



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

Global equities weakened across regions (-10.1% MoM/ -26.7% YTD). All major Emerging markets (EM) / Developed markets (DM) regions were in the red with India outperforming the World and Emerging markets (-10.1%/-11.8%). In the current episode of US Dollar strengthening, Emerging markets have remained largely unscathed, as compared to previous periods in 2008 & 2013. With US 2-year yields crossing 4%, the spreads between US 10-year and EM 10-year Bonds have remained stable. Thus, defying the “conventional” response of expanding spreads during phases of US\$ strengthening.

FIIIs again turned sellers of Indian equities in September (-\$1.4bn, following +\$6.8bn inflow in August). So far, India has seen YTD FII outflows of \$22.4bn. **DIIIs saw buying** of \$1.8bn in September, with YTD inflows of \$32.6bn. Mutual funds and Insurance funds were both net buyers in September with \$0.8bn outflows and \$0.9bn outflows respectively.

Emerging market indices continue to be “plagued” by the underperformance of China, the largest weight within MSCI EM Index (31.4%). Chinese markets for the month registered a decline of 14.3% as against EM declining by 11.8%. A country’s outperformance is driven by a combination of superior earnings trajectory combined with multiples re-rating. Viewed from the prism of valuations, Indian equities are trading at a record premium to MSCI EM valuations. On the earnings front, estimates have been downgraded since Jan’22, with Nifty 50 estimated to deliver growth of 13.8% for Cy 22 (as per FTSE) while CY23 estimated growth is more impressive at 18.1%. Not the highest within Asia but clearly superior to China (FTSE estimates of 4.5% growth for CY22 and 17.1% for CY23). While FIIIs have been sellers over the last 12 months (though July & August saw positive inflows), the impressive earnings forecast and the increasing weight of India within MSCI EM Index (2nd highest country allocation), will keep them interested in India going ahead as well.

FUND FEATURES: (Data as on 30th September’22)

Category: Small Cap Fund

Monthly Avg AUM: ₹ 1,505.41 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

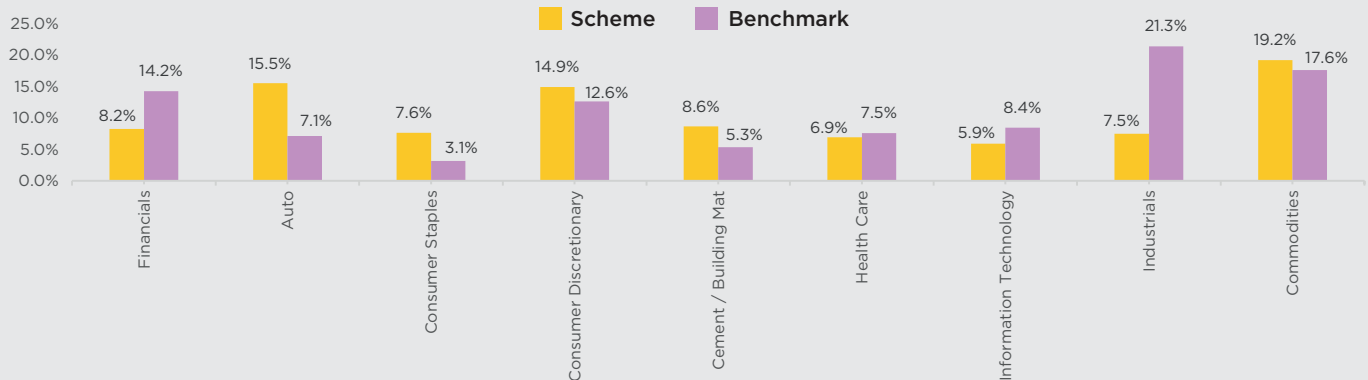
The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.

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	94.18%	V-Mart Retail	1.38%
Consumer Durables	10.23%	Pharmaceuticals & Biotechnology	3.10%
Metro Brands	3.08%	Gland Pharma	1.19%
Kajaria Ceramics	2.81%	Laurus Labs	0.99%
Mayur Uniquoters	1.75%	FDC	0.91%
Cera Sanitaryware	1.43%	Commercial Services & Supplies	3.06%
Greenply Industries	1.16%	eClerx Services	1.72%
Auto Components	9.26%	TeamLease Services	1.34%
Automotive Axles	2.30%	Automobiles	2.79%
Wheels India	2.10%	Maruti Suzuki India	1.56%
Alicon Castalloy	1.94%	Tata Motors	1.23%
Jamna Auto Industries	1.61%	Capital Markets	2.73%
GNA Axles	1.32%	Multi Commodity Exchange of India	1.47%
Industrial Products	8.02%	UTI Asset Management Company	1.26%
Shaily Engineering Plastics	3.61%	IT - Software	2.65%
Carborundum Universal	2.71%	Zensar Technologies	1.44%
Graphite India	0.96%	Birlasoft	1.21%
Kirloskar Brothers	0.74%	Agricultural, Commercial & Construction Vehicles	2.30%
Leisure Services	7.52%	Ashok Leyland	2.30%
Westlife Development	2.63%	Agricultural Food & other Products	2.12%
EIH	2.10%	Balrampur Chini Mills	2.12%
Jubilant Foodworks	1.42%	Banks	1.88%
Taj GVK Hotels & Resorts	0.91%	State Bank of India	1.88%
Restaurant Brands Asia	0.47%	Construction	1.73%
Chemicals & Petrochemicals	5.88%	Kalpataru Power Transmission	1.73%
NOCIL	2.60%	IT - Services	1.50%
Navin Fluorine International	2.33%	Cyient	1.50%
Chemplast Sanmar	0.95%	Fertilizers & Agrochemicals	1.48%
Beverages	4.05%	Heranba Industries	1.48%
Radico Khaitan	2.93%	Diversified	1.21%
United Spirits	1.12%	DCM Shriram	1.21%
Healthcare Services	3.80%	Petroleum Products	1.11%
Narayana Hrudayalaya	1.75%	Gulf Oil Lubricants India	1.11%
Krishna Institute of Medical Sciences	1.16%	Industrial Manufacturing	1.09%
Krsnaa Diagnostics	0.88%	Syrma SGS Technology	1.09%
Finance	3.34%	Cigarettes & Tobacco Products	0.93%
Mas Financial Services	1.20%	Godfrey Phillips India	0.93%
Poonawalla Fincorp	1.10%	Realty	0.93%
Can Fin Homes	1.04%	Mahindra Lifespace Developers	0.93%
Food Products	3.31%	Personal Products	0.76%
Avanti Feeds	1.44%	Emami	0.76%
DFM Foods	1.13%	Textiles & Apparels	0.70%
Heritage Foods	0.74%	Nitin Spinners	0.70%
Cement & Cement Products	3.22%	Insurance	0.26%
JK Lakshmi Cement	1.69%	Life Insurance Corporation of India	0.26%
Sagar Cements	1.53%	Net Cash and Cash Equivalent	5.82%
Retailing	3.21%	Grand Total	100.00%
Vedant Fashions	1.83%		



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 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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