

PEERLESS MIDCAP FUND

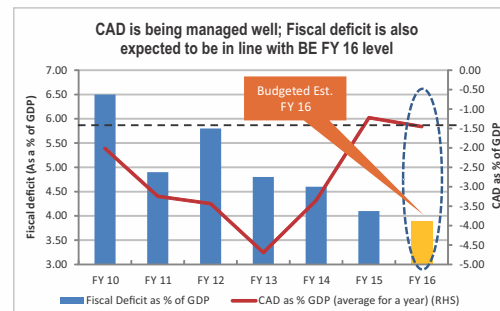
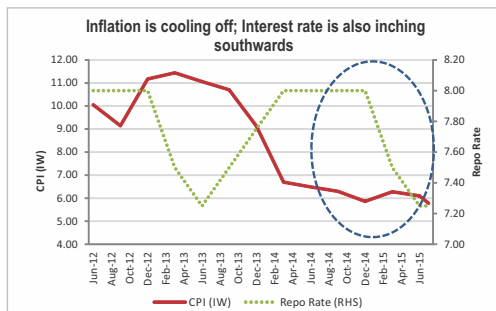
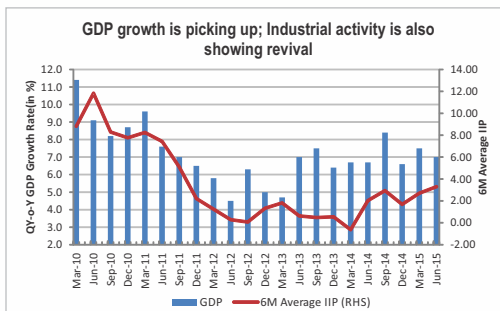
(An Open Ended Equity Scheme)

NFO Start Date : 16th November 2015
Close Date: 30th November 2015



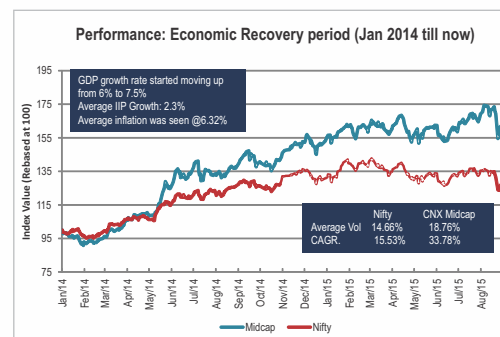
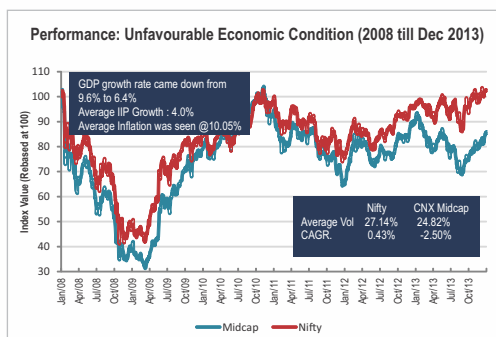
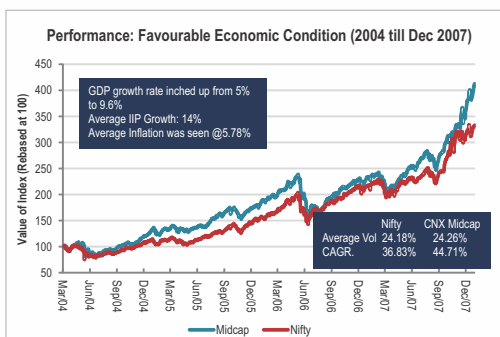
India is at the cusp of interesting times

India's macro situation is improving and various data points are suggestive of that fact



Data source: Bloomberg, CEIC

Equity performance in different time periods



Data source: Bloomberg

Why Invest In Mid Cap Stocks

Investing in mid size companies throws up interesting opportunities as below:

- A small company in an industry, strives for market share gain and if it is able to achieve it without sacrificing profitability then it can create high returns for the share holders
- Niche/emerging businesses for eg. bottled drinking water, pizza companies, e-commerce etc are available as mid sized companies
- Graduation from being midcaps to large caps often results in higher valuation in multiples which adds to the wealth creation - over and above the higher earnings growth
- In last ten years, CNX Midcap has traded at an average of 15% discount to the Nifty*.

Today's Large Caps - Yesterday's MidCaps

| STOCK NAME | MARKET CAP - 15 Years Ago (in ₹, Cr) | MARKET CAP - Today (in ₹, Cr) | PAT GROWTH - CAGR | MARKET CAP GROWTH - CAGR |
|------------|--------------------------------------|-------------------------------|-------------------|--------------------------|
| HDFC Bank | 5,400 | 2,30,000 | 32% | 31% (43X) |
| Sun Pharma | 2,500 | 1,70,000 | 31% | 35% (68X) |
| Bajaj Auto | 2,300 | 71,000 | 18% | 28% (31X) |

Data source: Bloomberg

*Time Period: April 2005 till Aug 2015

Steps To Identify Mid Cap Stocks

- Selection of companies should be based on the long term potential of the business - in terms of scalability of the business, competitive intensity and management profile
- Growth should be monitored based on various financial parameters such as sales growth, market share gain, profitability growth, balance sheet strength and its cash flows
- Other non-financial parameters should also be monitored like the disclosure norms, corporate governance standards of the management/promoters

All businesses have life cycles - the typical stages are Nascent, Growth, Mature and Declining. Interestingly there can be companies within the same business but having their own respective life cycle stage. We present in the grid below the possible outcome of the investments at various stages.

| | | Company Life Cycle | | | |
|---------------------|-----------|--------------------|--------|--------|-----------|
| | | Nascent | Growth | Mature | Declining |
| Industry Life Cycle | Nascent | Very Risky | Risky | NA | NW |
| | Growth | Risky | Safer | Safest | NW |
| | Mature | Risky | Safer | NW | NW |
| | Declining | Risky | Risky | NW | NW |

NA: Not Applicable | NW: Not Worth Investing

In order to get the best results for our investments, it is important to identify companies which exhibit growth characteristics and belong to a 'growing industry'. Such companies, in the sweet spot, are typically medium sized enterprises and therefore have capitalizations which are in the mid-range



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(An Open Ended Equity Scheme)

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Why Peerless Midcap Fund?

- **The scheme will invest in a well-diversified portfolio of medium-sized companies**, whose market cap is equal to or lower than that of the largest capitalized company in the CNX Midcap Index (benchmark Index) but higher than the smallest capitalized company within the index.
- **The scheme will focus on quality of business** and ability of management while identifying companies.
- **Managed with growth orientation:** The scheme will search for quality stocks that have shown consistent growth yet not expensive
- **The scheme will seek to produce alpha** from stock selection and not sectoral allocation
- **Purely research driven stock selection process** with a focus on attractive risk and reward opportunities

Portfolio Construction - Peerless Midcap Fund

Step 1 - Idea Generation

- Market capitalization filter; equal to or lower than that of the largest capitalized company in the CNX Midcap Index (benchmark Index) but higher than the smallest capitalized company within the index

Step 2 - Quantitative Filters

- Strictly bottom-up fundamental stock analysis in pursuit of a favourable risk/reward profile.
- Focus on finding companies with track record of good profitability

Step 3 - Qualitative Filters

- Business Analysis & General Macro economic analysis
- Management background and performance track record
- Valuation

Step 4 - Portfolio Construction

- Diversified portfolio with typically 25 to 35 securities
- Individual stock weights driven by bottom-up stock picking

Universe of Stocks

Ranges from lowest and highest market capitalization of constituent stocks of CNX Midcap Index

Initial Level Filtering

Stocks are filtered based on PSFS[†]

Business, Management & Valuation

Critical Analysis of Business model, management capabilities & various valuation measures

Final Portfolio

Final Portfolio comprises 25-35 stocks

Fund Features

| | | | | |
|-------------------------|---|------------------------|---------|---------------|
| Type of Scheme | An Open Ended Equity Scheme | | | |
| Investment Objective | The investment objective of the scheme is to generate medium to long-term capital appreciation by investing predominantly in equity and equity related securities of midcap companies | | | |
| Asset Allocation | Instruments | Indicative Allocations | | Risk Profile |
| | | Minimum | Maximum | |
| | Equity and Equity Related Instruments of Midcap Companies | 65% | 100% | High |
| | Debt and Money Market Instruments | 0% | 35% | Low to Medium |
| | Midcap companies: Midcap companies are defined as companies that are mid - sized and have a market capitalization equal to or lower than that of the largest capitalized company in the CNX Midcap Index (benchmark Index) but higher than the smallest capitalized company within the index. These companies may or may not be a constituent of the benchmark Index. (Initial Public Offerings of companies, the market capitalization of which, on listing, would be estimated to be as per the above mentioned criteria, will also qualify as midcap companies). This market capitalization range for midcap companies will be so determined as at the end of every calendar quarter and will be applicable for all investment decisions made during the following calendar quarter. | | | |
| Plans/Options | Regular Plan and Direct Plan - Growth Option and Dividend Option (Payout and Reinvestment) | | | |
| Min. Application Amount | Rs.1,000/- & in multiples of Re. 1/- thereafter | | | |
| Load Structure | Entry Load – Nil Exit Load -Nil | | | |
| Benchmark | CNX Midcap Index | | | |
| Fund Manager | Mr. Amit Nigam | | | |

*PSFS: It is a unique proprietary stock selection filter used by Peerless Fund Management team. PSFS, acronym of Peerless Score of Financial Strength, ranges from 0 to 30. These numbers are arrived by using RoCE, Free Cash Flows (for manufacturing companies) and RoE, RoA (for financial companies). Typically a company with PSFS more than 18 is included in the portfolio.

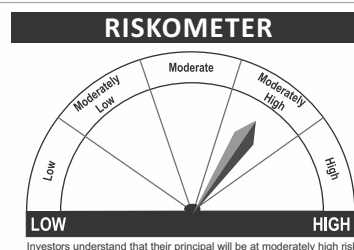
ROCE : Return on Capital Employed [ROCE = Earning Before Interest and Tax (EBIT) / Total Capital Employed] | RoE: Return on Equity. [RoE = Net Income/Shareholder's Equity] | RoA: Return on Asset. [RoA = Net Income / Total Assets]

Peerless Midcap Fund (An Open Ended Equity Scheme)

This product is suitable for investors who are seeking*

- Capital appreciation over medium to long term
- Investment in Equity & equity related securities of midcap companies

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



Distributor Details:

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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.