



IDFC BALANCED ADVANTAGE FUND

(previously known as IDFC Dynamic Equity Fund)

An open ended dynamic asset allocation fund

FUND PHILOSOPHY*

IDFC Balanced Advantage Fund is a hybrid fund with active equity allocation changing based on the trailing P/E of Nifty 50 index. The fund has a pre-defined model which indicates the range of active equity allocation based on P/E levels, and there are 6 different range of equity allocation possible. Higher the P/E band, lower will be the active equity allocation and vice versa.

Change of bands happen once a month while changes within the band happen dynamically on a day to day basis. The active equity portfolio is managed like a diversified fund. Active stock selection philosophy combines quality stocks with good growth potential. The quality filters for the fund are – conversion of EBIDTA to operating cash – OCF as % of EBIDTA > 33%; Moderate leverage: Debt EBIDTA < 3x; Profitability: EBIDTA / Net operating Assets > 30%. Thus, companies which qualify these parameters and have higher visibility of growth versus peers will form the core portfolio. Depending on P/E levels, the fund can have more large or mid/small cap names. The fund will also use Nifty futures to dynamically manage active equity allocation within a month.

The debt portion of the fund is actively managed. The portfolio emphasizes on maintaining high credit quality and currently has 100% in AAA or equivalent instruments. Further the portfolio is oriented towards short-to-medium duration strategies.

Bloomberg Nifty P/E data as of 30th December 2022 indicates a value of 22.88 and Equity band for the month of January will be 40-55%.

OUTLOOK

How it went:

Global equities declined by 4.3% MoM, positive returns from China, Spain, Malaysia and Japan were not sufficient to cushion downturn. Emerging markets lost 1.6% MoM while India underperformed with a decline of 5.4% MoM after touching all-time high, due to stretched valuations, covid fears returning, persisting Central Banks' hawkish stance, and FII outflows. However, India has outperformed on 6 month, 1 year and 3 year basis by a decent margin. Indian markets closed the year in red in USD terms, however in local currency Indian markets were slightly in green. The Indian stock market delivered 4.3% returns in CY 2022 in INR terms however falling 5.1% in USD terms. PSUs, Financials, Utilities and Industrials outperformed the market, while IT Services, healthcare and consumer durables underperformed the market. Large caps (BSE 100) did better than the mid-caps (BSE 150 Mid Cap) while small-caps (BSE 250 Small Cap) ended the CY2022 with a negative 2% return.

Outlook for 2023:

Going ahead, at the global front – trajectory of rate hike by US Fed and the cumulative impact of the rate hikes since 2022 on the economic growth could be the biggest global factor which investors will track and try to predict/forecast. On the geo-political front, the continuing Ukraine/Russia war may impact commodity prices only if it escalates to a higher level. Any resolution, though, could be a sentiment booster. A bigger impact on commodities could be driven by the state of the Chinese economy, which amidst a slowdown faces the additional challenge of a sharp spurt in Covid -19 related cases. The embattled European economy could slide into a deeper recession if the weight of "oversized" fuel costs does not drop sharply in the coming months. Gas prices today are trading at an equivalent of 2-2.25x current crude oil prices (diesel to generate power would be cheaper than using LNG to generate power in Europe today). Three of our neighboring countries (Bangladesh; Nepal and Sri Lanka) are in different stages of negotiations with World Bank for an economic package to alleviate the post pandemic downturn. Our focus should be on earnings delivery. Surprising to many, yet correct, would be the importance of delivery of earnings growth since Dec '19. While liquidity has been the other pillar on which the market returns have been built upon, earnings growth has been the dominant factor for this uptrend. With valuations at an elevated level – delivery of earnings will be the key driver for the markets ahead.

While global factors are important, delivery of earnings, to us remains paramount. Ceteris paribus, all things remaining the same, market returns would be positive, if earnings get delivered!

"IDFC Dynamic Equity Fund" has been renamed as "IDFC Balanced Advantage Fund" with effect from May 03, 2021. Refer the addendum issued in this regard, in the Download center i.e. <https://idfcmf.com/download-centre/notices>

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.

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

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).

Fund Features:

(Data as on 31st December'22)

Category: Dynamic Asset Allocation or Balanced Advantage

Monthly Avg AUM: ₹ 2,822.99 Crores

Inception Date: 10th October 2014

Fund Managers: Equity Portion: Mr. Sachin Relekar (w.e.f. 1st March 2022) & Mr. Sumit Agrawal (w.e.f. 01st March 2017), **Debt Portion:** Mr. Brijesh Shah (w.e.f. 16th July 2022)

Standard Deviation (Annualized): 14.00%

Modified Duration: 1.37 Years*

Average Maturity: 1.53 Years*

Macaulay Duration: 1.41 Years*

Yield to Maturity: 7.06%*

*Of Debt Allocation Only

Benchmark: NIFTY 50 Hybrid Composite debt 50:50 Index (w.e.f. 1st Dec, 2021)

Asset allocation:

Gross Equity* (Including Arbitrage): 70.74%

Debt: 29.26%

Net Equity: 51.43%

Market Cap Split:

Large Cap: 84.52%

Mid and Small Cap: 15.48%

Minimum Application Amount: ₹5,000/- and any amount thereafter.

Exit Load: In respect of each purchase of Units:

- For 10% of investment: Nil

- For remaining investment: 1% if redeemed/switched out within 1 year from the date of allotment (w.e.f. July 5, 2017)

Sip Dates : (Monthly/Quarterly*) Investor may choose any day of the month except 29th, 30th & 31st of instalment. *Any day of next month from the Quarter end.

Options Available: Growth, IDCW® (Payout, Reinvestment and Sweep (from Equity Schemes to Debt Schemes only))

PLAN	IDCW® RECORD DATE	₹/UNIT	NAV
REGULAR	29-Dec-22	0.16	12.8840
	29-Sep-22	0.12	12.7990
	29-Jun-22	0.12	12.1300
DIRECT	29-Dec-22	0.18	14.3210
	29-Sep-22	0.15	14.1780
	29-Jun-22	0.13	13.3900

®Income Distribution cum capital withdrawal

Debt portion: Mr. Arvind Subramanian managed this scheme up to 15th July, 2022.

PORTFOLIO

(31 December 2022)

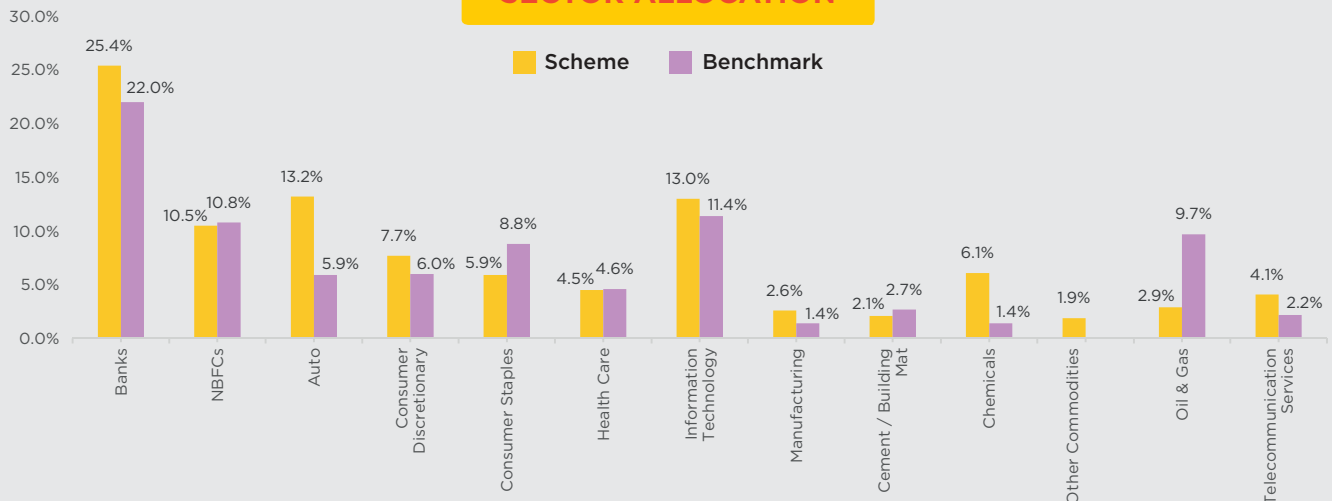


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
Equity and Equity related Instruments		70.74%	Consumer Durables		1.29%
Net Equity Exposure		51.43%	Titan Company		1.29%
Banks		13.03%	Pharmaceuticals & Biotechnology		1.27%
ICICI Bank	8.76%		Divi's Laboratories		2.57%
ICICI Bank - Equity Futures	-2.95%		Divi's Laboratories - Equity Futures		-1.30%
HDFC Bank	5.58%		Lupin		0.08%
HDFC Bank - Equity Futures	-1.32%		Lupin - Equity Futures		-0.08%
State Bank of India	1.75%		Sun Pharmaceutical Industries		0.03%
IndusInd Bank	0.90%		Sun Pharmaceutical Industries- Equity Futures		-0.03%
IndusInd Bank - Equity Futures	-0.91%		Diversified FMCG		1.19%
Kotak Mahindra Bank	0.71%		Hindustan Unilever		2.21%
Kotak Mahindra Bank - Equity Futures	-0.72%		Hindustan Unilever - Equity Futures		-1.02%
Bank of Baroda	0.67%		Healthcare Services		1.07%
Axis Bank	0.56%		Apollo Hospitals Enterprise		1.07%
IT - Software		6.73%	Cement & Cement Products		1.06%
Infosys	4.55%		UltraTech Cement		1.60%
Mphasis	1.21%		UltraTech Cement - Equity Futures		-0.53%
Tata Consultancy Services	0.97%		ACC		0.16%
Finance		5.40%	ACC - Equity Futures		-0.16%
Bajaj Finance	4.16%		Food Products		0.53%
HDFC	2.25%		Nestle India		0.53%
HDFC - Equity Futures	-1.98%		Paper, Forest & Jute Products		0.50%
Cholamandalam Invnt and Fin Co	2.01%		Century Textiles & Industries		0.50%
Bajaj Finserv	0.04%		Fertilizers & Agrochemicals		0.48%
Bajaj Finance - Equity Futures	-1.08%		PI Industries		0.78%
Automobiles		4.07%	PI Industries - Equity Futures		-0.30%
Mahindra & Mahindra	2.75%		Electrical Equipment		0.42%
Mahindra & Mahindra - Equity Futures	-0.46%		ABB India		0.42%
Tata Motors	0.99%		Textiles & Apparels		0.24%
TVS Motor Company	0.79%		Page Industries		0.24%
Auto Components		2.70%	Aerospace & Defense		0.11%
UNO Minda	1.10%		Bharat Electronics		0.11%
Jamna Auto Industries	0.68%		Personal Products		0.01%
Samvardhana Motherson International	0.52%		Godrej Consumer Products		1.29%
Tube Investments of India	0.40%		Godrej Consumer Products - Equity Futures		-1.28%
Chemicals & Petrochemicals		2.68%	Realty		-0.0004%
SRF	1.25%		DLF		0.08%
SRF - Equity Futures	-0.10%		DLF - Equity Futures		-0.08%
Tata Chemicals	1.19%		Government Bond		11.08%
Tata Chemicals - Equity Futures	-0.15%		5.63% - 2026 G-Sec	SOV	10.72%
Aether Industries	0.28%		7.38% - 2027 G-Sec	SOV	0.36%
Clean Science and Technology	0.22%		Certificate of Deposit		6.82%
Retailing		2.44%	Small Industries Dev Bank of India	A1+	3.33%
Avenue Supermarts	2.07%		HDFC Bank	A1+	2.61%
Vedant Fashions	0.37%		Bank of Baroda	A1+	0.88%
Telecom - Services		2.10%	Treasury Bill		4.43%
Bharti Airtel	2.10%		182 Days Tbill - 2023	SOV	2.64%
Petroleum Products		1.49%	364 Days Tbill - 2023	SOV	1.80%
Reliance Industries	5.51%		Corporate Bond		0.91%
Reliance Industries - Equity Futures	-4.02%		Power Finance Corporation	AAA	0.90%
Industrial Products		1.31%	NTPC	AAA	0.01%
Carborundum Universal	0.81%		Commercial Paper		0.88%
Shaily Engineering Plastics	0.50%		Kotak Mahindra Investments	A1+	0.88%
Beverages		1.30%	Net Cash and Cash Equivalent		5.14%
United Spirits	2.15%		Grand Total		100.00%
United Spirits - Equity Futures	-0.85%				



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. Dynamic allocation towards equity, derivatives, debt and money market instruments. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>NIFTY 50 Hybrid Composite debt 50:50 Index</p>

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.