

Principal Small Cap Fund

An open-ended equity scheme predominantly investing in 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 May, 2019

Top sectors based on absolute allocation:

- The fund portfolio is diversified across 14 sectors with top allocation to Chemicals, Financial Services and IT.
- The Specialty Chemical business in India has been gaining momentum over the past few years and many companies have developed significant knowledge and skill surrounding complex Chemistry. Further, they have managed to secure long term contracts with global agri and pharma players thus leading to significant investments in creating global scale capacities. On the other hand, the de-risking of supply chains from China is expected to additionally benefit the specialty chemical companies in India.
- Financials: We have been under weight financials for the last few quarters. We are gradually increasing the weights in these sectors. As the economy comes out of the lock down, we believe, the stress on the financial system will ease going forward. Further, the negative impact of Covid on the balance sheet of banks and NBFCs are expected to be much lower what was earlier anticipated. As the economy improves and gets back into the growth trajectory, BFSI space is expected to perform well as it is a proxy to the economy. Given the negative perception around the sector, many good quality stocks are available at reasonable valuations.
- IT: Sector has seen multiple earnings upgrades, owing to better-than-expected recovery, along with jump in operating margins. We expect tech spends to remain a critical enabler for enterprises to transform in preparation for the new normal. Deal pipeline improved further v/s 1QFY21, reaching pre COVID levels, implying demand recovery and resilient macroeconomic signs, even as corporates responded to virus. The quarter also witnessed further EBIT margin expansion, largely backed by improvement in operational efficiency. We remain confident of margin stability at current levels

Relative sectoral allocation:

- Chemical, Automobile and Fertilizer & Pesticide were the top overweight sectors in the portfolio.
 - **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.
 - **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.

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 True to label Small Cap fund.
- 2 Tactical allocation to value stocks
- 3 Bottom up stock selection with growth at reasonable price
- 4 Track record of being early investors in small and midcap stock picks
- 5 Single stock allocation not exceeding 5%
- 6 Adherence to sell discipline

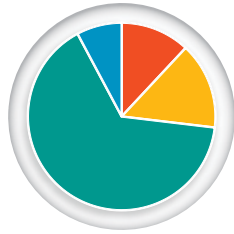
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Top 3 Industry



as on October 31, 2020



| | |
|---------------------|-------|
| Large Cap | 11.95 |
| Mid Cap | 14.94 |
| Small Cap | 65.31 |
| Cash & Other Assets | 7.80 |

as on October 31, 2020

Top 10 Stocks

| | | | |
|---|-----------------------------------|----|---------------------------------|
| 1 | Navin Fluorine International Ltd. | 6 | Fine Organic Industries Ltd. |
| 2 | Alkyl Amines Chemicals Ltd. | 7 | CEAT Ltd. |
| 3 | Tata Elxsi Ltd. | 8 | Dixon Technologies (India) Ltd. |
| 4 | Persistent Systems Ltd. | 9 | Galaxy Surfactants Ltd. |
| 5 | Neogen Chemicals Ltd. | 10 | Can Fin Homes Ltd. |

as on October 31, 2020

Fund Details

Plans: Regular & Direct **Options:** Both the Plans offer Growth & Dividend Option. The Dividend Option under both the Plans will have the facility of Payout and Reinvestment. **Minimum Investment Amount:** New Investor: ₹5,000 | Existing Investor: ₹1,000

Benchmark: Nifty Small Cap 100 Index - TRI

Entry Load: NIL **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 Small Cap Fund - Regular Plan - Growth | | Nifty SmallCap 100 Index (Scheme's Benchmark) | | Nifty 50 - TRI (Additional Benchmark) | |
|--|---|--------------|--|--------------|--|--------------|
| | Returns (%) | ‡PTP Returns | Returns (%) | ‡PTP Returns | Returns (%) | ‡PTP Returns |
| 1 Year (31-10-2019 to 30-10-2020) | 17.21 | 11721.07 | 2.35 | 10235.23 | -0.98 | 9902.13 |
| Since Inception (13-05-2019 to 30-10-2020) | 12.25 | 11850.00 | -1.90 | 9722.39 | 4.42 | 10655.68 |

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). ‡PTP (Point to Point) returns are based on standard investment of ₹ 10,000 made at the beginning of relevant period.

Please refer page 3 for annexure of returns for all scheme managed by the fund manager.

3, 5 years performance of Principal Small Cap Fund is not given as the scheme have not been in existence for 3, 5 years.

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 |
| PRINCIPAL Balanced Advantage Fund ^{¶3} Benchmark - 50% Nifty 100 Index - TRI + 35% CRISIL Short Term Bond Index + 15% Nifty Arbitrage Index Managing since - July 2019 (Equity Portion) | 5.33 | 4.23 | 3.55 | 6.43 | 5.37 | 8.60 |
| PRINCIPAL Emerging Bluechip Fund Benchmark - Nifty Large Midcap 250 Index - TRI Managing since - October 2019 | 4.24 | 2.22 | 0.42 | 2.13 | 10.14 | 9.13 |
| PRINCIPAL Dividend Yield Fund Benchmark - Nifty Dividend Opportunities 50 - TRI Managing since - October 2019 | 2.68 | -5.77 | 2.17 | 0.58 | 9.95 | 7.97 |
| PRINCIPAL Retirement Savings Funds - Moderate Plan ^{¶4} Benchmark - CRISIL Hybrid 35 + 65 - Aggressive Index** (Managing since - July 2019) | 2.54 | 5.60 | 1.96 | 6.40 | NA | NA |
| PRINCIPAL Retirement Savings Funds - Conservative Plan ^{¶5} Benchmark - 30% Nifty 50 - TRI + 70% CRISIL Liquid Fund Index (Managing since - July 2019) | 1.56 | 4.40 | 2.01 | 6.72 | NA | NA |
| PRINCIPAL Retirement Savings Funds - Progressive Plan ^{¶3} Benchmark - Nifty 200 Full Marketcap Index - TRI (Managing since - July 2019) | -1.22 | -0.99 | 0.03 | 3.42 | NA | NA |
| PRINCIPAL Hybrid Equity Fund ^{¶7} Benchmark - CRISIL Hybrid 35+65 Aggressive Index** Managing since - July 2019 (Equity Portion) | 1.72 | 5.60 | 0.93 | 6.40 | 8.77 | 9.56 |
| PRINCIPAL Focused Multicap Fund ^{¶1} Benchmark - S&P BSE 250 Large Midcap Index - TRI Managing since - October 2019 | 1.46 | -0.04 | 3.83 | 3.80 | 8.14 | 9.06 |
| PRINCIPAL Multicap Growth Fund ^{2o} Benchmark - Nifty 500 Index - TRI Managing since - July 2019 | -0.36 | -0.12 | -1.45 | 2.73 | 8.01 | 8.54 |

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). ¶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, ¶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.

^{¶1} Formerly known as Principal Large Cap Fund (w.e.f. May 10, 2018), ^{¶2} Formerly known as Principal SMART Equity Fund (w.e.f. June 04, 2018), ^{¶3} Formerly known as Principal Asset Allocation Fund of Funds: Aggressive Plan (w.e.f. June 11, 2018), ^{¶4} Principal Asset Allocation Fund of Funds: Moderate Plan (w.e.f. June 11, 2018) &

^{¶5} Principal Asset Allocation Fund of Funds: Conservative Plan (w.e.f. June 11, 2018).

¶Mr. Siddarth 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.

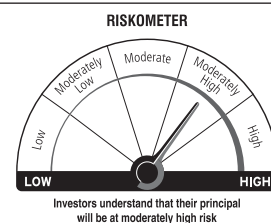
as on October 31, 2020

Principal Small Cap Fund:

(An open ended equity scheme predominantly investing in small cap stocks)

This product is suitable for investors who are seeking--

- Long term Capital Growth.
 - Predominantly investment in equity and equity related instruments of Small Cap companies
- Investors should consult their financial advisors if in doubt about whether the product is suitable for them.



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