



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

Corporates are reporting the lowest ever leverage and as per credit rating agencies, CY21 continued to report more upgrades over downgrades. With interest rates close to their historical lows, Corporates boosted by their balance sheet improvement are expected to announce cap-ex. Government policies like PLI, could be another factor which could spur a cap-ex cycle.

In such a context, the upcoming earnings season assumes greater criticality, as FY23 & FY24 estimates will be reviewed post the results. At first glance, the current commodity induced inflation will play havoc to Q1 FY23 estimates as Gross margins will be sharply impacted. This may have been already factored given the sharp fall during the last fortnight of March'22. What the market will focus on is the management commentary on rest of FY23 – sales growth momentum, price hikes and EBIDTA margin protection going ahead. Unless the commentary from managements underlines despair, FY24 estimates will be largely left untouched, as of now.

For the next couple of quarters, Indian markets could be influenced more by global gyrations rather than domestic news cycle. For investors, investing in periods of higher inflation, declining growth and uncertain geo-politics, caution over aggression may be a better strategy – give up FOMO (Fear of Missing Out) and embrace ALRE (Accept Lower Return Expectations).

FUND FEATURES: (Data as on 31st March'22)

Category: Small Cap Fund

Monthly Avg AUM: ₹ 1,343.40 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.

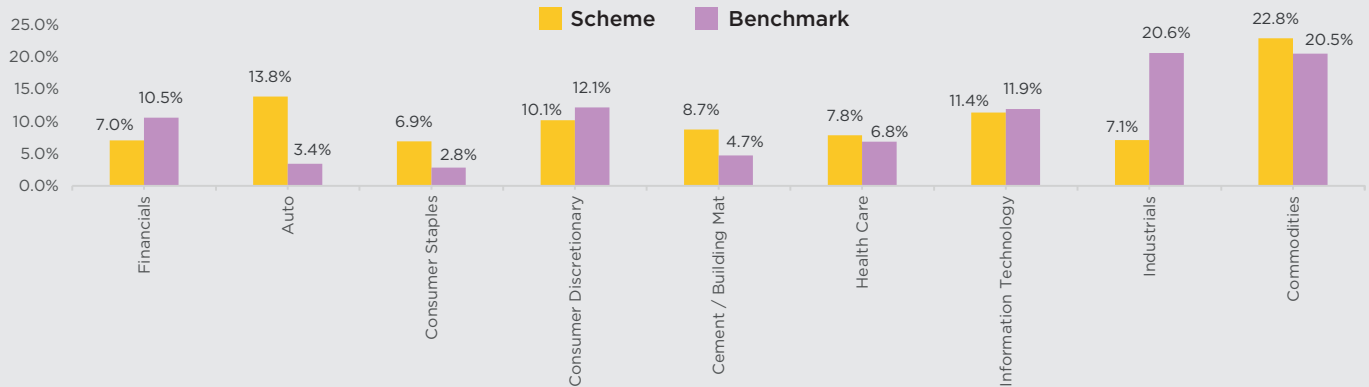
Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	95.68%	Jubilant Foodworks	0.98%
Consumer Non Durables	12.63%	Restaurant Brands Asia	0.38%
Balrampur Chini Mills	3.04%	Auto	4.70%
Radico Khaitan	2.58%	Ashok Leyland	1.85%
DCM Shriram	1.60%	Tata Motors	1.48%
United Spirits	1.29%	Maruti Suzuki India	1.37%
Avanti Feeds	1.09%	Healthcare Services	4.42%
DFM Foods	0.93%	Narayana Hrudayalaya	2.51%
Heritage Foods	0.74%	Krishna Institute of Medical Sciences	1.12%
Godfrey Phillips India	0.71%	Krsnaa Diagnostics	0.80%
Emami	0.64%	Capital Markets	3.61%
Software	11.36%	UTI Asset Management Company	1.82%
Birlasoft	3.52%	Multi Commodity Exchange of India	1.79%
Zensar Technologies	2.55%	Pharmaceuticals	3.39%
eClerx Services	2.00%	Gland Pharma	1.24%
Cyient	1.84%	Laurus Labs	1.20%
Mastek	1.44%	FDC	0.95%
Industrial Products	10.70%	Cement & Cement Products	3.01%
Shaily Engineering Plastics	4.32%	Sagar Cements	1.67%
Carborundum Universal	2.16%	JK Lakshmi Cement	1.34%
Graphite India	1.42%	Retailing	2.91%
Polycab India	1.40%	V-Mart Retail	1.47%
EPL	0.80%	Vedant Fashions	1.44%
Kirloskar Brothers	0.60%	Commercial Services	2.04%
Auto Ancillaries	7.92%	TeamLease Services	2.04%
Automotive Axles	1.81%	Banks	1.92%
Wheels India	1.79%	State Bank of India	1.92%
Jamna Auto Industries	1.60%	Power	1.59%
Alicon Castalloy	1.56%	Kalpataru Power Transmission	1.59%
GNA Axles	1.16%	Pesticides	1.53%
Consumer Durables	7.74%	Heranba Industries	1.53%
Kajaria Ceramics	2.51%	Finance	1.49%
Metro Brands	2.16%	Poonawalla Fincorp	1.02%
Mayur Uniquoters	1.24%	JM Financial	0.47%
Cera Sanitaryware	1.04%	Petroleum Products	1.18%
Greenply Industries	0.79%	Gulf Oil Lubricants India	1.18%
Chemicals	7.01%	Textiles - Cotton	0.76%
NOCIL	3.07%	Nitin Spinners	0.76%
Navin Fluorine International	2.35%	Construction	0.69%
Chemplast Sanmar	1.59%	Mahindra Lifespace Developers	0.69%
Leisure Services	5.07%	Net Cash and Cash Equivalent	4.32%
EIH	1.87%	Grand Total	100.00%
Westlife Development	1.84%		



SECTOR ALLOCATION



<p>Scheme risk-o-meter</p> <p>Investors understand that their principal will be at Very High risk</p>	<p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> To create wealth over long term. Investment in equity and equity related instrument of small cap companies. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Benchmark risk-o-meter</p> <p>S&P BSE 250 SmallCap TRI</p>
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