



## 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

The S&P BSE Sensex Index and Nifty 50 Index ended the roller-coaster ride of the month almost flat (0.3%) in July. Mid and Small caps were up 3% and 8%, respectively; outperforming Large caps in July.

Earnings growth for Q1 FY22 also commenced. The earnings' results so far has depicted mixed trends - reflecting increasing margin pressure, moderation in top-line momentum, and an increase in retail NPAs for some banks. Moreover, the ongoing earnings season reflects a few key trends:

- The momentum of activity visible in the Jan-Mar 2021 quarter stalled during the Apr-Jun 2021 quarter due to the 2nd wave of the pandemic.
- Management commentary post-Apr-Jun 2021 quarter is more muted about the near term, as worries of a 3rd wave and its impact on business continuity remains an open question.
- The cycle of upgrades witnessed from the Sep 2020 quarter will take a breather with the current quarter. Earnings for FY22 will be marginally downgraded, while earnings for FY23 remain unimpacted.

While, we believe there are few headwinds which could provide near term break to growth in the form of rising fears of Covid-19 third wave and associated slow pace of unlocking of economy in progress.

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

**Category:** Small Cap Fund

**Monthly Avg AUM:** ₹1,311.29 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.

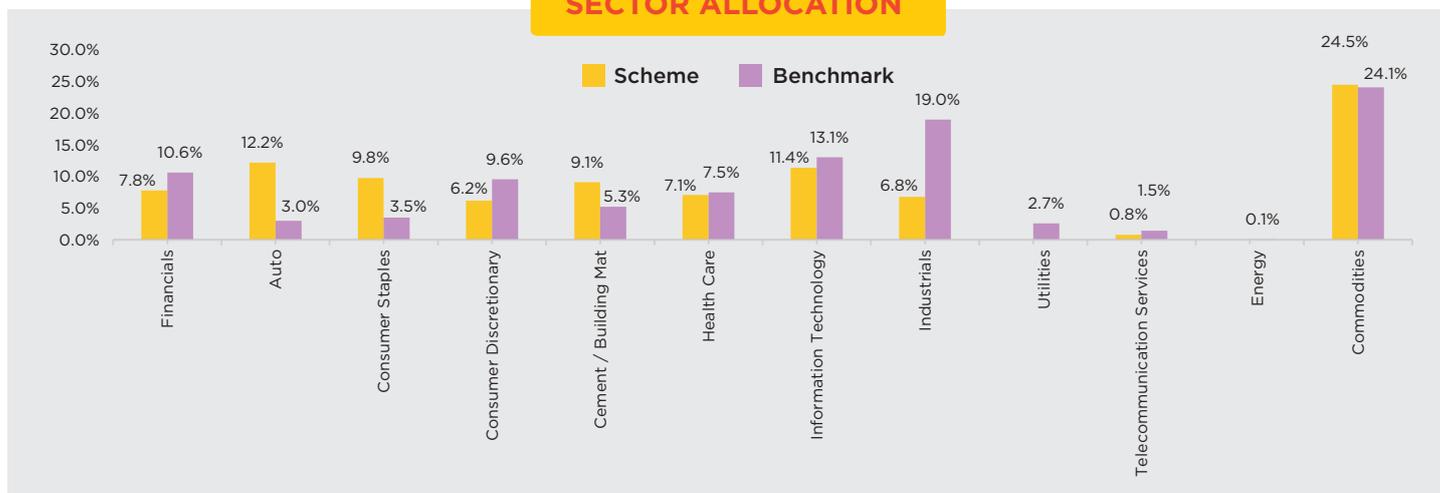
**Options Available:** The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
<b>Equity and Equity related Instruments</b>	<b>95.87%</b>	<b>Pharmaceuticals</b>	<b>4.38%</b>
<b>Consumer Non Durables</b>	<b>13.71%</b>	FDC	1.54%
Radico Khaitan	4.60%	Gland Pharma	1.51%
Balrampur Chini Mills	2.59%	Laurus Labs	1.33%
DCM Shriram	1.25%	<b>Cement &amp; Cement Products</b>	<b>3.61%</b>
Heritage Foods	1.17%	Sagar Cements	1.96%
DFM Foods	1.03%	JK Lakshmi Cement	1.31%
Emami	0.85%	ACC	0.35%
United Spirits	0.77%	<b>Capital Markets</b>	<b>3.57%</b>
Godfrey Phillips India	0.76%	Multi Commodity Exchange of India	2.06%
Jyothy Labs	0.69%	UTI Asset Management Company	1.51%
<b>Software</b>	<b>11.45%</b>	<b>Pesticides</b>	<b>3.18%</b>
Birlasoft	3.23%	Rallis India	1.64%
Cyient	2.34%	Heranba Industries	1.54%
Zensar Technologies	2.20%	<b>Banks</b>	<b>2.82%</b>
eClerx Services	2.03%	State Bank of India	1.56%
Mastek	0.93%	Kotak Mahindra Bank	0.75%
Tech Mahindra	0.72%	Suryoday Small Finance Bank	0.51%
<b>Industrial Products</b>	<b>10.89%</b>	<b>Healthcare Services</b>	<b>2.73%</b>
Shaily Engineering Plastics	3.43%	Narayana Hrudayalaya	1.70%
Graphite India	2.04%	Krishna Institute of Medical Sciences	1.03%
Polycab India	1.59%	<b>Auto</b>	<b>2.32%</b>
EPL	1.15%	Ashok Leyland	1.32%
Carborundum Universal	1.13%	Tata Motors	0.99%
Huhtamaki India	0.85%	<b>Commercial Services</b>	<b>2.23%</b>
Kirloskar Brothers	0.70%	TeamLease Services	2.23%
KSB	0.02%	<b>Petroleum Products</b>	<b>1.84%</b>
<b>Auto Ancillaries</b>	<b>8.05%</b>	Gulf Oil Lubricants India	1.84%
Wheels India	2.00%	<b>Textiles - Cotton</b>	<b>1.75%</b>
Alicon Castalloy	1.91%	Nitin Spinners	1.06%
GNA Axles	1.49%	Vardhman Textiles	0.69%
Jamna Auto Industries	1.48%	<b>Power</b>	<b>1.72%</b>
Automotive Axles	1.16%	Kalpataru Power Transmission	1.72%
<b>Chemicals</b>	<b>7.07%</b>	<b>Retailing</b>	<b>1.40%</b>
NOCIL	3.28%	V-Mart Retail	1.40%
Navin Fluorine International	2.91%	<b>Finance</b>	<b>1.04%</b>
Chemcon Speciality Chemicals	0.87%	JM Financial	0.73%
<b>Consumer Durables</b>	<b>4.99%</b>	Magma Fincorp	0.31%
Kajaria Ceramics	2.30%	<b>Construction Project</b>	<b>1.03%</b>
Mayur Uniquoters	1.15%	Power Mech Projects	1.03%
Cera Sanitaryware	0.95%	<b>Telecom - Services</b>	<b>0.84%</b>
Greenply Industries	0.59%	Bharti Airtel	0.84%
<b>Leisure Services</b>	<b>4.77%</b>	<b>Insurance</b>	<b>0.47%</b>
Westlife Development	2.05%	SBI Life Insurance Company	0.47%
Jubilant Foodworks	1.01%	<b>Net Cash and Cash Equivalent</b>	<b>4.13%</b>
EIH	0.93%		
Burger King India	0.78%	<b>Grand Total</b>	<b>100.00%</b>



**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.

Investors understand that their principal will be at Very High risk