

# DANGER AHEAD ?

## BE CAUTIOUS ON YOUR EXPOSURE TO SMALL CAP FUNDS !

Financial planners suggest that existing investors need not be overly concerned about their investments and can continue using SIPs or STPs if they have a time horizon of more than five years.

### From the Desk of Author:

## Small Cap Funds on a Remarkable Surge in Subscriptions

In the ever-evolving landscape of investment, Small Cap Funds have recently emerged as the shining stars. In August 2023, they showcased their remarkable performance with a net inflow of **Rs. 4,264.82 Cr**, skyrocketing from the previous month's net sales of **Rs. 2,182.44 Cr**. This trend isn't exclusive to Small Cap Funds alone; Midcap Funds have also experienced a similar surge in popularity. Interestingly, Large Cap Funds have faced a different trajectory, witnessing a continuous decline in subscriptions. However, there's a silver lining in this scenario as the decline gap is gradually narrowing. In June 2023, the net negative inflow of **Rs. -1,362.28 Cr** has notably reduced to just **Rs. -348.98 Cr** by August 2023. These figures underscore a burgeoning resurgence in Large-Cap Funds, signaling a potential shift in investor sentiment.



**Mr. Uddhav Tulshibagwale**  
 Founder  
 Udyam Investments

### What's inside

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See the chart below for a visual representation of this intriguing trend:

Scheme Type ( Equity)	April '23	May-23	Jun-23	Jul-23	Aug-23
Small Cap Fund	2,182.44	3,282.50	5,471.75	4,171.44	4,264.82
Multicap Fund	206.27	104.55	734.68	2,500.47	3,422.14
Mid Cap Fund	1,790.98	1,790.98	1,748.51	1,623.33	2,512.34
Flexi Cap Fund	550.90	-367.73	-17.30	-932.17	2,192.86
Large & Mid Cap Fund	738.71	1,133.26	1,146.69	1,326.77	2,113.16
Value Fund/Contra Fund	291.10	582.21	2,239.08	702.96	1,364.62
Dividend Yield Fund	122.58	289.38	397.59	342.41	416.29
Large Cap Fund	52.63	-1,362.28	-2,049.61	-1,880.00	-348.98
Focused Fund	-130.91	-943.80	-1,018.31	-1,066.72	-471.10

## What Lies Ahead for Small Cap and Midcap Funds?

The question on everyone's mind is whether this surge in Large Cap Funds spells trouble for Small Cap and Midcap Funds. Are we on the brink of a significant shift in investor preferences, with Multicap or Large Cap Funds taking the lead? Furthermore, what should investors consider amidst the backdrop of potential high-risk scenarios like elections, geopolitical tensions, and global inflation triggered by rising oil prices?

In our 'Investment Gyan Section,' we delve into these burning questions. We provide a real-time case story of savvy investors, market indicator data, and other insightful information to guide you through the investment landscape. Stay informed and make well-informed decisions as we navigate the financial terrain.

Don't miss out on the latest updates and expert insights. Our monthly newsletter for September 2023 is your key to staying ahead in the world of finance. Stay connected with us for engaging content that empowers your financial decisions.

**Help us expand our reach. If you have friends who would benefit from our newsletter, please share their email addresses or WhatsApp numbers with us, and we'll ensure they receive our valuable insights.**

Your feedback is invaluable in shaping our content to better serve your interests and needs. We appreciate your continued support and look forward to delivering more engaging and useful content in the future.

Best Regards,

**Uddhav Tulshibagwale**

## Chapter - 01: Investment Gyan

# Are Small Cap Funds Losing Their Allure?

In August, investors poured a record-breaking Rs 4,264.82 crore into small-cap funds, making it the most sought-after category among equity mutual funds. This influx of capital has propelled the assets under management of small-cap funds to a staggering Rs 1.85 lakh crore.

The question on many investors' minds right now is, why the sudden attraction to small-cap funds? And more importantly, is it time for existing investors to consider booking profits and reducing risk by switching from small-cap to large-cap funds?

Several factors are contributing to the allure of small-cap funds among mutual fund investors. Firstly, many investors have a tendency to chase past returns. According to data from research websites, small-cap funds have delivered impressive returns ranging from 27% to 35% over the last year—outperforming large-caps, mid-caps, and flexi-cap or multi-cap funds.

Secondly, there are numerous small-cap companies that lead sectors not represented in the large-cap index, such as real estate and specialty chemicals. Additionally, fund managers of small-cap funds have a broader pool of stocks to choose from, making them an attractive choice for mutual fund investors.

However, experts caution that this attraction to small-cap funds may be driven by a "Fear of Missing Out" (FOMO) scenario, which can be particularly dangerous for first-time or new mutual fund investors. Experienced investors are better equipped to handle market volatility, often preferring systematic investment plans (SIPs) or systematic transfer plans (STPs). Even in the case of lump-sum investments, seasoned investors exhibit patience and emotional balance during market downturns. Therefore, it is crucial for every small-cap investor to understand the most significant risk associated with small-cap funds—liquidity risk.

While the allocation to small-cap funds should depend on an individual's risk appetite, financial planners typically recommend a range of 10% to 20%. Ideally, the best time to invest in small-cap funds is when they are being overlooked by the majority of the market. Financial planners advise investors to consider SIPs in these products to reduce risks.

**See the chart given below:**


Scheme Category	1 Week	1 Month	3 Month	1 Year	3 Year	5 Year	3 Year
Equity: Small Cap	1.58	1.77	12.85	29.46	35.57	21.74	23.05
Equity: Mid Cap	0.96	1.88	11.59	27.27	29.44	18.83	20.88
Equity: Multi Cap	0.83	1.17	8.56	23.74	--	--	--
Equity: Large & MidCap	0.57	1.13	7.08	21.47	24.72	15.73	17.25
Equity: Flexi Cap	0.31	0.96	5.52	19.08	21.92	14.34	15.71
Equity: Large Cap	-0.28	0.98	3.1	16.57	20.68	13.1	13.7






In recent times, some fund houses have even halted lump-sum investments in small-cap funds. They argue that the rapid inflow of funds has made it challenging to deploy money into the desired stocks. Moreover, when significant amounts of capital chase a small-cap stock, its price can experience a significant impact cost. Therefore, some fund houses have imposed restrictions on investments. **Financial planners suggest that existing investors need not be overly concerned about their investments and can continue using SIPs or STPs if they have a time horizon of more than five years.** However, small-cap funds should not be the sole funds in their equity portfolios, and diversification across market capitalizations is essential.









# Chapter - 02

## Market Indicator

EQUITY MARKET SNAPSHOT - LAST ONE YEAR						
Period	KEY INDIAN INDICES 					
	SENSEX	NIFTY 50	Nifty Next 50	Nifty Midcap 150	Nifty Smallcap 250	Nifty 500
30th September 2023	65828.41	19638.30	45036.65	15141.05	12230.40	17292.60
1 Month	1.54%	2.00%	1.40%	3.04%	2.51%	2.18%
3 Months	1.71%	2.34%	2.94%	12.98%	15.99%	5.25%
6 Months	11.59%	13.13%	19.15%	33.37%	39.17%	18.79%
1 Year	14.63%	14.88%	6.25%	29.92%	32.96%	16.61%
Current P/E	24.16	22.2	24.7	26.8	24.5	23.5
Current P/B	3.59	3.50	3.6	3.60	3.1	3.5

Period	KEY INTERNATIONAL INDICIES					
	USA 		UK 	HONG KONG 	JAPAN 	GERMANY 
	NASDAQ 100	S&P 500	FTSE 100	Hang Seng	Nikkei 225	DAX
30th September 2023	14715.24	4288.05	7608.08	17809.66	31857.62	15386.58
1 Month	-5.07%	-4.87%	2.27%	-3.11%	-2.34%	-3.51%
3 Months	-3.06%	-3.65%	1.02%	-5.85%	-4.01%	-4.71%
6 Months	11.64%	4.35%	-0.31%	-12.70%	13.61%	-1.55%
1 Year	34.13%	19.59%	10.36%	3.41%	22.83%	27.01%
Current P/E	22.3	25.9	11.4	11.3	16.2	16.2
Current P/B	3.8	3.2	1.6	1.1	1.9	1.3

COMMODITY MARKET SNAPSHOT - LAST ONE YEAR						
Period	GOLD - MCX INR 10 GRAMS	%	SILVER - MCX INR 1 KG	%	CRUDE OIL USD / BRL	%
30th September 2023	57050	-	70015	-	92.20	-
1 Month	59113	-3.49%	75637	-7.43%	86.86	6.15%
3 Months	58020	-1.67%	68936	1.57%	74.90	23.10%
6 Months	59314	-3.82%	72095	-2.89%	79.77	15.58%
1 Year	50029	14.03%	57274	22.25%	87.96	4.82%

OTHER MARKET INDICATORS						
Country	India 	USA 	China 	Japan 	Germany 	UK 
GDP (USD Bil.)	USD 3385 Bn	USD 25462 Bn	USD 17963 Bn	USD 4231 Bn	USD 4072 Bn	USD 3070 Bn
10 yr Govt. Bond Yield	7.21%	4.57%	2.71%	0.77%	2.85%	4.45%
Global Currencies vs. INR	1.00	USD 1 / INR 83.18	Yuan 1 / INR 11.40	Yen 1 / INR 0.56	Euro 1 / INR 88.06	GBP 1 / INR 101.45
Current Inflation Rate	6.83%	3.70%	0.10%	3.20%	4.50%	6.70%

NIFTY EQUITY SECTORAL INDICIES 30th September 2023						
INDEX	CURRENT	1 WEEK%	1 MONTH%	1 YEAR%	52W H	FALL FROM 52 WEEK HIGH
NIFTY BANK	44,584.55	-0.06%	0.80%	18.43%	46,369.50	-3.85%
NIFTY AUTO	16,184.40	-0.31%	3.23%	29.50%	16,647.05	-2.78%
NIFTY FMCG	51,602.65	-0.01%	0.17%	16.34%	54,349.85	-5.05%
NIFTY IT	31,784.40	-3.41%	2.19%	18.51%	33,402.75	-4.84%
NIFTY METAL	6,839.30	1.15%	2.42%	21.14%	7,168.50	-4.59%
NIFTY PHARMA	15,422.75	2.35%	1.97%	19.79%	15,750.50	-2.08%
NIFTY REALTY	575.65	2.52%	3.76%	38.44%	599.9	-4.04%
NIFTY CONSUMER DURABLES	28,948.90	-0.52%	1.69%	8.04%	30,892.40	-6.29%
NIFTY OIL & GAS	7,902.80	0.23%	1.18%	3.86%	8,671.35	-8.86%
NIFTY COMMODITIES	6,487.05	0.75%	3.45%	19.11%	6,673.50	-2.79%
NIFTY INDIA CONSUMPTION	8,459.90	-0.51%	1.45%	8.42%	8,627.40	-1.94%
NIFTY ENERGY	27,321.75	0.81%	5.25%	8.98%	27,938.60	-2.21%
NIFTY INFRASTRUCTURE	6,242.85	1.31%	4.31%	28.26%	6,336.00	-1.47%
NIFTY INDIA DIGITAL	6,446.40	-0.68%	2.77%	23.53%	7,313.70	-11.86%
NIFTY100 ESG	3,726.00	-0.73%	1.72%	11.99%	-	-
NIFTY INDIA MANUFACTURING	9,796.80	0.45%	0.81%	21.86%	-	-

**Ratio of total market cap over GDP**

Recent 10 Year Maximum - 132%

Recent 10 Year Minimum - 48.29%

**Current Market Cap / GDP- 116%**

Current Market Cap of India as on 30th September 2023 - INR 324 CR.

Current GDP: \$3.38 TRLN US dollars or INR 278 LAKHS CR.

**GDP Growth Figures****% of Growth**

LATEST QUARTER (AMJ 2023)

7.80%

PREVIOUS QUARTER(JFM 2023)

6.10%

YEAR AGO (AMJ 2022)

13.10%

**FII's/FPI's Activities in Indian Equity Markets****FII / DII - ACTIVITIES IN INDIAN EQUITY MARKET (CASH)**

Month- Year	FII ( Rs Crores)	DII (Rs Crores)
	Net Purchase / Sale	Net Purchase / Sale
Sep-23	-26692.16	20312.65
Aug-23	-20620.65	25016.95
Jul-23	13922.00	-1184.00
Jun-23	27250.00	4458.00
May-23	27856.50	-3306.40
Apr-23	5711.80	2216.57
Mar-23	1997.70	30548.77
Feb-23	-11090.64	19239.28
Jan-23	-41464.73	33411.85
Dec-22	-14231.09	24159.13
Nov-22	22546.34	-6301.32
Oct-22	-489.06	9276.97
Last 12 Months	-15303.99	157848.45

**COUNTRY WISE FPI AUC (Asset Under Custody ) IN INDIAN MARKET**

Country Wise AUC (in cr.)	As on Aug 31, 2023	% of Holdings
UNITED STATES OF AMERICA	2231200	42%
OTHER	844247	16%
SINGAPORE	389650	7%
LUXEMBOURG	391401	7%
MAURITIUS	313526	6%
UNITED KINGDOM	285017	5%
IRELAND	273700	5%
NORWAY	169848	3%
CANADA	150871	3%
JAPAN	121905	2%
FRANCE	156983	3%
Total	5328348	100%

**SECTOR WISE FPI AUC (Asset Under Custody ) IN INDIAN MARKET**

Sector Wise AUC (in cr.)	As on Aug 31, 2023	% FPI Holdings
Financial Services	1753402	32.91%
Information Technology	520205	9.76%
Oil, Gas & Consumable Fuels	468400	8.79%
Fast Moving Consumer Goods	376836	7.07%
Automobile and Auto Components	346220	6.50%
Healthcare	290022	5.44%
Capital Goods	222460	4.18%
Consumer Durables	188072	3.53%
Power	187379	3.52%
Metals & Mining	159356	2.99%
Top 10 Sector Holdings	4512352.00	84.69%
OTHERS	815996.00	15.31%
FPI HOLDING IN INDIAN EQ MARKET	5328348.00	100.00%



## Mutual Fund CATEGORY AVG Performance across Industry - 30th September 2023

### Equity Funds Category - AVG Performance across Industry

Category Type	1 Month	3 Months	6 Months	1 year
Equity- Infrastructure	3.32	12.13	28.81	31.83
Small-Cap	2.85	11.76	32.44	28.37
Value	2.98	9.23	23.4	27.68
Mid-Cap	2.91	11.07	29.91	25.71
Dividend Yield	3.13	9.35	21.76	25.54
Sector - Financial Services	2.78	5.88	19.85	25.51
Contra	2.93	8.36	22.16	23.75
Multi-Cap	2.33	9.48	25.83	23.60
Sector - Healthcare	1.9	10.99	28.61	21.79
Large & Mid- Cap	2.33	8.19	23.45	21.47
Sector - Technology	3.08	10.38	16.13	20.84
ELSS (Tax Savings)	2.15	6.81	20.86	20.56
Flexi Cap	2.28	7.47	22.31	20.02
Focused Fund	1.88	5.43	19.54	18.06
Sector - FMCG	-1.11	2.9	13.3	17.43
Equity - ESG	2.14	6.38	18.97	16.54
Large-Cap	0.31	3.05	15.97	15.12

### Fixed Income Category- AVG Performance across Industry

Morningstar Category	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR
Floating Rate	0.51	1.73	3.70	7.09
Long Duration	-0.34	0.29	2.54	6.68
Arbitrage Fund	0.64	1.80	3.67	6.64
Medium to Long Duration	0.01	0.60	3.09	6.62
Government Bond	0.03	0.65	3.05	6.52
Credit Risk	0.19	1.25	3.23	6.52
10 yr Government Bond	-0.02	0.28	2.84	6.46
Short Duration	0.32	1.16	3.07	6.45
Low Duration	0.41	1.44	3.25	6.36
Medium Duration	0.04	0.85	3.01	6.27
Banking & PSU	0.31	1.21	3.16	6.20
Ultra Short Duration	0.44	1.46	3.11	6.18
Corporate Bond	0.06	1.02	3.10	6.18
Dynamic Bond	0.01	0.70	2.95	6.17
Money Market	0.40	1.38	3.12	6.16
Liquid	0.43	1.39	2.93	5.97

### Balance Fund Category- AVG Performance across Industry

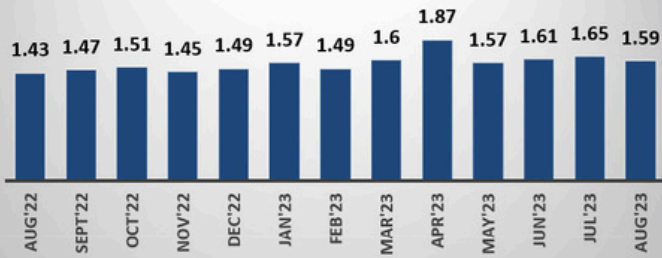
Category Type	1 Month	3 Months	6 Months	1 year
Aggressive Allocation	1.39	5.38	16.01	16.61
Dynamic Asset Allocation	1.54	4.72	13.04	14.26
Equity Savings	0.76	3.08	9.13	10.65
Balanced Allocation	0.53	3.18	12.22	9.82
Conservative Allocation	0.42	1.91	6.32	8.62

**Source** - Morning Star as on 30th September 2023

**NOTE:** This is not a single scheme fund performance. This is an average performance of all the funds in same category across the mutual fund industry. However, performance may be different for different scheme under same category. Please check with your advisor for the top performing funds in above category for last one year.

## MACRO ECONOMIC INDICATORS

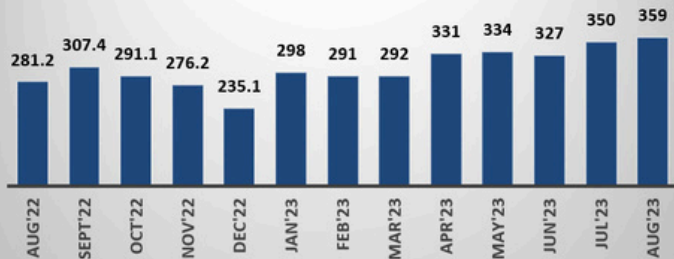
GST Collection (Rs. Lakh cr.)



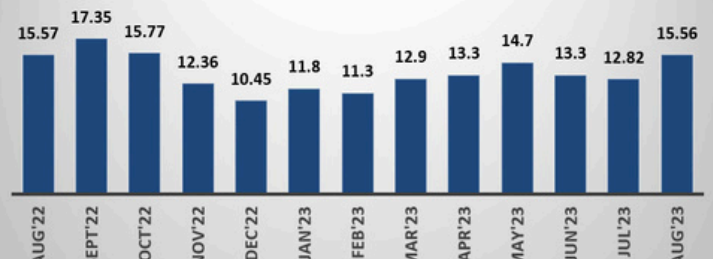
Power Consumption('000 MU)



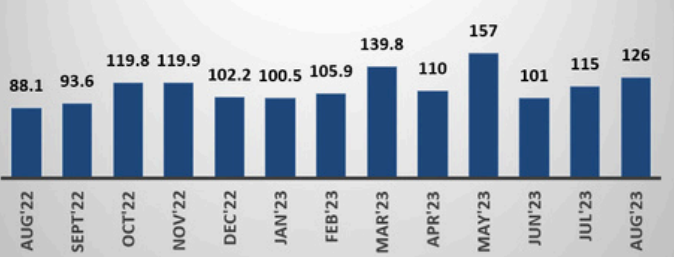
Passenger Vehicles Sales('000 Units)



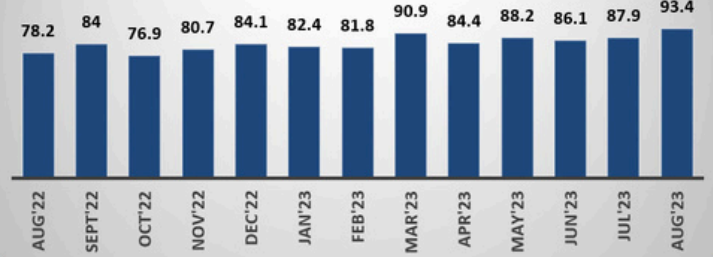
2-Wheeler Vehicles Sales('00000 Units)



Electric Vehicles Sales('000 units)



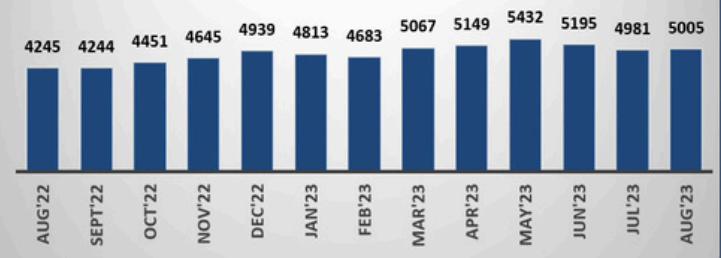
E-way bills(Mn.)



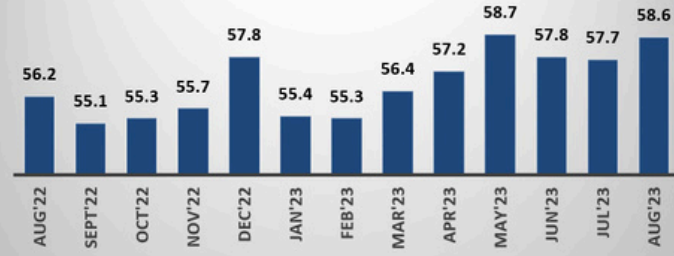
UPI Transaction(Rs. Lakh cr.)



E-toll Collection(Rs. Cr.)



Manufacturing PMI



Services PMI



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## Chapter - 03

# Inspiring Investment Story

**Mr. Vivek**

Age: 48 Years



Mr. Vivek, a 48-year-old salaried professional, found himself in possession of a surplus of Rs. 10 lakhs. This sum comprised his hard-earned savings from various fixed deposits and a portion that had materialized from a company bonus. His financial profile leaned towards being moderately aggressive, and he initially expressed an interest in continuing to invest in fixed deposits.

It was through the recommendation of one of our existing clients that we were introduced to Mr. Vivek. Recognizing the potential for his long-term financial growth, with an investment horizon of over 10 years, we encouraged him to explore more aggressive investment options rather than sticking to a balanced or hybrid portfolio.

Today, as we revisit the performance of his mutual fund investments, Mr. Vivek is not just content but ecstatic about his decision to delve into India's growth story by investing in equity mutual funds. His commitment to this investment strategy is unwavering, with plans to extend it for at least another five years.

When we compare the performance of his mutual fund investments against other asset classes, Mr. Vivek is beaming with satisfaction. He is confident that he made the right choice, embracing a more aggressive approach to his investments. This success story exemplifies how, with the right guidance and a forward-thinking strategy, investors like Mr. Vivek can secure their financial futures.

**Check the below table to know more:**

Scheme Name	Category	Investment Date	Amount Invested	Value as on 29-09-2023	CAGR Returns (%)	Absolute Returns (%)
Canara Robeco Emerging Equities Reg Gr	Large and Mid Cap	24/10/2016	₹ 2,00,000	₹ 4,98,808	14.09	149.40
HDFC Flexi-Cap Gr	FlexiCap	24/10/2016	₹ 2,00,000	₹ 5,15,354	14.63	157.68
Kotak Emerging Equity Scheme Gr	Mid Cap	24/10/2016	₹ 2,00,000	₹ 5,60,741	16.03	180.37
Nippon India Multi Cap Gr	Multi Cap	24/10/2016	₹ 2,00,000	₹ 5,50,264	15.71	175.013
SBI Small Cap Reg Gr	Small Cap	24/10/2016	₹ 2,00,000	₹ 6,91,714	19.60	245.86
<b>TOTAL MF VALUE</b>		24/10/2016	₹ 1,00,00,000	₹ 28,16,882	16.01	181.69
<b>Fixed Deposit</b>		24/10/2016	₹ 1,00,00,000	₹ 15,01,275	06.03	50.13
<b>Gold</b>		24/10/2016	₹ 1,00,00,000	₹ 19,80,454	10.39	98.05
<b>PPF</b>		24/10/2016	₹ 1,00,00,000	₹ 16,48,310	7.47	64.83

Mr. Vivek story is a shining example of the rewards that come with strategic, long-term investment planning. It showcases how the right mix of investment vehicles can not only provide a steady income stream but also foster substantial wealth growth, ensuring financial security and peace of mind in the years to come.

**Note:** The above story is a real story of an investor however names and figures are manipulated for the purpose of presentation. The schemes shown here are not to be treated as our recommendation. Investor should check their own risk return appetite before choosing any plan for investments.



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**Disclaimer:** Mutual Fund investments are subject to market risks. Read all scheme related documents carefully. The NAVs of the schemes may go up or down depending upon the factors and forces affecting the securities market including the fluctuations in the interest rates. The past performance of the mutual funds is not necessarily indicative of future performance of the schemes. The Mutual Fund is not guaranteeing or assuring any dividend under any of the schemes and the same is subject to the availability and adequacy of distributable surplus.

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The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go.