



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

Headline CPI rose to 4.0% in September (vs. 3.2% last month) and came above consensus estimates (3.8%). The increase was primarily led by food prices which rose +1.3% MoM. Earnings have beaten expectations led by Autos and Financials with pre-tax profits up 13% YoY and 6% ahead of expectations. In sync with global markets, Indian equities also rallied with the NIFTY, NSE Midcap 100 and NSE Smallcap 100 rising 3.5%, 4.9% and 2.7% MoM respectively. Of the various factors needed for Cyclical and Mid and Small Cap outperformance, we believe that quite a few are in favour namely - a good and above expected monsoon, government and RBI attention to turn around the flagging economy, favourable valuations, crude prices closer to USD 60, yields below 6.5% and a stable government at the centre.

Globally, sentiments could improve, if a comprehensive trade agreement between US-China, which could be perceived to reduce worries on the much forecasted US recession in 2020. US Real GDP growth at 1.9% QoQ in 3QCY19 came better-than-consensus estimates (1.6%). However, GDP growth has slowed down from previous quarters (3.0%/2.0% in 1QCY19/2QCY19). US-dollar broke below the 200-day moving average (down 2% MoM), despite Fed calling a halt to its rate cut cycle. UK pound (+5.3% MoM) and Euro (+2.3% MoM) rallied on reduced probability of a no-deal Brexit. Global equity markets rallied during the month with MSCI Emerging Markets (+4.1% MoM) outperforming MSCI Developed Markets (+2.5% MoM).

FUND FEATURES:

Category: Value

Monthly Avg AUM: ₹3,022.81 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: 1.14

R Square: 0.83

Standard Deviation (Annualized): 17.20%

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.

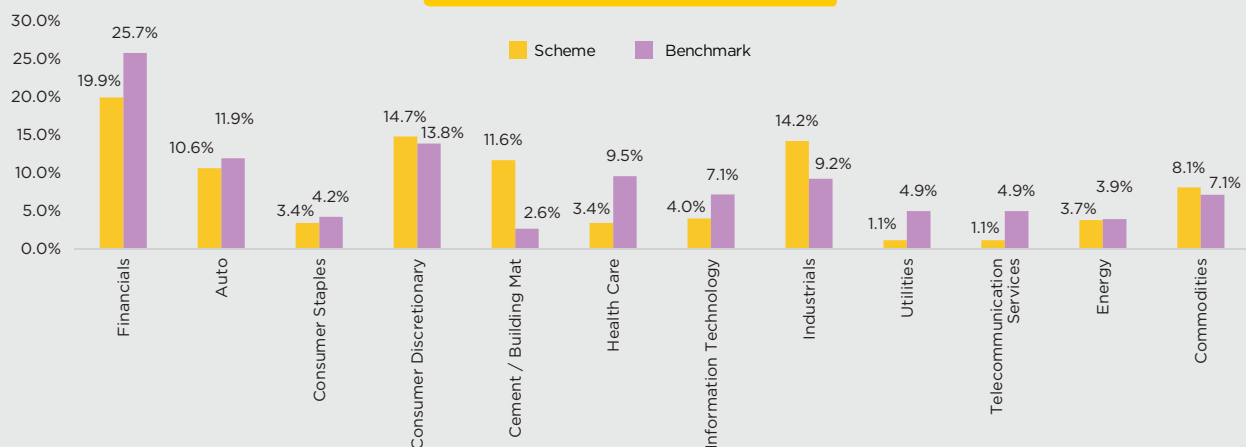
*The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

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	94.62%	Consumer Non Durables	3.66%
Banks	12.12%	Emami	1.25%
Axis Bank	3.75%	Procter & Gamble Hygiene and Health Care	1.17%
ICICI Bank	3.39%	Tata Global Beverages	0.96%
RBL Bank	2.30%	HBL Power Systems	0.29%
Bank of Baroda	1.27%	Pharmaceuticals	3.39%
The Federal Bank	0.99%	IPCA Laboratories	1.75%
Indian Bank	0.42%	Aurobindo Pharma	1.05%
Auto Ancillaries	10.74%	Dishman Carbogen Amcis	0.59%
MRF	1.99%	Power	3.16%
Minda Industries	1.63%	Kalpataru Power Transmission	1.37%
Exide Industries	1.60%	CESC	1.09%
Tube Investments of India	1.14%	Nava Bharat Ventures	0.70%
Wheels India	1.12%	Hotels, Resorts And Other Recreational Activities	2.96%
Apollo Tyres	1.03%	The Indian Hotels Company	2.08%
Asahi India Glass	0.93%	EIH	0.83%
WABCO India	0.73%	Wonderla Holidays	0.05%
Igarashi Motors India	0.30%	Ferrous Metals	2.80%
Sterling Tools	0.27%	Jindal Steel & Power	1.59%
Cement	8.71%	Maharashtra Seamless	0.88%
The Ramco Cements	2.62%	Kirloskar Ferrous Industries	0.33%
JK Cement	2.15%	Transportation	2.70%
ACC	2.10%	VRL Logistics	1.76%
Prism Johnson	1.34%	Future Supply Chain Solutions	0.94%
Sagar Cements	0.50%	Textile Products	2.55%
Finance	7.76%	K.P.R. Mill	1.10%
ICICI Lombard General Insurance Company	2.14%	Raymond	1.05%
Mas Financial Services	1.93%	Dollar Industries	0.40%
ICICI Securities	1.40%	Industrial Capital Goods	2.42%
M&M Financial Services	1.07%	Bharat Electronics	1.47%
Magma Fincorp	0.69%	Lakshmi Machine Works	0.36%
BSE	0.53%	Skipper	0.30%
Retailing	7.42%	CG Power and Industrial Solutions	0.29%
Future Retail	3.79%	Petroleum Products	2.28%
Future Lifestyle Fashions	1.29%	Hindustan Petroleum Corporation	2.28%
Aditya Birla Fashion and Retail	1.25%	Chemicals	2.26%
V-Mart Retail	1.04%	Deepak Nitrite	2.26%
Spencer's Retail	0.05%	Industrial Products	2.00%
Consumer Durables	5.41%	Polycab India	1.23%
Voltas	1.85%	Graphite India	0.77%
Crompton Greaves Consumer Electricals	1.59%	Textiles - Cotton	1.72%
Greenply Industries	1.44%	Vardhman Textiles	1.27%
Butterfly Gandhimathi Appliances	0.27%	Nitin Spinners	0.46%
Greenpanel Industries	0.27%	Gas	1.47%
Software	3.97%	Gujarat Gas	1.47%
Persistent Systems	1.09%	Auto	0.97%
Cyient	1.00%	Mahindra & Mahindra - Equity Futures	0.97%
Birlasoft	0.98%	Media & Entertainment	0.26%
KPIT Technologies	0.91%	Entertainment Network (India)	0.26%
Construction Project	3.89%	Net Cash and Cash Equivalent	5.38%
KEC International	2.42%	Grand Total	100.00%
NCC	1.47%		



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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