



Steptrade SME Fund & Steptrade Rising Star Fund

A PMS scheme of Steptrade Share Services Private Limited (“Steptrade”)

SEBI Registration No.: INP000008598

Date: 11th May, 2024



Journey of Steptrade

Steptrade was founded

Launched 1st CAT-2 AIF Fund,
Chanakya Opportunities Fund

Launched CAT 1 (Special
Situation Fund) AIF, Steptrade
opportunities Fund

November 1993

August 2022

July 2023

September 2023

October 2023

February 2024

Established a Fund
Management division

Launched CAT 3 AIF Fund,
Steptrade Revolution fund

SEBI grants the PMS license

Why choose STEPTRADE?

(1/2)

1. Diversified Portfolio in SME and Microcap

STEPTRADE offers a diversified portfolio of investments in the SME and microcap sector. This means that investors can spread their risk across a variety of companies, which can help to reduce their overall risk.

2. Experienced Analyst Team

STEPTRADE's analyst team has total of over 40 years of experience in the investment industry. They are experts in the SME sector and have a proven track record of identifying and investing in high-growth companies.

3. Promoters Expertise in SME segment

STEPTRADE's promoters have deep expertise in the SME segment. They have a proven track record of identifying and investing in high-growth SME companies.

4. Tactical Allocation to SME and Microcap

STEPTRADE uses a tactical asset allocation approach to investing in SME and microcap companies. This means that they dynamically adjust their portfolio allocation based on market conditions and their investment outlook.

5 Strong Track Record

STEPTRADE has a strong track record of generating returns for its clients. Over the past five years, its SME investments has generated an average annual return of over 30%.

6. Transparent and Ethical Approach

STEPTRADE is committed to transparency and ethical business practices. It provides its clients with regular updates on their investments and follows a strict code of ethics.

7. Customer-Centric Focus

STEPTRADE is focused on providing its clients with the best possible service. Its team of investment advisors is always available to answer clients' questions and provide them with guidance.

Chanakya Opportunities Fund Performance

(Fund Performance as of close date of 31st Jan 2024)*



chanakya
OPPORTUNITIES FUND

NAV

16.6795

IRR

136.44%

SME exchange Market Stats

BSE SME Data	
No. of Companies Listed on SME till Date	474
Mkt Cap of Cos . Listed on SME till Date (Rs.Cr.)	116497.49
Mkt Cap of BSE SME Listed Cos . (Rs.Cr.)	37179.06
Total Amount of Money Raised till Date (Rs . Cr .)	5948
Valuation Increase Since FY 2013 at BSE SME Platform	19.59 times
Average return of BSE SME companies Since 2012	28.13%
No. of Companies Migrated to Main Board	182
% of Companies Migrated to Main Board	38.40%
No. of Companies Listed as of Date	292

NSE SME's Data	
No. of Companies Listed on SME till Date	435
Mkt Cap of Cos . Listed on SME till Date (Rs.Cr.)	126464.80
Mkt Cap of NSE SME Listed Cos . (Rs.Cr.)	53794.29
Total Amount of Money Raised till Date (Rs . Cr .)	8502
Valuation Increase Since FY 2013 at NSE SME Platform	14.87 times
Average return of NSE SME companies Since 2012	25.22%
No. of Companies Migrated to Main Board	138
% of Companies Migrated to Main Board 39.76	31.70%
No. of Companies Listed as of Date	297

Source/Disclaimer: Data as of close of 16-Jan-2024.BSESME, chittorgarh, STEPTRADE Internal research, The above data is used to explain the growth and is for illustration purpose only and should not used for development or implementation of an investment strategy.

Future Of SME and Microcap Sector In India

The SME and Microcap sector is the backbone of the Indian economy, contributing over 30% to GDP and employing over 110 million people. The sector is expected to play a key role in India's economic growth in the coming years, driven by a number of factors, including:

Continued growth



The SME and Microcap sector in India is expected to continue to grow rapidly in the coming years. This growth will be driven by the same factors that are driving growth today, including favourable government policies, a growing economy, a young and entrepreneurial population, and rising domestic consumption.

New opportunities



New opportunities are emerging for SMEs and Microcaps in India. For example, the growth of the digital economy is creating new opportunities for SMEs and microcaps to reach new markets and customers.

Greater access to finance



SMEs and Microcaps are gaining greater access to finance, which is essential for their growth. This is due to a number of factors, including the government's initiatives to promote financial inclusion and the growth of fintech companies.

The future of SMEs and Microcaps in India is bright. The sector is expected to continue to grow rapidly in the coming years, and new opportunities are emerging for SMEs and Microcaps. Additionally, SMEs and Microcaps are gaining greater access to finance, which is essential for their growth.

Factors Driving SME and Microcap Growth In India



Favourable Government Policies: The Indian government has implemented a number of policies to support the growth of SMEs and Microcaps, including tax breaks, subsidies, and access to finance.



A Growing Economy: India's economy is growing rapidly, which is creating new opportunities for SMEs and Microcaps



Rising Domestic Consumption: India's domestic consumption is rising rapidly, which is benefiting SMEs and Microcaps.



New Opportunities In The Digital Economy: The growth of the digital economy is creating new opportunities for SMEs and Microcaps to reach new markets and customers.



The Growth Of The e-commerce Market: The rapid growth of the e-commerce market in India is providing SME and Microcaps with a unique opportunity to expand their reach beyond their local market and target customers all over the country

Why Invest In SME and Microcap Exchange?



Migrating to Main Board: More than 40% of SME companies have migrated to the main board, indicating strong growth potential and a pathway for further expansion.

Enhanced Liquidity: There has been a notable increase in liquidity in SME Exchanges, offering investors improved trading opportunities.

Diverse Investment Opportunities: The SME exchange offers a diverse range of investment opportunities in various sectors, allowing for portfolio diversification.

Attractive Valuations: Many SME and Microcap stocks are available at attractive valuations, making them appealing for value and growth investors.

Potential for Long-Term Returns: Investing in SME and Microcap can yield long-term returns as they expand and capture market share.

Supportive Regulatory Environment: Regulatory bodies are aggressively promoting growth and betterment in SME exchanges, fostering a favourable environment for investors.

Objective of the Fund

- ✓ **Empower retail investors** to participate in the high-growth potential of India's SME and microcap market.
- ✓ **Offer flexible and open-ended investment options** to cater to diverse investor preferences.
- ✓ **Generate robust alpha** through expert management of domestic small and microcap listed equities.
- ✓ **Contribute to India's economic growth** by fostering investment in its dynamic SME and microcap sector.

INVESTMENT STRATEGY

The fund plans to invest with 2 different types of strategies to provide investors flexibility and diversification throughout the investment period.

1. STEPTRADE SME Fund (Alpha in SME Exchange listed companies)

Investment Objective

This fund targets high-growth, undervalued listed SME companies with market capitalizations ranging from ₹200 crore to ₹500 crore. We focus on companies in the inflection zone, poised for significant value unlocking through:

- Identifying companies undergoing transformative phases with the potential to migrate to the main board within 1-2 years.
- Capturing supernormal alpha during these value unlocking phases as the companies experience demand-driven growth.
- Capitalizing on the valuation expansion that often accompanies successful migration to the main board, allowing investors to capture the full potential of their investment

DESCRIPTIONS OF TYPES OF SECURITIES

This fund invests in listed companies on SME exchanges with market capitalizations ranging from ₹200 crore to ₹500 crore.

Basis Of Stock Selection

- **Strong Fundamentals & Internal Financials:** We scrutinize a company's financial health, analyzing profitability, cash flow, and debt levels to ensure sustainable growth potential.
- **Robust Corporate Governance:** We assess a company's commitment to ethical practices, transparency, and shareholder value creation.
- **Strong Demand & Supply Chain:** We evaluate the company's market position, competitive landscape, and operational efficiency to ensure they can meet future demand.
- **Future Order Book Growth:** We analyze the company's order book and future contract visibility to gauge future revenue potential.

INVESTMENT STRATEGY

1. STEPTRADE SME Fund (Alpha in SME Exchange listed companies)

ALLOCATION

This strategy focuses on identifying and investing in established SME companies listed on SME exchanges. We target companies with strong fundamentals and clear visibility of future growth potential. Our goal is to invest in companies with the potential to double or triple their value (2x-3x) within a medium-to-long-term timeframe.

Hurdle rate

18%

Management fees

2.5%

Performance fees

30%

BENCHMARK: S&P BSE 500 TRI

INVESTMENT HORIZON: Medium to long term

INVESTMENT STRATEGY

2. STEPTRADE Rising Star Fund (SMALL AND MICRO CAP)

Investment Objective

This strategy aims to generate superior alpha by actively managing a portfolio of thoroughly vetted small and micro-cap listed equities. We focus on companies with market capitalizations ranging from ₹500 crore to ₹2,000 crore and possess the potential for significant future growth:

- **Meticulous Selection:** We conduct a rigorous analysis of each company, focusing on its future growth potential, competitive advantage, and management capabilities.
- **Sector-Specific Approach:** We target high-growth sectors like defense and green energy, aligning with future market trends and government initiatives.
- **Focus on Experienced Players:** We prioritize companies with 5-7 years of operation and strong promoter holding, indicating a committed and invested management team.
- **Diversified Portfolio Construction:** We build a diversified portfolio across secular growth, cyclical, and defensive sectors to mitigate risk and enhance long-term returns.
- **Value Trap Avoidance:** We employ a disciplined investment approach to avoid value traps and identify companies with intrinsic value.

Basis Of Stock Selection

- **Market capitalization:** Focus on companies within the specified range (e.g., ₹500 crore to ₹2000 crore).
- **Financial performance:** Analyze profitability (e.g., net profit margin, return on equity), growth (e.g., revenue growth, earnings growth), and solvency (e.g., debt-to-equity ratio) metrics to assess financial health and growth potential.
- **Valuation:** Evaluate Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) ratio, and other valuation metrics to assess whether the company is fairly valued compared to peers or the industry average.
- **Growth potential:** Analyze the company's future growth prospects based on market trends, industry outlook, and its competitive advantage.

DESCRIPTIONS OF TYPES OF SECURITIES

This strategy focuses on identifying and investing in high-growth potential small and micro-cap companies listed on the exchange for over two years. We target companies with market capitalizations ranging from ₹500 crore to ₹2,000 crore

INVESTMENT STRATEGY

2. STEPTRADE Rising Star Fund (SMALL AND MICRO CAP)

ALLOCATION

This fund targets high-growth potential small and micro-cap companies poised to become the mid-cap leaders of tomorrow. We believe these companies offer a compelling dual advantage:

- **Explosive Growth Potential:** These companies are in early stages of their growth journey, with the potential to significantly increase their market capitalization over time.
- **Attractive Valuations:** Compared to larger, established companies, these undervalued gems offer the potential for greater returns on your investment.

Hurdle rate

18%

Management fees

2.5%

Performance fees

30%

BENCHMARK: S&P BSE 500 TRI

INVESTMENT HORIZON: Medium to long term

Investment Process and Analysis

Financial Analysis and Screeners: We use financial screeners to identify companies that meet our investment criteria. These criteria include financial factors such as profitability, growth, valuation, and quality of earnings.

Corporate Governance Checks: We conduct corporate governance checks to ensure that the companies we invest in have good management and ethical practices. We also assess the quality of the company's board of directors and its alignment with shareholder interests.

Checklist: We have a detailed checklist for each company that we analyse. This checklist covers factors such as industry analysis, management, competitive landscape, risk/monitoring, and profitability/valuations.

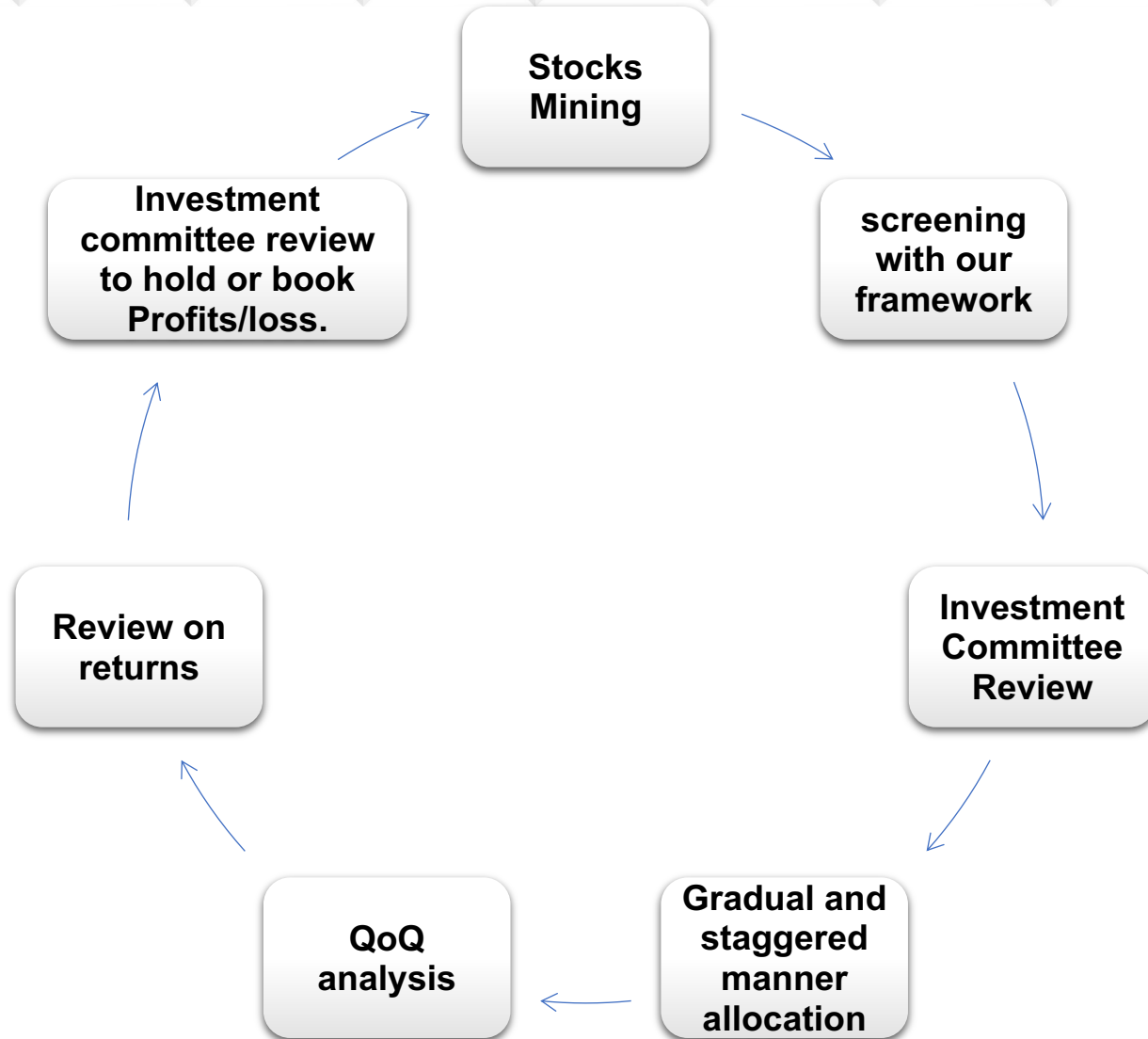
Risk-Reward Evaluation: We evaluate the risk-reward profile of each company before making an investment decision. We consider both the potential upside and downside when making decision of any company.

Meeting Notes: We keep detailed meeting notes of all of our interactions with companies and other industry participants. These notes help us to track developments over time and measure the accuracy of our estimates.

Conferences and Analyst Meets: We attend conferences and analyst meets to learn about companies and industries. We also use these events to network with other investors and industry experts.

Investor Presentations: We review investor presentations and update calls to better understand management capabilities and outlook. We also assess the quality of the company's interactions with the investment community.

Investment Process and Analysis



Benefits

1. Sectorial Diversification
2. Capturing under valued companies
3. Risk management
4. Generate Outstanding returns through SME exchange.

Investment in **Both Strategies**

We give option to investors to get benefit of both strategies on their investment i.e

STEPTRADE SME Fund

(SME exchange listed companies)

STEPTRADE Rising Star Fund

(Small and Micro)

Exit Strategy

Our disciplined exit strategy is designed to maximize portfolio performance and protect investor capital. We actively monitor our holdings and consider various factors for exiting an investment:

- ✓ **Shifting Market Dynamics:** We exit if **government policy changes** or **industry saturation** negatively impact the company's growth prospects.
- ✓ **Management Transitions:** We carefully evaluate the impact of **changes in management or key personnel** on the company's direction and future potential.
- ✓ **Fundamental Deterioration:** We exit if the company's **financial health or business model** weakens significantly.
- ✓ **Valuation Achievement:** We exit when the company's **valuation reaches our target** or surpasses our initial expectations.
- ✓ **Portfolio Optimization:** We may exit a holding to **rebalance the portfolio** or invest in **emerging opportunities** with higher potential.

Small and Micro cap Multipliers

Small and Micro cap companies have done exceptionally well in last couple of years in many sectors drawing attention of Domestic as well as global investors with their overall performance. Here is the data of some companies with their returns in last 12 months :-

Sr No	Name	1 year return
1	Insolation Energy Ltd	764%
2	Waree Tech Ltd	672%
3	Giriraj Civil Developers	1454%
4	Kotyark Industries Ltd	220%
5	Kesar India Ltd	1641%
6	AB Cotspin India Ltd	732%
7	Surani Steel Tubes	2109%

Investment Team



**Ms. Kresha
Gupta**

AIF Fund Manager & Investment
Committee



**Mr. Ankush
Kumar Jain**

AIF Fund Manager & Investment
Committee



**Mr. Yash Ashok
Bhanushali**

Fund Manager PMS



**Ms. Sonali
Dama**

Equity Research

Key Fund Terms

Portfolio Term	Open Ended
Minimum ticket size	Rs. 50 Lacs
Management Fees	2.5% p.a of AUM
Investment Horizon	3 to 5 years
Lock In	6 months
Exit load	Within 1 Years - 3%, 1-2 Years - 2%, 2-3 Years – 1%, After 3 Years - Nill
Benchmark Index	S&P BSE 500 TRI
Hurdle Rate	18%
Performance fee	30% in key fund terms after management fees.

Disclaimer

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None of the Portfolio Manager, its Holding Company, associate concerns or affiliates or their respective directors, employees or representatives shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. Stocks referred to in this document are not an endorsement of their soundness or a recommendation to buy or sell. The same may or may not be a part of the Portfolio in future or any other existing PMS Strategies launched from time to time. The composition of the portfolio is subject to changes within the provisions of the disclosure document. The benchmark of the portfolios can be changed from time to time in the future.

Past performance of the Portfolio Manager does not indicate the future performance of the Strategy or any other future Strategies of the Portfolio Manager. The performance of the Portfolio may be adversely affected by changes in the market conditions, micro and macro factors and forces affecting capital markets. Risk factors associated with the investment approach are Equity risk, Systematic risk, Concentration risk, Model portfolio risk, Mismatch risk, Execution risk, Low liquidity and Low dividends. To know more about the risk factors, please refer disclosure document.

Investment in securities is subject to market and other risks, and there is no assurance or guarantee that the objectives of any of the strategies of the Portfolio Management Services will be achieved. Please read Disclosure document carefully before investing.