



IDFC STERLING VALUE FUND

An open ended equity scheme following a value investment strategy

IDFC Sterling Value Fund is a value focused investment strategy and follows a Flexi-cap approach in identifying value opportunities across market cap segments.

- The fund follows a market cap and benchmark agnostic approach.
- To identify value opportunities, the Fund looks at a variety of relative valuation tools including ratios such as Enterprise Value (EV)/Sales ratio, Operating cash flow (OCF)/EV, and Price/Book (P/B).

FUND PHILOSOPHY*

The focus of IDFC Sterling Value Fund has been on building a portfolio of Leader/Challengers and Emerging businesses with an emphasis on bottom up stock selection. As part of the current strategy, the portfolio looks to build on the leaders/challengers - these are the market leaders in the Non-Nifty sectors (like Tyres, Bearings) or Top Challengers in the Nifty sectors (such as FMCG, Banks). The key parameters that we look at while selecting the companies here are low debt to operating cash flow and ROIC (Return on Invested Capital) greater than the Cost of Capital (CoC). The other part of the portfolio focuses on the Emerging Businesses. These are businesses in down cycles or where scale is yet to be achieved or where companies can fund growth without repeated dilutions. Many a times, earnings do not capture fair value of the businesses in down cycles or that are yet to achieve scale and hence popular ratios such as P/E ratio might not be the relevant metric to value the company. Thus, we believe that a better parameter for relative value evaluation could be the Enterprise Value (EV)/Sales ratio & Price/Book (P/B). We also filter stocks for Sustained improvement in RoE (Return on Equity) and RoCE (Return on Capital Employed) and those with Earnings Growth higher than Nifty. This segregation helps in easy management of risk & liquidity aspects of the portfolio.

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: Value

Monthly Avg AUM: ₹ 5,115.82 Crores

Inception Date: 7th March 2008

Fund Manager: Mr. Anoop Bhaskar (w.e.f. 30th April 2016) & Mr. Daylynn Pinto (w.e.f. 20th October 2016)

Other Parameters:

Beta: 1.21

R Squared: 0.87

Standard Deviation (Annualized): 29.37%

Benchmark: Tier 1: S&P BSE 500 TRI (w.e.f. 28th Dec, 2021) Tier 2: S&P BSE 400 MidSmallCap TRI

Minimum Investment Amount: ₹5,000/- and any amount thereafter.

Exit Load:

● If redeemed/switched out within 365 days from the date of allotment:

- ▶ Upto 10% of investment: Nil,
- ▶ For remaining investment: 1% of applicable NAV.

● If redeemed / switched out after 365 days from date of allotment: Nil. (w.e.f. May 08, 2020)

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: Growth, IDCW® (Payout, Reinvestment and Sweep (from Equity Schemes to Debt Schemes only))

PLAN	IDCW® RECORD DATE	₹/UNIT	NAV
REGULAR	29-Aug-22	1.57	30.7750
	26-Aug-21	1.46	28.4600
	20-Mar-20	0.73	12.8800
DIRECT	29-Aug-22	1.99	39.0970
	26-Aug-21	1.83	35.7600
	10-Mar-17	1.37	19.3894

Face Value per Unit (in ₹) is 10

Income Distribution cum capital withdrawal is not guaranteed and past performance may or may not be sustained in future. Pursuant to payment of Income Distribution cum capital withdrawal, the NAV of the scheme would fall to the extent of payout and statutory levy (as applicable).

®Income Distribution cum capital withdrawal

Ratios calculated on the basis of 3 years history of monthly data.

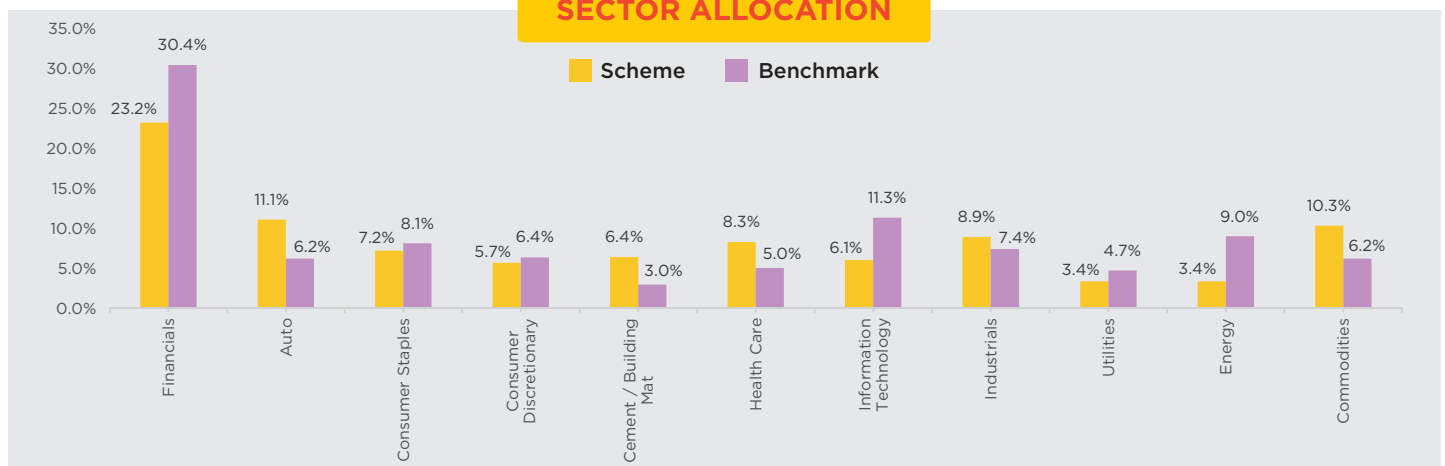
*The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	94.00%	EIH	1.20%
Banks	17.05%	Petroleum Products	3.37%
ICICI Bank	5.30%	Reliance Industries	1.83%
Axis Bank	3.63%	Bharat Petroleum Corporation - Equity Futures	1.11%
State Bank of India	2.89%	Bharat Petroleum Corporation	0.43%
HDFC Bank	2.47%	Automobiles	3.18%
Bank of Baroda	1.88%	Hero MotoCorp	1.75%
IndusInd Bank	0.90%	Tata Motors	1.43%
Pharmaceuticals & Biotechnology	8.31%	Cement & Cement Products	2.96%
Cipla	2.18%	The Ramco Cements	1.49%
Sun Pharmaceutical Industries	1.70%	Nuvoco Vistas Corporation	1.03%
Dr. Reddy's Laboratories	1.29%	Sagar Cements	0.45%
IPCA Laboratories	1.25%	Transport Services	2.23%
Laurus Labs	1.00%	VRL Logistics	2.23%
Lupin	0.88%	Diversified FMCG	2.22%
IT - Software	6.07%	ITC	2.22%
Tata Consultancy Services	2.47%	Chemicals & Petrochemicals	2.08%
HCL Technologies	2.15%	Deepak Nitrite	2.08%
Zensar Technologies	0.73%	Beverages	1.83%
Tech Mahindra	0.72%	Radico Khaitan	1.83%
Auto Components	5.30%	Gas	1.72%
UNO Minda	2.53%	Gujarat Gas	1.72%
Bosch	1.63%	Personal Products	1.69%
Wheels India	0.98%	Godrej Consumer Products	1.69%
Tube Investments of India	0.16%	Insurance	1.68%
Electrical Equipment	5.02%	ICICI Lombard General Insurance Company	1.68%
CG Power and Industrial Solutions	3.05%	Construction	1.68%
KEC International	1.96%	NCC	1.68%
Ferrous Metals	4.53%	Power	1.65%
Jindal Steel & Power	3.39%	NTPC	1.65%
Kirloskar Ferrous Industries	1.14%	Food Products	1.63%
Finance	4.48%	Avanti Feeds	1.63%
Poonawalla Fincorp	2.44%	Agricultural Food & other Products	1.49%
Mas Financial Services	1.14%	Tata Consumer Products	1.49%
LIC Housing Finance	0.89%	Textiles & Apparels	1.39%
Industrial Products	3.91%	K.P.R. Mill	1.39%
Bharat Forge	1.48%	Retailing	0.80%
Polycab India	1.38%	V-Mart Retail	0.80%
Graphite India	1.06%	Entertainment	0.71%
Consumer Durables	3.55%	PVR	0.71%
Greenpanel Industries	2.06%	Treasury Bill	0.47%
Mayur Uniquoters	0.79%	Government of India	SOV 0.47%
Voltas	0.71%	Net Cash and Cash Equivalent	5.53%
Leisure Services	3.48%	Grand Total	100.00%
The Indian Hotels Company	2.28%		



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 predominantly in equity and equity related instruments following a value investment strategy. <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>Tier 1: S&P BSE 500 TRI</p>	<p>Benchmark risk-o-meter</p>  <p>Tier 2: S&P BSE 400 MidSmallCap TRI</p>
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