



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” cyclicals 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

Indian equities continued their upward momentum in July with markets rebounding by 46% from March lows despite the relentless increase in daily new Covid cases and sharp earnings downgrades.

Going forward, the pace of economic recovery would depend largely on the extent of local lockdowns on account of spread of Covid-19. Markets seems to have run ahead of fundamentals and are less than 10% lower than all-time highs. Global and domestic liquidity seems to have played a significant part in the sharp upmove seen in the markets. Investors should tread with caution as the number of cases and deaths in India continue to rise. Also, earnings uncertainty for FY21 is fairly high with a wide range of analyst estimates. Various valuation parameters after dropping to an “attractive” zone in April’20 have moved into the “expensive” zone. Investors need to be cautious at current levels given the combination of higher valuation and a possibility of a slower than expected earnings recovery in FY21.

FUND FEATURES: (Data as on 31st July’20)

Category: Small Cap Fund

Monthly Avg AUM: ₹556.24 Crores

Inception Date: 25th February 2020

Fund Manager: Mr. Anoop Bhaskar

Benchmark: S&P BSE 250 SmallCapTRI

Exit Load:

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

Minimum SIP Amount: ₹100 and in multiples of ₹1 thereafter

SIP Frequency: Monthly

SIP Dates (Monthly): Investor may choose any day of the month except 29th, 30th and 31st as the date of instalment.

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

PORTFOLIO

(31 July 2020)

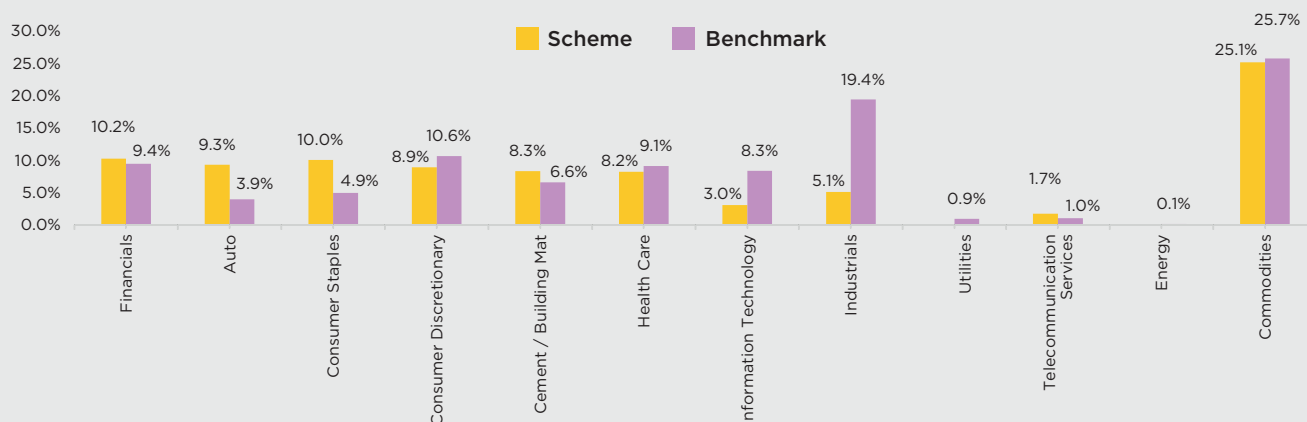


IDFC MUTUAL FUND

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
Equity and Equity related Instruments	89.82%	ElH	0.41%
Consumer Non Durables	15.25%	Auto Ancillaries	3.49%
Radico Khaitan	4.07%	Wheels India	1.37%
Balrampur Chini Mills	2.33%	Jamna Auto Industries	1.16%
DCM Shriram	1.73%	GNA Axles	0.73%
Godfrey Phillips India	1.66%	Jtekt India	0.24%
Heritage Foods	1.64%	Software	3.03%
DFM Foods	1.26%	Birlasoft	2.38%
Jubilant Foodworks	1.17%	eClerx Services	0.65%
Emami	0.98%	Auto	2.90%
Zydus Wellness	0.41%	Escorts	1.67%
Finance	8.84%	Ashok Leyland	1.23%
Multi Commodity Exchange of India	4.61%	Petroleum Products	2.88%
ICICI Lombard General Insurance Company	2.02%	Gulf Oil Lubricants India	2.88%
Muthoot Finance	1.09%	Commercial Services	2.57%
IDFC	0.98%	TeamLease Services	2.57%
Mas Financial Services	0.13%	Consumer Durables	2.56%
Industrial Products	8.73%	Blue Star	1.50%
Finolex Industries	2.27%	Borosil	0.58%
Shaily Engineering Plastics	2.18%	Orient Electric	0.48%
Huhtamaki PPL	1.74%	Retailing	2.25%
Prince Pipes And Fittings	1.54%	V-Mart Retail	1.86%
Carborundum Universal	1.00%	Arvind Fashions	0.39%
Chemicals	7.28%	Healthcare Services	2.13%
Navin Fluorine International	3.73%	Narayana Hrudayalaya	2.13%
NOCIL	3.34%	Telecom - Services	1.70%
Rossari Biotech	0.22%	Bharti Airtel	1.70%
Pesticides	6.20%	Textiles - Cotton	1.70%
Rallis India	4.11%	Vardhman Textiles	1.70%
PI Industries	2.10%	Fertilisers	1.45%
Pharmaceuticals	6.08%	Coromandel International	1.45%
FDC	2.09%	Banks	1.39%
Divi's Laboratories	1.56%	Kotak Mahindra Bank	1.39%
Suven Pharmaceuticals	1.44%	Cement	0.87%
Laurus Labs	0.99%	Deccan Cements	0.87%
Construction	3.62%	Media & Entertainment	0.82%
Kajaria Ceramics	2.64%	INOX Leisure	0.82%
Cera Sanitaryware	0.96%	Textile Products	0.46%
PSP Projects	0.02%	K.P.R. Mill	0.46%
Hotels, Resorts And Other Recreational Activities	3.59%	Net Cash and Cash Equivalent	10.18%
Westlife Development	3.18%	Grand Total	100.00%



SECTOR ALLOCATION



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Investment in equity and equity related instruments of Small cap companies.

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.