

PEERLESS MIDCAP FUND

(An Open Ended Equity Scheme)

NFO

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

Peerless
MIDCAP FUND
AN OPEN ENDED EQUITY SCHEME



What is a midcap stock?

We come across mid-sized companies in various industries and at different stages of business life cycles. We can have the company in a business which can be in nascent/ growth/ mature stage. Being relatively less known to the market participants such listed stocks tend to be available at relatively lower valuations giving an opportunity to investors to create wealth.

We have defined midcap companies as those companies that 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.

Why should we own midcap stocks/funds in our portfolio?

We believe that midcap stocks/ funds should be an integral part of one's portfolio as they tend to enhance the overall returns of the portfolio over a period of time.

Isn't investing in midcap stocks risky?

Yes, investment in midcap stocks is relatively riskier than in large cap/ blue chip companies. However, to us, this risk is manifested over the short and medium term as the value unlocking may take longer than envisaged. Investors can mitigate this "inherent" risk by taking exposure to midcap funds where stocks are purchased after intensive due diligence on the business model and management capability of a company. Also a well diversified portfolio helps reduce risks further.

Midcap stocks have run up substantially. Do you think one can still invest?

Over the last 14 years, CNX Midcap Index has given almost 23% CAGR vis-à-vis Nifty Index which has given almost 17.5% CAGR (implying the former going up almost 18x vis-à-vis 9.5x)¹. The reason for this phenomenon is that smaller companies tend to grow their earnings at a faster clip than their large cap peers, and also typically being available cheaper than large caps, they offer an opportunity to investors to get an additional benefit of valuation re-rating.

We look at midcap stocks as companies which have mid-sized operations today and if the business that they operate in were to become bigger in the coming years then we have a case of buying a future large cap stock today. Historically we have seen that the possibility of this fructifying at a faster clip is when the economy is in an expansion mode. We believe that today our economy is at that juncture when economy growth is going to improve over the next few years giving an opportunity to investors benefit by participating in this segment of the equity market.

What is Peerless Midcap Fund?

Peerless Midcap Fund is an open ended equity scheme, which predominantly will invest in stocks of midcap companies.

Why we should invest in Peerless Midcap Fund?

One of the key aspects in midcap investment is stock picking which combines both fundamental as well as qualitative research and analysis. The fund management strategy of Peerless is backed by concrete research that employs rigorous business evaluation and management analysis.

The fund would endeavour to create wealth purely from stock picking strategy rather than traditional sectoral rotation.

¹Data Source : Bloomberg

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Where will the fund invest?

The asset allocation pattern will be:

| Instruments | Indicative Allocation | | Risk Profile |
|---|-----------------------|---------|-----------------|
| | Minimum | Maximum | Low/Medium/High |
| Equity and Equity Related Instruments of Midcap Companies | 65% | 100% | High |
| Debt and Money Market Instruments | 0% | 35% | Low to Medium |

What would be the investment strategy in picking Midcap stocks?

We spend a lot of time understanding the industry dynamics and business model of the company; its financial strength and discipline towards use of capital; and most importantly integrity of promoter/ management towards running the company and treating its minority shareholders. We focus on RoCE and Free cash flows for manufacturing companies and on RoE and RoA for financial companies. Based on these we derive a score named PSFS i.e. Peerless Score of Financial Strength* to select better managed companies.

How would the scheme's performance be evaluated?

The scheme's performance would be compared with its benchmark-CN X Midcap Index.

Is there any exit load?

No, there is no exit load.

How can I invest in this fund during NFO?

Investing in Peerless Midcap Fund is quite easy. All you have to do is download the Common Application Form from our website, fill it up and then send it to our official acceptance points (details can be found on the back side of the form). You will also have to enclose a cheque of investment amount along with the necessary KYC documents (in case you are a first time investor).

Alternatively, you can also approach your financial advisor / MF distributor for investment. Investor can also apply through ASBA facility, which requires submission of the form.

Can I switch in to this Fund from my existing scheme of Peerless Mutual Fund?

Yes you can. However, you should submit your switch-out request before the last day of NFO and before the cut off time i.e. 3.00 PM.

Can I do SIP / STP?

Yes you can do SIP/STP. For SIP, you will have to fill up SIP form (which is available with the NFO Application form) and attach a cheque of first installment amount dated not beyond the NFO closure date. For STP, you will have to fillup STP/SWP/AEP Form (which is available with the NFO Application form).

When the NFO is starting? When is it closing? And when can I expect to get the allotment?

NFO Starts: 16th November 2015

NFO Closes: 30th November 2015

Units are expected to be allotted within 5 business days from the closure of the NFO.

*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.

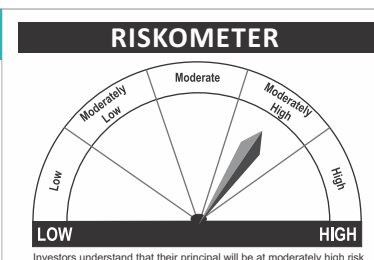
ROCE: Return on Capital Employed [ROCE = Earning Before Interest and Tax (EBIT) / Total Capital Employed] | **RoE:** Return on Equity. [RoE = Net Income / Shareholder's Equity] | **RoA:** Return on Asset. [RoA = Net Income / Total Assets]

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.



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