



IDFC DYNAMIC EQUITY FUND

An open ended dynamic asset allocation fund

(The Fund has been repositioned with effect from June 19, 2017)^{§§}

‘Dynamically’ invests between Equity and Debt

An Equity fund that buys less when markets are expensive and more when markets are cheap Based on the model that tracks market valuation

FUND PHILOSOPHY

IDFC Dynamic Equity 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 with higher allocation to large caps when active equity exposure is lower. As an approach followed, the fund will add more mid/small cap exposure when active equity exposure increases with P/E levels coming down. P/E and mid/small cap exposure is inversely correlated – higher P/E will lead to lower mid/small cap and lower P/E will lead to higher mid/small cap exposure.

Active stock selection philosophy combines quality stocks with good growth potential. The quality filters for the fund are – EBITDA to cash flow conversion; moderate leverage; and healthy profitability. 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 cap names. The fund will also use Nifty futures to dynamically manage active equity allocation within a month.

FUND HIGHLIGHT

Volatility continued to reign in the last quarter with both local and global factors in play. The quarter witnessed a crisis of confidence in the NBFC space, local state election results, RBI Governor Resignation and crude collapse. Brent corrected 35% in the quarter providing a welcome relief and rupee appreciated 4% after 12% depreciation in the preceding 3 quarters.

Nifty corrected in the month of October and touched a low of 10,030 before recovering and closing the year at 10,863. The fund changed its band in the month of October to 55-65% active equity exposure and again changed it in November to 40-55%.

The fund is over-weight in Automobiles, Healthcare and Consumer Staples, equal weight in Technology and Industrials and underweight in Financials, Energy, Telecom and Commodity.

The fund continued its over-weight position in automobile sector but trimmed the sector weight by 330bps over the quarter. We are positive on certain auto ancillary segments like tyres which is resulting in the sector over-weight stance as OE demand remain soft and the fund has just 1 auto original equipment manufacturer (OEM) exposure while it exited 1 auto OEM in the last quarter. The fund increased its weight in health care segment by almost 360 bps by adding two names which are a play on domestic pharma market. Combined with the existing stock positions, the fund now has 8.4% weight in pharma in a mix of domestic and US generic play. The other big increase in weight was done in financial sector with exposure increasing by 370 bps to 31.1%. The increase was done by adding corporate sector lenders in the portfolio. With bottoming of NPAs, earnings of corporate lenders should witness a strong bounce in the ensuing quarters and the fund increased its exposure to capture this opportunity. The increase in the weight was funded by decline in weight of automobile sector. The fund reduced its weight in energy sector by exiting couple of oil and gas stocks in the last quarter.

We continue to believe that an objective model is the best way to determine active equity allocation and it helps in eliminating any inherent bias of the investment team. Also, increasing mid/small cap exposure when active exposure increases with P/E levels coming down helps the investor generate additional alpha compared to being invested only in large cap stocks. This may lead to some near term underperformance but should result in higher alpha generation over a longer time interval.

IDFC DEF has decreased or increased active equity allocation as per the model and has followed the philosophy of “Buy low, sell high”. This fund is best suited for investors who want to minimize their downside risks in volatile market and at the same time participate in the long term equity growth story.

Fund Features:

Category: Dynamic Asset Allocation or Balanced Advantage

Monthly Avg AUM: ₹1,151.55 Crores

Inception Date: 10th October 2014

Fund Managers:

Equity Portion: Mr. Arpit Kapoor and Mr. Sumit Agrawal (w.e.f. 01/03/17)

Debt Portion: Mr. Arvind Subramanian (w.e.f. 09/11/2015)

Standard Deviation (Annualized): 6.33%

Modified Duration: 2.20 years*

Average Maturity: 2.84 years*

Yield to Maturity: 8.20%*

*Of Debt Allocation Only

Benchmark: CRISIL Hybrid 35+65 - Aggressive Index[§]

Asset allocation:

Net Equity: 54.31%

Debt: 45.69%

Gross Equity (Including Arbitrage): 66.21%

Market Cap Split:

Large Cap: 69.47%

Mid and Small Cap: 30.53%

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

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

PLAN	DIVIDEND RECORD DATE	₹/UNIT	NAV
REGULAR	25-Oct-18	0.05	10.2900
	23-Jul-18	0.15	11.0600
	20-Apr-18	0.15	11.1324
DIRECT	25-Oct-18	0.10	10.8400
	23-Jul-18	0.15	11.6000
	20-Apr-18	0.15	11.6362

Face Value per Unit (in ₹) is 10

Dividend is not guaranteed and past performance may or may not be sustained in future. Pursuant to payment of dividend, the NAV of the scheme would fall to the extent of payout and statutory levy (as applicable).

[§]CRISIL Balanced Fund Aggressive Index has been renamed as CRISIL Hybrid 35+65 - Aggressive Index w.e.f. February 2018
Ratios calculated on the basis of 3 years history of monthly data.

The allocation mentioned is as per current strategy and market conditions; this is however subject to change without notice.

PORTFOLIO

(31 December 2018)

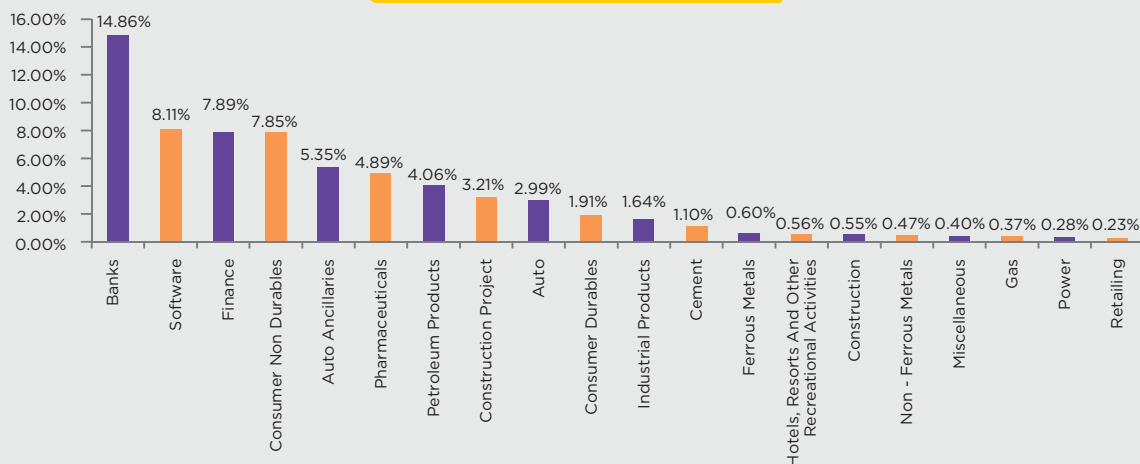


IDFC MUTUAL FUND

Name of the Instrument	Ratings	% to NAV	Name of the Instrument	Ratings	% to NAV
Equity and Equity related Instruments		66.22%	GNA Axles		0.37%
Net Equity Exposure		54.31%	Minda Industries		0.08%
Banks		11.10%	MRF		0.63%
HDFC Bank		5.26%	Sandhar Technologies		0.82%
HDFC Bank - Equity Futures		-1.20%	Gas		-0.003%
ICICI Bank		2.60%	Petronet LNG		0.38%
IndusInd Bank		1.09%	Petronet LNG - Equity Futures		-0.38%
IndusInd Bank - Equity Futures		-1.10%	Cement		1.12%
Kotak Mahindra Bank		1.35%	Ambuja Cements		0.78%
Kotak Mahindra Bank - Equity Futures		-0.26%	Sagar Cements		0.34%
RBL Bank		1.19%	Consumer Durables		1.83%
RBL Bank - Equity Futures		-0.09%	Amber Enterprises India		0.30%
State Bank of India		2.04%	Bata India		0.29%
State Bank of India - Equity Futures		-0.91%	Bata India - Equity Futures		-0.05%
Axis Bank		1.17%	Havells India		0.89%
Axis Bank - Equity Futures		-0.05%	Khadim India		0.40%
Finance		5.58%	Consumer Non Durables		7.18%
HDFC		2.94%	Asian Paints		0.12%
HDFC - Equity Futures		-1.77%	Asian Paints - Equity Futures		-0.12%
Bajaj Finserv		1.28%	Dabur India		1.40%
Bajaj Finserv - Equity Futures		-0.06%	Dabur India - Equity Futures		-0.41%
ICICI Securities		0.40%	Hindustan Unilever		1.22%
M&M Financial Services		1.55%	Hindustan Unilever - Equity Futures		-0.12%
M&M Financial Services - Equity Futures		-0.35%	GlaxoSmithKline Consumer Health		1.32%
Magma Fincorp		0.57%	ITC		1.84%
Mas Financial Services		1.01%	ITC - Equity Futures		-0.27%
Construction		0.56%	Nestle India		1.62%
PNC Infratech		0.56%	Prataap Snacks		0.58%
Auto		1.58%	Non - Ferrous Metals		0.19%
Mahindra & Mahindra		2.15%	Hindalco Industries		0.47%
Mahindra & Mahindra - Equity Futures		-0.56%	Hindalco Industries - Equity Futures		-0.27%
Maruti Suzuki India		0.83%	Ferrous Metals		0.28%
Maruti Suzuki India - Equity Futures		-0.83%	Jindal Steel & Power		0.63%
Industrial Products		2.14%	Jindal Steel & Power - Equity Futures		-0.35%
AIA Engineering		0.92%	Construction Project		1.93%
Apollo Pipes		0.40%	KEC International		0.58%
Supreme Industries		0.81%	Larsen & Toubro		2.59%
Retailing		0.22%	Larsen & Toubro - Equity Futures		-1.25%
Future Retail		0.22%	Petroleum Products		3.09%
Pharmaceuticals		4.55%	Reliance Industries		3.76%
Aikem Laboratories		0.92%	Reliance Industries - Equity Futures		-0.68%
Aurobindo Pharma		1.49%	Index		0.70%
Dishman Carbogen Amcis		0.32%	Nifty 50 Index - Equity Futures		0.70%
Cadila Health		1.21%	Corporate Bond		24.69%
Cadila Health - Equity Futures		-0.08%	HDB Financial Services	AAA	0.85%
IPCA Laboratories		0.69%	HDFC	AAA	2.15%
Hotels, Resorts And Other Recreational Activities		0.56%	Kotak Mahindra Prime	AAA	2.14%
The Indian Hotels Company		0.56%	LIC Housing Finance	AAA	0.43%
Software		6.84%	NABARD	AAA	2.11%
Infosys		3.06%	NTPC	AAA	0.02%
KPIT Technologies		0.58%	Power Grid Corporation of India	AAA	2.10%
Mastek		0.59%	REC	AAA	8.40%
Tata Consultancy Services		1.44%	Reliance Industries	AAA	6.48%
Tata Consultancy Services - Equity Futures		-0.20%	Certificate of Deposit		2.13%
Tech Mahindra		2.36%	HDFC Bank	A1+	2.13%
Tech Mahindra - Equity Futures		-1.00%	Net Cash and Cash Equivalent		18.87%
Auto Ancillaries		4.87%	Grand Total		100.00%
Apollo Tyres		1.32%			
Asahi India Glass		0.40%			
Balkrishna Industries		0.76%			
Balkrishna Industries - Equity Futures		-0.26%			
Exide Industries		0.73%			



INDUSTRY ALLOCATION



The industry allocation is provided at gross equity exposure



This product is suitable for investors who are seeking*:

- To create wealth over long term
- Dynamic allocation towards equity, derivatives, debt and money market instruments

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

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⁵⁵ For details please refer Notice (<https://www.idfcmf.com/uploads/160520171236May-16-2017-Change-in-investment-strategy-of-IDFC-Dynamic-Equity-Fund.pdf>)

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