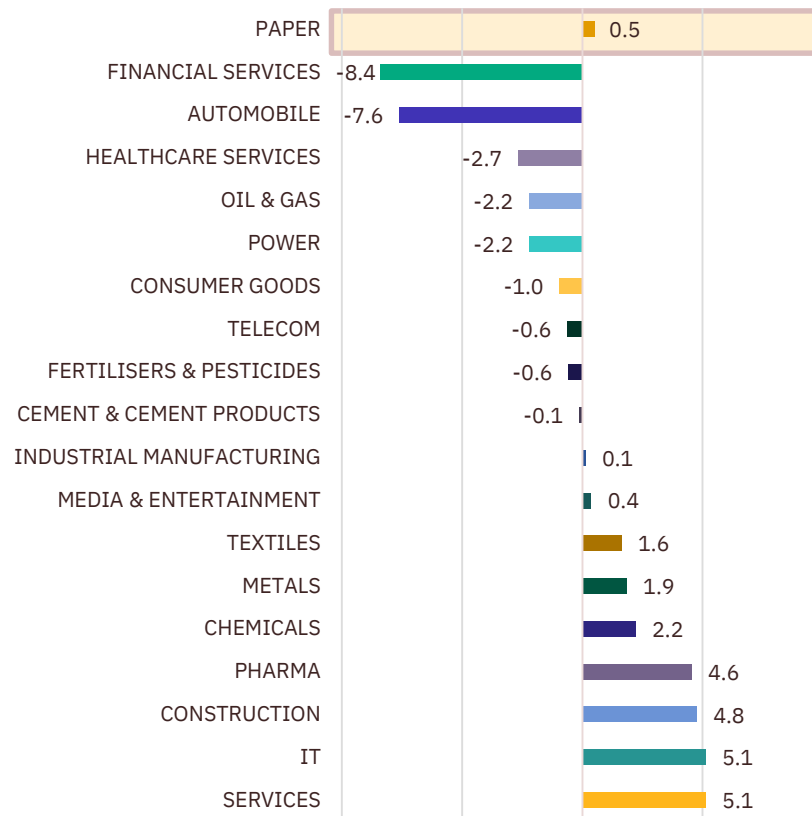
*Source/Disclaimer: MOAMC, [www.niftyindices.com](http://www.niftyindices.com). Data as of 31-Oct-2020. Sectors as identified by AMFI Sector Model. Macro Economic Sectors as per AMFI Industry Classification. \*The Herfindahl index (HHI) is computed using the weights of underlying index. The stocks/sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. The stocks/sectors may or may not be part of our portfolio/strategy/ schemes. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future.*

# Excess Weight over Large and Mid Caps

**Excess weight over Nifty 50 (%)**



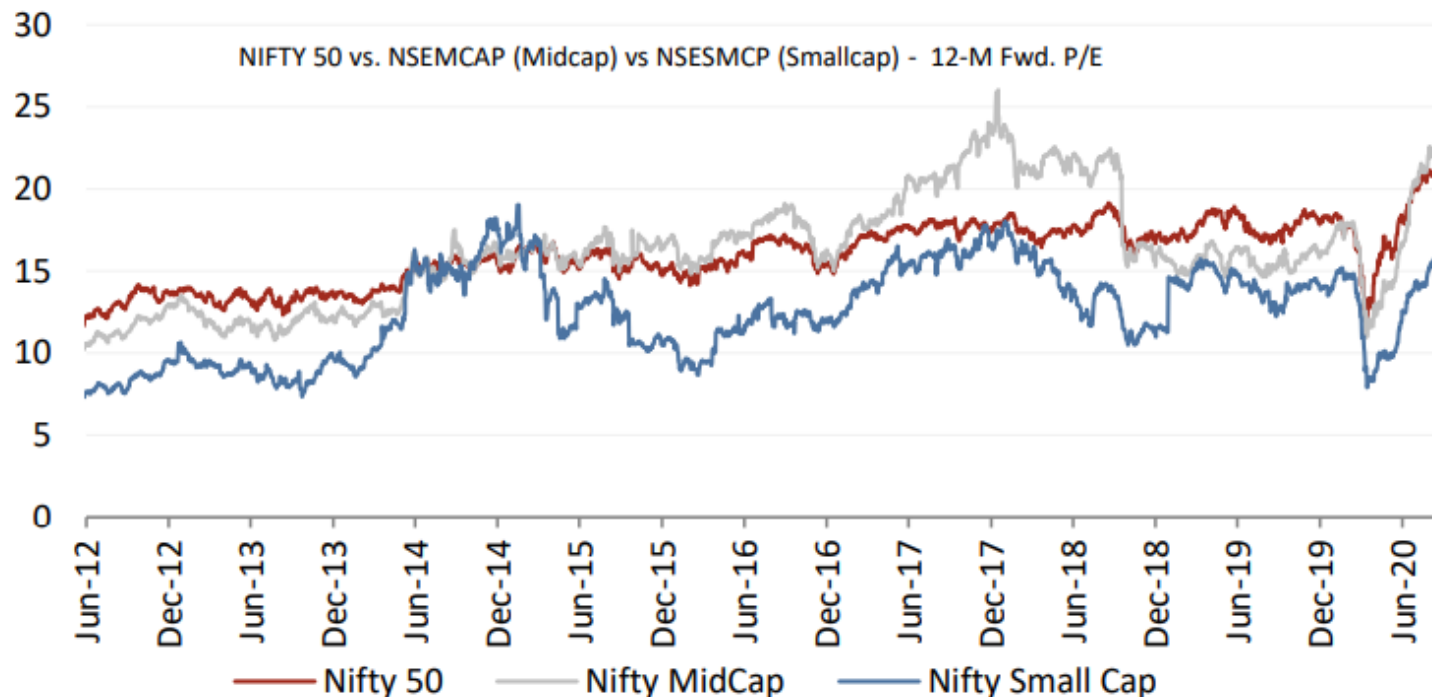
**Excess weight over Nifty Midcap 150 (%)**



- Nifty Small Cap 250 Index provides inherent diversification benefit
- The sector weights highlighted are unique to Nifty Smallcap 250 Index

Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com) . Data as on 31-Oct-2020. Sectors as identified by AMFI Sector Model. The stocks/sectors mentioned above are used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. The stocks/sectors may or may not be part of our portfolio/strategy/ schemes. It should not be construed as investment advice to any party. The stocks may or may not be part of our portfolio/strategy/ schemes. Past performance may or may not be sustained in future.

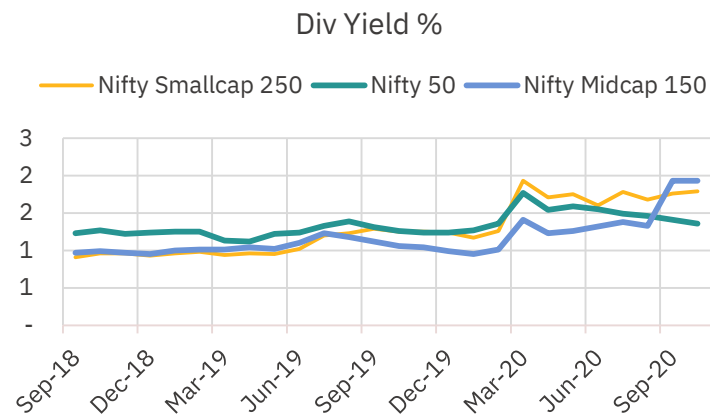
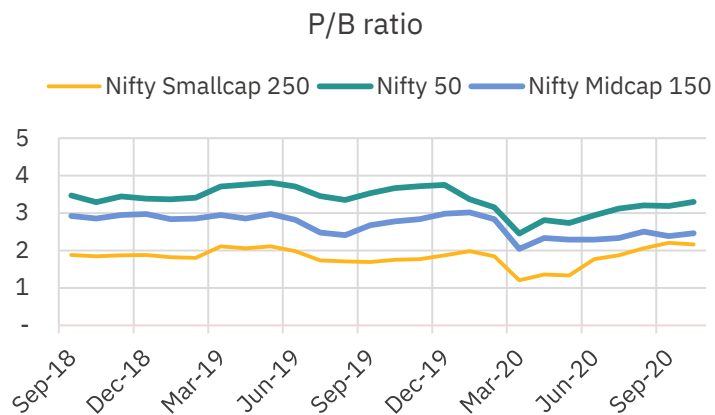
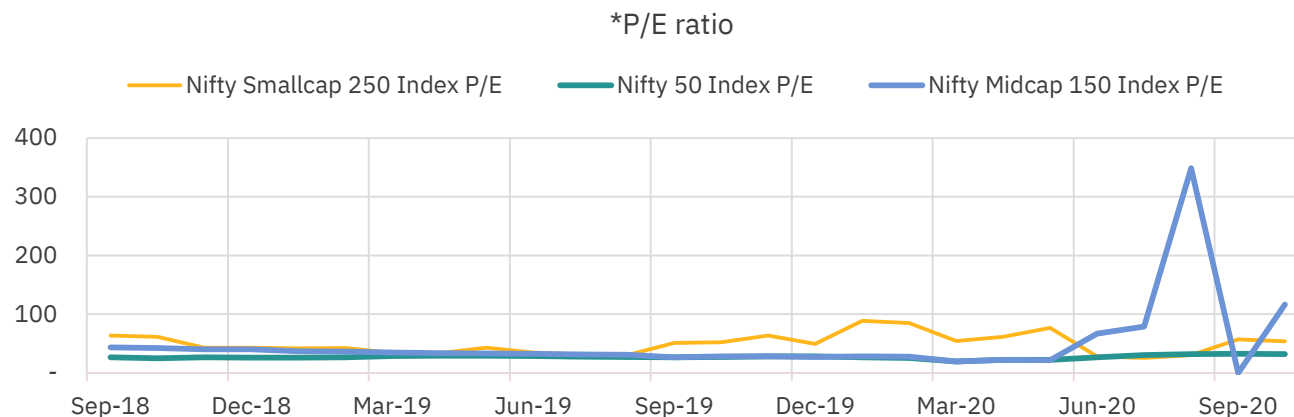
# Attractive Valuation – Forward Earnings



Based on forward 12 month PE ratio, the **valuation of Smallcap looks attractive** in comparison with Large and Midcap

*Source/Disclaimer: Source- Jefferies- Report on Decoding Revised Allocation Norms for Multi-Cap Funds. Dated- 13-Sep-2020. Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.*

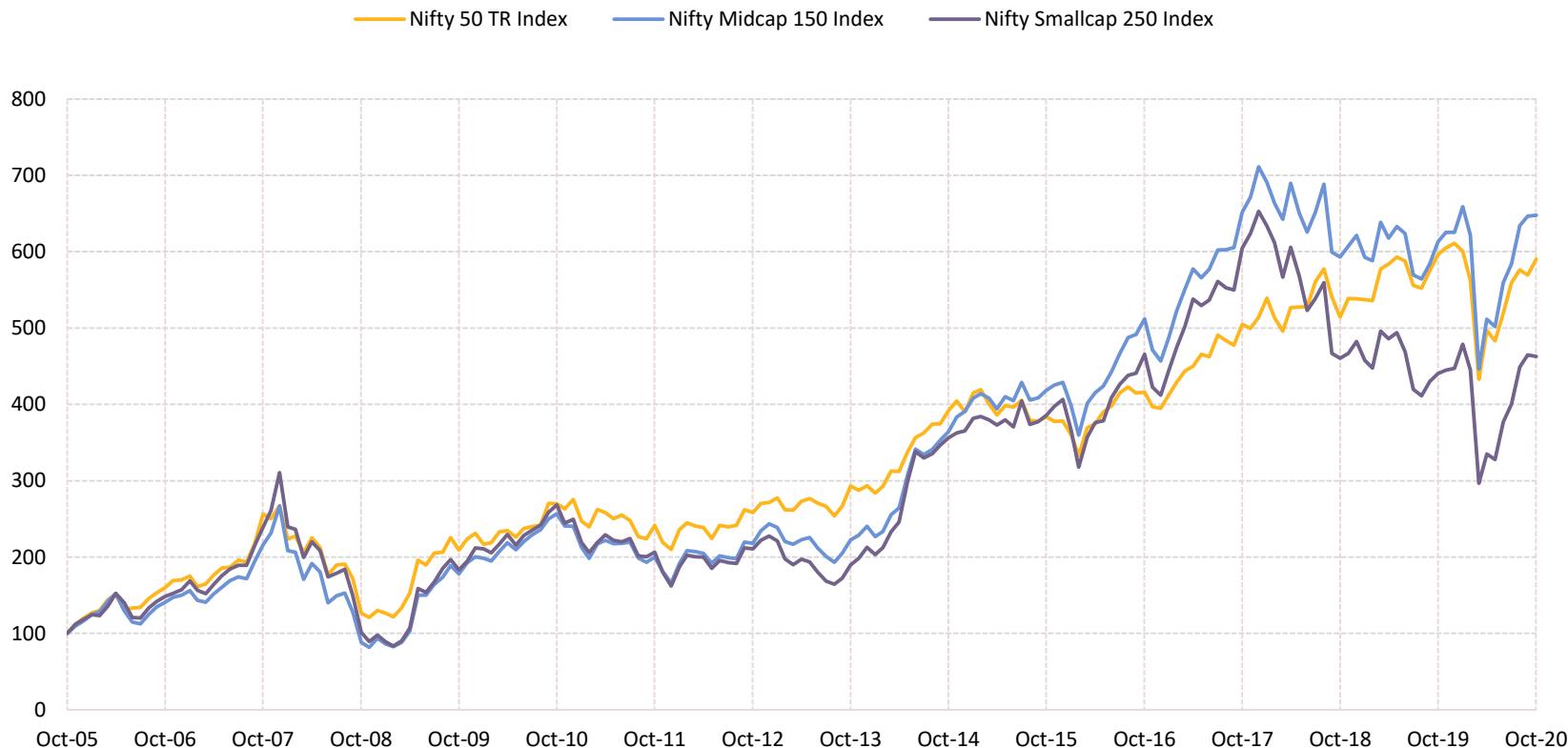
# Attractive Valuation – Trailing 12 Months



Source/Disclaimer: \*P/E for Nifty Midcap 150 as of 30 September 2020, not reported by NSE, due to negative earnings. [www.niftyindices.com](http://www.niftyindices.com); For Nifty Smallcap 250 Index longer and consistent history not available at source. Hence the data from 30-Sep-2018 - 31-Oct-2020; The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Index Performance (Last 15 years)

## Historical Performance

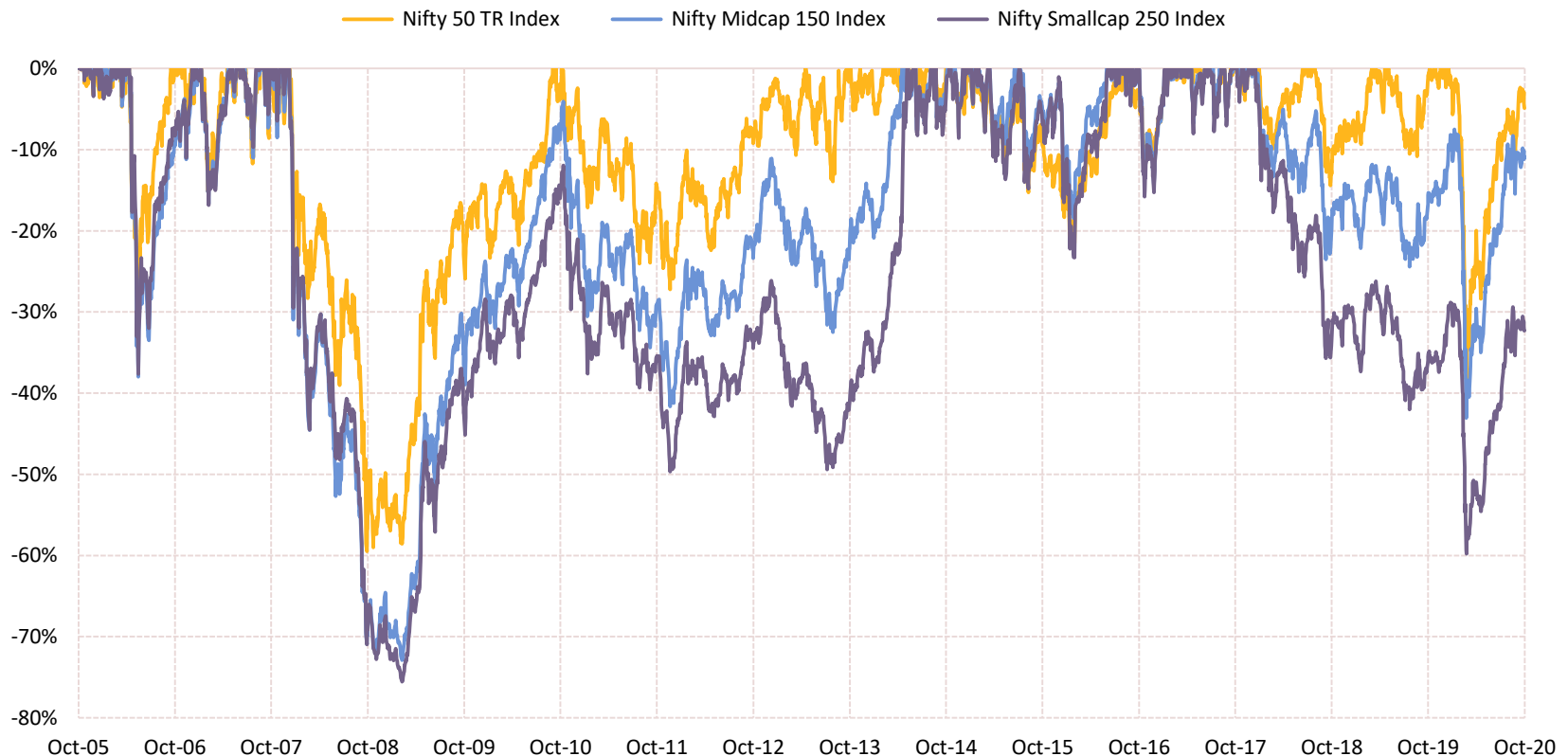


Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Oct-2005 – 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Index Drawdown (Last 15 years)

Historically, Nifty SmallCap 250 Index has noted relatively higher and longer volatility

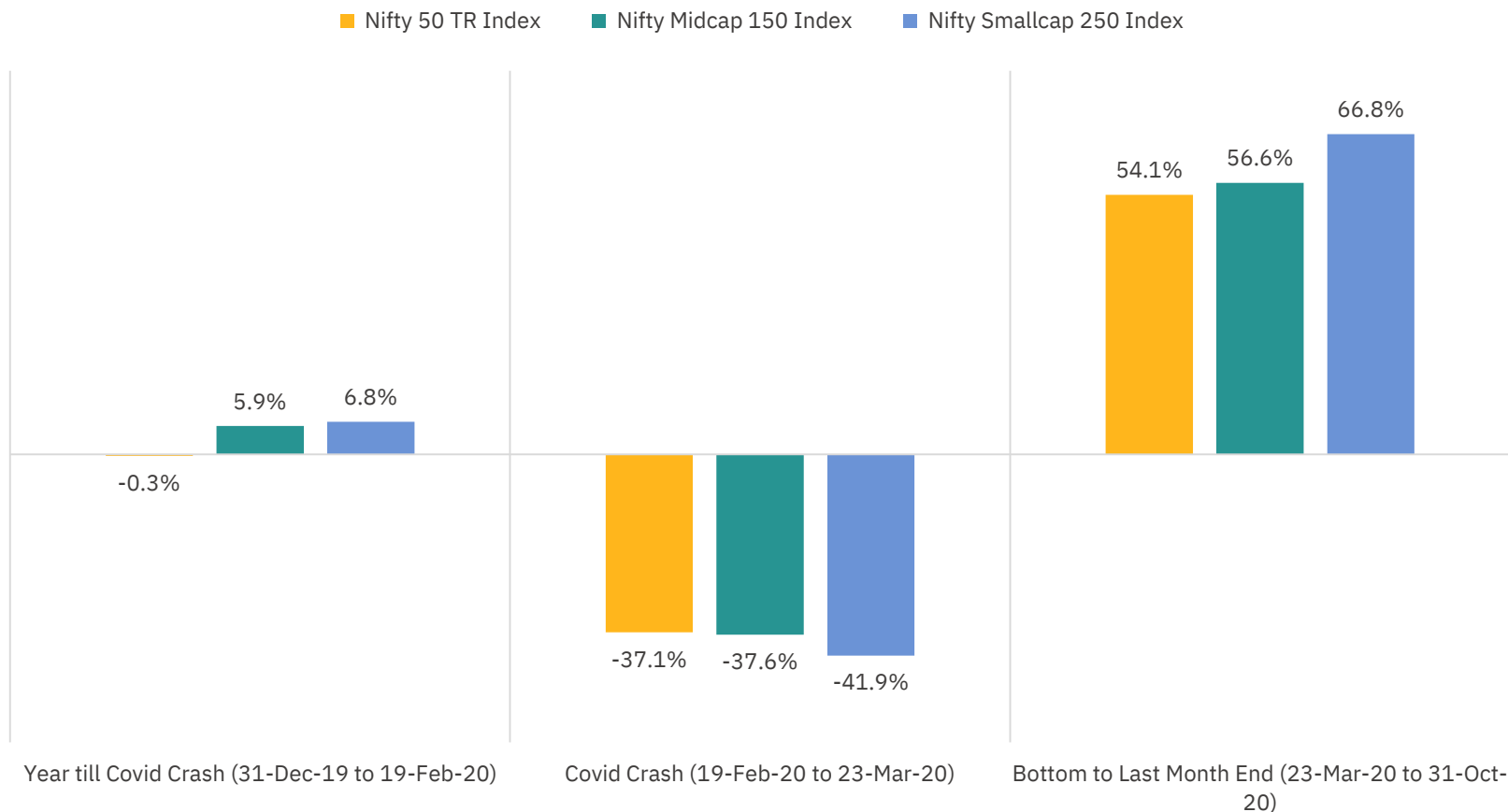
## Drawdown



Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Oct-2005 – 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Index Performance – During Covid-19

The Nifty SmallCap 250 TR Index took relatively larger hit but also bounced back strongly during recent market volatility caused due to Covid-19 pandemic



Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Dec-2019 – 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Index Performance

	Period	Nifty 50 TR Index	Nifty Midcap 150 TR Index	Nifty Smallcap 250 TR Index
Annualised Returns	1 year	-1.0%	5.7%	5.0%
	3 year	5.4%	-0.2%	-8.5%
	5 year	9.0%	9.1%	3.7%
	7 year	10.5%	16.5%	13.6%
	10 year	8.1%	9.7%	5.6%
	15 year	12.6%	13.3%	10.8%
Annualised Volatility	1 year	30.8%	26.7%	27.3%
	3 year	20.9%	20.0%	21.3%
	5 year	18.0%	18.2%	19.8%
	7 year	17.2%	17.9%	19.8%
	10 year	17.5%	17.7%	19.2%
	15 year	22.8%	22.2%	22.4%
Risk Adjusted Returns	1 year	-0.032	0.212	0.184
	3 year	0.257	-0.010	-0.401
	5 year	0.499	0.502	0.186
	7 year	0.613	0.925	0.686
	10 year	0.465	0.547	0.292
	15 year	0.552	0.599	0.479

- Typically Nifty Smallcap 250 Index **tends outperforms large cap stocks during overall bull market and growing economy;** although it experience higher drawdowns during bear markets.
- The fund is **suitable for investors with moderately-high risk appetite and are looking for low cost, pure small cap exposure to Indian Equities.**

*Source/Disclaimer: www.niftyindices.com; All performance data in INR. Performance Data from 31-Oct-2005 – 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.*

# Index Performance – Calendar year Returns



Calendar Year Returns	Nifty 50 TR Index	Nifty Midcap 150 TR Index	Nifty Smallcap 250 TR Index	Excess Returns	
				Over Nifty 50 TR Index	Over Nifty Midcap 150 TR Index
Oct-05 to Dec-05	19.9%	16.7%	18.4%	-1.5%	1.7%
2006	41.9%	28.5%	32.9%	-9.0%	4.4%
2007	56.8%	78.2%	97.4%	40.6%	19.3%
2008	-51.3%	-64.9%	-68.6%	-17.3%	-3.6%
2009	77.6%	113.9%	117.4%	39.8%	3.5%
2010	19.2%	20.1%	17.6%	-1.6%	-2.4%
2011	-23.8%	-31.0%	-35.1%	-11.3%	-4.1%
2012	29.4%	46.7%	40.4%	11.0%	-6.3%
2013	8.1%	-1.3%	-6.4%	-14.5%	-5.2%
2014	32.9%	62.7%	71.7%	38.8%	9.0%
2015	-3.0%	9.7%	11.3%	14.3%	1.6%
2016	4.4%	6.5%	1.4%	-3.0%	-5.1%
2017	30.3%	55.7%	58.5%	28.2%	2.7%
2018	4.6%	-12.6%	-26.1%	-30.8%	-13.5%
2019	13.5%	0.6%	-7.3%	-20.7%	-7.9%
Dec-19 to Oct-20	-3.4%	3.6%	3.4%	6.8%	-0.2%
<b>*Average excess returns</b>				<b>4.4%</b>	<b>-0.4%</b>

Small cap noted 4.4% average excess returns\* over Large cap while it noted -0.4% average excess returns over midcaps but with substantial variations

Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com); \*Simple average of excess return in a calendar year. All performance data in INR. Performance Data from 31-Oct-2005 – 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# SIP Returns for Nifty Smallcap 250 Index

	1 year	3 year	5 year	7 year	10 year
<b>Nifty Smallcap 250 TR Index SIP Returns</b>	30.17%	-0.61%	0.78%	4.42%	7.93%
Amount Invested	1,20,000	3,60,000	6,00,000	8,40,000	12,00,000
Market Value	1,38,919	3,56,609	6,11,986	9,82,946	18,07,487

Data as of close of Oct 31, 2020. For SIP returns, monthly investment of **₹ 10,000** invested on the last trading day of every month has been considered. Performance is calculated using Total Return Index, with zero cost/expenses. Past performance may or may not be sustained in the future.

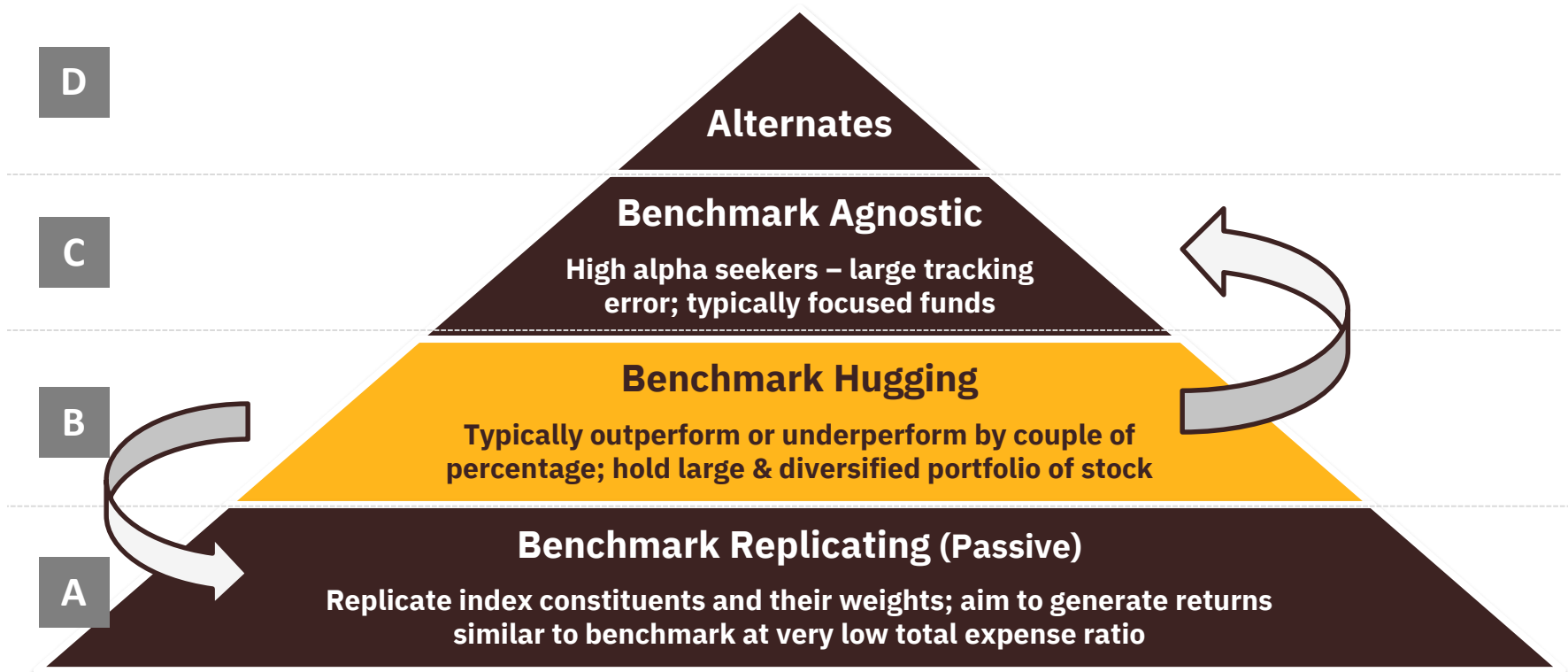
*Source/Disclaimer: [www.niftyindices.com](http://www.niftyindices.com); All performance data in INR. Performance Data from 31-Oct-2010 to 31-Oct-2020; Hypothetical performance results have many inherent limitations and no representation is being made that any investor will, or is likely to achieve, performance similar to that shown. The above is for illustration purpose only. The SIP amount, tenure of SIP, expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future.*

# Key Take-away

- Provides exposure to **emerging** and **high growth businesses** - **exclusive** only to small caps; many businesses models are unique that are not found in mid or large cap segments
- Motilal Oswal Nifty Smallcap 250 Index Fund provides **pure small cap exposure** at relatively **low cost** - **True to label**
- Nifty Small Cap 250 signifies it is **most diversified portfolio** among large, mid and small caps
- Nifty Small Cap 250 has outperformed large and mid caps post recovery from Covid-19 crash since March 2020
- Based on forward 12 month PE ratio, the **valuation of Small cap looks attractive** in comparison with Large and Midcap

# – Motilal Oswal Passive Fund Offerings

# Product Pyramid



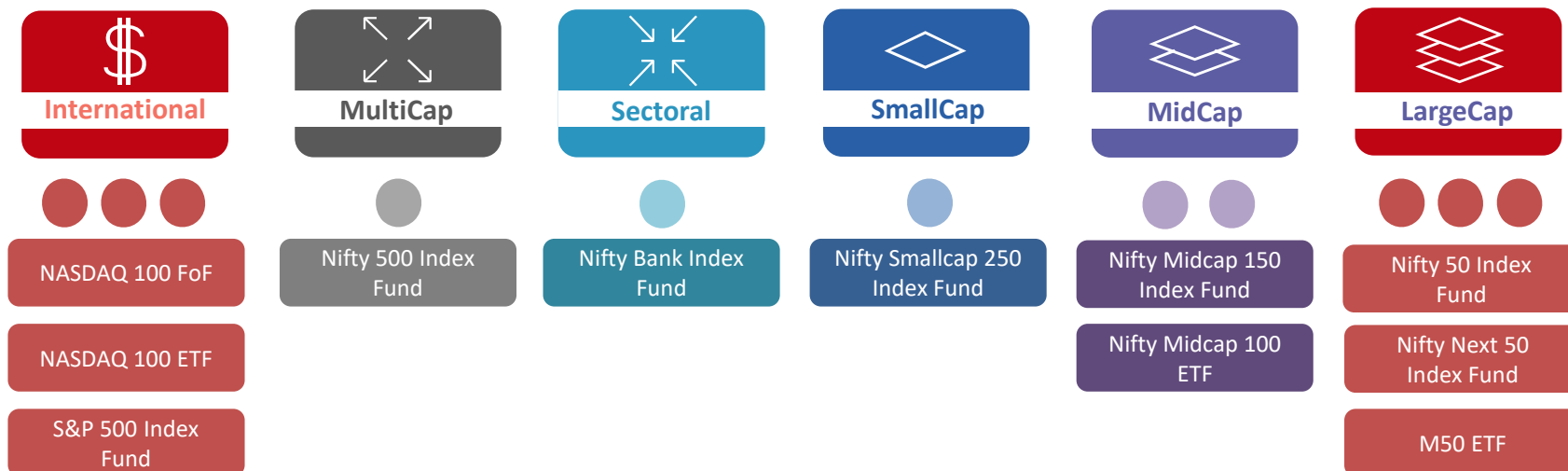
Motilal Oswal AMC has presence in strata A through its passive offerings since 2010, strata C through its QGLP investing philosophy backed active mutual funds and in strata D through its PMS and AIF offerings.

# Motilal Oswal Passive Fund Offerings



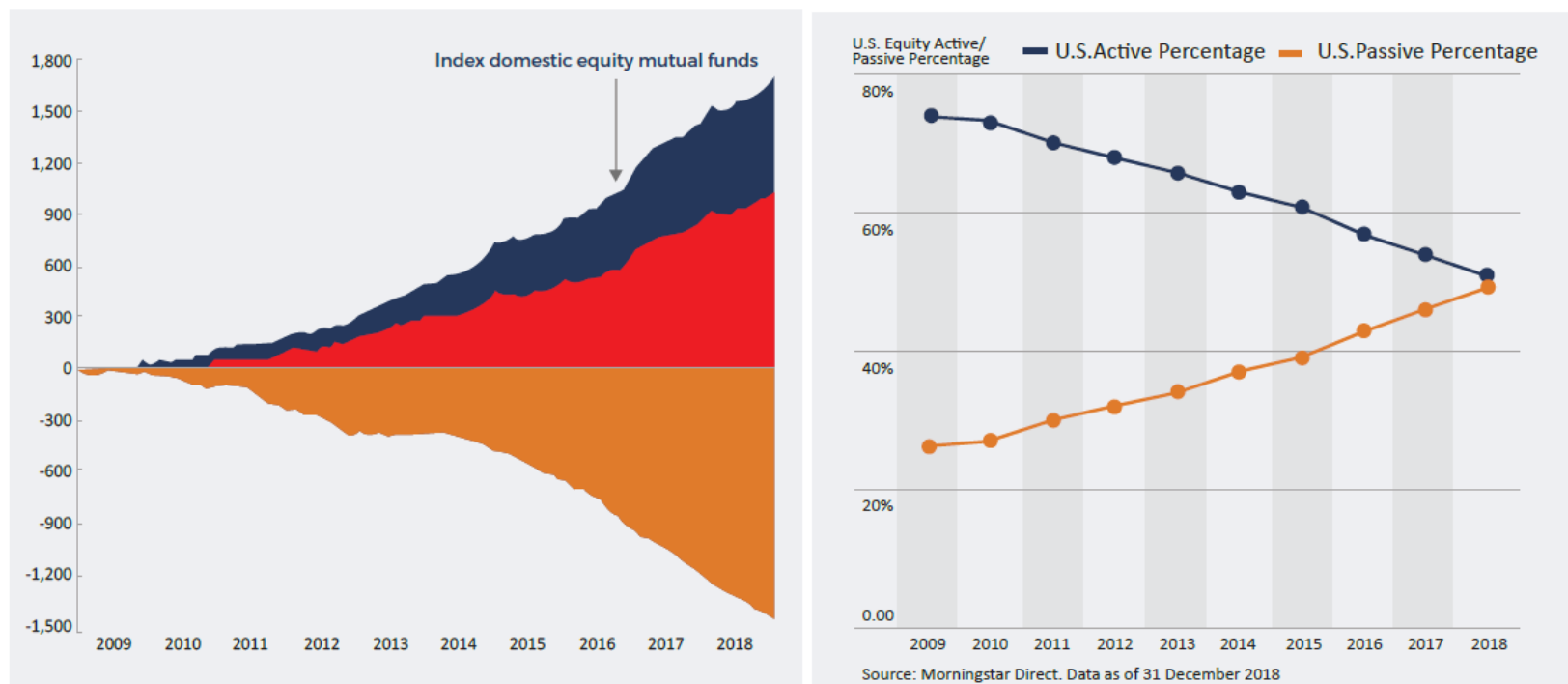
## Motilal Oswal Index Funds

- We manage over ₹3,700 crore across all our schemes
- Largest AMC in India in the International segment
- Only AMC with funds across all major segments (listed below)



# – Active vs Passive

# US: Over Last 10 Year Passive Funds AUM gained market share (2018)

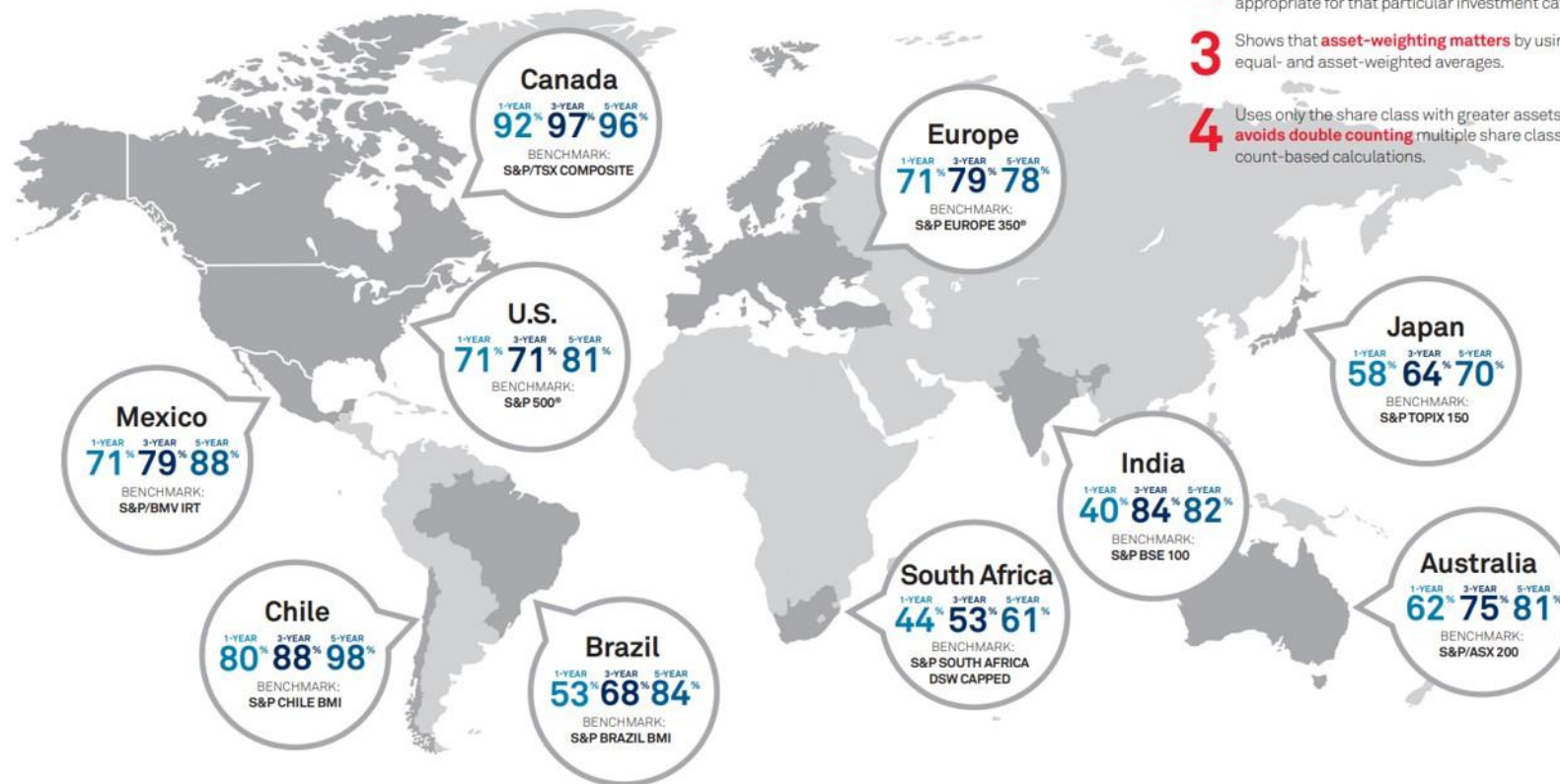


Source/Disclaimer: Chart - Morningstar data as of Dec 2018; The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# Global performance

## SPIVA® Around the World

Percentage of active funds outperformed  
by benchmarks\* over 1-, 3-, and 5-year periods

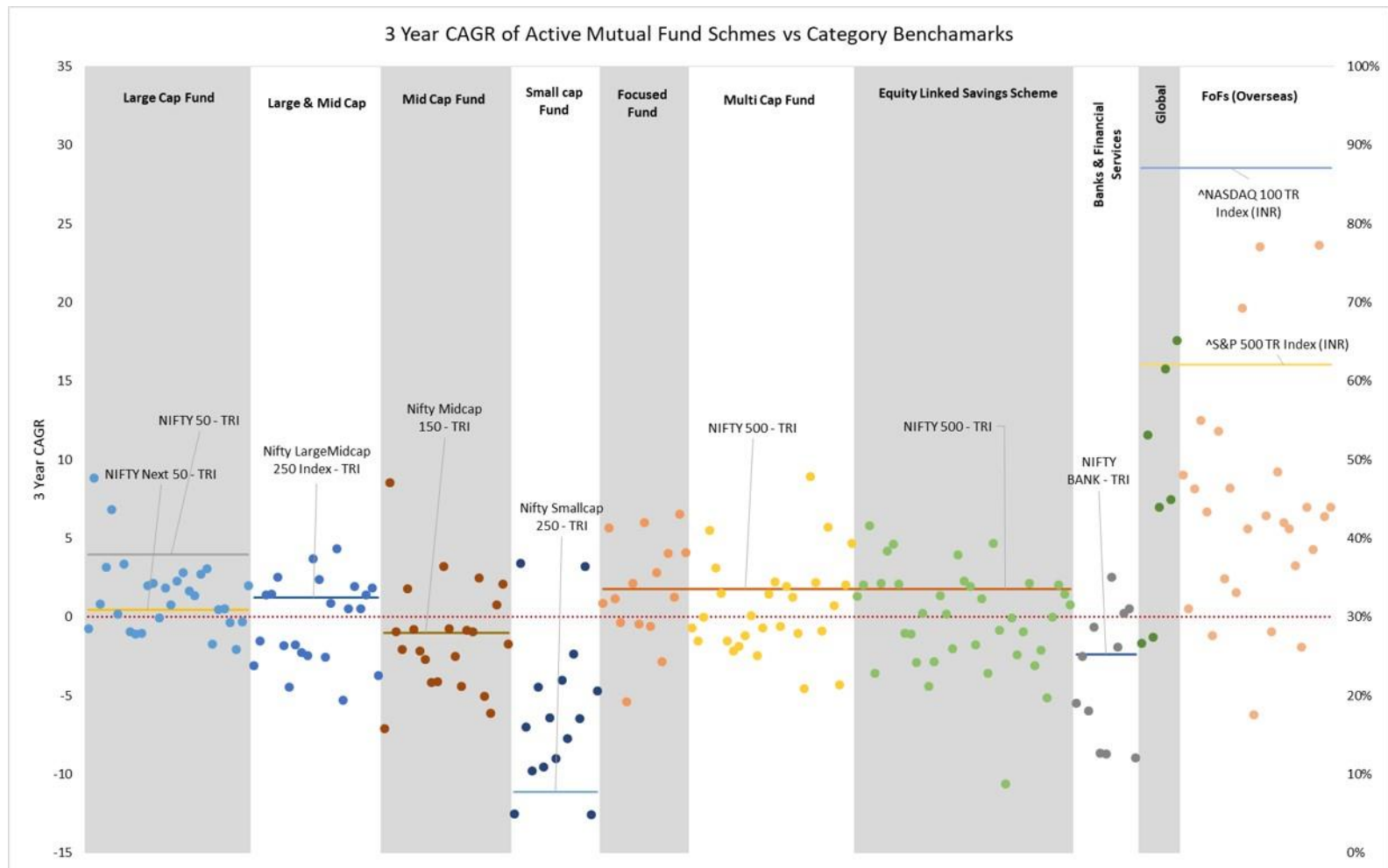


### The SPIVA Difference

- 1 Accounts for the entire opportunity set—not just the survivors—thereby **eliminating survivorship bias**.
- 2 Applies an **apples-to-apples comparison** by measuring a fund's returns against the returns of a benchmark appropriate for that particular investment category.
- 3 Shows that **asset-weighting matters** by using both equal- and asset-weighted averages.
- 4 Uses only the share class with greater assets, which **avoids double counting** multiple share classes in all count-based calculations.

Source/Disclaimer: spdji.com/SPIVA; Dec 2019; Regional benchmarks included here are large-cap, with the exception of Brazil and Chile where SPIVA results displayed reflect regional broad market indices. Multiple benchmarks exist in all regions tracked by SPIVA. Visit [www.spdji.com/spiva](http://www.spdji.com/spiva) for more information.

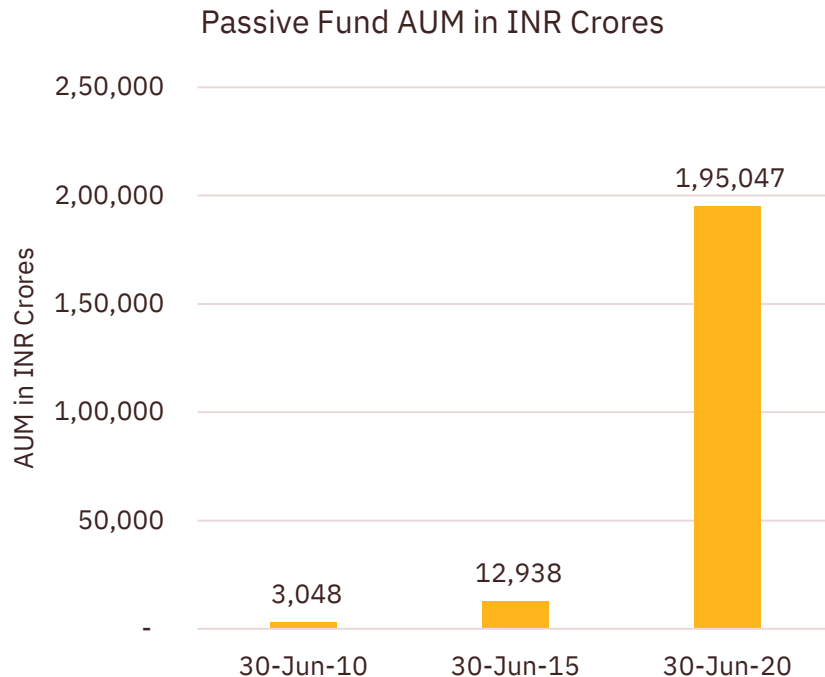
# Performance of Active Mutual Fund Scheme vs Category Benchmark (3 yr. CAGR)



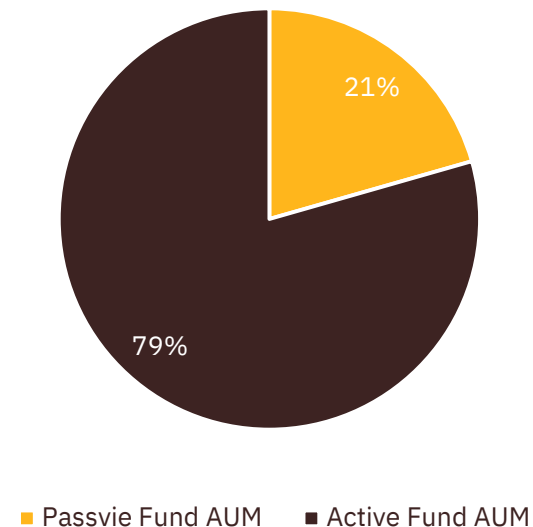
Source/Disclaimer: ACE MF Next, MOAMC; 30-Jun-2020. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

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# India – Growth of Passive Fund AUM



Share of Passive AUM – June 2020



- *Passive Funds AUM grew with CAGR of 52% last 10 year and it noted CAGR of 72% over last 5 year*
- *Current share of Equity Passive Fund AUM is 21% as compared to less than couple of percent 5 years before*

*Source/Disclaimer:* Data as of June 2020; AMFI Indian and ACE MF. The above graph is used to explain the concept and is for illustration purpose only and should not used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

# – Thank you

“Don’t look for the needle in the haystack. Just buy the haystack!”

- John C. Bogle

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To the extent the assets of the scheme are invested in overseas financial assets, there may be risks associated with currency movements, restrictions on repatriation and transaction procedures in overseas market. Further, the repatriation of capital to India may also be hampered by changes in regulations or political circumstances as well as the application to it of other restrictions on investment. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration, and bi-lateral conflict leading to immobilisation of the overseas financial assets and the prevalent tax laws of the respective jurisdiction for execution of trades or otherwise.

### Currency Risk:

The fund may invest in overseas mutual fund / foreign securities as permitted by the concerned regulatory authorities in India. Since the assets will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes/fluctuations in the value of the foreign currencies relative to the Indian Rupee.

### Country Risk:

The Country risk arises from the inability of a country, to meet its financial obligations. It is the risk encompassing economic, social and political conditions in a foreign country, which might adversely affect foreign investors' financial interests.

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

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