



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

Category: Small Cap Fund

Monthly Avg AUM: ₹ 1,441.84 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

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/EBITDA; 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 (-4% MoM/ -18.1% YTD). India, Brazil, and China were outliers while all other regions declined (the US -3.3%/Euro area -5.7%). S&P 500 declined -by 4.2% MoM after the strong rally in the first half of August. Indian equities gained 3.9% MoM (in \$ terms) outperforming the broader markets in August (MSCI APxJ/EM: -0.5%/flat). The performance of both mid-caps (+6.2% MoM) and small caps (+6.1% MoM) was better than large caps (+4.2% MoM). All sectors barring IT ended the month in the green as NIFTY improved (+3.5% MoM), currently above the 17,000 level.

In the recently concluded earnings season, earnings growth was driven by strong sales momentum while margins contracted mainly on account of higher raw material prices. OMC (oil marketing companies) losses were a key drag. 1QFY23 EBITDA and Net Profits of the Nifty-50 Index increased 20% and 24% YoY respectively which was mostly in line with the consensus expectations. Looking forward, FY23 Earnings have been cut by -4% post Q1 FY23 earnings, the downgrades are broad-based across sectors. As such, the FY23 earnings growth rate is expected to fall from 16% to 12%. FY24E EPS estimates have largely been retained – as analysts' expectations of pressures on gross margins to reduce given the softening in commodity prices since June'22.

In the past 2 months, Indian market shown a strong 13% return and has significantly outperformed the world and developing markets which have moved up by 4% and 3% respectively. Even on a 1year basis, Indian markets (in USD terms) have shown a 2% return while MSCI World Index is down 11%. Valuations, post the recent push, are again flirting around Oct-Dec'21 elevated levels. Stocks, it seems to have priced in all the “good news”, and may be susceptible to unexpected “bad news” - rebound in crude oil; sharper than expected drop in economic metrics in the US; continued strengthening of US\$ & sharper rise in US 10-year bond yields - in the near term. Tread with caution, for the near term.

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.

PORTFOLIO

(31 August 2022)

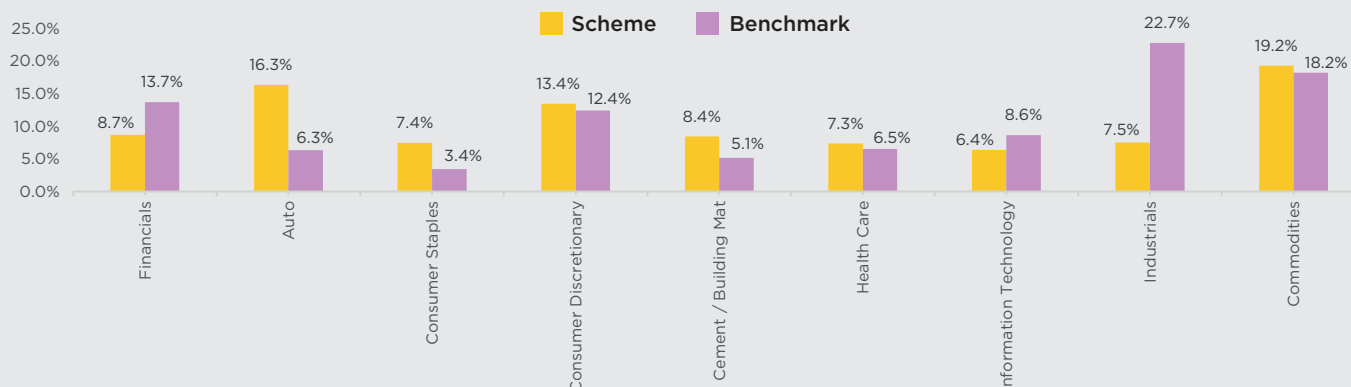


IDFC MUTUAL FUND

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	94.94%	JK Lakshmi Cement	1.38%
Auto Components	9.78%	IT - Software	3.07%
Wheels India	2.33%	Zensar Technologies	1.57%
Automotive Axles	2.25%	Birlasoft	1.50%
Alicon Castalloy	1.79%	Capital Markets	3.00%
Jamna Auto Industries	1.79%	Multi Commodity Exchange of India	1.56%
GNA Axles	1.62%	UTI Asset Management Company	1.44%
Consumer Durables	9.69%	Automobiles	3.00%
Kajaria Ceramics	2.73%	Maruti Suzuki India	1.56%
Metro Brands	2.68%	Tata Motors	1.43%
Mayur Uniquoters	1.74%	Retailing	2.96%
Cera Sanitaryware	1.32%	Vedant Fashions	1.74%
Greenply Industries	1.22%	V-Mart Retail	1.21%
Industrial Products	8.04%	Food Products	2.96%
Shaily Engineering Plastics	3.64%	Avanti Feeds	1.18%
Carborundum Universal	2.56%	DFM Foods	1.06%
Graphite India	1.12%	Heritage Foods	0.72%
Kirloskar Brothers	0.72%	Agricultural, Commercial & Construction Vehicles	2.33%
Leisure Services	6.88%	Ashok Leyland	2.33%
Westlife Development	2.37%	Agricultural Food & other Products	2.14%
EIH	1.85%	Balrampur Chini Mills	2.14%
Jubilant Foodworks	1.41%	Banks	1.89%
Taj GVK Hotels & Resorts	0.76%	State Bank of India	1.89%
Restaurant Brands Asia	0.48%	Construction	1.69%
Chemicals & Petrochemicals	6.04%	Kalpataru Power Transmission	1.69%
NOCIL	2.85%	IT - Services	1.60%
Navin Fluorine International	2.23%	Cyient	1.60%
Chemplast Sanmar	0.96%	Fertilizers & Agrochemicals	1.45%
Beverages	4.05%	Heranba Industries	1.45%
Radico Khaitan	2.97%	Diversified	1.28%
United Spirits	1.08%	DCM Shriram	1.28%
Healthcare Services	3.95%	Petroleum Products	1.26%
Narayana Hrudayalaya	2.17%	Gulf Oil Lubricants India	1.26%
Krishna Institute of Medical Sciences	0.93%	Realty	1.02%
Krsnaa Diagnostics	0.85%	Mahindra Lifespace Developers	1.02%
Finance	3.54%	Industrial Manufacturing	0.97%
Can Fin Homes	1.24%	Syrma SGS Technology	0.97%
Mas Financial Services	1.20%	Cigarettes & Tobacco Products	0.88%
Poonawalla Fincorp	1.10%	Godfrey Phillips India	0.88%
Pharmaceuticals & Biotechnology	3.39%	Personal Products	0.73%
Gland Pharma	1.35%	Emami	0.73%
Laurus Labs	1.13%	Textiles & Apparels	0.71%
FDC	0.92%	Nitin Spinners	0.71%
Commercial Services & Supplies	3.22%	Insurance	0.28%
eClerx Services	1.70%	Life Insurance Corporation of India	0.28%
TeamLease Services	1.52%	Net Cash and Cash Equivalent	5.06%
Cement & Cement Products	3.15%	Grand Total	100.00%
Sagar Cements	1.77%		



SECTOR ALLOCATION



Scheme risk-o-meter	This product is suitable for investors who are seeking*	Benchmark risk-o-meter
<p>Investors understand that their principal will be at Very High risk</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>S&P BSE 250 SmallCap TRI</p>