



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” cyclical 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

How it went:

During January, 2023 Global equities were stronger across regions (MSCI World +7.1% MoM). India (-3.1% MoM) was the only major outlier in the month, as China (+11.8% MoM) and Euro area (+8.3% MoM) too delivered strong positive performance. Indian equities fell (\$ terms, -2.9% MoM/-9.4% FYTD), while underperforming the region and peers (MSCI APxJ/EM: +8.6%/+7.9% MoM). Mid-caps (-2.1% MoM) and small caps (-2.2% MoM) though weak, outperformed the large caps (-2.7% MoM).

How do we look ahead:

After outperforming the other emerging markets handsomely in the calendar year 2022, the Indian market has lagged recently in the last three months. It is trailing the emerging market index by ~25% (in USD terms). Emerging markets have bounced back after a tough CY 2022 on the prospects of growth revival in China as it opens up post COVID along with the optimism that the worst of the inflation scare is behind us, and hence monetary policy globally will gradually ease.

On one hand, India is faced with challenges of slightly above average valuations and higher interest rates globally. On the other hand, there is relatively higher earnings visibility in India compared to most other markets. The currency has underperformed in the last few months making it more attractive given that the long term growth prospects of the economy are bright. Overall we feel that the market offers steady returns for the long term investor at this point.

FUND FEATURES:

(Data as on 31st January'23)

Category: Small Cap Fund

Monthly Avg AUM: ₹ 1,457.44 Crores

Inception Date: 25th February 2020

Fund Manager^^: Mr. Manish Gunwani
(w.e.f. 28 January, 2023)

Benchmark: S&P BSE 250 SmallCap-TRI

Exit Load:

1% if redeemed/switched out within 1 year from the date of allotment

Minimum Investment Amount: ₹1,000 and any amount thereafter

SIP Dates : (Monthly/Quarterly)

Investor may choose any day of the month except 29th, 30th and 31st as the date of installment.

Options Available: The Scheme offer IDCW® Option & Growth Option. IDCW® Option under each Plan further offers of choice of Payout & Sweep facilities.

SIP (Minimum Amount): 100/- and in multiples of Rs.1 thereafter

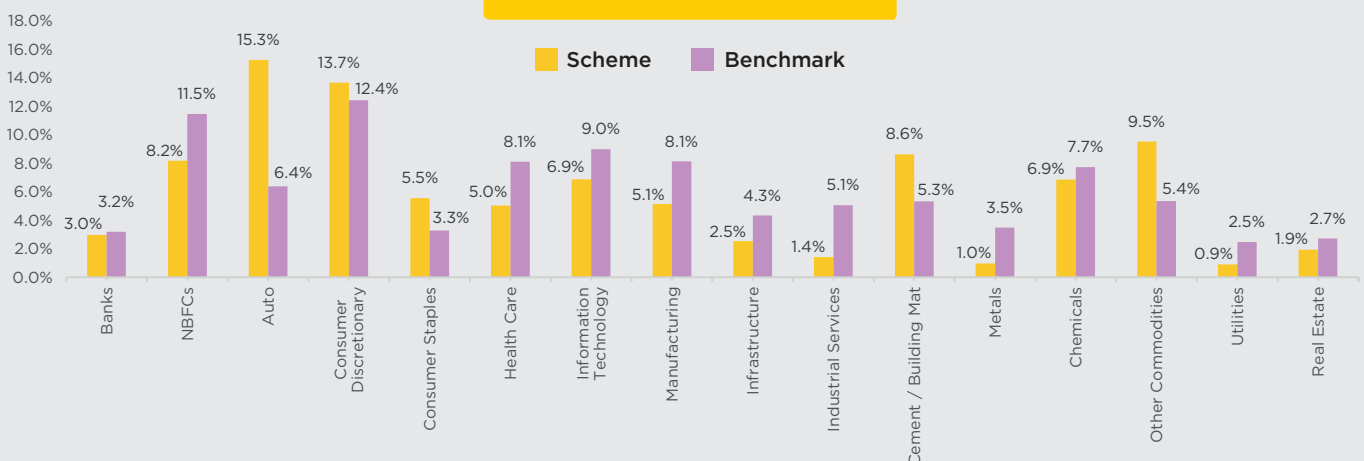
@Income Distribution cum capital withdrawal

^^Mr. Anoop Bhaskar was managing this Scheme till 27th January 2023.

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	95.81%	State Bank of India	2.01%
Auto Components	10.47%	Indian Bank	0.96%
Automotive Axles	3.06%	Healthcare Services	2.90%
Wheels India	1.96%	Narayana Hrudayalaya	1.40%
Alicon Castalloy	1.78%	Krishna Institute of Medical Sciences	1.04%
GNA Axles	1.64%	Krsnaa Diagnostics	0.45%
Jamna Auto Industries	1.46%	Construction	2.53%
Schaeffler India	0.56%	Kalpataru Power Transmission	2.53%
Industrial Products	9.73%	Agricultural Food & other Products	2.36%
Shaily Engineering Plastics	3.02%	Balrampur Chini Mills	2.36%
Carborundum Universal	3.00%	Pharmaceuticals & Biotechnology	2.14%
AIA Engineering	1.42%	FDC	1.12%
Graphite India	0.97%	Gland Pharma	1.02%
Kirloskar Brothers	0.72%	Food Products	2.06%
Finolex Industries	0.60%	Avanti Feeds	1.23%
Consumer Durables	8.59%	Heritage Foods	0.82%
Metro Brands	2.53%	Agricultural, Commercial & Construction Vehicles	2.02%
Kajaria Ceramics	2.09%	Ashok Leyland	2.02%
Mayur Uniquoters	1.53%	Realty	1.94%
Cera Sanitaryware	1.42%	Keystone Realtors	0.97%
Greenply Industries	1.03%	Mahindra Lifespace Developers	0.96%
Leisure Services	6.51%	Commercial Services & Supplies	1.79%
Westlife Foodworld	2.59%	eClerx Services	1.79%
EIH	1.87%	IT - Services	1.70%
Jubilant Foodworks	1.13%	Cyient	1.70%
Taj GVK Hotels & Resorts	0.92%	Automobiles	1.61%
Chemicals & Petrochemicals	4.67%	Maruti Suzuki India	1.61%
NOCIL	2.19%	Transport Services	1.42%
Navin Fluorine International	1.37%	VRL Logistics	1.42%
Chemplast Sanmar	1.11%	Textiles & Apparels	1.39%
Capital Markets	4.21%	Nitin Spinners	0.71%
Multi Commodity Exchange of India	1.78%	Vardhman Textiles	0.68%
UTI Asset Management Company	1.33%	Cigarettes & Tobacco Products	1.23%
ICICI Securities	1.10%	Godfrey Phillips India	1.23%
Finance	3.97%	Petroleum Products	1.15%
Can Fin Homes	1.56%	Gulf Oil Lubricants India	1.15%
Mas Financial Services	1.32%	Industrial Manufacturing	1.11%
Poonawalla Fincorp	1.09%	Syrma SGS Technology	1.11%
Retailing	3.50%	Fertilizers & Agrochemicals	1.10%
V-Mart Retail	1.94%	Heranba Industries	0.98%
Vedant Fashions	1.56%	Paradeep Phosphates	0.12%
Cement & Cement Products	3.49%	Diversified	1.09%
JK Lakshmi Cement	1.92%	DCM Shriram	1.09%
Sagar Cements	1.58%	Gas	0.90%
IT - Software	3.39%	Gujarat State Petronet	0.90%
Zensar Technologies	1.78%	Personal Products	0.65%
Birlasoft	1.61%	Emami	0.65%
Beverages	3.23%	Net Cash and Cash Equivalent	4.19%
Radico Khaitan	3.23%	Grand Total	100.00%
Banks	2.96%		



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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