



IDFC Transportation and Logistics Fund

An open-ended equity scheme investing in transportation and logistics sector

The Scheme seeks to generate long-term capital growth by investing predominantly in equity and equity related securities of companies engaged in the transportation and logistics sector.

FUND PHILOSOPHY

The fund would invest at least 80% of the corpus in securities of companies that broadly represent the transportation & logistics sector within basic industries like passenger vehicles, commercial vehicles, motorcycles, airlines, shipping, e-commerce companies into delivery business and logistics solution providers etc. The investment would be based on a bottom-up stock selection approach and would take a concentrated bet on certain businesses with stock concentration of 30-40 stocks. Fund would remain market cap agnostic and focus on businesses having long runaways for growth with no or limited technology/obsolescence risk.

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!

FUND FEATURES:

(Data as on 31st December'22)

Category: Sector

Monthly Avg AUM: ₹ 246.49 Crores

Inception Date: 27 October 2022

Fund Manager: Mr. Daylynn Pinto (equity portion), Mr. Harshal Joshi (debt portion) Ms. Nishita Doshi (will be managing overseas investment portion of the scheme.)

Benchmark: Nifty Transportation and Logistics Index

Minimum Investment Amount: ₹ 5,000/- and in multiples of Re. 1/- thereafter

Exit Load:

- ▶ If redeemed/switched out within 1 year from the date of allotment - 1% of applicable NAV.
- ▶ If redeemed/switched out after 1 year from the date of allotment - Nil.

Options Available: Growth, IDCW[@] (Payout, Reinvestment and Transfer (from Equity Schemes to Debt Schemes only))

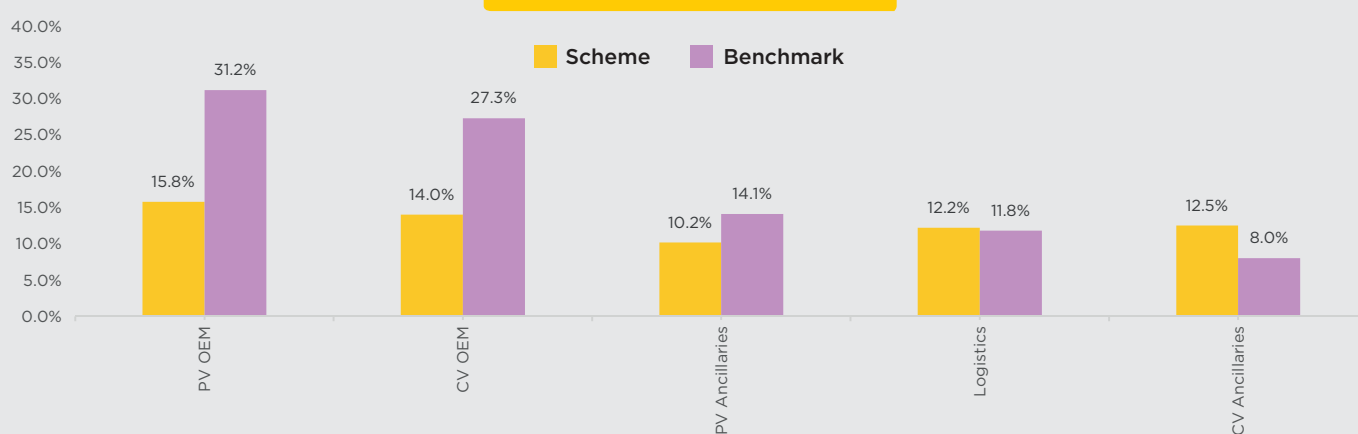
Sip Dates: (Monthly/Quarterly*)

Investor may choose any day of the month except 29th, 30th & 31st of instalment. *Any day of next month from the Quarter end.

[@]Income Distribution cum capital withdrawal

PORTFOLIO
(31 December 2022)

Name of the Instrument	Rating	% to NAV
Equity and Equity related Instruments		64.50%
Automobiles		24.89%
Maruti Suzuki India		5.75%
Mahindra & Mahindra		5.04%
Bajaj Auto		4.37%
Tata Motors		3.91%
Hero MotoCorp		3.87%
Eicher Motors		1.95%
Auto Components		20.73%
Apollo Tyres		3.27%
Bosch		2.78%
Schaeffler India		1.88%
MRF		1.78%
Automotive Axles		1.76%
Jamna Auto Industries		1.67%
Sandhar Technologies		1.54%
Alicon Castalloy		1.53%
Steel Strips Wheels		1.29%
Sundram Fasteners		1.18%
Exide Industries		1.09%
GNA Axles		0.95%
Samvardhana Motherson International		0.01%
Transport Services		8.91%
InterGlobe Aviation		2.63%
VRL Logistics		2.62%
Container Corporation of India		2.09%
Gateway Distriparks		1.58%
Agricultural, Commercial & Construction Vehicles		4.90%
Escorts Kubota		2.59%
Ashok Leyland		2.31%
Transport Infrastructure		3.30%
Adani Ports and Special Economic Zone		3.30%
Industrial Products		1.77%
Bharat Forge		1.77%
Net Cash and Cash Equivalent		35.50%
Grand Total		100.00%


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 a long term. Investment predominantly in equity and equity related instruments of the companies engaged in the transportation and logistics sector. <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>Nifty Transportation and Logistics Index</p>