



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

How has been the November for Equity markets?

Global equities strengthened across regions (+7.6% MoM/-16.4% YTD). Brazil was the only outlier while all other regions improved (US surging 5%/China +30%/Euro area up 11%).

Indian equities (MSCI India) gained (USD terms, +5% MoM/-3% YTD), while underperforming the region and its peers (MSCI APxJ/EM: -17%/+15% MoM). Performance of both mid-caps (up -2% MoM) and small caps (up -3% MoM) was positive, though weaker than large caps (up -4% MoM). All sectors barring Consumer Discretionary, Auto and Utilities ended the month in the green as NIFTY improved (up -4% MoM), clocking a new lifetime high of 18,758 at the close of the month. INR appreciated by 1.7% MoM, reaching -81.43/USD in November. DXY (Dollar Index) weakened 5% over the month, closing the month at 105.95 (from 111.53 a year earlier).

After the exhilarating moves in CY 20 and CY 21, market movement during CY 22 has been more sedate. Nifty50 till a few weeks back was flirting with negative return on a calendar year basis. Clearly, equity returns have been underwhelming. Yet, the markets have climbed the proverbial “walls of worry” to cross the previous peak touched in Oct’21.

Is the Indian market overvalued, as a result becomes a difficult question to answer. “Are we in bubble territory” would be a relatively easier question to answer – No. A simple, yet effective test of the market valuation would be to compare Small Cap Index earnings to Nifty50. In CY 17, Small cap index traded at a premium to Nifty and needed a trigger to unravel. Thankfully, in the market rally since Apr’2020, Small cap index has never traded at a premium to Nifty. Thus, while valuations may be elevated we are not in bubble territory.

This should be the most important take away for investors, moderate return expectations not equity allocation at the current juncture. this train can chug along for some more time.

FUND FEATURES:

(Data as on 30th November’22)

Category: Small Cap Fund

Monthly Avg AUM: ₹ 1,467.51 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 Dates : (Monthly/Quarterly*)

Investor may choose any day of the month except 29th, 30th & 31st of instalment. *Any day of next month from the Quarter end.

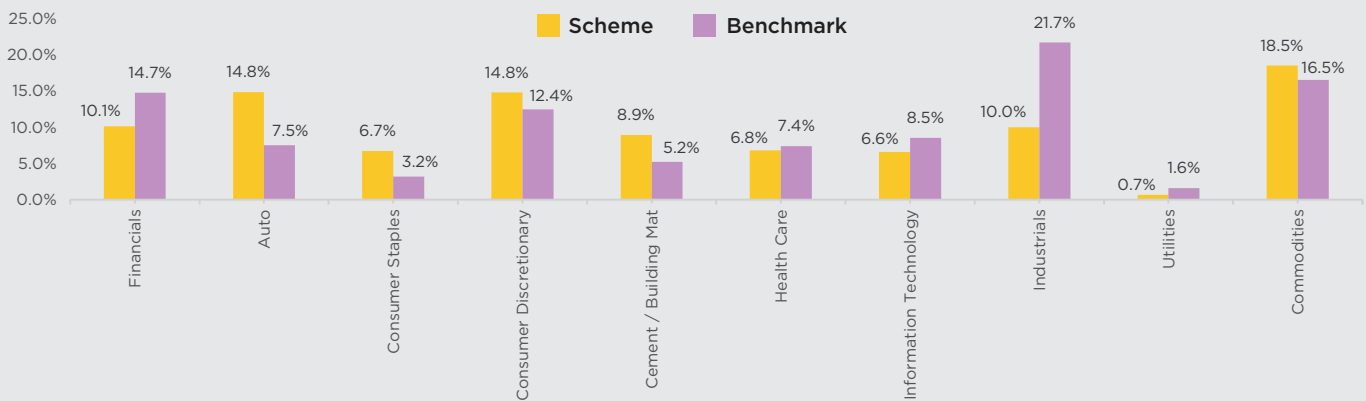
Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

@Income Distribution cum capital withdrawal

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	97.88%	Birlasoft	1.59%
Auto Components	9.90%	Capital Markets	3.18%
Automotive Axles	2.37%	Multi Commodity Exchange of India	1.79%
Wheels India	2.06%	UTI Asset Management Company	1.39%
Alicon Castalloy	2.06%	Food Products	3.10%
Jamna Auto Industries	1.53%	Avanti Feeds	1.21%
GNA Axles	1.37%	DFM Foods	1.19%
Schaeffler India	0.51%	Heritage Foods	0.70%
Consumer Durables	9.60%	Beverages	2.97%
Metro Brands	2.72%	Radico Khaitan	2.97%
Kajaria Ceramics	2.70%	Banks	2.96%
Mayur Uniquoters	1.64%	State Bank of India	2.14%
Cera Sanitaryware	1.41%	Indian Bank	0.82%
Greenply Industries	1.14%	Construction	2.44%
Industrial Products	9.08%	Kalpataru Power Transmission	2.44%
Shaily Engineering Plastics	3.24%	Agricultural Food & other Products	2.35%
Carborundum Universal	2.57%	Balrampur Chini Mills	2.35%
AIA Engineering	1.37%	Agricultural, Commercial & Construction Vehicles	2.17%
Graphite India	1.06%	Ashok Leyland	2.17%
Kirloskar Brothers	0.84%	Commercial Services & Supplies	1.98%
Leisure Services	7.27%	eClerx Services	1.75%
Westlife Foodworld	2.50%	TeamLease Services	0.23%
EIH	2.01%	Realty	1.81%
Jubilant Foodworks	1.25%	Mahindra Lifespace Developers	0.99%
Taj GVK Hotels & Resorts	1.09%	Keystone Realtors	0.82%
Restaurant Brands Asia	0.44%	Automobiles	1.59%
Chemicals & Petrochemicals	5.27%	Maruti Suzuki India	1.59%
NOCIL	2.43%	IT - Services	1.58%
Navin Fluorine International	1.95%	Cyient	1.58%
Chemplast Sanmar	0.89%	Fertilizers & Agrochemicals	1.47%
Finance	3.99%	Heranba Industries	1.47%
Can Fin Homes	1.49%	Textiles & Apparels	1.19%
Mas Financial Services	1.39%	Nitin Spinners	0.70%
Poonawalla Fincorp	1.12%	Vardhman Textiles	0.49%
Cement & Cement Products	3.70%	Petroleum Products	1.17%
JK Lakshmi Cement	2.06%	Gulf Oil Lubricants India	1.17%
Sagar Cements	1.64%	Cigarettes & Tobacco Products	1.13%
Retailing	3.67%	Godfrey Phillips India	1.13%
V-Mart Retail	1.92%	Industrial Manufacturing	1.10%
Vedant Fashions	1.75%	Syrma SGS Technology	1.10%
Healthcare Services	3.45%	Diversified	1.06%
Narayana Hrudayalaya	1.60%	DCM Shriram	1.06%
Krishna Institute of Medical Sciences	1.01%	Personal Products	0.72%
Krsnaa Diagnostics	0.84%	Emami	0.72%
Pharmaceuticals & Biotechnology	3.35%	Transport Services	0.72%
Gland Pharma	1.37%	VRL Logistics	0.72%
FDC	1.17%	Gas	0.66%
Laurus Labs	0.81%	Gujarat State Petronet	0.66%
IT - Software	3.25%	Net Cash and Cash Equivalent	2.12%
Zensar Technologies	1.66%	Grand Total	100.00%



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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