



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.

FUND HIGHLIGHT - JANUARY TO MARCH QUARTER

Last quarter of FY2019 was more a repeat of the previous 3 quarters than anything new. Nifty was relatively flat till middle of the quarter, when foreign flows changed direction and Nifty closed with a smart 7% gain. The story of mid and small cap indices was more somber with both correcting 10% and 12% before moving up 14% and 18% respectively. On the full quarter basis, mid and small cap indices were up just 2% and 3.5% respectively compared to 7% of Nifty.

The earnings growth for Nifty universe continued to remain muted resulting in Nifty P/E moving from 22.15 as of 29th Dec 2018 to 24.85 as of 31st March 2019 - an increase of 12%. Inclusion of higher P/E Britannia while exclusion of lower P/E HPCPL also contributed to this increase in P/E. As a result, the fund's active equity exposure decreased from 54.4% to 45.6% in the matter of the quarter. Large cap proportion increased from 65% to 70% while some portfolio rationalization was done in mid/small cap space.

The fund is OW Consumer Discretionary, Financials and Healthcare, EW Technology and Automobiles, and UW Energy, Telecom and Commodity.

Weight in automobiles sector was reduced as the fund decreased its overall active equity weight. The fund now has an EW position in automobile sector and trimmed the sector weight by 410bps over the quarter. The fund converted some of the consumer staple exposure to consumer discretionary exposure by exiting a couple of FMCG stocks (-340bps) while adding 360bps in the discretionary segment. The other big increase in weight was in financial sector with exposure increasing by 660bps to 38.0%. The increase in weight was due to strong stock price movements while retaining the weight and not trimming the same while reducing the overall active equity of the fund.

We continue to believe that an objective model is the best way to determine active equity allocation and it helps in eliminating any inherent bias of the investment team. Also, increasing mid/small cap exposure when active exposure increases with P/E levels coming down helps the investor generate additional alpha compared to being invested only in large cap stocks. This may lead to some near term underperformance but should result in higher alpha generation over a longer time interval.

IDFC DEF has decreased or increased active equity allocation as per the model and has followed the philosophy of "Buy low, sell high" instead of predicting market movements. This fund is best suited for investors who want to minimize their downside risks in volatile market and at the same time participate in the long term equity growth story.

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: ₹1,087.41 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): 6.20%

Modified Duration: 2.50 years*

Average Maturity: 3.50 years*

Yield to Maturity: 7.73%*

*Of Debt Allocation Only

Benchmark: CRISIL Hybrid 35+65 - Aggressive Index

Asset allocation:

Net Equity: 44.77%

Debt: 55.23%

Gross Equity (Including Arbitrage): 66.18%

Market Cap Split:

Large Cap: 71.20%

Mid and Small Cap: 28.80%

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	22-Apr-19	0.10	10.8100
	15-Jan-19	0.14	10.7300
	25-Oct-18	0.05	10.2900
DIRECT	22-Apr-19	0.10	11.4000
	15-Jan-18	0.15	11.2800
	25-Oct-18	0.10	10.8400

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 May 2019)

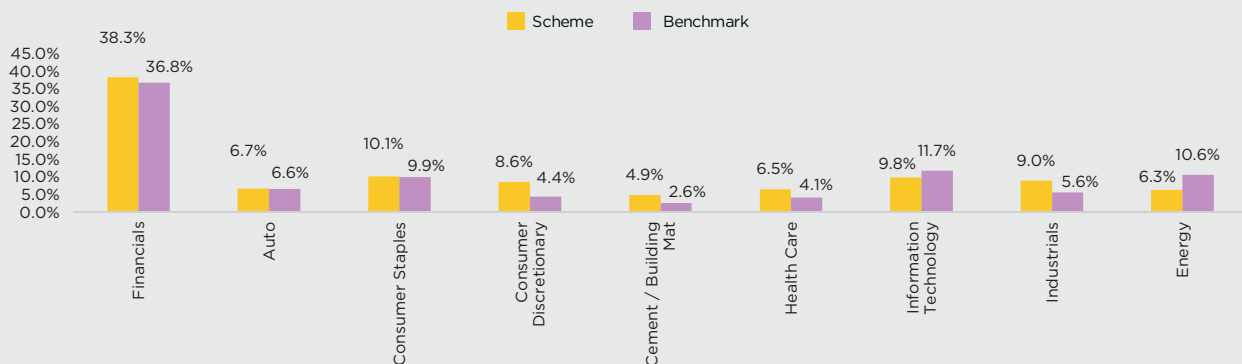


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
Equity and Equity related Instruments		66.18%	Larsen & Toubro - Equity Futures		-0.52%
Net Equity Exposure		44.77%	KEC International		0.57%
Banks		15.61%	Industrial Products		2.04%
HDFC Bank		5.35%	AIA Engineering		1.01%
HDFC Bank - Equity Futures		-1.19%	Supreme Industries		0.64%
ICICI Bank		4.35%	Apollo Pipes		0.39%
Axis Bank		3.79%	Auto		1.67%
Axis Bank - Equity Futures		-0.54%	Maruti Suzuki India		2.49%
State Bank of India		3.12%	Maruti Suzuki India - Equity Futures		-1.67%
State Bank of India - Equity Futures		-0.82%	Mahindra & Mahindra		1.71%
RBL Bank		0.82%	Mahindra & Mahindra - Equity Futures		-1.30%
Kotak Mahindra Bank		0.74%	TVS Motor Company		0.44%
Consumer Non Durables		6.45%	Consumer Durables		1.61%
ITC		2.23%	Titan Company		1.00%
ITC - Equity Futures		-2.24%	Amber Enterprises India		0.33%
Nestle India		1.84%	Khadim India		0.28%
Asian Paints		1.48%	Auto Ancillaries		1.61%
GlaxoSmithKline Consumer Healthcare		1.35%	Sandhar Technologies		0.86%
Hindustan Unilever		1.02%	Apollo Tyres		0.66%
Hindustan Unilever - Equity Futures		-0.37%	Apollo Tyres - Equity Futures		-0.32%
Dabur India		0.91%	Asahi India Glass		0.41%
Dabur India - Equity Futures		-0.30%	Minda Industries		0.003%
Prataap Snacks		0.53%	Cement		1.36%
Software		4.85%	UltraTech Cement		1.00%
Infosys		2.69%	Sagar Cements		0.36%
Tata Consultancy Services		2.25%	Construction		0.62%
Tata Consultancy Services - Equity Futures		-2.24%	PNC Infratech		0.62%
Tech Mahindra		1.70%	Hotels, Resorts And Other		
Mastek		0.61%	Recreational Activities		0.57%
Birlasoft		0.28%	The Indian Hotels Company		0.57%
KPIT Technologies		0.27%	Retailing		0.57%
Infosys - Equity Futures		-0.72%	Aditya Birla Fashion and Retail		0.37%
Finance		3.25%	Future Retail		0.21%
Bajaj Finserv		1.34%	Non - Ferrous Metals		-0.0004%
Bajaj Finserv - Equity Futures		-0.60%	Hindalco Industries		0.26%
M&M Financial Services		0.98%	Hindalco Industries - Equity Futures		-0.26%
M&M Financial Services - Equity Futures		-0.21%	Index		-4.49%
Mas Financial Services		0.94%	Nifty 50 Index - Equity Futures		-4.49%
ICICI Securities		0.40%	Corporate Bond		21.63%
Muthoot Finance		0.39%	HDFC	AAA	6.87%
Pharmaceuticals		3.18%	Reliance Industries	AAA	4.73%
Aurobindo Pharma		1.66%	National Highways Auth of Ind	AAA	2.31%
Aurobindo Pharma - Equity Futures		-0.63%	Power Grid Corporation of India	AAA	2.27%
Alkem Laboratories		0.90%	NABARD	AAA	2.27%
Cadila Healthcare		0.77%	REC	AAA	1.33%
Cadila Healthcare - Equity Futures		-0.77%	LIC Housing Finance	AAA	0.91%
Divi's Laboratories		0.75%	HDB Financial Services	AAA	0.91%
Divi's Laboratories - Equity Futures		-0.39%	NTPC	AAA	0.02%
IPCA Laboratories		0.64%	Zero Coupon Bond		2.11%
Dishman Carbogen Amcis		0.24%	LIC Housing Finance	AAA	2.11%
Petroleum Products		3.10%	Certificate of Deposit		1.82%
Reliance Industries		4.94%	Axis Bank	A1+	1.82%
Reliance Industries - Equity Futures		-1.84%	Net Cash and Cash Equivalent		29.67%
Construction Project		2.77%	Grand Total		100.00%
Larsen & Toubro		2.73%			



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.