



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

Past market trends have shown that valuations by themselves may not lead to a correction, however, investor expectations of earnings growth if not met, have a bigger impact on the burden of high valuations and trigger stock market corrections. While, a few macro events dominate debate today – Inflation, commodity prices uptrend and US 10-year yields, earnings should be the key focus for investors going forward.

As investors, be ready for a drop in EBIDTA margins, which touched an all-time high in December 2020 quarter. The unsustainability of the previous quarter margins is a given. What will matter, if sales growth builds on the foundation of 9 months FY 21. Managements will try to shift investor focus from margin to absolute growth at EBDITA and PAT levels. Thankfully, low base effect of last year’s March and June quarters builds an easy base for the y-o-y comparison. Operational costs cut effected last year will also be watched with keen interest, were the savings of FY 21 structural or just tactical?

Lastly, the pace of vaccination, currently a shade below 6.5% of adults in India (those having taken the initial jab). The speed with which we cross 25%/33%/50% levels of successfully vaccinating the adult population, may have a direct bearing on how further will our economic trajectory be 7%/9%/11%!

FUND FEATURES: (Data as on 31st March'21)

Category: Small Cap Fund

Monthly Avg AUM: ₹944.63 Crores

Inception Date: 25th February 2020

Fund Manager: Mr. Anoop Bhaskar

Benchmark: S&P BSE 250 SmallCap-TRI

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.

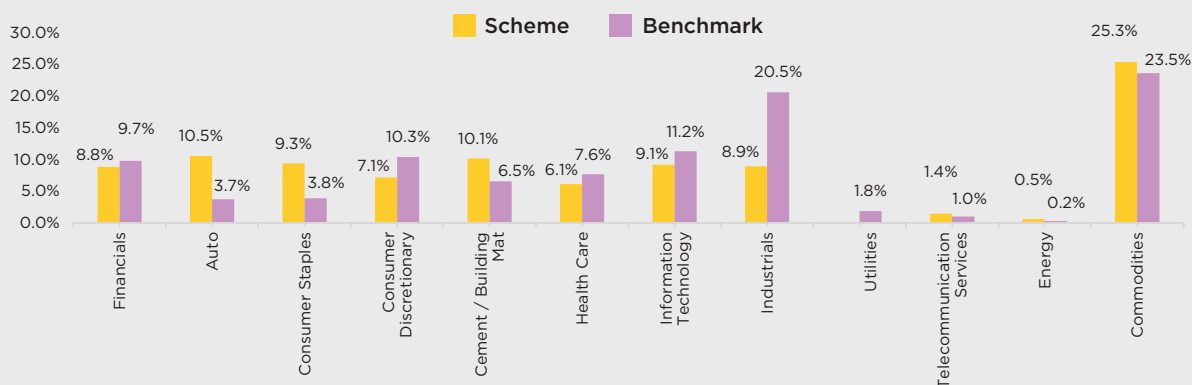
Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

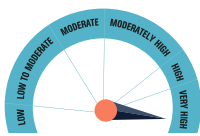
| Name of the Instrument | % to NAV | Name of the Instrument | % to NAV |
|----------------------------------------------|---------------|-------------------------------------|----------------|
| Equity and Equity related Instruments | 97.07% | Wheels India | 0.91% |
| Consumer Non Durables | 13.01% | Pharmaceuticals | 4.27% |
| Radico Khaitan | 4.22% | FDC | 1.72% |
| Balrampur Chini Mills | 2.15% | Gland Pharma | 1.45% |
| DCM Shriram | 1.53% | Laurus Labs | 1.09% |
| DFM Foods | 1.50% | Capital Markets | 3.85% |
| Emami | 1.07% | Multi Commodity Exchange of India | 2.62% |
| Heritage Foods | 1.02% | UTI Asset Management Company | 1.23% |
| Godfrey Phillips India | 1.00% | Banks | 3.69% |
| Jyothy Labs | 0.51% | State Bank of India | 1.53% |
| Industrial Products | 10.82% | Kotak Mahindra Bank | 1.16% |
| Shaily Engineering Plastics | 2.96% | Suryoday Small Finance Bank | 1.00% |
| Graphite India | 2.14% | Cement & Cement Products | 3.56% |
| Polycab India | 1.72% | Sagar Cements | 1.55% |
| EPL | 1.60% | ACC | 1.11% |
| Carborundum Universal | 1.24% | Deccan Cements | 0.89% |
| Huhtamaki India | 1.15% | Petroleum Products | 3.26% |
| Software | 9.11% | Gulf Oil Lubricants India | 2.74% |
| Birlasoft | 3.00% | Hindustan Petroleum Corporation | 0.52% |
| Cyient | 2.24% | Auto | 3.08% |
| eClerx Services | 1.45% | Ashok Leyland | 1.65% |
| Tech Mahindra | 0.86% | Tata Motors | 1.43% |
| Infosys | 0.78% | Pesticides | 3.06% |
| Mastek | 0.77% | Rallis India | 1.86% |
| Consumer Durables | 8.49% | Heranba Industries | 1.20% |
| Kajaria Ceramics | 3.13% | Commercial Services | 2.87% |
| Blue Star | 1.69% | TeamLease Services | 2.87% |
| Mayur Uniquoters | 1.39% | Power | 2.00% |
| Cera Sanitaryware | 1.10% | Kalpataru Power Transmission | 2.00% |
| Greenply Industries | 0.58% | Healthcare Services | 1.79% |
| Orient Electric | 0.39% | Narayana Hrudayalaya | 1.79% |
| Borosil | 0.19% | Retailing | 1.73% |
| Chemicals | 7.66% | V-Mart Retail | 1.73% |
| Navin Fluorine International | 3.40% | Textiles - Cotton | 1.67% |
| NOCIL | 3.32% | Vardhman Textiles | 1.09% |
| Chemcon Speciality Chemicals | 0.94% | Nitin Spinners | 0.58% |
| Leisure Services | 4.79% | Telecom - Services | 1.39% |
| Westlife Development | 2.46% | Bharti Airtel | 1.39% |
| Jubilant Foodworks | 1.13% | Finance | 1.24% |
| Burger King India | 0.81% | JM Financial | 0.84% |
| EIH | 0.39% | Magma Fincorp | 0.41% |
| Auto Ancillaries | 4.66% | Construction Project | 1.07% |
| Jamna Auto Industries | 1.63% | Power Mech Projects | 1.07% |
| GNA Axles | 1.13% | Net Cash and Cash Equivalent | 2.93% |
| Automotive Axles | 0.99% | Grand Total | 100.00% |



SECTOR ALLOCATION



Riskometer



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.

Investors understand that their principal will be at Very High risk