



## 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

- With the spread of the pandemic and the lockdown during Q1 FY21, earnings for the year FY21 were sharply downgraded.
- However, the swifter than expected economic recovery led to a more robust Q2 FY21.
- Upgrades exceeded downgrades 3x, a rarity, after years of earnings disappointment.
- FY21 estimates, quickly rebounded from negative to positive territory, despite the Q1 debacle.
- The fall during Mar’20 lasted less than 35 trading days, erasing between 36-43% across the indices – Large, Mid and Small Caps. Supportive action from Central Banks was quicker.
- As investors searched for stable earnings, rotation from one sector to another, as exhibited from Apr-Dec’20 phase was evident.
- Staples after outperforming in Mar-Apr, have underperformed since then. Pharma and IT services outperformed during May-Sept; Banks/NBFC, after underperforming from Mar-Sept,20; outperformed during Oct-Dec’20.
- After the debacle of Mar’20, Small caps outshone the rest of the market – for the first time since CY17.
- If economic recovery is robust and RBI does not move aggressively into high real interest zone, Small caps could benefit the most.

**FUND FEATURES:** (Data as on 31st December’20)

**Category:** Small Cap Fund

**Monthly Avg AUM:** ₹790.85 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

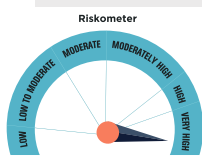
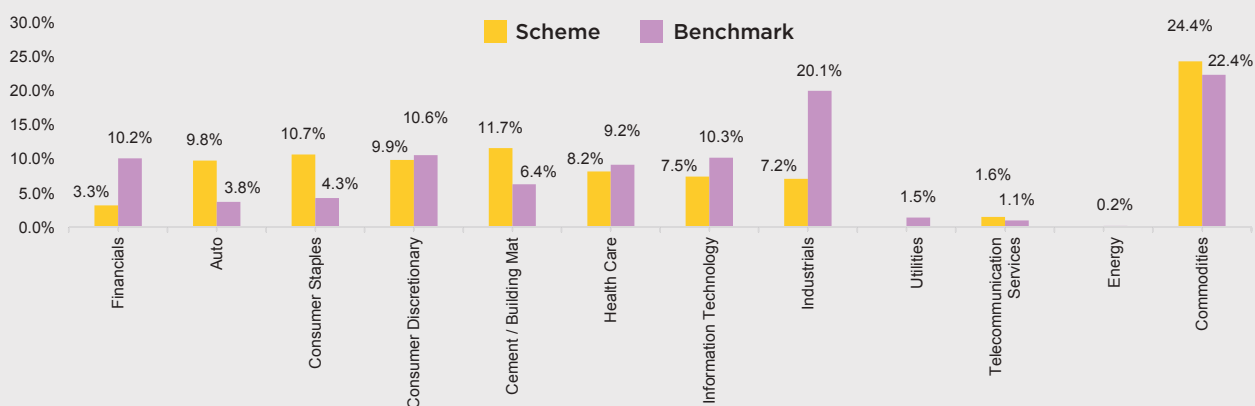
**SIP Dates (Monthly):** Investor may choose any day of the month except 29th, 30th and 31st as the date of instalment.

**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
<b>Equity and Equity related Instruments</b>	<b>94.33%</b>	<b>Auto</b>	<b>3.74%</b>
<b>Consumer Non Durables</b>	<b>18.10%</b>	Tata Motors	2.15%
Radico Khaitan	3.96%	Ashok Leyland	1.59%
Burger King India	2.49%	<b>Auto Ancillaries</b>	<b>3.60%</b>
Balrampur Chini Mills	2.26%	Jamna Auto Industries	1.70%
DFM Foods	2.00%	Wheels India	1.11%
DCM Shriram	1.39%	GNA Axles	0.79%
Jubilant Foodworks	1.25%	<b>Pesticides</b>	<b>3.45%</b>
Godfrey Phillips India	1.22%	Rallis India	2.37%
Emami	1.20%	PI Industries	1.08%
Heritage Foods	0.95%	<b>Finance</b>	<b>3.26%</b>
Mrs. Bectors Food Specialities	0.78%	Multi Commodity Exchange of India	3.26%
Zyduz Wellness	0.61%	<b>Hotels/ Resorts and Other Recreational Activities</b>	<b>3.24%</b>
<b>Industrial Products</b>	<b>12.21%</b>	Westlife Development	2.80%
Shaily Engineering Plastics	2.53%	EIH	0.44%
Finolex Industries	2.20%	<b>Consumer Durables</b>	<b>3.20%</b>
EPL	1.84%	Blue Star	1.67%
Graphite India	1.56%	Borosil	0.60%
Polycab India	1.49%	Greenpanel Industries	0.55%
Huhtamaki India	1.48%	Orient Electric	0.38%
Carborundum Universal	1.12%	<b>Cement</b>	<b>3.20%</b>
<b>Chemicals</b>	<b>8.29%</b>	Sagar Cements	1.19%
Navin Fluorine International	3.82%	ACC	1.09%
NOCIL	3.14%	Deccan Cements	0.92%
Chemcon Speciality Chemicals	1.32%	<b>Commercial Services</b>	<b>2.52%</b>
<b>Software</b>	<b>7.49%</b>	TeamLease Services	2.52%
Birlasoft	3.36%	<b>Petroleum Products</b>	<b>2.50%</b>
Cyient	2.04%	Gulf Oil Lubricants India	2.50%
eClerx Services	1.24%	<b>Retailing</b>	<b>1.99%</b>
Mastek	0.84%	V-Mart Retail	1.82%
<b>Pharmaceuticals</b>	<b>4.38%</b>	Arvind Fashions	0.17%
Divi's Laboratories	1.58%	<b>Power</b>	<b>1.83%</b>
FDC	1.57%	Kalpataru Power Transmission	1.83%
Laurus Labs	1.23%	<b>Telecom - Services</b>	<b>1.58%</b>
<b>Construction</b>	<b>4.27%</b>	Bharti Airtel	1.58%
Kajaria Ceramics	3.16%	<b>Textiles - Cotton</b>	<b>1.05%</b>
Cera Sanitaryware	1.10%	Vardhman Textiles	1.05%
PSP Projects	0.02%	<b>Textile Products</b>	<b>0.59%</b>
<b>Healthcare Services</b>	<b>3.85%</b>	K.P.R. Mill	0.59%
Narayana Hrudayalaya	2.27%	<b>Net Cash and Cash Equivalent</b>	<b>5.67%</b>
Gland Pharma	1.58%	<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