



IDFC STERLING VALUE FUND

An open ended equity scheme following a value investment strategy

IDFC Sterling Value Fund is a value oriented fund with the current focus on the mid and small cap segment*.

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 (-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.

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

Category: Value

Monthly Avg AUM: ₹ 4,819.11 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: 1.22

R Squared: 0.87

Standard Deviation (Annualized): 29.32%

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.

PORTFOLIO

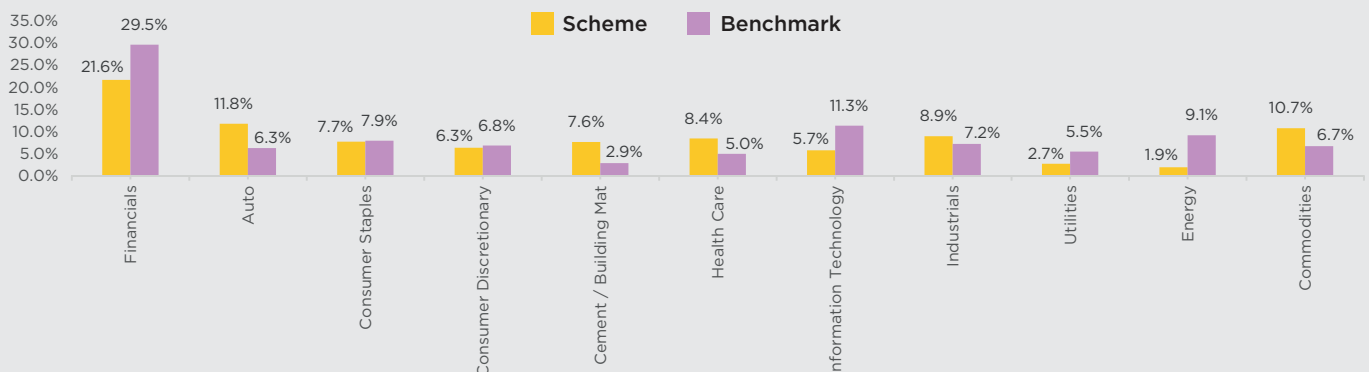
(31 August 2022)



Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	93.36%	The Ramco Cements	1.47%
Banks	14.98%	Nuvoco Vistas Corporation	1.06%
ICICI Bank	5.24%	JK Cement	0.78%
Axis Bank	3.14%	Sagar Cements	0.50%
State Bank of India	2.71%	Leisure Services	3.62%
HDFC Bank	2.42%	The Indian Hotels Company	2.44%
Bank of Baroda	1.47%	Elh	1.18%
Pharmaceuticals & Biotechnology	8.43%	Transport Services	2.64%
Cipla	2.12%	VRL Logistics	2.64%
Sun Pharmaceutical Industries	1.46%	Automobiles	2.56%
IPCA Laboratories	1.38%	Tata Motors	1.63%
Laurus Labs	1.36%	Hero MotoCorp	0.93%
Dr. Reddy's Laboratories	1.30%	Insurance	2.26%
Lupin	0.82%	ICICI Lombard General Insurance Company	1.71%
Auto Components	6.76%	Life Insurance Corporation of India	0.55%
UNO Minda	2.83%	Diversified FMCG	2.22%
Bosch	1.79%	ITC	2.22%
Wheels India	1.19%	Chemicals & Petrochemicals	2.14%
Tube Investments of India	0.95%	Deepak Nitrite	2.14%
IT - Software	5.75%	Beverages	1.92%
Tata Consultancy Services	2.29%	Radico Khaitan	1.92%
HCL Technologies	1.91%	Food Products	1.89%
Persistent Systems	0.86%	Avanti Feeds	1.89%
Zensar Technologies	0.68%	Personal Products	1.88%
Electrical Equipment	4.78%	Godrej Consumer Products	1.88%
CG Power and Industrial Solutions	2.75%	Petroleum Products	1.88%
KEC International	2.03%	Reliance Industries	1.88%
Finance	4.35%	Gas	1.73%
Poonawalla Fincorp	2.56%	Gujarat Gas	1.73%
Mas Financial Services	1.07%	Agricultural Food & other Products	1.65%
LIC Housing Finance	0.71%	Tata Consumer Products	1.65%
Consumer Durables	4.32%	Textiles & Apparels	1.61%
Greenpanel Industries	2.41%	K.P.R. Mill	1.61%
Voltas	1.02%	Construction	1.51%
Mayur Uniquoters	0.89%	NCC	1.51%
Industrial Products	4.06%	Power	1.00%
Bharat Forge	1.47%	NTPC	1.00%
Polycab India	1.41%	Retailing	0.89%
Graphite India	1.18%	V-Mart Retail	0.89%
Ferrous Metals	3.97%	Entertainment	0.75%
Jindal Steel & Power	3.00%	PVR	0.75%
Kirloskar Ferrous Industries	0.97%	Net Cash and Cash Equivalent	6.64%
Cement & Cement Products	3.81%	Grand Total	100.00%



SECTOR ALLOCATION



Scheme risk-o-meter	This product is suitable for investors who are seeking*	Benchmark risk-o-meter	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 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>Tier 1: S&P BSE 500 TRI</p>	<p>Tier 2: S&P BSE 400 MidSmallCap TRI</p>