



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

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: Value

Monthly Avg AUM: ₹ 4,949.04 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 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.

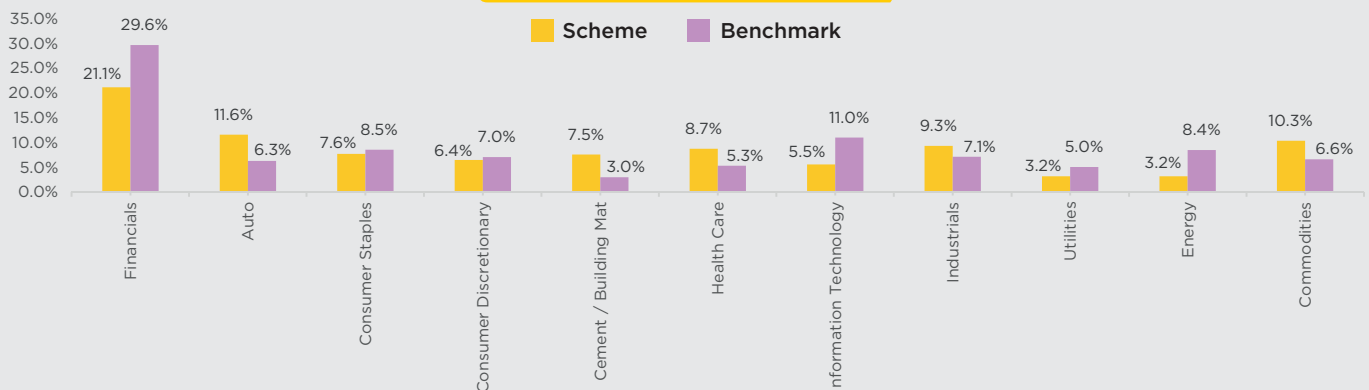
*The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.

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	94.44%	The Ramco Cements	1.58%
Banks	14.70%	Nuvoco Vistas Corporation	1.22%
ICICI Bank	5.11%	JK Cement	0.48%
Axis Bank	3.07%	Sagar Cements	0.45%
State Bank of India	2.71%	Petroleum Products	3.16%
HDFC Bank	2.32%	Reliance Industries	1.70%
Bank of Baroda	1.49%	Bharat Petroleum Corporation - Equity Futures	1.05%
Pharmaceuticals & Biotechnology	8.72%	Bharat Petroleum Corporation	0.41%
Cipla	2.28%	Automobiles	2.71%
Sun Pharmaceutical Industries	1.65%	Tata Motors	1.41%
IPCA Laboratories	1.40%	Hero MotoCorp	1.30%
Dr. Reddy's Laboratories	1.33%	Transport Services	2.60%
Laurus Labs	1.23%	VR Logistics	2.60%
Lupin	0.83%	Diversified FMCG	2.31%
Auto Components	6.56%	ITC	2.31%
UNO Minda	2.74%	Chemicals & Petrochemicals	2.08%
Bosch	1.62%	Deepak Nitrite	2.08%
Tube Investments of India	1.12%	Insurance	2.04%
Wheels India	1.08%	ICICI Lombard General Insurance Company	1.53%
IT - Software	5.54%	Life Insurance Corporation of India	0.51%
Tata Consultancy Services	2.15%	Beverages	1.92%
HCL Technologies	1.90%	Radico Khaitan	1.92%
Persistent Systems	0.79%	Food Products	1.91%
Zensar Technologies	0.69%	Avanti Feeds	1.91%
Electrical Equipment	5.14%	Personal Products	1.86%
CG Power and Industrial Solutions	2.89%	Godrej Consumer Products	1.86%
KEC International	2.25%	Gas	1.85%
Finance	4.34%	Gujarat Gas	1.85%
Poonawalla Fincorp	2.56%	Agricultural Food & other Products	1.56%
Mas Financial Services	1.06%	Tata Consumer Products	1.56%
LIC Housing Finance	0.72%	Construction	1.55%
Consumer Durables	4.17%	NCC	1.55%
Greenpanel Industries	2.35%	Textiles & Apparels	1.43%
Voltas	0.93%	K.P.R. Mill	1.43%
Mayur Uniquoters	0.90%	Power	1.30%
Ferrous Metals	3.99%	NTPC	1.30%
Jindal Steel & Power	2.98%	Retailing	0.86%
Kirloskar Ferrous Industries	1.02%	V-Mart Retail	0.86%
Leisure Services	3.91%	Entertainment	0.73%
The Indian Hotels Company	2.58%	PVR	0.73%
EIH	1.34%	Treasury Bill	0.50%
Industrial Products	3.76%	182 Days Tbill - 2023	SOV 0.50%
Polycab India	1.46%	Net Cash and Cash Equivalent	5.06%
Bharat Forge	1.28%		
Graphite India	1.02%		
Cement & Cement Products	3.73%	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 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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