



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 ferocity of the second wave has caught most by surprise. Not only the numbers – roughly 5-6x daily cases of the 1st wave, it is the speed with which the virus spread to the hinterlands, which is an added cause for worry. The length of the second wave, will surely have a direct impact on FY2022 earnings. Equally important factor which may impact profitability across sectors is the commodity price rise – from Hot Rolled (HR) coils to PVC (Polyvinyl chloride), from Cotton yarn to rare metals (used in catalytic converters in passenger vehicles) the price rise over the last six months has been stupendous ranging from 40-80%. Passing on these cost push could impact a nascent consumer recovery or severely dent the bottom line of the user industries. Such a factor may also cause, the nascent cycle of upgrade, which was strongest after Dec quarter 2020 results, to take a pause.

Since Q1 FY2021 was a historic low in terms of corporate earnings, any blow arising from a decline in activity caused by the second wave would be softened by this low base effect. Hopefully, a normal monsoon and some positive news on the Covid front – vaccine supply ramping up - from July onwards could help revive economic activity around the festival season.

FUND FEATURES: (Data as on 30th April'21)

Category: Small Cap Fund

Monthly Avg AUM: ₹969.78 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.

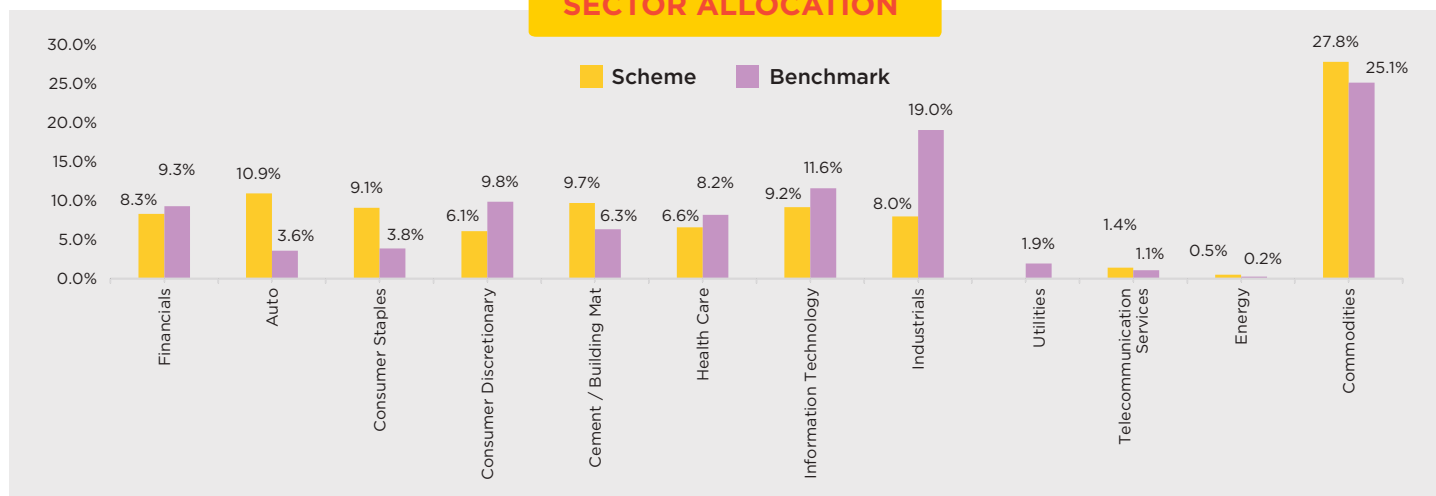
Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	97.34%	Westlife Development	2.22%
Consumer Non Durables	13.53%	Jubilant Foodworks	1.07%
Radico Khaitan	4.07%	Burger King India	0.78%
Balrampur Chini Mills	2.63%	EIH	0.35%
DCM Shriram	1.84%	Capital Markets	3.72%
DFM Foods	1.33%	Multi Commodity Exchange of India	2.44%
Heritage Foods	1.21%	UTI Asset Management Company	1.28%
Emami	1.03%	Pesticides	3.39%
Godfrey Phillips India	0.89%	Rallis India	1.96%
Jyothy Labs	0.52%	Heranba Industries	1.42%
Industrial Products	11.65%	Banks	3.38%
Shaily Engineering Plastics	3.58%	State Bank of India	1.42%
Graphite India	2.54%	Kotak Mahindra Bank	1.10%
Polycab India	1.74%	Suryoday Small Finance Bank	0.87%
EPL	1.45%	Cement & Cement Products	3.34%
Carborundum Universal	1.27%	Sagar Cements	1.48%
Huhtamaki India	1.07%	ACC	1.05%
Software	9.15%	Deccan Cements	0.81%
Birlasoft	2.77%	Petroleum Products	3.24%
Cyient	2.43%	Gulf Oil Lubricants India	2.75%
eClerx Services	1.56%	Hindustan Petroleum Corporation	0.49%
Mastek	0.89%	Auto	2.88%
Tech Mahindra	0.79%	Ashok Leyland	1.56%
Infosys	0.72%	Tata Motors	1.33%
Chemicals	8.28%	Commercial Services	2.36%
Navin Fluorine International	3.92%	TeamLease Services	2.36%
NOCIL	3.34%	Healthcare Services	1.96%
Chemcon Speciality Chemicals	1.03%	Narayana Hrudayalaya	1.96%
Consumer Durables	7.85%	Power	1.86%
Kajaria Ceramics	2.93%	Kalpataru Power Transmission	1.86%
Blue Star	1.46%	Textiles - Cotton	1.54%
Mayur Uniquoters	1.44%	Vardhman Textiles	0.94%
Cera Sanitaryware	1.03%	Nitin Spinners	0.60%
Greenply Industries	0.66%	Telecom - Services	1.38%
Orient Electric	0.32%	Bharti Airtel	1.38%
Auto Ancillaries	5.27%	Retailing	1.33%
Jamna Auto Industries	1.56%	V-Mart Retail	1.33%
Wheels India	1.50%	Finance	1.18%
GNA Axles	1.21%	JM Financial	0.76%
Automotive Axles	1.00%	Magma Fincorp	0.41%
Pharmaceuticals	4.60%	Construction Project	1.01%
FDC	1.74%	Power Mech Projects	1.01%
Gland Pharma	1.55%	Net Cash and Cash Equivalent	2.66%
Laurus Labs	1.30%	Grand Total	100.00%
Leisure Services	4.42%		



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