

# Principal Multicap Growth Fund

An open-ended equity scheme investing across large cap, mid cap, small cap stocks



November, 2020

## Fund Manager's View



### Ravi Gopalakrishnan

Total work experience of 26 years. Managing this scheme since July, 2019

### Siddarth Mohta

Total work experience of 16 years. (Associate Fund Manager) Managing this scheme since August, 2018

#### Top sectors based on absolute allocation:

- The portfolio is diversified across 13 sectors with the highest allocation to Financial Services, IT and Consumer Goods.
- The Financial Services (including Banks) had the largest allocation in the fund portfolio. Within this sector, the portfolio is tilted more towards larger private sector banks, insurance and select high quality NBFCs and avoids a lot of the companies in the benchmark. Recently, several banks have had collection efficiencies between 95-97% (close to pre-COVID levels). Furthermore, numerous banks have also suggested that corporate restructuring would be significantly slower than anticipated. On the other hand, stress in the SME segment has been significantly addressed by the Credit Guarantee Scheme, and thus, we expect overall restructuring in low-single digits. Overall, we believe banks/ NBFC with strong liability franchise would continue to gain incremental share and will reflect steady NII growth aided by margin expansion.
- Consumer Goods: The Consumer Goods and especially the Consumer Discretionary space has been materially hit because of Covid and the subsequent lock down. However, as the lockdown tapers off, it will have a long term positive impact on consumption especially in areas such as automobiles, retail, and consumer electronics. Within the electronics space, the PLI (Production Linked Incentives) and the restrictions on fully imported electronic gadgets like TVs and mobile phones is likely to get a boost in domestic manufacturing.

#### Relative sectoral allocation:

- The portfolio was overweight Fertilizers & Pesticides, Chemicals and Automobile.
- **Fertilizers & Pesticides:** India's strength of being a low-cost manufacturer, an established presence in generics and skilled labour availability continue to stand it in good stead. Meanwhile, improved revenue and moderation in prices of key imported inputs due to improving supplies from China will push up operating profitability of most agrochemicals players by 100-150 basis points this fiscal, also aiding cash generation. Working capital levels are expected to remain largely stable despite a slight stretch in receivables given that exports have a longer credit period. Exports of agrochemicals should maintain last fiscal's momentum, supported by healthy demand from the United States and Latin America.
- **Speciality Chemicals:** We believe, that Indian speciality chemical companies are very well placed to gain from the gradual supply chain shift from China post Covid. Further, many of the Indian players have already established long term relationships with innovators and formulators with a lot of global player's in the agri and pharma space. The margin profile of many of these companies is expected to improve as the percentage share of speciality chemicals increases within the product mix. This will have a sustainable impact on their return ratios overtime.
- **Automobile:** We believe that the monthly industry volume was supported by positive sentiment, decent traction during ongoing festival season and channel refilling. Rural markets have already witnessed healthy volume up-tick in past few months, while the urban markets also started witnessing improvement post unlocking. We believe that volume would pick-up during the current festive season. Apart from OEMs, we believe that some of the auto ancillaries will also benefit on account of demand visibility in both domestic and export market.

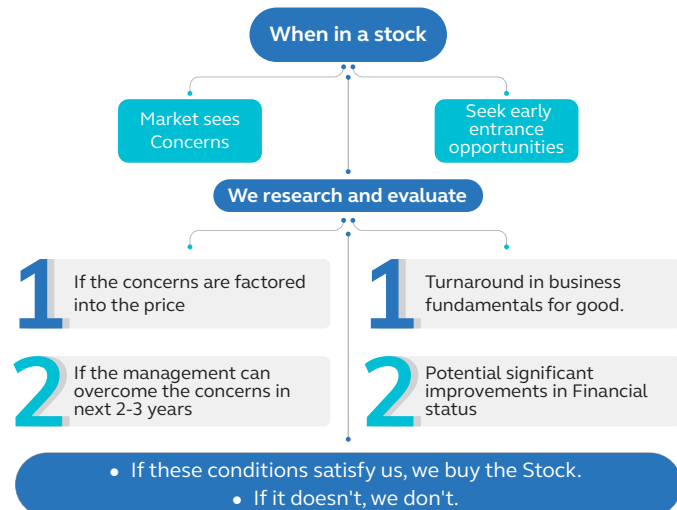
#### Disclaimer:

- The sectors referred above should not be construed as recommendation from Principal AMC/ Principal Mutual Fund. The scheme may or may not have any future positions in these sectors. The views given above may change from time to time without any notice. The investment strategy stated above may change from time to time without any notice and shall be in accordance with the strategy as mentioned in the Scheme Information Document of the scheme.
- The data/statistics/comments are given to explain general market trends in the securities market, it should not be construed as any research report/research recommendation.

## Fund Positioning



- 1 Currently large cap oriented portfolio
- 2 Tactical allocation to mid and small cap companies
- 3 Low churn
- 4 Investments with intent to play over complete business cycles
- 5 Suitable for investment horizon over 3-5 years



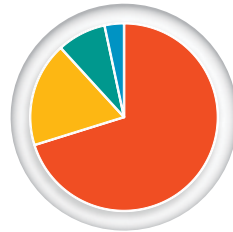
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## Top 3 Industry



as on October 31, 2020

## Marketcap Breakup



|                     |       |
|---------------------|-------|
| Large Cap           | 70.19 |
| Mid Cap             | 18.03 |
| Small Cap           | 8.44  |
| Cash & Other Assets | 3.34  |

as on October 31, 2020

## Key Statistics

|  |        |
|--|--------|
| Standard Deviation <sup>^</sup> (Annualised) | 21.04% |
| Beta <sup>^</sup>                            | 0.96   |
| Sharpe Ratio <sup>^</sup> (Annualised)       | -0.12  |
| Portfolio Turnover Ratio <sup>**</sup>       | 0.59   |

**Note:** <sup>^</sup> The above measures have been calculated by taking rolling returns for a 3 year period with 3.48% risk free rate of return (1 days-MIBOR Rate as on October 29, 2020).

<sup>\*\*</sup> The Portfolio Turnover Rate (PTR) means the lower of aggregate sales or purchases made during the 12 month rolling year/period divided by the 12 month rolling year/period Average asset under Management for the relevant year/period.

(as on October 31, 2020).

## Top 10 Stocks

|   |                                |    |  |
|---|--------------------------------|----|--|
| 1 | Reliance Industries Ltd.       | 6  | Housing Development Finance Corporation Ltd. |
| 2 | HDFC Bank Ltd.                 | 7  | Kotak Mahindra Bank Ltd.                     |
| 3 | Infosys Ltd.                   | 8  | Larsen & Toubro Ltd.                         |
| 4 | ICICI Bank Ltd.                | 9  | Divi's Laboratories Ltd.                     |
| 5 | Tata Consultancy Services Ltd. | 10 | Bajaj Finance Ltd.                           |

as on October 31, 2020

## Fund Details

**Plans:** Regular Plan & Direct Plan **Options:** Regular Plan & Direct Plan. Both the Plans offer Growth & Half Yearly Dividend Option. Half Yearly Dividend Option under both the Plans offers facility of Payout, Reinvestment and Sweep.

**Minimum Investment Amount:** New Investor: ₹ 300 | Existing Investor: ₹ 300

**Exit Load:** ● If redeemed/switched on or before 365 days from the date of allotment : ▶ Nil for redemption/switch out of units upto 24% of the units allotted(the limit). ▶ 1% on redemption in excess of 24% of the limit stated above. Redemption of units would be done on First in First out Basis (FIFO) ● Nil thereafter (w.e.f. March 31, 2020)

SIP /STP/RWP-Available

## Performance (as on October 30, 2020)

| Period                                     | Principal Multi Cap Growth Fund |                          | Nifty 500 Index - TRI (Scheme's Benchmark) |                          | Nifty 50 - TRI (Additional Benchmark) |                          |
|--|---------------------------------|--------------------------|--|--------------------------|---------------------------------------|--------------------------|
|  | Returns (%)                     | <sup>§</sup> PTP Returns | Returns (%)                                | <sup>§</sup> PTP Returns | Returns (%)                           | <sup>§</sup> PTP Returns |
| 1 Year (31-10-2019 to 30-10-2020)          | -0.36                           | 9963.62                  | -0.12                                      | 9987.94                  | -0.98                                 | 9902.13                  |
| 3 Years (31-10-2017 to 30-10-2020)         | -1.45                           | 9572.40                  | 2.73                                       | 10841.23                 | 5.37                                  | 11697.98                 |
| 5 Years (30-10-2015 to 30-10-2020)         | 8.01                            | 14707.31                 | 8.54                                       | 15069.06                 | 8.98                                  | 15378.10                 |
| Since Inception (25-10-2000 to 30-10-2020) | 14.07                           | 139690.00                | 14.62                                      | 153789.36                | 13.67                                 | 130100.98                |

Different plans shall have a different expense structure. The performance details provided herein are of Regular Plan - Growth option.

**Past performance may or may not be sustained in future.** Returns (in %) are calculated on Compounded Annualised Basis (CAGR). <sup>§</sup> PTP (Point to Point) Returns are based on standard investment of ₹ 10,000/- made at the beginning of relevant period. Performance of the dividend option for the investors would be net of dividend distribution tax, as applicable.

## Annexure of returns for all schemes managed by Ravi Gopalakrishnan

|  | 1 Year return (%) |           | 3 Years returns (%) |           | 5 Years returns (%) |           |
|--|-------------------|-----------|---------------------|-----------|---------------------|-----------|
|  | Scheme            | Benchmark | Scheme              | Benchmark | Scheme              | Benchmark |
| <b>PRINCIPAL Small Cap Fund</b><br>Benchmark - Nifty SmallCap 100 Index<br>Managing since - May 2019   | 17.21             | 12.25     | NA                  | NA        | NA                  | NA        |
| <b>PRINCIPAL Balanced Advantage Fund<sup>¶2</sup></b><br>Benchmark - 50% Nifty 100 Index - TRI + 35% CRISIL Short Term Bond Index + 15% Nifty Arbitrage Index<br>Managing since - July 2019 (Equity Portion) | 5.33              | 4.23      | 3.55                | 6.43      | 5.37                | 8.60      |
| <b>PRINCIPAL Emerging Bluechip Fund</b><br>Benchmark - Nifty Large Midcap 250 Index - TRI<br>Managing since - October 2019   | 4.24              | 2.22      | 0.42                | 2.13      | 10.14               | 9.13      |
| <b>PRINCIPAL Dividend Yield Fund</b><br>Benchmark - Nifty Dividend Opportunities 50 - TRI<br>Managing since - October 2019   | 2.68              | -5.77     | 2.17                | 0.58      | 9.95                | 7.97      |
| <b>PRINCIPAL Retirement Savings Funds - Moderate Plan<sup>¶</sup></b><br>Benchmark - CRISIL Hybrid 35 + 65 - Aggressive Index**<br>(Managing since - July 2019)  | 2.54              | 5.60      | 1.96                | 6.40      | NA                  | NA        |
| <b>PRINCIPAL Retirement Savings Funds - Conservative Plan<sup>¶</sup></b><br>Benchmark - 30% Nifty 50 - TRI + 70% CRISIL Liquid Fund Index (Managing since - July 2019)                                      | 1.56              | 4.40      | 2.01                | 6.72      | NA                  | NA        |
| <b>PRINCIPAL Retirement Savings Funds - Progressive Plan<sup>¶</sup></b><br>Benchmark - Nifty 200 Full Marketcap Index - TRI<br>(Managing since - July 2019)   | -1.22             | -0.99     | 0.03                | 3.42      | NA                  | NA        |
| <b>PRINCIPAL Hybrid Equity Fund<sup>¶6</sup></b><br>Benchmark - CRISIL Hybrid 35+65 Aggressive Index**<br>Managing since - July 2019 (Equity Portion)  | 1.72              | 5.60      | 0.93                | 6.40      | 8.77                | 9.56      |
| <b>PRINCIPAL Focused Multicap Fund<sup>¶</sup></b><br>Benchmark - S&P BSE 250 Large Midcap Index - TRI<br>Managing since - October 2019  | 1.46              | -0.04     | 3.83                | 3.80      | 8.14                | 9.06      |

**Past performance may or may not be sustained in future.** Different plans shall have a different expense structure. The performance details provided herein are of Regular Plan - Growth option. Returns (in %) are calculated on Compounded Annualised Basis (CAGR).

Mr. Ravi Gopalakrishnan manages Principal Balanced Advantage Fund - Equity Portion, Principal Retirement Savings Fund (Conservative Plan - Progressive Plan - Moderate Plan) and Principal Small Cap Fund (w.e.f. July, 2019)

Mr. Ravi Gopalakrishnan also manages Principal Focused Multicap Fund & Principal Dividend Yield Fund & Principal Emerging Bluechip Fund (w.e.f. October 2019).

<sup>¶</sup>Ms. Bekxy Kuriakose manages Debt Portion of Principal Balanced Advantage Fund (w.e.f. January 01, 2018)

Mr. Ravi Gopalakrishnan manage Principal Hybrid Equity Fund - Equity Portion, <sup>¶</sup>Ms. Bekxy Kuriakose - Debt Portion and Mr. Ashish Aggrawal - Associate Fund Manager (w.e.f. October 2019).

Mr. Ravi Gopalakrishnan & Mr. Sudhir Kedia manages Principal Midcap Fund (w.e.f. December 2019)

\*\* The equity component of CRISIL Hybrid 35+65 - Aggressive Index is represented by total returns variant of S&P BSE 200.

<sup>1</sup> Formerly known as Principal Large Cap Fund (w.e.f. May 10, 2018), <sup>2</sup> Formerly known as Principal SMART Equity Fund (w.e.f. June 04, 2018), <sup>3</sup> Formerly known as Principal Asset Allocation Fund of Funds: Aggressive Plan (w.e.f. June 11, 2018), <sup>4</sup> Principal Asset Allocation Fund of Funds: Moderate Plan (w.e.f. June 11, 2018) & <sup>5</sup> Principal Asset Allocation Fund of Funds: Conservative Plan (w.e.f. June 11, 2018), <sup>6</sup> Formerly known as Principal Balanced Fund (w.e.f. June 11, 2018).

Mr. Siddharth Mohta has been appointed as a Associate Fund Manager of Principal Multi Cap Growth Fund (w.e.f. August 2018) and Principal Small Cap Fund (w.e.f. May, 2019).

5 years performance of Principal Retirement Savings Fund - Progressive, Moderate & Conservative Plan is not given as the scheme have not been in existence for 5 years.

**Note:** Performance of Principal Midcap Fund are not given as the schemes has not completed 1 year.

as on October 31, 2020

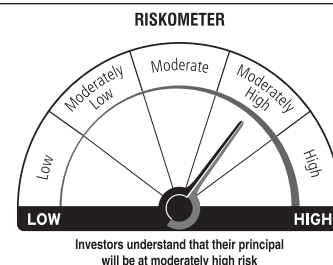
### Principal Multicap Growth Fund:

(An open ended equity scheme investing across large cap, mid cap, small cap stocks)

**This product is suitable for investors who are seeking**-

- Long term Capital Growth.
- Investment in equity & equity related securities including equity derivatives of companies across market capitalization.

~ Investors should consult their financial advisors 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.**