



IDFC Emerging Businesses Fund

(Small Cap Fund – An open ended equity scheme predominantly investing in small cap stocks)

- Fund focuses on building a diversified portfolio within the small cap segment.
- Portfolio will contain buy and hold strategies as well as opportunistic picks in the cyclical space.
- Fund may also look to participate in new businesses via IPOs.

FUND PHILOSOPHY*

The fund aims to identify and invest in companies with steady growth prospects, operating in industries with a stable growth visibility over the medium term – 2-4 years. The fund would be willing to pay higher valuation for companies with distinct segment leadership advantages and/or for companies operating in segments which are witnessing a boost of growth due to change in industry dynamics; regulatory changes / geographical shifts. While not eschewing completely, the fund aims to limit exposure to “deep” cyclicals and focus more on companies and sectors with secular growth outlook. Hence, the valuation metrics of the fund – P/E; EV/EBIDTA; EV/Sales may appear to be more expensive than the benchmark.

Consumer facing rather than B to B is another focus area of the fund. The fund aims to ensure participation in non-small caps as a measure of higher liquidity as well addressability for investing in sectors where size brings noticeable advantage – BFSI, for example. The fund aims to hold cash levels of upto 10% across time periods, both as a measure of liquidity as well as to capitalize on opportunistic investing. Lastly, rather than try to outperform the benchmark on the upside, the fund would aim to conserve capital by limiting downside during periods of drawdowns, a dominant (and painful) characteristic of small cap investing.

OUTLOOK

Domestic markets have bounced in line with global markets, despite the rising cases in the country and the economic fallout of one of the most severe lockdowns. High-frequency data show a rebound in economic activity post lockdown. Essential services like groceries and pharmacies are now close to pre-lockdown levels. India’s manufacturing PMI has improved sharply from the lows of April.

Two wheelers, tractors, fertilizers, agrochemicals have reported the most robust growth rates and are tipped to reach pre-Covid levels fastest. Pharmaceuticals, has seen the sharpest pullback while Banking and NBFCs, continue to be impacted by Moratorium and higher provisioning fears, thus the “quality” of earnings till Q3 FY21 will remain suspect.

Going ahead, post the pandemic, economic growth will be uneven and difficult to forecast. The key would be to stay invested and participate in the recovery which will unfold in the future. We believe Large Cap stocks may offer greater stability, while small caps will have edge on the valuation front.

FUND FEATURES: (Data as on 30th June'20)

Category: Small Cap Fund

Monthly Avg AUM: ₹536.16 Crores

Inception Date: 25th February 2020

Fund Manager: Mr. Anoop Bhaskar

Benchmark: S&P BSE 250 SmallCapTRI

Exit Load:

1% if redeemed/switched out within 1 year from the date of allotment

Minimum SIP Amount: ₹100 and in multiples of ₹1 thereafter

SIP Frequency: Monthly

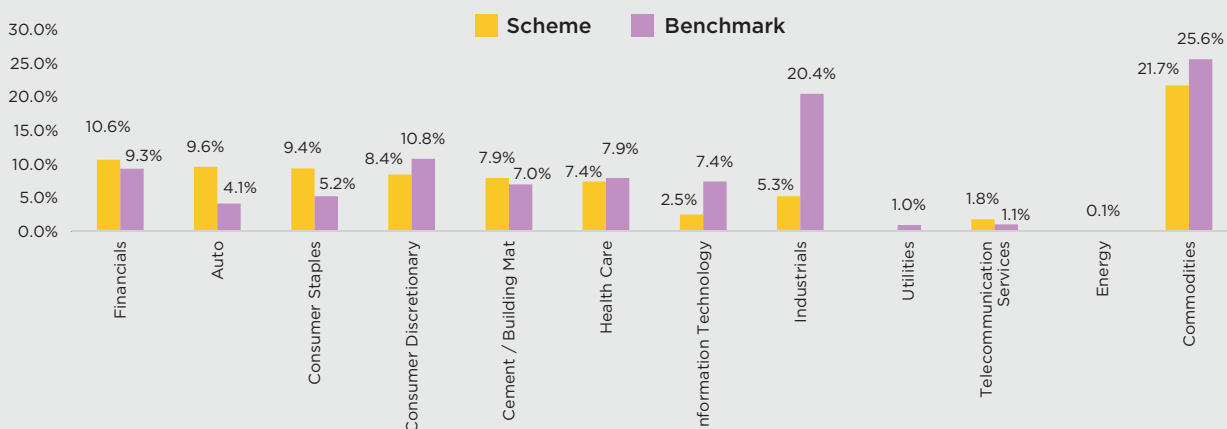
SIP Dates (Monthly): Investor may choose any day of the month except 29th, 30th and 31st as the date of instalment.

Options Available: The Scheme offer Dividend Option & Growth Option. Dividend Option under each Plan further offers of choice of Payout & Sweep facilities.

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	84.77%	Cera Sanitaryware	1.00%
Consumer Non Durables	14.37%	PSP Projects	0.03%
Radico Khaitan	4.36%	Auto	3.53%
Balrampur Chini Mills	2.02%	Escorts	2.28%
Godfrey Phillips India	1.95%	Ashok Leyland	1.25%
DCM Shriram	1.71%	Hotels, Resorts And Other Recreational Activities	3.27%
Heritage Foods	1.44%	Westlife Development	2.84%
DFM Foods	1.32%	EIH	0.43%
Jubilant Foodworks	1.25%	Banks	2.69%
Zydus Wellness	0.31%	Kotak Mahindra Bank	1.46%
Industrial Products	8.85%	ICICI Bank	1.23%
Finolex Industries	2.60%	Software	2.51%
Shaily Engineering Plastics	1.88%	Birlasoft	1.87%
Prince Pipes And Fittings	1.64%	eClerx Services	0.64%
Huhtamaki PPL	1.55%	Commercial Services	2.47%
Carborundum Universal	1.18%	TeamLease Services	2.47%
Finance	7.94%	Retailing	2.31%
Multi Commodity Exchange of India	3.71%	V-Mart Retail	1.91%
ICICI Lombard General Insurance Company	2.08%	Arvind Fashions	0.41%
HDFC	1.02%	Consumer Durables	2.12%
Muthoot Finance	0.99%	Blue Star	1.57%
Mas Financial Services	0.14%	Orient Electric	0.56%
Chemicals	6.48%	Healthcare Services	2.08%
Navin Fluorine International	3.69%	Narayana Hrudayalaya	2.08%
NOCIL	2.78%	Petroleum Products	1.98%
Pharmaceuticals	5.34%	Gulf Oil Lubricants India	1.98%
FDC	2.06%	Telecom - Services	1.82%
Divi's Laboratories	1.44%	Bharti Airtel	1.82%
Suven Pharmaceuticals	1.17%	Textiles - Cotton	1.76%
Laurus Labs	0.67%	Vardhman Textiles	1.76%
Pesticides	4.20%	Fertilisers	1.48%
Rallis India	4.20%	Coromandel International	1.48%
Auto Ancillaries	4.11%	Media & Entertainment	1.14%
Wheels India	1.60%	INOX Leisure	1.14%
Jamna Auto Industries	1.39%	Textile Products	0.57%
GNA Axles	0.85%	K.P.R. Mill	0.57%
Jtekt India	0.27%	Net Cash and Cash Equivalent	15.23%
Construction	3.74%	Grand Total	100.00%
Kajaria Ceramics	2.70%		



SECTOR ALLOCATION



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment in equity and equity related instruments of Small cap companies.

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.