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 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.

FUND FEATURES:
(Data as on 31st December'22)
Category: Value
Monthly Avg AUM: ₹ 5,194.63 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: 1.20
R Squared: 0.87
Standard Deviation (Annualized): 29.43%
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 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-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

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!

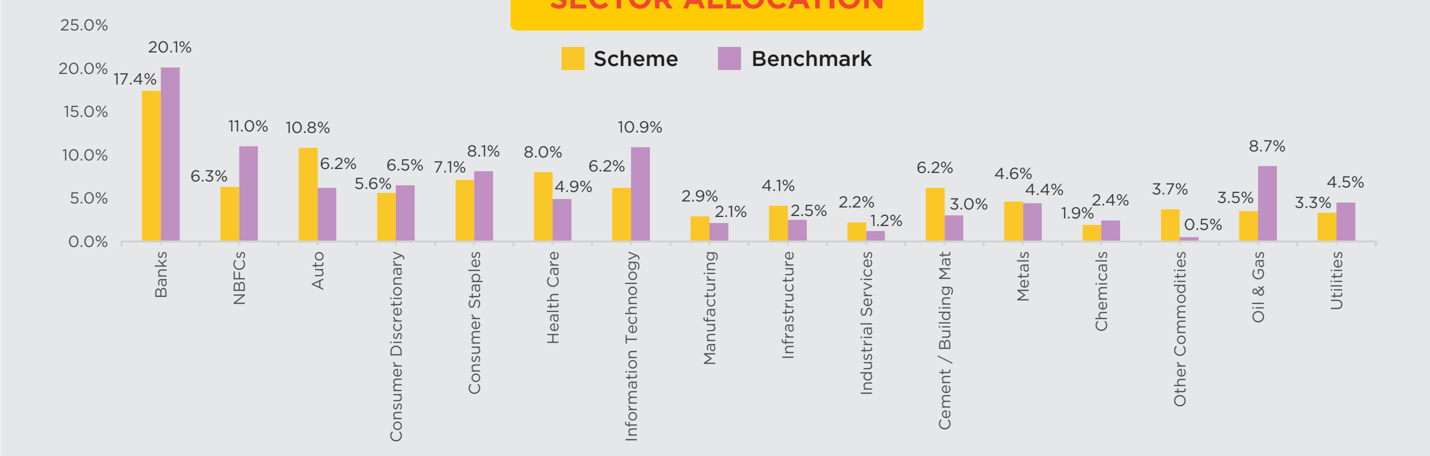
Ratios calculated on the basis of 3 years history of monthly data.
*The above mentioned is the current strategy of the Fund Manager. However, asset allocation and investment strategy shall be within broad parameters of Scheme Information Document.
MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

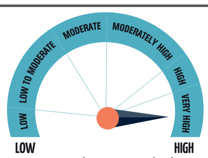
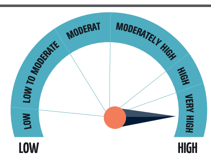
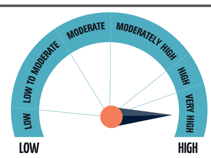
PORTFOLIO (31 December 2022)

IDFC MUTUAL FUND

Name of the Instrument	% to NAV
Equity and Equity related Instruments	**93.67%**
Banks	**17.37%**
ICICI Bank	4.99%
Axis Bank	3.79%
State Bank of India	2.96%
HDFC Bank	2.52%
Bank of Baroda	2.12%
IndusInd Bank	1.00%
Pharmaceuticals & Biotechnology	**8.04%**
Cipla	2.08%
Sun Pharmaceutical Industries	1.64%
Dr. Reddy's Laboratories	1.23%
IPCA Laboratories	1.22%
Laurus Labs	1.01%
Lupin	0.85%
IT - Software	**6.22%**
Tata Consultancy Services	2.39%
HCL Technologies	2.01%
Tech Mahindra	1.08%
Zensar Technologies	0.74%
Electrical Equipment	**5.32%**
CG Power and Industrial Solutions	2.98%
KEC International	2.34%
Auto Components	**5.03%**
UNO Minda	2.42%
Bosch	1.67%
Wheels India	0.94%
Ferrous Metals	**4.71%**
Jindal Steel & Power	3.48%
Kirloskar Ferrous Industries	1.23%
Finance	**4.50%**
Poonawalla Fincorp	2.44%
Mas Financial Services	1.10%
LIC Housing Finance	0.96%
Industrial Products	**3.88%**
Bharat Forge	1.53%
Polycab India	1.34%
Graphite India	1.01%
Leisure Services	**3.48%**
The Indian Hotels Company	2.28%
EIH	1.20%
Petroleum Products	**3.46%**
Reliance Industries	1.97%
Bharat Petroleum Corporation	1.49%
Consumer Durables	**3.24%**
Greenpanel Industries	1.82%
Mayur Uniquoters	0.72%
Voltas	0.70%
Cement & Cement Products	**3.03%**
The Ramco Cements	1.56%
Nuvoco Vistas Corporation	1.02%
Sagar Cements	0.45%
Automobiles	**2.97%**
Hero MotoCorp	1.69%
Tata Motors	1.27%
Diversified FMCG	**2.31%**
ITC	2.31%
Transport Services	**2.18%**
VRL Logistics	2.18%
Chemicals & Petrochemicals	**1.88%**
Deepak Nitrite	1.88%
Insurance	**1.81%**
ICICI Lombard General Insurance Company	1.81%
Beverages	**1.76%**
Radico Khaitan	1.76%
Construction	**1.72%**
NCC	1.72%
Gas	**1.69%**
Gujarat Gas	1.69%
Food Products	**1.69%**
Avanti Feeds	1.69%
Personal Products	**1.69%**
Godrej Consumer Products	1.69%
Power	**1.61%**
NTPC	1.61%
Agricultural Food & other Products	**1.33%**
Tata Consumer Products	1.33%
Textiles & Apparels	**1.30%**
K.P.R. Mill	1.30%
Retailing	**0.82%**
V-Mart Retail	0.82%
Entertainment	**0.66%**
PVR	0.66%
Treasury Bill	**0.48%**
182 Days Tbill - 2023	0.48%
Net Cash and Cash Equivalent	**5.86%**
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
 Investors understand that their principal will be at Very High risk	• To create wealth over long term. • Investment predominantly in equity and equity related instruments following a value investment strategy. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them.	 Tier 1: S&P BSE 500 TRI	 Tier 2: S&P BSE 400 MidSmallCap TRI

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