



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.

OUTLOOK

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. Domestic Sentiments, from being weak, have improved on account of positive Government announcements - Corporate Tax, the 100 trillion INR infra plan, though the budget has been a dampener. Globally, Sentiments did improve as the US-China trade war shows signs of resolving, but the outbreak of the Coronavirus has put a new spanner in the works. Liquidity, the second “building block”, is already being tackled domestically, with increased pressure on PSU banks to re-start lending to NBFCs, payments delayed by Government have also been speeded. Valuations, as mentioned earlier, are more modest for the broader market, approaching appetizing levels. Despite the low GDP growth, earnings growth is expected to be at least double digit driven by corporate tax cuts and recovery in Corporate Bank NPAs. If the first three “building blocks” of “SLV” converge, a new upswing could commence. The folly, would be to wait for the Fundamentals, alone, as the most critical ingredient for any new upswing.

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: ₹979.36 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): 6.49%

Modified Duration: 2.24 years*

Average Maturity: 3.57 years*

Yield to Maturity: 6.63%*

*Of Debt Allocation Only

Benchmark: 50% S&P BSE 200 TRI + 50% NIFTY AAA Short Duration Bond Index (w.e.f 11/11/2019)

Asset allocation:

Net Equity: 53.27%

Debt: 46.73%

Gross Equity (Including Arbitrage): 68.08%

Market Cap Split:

Large Cap: 73.92%

Mid and Small Cap: 26.08%

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	28-Jan-20	0.15	11.3200
	23-Oct-19	0.14	11.0300
	24-Jul-19	0.06	10.6500
DIRECT	28-Jan-20	0.16	12.0800
	23-Oct-19	0.15	11.7300
	24-Jul-19	0.06	11.2900

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 January 2020)

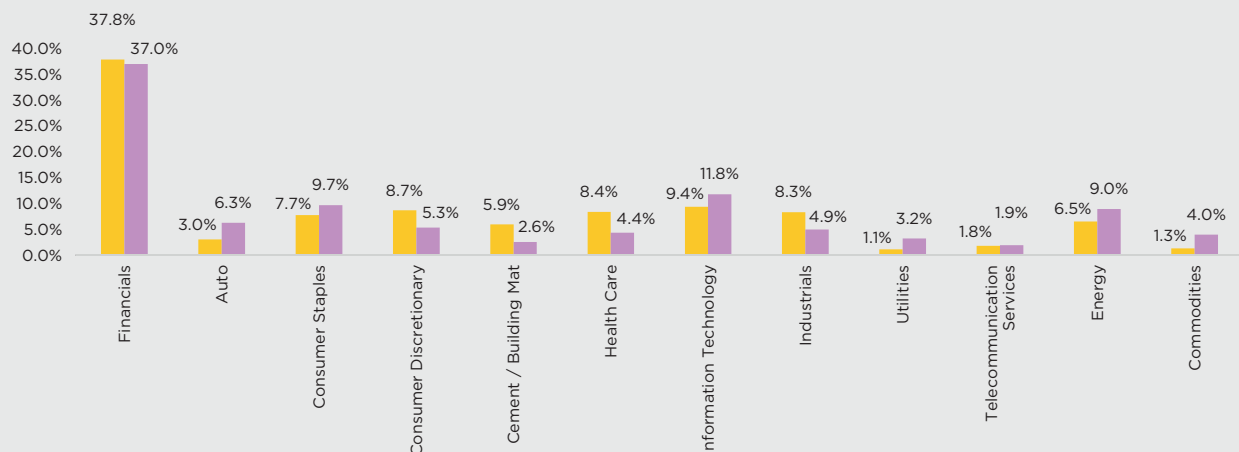


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
Equity and Equity related Instruments		68.08%	Construction Project		3.20%
Equity		53.27%	Larsen & Toubro		2.81%
Banks		13.55%	Larsen & Toubro - Equity Futures		-0.29%
HDFC Bank		6.29%	KEC International		0.68%
HDFC Bank - Equity Futures		-2.02%	Cement		2.10%
ICICI Bank		5.88%	UltraTech Cement		1.36%
ICICI Bank - Equity Futures		-1.68%	JK Cement		0.43%
Axis Bank		3.88%	Sagar Cements		0.32%
Axis Bank - Equity Futures		-0.91%	Consumer Durables		1.98%
State Bank of India		3.37%	Titan Company		1.22%
State Bank of India - Equity Futures		-2.31%	Voltas		0.82%
Kotak Mahindra Bank		1.04%	Voltas - Equity Futures		-0.25%
RBL Bank		0.44%	Khadim India		0.19%
RBL Bank - Equity Futures		-0.44%	Industrial Products		1.88%
Consumer Non Durables		6.27%	Supreme Industries		0.86%
ITC		1.88%	AIA Engineering		0.77%
ITC - Equity Futures		-1.01%	Astral Poly Technik		0.25%
Nestle India		1.73%	Auto Ancillaries		1.45%
GlaxoSmithKline Consumer Healthcare		1.72%	Sandhar Technologies		0.95%
Asian Paints		1.66%	Asahi India Glass		0.46%
Asian Paints - Equity Futures		-0.56%	Minda Industries		0.04%
Prataap Snacks		0.50%	Telecom - Services		0.94%
Jubilant Foodworks		0.35%	Bharti Airtel		2.17%
Finance		6.24%	Bharti Airtel - Equity Futures		-1.23%
Bajaj Finserv		1.74%	Pesticides		0.72%
Bajaj Finserv - Equity Futures		-0.78%	PI Industries		0.72%
Muthoot Finance		1.37%	Hotels, Resorts And Other Recreational Activities		0.61%
Muthoot Finance - Equity Futures		-0.35%	The Indian Hotels Company		0.61%
ICICI Securities		0.97%	Gas		0.58%
Mas Financial Services		0.86%	Indraprastha Gas		1.04%
Bajaj Finance		0.81%	Indraprastha Gas - Equity Futures		-0.46%
SBI Life Insurance Company		0.77%	Retailing		0.55%
ICICI Lombard General Insurance Company		0.61%	Aditya Birla Fashion and Retail		0.55%
Multi Commodity Exchange of India		0.26%	Construction		0.55%
Software		4.77%	PNC Infratech		0.55%
Infosys		2.33%	Auto		0.17%
Tata Consultancy Services		2.13%	TVS Motor Company		0.10%
Tata Consultancy Services - Equity Futures		-0.80%	Maruti Suzuki India		0.07%
Tech Mahindra		1.71%	Corporate Bond		22.59%
Tech Mahindra - Equity Futures		-0.59%	Reliance Industries	AAA	5.42%
Pharmaceuticals		4.39%	NABARD	AAA	5.22%
Aurobindo Pharma		1.39%	LIC Housing Finance	AAA	2.63%
Aurobindo Pharma - Equity Futures		-0.26%	Power Finance Corporation	AAA	2.60%
Alkem Laboratories		1.23%	HDFC	AAA	2.59%
IPCA Laboratories		1.16%	Indian Railway Finance Corporation	AAA	2.55%
Divi's Laboratories		1.10%	REC	AAA	1.54%
Divi's Laboratories - Equity Futures		-0.30%	NTPC	AAA	0.03%
Dishman Carbogen Amcis		0.06%	Certificate of Deposit		3.07%
Petroleum Products		3.33%	Axis Bank	A1+	3.07%
Reliance Industries		3.90%	Net Cash and Cash Equivalent		21.08%
Reliance Industries - Equity Futures		-0.58%	Grand Total		100.00%



SECTOR ALLOCATION



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.

Distributed by:

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