



## 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 RoC (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

#### 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.

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

#### FUND FEATURES:

(Data as on 31st January'23)

**Category:** Value

**Monthly Avg AUM:** ₹ 5,198.49 Crores

**Inception Date:** 7th March 2008

**Fund Manager<sup>^^</sup>:** Mr. Manish Gunwani (w.e.f. 28 January, 2023) & Mr. Daylynn Pinto (w.e.f. 20th October 2016)

#### Other Parameters:

**Beta:** 1.20

**R Squared:** 0.87

**Standard Deviation (Annualized):** 29.49%

**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:** ₹ 1,000/- 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 Dates: (Monthly/Quarterly)** Investor may choose any day of the month except 29th, 30th and 31st as the date of installment.

**Options Available:** Growth, IDCW<sup>®</sup> (Payout, Reinvestment and Sweep (from Equity Schemes to Debt Schemes only))

**SIP (Minimum Amount):** 100/- (Minimum 6 installments)

PLAN	IDCW <sup>®</sup> 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).

<sup>®</sup>Income Distribution cum capital withdrawal

Ratios calculated on the basis of 3 years history of monthly data.

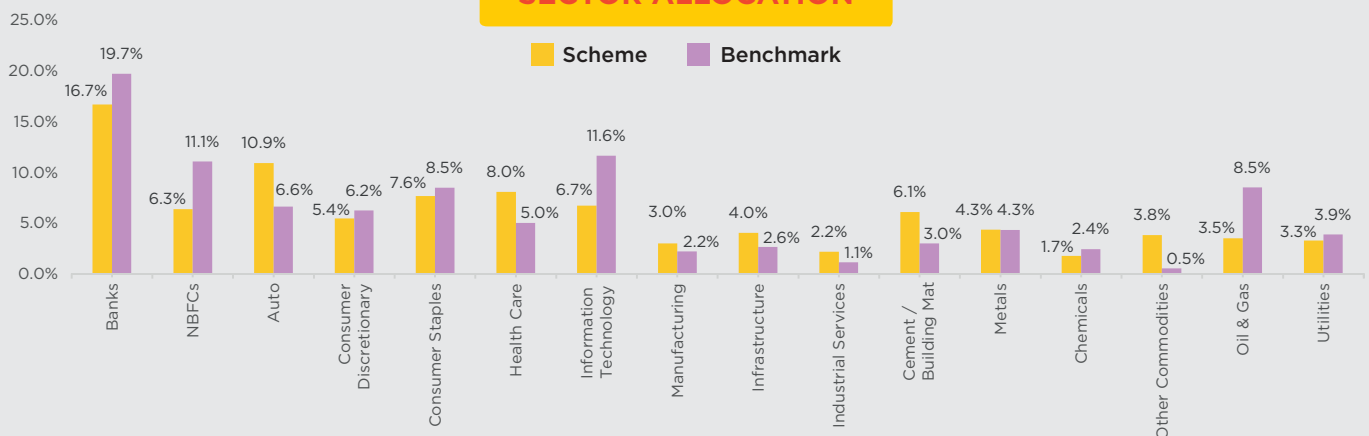
\*The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.

**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
<b>Equity and Equity related Instruments</b>	<b>93.55%</b>	<b>Automobiles</b>	<b>3.20%</b>
<b>Banks</b>	<b>16.66%</b>	Hero MotoCorp	1.71%
ICICI Bank	4.67%	Tata Motors	1.49%
Axis Bank	3.54%	<b>Consumer Durables</b>	<b>3.19%</b>
State Bank of India	2.68%	Greenpanel Industries	1.76%
HDFC Bank	2.48%	Mayur Uniquoters	0.73%
Bank of Baroda	1.92%	Voltas	0.70%
Indusind Bank	1.36%	<b>Cement &amp; Cement Products</b>	<b>3.01%</b>
<b>Pharmaceuticals &amp; Biotechnology</b>	<b>8.04%</b>	The Ramco Cements	1.57%
Cipla	1.97%	Nuvoco Vistas Corporation	1.01%
Sun Pharmaceutical Industries	1.70%	Sagar Cements	0.43%
Dr. Reddy's Laboratories	1.26%	<b>Diversified FMCG</b>	<b>2.73%</b>
IPCA Laboratories	1.23%	ITC	2.73%
Lupin	0.96%	<b>Transport Services</b>	<b>2.16%</b>
Laurus Labs	0.91%	VRL Logistics	2.16%
<b>IT - Software</b>	<b>6.70%</b>	<b>Insurance</b>	<b>1.97%</b>
Tata Consultancy Services	2.60%	ICICI Lombard General Insurance Company	1.97%
HCL Technologies	2.17%	<b>Beverages</b>	<b>1.97%</b>
Tech Mahindra	1.08%	Radico Khaitan	1.97%
Zensar Technologies	0.85%	<b>Construction</b>	<b>1.85%</b>
<b>Electrical Equipment</b>	<b>5.15%</b>	NCC	1.85%
CG Power and Industrial Solutions	2.99%	<b>Personal Products</b>	<b>1.77%</b>
KEC International	2.16%	Godrej Consumer Products	1.77%
<b>Auto Components</b>	<b>4.84%</b>	<b>Chemicals &amp; Petrochemicals</b>	<b>1.75%</b>
UNO Minda	2.27%	Deepak Nitrite	1.75%
Bosch	1.65%	<b>Food Products</b>	<b>1.73%</b>
Wheels India	0.92%	Avanti Feeds	1.73%
<b>Ferrous Metals</b>	<b>4.71%</b>	<b>Power</b>	<b>1.66%</b>
Jindal Steel & Power	3.39%	NTPC	1.66%
Kirloskar Ferrous Industries	1.32%	<b>Gas</b>	<b>1.59%</b>
<b>Finance</b>	<b>4.37%</b>	Gujarat Gas	1.59%
Poonawalla Fincorp	2.36%	<b>Textiles &amp; Apparels</b>	<b>1.34%</b>
Mas Financial Services	1.08%	K.P.R. Mill	1.34%
LIC Housing Finance	0.93%	<b>Agricultural Food &amp; other Products</b>	<b>1.18%</b>
<b>Industrial Products</b>	<b>3.78%</b>	Tata Consumer Products	1.18%
Bharat Forge	1.52%	<b>Retailing</b>	<b>0.81%</b>
Polycab India	1.30%	V-Mart Retail	0.81%
Graphite India	0.95%	<b>Entertainment</b>	<b>0.66%</b>
<b>Petroleum Products</b>	<b>3.49%</b>	PVR	0.66%
Reliance Industries	1.94%	<b>Treasury Bill</b>	<b>0.48%</b>
Bharat Petroleum Corporation	1.56%	182 Days Tbill - 2023	SOV 0.48%
<b>Leisure Services</b>	<b>3.26%</b>	<b>Net Cash and Cash Equivalent</b>	<b>5.97%</b>
The Indian Hotels Company	2.16%	<b>Grand Total</b>	<b>100.00%</b>
EIH	1.10%		



**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"> <li>To create wealth over long term.</li> <li>Investment predominantly in equity and equity related instruments following a value investment strategy.</li> </ul> <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Tier 1: S&amp;P BSE 500 TRI</p>	<p>Tier 2: S&amp;P BSE 400 MidSmallCap TRI</p>