



IDFC DYNAMIC EQUITY FUND

An open ended dynamic asset allocation fund

FUND PHILOSOPHY*

IDFC Dynamic Equity Fund is a hybrid fund with active equity allocation changing based on the trailing P/E of Nifty 50 index. The fund has a pre-defined model which indicates the range of active equity allocation based on P/E levels, and there are 6 different range of equity allocation possible. Higher the P/E band, lower will be the active equity allocation and vice versa. Change of bands happen once a month while changes within the band happen dynamically on a day to day basis. The active equity portfolio is managed like a diversified fund with higher allocation to large caps when active equity exposure is lower. As a general approach, the fund will add more mid and small cap exposure when active equity exposure increases with P/E levels coming down. P/E and mid and small cap exposure is inversely correlated – higher P/E will lead to lower midcap and lower P/E will lead to higher mid and small cap exposure.

Active stock selection philosophy combines quality stocks with good growth potential. The quality filters for the fund are – conversion of EBIDTA to operating cash – OCF as % of EBIDTA > 33%; Moderate leverage: Debt EBIDTA < 3x; Profitability: EBIDTA / Net operating Assets > 30%. Thus, companies which qualify these parameters and have higher visibility of growth versus peers will form the core portfolio. Depending on P/E levels, the fund can have more large or mid/small cap names. The fund will also use Nifty futures to dynamically manage active equity allocation within a month.

OUTLOOK

On the domestic front, overall sentiment remained negative throughout the month on account of (1) lower growth and subdued consumer sentiment (2) credit crunch due to tight liquidity conditions and rising stress especially in NBFCs (3) lack of any measures to boost in the short to medium term. Indian equities corrected meaningfully post the FY20 Union Budget announcement on 5th July 2019 given the uncertainty emanating from a couple of proposals pertaining to: 1) Increase in taxes for FPIs accessing the Indian equity markets through the 'Trust' route; and 2) Supply side pressures for equity markets via increase in free float requirement from 25% to 35%. High frequency economic data and early results in the 1Q FY reporting season have been sedate. The monsoon season has been disappointing with June-July deficit at 9% of Long Period Average (LPA), albeit improving from ~33% deficit in end June.

Despite the doom and gloom, the only silver lining for investors is reasonable valuations, especially for small and mid-caps. Since the peak of Jan-18, NSE Mid Cap 100 Index has corrected ~25% whereas the small cap index has corrected 40%. NIFTY, on the other hand is up 6.5% for the same period. The NSE Small Cap 100 Index trades at 13.6x on Positive PE basis and 11.3x on FY20 estimate earnings. NIFTY, trades at 20.9x positive PE and 17.0x FY20 earnings. The gap between NIFTY and small Cap returns from Jan-18 is around 46%, which we believe can give an attractive entry point for long term investors, notwithstanding the short term headwinds.

Face Value per Unit (in ₹) is 10

Dividend is not guaranteed and past performance may or may not be sustained in future. Pursuant to payment of dividend, the NAV of the scheme would fall to the extent of payout and statutory levy (as applicable).

Fund Features:

Category: Dynamic Asset Allocation or Balanced Advantage

Monthly Avg AUM: ₹1,052.76 Crores

Inception Date: 10th October 2014

Fund Managers:

Equity Portion: Mr. Arpit Kapoor and Mr. Sumit Agrawal (w.e.f. 01/03/17)

Debt Portion: Mr. Arvind Subramanian (w.e.f. 09/11/2015)

Standard Deviation (Annualized): 6.42%

Modified Duration: 2.14 years*

Average Maturity: 3.06 years*

Yield to Maturity: 7.05%*

*Of Debt Allocation Only

Benchmark: CRISIL Hybrid 35+65 - Aggressive Index

Asset allocation:

Net Equity: 53.30%

Debt: 46.70%

Gross Equity (Including Arbitrage): 66.94%

Market Cap Split:

Large Cap: 72.60%

Mid and Small Cap: 27.40%

Minimum Application Amount: ₹5,000/- and any amount thereafter.

Exit Load: In respect of each purchase of Units:

- For 10% of investment: Nil

- For remaining investment: 1% if redeemed/switched out within 1 year from the date of allotment (w.e.f. July 5, 2017)

SIP Frequency: Monthly (Investor may choose any day of the month except 29th, 30th and 31st as the date of instalment.)

Options Available: Growth, Dividend (Payout, Reinvestment and Sweep (from Equity Schemes to Debt Schemes only))

PLAN	DIVIDEND RECORD DATE	₹/UNIT	NAV
REGULAR	24-Jul-19	0.06	10.6500
	22-Apr-19	0.10	10.8100
	15-Jan-19	0.14	10.7300
DIRECT	24-Jul-19	0.06	11.2900
	22-Apr-19	0.10	11.4000
	15-Jan-18	0.15	11.2800

Ratios calculated on the basis of 3 years history of monthly data.

*The allocation mentioned is as per current strategy and market conditions; this is however subject to change without notice.

PORTFOLIO

(31 July 2019)

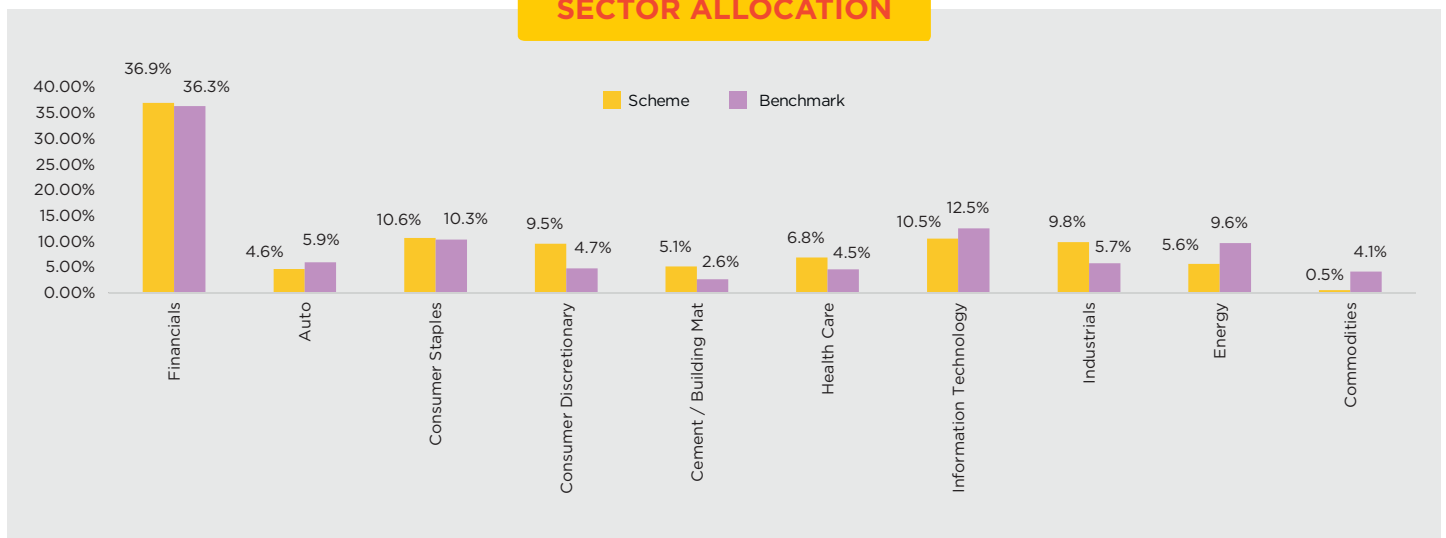


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
Equity and Equity related Instruments		66.94%	M&M Financial Services		0.76%
Net Equity Exposure		53.30%	M&M Financial Services - Equity Futures		-0.77%
Banks		15.54%	ICICI Securities		0.43%
HDFC Bank		5.80%	Petroleum Products		2.81%
HDFC Bank - Equity Futures		-1.53%	Reliance Industries		5.00%
ICICI Bank		4.70%	Reliance Industries - Equity Futures		-2.19%
State Bank of India		4.14%	Industrial Products		2.14%
State Bank of India - Equity Futures		-1.91%	AIA Engineering		1.04%
Axis Bank		3.40%	Supreme Industries		0.72%
Axis Bank - Equity Futures		-0.41%	Apollo Pipes		0.38%
Kotak Mahindra Bank		0.79%	Consumer Durables		2.11%
RBL Bank		0.56%	Titan Company		1.25%
Consumer Non Durables		7.04%	Amber Enterprises India		0.39%
ITC		2.33%	Khadim India		0.24%
ITC - Equity Futures		-2.33%	Voltas		0.23%
GlaxoSmithKline Consumer Healthcare		2.11%	Cement		1.48%
Nestle India		2.01%	UltraTech Cement		1.15%
Asian Paints		1.72%	Sagar Cements		0.33%
Dabur India		1.05%	Auto Ancillaries		1.41%
Dabur India - Equity Futures		-0.35%	Sandhar Technologies		0.82%
Prataap Snacks		0.50%	Asahi India Glass		0.36%
Hindustan Unilever		0.39%	Minda Industries		0.23%
Hindustan Unilever - Equity Futures		-0.39%	Auto		0.90%
Software		5.28%	Maruti Suzuki India		2.14%
Infosys		2.28%	Maruti Suzuki India - Equity Futures		-1.67%
Infosys - Equity Futures		-0.75%	Mahindra & Mahindra		1.57%
Tata Consultancy Services		1.74%	Mahindra & Mahindra - Equity Futures		-1.57%
Tata Consultancy Services - Equity Futures		-0.54%	TVS Motor Company		0.43%
Tech Mahindra		1.53%	Construction		0.63%
Mastek		0.52%	PNC Infratech		0.63%
KPIT Technologies		0.27%	Hotels, Resorts And Other		
Birlasoft		0.23%	Recreational Activities		0.56%
Pharmaceuticals		3.41%	The Indian Hotels Company		0.56%
Aurobindo Pharma		1.52%	Retailing		0.40%
Aurobindo Pharma - Equity Futures		-0.46%	Aditya Birla Fashion and Retail		0.40%
Alkem Laboratories		0.94%	Pesticides		0.27%
Divi's Laboratories		0.83%	PI Industries		0.27%
Divi's Laboratories - Equity Futures		-0.30%	Corporate Bond		21.15%
Cadila Healthcare		0.76%	Reliance Industries	AAA	5.25%
Cadila Healthcare - Equity Futures		-0.77%	HDFC	AAA	4.94%
IPCA Laboratories		0.71%	National Highways Auth Of Ind	AAA	2.59%
Dishman Carbogen Amcis		0.17%	Power Grid Corporation of India	AAA	2.48%
Construction Project		3.25%	NABARD	AAA	2.46%
Larsen & Toubro		2.66%	REC Limited	AAA	1.44%
KEC International		0.59%	LIC Housing Finance	AAA	0.99%
Index		3.12%	HDB Financial Services	AAA	0.99%
Nifty 50 Index - Equity Futures		3.12%	NTPC	AAA	0.03%
Finance		2.94%	Zero Coupon Bond		2.30%
Bajaj Finserv		1.26%	LIC Housing Finance	AAA	2.30%
Bajaj Finserv - Equity Futures		-0.56%	Certificate of Deposit		0.98%
Mas Financial Services		1.11%	Axis Bank	A1+	0.98%
Muthoot Finance		0.97%	Net Cash and Cash Equivalent		22.27%
Muthoot Finance - Equity Futures		-0.26%	Grand Total		100.00%



SECTOR ALLOCATION



The industry allocation is provided at gross equity exposure



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Dynamic allocation towards equity, derivatives, debt and money market instruments

*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.