



IDFC STERLING VALUE FUND

(Previously known as IDFC Sterling Equity Fund w.e.f. May 28, 2018)
An open ended equity scheme following a value investment strategy

IDFC Sterling Value Fund is a value oriented fund with the current focus on the mid and small cap segment*.

FUND PHILOSOPHY*

The focus of IDFC Sterling Value Fund has been on building a portfolio of Leader/Challengers and Emerging businesses with an emphasis on bottom up stock selection. As part of the current strategy, the portfolio looks to build on the leaders/challengers - these are the market leaders in the Non-Nifty sectors (like Tyres, Bearings) or Top Challengers in the Nifty sectors (such as FMCG, Banks). The key parameters that we look at while selecting the companies here are low debt to operating cash flow and ROIC (Return on Invested Capital) greater than the Cost of Capital (CoC). The other part of the portfolio focuses on the Emerging Businesses. These are businesses in down cycles or where scale is yet to be achieved or where companies can fund growth without repeated dilutions. Many a times, earnings do not capture fair value of the businesses in down cycles or that are yet to achieve scale and hence popular ratios such as P/E ratio might not be the relevant metric to value the company. Thus, we believe that a better parameter for relative value evaluation could be the Enterprise Value (EV)/Sales ratio & Price/Book (P/B). We also filter stocks for Sustained improvement in RoE (Return on Equity) and RoCE (Return on Capital Employed) and those with Earnings Growth higher than Nifty. This segregation helps in easy management of risk & liquidity aspects of the portfolio.

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.

FUND FEATURES:

Category: Value

Monthly Avg AUM: ₹3,116.21 Crores

Inception Date: 7th March 2008

Fund Manager: Mr. Anoop Bhaskar (w.e.f. 30/04/2016) & Mr. Daylynn Pinto (w.e.f. 20/10/2016)

Beta: 1.15

R Square: 0.82

Standard Deviation (Annualized): 17.10%

Benchmark: S&P BSE 500 TRI (w.e.f. May 28, 2018)

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

Exit Load: 1% if redeemed on or before 365 days from the date of allotment. (w.e.f. 07/09/2015)

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	16-Feb-18	1.38	23.2025
	10-Mar-17	1.31	18.6235
	21-Mar-16	1.50	15.8685
DIRECT	10-Mar-17	1.37	19.3894
	21-Mar-16	1.50	16.3433
	16-Mar-15	2.00	20.8582

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).

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

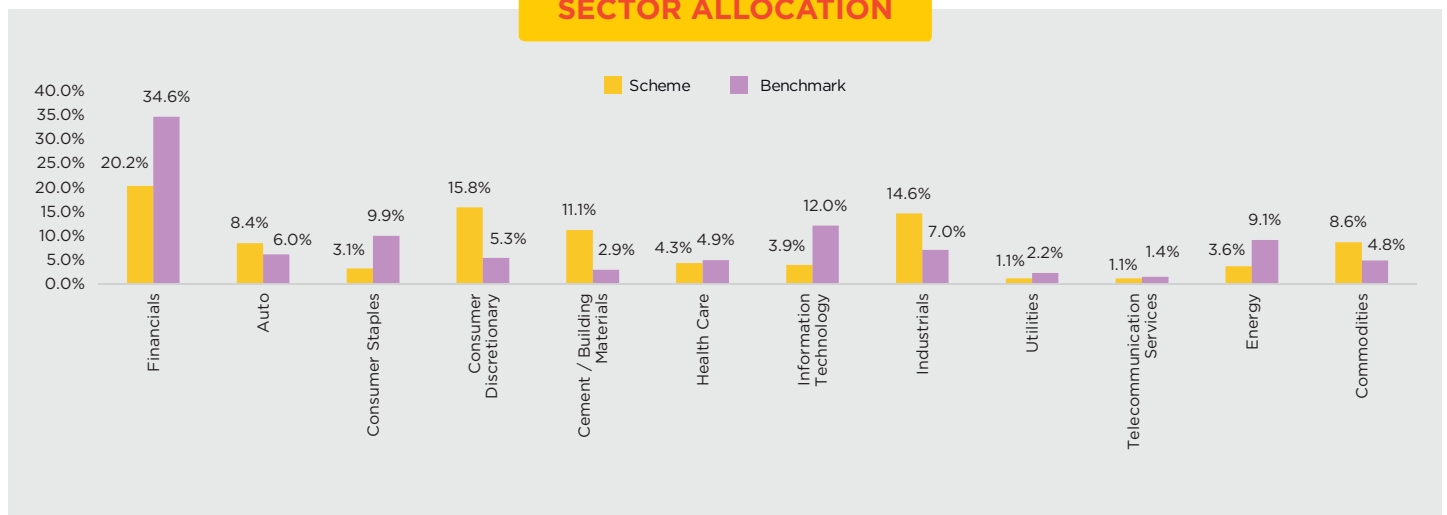
*The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

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

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	95.05%	Birlasoft	0.95%
Banks	12.39%	KPIT Technologies	0.79%
ICICI Bank	3.25%	Power	3.66%
Axis Bank	2.74%	Kalpataru Power Transmission	1.65%
RBL Bank	2.36%	CESC	1.11%
Bank of Baroda	1.41%	Nava Bharat Ventures	0.90%
The Karnataka Bank	1.04%	Consumer Non Durables	3.52%
Indian Bank	0.82%	Emami	1.30%
The Federal Bank	0.75%	Procter & Gamble Hygiene and Health Care	1.13%
Cement	8.84%	Tata Global Beverages	0.71%
The Ramco Cements	2.62%	HBL Power Systems	0.38%
ACC	2.12%	Hotels, Resorts And Other Recreational Activities	3.30%
JK Cement	1.98%	The Indian Hotels Company	2.09%
Prism Johnson	1.60%	EIH	0.87%
Sagar Cements	0.52%	Wonderla Holidays	0.34%
Auto Ancillaries	8.77%	Ferrous Metals	2.99%
MRF	1.62%	Jindal Steel & Power	1.63%
Exide Industries	1.52%	Maharashtra Seamless	1.01%
Minda Industries	1.43%	Kirloskar Ferrous Industries	0.35%
Tube Investments of India	1.06%	Transportation	2.63%
Asahi India Glass	0.94%	VRL Logistics	1.65%
Apollo Tyres	0.91%	Future Supply Chain Solutions	0.98%
WABCO India	0.76%	Textile Products	2.62%
Sterling Tools	0.29%	Raymond	1.17%
Igarashi Motors India	0.25%	K.P.R. Mill	0.99%
Retailing	8.09%	Dollar Industries	0.46%
Future Retail	4.32%	Industrial Capital Goods	2.40%
Future Lifestyle Fashions	1.49%	Bharat Electronics	1.30%
Aditya Birla Fashion and Retail	1.18%	Lakshmi Machine Works	0.43%
V-Mart Retail	1.06%	CG Power and Industrial Solutions	0.40%
Spencer's Retail	0.05%	Skipper	0.28%
Finance	7.86%	Petroleum Products	2.26%
ICICI Lombard General Insurance Company	2.05%	Hindustan Petroleum Corporation	2.26%
Mas Financial Services	1.68%	Industrial Products	1.97%
M&M Financial Services	1.34%	Polycab India	0.97%
Magma Fincorp	1.09%	Schaeffler India	0.65%
ICICI Securities	1.00%	Graphite India	0.36%
BSE	0.70%	Chemicals	1.94%
Consumer Durables	4.78%	Deepak Nitrite	1.94%
Crompton Greaves Consumer Electricals	1.64%	Textiles - Cotton	1.81%
Voltas	1.62%	Vardhman Textiles	1.34%
Greenply Industries	1.17%	Nitin Spinners	0.46%
Butterfly Gandhimathi Appliances	0.26%	Gas	1.37%
Greenpanel Industries	0.09%	Gujarat Gas	1.37%
Pharmaceuticals	4.26%	Non - Ferrous Metals	0.70%
IPCA Laboratories	1.82%	National Aluminium Company	0.70%
Aurobindo Pharma	1.36%	Media & Entertainment	0.42%
Dishman Carbogen Amcis	1.08%	Entertainment Network (India)	0.42%
Construction Project	4.17%	Telecom - Services	0.40%
KEC International	2.68%	Bharti Airtel	0.40%
NCC	1.49%	Net Cash and Cash Equivalent	4.96%
Software	3.90%	Grand Total	100.00%
Cyient	1.19%		
Persistent Systems	0.97%		



SECTOR ALLOCATION



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment predominantly in equity and equity related instruments following a value investment strategy

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Distributed by: