



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 severity of the second wave has taken most by surprise, especially after the hubris of having “tamed” the virus which was prevalent during Jan/Feb 2021 period. Markets, however, continued to chug along, almost unconcerned. The positive outcome of the March 2021 quarterly results was overshadowed by muted outlook for Q1FY21 in most management commentaries.

In FY21, earnings and sales growth of the organized players were not negatively impacted during the last fiscal. The same could be the case going ahead in FY22.

Moreover, a few positives also need to be highlighted – forecast of a normal monsoon, exports as an emerging growth opportunity for Indian corporate sector; a weakened unorganized sector/ imports restrictions have provided organized (listed) players an opportunity to grab market share gains; a deleveraged balance sheet of the Corporate sector & a well-capitalized Banking system.

The pace of vaccination and a return to normalcy will hold the key for economic growth to remain above the forecasted trend line. Moreover, performance going forward shall be a function of supply catching up with growing demand and progress in vaccine inoculations in the Emerging market countries.

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

Category: Small Cap Fund

Monthly Avg AUM: ₹1,044.48 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.

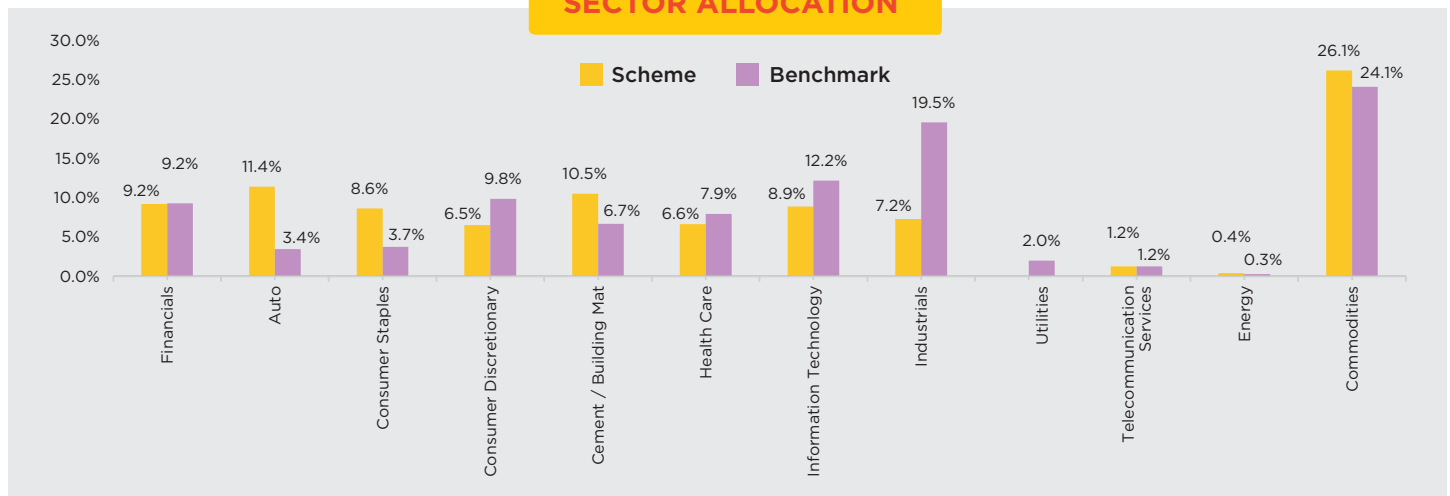
Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	96.61%	Gland Pharma	1.54%
Consumer Non Durables	12.87%	Laurus Labs	1.37%
Radico Khaitan	3.94%	Cement & Cement Products	4.25%
Balrampur Chini Mills	2.61%	Sagar Cements	1.65%
DCM Shriram	1.65%	ACC	1.01%
DFM Foods	1.29%	JK Lakshmi Cement	0.99%
Heritage Foods	1.02%	Deccan Cements	0.61%
Emami	0.96%	Capital Markets	3.91%
Godfrey Phillips India	0.85%	Multi Commodity Exchange of India	2.52%
Jyothy Labs	0.55%	UTI Asset Management Company	1.39%
Industrial Products	11.01%	Banks	3.67%
Shaily Engineering Plastics	3.09%	State Bank of India	1.93%
Graphite India	2.52%	Kotak Mahindra Bank	1.04%
Polycab India	1.81%	Suryoday Small Finance Bank	0.70%
EPL	1.34%	Pesticides	3.32%
Carborundum Universal	1.27%	Rallis India	2.00%
Huhtamaki India	0.99%	Heranba Industries	1.32%
Software	8.87%	Petroleum Products	2.89%
Birlasoft	3.25%	Gulf Oil Lubricants India	2.51%
Cyient	2.47%	Hindustan Petroleum Corporation	0.38%
eClerx Services	1.44%	Auto	2.87%
Mastek	0.94%	Ashok Leyland	1.55%
Tech Mahindra	0.76%	Tata Motors	1.31%
Chemicals	7.51%	Commercial Services	2.29%
NOCIL	3.28%	TeamLease Services	2.29%
Navin Fluorine International	3.25%	Power	1.95%
Chemcon Speciality Chemicals	0.98%	Kalpataru Power Transmission	1.95%
Consumer Durables	6.58%	Healthcare Services	1.93%
Kajaria Ceramics	2.83%	Narayana Hrudayalaya	1.93%
Mayur Uniquoters	1.42%	Textiles - Cotton	1.70%
Cera Sanitaryware	0.96%	Vardhman Textiles	0.94%
Blue Star	0.76%	Nitin Spinners	0.76%
Greenply Industries	0.60%	Retailing	1.27%
Auto Ancillaries	5.99%	V-Mart Retail	1.27%
Jamna Auto Industries	1.74%	Telecom - Services	1.25%
Wheels India	1.69%	Bharti Airtel	1.25%
Automotive Axles	1.36%	Finance	1.07%
GNA Axles	1.19%	JM Financial	0.76%
Leisure Services	5.24%	Magma Fincorp	0.31%
Westlife Development	2.23%	Construction Project	0.98%
EIH	1.15%	Power Mech Projects	0.98%
Jubilant Foodworks	1.05%	Insurance	0.53%
Burger King India	0.80%	SBI Life Insurance Company	0.53%
Pharmaceuticals	4.69%	Net Cash and Cash Equivalent	3.39%
FDC	1.78%	Grand Total	100.00%



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