



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

Performance during the month:

Global equities improved across regions (+4.5% MoM/-21.2% YTD). China (-17.6% MoM) and Taiwan (-6.1% MoM) were in red dragging the EM performance (-3.2% MoM).

Indian equities rose +3.9% MoM (in USD terms), while outperforming the APAC region and its peers (MSCI APxJ/EM: -4.2%/-3.2%). Within India, Mid-caps (+4% MoM) and small caps (+4% MoM) underperformed the large caps (+6.2% MoM). All sectors ended the month in the green with Financials, Metals, Capital Goods, Industrials and Auto outperforming the benchmark NIFTY (+6.8% MoM), reclaiming the 18K level at the close of the month. INR depreciated by 1.7% MoM, reaching -82.79/USD at the end of October. DXY (Dollar Index) weakened marginally over the month and closed at 111.

The divergence of Indian markets with either Emerging markets or even Developed markets is becoming curiouser and curiouser. India shining amidst a pall of global gloom is not a belief we have had to face as investors many a times before. Usually, if Developed (read, US) markets sneezed, emerging markets caught a cold. The case for "global caution" - a term we have coined, is well documented - US markets (MSCI USA) are down by -17% YTD; Europe markets are in a funk (MSCI Europe down -26% YTD), awaiting a "winter of extreme discomfort"; China's Covid policy have forced the Government to defer declaring quarterly GDP growth numbers (MSCI China down -44% YTD); Crude oil production is planned to be reduced by OPEC+ by 2mn barrels per day from Nov'22; inflation in Developed economies is higher than many emerging markets. Yet amidst all this pall of gloom, Indian equity markets continue to defy rules of "equity gravity" - every EM market is destined to fall each & every time US market falls!

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

Category: Value

Monthly Avg AUM: ₹ 4,981.71 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): 29.38%

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 Frequency: Monthly (Investor may choose any day of the month except 29th, 30th and 31st as the date of instalment.)

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.

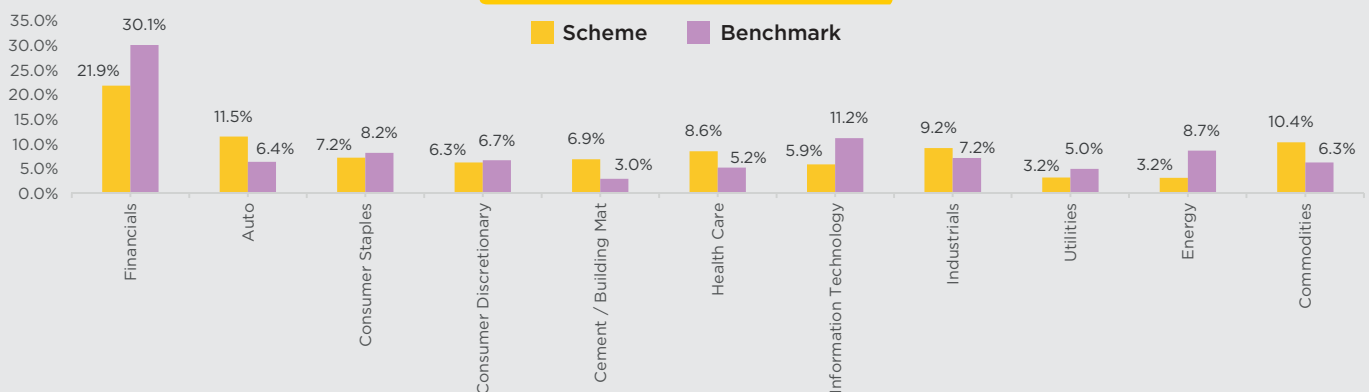
*The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.

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 | 94.14% | Cement & Cement Products | 3.38% |
| Banks | 15.77% | The Ramco Cements | 1.45% |
| ICICI Bank | 5.17% | Nuvoco Vistas Corporation | 1.13% |
| Axis Bank | 3.73% | Sagar Cements | 0.43% |
| State Bank of India | 2.81% | JK Cement | 0.37% |
| HDFC Bank | 2.35% | Petroleum Products | 3.15% |
| Bank of Baroda | 1.71% | Reliance Industries | 1.75% |
| Pharmaceuticals & Biotechnology | 8.56% | Bharat Petroleum Corporation - Equity Futures | 1.01% |
| Cipla | 2.29% | Bharat Petroleum Corporation | 0.39% |
| Sun Pharmaceutical Industries | 1.70% | Automobiles | 2.85% |
| IPCA Laboratories | 1.33% | Hero MotoCorp | 1.47% |
| Dr. Reddy's Laboratories | 1.30% | Tata Motors | 1.38% |
| Laurus Labs | 1.11% | Transport Services | 2.48% |
| Lupin | 0.82% | VRL Logistics | 2.48% |
| Auto Components | 6.27% | Diversified FMCG | 2.33% |
| UNO Minda | 2.53% | ITC | 2.33% |
| Bosch | 1.62% | Chemicals & Petrochemicals | 2.27% |
| Tube Investments of India | 1.08% | Deepak Nitrite | 2.27% |
| Wheels India | 1.05% | Beverages | 1.84% |
| IT - Software | 5.88% | Radico Khaitan | 1.84% |
| Tata Consultancy Services | 2.32% | Gas | 1.83% |
| HCL Technologies | 2.04% | Gujarat Gas | 1.83% |
| Persistent Systems | 0.80% | Food Products | 1.83% |
| Zensar Technologies | 0.72% | Avanti Feeds | 1.83% |
| Electrical Equipment | 5.17% | Personal Products | 1.63% |
| CG Power and Industrial Solutions | 3.06% | Godrej Consumer Products | 1.63% |
| KEC International | 2.11% | Construction | 1.55% |
| Finance | 4.53% | NCC | 1.55% |
| Poonawalla Fincorp | 2.53% | Insurance | 1.55% |
| Mas Financial Services | 1.05% | ICICI Lombard General Insurance Company | 1.55% |
| LIC Housing Finance | 0.95% | Agricultural Food & other Products | 1.44% |
| Ferrous Metals | 4.03% | Tata Consumer Products | 1.44% |
| Jindal Steel & Power | 3.07% | Textiles & Apparels | 1.41% |
| Kirloskar Ferrous Industries | 0.96% | K.P.R. Mill | 1.41% |
| Industrial Products | 3.97% | Power | 1.36% |
| Polycab India | 1.53% | NTPC | 1.36% |
| Bharat Forge | 1.47% | Retailing | 0.89% |
| Graphite India | 0.97% | V-Mart Retail | 0.89% |
| Leisure Services | 3.82% | Entertainment | 0.70% |
| The Indian Hotels Company | 2.49% | PVR | 0.70% |
| EIH | 1.33% | Treasury Bill | 0.48% |
| Consumer Durables | 3.67% | 182 Days Tbill - 2023 | SOV 0.48% |
| Greenpanel Industries | 1.99% | Net Cash and Cash Equivalent | 5.38% |
| Voltas | 0.86% | Grand Total | 100.00% |
| Mayur Uniquoters | 0.83% | | |



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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