



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

The last decade seems to have followed the Chinese proverb “May you live in interesting times”. For equity investors, this period can be broadly categorized into four phases. Interestingly, each phase has its own set of winners and those who were left behind. The only single strategy which could emerge as a winner across these four phases – diversify across fund categories and stay invested for long period of time to profit from the growth potential of equity markets as different segments of the market have delivered in different market cycle.

Another learning for the investor would be to diversify across investment styles and not based on traditional market cap segment – Large, Mid and Small. Quality/Growth on the one hand and Valuation focused on the other hand would be the two broad styles. Funds, generally have remained consistent with this style though may have flirted with market cap segments in the past. With the new SEBI classification, funds have “tighter” market cap mandates and thus, tracking them on their investment style will become easier going ahead as compared to the past. The other observation, is the steep drawdowns which a segment like Small cap is unable to escape from, even if the focus is on “quality” or put in another manner, quality without growth gets de-rated swiftly irrespective of the market cap segment.

How the next decade will play out for equity investors is impossible to predict and we are neither brave nor buoyed by strong performance to dive into this issue. However, a diversified portfolio spread across investment styles and with selective sector bets could be the path to use for the next decade.

FUND FEATURES:

Category: Value

Monthly Avg AUM: ₹3,100.11 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)

Other Parameters:

Beta: 0.87

R Square: 0.92

Standard Deviation (Annualized): 16.37%

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.

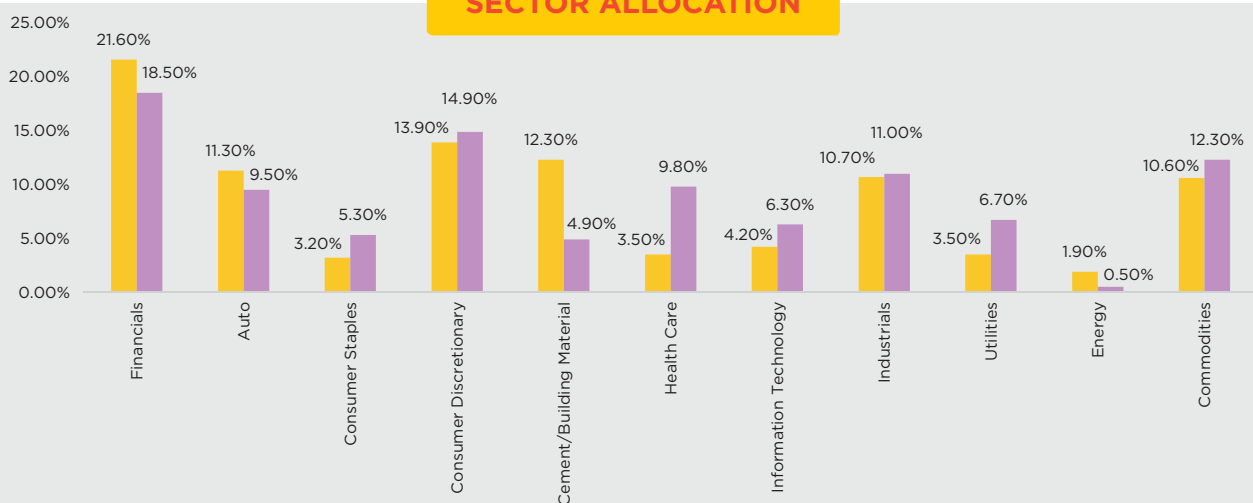
*The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

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 |
|--|---------------|--|----------------|
| Equity and Equity related Instruments | 96.52% | Cyient | 1.03% |
| Banks | 13.24% | KPIT Technologies | 1.00% |
| ICICI Bank | 3.87% | Ferrous Metals | 3.53% |
| Axis Bank | 3.85% | Jindal Steel & Power | 2.28% |
| RBL Bank | 2.88% | Maharashtra Seamless | 0.95% |
| Bank of Baroda | 1.37% | Kirloskar Ferrous Industries | 0.31% |
| The Federal Bank | 1.04% | Pharmaceuticals | 3.50% |
| Indian Bank | 0.23% | IPCA Laboratories | 2.05% |
| Auto Ancillaries | 10.99% | Aurobindo Pharma | 1.00% |
| MRF | 2.12% | Dishman Carbogen Amcis | 0.45% |
| Minda Industries | 1.56% | Consumer Non Durables | 3.40% |
| Exide Industries | 1.55% | Emami | 1.21% |
| Tube Investments of India | 1.39% | Procter & Gamble Hygiene and Health Care | 0.99% |
| Wheels India | 1.04% | Tata Global Beverages | 0.97% |
| Asahi India Glass | 0.89% | HBL Power Systems | 0.23% |
| Apollo Tyres | 0.89% | Power | 3.07% |
| WABCO India | 0.77% | Kalpataru Power Transmission | 1.35% |
| Igarashi Motors India | 0.46% | CESC | 1.01% |
| Sterling Tools | 0.34% | Nava Bharat Ventures | 0.71% |
| Cement | 9.27% | Hotels, Resorts And Other | |
| The Ramco Cements | 2.53% | Recreational Activities | 2.70% |
| JK Cement | 2.24% | The Indian Hotels Company | 1.99% |
| ACC | 1.94% | EIH | 0.71% |
| Prism Johnson | 1.08% | Transportation | 2.67% |
| Dalmia Bharat | 1.02% | VRL Logistics | 1.81% |
| Sagar Cements | 0.45% | Future Supply Chain Solutions | 0.86% |
| Finance | 8.32% | Textile Products | 2.64% |
| ICICI Lombard General Insurance Company | 2.21% | Raymond | 1.22% |
| Mas Financial Services | 2.15% | K.P.R. Mill | 1.11% |
| ICICI Securities | 1.80% | Dollar Industries | 0.31% |
| M&M Financial Services | 0.98% | Chemicals | 2.32% |
| Magma Fincorp | 0.70% | Deepak Nitrite | 2.32% |
| BSE | 0.48% | Industrial Capital Goods | 2.12% |
| Retailing | 6.93% | Bharat Electronics | 1.28% |
| Future Retail | 3.40% | Lakshmi Machine Works | 0.36% |
| Aditya Birla Fashion and Retail | 1.37% | Skipper | 0.26% |
| Future Lifestyle Fashions | 1.27% | CG Power and Industrial Solutions | 0.22% |
| V-Mart Retail | 0.88% | Industrial Products | 2.00% |
| Spencer's Retail | 0.01% | Polycab India | 1.17% |
| Consumer Durables | 5.63% | Graphite India | 0.82% |
| Voltas | 1.94% | Petroleum Products | 1.86% |
| Crompton Greaves Consumer Electricals | 1.53% | Hindustan Petroleum Corporation | 1.86% |
| Greenply Industries | 1.44% | Textiles - Cotton | 1.82% |
| Greenpanel Industries | 0.41% | Vardhman Textiles | 1.40% |
| Butterfly Gandhimathi Appliances | 0.32% | Nitin Spinners | 0.42% |
| Construction Project | 4.32% | Gas | 1.74% |
| KEC International | 2.80% | Gujarat Gas | 1.74% |
| NCC | 1.52% | Media & Entertainment | 0.25% |
| Software | 4.20% | Entertainment Network (India) | 0.25% |
| Persistent Systems | 1.13% | Net Cash and Cash Equivalent | 3.48% |
| Birlasoft | 1.04% | Grand Total | 100.00% |



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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