



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

Given the global slowdown, US China trade war and geopolitical risks, markets continued to be volatile. Developed markets were flat led by US (+1.2% QoQ) and Japan (+2% QoQ) whereas Emerging Markets fell 5.1% in the quarter. Indian markets fell 4.3% in USD terms, in line with other Emerging Markets. Drone attacks carried out on September 14 on two oil producing facilities in Saudi Arabia, resulted in a 50% supply cut in Saudi oil production. On the 1st day of trading post this event, crude oil shot 20% in early trading, before settling for the day +14% to \$69/bbl as a result. In the US, the Fed cut the policy rate by 25bps. In the Euro Area, ECB cut the deposit rate by 10bps to -0.50% and relaunched QE at a pace of €20bn/month. In Japan, the BoJ kept its policy rates unchanged.

In the home ground, after a disappointing Union Budget, the Government redefined its economic policy narrative with the announcement of the boldest tax cuts since 1997. 2019 has witnessed the best monsoon in last 25 years, though, dispersion of rain remained an issue. October quarter results could be the weakest or bottoming out of earnings with the October results - Glass half empty vs Glass half full. The continued under performance of broader market versus Nifty - valuations, volume and market cap point towards bottoming out process well under way. We believe, valuations are currently moderate across broader market. Sentiments are weak outside of narrow pack of gainers. Fundamentals hopefully should get better after the 2nd Quarter results!

FUND FEATURES:

Category: Value

Monthly Avg AUM: ₹2,978.28 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: 1.16

R Square: 0.83

Standard Deviation (Annualized): 17.29%

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.

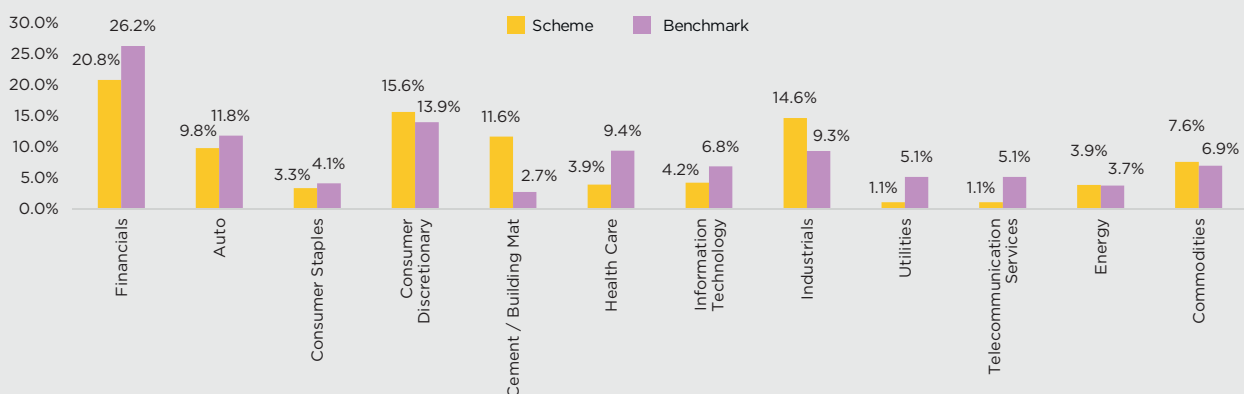
*The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

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	96.23%	Aurobindo Pharma	1.36%
Banks	12.87%	Dishman Carbogen Amcis	0.84%
Axis Bank	4.17%	Construction Project	3.83%
ICICI Bank	3.29%	KEC International	2.48%
RBL Bank	2.28%	NCC	1.34%
Bank of Baroda	1.26%	Consumer Non Durables	3.66%
The Federal Bank	1.04%	Emami	1.26%
Indian Bank	0.41%	Procter & Gamble Hygiene and Health Care	1.20%
The Karnataka Bank	0.41%	Tata Global Beverages	0.87%
Auto Ancillaries	10.34%	HBL Power Systems	0.33%
MRF	1.86%	Power	3.48%
Exide Industries	1.61%	Kalpataru Power Transmission	1.62%
Minda Industries	1.61%	CESC	1.06%
Tube Investments of India	1.14%	Nava Bharat Ventures	0.80%
Apollo Tyres	1.02%	Hotels, Resorts And Other Recreational Activities	3.30%
Wheels India	0.99%	The Indian Hotels Company	2.27%
Asahi India Glass	0.84%	EIH	0.94%
WABCO India	0.77%	Wonderla Holidays	0.09%
Sterling Tools	0.27%	Transportation	2.87%
Igarashi Motors India	0.24%	VRL Logistics	1.89%
Cement	8.90%	Future Supply Chain Solutions	0.98%
The Ramco Cements	2.60%	Ferrous Metals	2.67%
ACC	2.23%	Jindal Steel & Power	1.44%
JK Cement	2.10%	Maharashtra Seamless	0.93%
Prism Johnson	1.44%	Kirloskar Ferrous Industries	0.30%
Sagar Cements	0.54%	Petroleum Products	2.49%
Finance	7.89%	Hindustan Petroleum Corporation	2.49%
ICICI Lombard General Insurance Company	2.00%	Industrial Products	2.47%
Mas Financial Services	1.91%	Polycab India	1.15%
M&M Financial Services	1.46%	Graphite India	0.74%
ICICI Securities	1.24%	Schaeffler India	0.58%
Magma Fincorp	0.69%	Textile Products	2.43%
BSE	0.59%	Raymond	1.05%
Retailing	7.75%	K.P.R. Mill	0.93%
Future Retail	3.90%	Dollar Industries	0.45%
Future Lifestyle Fashions	1.36%	Industrial Capital Goods	2.34%
Aditya Birla Fashion and Retail	1.29%	Bharat Electronics	1.39%
V-Mart Retail	1.15%	Lakshmi Machine Works	0.38%
Spencer's Retail	0.05%	CG Power and Industrial Solutions	0.30%
Consumer Durables	5.30%	Skipper	0.27%
Voltas	1.84%	Chemicals	2.07%
Crompton Greaves Consumer Electricals	1.65%	Deepak Nitrite	2.07%
Greenply Industries	1.48%	Textiles - Cotton	1.77%
Butterfly Gandhimathi Appliances	0.25%	Vardhman Textiles	1.36%
Greenpanel Industries	0.08%	Nitin Spinners	0.41%
Software	4.22%	Gas	1.37%
Cyient	1.21%	Gujarat Gas	1.37%
Persistent Systems	1.03%	Media & Entertainment	0.35%
Birlasoft	1.01%	Entertainment Network (India)	0.35%
KPIT Technologies	0.97%	Net Cash and Cash Equivalent	3.77%
Pharmaceuticals	3.88%	Grand Total	100.00%
IPCA Laboratories	1.67%		



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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