

Navi Nifty Smallcap250 Momentum Quality 100 Index Fund

An open ended scheme replicating/ tracking Nifty Smallcap250 Momentum Quality 100 TRI





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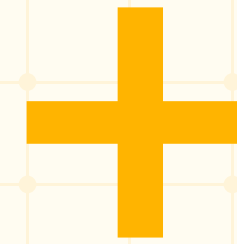
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Smallcap 250 Index of NSE 500*



Momentum stocks

Score for each company is determined based on its 6-month and 12-month price return, adjusted for volatility



Quality stocks

Determined based on return on equity (ROE), financial leverage (Debt/Equity Ratio) and earning (EPS) growth variability analysed during the previous 5 years

- ▶ The Nifty Smallcap250 Momentum Quality 100 Index includes top 100 companies from its parent Nifty Smallcap 250 index, selected based on the combination of momentum and quality factors.
- ▶ The weight of each stock in the index is based on the combination of stock's composite momentum - quality score and its free float market capitalization

* Top 500 stocks basis market capitalization listed in the NSE



What is market capitalization?

Market capitalization (or market cap) is a way to measure the size of a company. It's calculated by multiplying the current stock price by the total number of outstanding shares.

According to AMFI (Association of Mutual Funds in India), stocks are typically classified into the following categories based on their market capitalization:



Large-Cap

These are the largest companies with the top 100 market capitalization



Mid-Cap

Mid-cap universe includes another 150 stocks next to initial 100 stocks



Small-Cap

The rest of the stocks below 250 are classified as small cap stocks. This will be our coverage universe

Why Small-Cap Stocks?



Explosive Growth Potential:

Small-cap companies are often on the cusp of significant growth. They may be developing innovative products, expanding into new markets, or experiencing rapid revenue growth. This presents the opportunity for substantial capital appreciation



Disproportionate Impact:

Small-cap companies can have a disproportionate impact on the overall market. Their high growth rates can drive significant returns, even if they represent a smaller portion of the overall market capitalization



First-Mover Advantage:

Investing in small-cap stocks can provide early access to promising companies and technologies. This can offer a significant first-mover advantage for investors



Diversification Benefits:

Adding small-cap stocks to your portfolio can enhance diversification beyond large and mid-cap companies



Factor investing

What

Factor investing is an investment approach that involves targeting specific drivers of return across asset classes.

Why

- ▶ **Potentially improve portfolio outcomes:**
Targets specific characteristics (factors) like value, momentum, and quality that have historically shown the potential to deliver higher returns over the long term.
- ▶ **Risk Management:**
Factor investing allows you to customize your portfolio based on your risk tolerance. If you're risk-averse, you can focus on factors like low volatility or quality. If you're seeking higher returns, you might consider factors like momentum or value.
- ▶ **Enhance diversification:**
Factors often have low correlations with each other and the overall market. This means when one factor performs poorly, others might not, helping to cushion overall portfolio losses.

Types of Factors:

Macro factors:	Style factors:
▶ Economic growth	▶ Value
▶ Real estate	▶ Size
▶ Inflation	▶ Momentum
▶ Credit	▶ Quality
▶ Emerging markets	▶ Low Volatility
▶ Liquidity	



Style factors



Value: Investing in stocks that appear undervalued relative to their fundamentals (e.g., low price-to-earnings ratio)



Size: Focusing on small-cap stocks, which have historically outperformed large-cap stocks



Momentum: Investing in stocks that have shown strong price appreciation in the recent past



Quality: Selecting companies with strong financials, such as high profitability and low debt



Low Volatility: Choosing stocks with lower price fluctuations, which can help reduce risk



Style factors - Momentum and Quality



Momentum:

- ▶ **Imagine a race:** Momentum is like a runner who has been consistently sprinting ahead of others for the past 6 months and a year
- ▶ **Focus on winners:** It favors stocks that have shown strong price increases recently
- ▶ **Higher is better:** A higher Momentum score suggests the stock has been performing well

Quality:

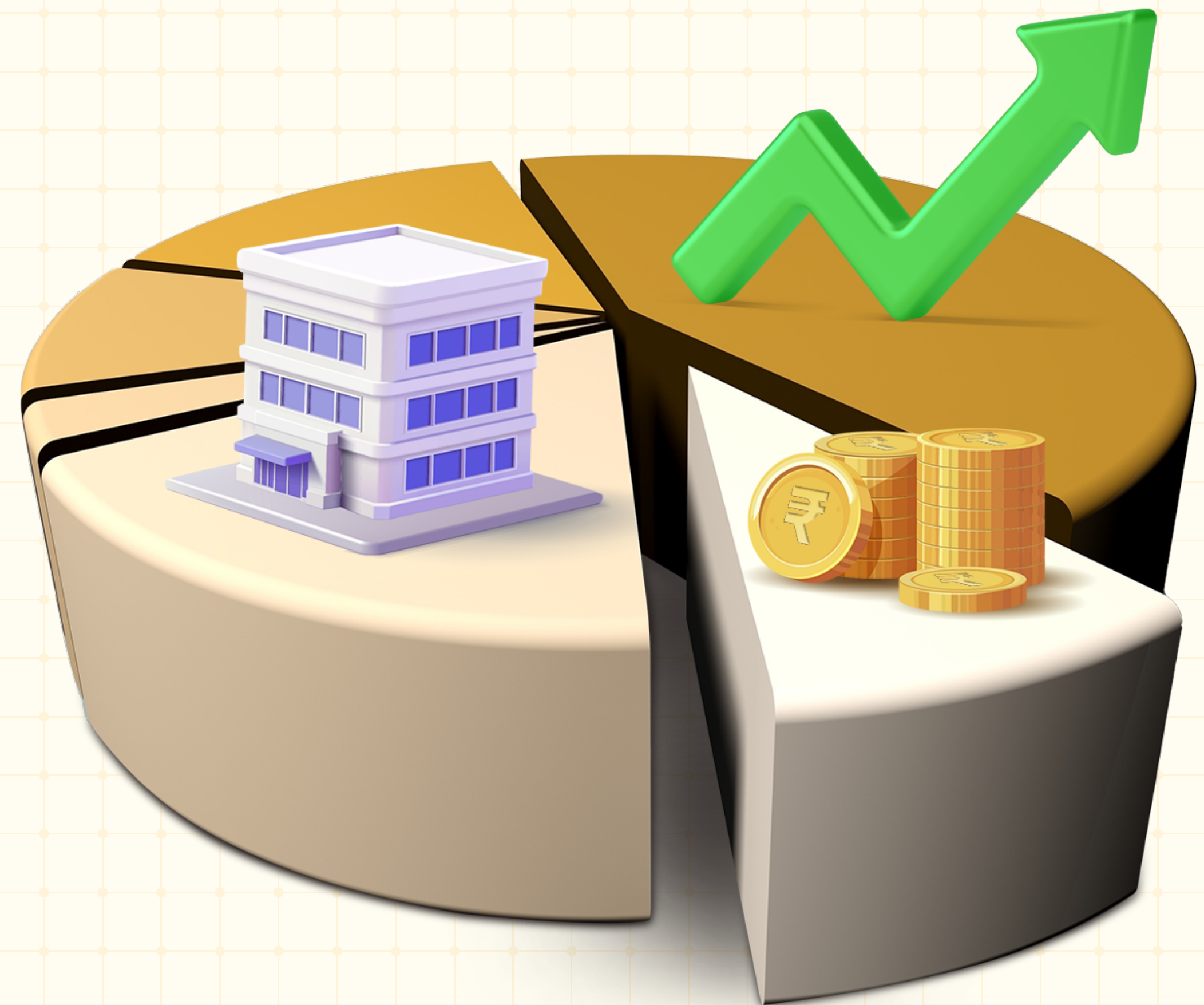
- ▶ **Think of a strong foundation:** Quality focuses on how healthy and profitable a company is
- ▶ Key factors:
 - **Return on Equity (ROE):** How efficiently a company uses shareholder money to generate profits
 - **Debt-to-Equity Ratio (DE):** How much debt a company has compared to its equity. Lower is generally better
 - **Earnings per Share (EPS):** How much profit a company generates for each share outstanding
- ▶ **Consistency matters:** Quality considers companies with consistently good financial performance across these factors

Final Score:

- ▶ The final score considers both how well a stock has performed recently (Momentum) and how strong and healthy the company is (Quality)
- ▶ Both Momentum and Quality are given equal weight in determining the overall score
- ▶ The strategy selects the top 100 stocks based on this combined score

Not all factors work all the time

- ▶ In today's dynamic market, a diversified approach that leverages both momentum and quality factors can offer compelling investment opportunities
- ▶ While momentum strategies have historically thrived during periods of economic expansion, focusing on high-quality companies with strong fundamentals provides a more robust foundation, especially in environments where valuations are under scrutiny
- ▶ By combining the potential for strong short-term gains from momentum with the resilience and long-term growth prospects of high-quality businesses, investors can aim to navigate market cycles effectively and achieve superior risk-adjusted returns



Index Characteristics



Portfolio Characteristics	
Methodology	Tilt Weighted
No. of Constituents	100
Launch Date	December 21, 2023
Base Date	April 01, 2005
Base Value	1000
Calculation Frequency	Real-Time
Index Rebalancing	Semi - Annually

Index Returns (%) #	QTD	YTD	1 Year	5 Years	Since Inception
Price Return	-12.92%	-12.92%	-2.22%	24.22%	20.95%
Total Return	-12.87%	-12.87%	-1.35%	25.45%	22.70%

Statistics ##	1 Year	5 Years	Since Inception
Std. Deviation*	23.47	21.51	21.82
Beta (NIFTY 50)	1.17	0.84	0.79
Correlation (NIFTY 50)	0.69	0.75	0.76

As on 31 Jan, 2025

Past performance may or may not be sustained in future and is not a guarantee of any future returns. The above is the performance of the index and does not in any manner indicate the performance of any individual scheme of the mutual fund.

Based on Price Return Index

QTD, YTD and 1 year returns are absolute returns. Returns for greater than one year are CAGR returns.

* Average daily standard deviation annualised.



Sector Representation

Sector	Weight(%)
Financial Services	21.37
Healthcare	14.82
Capital Goods	12.14
Information Technology	7.73
Fast Moving Consumer Goods	6.61
Chemicals	6.25
Consumer Durables	4.77
Services	4.62
Oil, Gas & Consumable Fuels	4.36
Construction	4.18
Metals & Mining	3.42
Automobile and Auto Components	2.86
Consumer Services	2.00
Realty	1.90
Forest Materials	1.36
Telecommunication	0.99
Media, Entertainment & Publication	0.32
Textiles	0.30

Fundamentals

P/E	P/B	Dividend Yield
27.99	5.09	0.97

Top constituents by weightage

Company's Name	Weight(%)
Glenmark Pharmaceuticals Ltd.	3.23
Suven Pharmaceuticals Ltd.	3.14
Multi Commodity Exchange of India Ltd.	3.09
360 ONE WAM Ltd.	2.75
Radico Khaitan Ltd.	2.70
National Aluminium Co. Ltd.	2.57
Computer Age Management Services Ltd.	2.49
Central Depository Services (India) Ltd.	2.48
Crompton Greaves Consumer Electricals Ltd.	2.31
Motilal Oswal Financial Services Ltd.	2.03

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Index Returns

CY	Nifty Smallcap250 Momentum Quality 100	Nifty Small cap 250	Smallcap Active funds
2014	82%	72%	79%
2015	17%	11%	10%
2016	4%	1%	6%
2017	73%	59%	46%
2018	-18%	-26%	-19%
2019	-2%	-7%	-2%
2020	30%	26%	25%
2021	72%	63%	59%
2022	-6%	-3%	1%
2023	50%	49%	41%
2024	20%	26%	23%



- ▶ The index has outperformed the smallcap 250 index and median smallcap active funds returns in 8 out of 11 calendar years

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Why choose this?

- ▶ Exposure to the right smallcap stocks
- ▶ Low TER
- ▶ Higher return risk ratio when compared to the Nifty Smallcap250 Index
- ▶ Factor based investing 'with no fund manager biases'



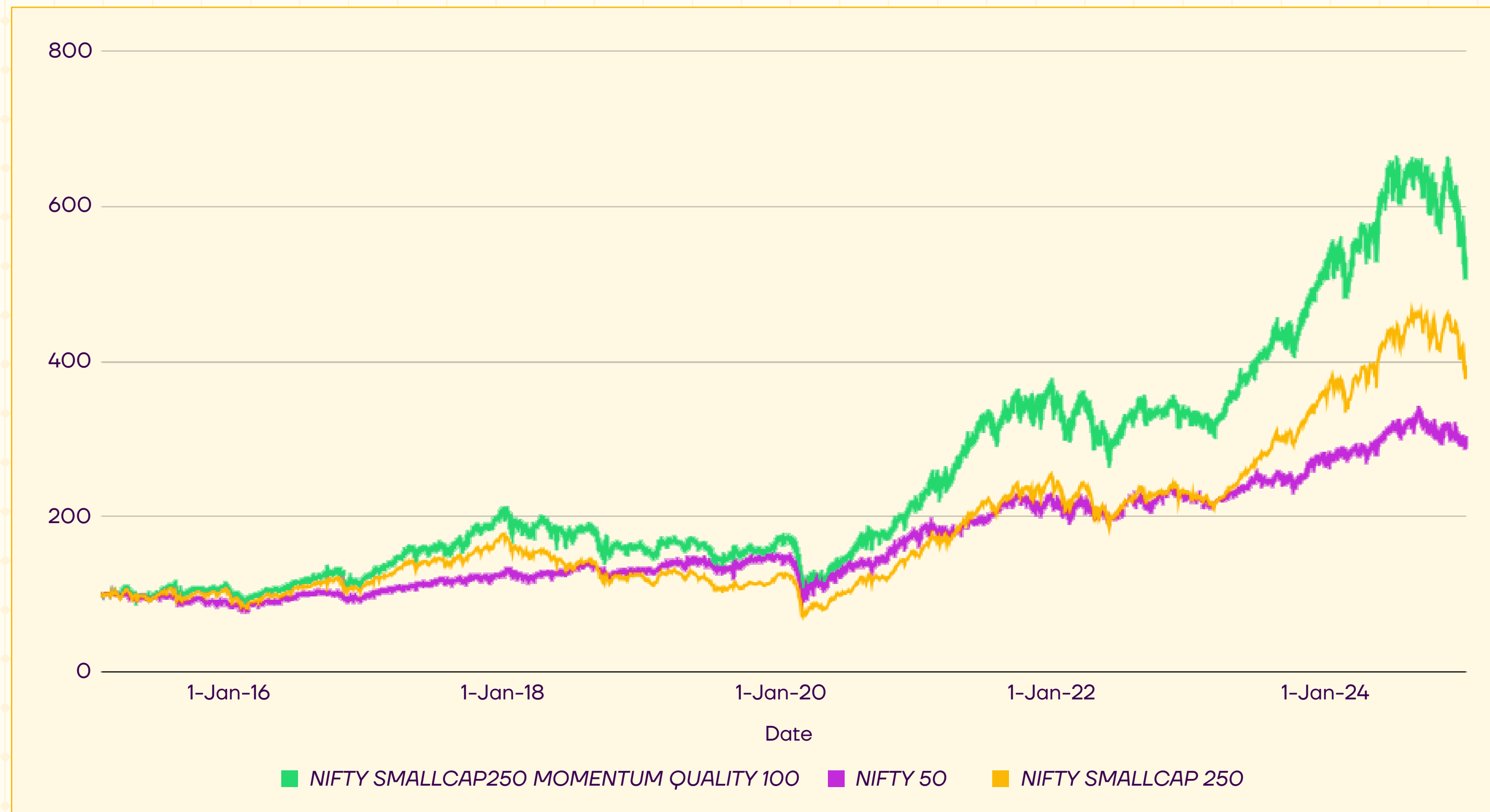
Disclaimer: TER is not permanent and is subject to change from time to time as per changes in market conditions and other factors within the overall limit of 1%.

Who should invest in this?

- ▶ You already have exposure to bluechips and are willing to diversify into riskier stocks with multibagger potential
- ▶ You have a longer investment horizon and will not be affected by market cycles
- ▶ You want to bet on fundamental quantitatives of a company whilst identifying high price movement stocks
- ▶ You are unsure about which smallcap stocks to invest in or don't have the time and/or resources to make an informed decision



Index Return comparison with Nifty50 and Nifty Smallcap 250 Index



- ▶ The Nifty Smallcap250 Momentum Quality Index has outperformed the Nifty 50 and the Nifty Smallcap 250 index on a 10 year basis
- ▶ ₹100 Invested on 01 Feb 2015 would have grown 5.3x as on 31 Jan 2025 with the Nifty Smallcap250 Momentum Quality 100 Index compared to 3x and 3.9x with Nifty50 and Nifty Smallcap 250 Index

Source: NSE Indices, TRI values are used.

Scheme Information



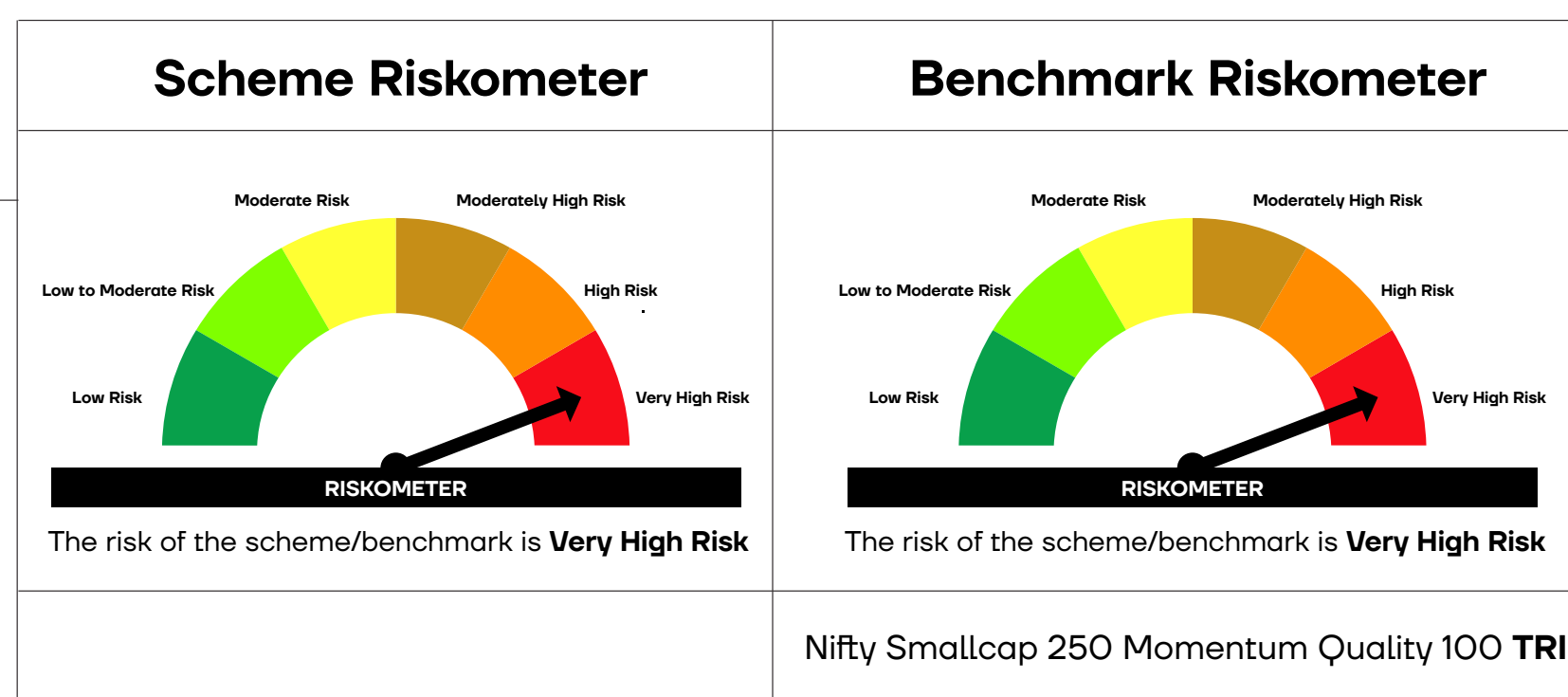
Particulars	Details
Product Category	Other Scheme- Index Fund
Fund Manager	Mr. Ashutosh Shirwaikar
Benchmark	Nifty Smallcap 250 Momentum Quality 100 TRI
Load Structure	Exit Load : Nil, Entry Load : NIL
Expense ratio	Direct Plan: 0.35% Regular Plan 1.00%

Navi Nifty Smallcap250 Momentum Quality 100 Index Fund

This product is suitable for investors who are seeking*

- Capital appreciation over long term
- Investing in equity and equity related securities covered by Nifty Smallcap250 Momentum Quality 100 TRI

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



Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Glossary



- ▶ **Volatility:** The rate at which a stock's price fluctuates over a specific period. It essentially measures how much the price of a stock can swing up or down
- ▶ **ROE:** A financial ratio that measures a company's profitability relative to its shareholders' equity. It shows how effectively a company uses shareholder investments to generate profits
- ▶ **Debt equity ratio:** A financial ratio that measures a company's financial leverage. It shows the proportion of a company's assets financed by debt versus equity
- ▶ **EPS:** Shows how much profit a company has generated per share
- ▶ **TER:** Total Expense ratio is the expense deducted from the fund for various costs involved in its operation. It is a particular percentage of the fund's average assets under management (AUM) over a specific period
- ▶ **Beta:** The % change in a stock w.r.t. the overall market movement
- ▶ **Correlation:** The degree to which two or more securities move in relation to each other



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*Past performance is not necessarily indicative of future performance. Data as on 5th Feb 2025.

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