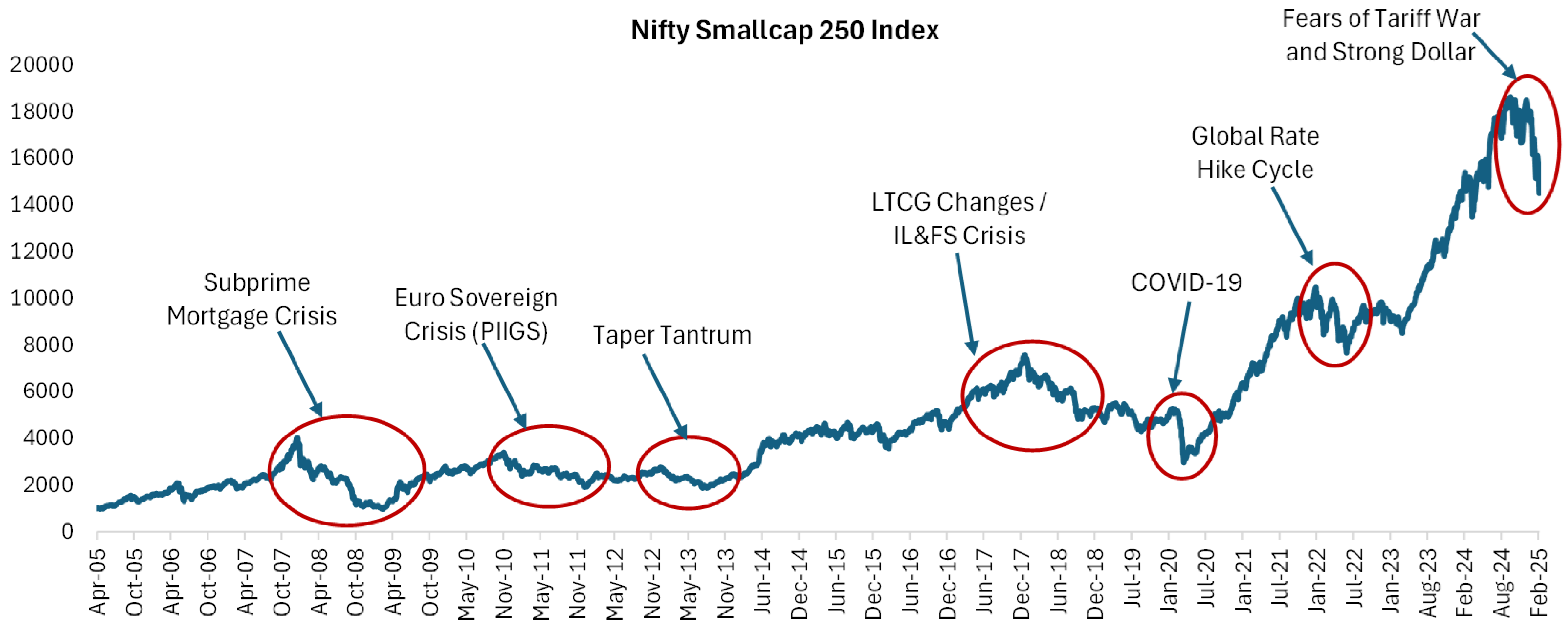
Union Mutual Fund

What to do with Small Caps Allocation

February 2025

Small Cap Price Index

Multiple Drawdowns seen in Small Cap Index over past two decades, but they have emerged stronger out of each crisis



Data as of 14-Feb-2025

Source: Bloomberg, Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Drawdown seen in small cap during major events

Multiple Drawdowns seen in Small Cap Index over past two decades

Period	Events	Months	% fall from Peak
Jan'08 to Dec'08	Subprime Mortgage Crisis	11	-73%
Nov'10 to Feb'11	Euro Sovereign Crisis (PIIGS)	3	-29%
Jan'13 to Aug'13	Taper Tantrum	7	-32%
Jan'18 to Oct'18	LTCG Charges/ IL&FS Crisis	9	-36%
Jan'20 to Mar'20	COVID-19	2	-43%
Jan'22 to Jun'22	Global Rate Hike Cycle	5	-27%
Sep'24 till date	Strong Dollar, Tariff War	5	-22%

Data as of 14-Feb-2025

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....but small caps have emerged stronger

Events	Months	% bounce bck from Bottom
Post Subprime Mortgage Crisis	24	215%
Post Euro Sovereign Crisis (PIIGS)	3	17%
Post Taper Tantrum	54	304%
Post LTCG Charges/ IL&FS Crisis	6	14%
Post COVID-19 Crisis	22	249%
Post Global Rate Hike Cycle	28	143%
Post Strong Dollar, Tariff War	?	?

Data as of 14-Feb-2025

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Calendar Year Returns

Generally small caps have bounced back strongly after a negative return year

Year	Nifty 50	Nifty Smallcap 250
2006	40%	31%
2007	55%	95%
2008	-52%	-69%
2009	76%	114%
2010	18%	16%
2011	-25%	-36%
2012	28%	38%
2013	7%	-8%
2014	31%	70%
2015	-4%	10%
2016	3%	0%
2017	29%	57%
2018	3%	-27%
2019	12%	-8%
2020	15%	25%
2021	24%	62%
2022	4%	-4%
2023	20%	48%
2024	9%	26%
2025*	-3%	-18%

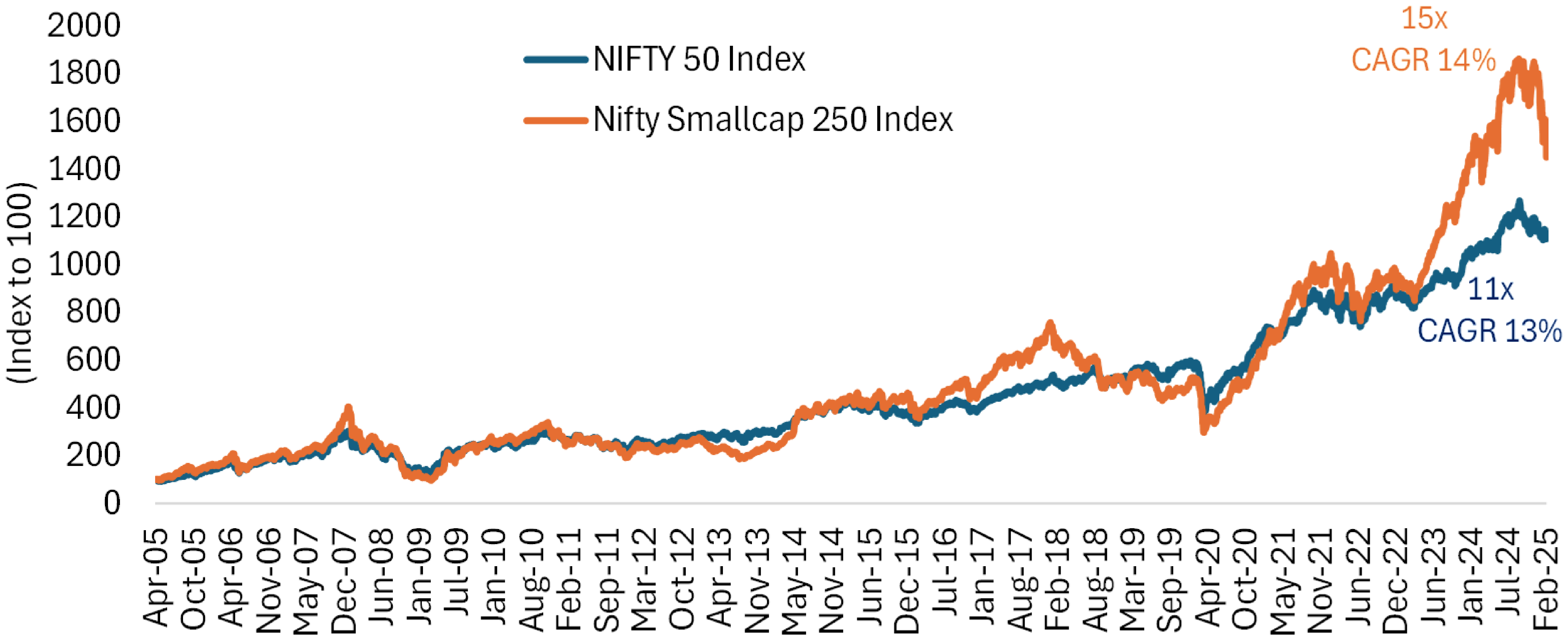
Max	76%	114%
Min	-52%	-69%
Avg	14%	21%

Data as of 14-Feb-2025

Source: Bloomberg; **Past performance may or may not be sustained in future.**

Small cap has potential for long term wealth generation

Time spent in the market is more important than timing the market



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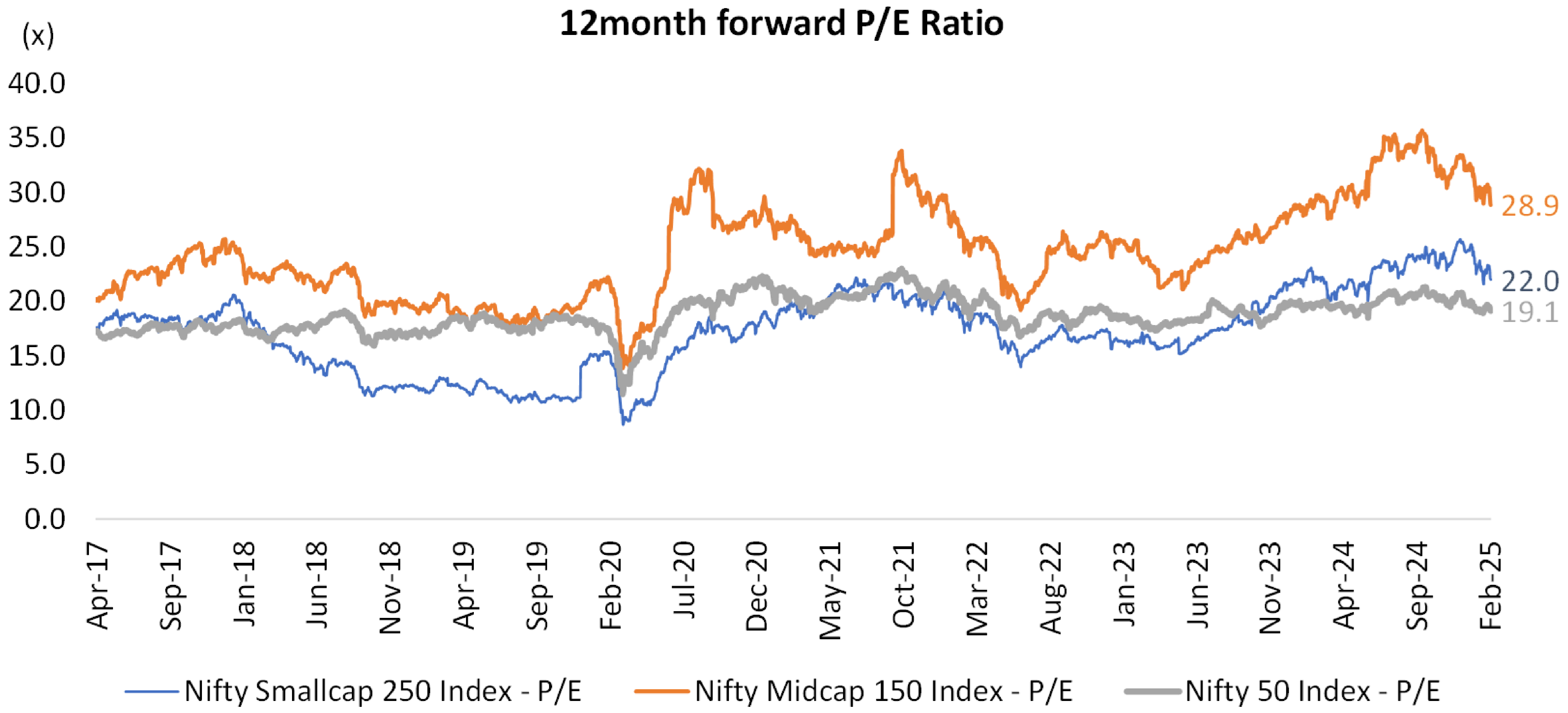
Small Caps trading at Reasonable Valuation



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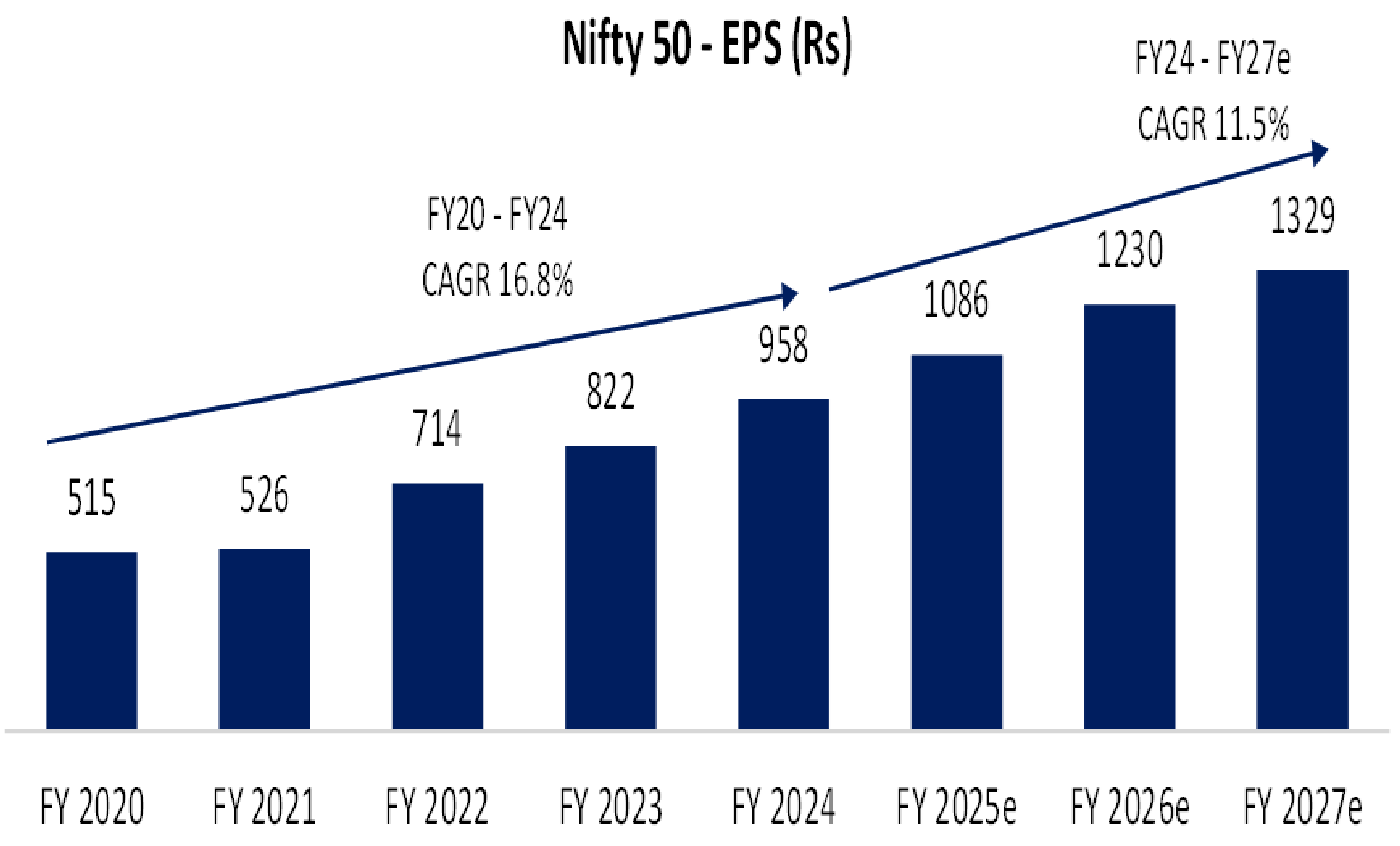
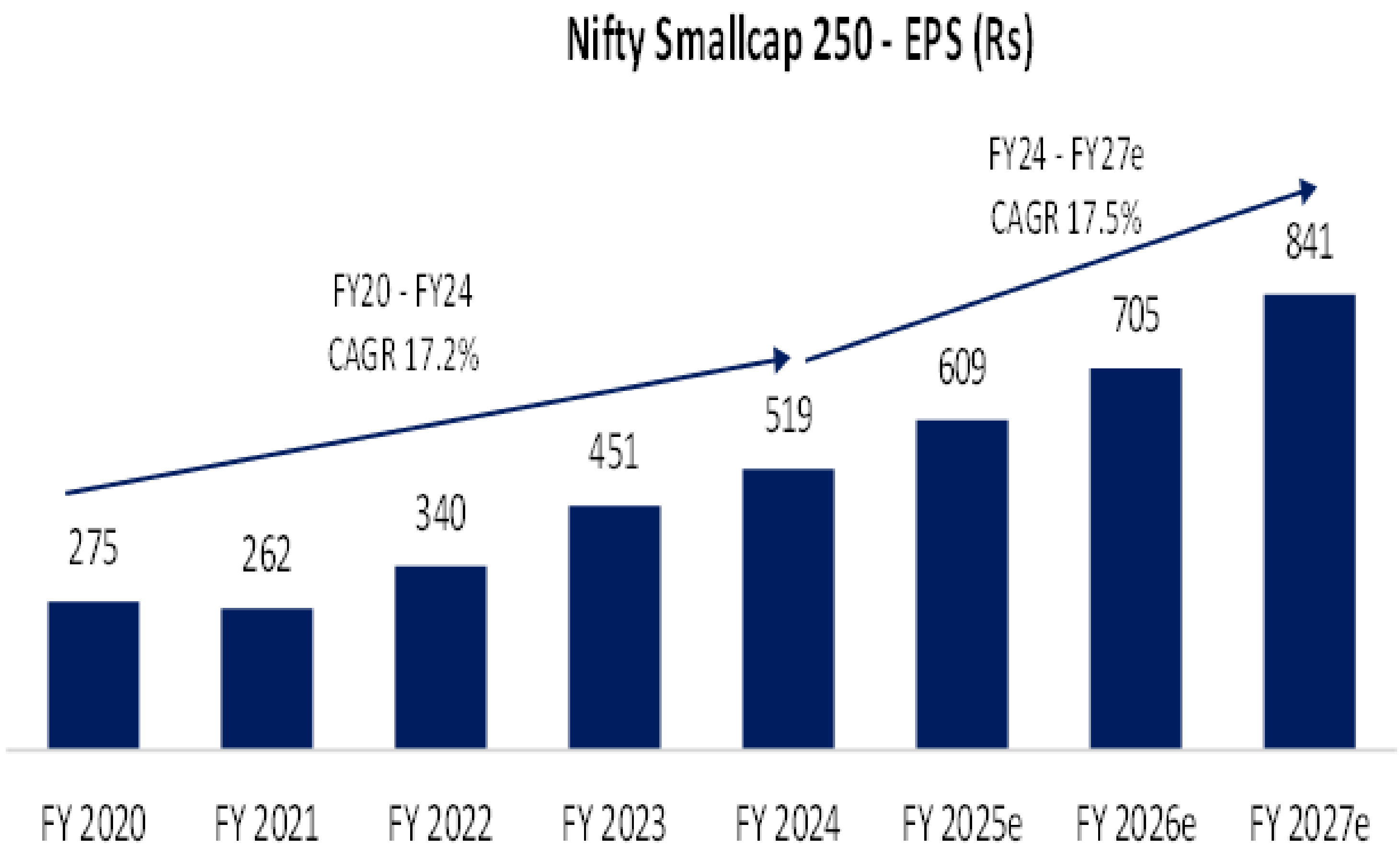
Small Caps Earnings Growth Momentum





Data as of 12-Feb-2025

Source: Bloomberg, Past performance may or may not be sustained in future.
The Above-mentioned returns should not be construed as any indication of future returns.

Valuation adjusted for earnings growth (PEG)

PEG ratio is calculated as PE over EPS CAGR

	P/E (x) - FY26e	EPS Growth (%) CAGR FY25 - FY27e	PEG (x)	ROE - FY27e (%)
Nifty 50 - EPS	18.7	11%	1.76	14.3
Nifty SmallCap 250 - EPS	21.4	17%	1.22	15.1
Nifty MidCap 150 - EPS	28.0	20%	1.39	15.7

Data as of 12-Feb-2025

Source: Bloomberg, Past performance may or may not be sustained in future.
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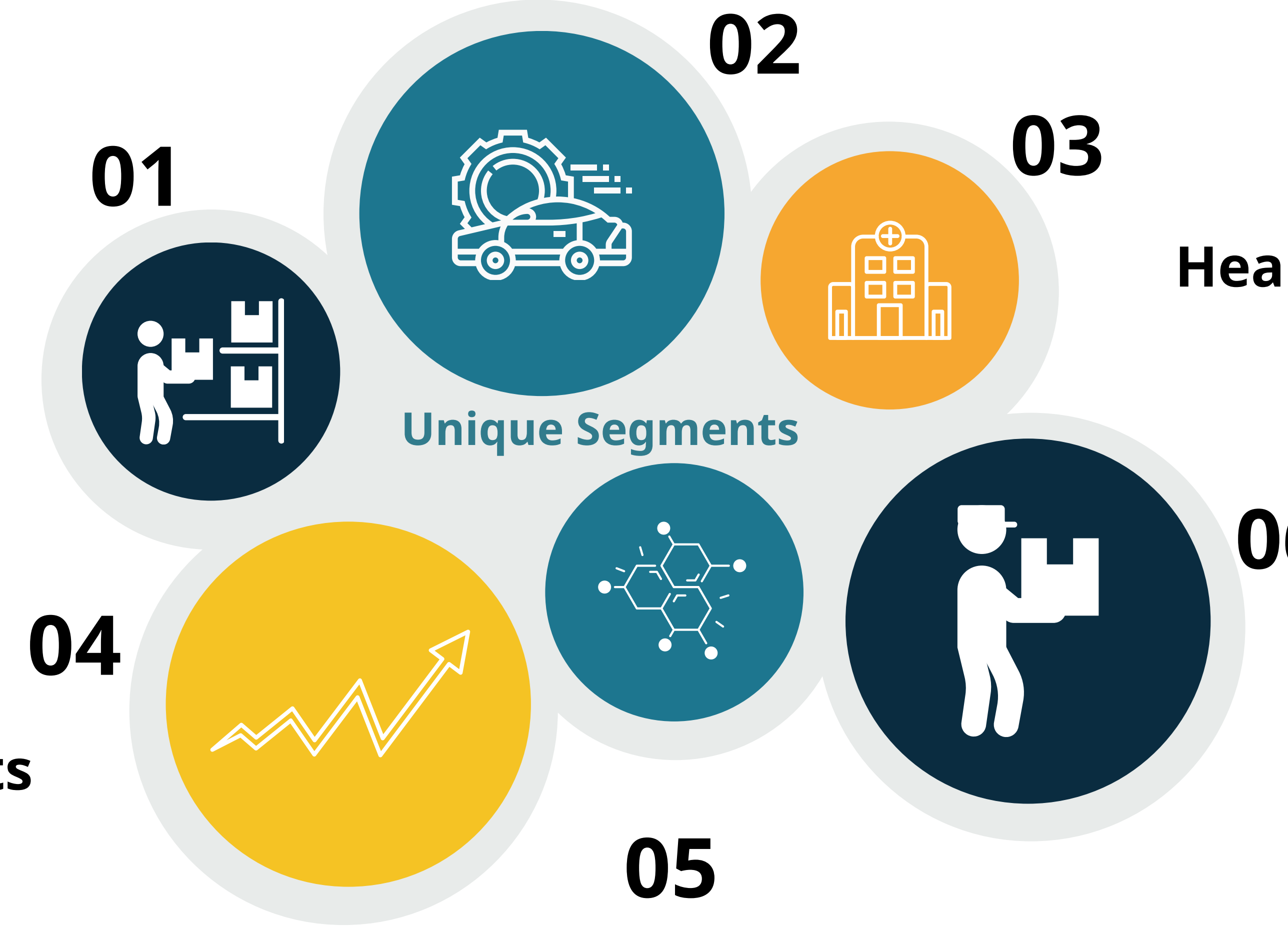
Unique themes

Small and Mid Caps provides opportunity to invest in emerging/sun rise sectors, most of which are not available in Large cap space



Myth: Small Cap means only Low-Quality Businesses?

Largest AC component player

Largest RTA Player

Largest depository in terms of demat accounts

Largest pan India diagnostics Chain

Largest railway wagons, coaches and wheels manufacturer

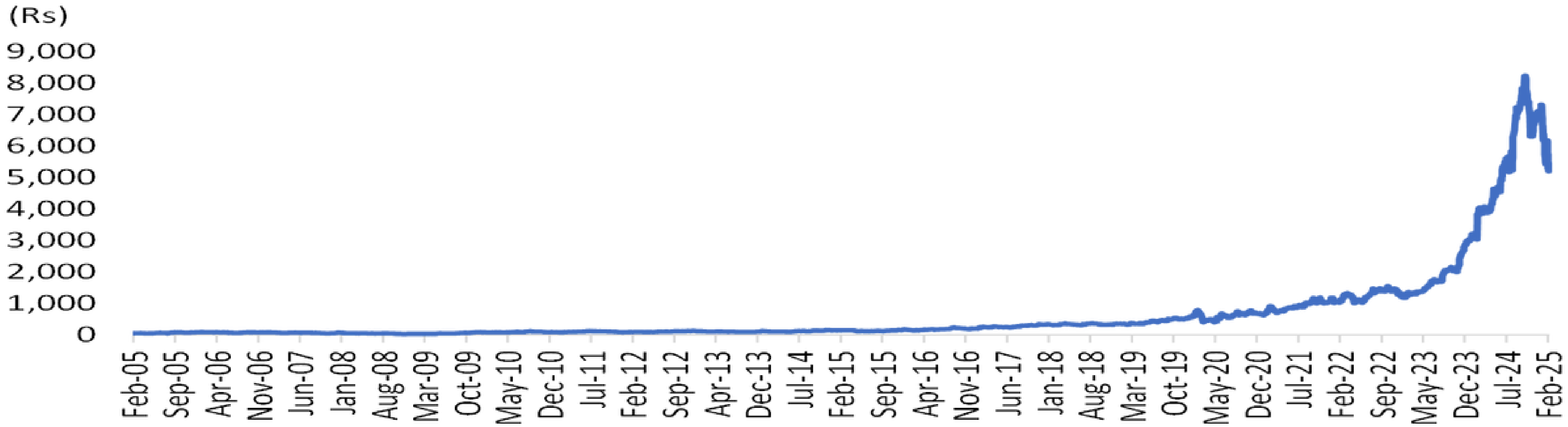
Leading mutual fund distributor

Leading automotive and industrial bearings manufacturer

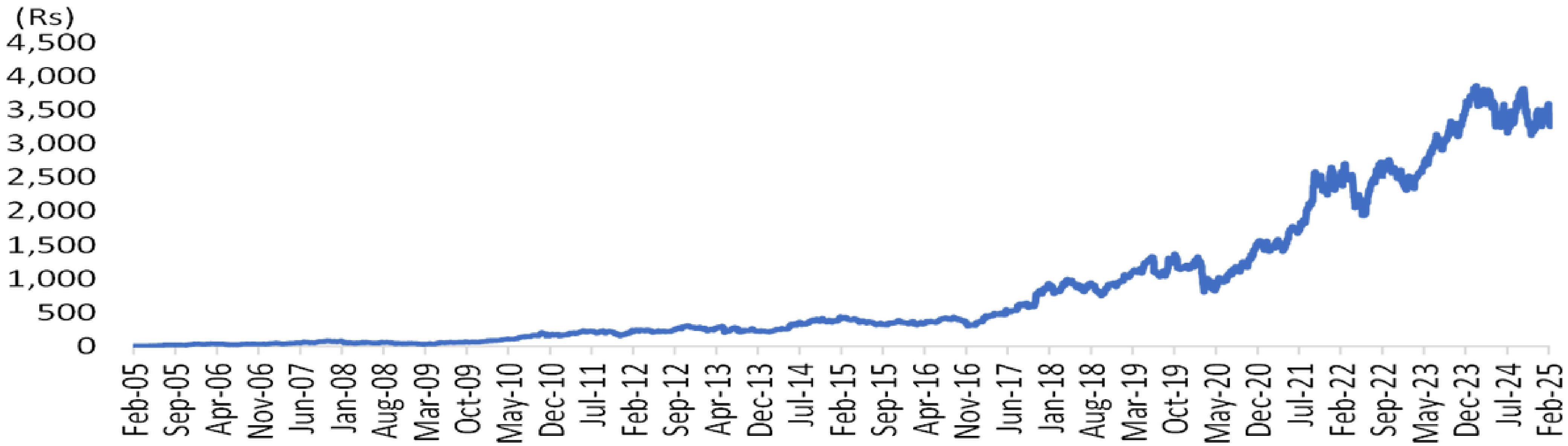
Largest children's hospital chain

Example of Small caps becoming large caps

Share Price momentum of a Fashion Retail Company



Share Price momentum of a Jewelry Retail Company



Data as of 12-Feb-2025

Source: Bloomberg, Past performance may or may not be sustained in future.
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Embrace volatility rather than fearing it while investing in small caps

Fashion Retail Company

Year	Max Drawdown
2008	-72.7%
2010	-25.1%
2011	-34.2%
2012	-34.5%
2013	-31.1%
2015	-29.3%
2016	-26.3%
2020	-49.3%
2025	-36.9%

Jewelry Retail Company

Year	Max Drawdown
2005	-27.6%
2006	-41.1%
2009	-60.1%
2011	-33.7%
2013	-34.4%
2016	-31.3%
2020	-41.7%
2022	-28.6%

Data as of 12-Feb-2025

Source: Bloomberg; **Past performance may or may not be sustained in future.**

Philosophy

Philosophy at Union AMC for managing small cap funds
(Going down the market cap curve but not quality curve)

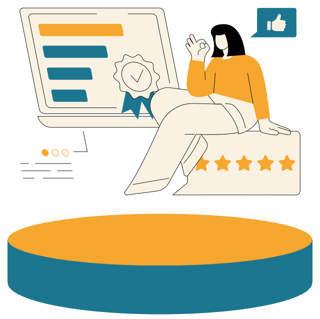
Investing in high quality businesses which have characteristics of high growth earning and better return ratios with long term view

Invest in Companies that are either market leaders or market share gainers or in monopoly/duopoly businesses

High focus on management quality, execution track record and industry leading corporate governance practices

Investing in companies that have large TAM or where TAM have potential to increase substantially

Identify and investing in sunrise sectors with potential high growth rates



TAM: Total Addressable Market

What to do with Small Caps?

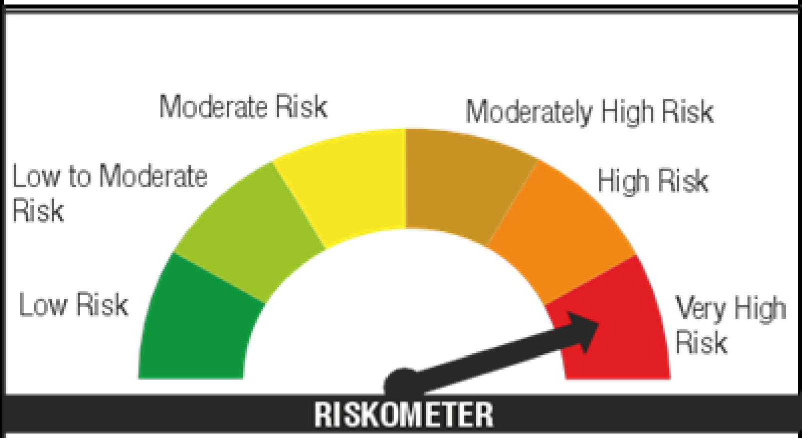
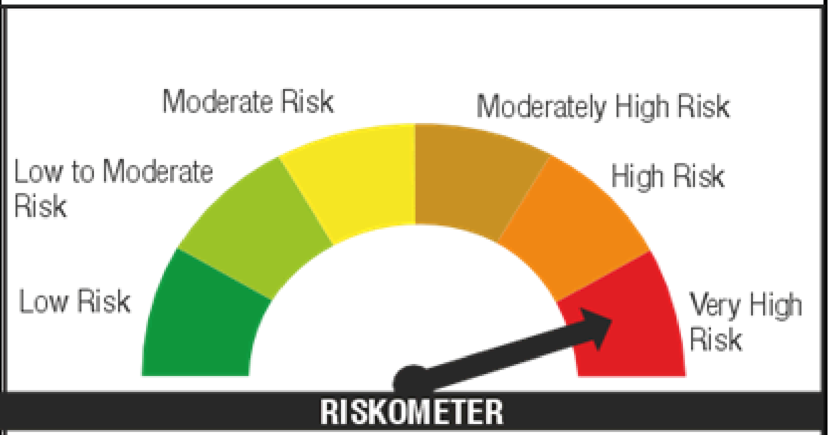
- *Embrace volatility rather than fearing it*
- *Have reasonable return expectations and long-term investment horizon*
- *Continue SIPs in small cap funds*
- *Focus on your strategic asset allocation while investing*

Fund Facts

Scheme Name	Union Small Cap Fund
Type of Scheme	Small Cap Fund - An Open Ended Equity Scheme predominantly investing in Small Cap stocks
Investment Objective	To achieve long term capital appreciation by investing in a portfolio consisting of equity and equity related securities, predominantly of small cap companies. However, there is no assurance that the Investment Objective of the scheme will be achieved.
Application Amount	Minimum Application Amount: ₹ 1,000 and in multiples of ₹ 1 thereafter Minimum Additional Investment: ₹ 1,000 and in multiples of ₹ 1 thereafter Minimum Redemption Amount: ₹ 1,000 and in multiples of ₹ 1 thereafter
Load Structure	Entry Load: Not Applicable Exit Load: 1% if units are redeemed or switched out on or before completion of 15 days from the date of allotment. Nil thereafter.

Please refer the Scheme Information Document for complete details about the Scheme.

Scheme Product Label & Benchmark Riskometer

This product is suitable for investors who are seeking*	Riskometer	Benchmark Riskometer
• Long Term Capital Appreciation • Investment predominantly in equity and equity related portfolio of small cap companies	 The risk of the scheme is very high risk	 The risk of the BSE 250 SmallCap Index (TRI) ^ ^ (Benchmark) is very high risk

***Investors should consult their financial advisers if in doubt about whether the product is suitable for them.**
Note: The Scheme and Benchmark riskometers are evaluated on monthly basis and the current riskometers are based on the evaluation of portfolios as on February 28, 2025.

Union Mutual Fund

Disclaimer

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Please refer the Scheme Information Document for complete details about the scheme. Copy of all Scheme related documents along with the application form can be obtained from any of our AMC offices / Customer Service Centres/ distributors as well as from our website www.unionmf.com.

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

THANK YOU

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