

TATA SMALL CAP FUND

(An open-ended Equity Scheme predominantly investing in small cap stocks)

DECEMBER'21



Tata Small Cap Fund focuses on buying businesses which can grow over the next 3-4 years along with focusing on strong balance sheet and available at reasonable valuations. Given the high volatility and uncertainty associated with small caps, its imperative to make the right picks.

Since inception, Tata Small Cap Fund has been able to reduce capital drawdowns vis-à-vis the benchmark index. The fund aims to deliver risk adjusted returns focussing on stocks available at reasonable valuations in this segment, The fund is ideal for investors seeking long term capital appreciation.

Portfolio & Performance

- Philosophy:** Our investment philosophy is to identify companies which can grow in terms of profitability and cash flows with strong balance sheets where business can surprise the markets over a period of time in terms of delivery of earnings which in turn can lead to rerating of valuations
- Performance:** The recent performance is a result of thorough research and due diligence. The companies in the portfolio have been delivering strong surprises on profitability and growth even in a tough environment and hence rerating of valuations as expected is high. Some factors which have been common across our winners—Increasing top line, Decreasing costs, Zero or very low leverage, decent free cash flows, working capital management, Lower interest costs, All time high operating margins and high ROE/ROCE levels.
- Way Ahead:** 70% of our portfolio consists of stocks we intend to hold for the next 3 years, where we see scope for incremental rerating. While the remaining 30% are good businesses, markets have realised value and there may be no further rerating. This part of the portfolio we are booking profits in and reallocating in favour of new set of businesses. We are setting up the building blocks for the next 3 years today.

HOW ARE WE POSITIONED

Invested in Quality Businesses	Low Churn	Challenge of exits
<ul style="list-style-type: none"> Our primary criteria for stock selection remains ‘Growth at reasonable price’. We are looking for businesses which can grow earnings at a strong pace with free cash generation and available at a reasonable price 	<ul style="list-style-type: none"> The portfolio aims for a low churn strategy. Although in the near future we may see some churn as we are in the middle of the portfolio reallocation and expect this exercise to be complete over the next 6 months or so 	<ul style="list-style-type: none"> Exiting small cap positions is a challenge. There is a risk of heavy discounts if such exits are not planned in advance It’s a challenge to protect downside when a rally gets over in 2-3 yrs time. Generally, every small cap stock rallies and so the focus is on what to buy, how high a price to buy at and when to exit
Adequate Cash Positions	Size of Holdings	Concentration
<ul style="list-style-type: none"> The fund maintains adequate cash levels at all times to accommodate for redemptions as liquidating investments isn’t ideal The cash levels will also help minimise the impact of opportunistic investors investing only to gain from the expected rally, safeguarding the long term investors Recent profit booking has resulted in high cash levels, which we expect to redeploy of the next 6 months 	<ul style="list-style-type: none"> Smallcaps as per definition is the 251st company from a market capitalization perspective and below. Currently, ~11,700 crore market cap and below. Optimal size of a small cap fund is below Rs 2000 cr. Given the relatively illiquid nature of small cap stocks, a large size fund can make maneuvering challenging during weak market environment. 	<ul style="list-style-type: none"> There are limited businesses at any given point in time which can grow earnings at a fast pace with free cash generation and available at a reasonable price and hence we end up having a relatively concentrated portfolio. When there is a broad based rally sometimes concentration in the short term may lead to relatively lower performance. However, ultimately what drives sustainable returns is earnings/cashflow growth delivered by companies and this trend normalizes over the medium to long term. Patience in Small Cap segment is very important and investors need to take a 3-5 years investment horizon.

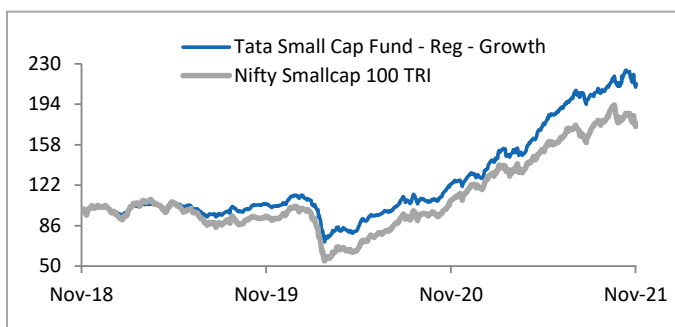
based on the current view of the fund manager and subject to change

FUND SNAPSHOT

Benchmark*	Nifty Smallcap 100 TRI
Monthly Average AUM	Rs. 1808.09 Crores
Inception Date	November 12,2018
Expense Ratio	Direct-0.36 Regular- 2.31
Fund Manager	Chandraprakash Padiyar
Assistant Fund Manager	Satish Chandra Mishra
Options	Growth & IDCW
Weightage of top 10	39.91

Statistic	Fund	Benchmark
Std. Dev	24.79	31.99
Sharpe Ratio	0.29	0.19
Portfolio Beta	0.75	1.00
R Squared	0.93	1.00
Treynor	2.80	1.78
Jenson	0.76	NA

NAV Movement since inception (rebased to 100)



Returns

Period	Tata Small Cap Fund		Nifty Smallcap 100 TRI [†]		Nifty 50 TRI [#]	
	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	72.26%	17,303	62.98%	16,363	32.19%	13,249
3 Year	28.48%	21,223	20.90%	17,681	17.38%	16,182
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	28.18%	21,333	20.30%	17,577	18.51%	16,791

Managed By: Chandraprakash Padiyar (Managing Since 19-Oct-18) and Satish Chandra Mishra (Managing Since 1-Nov-19)

For schemes managed by these Fund Managers, refer page 4

Top 10 Holdings (%)			Top 10 Sectors(%)		
Company	Fund	Benchmark	Sector	Fund	Benchmark
Allcargo Logistics Ltd.	5.84		Services	19.55	3.29
Greenply Industries Ltd.	4.57		Industrial Manufacturing	18.65	9.58
Redington (india) Ltd.	4.55		Consumer Goods	16.73	10.17
Radico Khaitan Ltd	4.23	2.27	Automobile	5.16	0.63
Qess Corp Ltd.	3.92	1.50	Chemicals	5.00	6.43
Basf India Ltd.	3.88	0.80	Healthcare Services	4.86	0.50
Kirloskar Pneumatic Company Ltd.	3.63		Financial Services	4.65	22.21
Tube Investments Of India Ltd.	3.59		Textiles	3.10	4.12
Honda India Power Products Ltd.	2.93		Consumer Services	2.65	2.26
Gujarat Pipavav Port Ltd.	2.77		Cement & Cement Products	2.27	2.62

*As a consequence of SEBI circular on Uniformity of Benchmarks, effective 1st Dec 2021—The scheme's benchmark has been revised to Nifty Smallcap 250 TRI

Sources: MFI, Bloomberg, Internal Research

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

Data as on 30th Nov '21

Performance of other funds managed by the Fund Managers

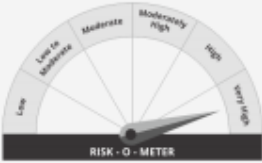
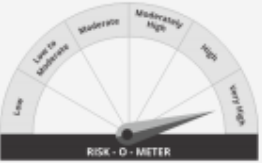
Chandraprakash Padiyar	1 Year	3 Year	5 Year
Tata Hybrid Equity Fund	28.19	13.12	10.58
Crisil Hybrid 25+75 - Aggressive Index	27.44	16.69	15.06
Tata Large & Mid Cap Fund	33.35	18.74	15.28
NIFTY Large Midcap 250 TRI	42.16	20.16	18.06
Tata Indian Opportunities Fund	31.12	NA	NA
S&P BSE Sensex TRI	30.56	NA	NA
Tata India Equity Fund (UCITS) - Plan B	38.82	NA	NA
MSCI India	34.09	NA	NA

Satish Chandra Mishra	1 Year	3 Year	5 Year
Tata Resources & Energy Fund	47.82	26.74	16.92
Nifty Commodities TRI	51.99	19.03	14.39
Tata Mid Cap Growth Fund	43.78	23.47	19.91
Nifty Midcap 100 TRI	51.38	20.34	15.94
Tata Hybrid Equity Fund	28.19	13.12	10.58
Crisil Hybrid 25+75 - Aggressive Index	27.44	16.69	15.06

Disclaimers:

- Market capitalization as per SEBI circular - Small Cap: 251st company onwards in terms of full market capitalization.
- Chandraprakash Padiyar (Senior Fund Manager) has been managing this scheme since 19th October 2018 . Total schemes managed by Chandraprakash Padiyar (Domestic: 3, Offshore:2)
- Satish Chandra Mishra (Assistant Fund Manager) has been managing this scheme since 1st November 2019. Total schemes managed by Satish Chandra Mishra : 4 (Satish is Asst Fund Manager for Tata Hybrid Equity Fund)
- Scheme returns in terms of CAGR are provided for past 1 year, 3 years, 5 years and since inception.
- Point-to-point returns on a standard investment of `10,000/- are in addition to CAGR for the schemes.
- Different plans shall have a different expense structure. The performance details provided herein are of regular plan growth option
- Period for which schemes performance has been provided is computed basis last day of the month - ended preceding the date of advisement.
- For computation of since inception returns the allotment NAV has been taken as `10.00
- For Benchmark Indices Calculations, Total Return Index(TRI) has been used. Where ever TRI data is not available Composite CAGR has been disclosed.
- Volatility Measures
 - The Std. Dev., Sharpe Ratio, Jensen's Alpha, Treynor, Portfolio Beta & R-squared are based on one month return calculated using last 3 years data.
 - Price/Earning Ratio, Price/Book Value Ratio, are based on the historical earnings and accounting numbers, and have been computed only for the invested portion of the portfolio.
 - Portfolio turnover has been computed as the ratio of the lower value of average purchase and average sales to the average net assets in the past one year (For schemes that have not completed one year, since inception is considered)

Past performance may or may not be sustained in the future.

Product Label	Tata Small Cap Fund	Nifty Smallcap 100 TRI
<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> Long Term Capital Appreciation. Predominant investment in equity/equity related instruments of small cap companies. <p>*Investors should consult their financial advisors if in doubt about whether the product is suitable for them</p>	 <p>RISK - O - METER Investors understand that their principal will be at Very High Risk</p>	 <p>RISK - O - METER Investors understand that their principal will be at Very High Risk</p>

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