



# 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 factors supporting the argument for economic led earnings recovery are: A) The government and RBI measures announced since Aug'19 to revive growth. B) Recent pick-up in inflation and potential bumper Rabi crop offer hope for rural consumption recovery - agri incomes are likely to grow 10-11% vs 6-7% in the previous two years. C) Liquidity conditions have certainly improved owing to RBI's measures. This should trickle down to real economy going ahead. D) Low base of FY20 across sectors helping a YoY comparison

Investors need to watch out for key risks emanating out of: A) The impact of Corona virus on global supply chains and the timelines for resolution. B) Government spending in FY21 is heavily dependent on success of divestment drive + significant inflow from telecom sector. Both these are event dependent, and failure on any of these counts can result in lower government spending impacting aggregate demand. C) In FY20, the fall in input prices boosted margins. However, this is now largely in the base and incremental tailwinds are unlikely unless, there is a fresh leg down in international commodity prices.

The market remains two tiered, with companies and segments which are reporting consistent earnings trading at valuations which may be close to 2 standard deviation above their last 5 years average. On the other hand, the broader market, where earnings have been erratic continue to be ignored by smart investors. Most of these "value" segments are those, which have close ties with Government spending or are dependent on investment cycle revival. The outlook for both these segments remains hazy at the current juncture. Emergence of small cap as a new segment, where investor flows have commenced over the last couple of months, is an interesting development.

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).

Bloomberg Nifty P/E data as on 28th February 2020 indicates a value of 21.0 and correspondingly we will change our equity band from 45-55% to 55-65% next month.

### Fund Features:

**Category:** Dynamic Asset Allocation or Balanced Advantage

**Monthly Avg AUM:** ₹983.55 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):** 6.52%

**Modified Duration:** 2.83 years\*

**Average Maturity:** 3.81 years\*

**Yield to Maturity:** 6.57%\*

\*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:** 54.55%

**Debt:** 45.45%

**Gross Equity<sup>^</sup> (Including Arbitrage):** 65.86%

### Market Cap Split:

**Large Cap:** 73.57%

**Mid and Small Cap:** 26.43%

**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

(28 February 2020)

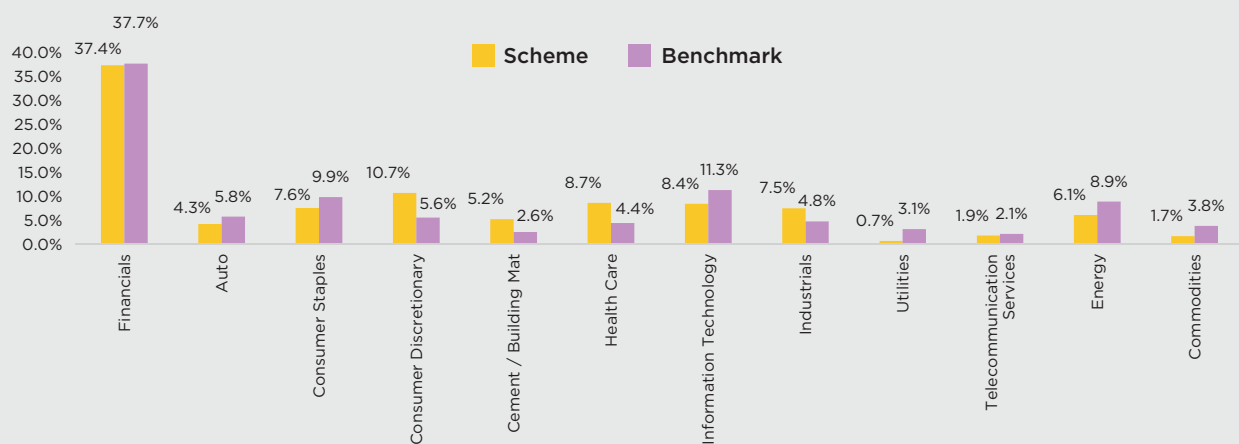


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
<b>Equity and Equity related Instruments</b>		<b>65.86%</b>	Titan Company - Equity Futures		-0.20%
<b>Net Equity Exposure</b>		<b>54.55%</b>	Volta		0.81%
<b>Banks</b>		<b>13.06%</b>	Khadim India		0.12%
ICICI Bank		5.64%	<b>Auto Ancillaries</b>		<b>1.93%</b>
ICICI Bank - Equity Futures		-1.60%	Sandhar Technologies		0.83%
HDFC Bank		5.21%	Balkrishna Industries		0.51%
HDFC Bank - Equity Futures		-0.92%	Asahi India Glass		0.48%
Axis Bank		3.54%	Minda Industries		0.11%
Axis Bank - Equity Futures		-0.88%	<b>Industrial Products</b>		<b>1.84%</b>
State Bank of India		3.26%	Supreme Industries		0.82%
State Bank of India - Equity Futures		-2.21%	AlA Engineering		0.78%
Kotak Mahindra Bank		1.01%	Astral Poly Technik		0.24%
<b>Finance</b>		<b>7.33%</b>	<b>Cement</b>		<b>1.79%</b>
Bajaj Finserv		1.70%	UltraTech Cement		1.32%
Bajaj Finserv - Equity Futures		-0.75%	UltraTech Cement - Equity Futures		-0.26%
Muthoot Finance		1.60%	JK Cement		0.47%
Muthoot Finance - Equity Futures		-0.29%	Sagar Cements		0.27%
ICICI Securities		0.99%	<b>Retailing</b>		<b>1.78%</b>
Bajaj Finance		0.93%	Avenue Supermarts		1.18%
Mas Financial Services		0.81%	Aditya Birla Fashion and Retail		0.60%
HDFC		0.79%	<b>Telecom - Services</b>		<b>1.01%</b>
SBI Life Insurance Company		0.70%	Bharti Airtel		2.32%
ICICI Lombard General Insurance Company		0.58%	Bharti Airtel - Equity Futures		-1.31%
Multi Commodity Exchange of India		0.27%	<b>Pesticides</b>		<b>0.72%</b>
<b>Consumer Non Durables</b>		<b>5.67%</b>	PI Industries		0.72%
GlaxoSmithKline Consumer Healthcare		1.87%	<b>Construction</b>		<b>0.48%</b>
Nestle India		1.81%	PNC Infratech		0.48%
Asian Paints		1.68%	<b>Auto</b>		<b>0.39%</b>
Asian Paints - Equity Futures		-0.56%	Maruti Suzuki India		0.39%
Prataap Snacks		0.45%	<b>Gas</b>		<b>0.36%</b>
Jubilant Foodworks		0.42%	Indraprastha Gas		0.92%
<b>Pharmaceuticals</b>		<b>4.72%</b>	Indraprastha Gas - Equity Futures		-0.56%
Aurobindo Pharma		1.38%	<b>Hotels, Resorts And Other Recreational Activities</b>		<b>0.35%</b>
Aurobindo Pharma - Equity Futures		-0.25%	The Indian Hotels Company		0.35%
Alkem Laboratories		1.37%	<b>Textile Products</b>		<b>0.20%</b>
IPCA Laboratories		1.28%	SRF		0.20%
Divi's Laboratories		1.20%	<b>Corporate Bond</b>		<b>23.15%</b>
Divi's Laboratories - Equity Futures		-0.32%	Reliance Industries	AAA	5.65%
Dishman Carbogen Amcis		0.07%	NABARD	AAA	5.33%
<b>Software</b>		<b>4.60%</b>	LIC Housing Finance	AAA	2.66%
Infosys		2.22%	Indian Railway Finance Corporation	AAA	2.66%
Tech Mahindra		1.62%	Power Finance Corporation	AAA	2.63%
Tech Mahindra - Equity Futures		-0.55%	HDFC	AAA	2.62%
Tata Consultancy Services		1.30%	REC	AAA	1.57%
<b>Petroleum Products</b>		<b>3.32%</b>	NTPC	AAA	0.03%
Reliance Industries		3.73%	<b>Certificate of Deposit</b>		<b>3.12%</b>
Reliance Industries - Equity Futures		-0.41%	Axis Bank	A1+	3.12%
<b>Construction Project</b>		<b>2.83%</b>	<b>Net Cash and Cash Equivalent</b>		<b>19.18%</b>
Larsen & Toubro		2.47%	<b>Grand Total</b>		<b>100.00%</b>
Larsen & Toubro - Equity Futures		-0.25%			
KEC International		0.61%			
<b>Consumer Durables</b>		<b>2.17%</b>			
Titan Company		1.44%			



## 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.

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