CARE Portfolio Managers

Small-Cap: Fact vs Fiction

Is Small-Cap Investing Only About Finding Multibaggers?

The Belief

The attraction of small caps is finding the next stock that can become 5x or 10x.

Why Investors Believe It

Small caps are often less researched and less widely owned. When earnings improve and the market begins to understand the business better, investors can benefit from both **earnings growth and re-rating.** That combination can create multibaggers.

Why Did the Price Fall?

Earnings Growth	Re-rating
Revenue growth	Better market discovery
Margin expansion	Improving perception
Higher cash flows	Higher valuation multiple
Business scaling	Greater institutional interest

Strong returns can come from either. Multibaggers usually need both.

The Reality

A good investment does not have to become a multibagger.

Some small-cap companies are already well known and adequately valued. In such cases, returns may largely follow the growth in the underlying business rather than a dramatic re-rating.

And multibaggers are not unique to small caps. Large and mid-sized companies can also multiply in value when earnings compound for long enough.

Care PMS Investment Lens

Care PMS does not begin with the question: **"Can this become 5x?"**

The Growth Plus Value strategy is market-cap agnostic, and stock selection is built around:

Growth Potential
Can the business scale and grow earnings?

Management Capabilities
Can management execute and allocate capital well?

Strong Financials
Can the balance sheet and cash flows support that growth?

Compelling Valuation
Are we paying a sensible price for that opportunity?

The portfolio can include growth ideas, value opportunities and turnarounds rather than chasing one particular type of payoff.

Closing Thought

A multibagger is an outcome, not an investment thesis.

If the business compounds earnings and value over time, the returns will follow. How many times the stock eventually multiplies is something the market decides along the way.

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