

SMALL CAP. GIANT POTENTIAL.

PRESENTING

BAJAJ FINSERV SMALL CAP FUND

An open ended equity scheme predominantly investing in small cap stocks

Give your investments the 3-in-1 advantage

Quality

Companies with distinct competitive advantages

Growth

Companies with high scalability potential

Value

Companies that present intrinsic value opportunities





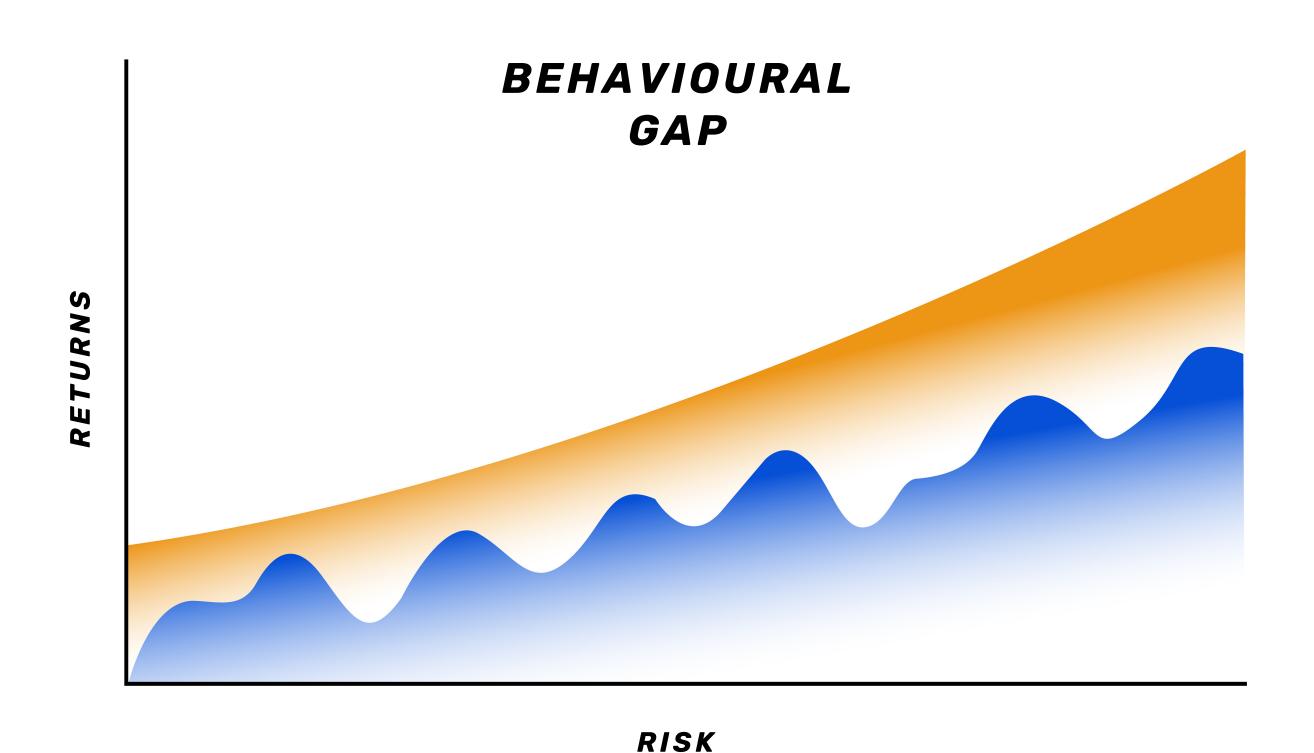
RISKISN'T WHAT MOSTTHINK IT IS

"Risk comes from not knowing what you're doing."

- Warren Buffet

Risk has long been perceived as the enemy of investment success. But in reality, risk is the necessary ingredient that fuels returns. Without risk, there is no reward. The key lies in understanding, managing, and leveraging risk rather than avoiding it.

RISK: PERCEPTION VS. REALITY



• INVESTOR EXPECTIONS

• REALITY







JUST PREPARE FOR IT





Collapse of a prominent retail player in supermarkets



WHY IT SEEMED TOO BIG TO FAIL:

- 1,000+ stores across 321 cities (2017)
- ₹24,116 crore market cap (2017)



WHAT WENT WRONG:

- ~99% wealth erosion
- Stock corrected from peak: ~57% (CAGR from Nov-2017 to Aug-2024)



KEY RISKS IGNORED:

- High debt & excessive promoter pledging
- Poor capital allocation & unchecked expansion



THIS SLIDE IS FOR ILLUSTRATIVE PURPOSES ONLY AND IS PROVIDED TO EXPLAIN THE CONCEPT OF RISK.



FAMILIARITY DOESN'T ENSURE SAFETY, GOVERNANCE DOES

Downfall of a major IT firm in India



WHY IT SEEMED TOO BIG TO FAIL:

- One of India's top 5 IT firms
- Constituent of Nifty 50 Index
- Global presence with 50,000+ employees



WHAT WENT WRONG:

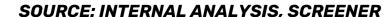
- ~95% wealth erosion
- Stock corrected from ₹523.50 (May 2008) to ₹23.75 (Jan 2009)





KEY RISKS IGNORED:

- Fabricated cash balances and overstated revenues
- Promoter fraud involving accounting manipulation



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BEING UNDERVALUED ISN'T ENOUGH, GROWTH IS ESSENTIAL

Failure of an infrastructure finance company in India



WHY IT SEEMED AN ATTRACTIVE BUY:

- Traded at a deep discount to book value and perceived to be undervalued
- Positioned as a key lender in infrastructure



WHAT WENT WRONG:

- Stock corrected from ₹137.10 (Jul-2017) to ₹2.10 (Aug-2023)
- Stock delisted
- A value trap, not a recovery story



KEY RISKS IGNORED:

- Rising NPAs with limited provisioning buffer
- Complex financial structuring and lack of transparency
- Weak governance and regulatory red flags

SOURCE: INTERNAL ANALYSIS, SCREENER

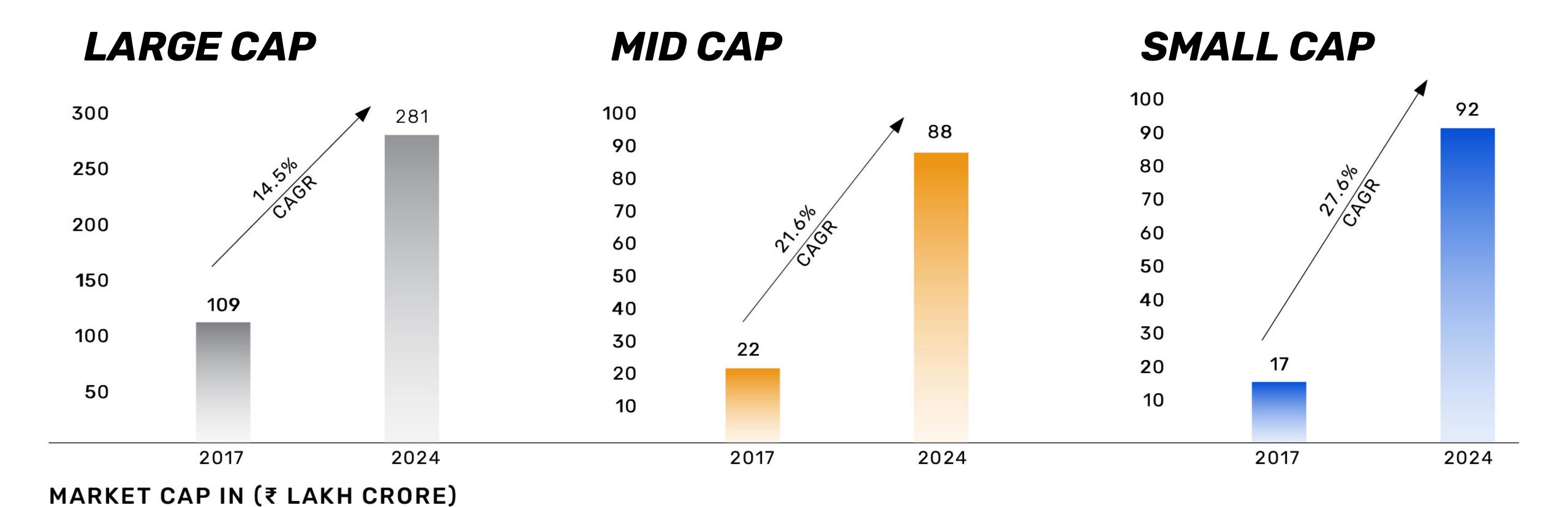
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HIGHEST MARKET CAP GROWTH - 5X IN 7 YEARS

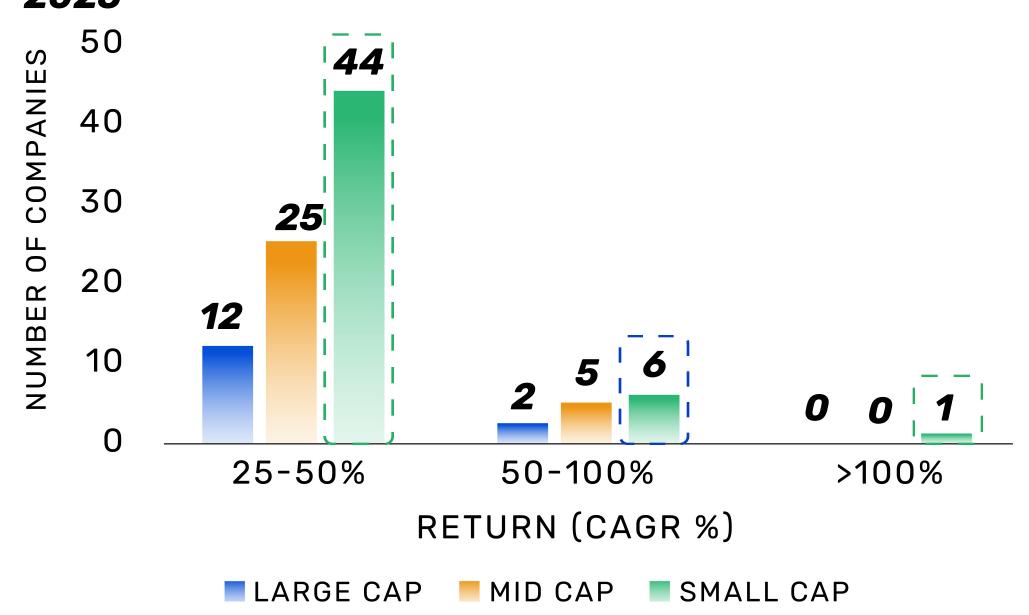




HIGHER LONG-TERM POTENTIAL IRRESPECTIVE OF MARKET DIRECTION

RETURNS FROM PEAK

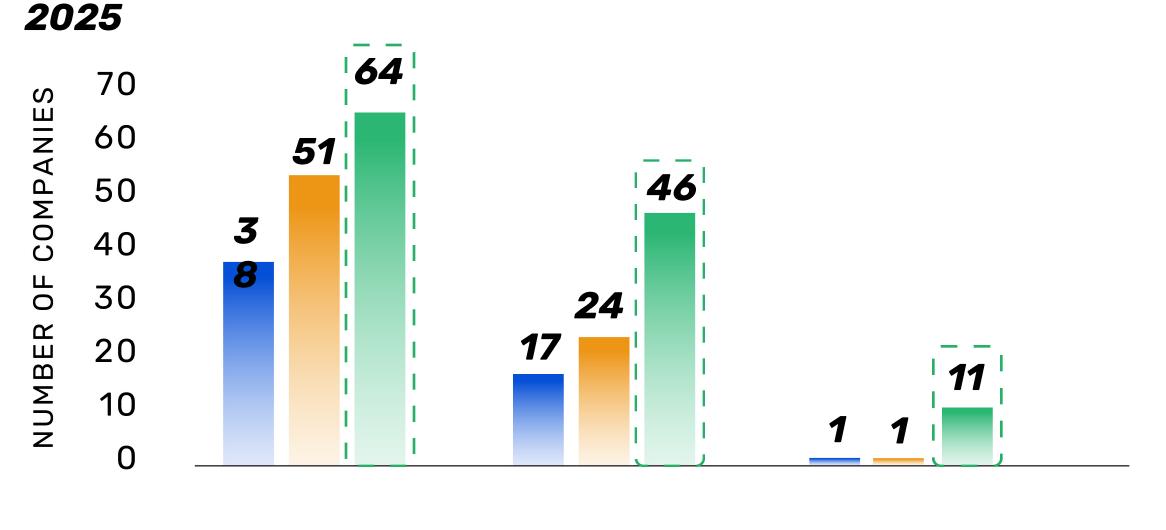
RETURNS IN NIFTY 500 FROM 2018 TO 2025



DATA FROM MAY 31, 2018 TO MAY 31, 2025

RETURNS FROM TROUGH

RETURNS IN NIFTY 500 FROM 2020 TO



LARGE CAP MID CAP SMALL CAP

RETURN (CAGR %)

DATA FROM MAY 31, 2020 TO MAY 31, 2025

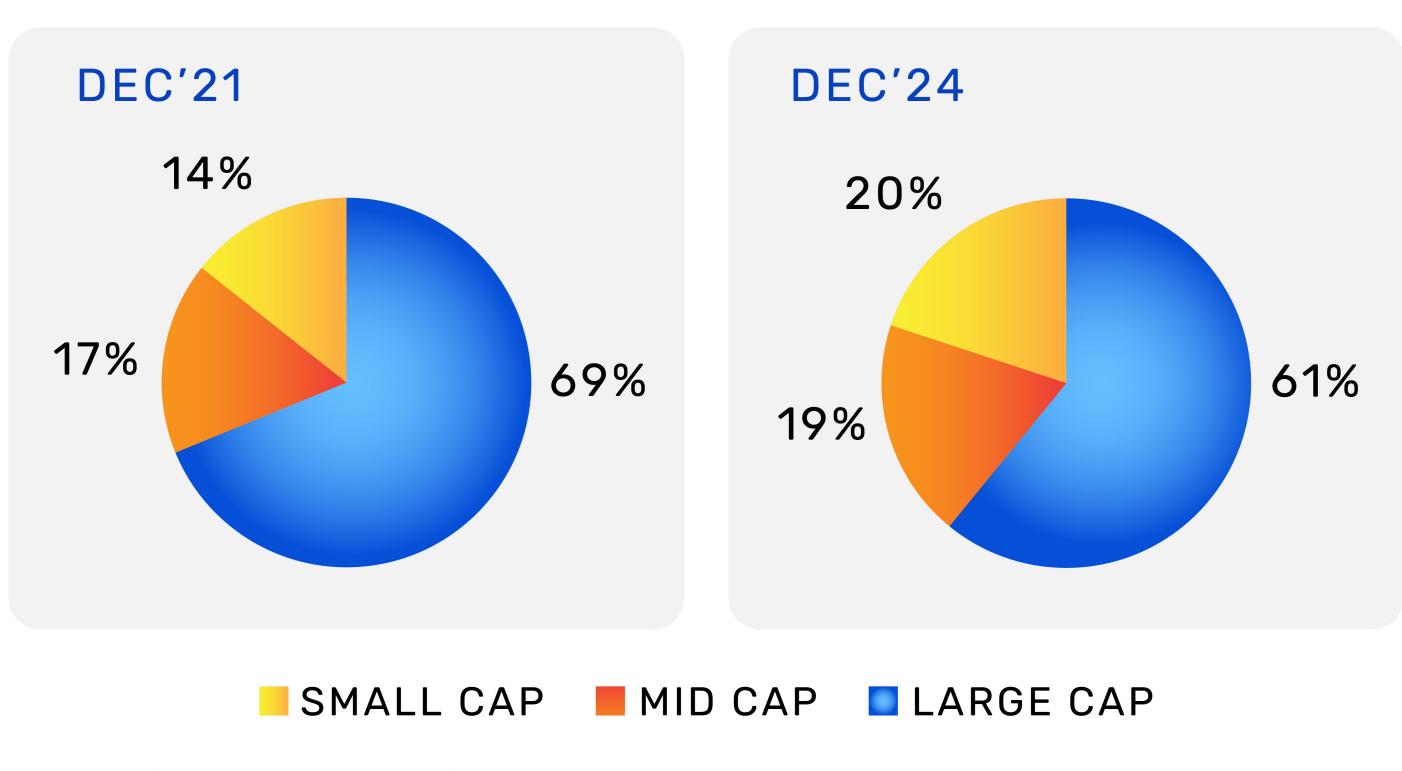


CONTRIBUTION TO MARKET CAP GREW 1.4X IN LAST 3 YEARS

Between Dec'21 and Dec'24, small caps increased their share in the total market capitalization of all listed companies by 6%, outperforming mid caps (which grew by 2%) and large caps (which fell by 8%).

This underscores the growing prominence of the small cap segment and the expanding opportunities it offers.

CONTRIBUTION TO MARKET CAP



Contribution to market cap of all listed companies

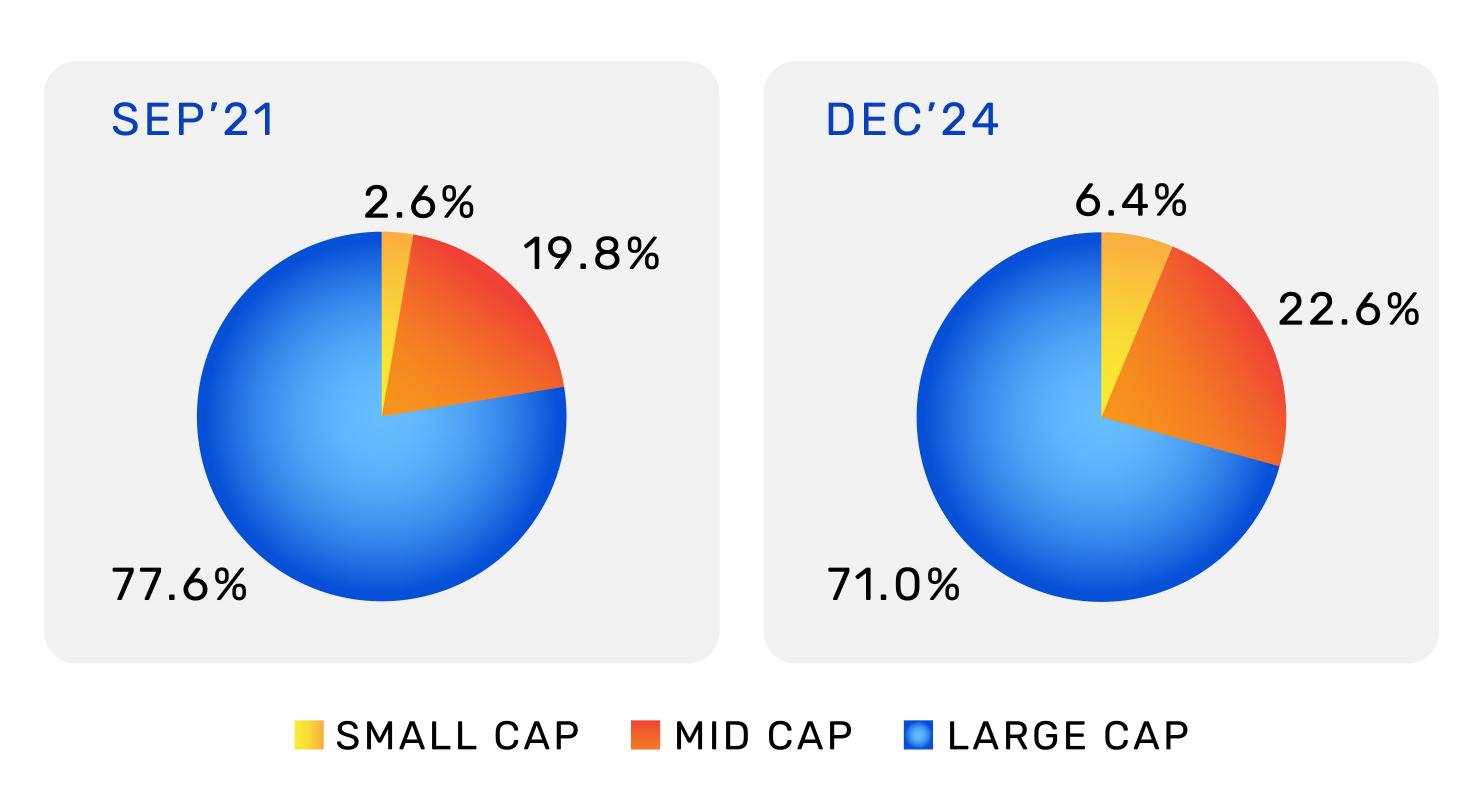


CONTRIBUTION TO PROFITS GREW 2.5X IN LAST 4 YEARS

Between Sep'21 and Dec'24, small caps saw their share in India's corporate earnings expand 2.5x, far outpacing mid caps (which expanded 1.1x) and large caps (which expanded 0.9x).

This sharp earnings delta highlights the accelerating potential within small caps.

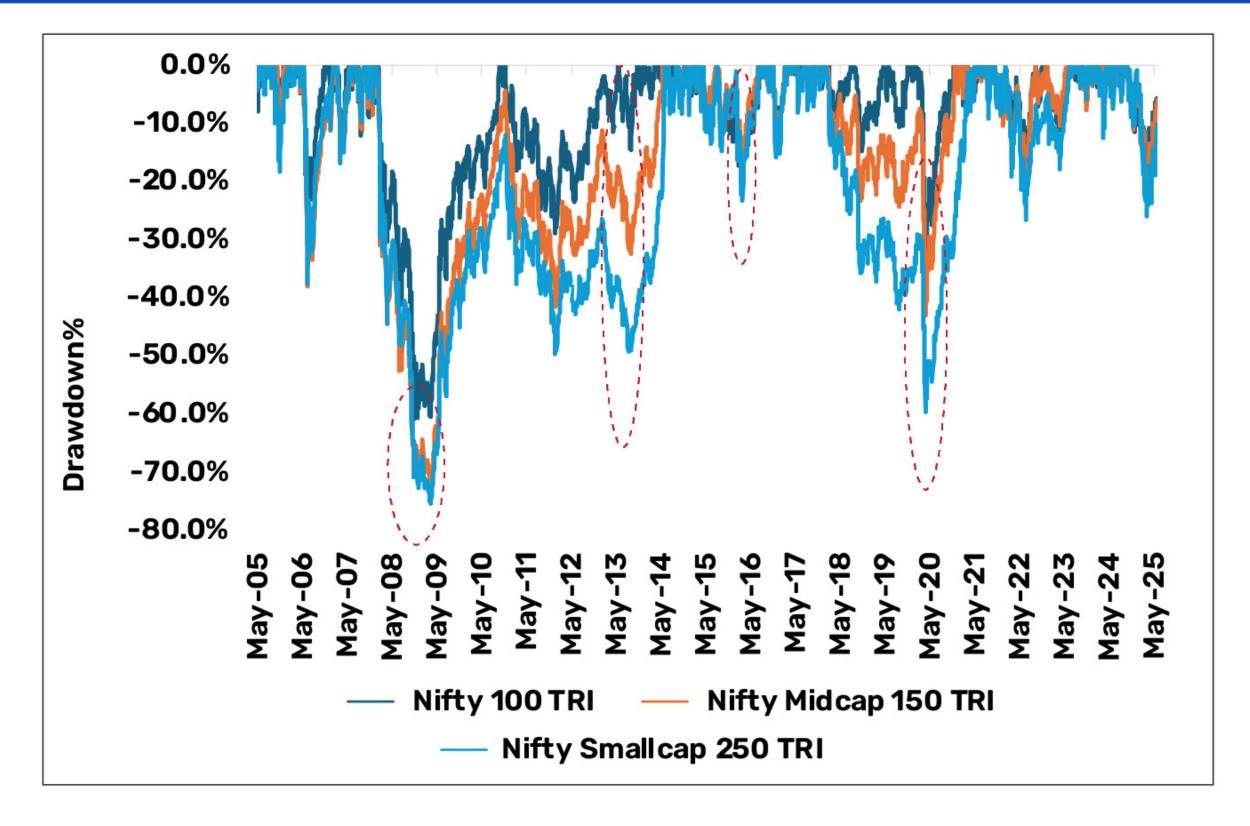
CONTRIBUTION TO PAT OF TOP 500 COMPANIES

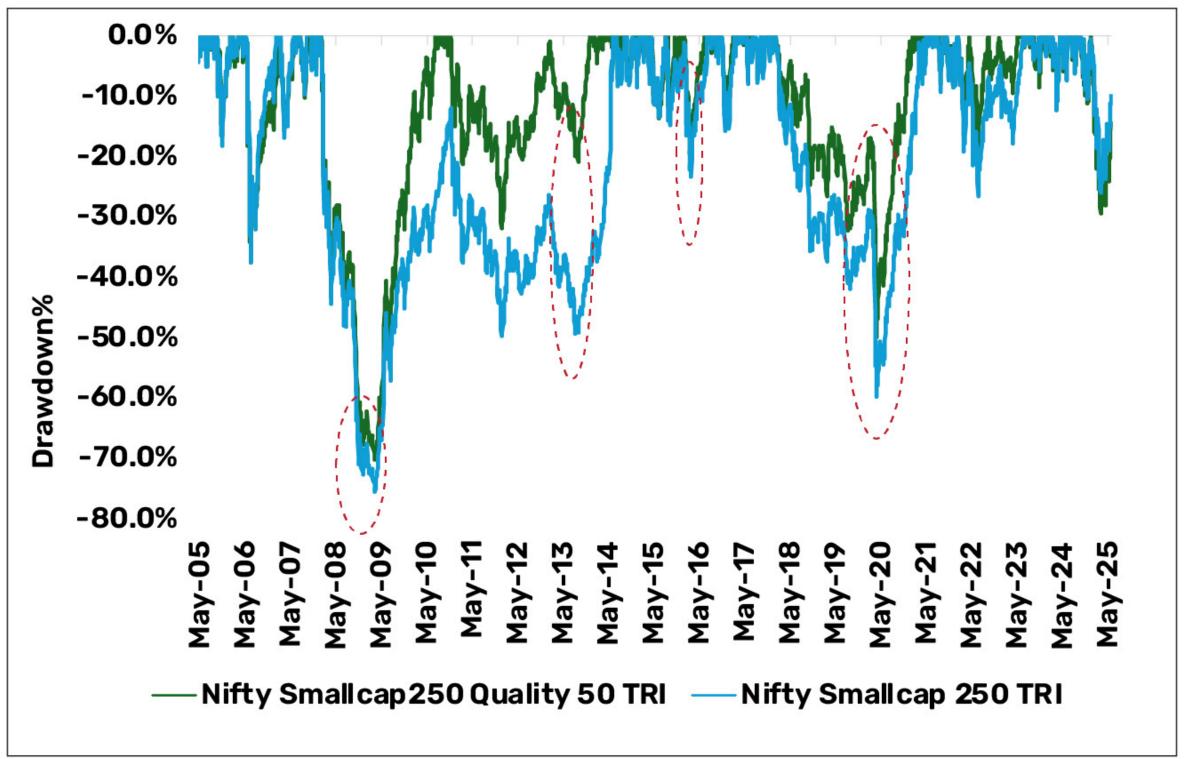




RETHINKING SMALL CAP VOLATILITY THROUGH A QUALITY LENS

While small caps tend to experience higher drawdowns compared to broader indices, the relatively lower drawdown in the quality small cap index highlights the importance of selective exposure. This reinforces the need for <u>right active management</u> over passive benchmark investing.



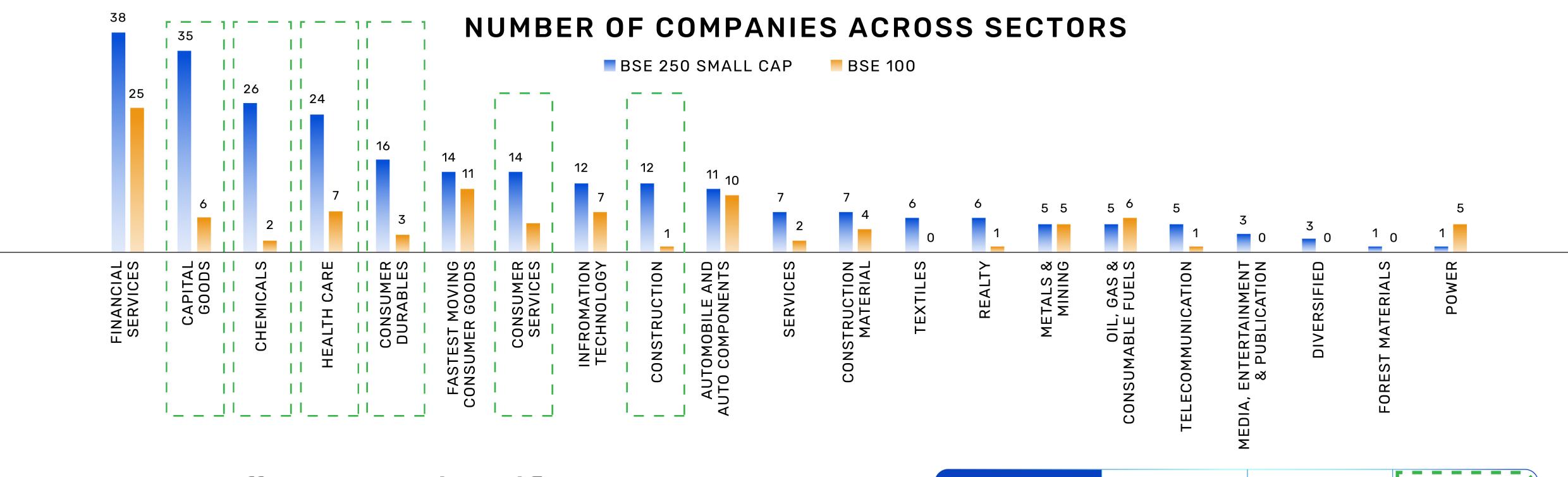


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SOURCE: MFI EXPLORER DATA AS ON MAY 31, 2025



DIVERSIFICATION ACROSS MORE THEMES



Small caps offer a more diversified sectoral spread compared to large caps, with substantially more opportunities across key growth sectors highlighted above.

MARKET CAP	LARGE CAP	MID CAP	SMALL CAP
NO. OF SECTORS COVERED	17	12	21



VOLATILITY DOESN'T ALWAYS MEAN RISK, IT OFTEN MEANS OPPORTUNITY

MEET MR. MARKET – A TIMELESS LESSON IN INVESTING BY BENJAMIN GRAHAM

Every day, he offers to buy your share or sell you his at a new price. His mood swings aren't based on fundamentals, but emotions.

- Some days, he's euphoric and offers an inflated price
- **V** Other days, he's fearful and offers a deep discount





VOLATILITY DOESN'T ALWAYS MEAN RISK, IT OFTEN MEANS OPPORTUNITY

WHAT WE LEARN FROM MR. MARKET



Volatility is not a threat — it's an opportunity.

When Mr. Market panics, disciplined investors can buy quality at a discount



You are not obligated to act.

You don't have to buy or sell daily. The power lies in patience.



Emotional discipline pays.

Mr. Market's irrationality is your edge—if you remain rational.



Independent thinking wins.

Success comes from <u>focusing on</u> <u>value</u>, not noise.







SMALL IN SIZE, NOT IN IMPACT

EVERYDAY LEADERS ACROSS
INDUSTRIES THAT ARE SMALL CAPS

Consumer durables
Capital goods
Consumer services
FMCG
Metals & Mining
Healthcare
BFSI
Construction materials
Power
Automobile and auto components

And many more...

PLEASE NOTE THAT THE REFERENCE TO ANY INDUSTRY/ SECTOR IS PROVIDED FOR ILLUSTRATIVE PURPOSES ONLY. THIS SHOULD NOT BE CONSTRUED AS A RESEARCH REPORT OR A RECOMMENDATION TO BUY OR SELL ANY SECURITY OR SECTOR.











































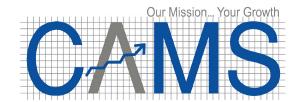














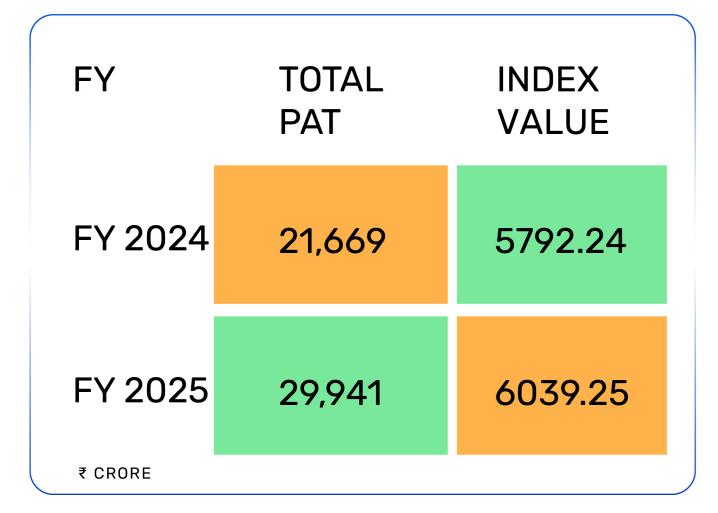


CORRECTION IN PRICE, NOT IN QUALITY

FY25 SAW A CORRECTION IN SMALL CAPS, OFFERING AN OPPORTUNITY TO BUY QUALITY AT DISCOUNT.

CORRECTION FROM 52 WEEK HIGH	NUMBER OF SMALL CAP COMPANIES
0 to -15%	43
-15% to -30%	81
-30% to -45%	85
OVER -45%	41

Most are trading well below 52-week highs, making valuations compelling.



The index rose just 4% since FY24 while PAT grew 38%, reflecting the unrealized value of small caps.

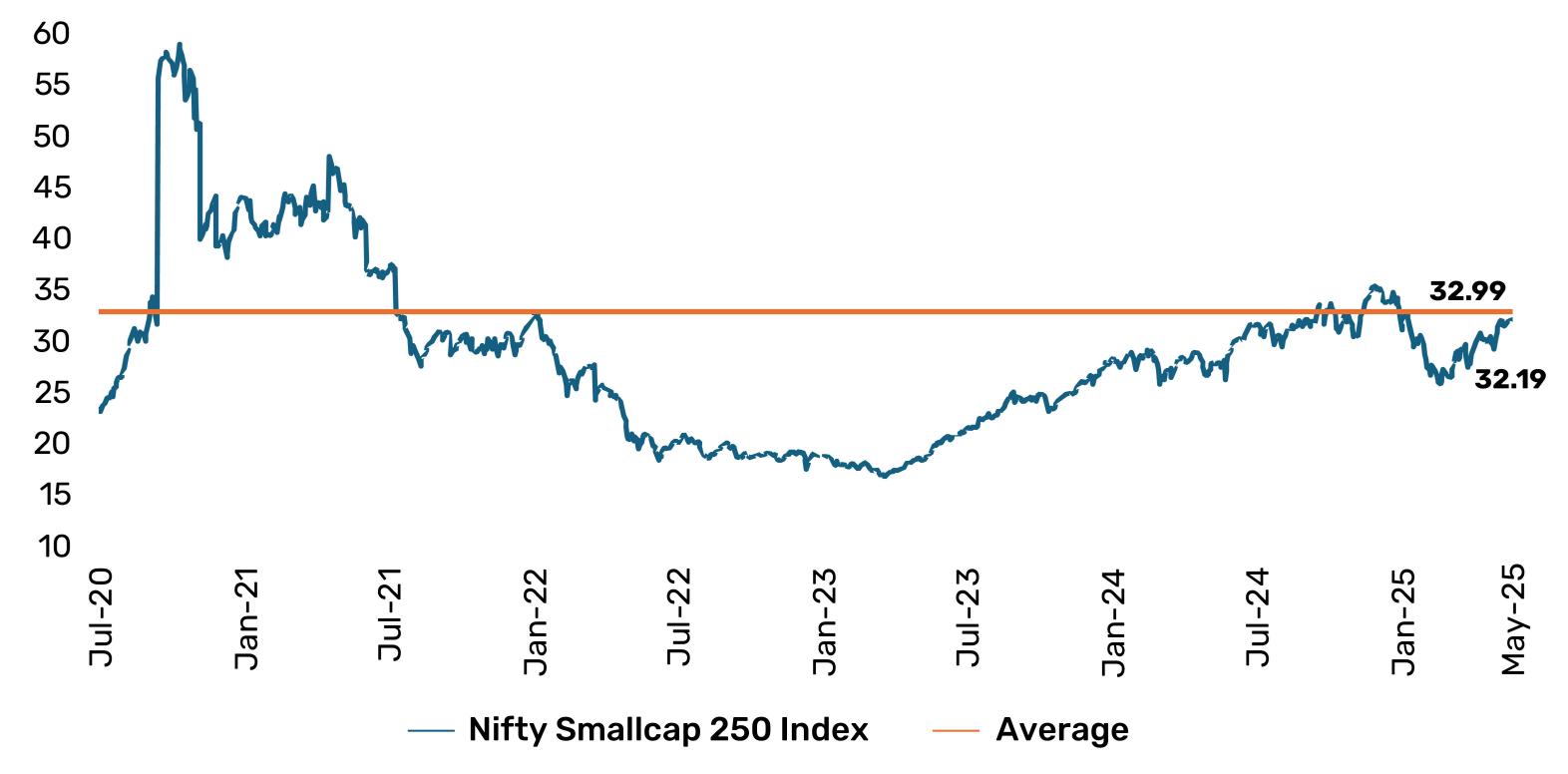
1 YEAR ROCE	% OF SMALL CAP COMPANIES	
0 - 10%	21%	
10%-20%	35%	
20%-30%	23%	
OVER 30%	16%	
ROCE: RETURN ON CAPITAL EMPLOYED		

74% of the top 250 small caps report ROCE above 10%, reflecting strong fundamentals.



VALUATIONS AT 5-YEAR AVERAGE

P/E RATIO OF NIFTY SMALLCAP 250 INDEX



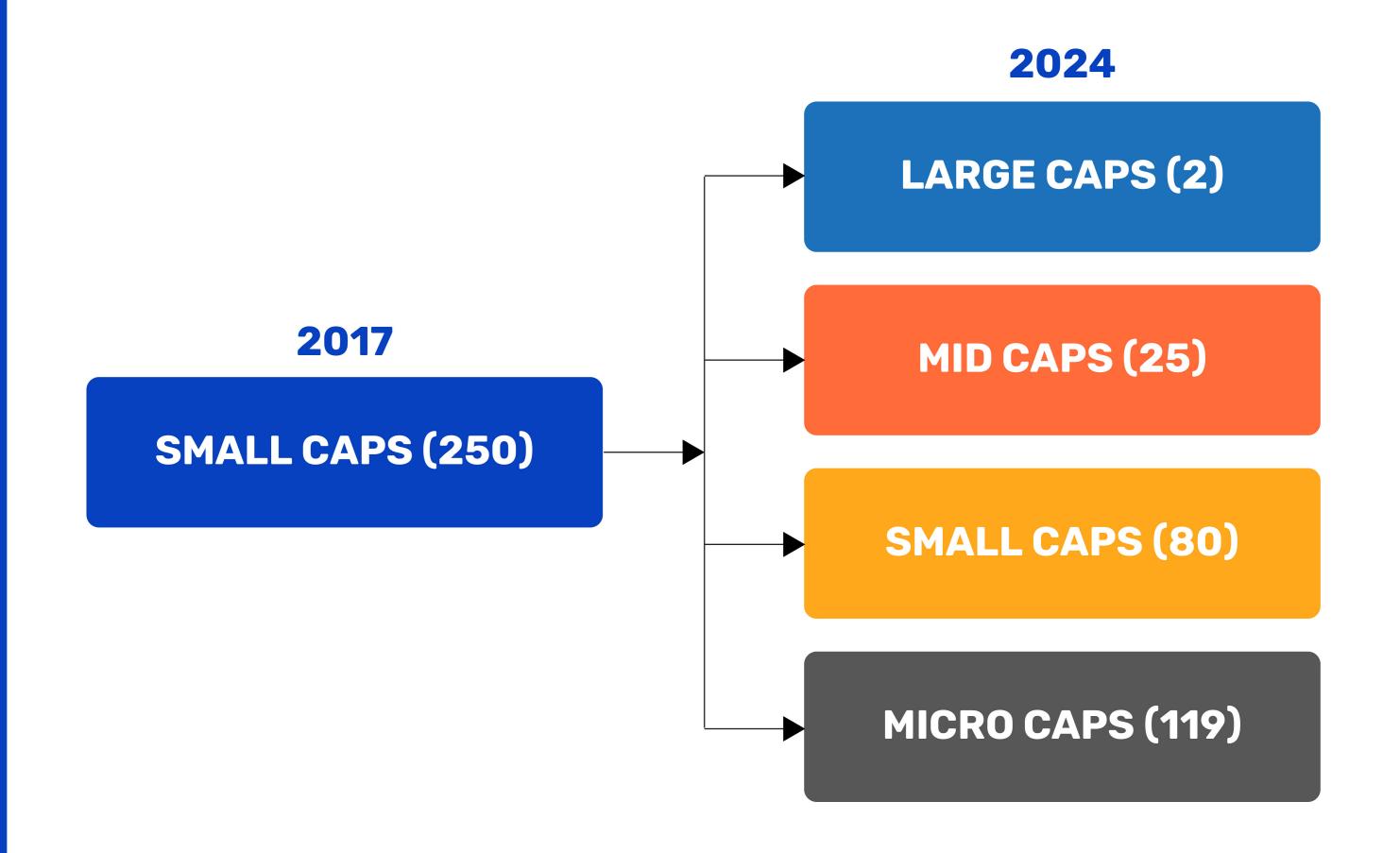
Small cap valuations are hovering around their 5-year average, with significant corrections in select segments. This creates a favorable entry point for new NFOs to build portfolios by capitalizing on these selective opportunities.

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NOTALL SMALL CAPS GROW TO BECOME LARGE CAPS

Nearly 50% of the small cap companies from 2017 have slipped into micro cap territory. This highlighs the importance of not just picking the right small caps, but also knowing what to avoid.





SMALL CAPS - WELL POSITIONED TO LEVERAGE IPOS

Small caps have dominated the IPO landscape, with 196 listings since 2020—yet only 4 have transitioned to mid caps, and none to large caps. While the segment has delivered strong returns, this also highlights the need for careful selection, as not all IPOs translate into long-term quality.

IPO CONCENTRATION IN SMALL CAPS

MARKET CAP OF COMPANIES LISTED	COUNT OF IPOs
LARGE CAP IPO	14
MID CAP IPO	18
SMALL CAP IPO	196

AVERAGE CAGR IN LAST 4YEARS

MARKET CAP	2020	2021	2022	2023
LARGE CAP	-3%	8%	-3%	35%
MID CAP		-2%	-6%	23%
SMALL CAP	30%	16%	36%	25%
GRAND TOTAL	25%	13%	31%	25%

Small cap IPOs have delivered the highest CAGR in 3 of the last 4 years.



INTRODUCING

BAJAJ FINSERV SMALL CAP FUND

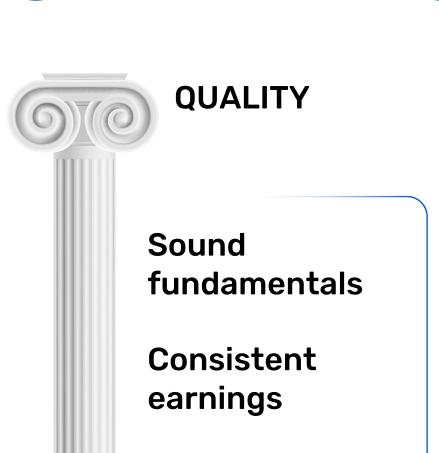
An open ended equity scheme predominantly investing in small cap stocks

ONE PORTFOLIO - THREE STRENGTHS

QUALITY GROWTH VALUE



5 PILLARS OF OUR APPROACH



Sustainable competitive advantages



Long-term vision

Long growth runway

Sustainable business models

UNDERVALUED OPPORTUNITIES

Stocks trading below their intrinsic values

Strong fundamentals but temporary mispricing

Turnaround businesses

LEADERSHIP

Emerging category leaders

Dominant in niche segments

High market share in micro segments

GOVERNANCE

Transparent practices

Aligned promoter interests

Run by seasoned managements



RISK-PRUDENT, NOT RISK-AVERSE

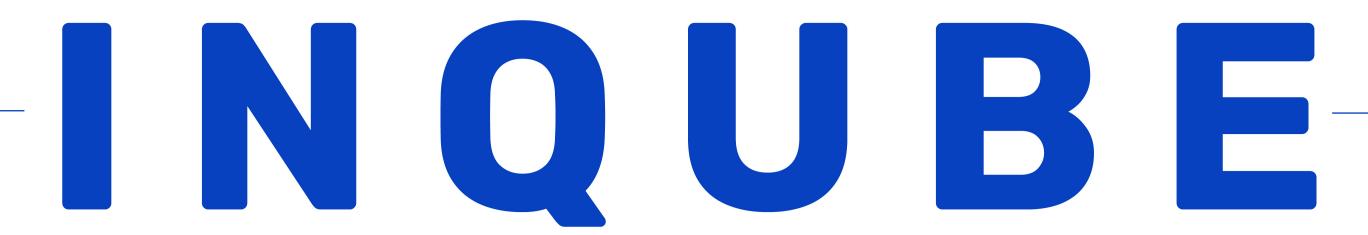
Fund's approach to mitigating risks and unlocking growth in small caps

RISK	HOW IT AFFECTS INVESTORS	FUND'S RISK MITIGATION APPROACH
Information Gaps	Low analyst coverage, limited disclosures, poor transparency	In-depth internal research, management interaction, and forensic checks
Governance Concerns	Promoter dominance, related-party transactions, ethical lapses	Strict governance filters, <u>promoter</u> <u>background checks</u>
Capital Misallocation	<u>Reckless expansion,</u> unrelated diversification, poor ROE projects	Emphasis on capital efficiency and strong ROCE/ROE track record
High Leverage	Excessive debt makes companies vulnerable in downturns	Prefer companies with <u>healthy balance</u> sheet and interest coverage ratios
Business Concentration	Over-dependence on a single product, client, or geography of the business	Screen for <u>robust revenue models</u> and de-risk by diversified growth



THE INVESTMENT PHILOSOPHY THAT GENERATES LONG-TERM OUTPERFORMANCE - INQUBE

While most investors focus on what to invest in, we focus on how to invest more effectively. To achieve this, we've identified three key sources of alpha with a holistic approach that blends fundamental analysis, quantitative modeling, and behavioural insights.





Collecting superior data and information

INFROMATION EDGE



Smarter data processing to build efficient models.

QUANTITIVE EDGE



Making investment decisions by understanding market sentiment while mitigating biases

BEHAVIOURAL EDGE



EQUITY INVESTMENT PROCESS

IDENTIFYING

IDENTIFYING CYCLES AND MEGATRENDS

- Macros
- Cycles
- Themes
- Trends
- Market indicators

SOTTOM UP

- Screener
- Corporate meetings
- In-house research
- External analysts/Consultants

ANALYSING

INVESTMENT CHECKLIST

- Business
- Management
- Valuation

ALLOCATION

- Regulatory requirements
- Internal risk management limits
- Investment mandate
- Investment recording
- Position sizing



PORTFOLIO CREATION PROCESS

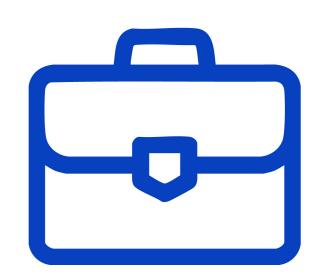
UNIVERSE 1150 STOCKS

SMALL CAP 900 STOCKS



TOTAL COVERAGE 300-400 STOCKS

 PORTFOLIO 45-100 STOCKS 40 - 100 STOCKS





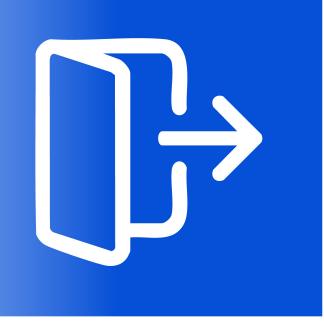
EQUITY INVESTMENT PROCESS

POST-INVESTMENT REVIEW



MONITOR INVESTMENT PERFORMANCE

- Track the performance of investments over time
- Regularly evaluate business performance and market trends
- Monitor key financial and non-financial metrics



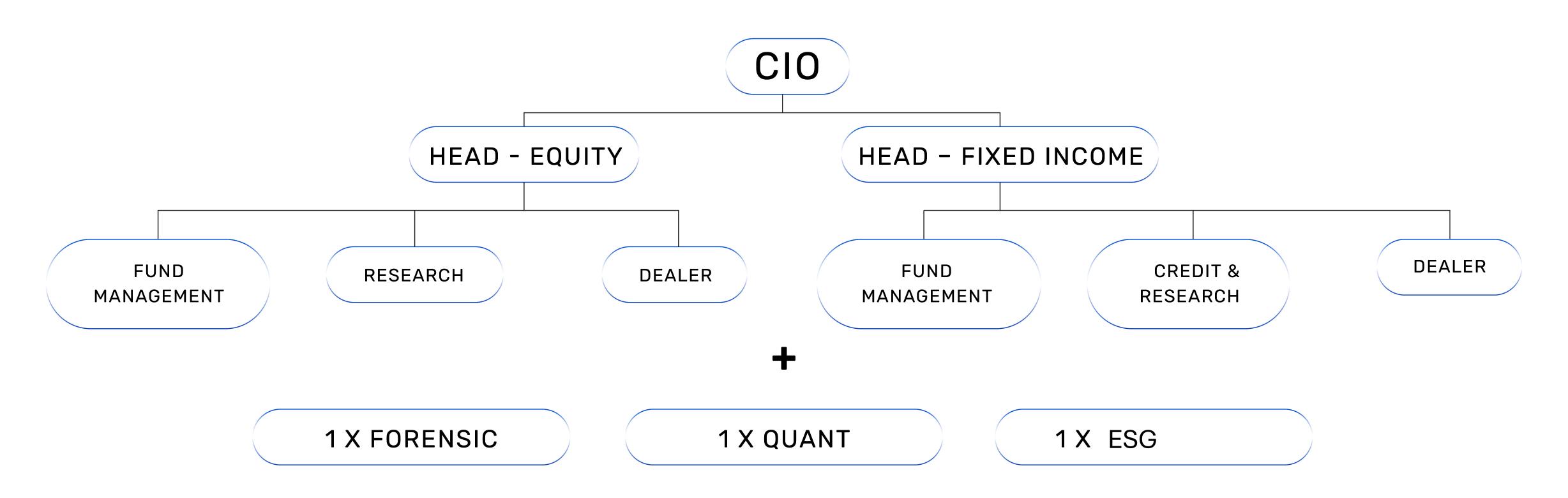
RE-EVALUATE EXIT STRATEGY

- Determine exit points based on evolving market conditions to generate alpha
- Adjust strategies based on updated information



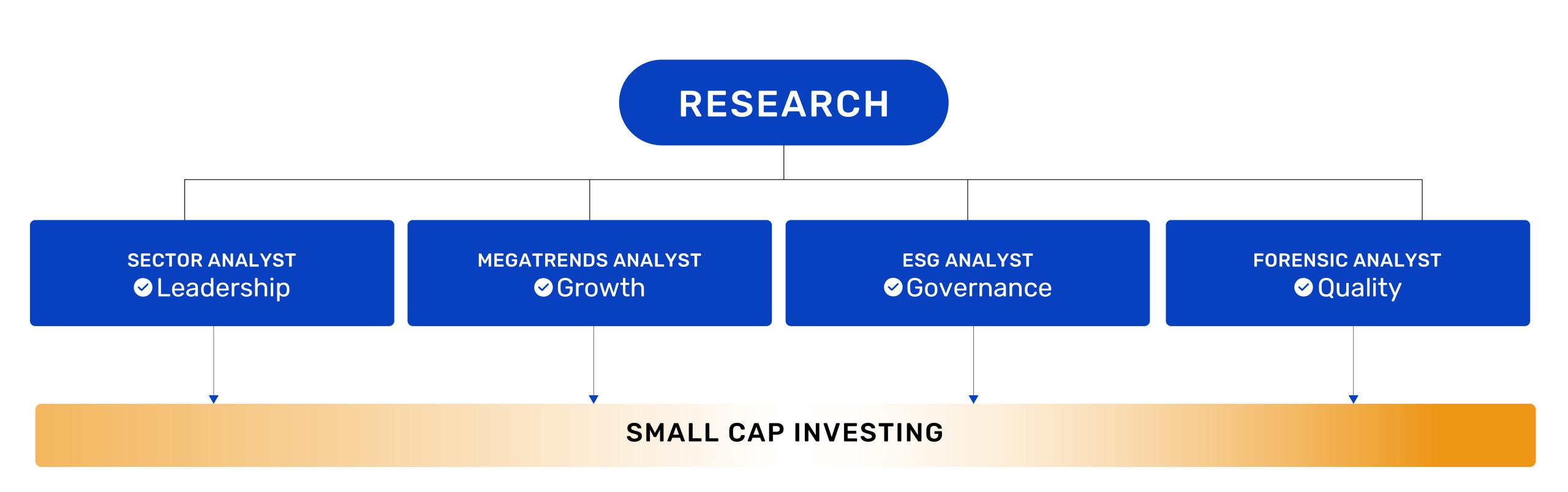
SEASONED TEAM WITH MULTI-DOMAIN EXPERTISE

26-MEMBER TEAM WITH A COMBINED EXPERIENCE OF 267 YEARS. 19 MBAS, 6 CFAS, 3 CAS, 1 MA (ECO)





SEASONED TEAM WITH MULTI-DOMAIN EXPERTISE





ENSURING QUALITY IN SMALL CAP INVESTING Forensic Research Process

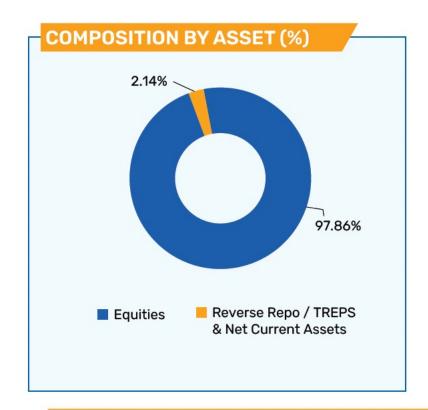
STEPS	FOCUS AREA	KEY CHECKS/INDICATORS
Initial Screening	Forensic risk model, red flag triggers	Unusual profit growth, auditor changes, high pledging, sudden equity dilution
Accounting Quality	Earnings credibility & revenue recognition	Cash flow vs. profit mismatch, aggressive revenue booking, capex vs. asset productivity
Cash Flow & Balance Sheet	Earnings credibility & revenue recognition	CFO vs. PAT, rising receivables/inventory, high leverage, poor interest coverage
Promoter & Governance	Promoter intent, board practices, historical conduct	Promoter pledging, litigation history, related- party transactions, board independence – independent directors, board autonomy ensuring proper checks and balances
Auditor & Disclosure Check	Auditor quality, reporting transparency	Frequent auditor change, qualified audit opinions, delayed financials, inadequate disclosures
Red Flag Mapping & Scoring	Risk assessment & investment decision support	Forensic scorecard, watchlist maintenance



OUR PORTFOLIO

Stock	% of NAV	Stock	% of NA\
Schaeffler India Limited	3.49%	Time Technoplast Limited	0.86%
Neuland Laboratories Limited	3.20%	Sanofi Consumer Healthcare India Limited	0.81%
Ujjivan Small Finance Bank Limited	2.96%	Emami Limited	0.80%
Navin Fluorine International Limited	2.65%	La Opala RG Limited	0.79%
Timken India Limited	2.50%	Atul Limited	0.77%
Sobha Limited	2.46%	Metro Brands Limited	0.72%
Yes Bank Limited	2.36%	CSB Bank Limited	0.72%
CreditAccess Grameen Limited	2.25%	Niva Bupa Health Insurance Company Limited	0.72%
Kirloskar Oil Engines Limited	2.25%	JK Lakshmi Cement Limited	0.71%
K.P.R. Mill Limited	2.19%	Grindwell Norton Limited	0.64%
Amber Enterprises India Limited	2.19%	MedPlus Health Services Limited	0.63%
Hindustan Copper Limited	2.11%	Thangamayil Jewellery Limited	0.63%
Whirlpool of India Limited	2.08%	Computer Age Management Services Limited	0.61%
HEG Limited	2.07%	Orient Electric Limited	0.59%
Angel One Limited	2.07%	Nesco Limited	0.56%
Multi Commodity Exchange of India Limited	1.98%	City Union Bank Limited	0.54%
PNB Housing Finance Limited	1.97%	Wockhardt Limited	0.53%
Tega Industries Limited	1.92%	Ingersoll Rand (India) Limited	0.53%
The Federal Bank Limited	1.89%	R R Kabel Limited	0.51%
Devyani International Limited	1.84%	eClerx Services Limited	0.48%
Safari Industries (India) Limited	1.78%	Garware Technical Fibres Limited	0.47%
Affle 3i Limited	1.78%	JSW Holdings Limited	0.42%
S.J.S. Enterprises Limited	1.76%	Arvind Fashions Limited	0.40%
Welspun Corp Limited	1.71%	Cera Sanitaryware Limited	0.36%
Aditya Birla Sun Life AMC Limited	1.67%	Krsnaa Diagnostics Limited	0.32%
Zydus Wellness Limited	1.65%	Neogen Chemicals Limited	0.30%
IIFL Finance Limited	1.59%	Tips Music Limited	0.27%
Kajaria Ceramics Limited	1.53%	Ganesha Ecosphere Limited	0.25%
Brigade Enterprises Limited	1.48%	Piramal Pharma Limited	0.25%
Ahluwalia Contracts (India) Limited	1.48%	Ather Energy Limited	0.24%
KNR Constructions Limited	1.33%	Go Digit General Insurance Limited	0.23%
Aditya Birla Real Estate Limited	1.30%	Westlife Foodworld Limited	0.21%
VA Tech Wabag Limited	1.29%	Vedant Fashions Limited	0.12%
Elecon Engineering Company Limited	1.29%	Fedbank Financial Services Limited	0.02%
Piramal Finance Limited	1.14%	Equities	97.86%
Schneider Electric Infrastructure Limited	1.13%	Reverse Repo / TREPS	0.29%
V-Mart Retail Limited	1.11%	Cash & Cash Equivalent	1.85%
Mrs. Bectors Food Specialities Limited	1.01%	Grand Total	100.00%
TD Power Systems Limited	1.00%		
Medi Assist Healthcare Services Limited	0.97%		
Century Plyboards (India) Limited	0.96%		
ZF Commercial Vehicle Control Systems India Limited	0.96%		
Awfis Space Solutions Limited	0.95%		
RHI Magnesita India Limited	0.91%		
ICRA Limited	0.89%		
Steel Authority of India Limited	0.88%		

0.87%





DATA AS ON 30TH NOVEMBER, 2025

Prudent Corporate Advisory Services Limited



WHO IS THIS FUND FOR?

INVESTORS WHO:

Want to invest in fundamentally strong businesses in the small cap space trading below intrinsic value.

Prefer quality small cap businesses with robust governance and long-term sustainability.

Want to diversify their portfolio adding small caps with high growth potential.

Are looking to build wealth by capturing small cap growth over time.



SCHEME FEATURES

Scheme Type	An open ended equity scheme predominantly investing in small cap stocks			
Plans	Regular Plan Direct Plan			
Option	Growth IDCW			
Minimum Application Amount	Rs. 500 (Plus multiples of Re. 1)			
Minimum Additional Application Amount	Rs. 100 (Plus multiples of Re. 1)			
Entry Load	Nil			
	Particulars	Upto 10% of units held	Remaining 90% of units held	
Exit Load	If units redeemed/switched out within 6 months from allotment date	Nil	1% of applicable NAV	
	If units redeemed/switched out after 6 months from allotment date	Nil		
Fund Manager	Mr. Nimesh Chandan and Mr. Sorbh Gupta (Equity Portion) Mr. Siddharth Chaudhary (Debt Portion)			
Benchmark Index	BSE 250 SmallCap TRI			
SIP/ SWP/ STP	Available			



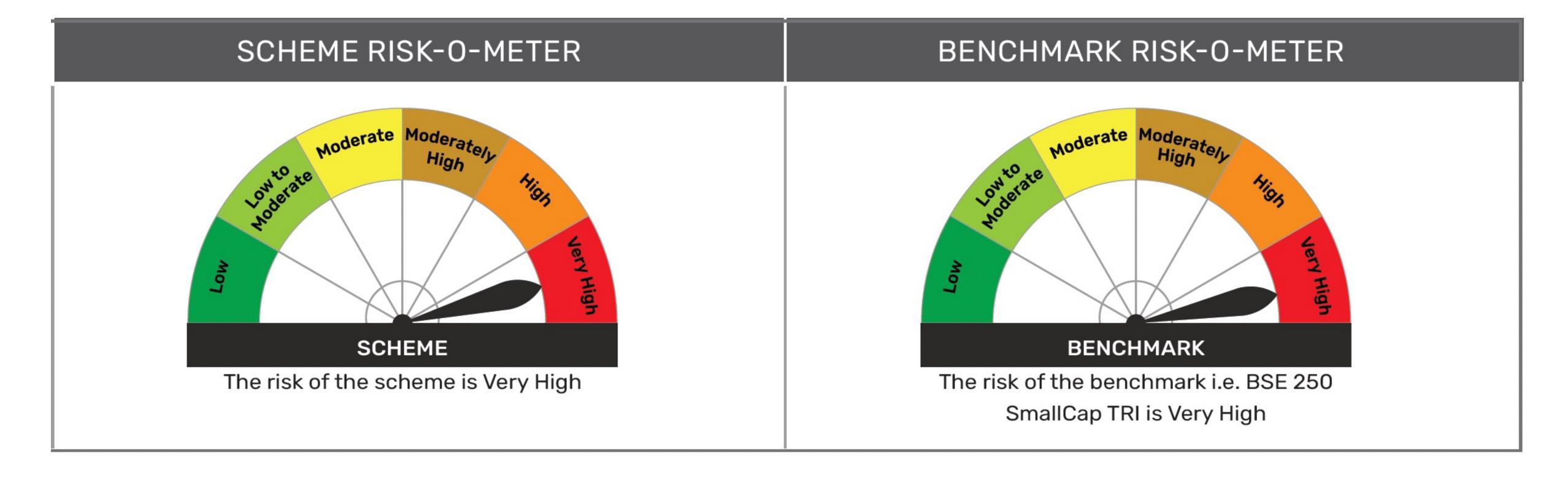
BAJAJ FINSERV SMALL CAP FUND

An open ended equity scheme predominantly investing in small cap stocks

Product label

This product is suitable for investors who are seeking*:

- wealth creation over long term
- to invest predominantly in equity and equity related instruments of small cap companies.
- *Investors should consult their financial advisers if in doubt about whether the product is suitable for them





DISCLAIMER

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