



## 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

Earnings have been in line with muted expectations with Sales, EBITDA and PBT growth of -4%, -3% and -1% YoY respectively. PAT growth, on the other hand has been 15% YoY aided by tax cuts. Tax cuts helped maintain earnings estimate for FY20. The market, since Jan-18 has been clearly two tiered with 70-80 stocks out of BSE 500 generating positive returns. The focus on "High Quality, Consistent Earnings" has been the most successful play during this period. Valuation gap between the "have beens" and the "has beens" is now at one of the widest levels. Given the slowdown in earnings growth even for the "High Quality Consistent Earnings" segment, a substantial part of the returns during the last 18 months has been derived from P/E re-rating.

Continuing from our last month's theme of Sentiment being the first pillar to undergo change for a new market cycle, outperformance of mid-cap and positive returns in Small Cap could indicate early signs of such a reversal. To build on this, appropriate and positive news flow from the government would be a critical factor. Valuations for the broader market continue to remain benign compared to the narrow band of winners with mid and small caps in general offering more value than the Mega Caps. Fundamentals, as reflected in earnings growth may remain muted for atleast a couple of quarters. However, waiting for surety on this front in the past has been akin to bolting the door after the horse has left.

### FUND FEATURES:

**Category:** Value

**Monthly Avg AUM:** ₹3,120.10 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:** 0.88

**R Square:** 0.92

**Standard Deviation (Annualized):** 16.60%

**Benchmark:** S&P BSE 400 MidSmallCap TRI (w.e.f 11/11/2019)

**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.

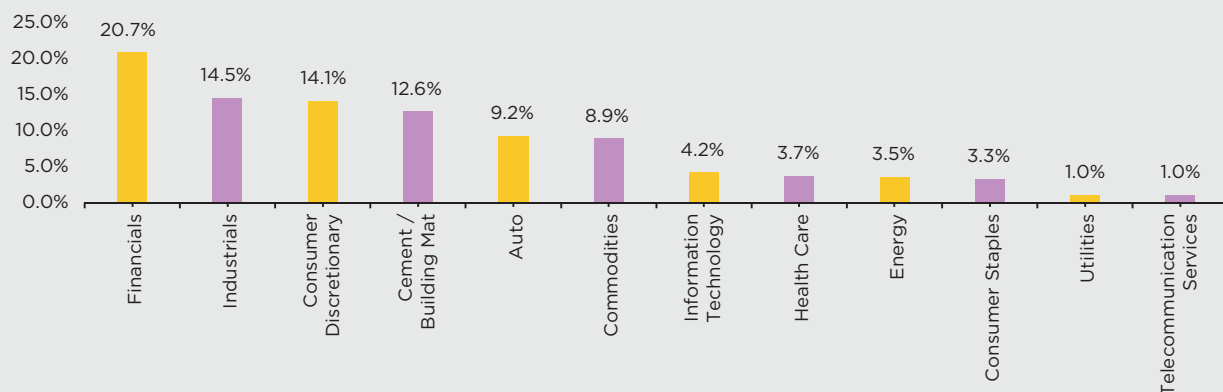
\*The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

**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
<b>Equity and Equity related Instruments</b>	<b>95.51%</b>	KEC International	2.58%
<b>Banks</b>	<b>13.03%</b>	NCC	1.54%
Axis Bank	3.74%	<b>Pharmaceuticals</b>	<b>3.68%</b>
ICICI Bank	3.64%	IPCA Laboratories	2.04%
RBL Bank	2.84%	Aurobindo Pharma	0.97%
Bank of Baroda	1.36%	Dishman Carbogen Amcis	0.67%
The Federal Bank	1.04%	<b>Consumer Non Durables</b>	<b>3.51%</b>
Indian Bank	0.41%	Emami	1.22%
<b>Auto Ancillaries</b>	<b>10.56%</b>	Procter & Gamble Hygiene and Health	1.08%
MRF	1.94%	Tata Global Beverages	0.97%
Exide Industries	1.60%	HBL Power Systems	0.24%
Minda Industries	1.52%	<b>Ferrous Metals</b>	<b>3.36%</b>
Tube Investments of India	1.34%	Jindal Steel & Power	2.16%
Wheels India	1.03%	Maharashtra Seamless	0.91%
Asahi India Glass	0.91%	Kirloskar Ferrous Industries	0.29%
Apollo Tyres	0.90%	<b>Power</b>	<b>3.14%</b>
WABCO India	0.73%	Kalpataru Power Transmission	1.46%
Igarashi Motors India	0.31%	CESC	1.02%
Sterling Tools	0.27%	Nava Bharat Ventures	0.66%
<b>Cement</b>	<b>9.59%</b>	<b>Hotels, Resorts And Other</b>	
The Ramco Cements	2.66%	<b>Recreational Activities</b>	<b>2.82%</b>
JK Cement	2.19%	The Indian Hotels Company	2.03%
ACC	2.02%	EIH	0.79%
Prism Johnson	1.17%	<b>Textile Products</b>	<b>2.74%</b>
Dalmia Bharat	1.11%	Raymond	1.32%
Sagar Cements	0.44%	K.P.R. Mill	1.10%
<b>Finance</b>	<b>7.72%</b>	Dollar Industries	0.32%
ICICI Lombard General Insurance Company	2.15%	<b>Transportation</b>	<b>2.68%</b>
Mas Financial Services	1.89%	VRL Logistics	1.78%
ICICI Securities	1.52%	Future Supply Chain Solutions	0.91%
M&M Financial Services	1.00%	<b>Chemicals</b>	<b>2.24%</b>
Magma Fincorp	0.67%	Deepak Nitrite	2.24%
BSE	0.48%	<b>Industrial Capital Goods</b>	<b>2.20%</b>
<b>Retailing</b>	<b>6.89%</b>	Bharat Electronics	1.30%
Future Retail	3.34%	Lakshmi Machine Works	0.35%
Aditya Birla Fashion and Retail	1.32%	CG Power and Industrial Solutions	0.28%
Future Lifestyle Fashions	1.28%	Skipper	0.27%
V-Mart Retail	0.92%	<b>Industrial Products</b>	<b>2.02%</b>
Spencer's Retail	0.04%	Polycab India	1.14%
<b>Consumer Durables</b>	<b>5.61%</b>	Graphite India	0.88%
Voltas	1.83%	<b>Petroleum Products</b>	<b>1.96%</b>
Crompton Greaves Consumer Electricals	1.61%	Hindustan Petroleum Corporation	1.96%
Greenply Industries	1.45%	<b>Textiles - Cotton</b>	<b>1.66%</b>
Greenpanel Industries	0.40%	Vardhman Textiles	1.25%
Butterfly Gandhimathi Appliances	0.32%	Nitin Spinners	0.41%
<b>Software</b>	<b>4.18%</b>	<b>Gas</b>	<b>1.58%</b>
Persistent Systems	1.13%	Gujarat Gas	1.58%
KPIT Technologies	1.02%	<b>Media &amp; Entertainment</b>	<b>0.23%</b>
Birlasoft	1.02%	Entertainment Network (India)	0.23%
Cyient	1.01%	<b>Net Cash and Cash Equivalent</b>	<b>4.49%</b>
<b>Construction Project</b>	<b>4.12%</b>	<b>Grand Total</b>	<b>100.00%</b>



**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.

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