



## IDFC STERLING VALUE FUND

(Previously known as IDFC Sterling Equity Fund w.e.f. May 28, 2018)  
An open ended equity scheme following a value investment strategy

IDFC Sterling Value Fund is a value fund that focuses on active stock selection strategy.

### 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 HIGHLIGHT

The year 2018 has been challenging on multiple fronts for mid and small cap funds. Firstly, the dichotomy in performance between the large, mid and small cap categories has taken investors by surprise with CY2018 underperformance of 18%/32% between large and mid/small caps respectively. This underperformance of mid/small caps vs large caps was the worst in the last 16 years and it neatly reversed the outperformance in 2017. Secondly, there was the notification from SEBI with respect to classification of funds, which lead to change in categorisation of IDFC Sterling Equity Fund to IDFC Sterling Value Fund. With its classification as a Value Fund, the vistas for the fund have widened. Without diluting the earlier mandate of investing in mid and small caps with a value bias, the fund now will now look, selectively, at opportunities in the large cap segment as well. During the year, our strategy has been to continue building a portfolio of Leader/Challengers and Emerging businesses with an emphasis on bottom up stock selection. We ended the year with approximately 58% in leader/challenger companies while the remaining portfolio is invested in emerging businesses. Our focus on capital preservation and accumulating cash for selective purchases remains. As a result, cash levels were maintained around the 6-7% level during the year. The other focus area was to increase the size of our holdings and hence weights of several stocks increased an exercise which will continue going forward as well. In line with this strategy, during the quarter, we have added just 2 stocks i.e. Indian Bank and IPCA Laboratories while exited 5 stocks namely Aavas Financiers, Ashok Leyland, Indusind Bank, Max Financial and PVR Limited.

#### FUND FEATURES:

**Category:** Value

**Monthly Avg AUM:** ₹2,967.46 Crores

**Inception Date:** 7th March 2008

**Fund Manager:** Mr. Anoop Bhaskar (w.e.f. 30/04/2016) & Mr. Daylynn Pinto (w.e.f. 20/10/2016)

**Beta:** 1.12

**R Square:** 0.85

**Standard Deviation (Annualized):** 18.50%

**Benchmark:** S&P BSE 500 TRI (w.e.f. May 28, 2018)

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

**Exit Load:** 1% if redeemed on or before 365 days from the date of allotment. (w.e.f. 07/09/2015)

**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	16-Feb-18	1.38	23.2025
	10-Mar-17	1.31	18.6235
	21-Mar-16	1.50	15.8685
DIRECT	10-Mar-17	1.37	19.3894
	21-Mar-16	1.50	16.3433
	16-Mar-15	2.00	20.8582

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).

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

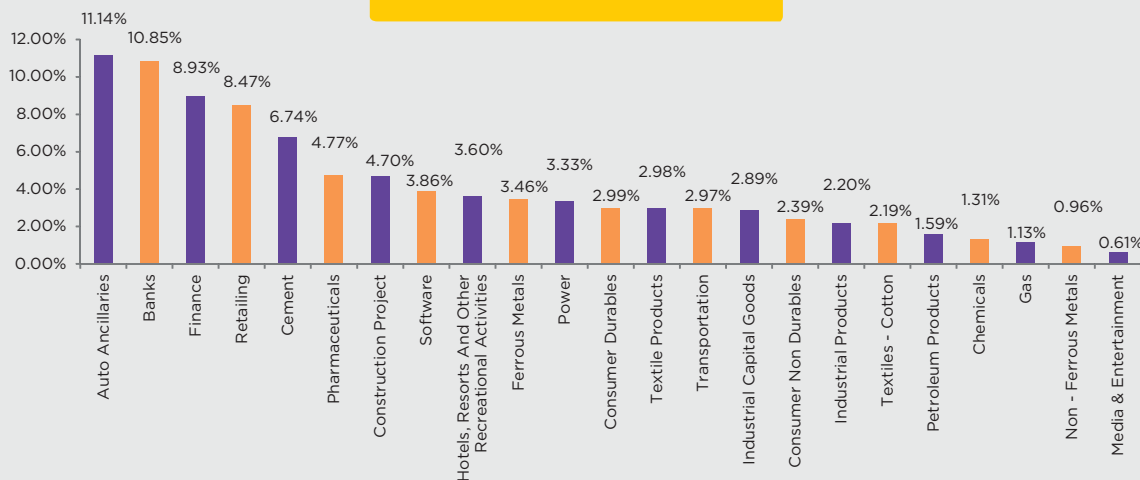
The allocation mentioned above is as per current strategy and market conditions; this is however subject to change without notice.

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

Name of the Instrument	% to NAV	Name of the Instrument	% to NAV
<b>Equity and Equity related Instruments</b>	<b>94.03%</b>	<b>Hotels, Resorts And Other</b>	
<b>Auto Ancillaries</b>	<b>11.14%</b>	<b>Recreational Activities</b>	<b>3.60%</b>
Exide Industries	2.03%	The Indian Hotels Company	2.10%
MRF	1.92%	EIH	1.04%
Apollo Tyres	1.71%	Wonderla Holidays	0.46%
Minda Industries	1.49%	<b>Ferrous Metals</b>	<b>3.46%</b>
Tube Investments of India	1.06%	Jindal Steel & Power	1.36%
Asahi India Glass	0.95%	Maharashtra Seamless	1.08%
WABCO India	0.80%	Steel Authority of India	0.61%
Igarashi Motors India	0.65%	Kirloskar Ferrous Industries	0.41%
Sterling Tools	0.51%	<b>Power</b>	<b>3.33%</b>
<b>Banks</b>	<b>10.85%</b>	Kalpataru Power Transmission	1.37%
RBL Bank	3.04%	Nava Bharat Ventures	1.02%
Axis Bank	1.84%	CESC	0.95%
ICICI Bank	1.43%	<b>Consumer Durables</b>	<b>2.99%</b>
The Karnataka Bank	1.41%	Crompton Greaves Consumer Electricals	1.47%
Bank of Baroda	1.29%	Greenply Industries	1.02%
Indian Bank	1.04%	Butterfly Gandhimathi Appliances	0.49%
The Federal Bank	0.80%	<b>Textile Products</b>	<b>2.98%</b>
<b>Finance</b>	<b>8.93%</b>	Raymond	1.39%
M&M Financial Services	1.80%	K.P.R. Mill	0.89%
Mas Financial Services	1.48%	Dollar Industries	0.70%
Magma Fincorp	1.45%	<b>Transportation</b>	<b>2.97%</b>
ICICI Lombard General Insurance Company	1.34%	VRL Logistics	1.80%
Bajaj Finance	1.22%	Future Supply Chain Solutions	1.17%
ICICI Securities	0.84%	<b>Industrial Capital Goods</b>	<b>2.89%</b>
BSE	0.80%	CG Power and Industrial Solutions	0.92%
<b>Retailing</b>	<b>8.47%</b>	Bharat Electronics	0.84%
Future Retail	4.51%	Lakshmi Machine Works	0.49%
Aditya Birla Fashion and Retail	1.34%	Skipper	0.44%
V-Mart Retail	1.29%	TD Power Systems	0.20%
Future Lifestyle Fashions	1.23%	<b>Consumer Non Durables</b>	<b>2.39%</b>
RP SG Retail	0.10%	Procter & Gamble Hygiene and Health	0.98%
<b>Cement</b>	<b>6.74%</b>	Emami	0.86%
The Ramco Cements	2.32%	HBL Power Systems	0.55%
JK Cement	1.40%	<b>Industrial Products</b>	<b>2.20%</b>
ACC	1.29%	Graphite India	0.92%
Prism Johnson	1.16%	Schaeffler India	0.86%
Sagar Cements	0.57%	Bharat Forge	0.42%
<b>Pharmaceuticals</b>	<b>4.77%</b>	<b>Textiles - Cotton</b>	<b>2.19%</b>
Aurobindo Pharma	1.69%	Vardhman Textiles	1.43%
IPCA Laboratories	1.22%	Nitin Spinners	0.75%
Dishman Carbogen Amcis	0.83%	<b>Petroleum Products</b>	<b>1.59%</b>
Natco Pharma	0.79%	Hindustan Petroleum Corporation	1.59%
Hikal	0.23%	<b>Chemicals</b>	<b>1.31%</b>
<b>Construction Project</b>	<b>4.70%</b>	Deepak Nitrite	1.31%
KEC International	2.04%	<b>Gas</b>	<b>1.13%</b>
Voltas	1.38%	Gujarat Gas	0.69%
NCC	1.28%	Petronet LNG	0.44%
<b>Software</b>	<b>3.86%</b>	<b>Non - Ferrous Metals</b>	<b>0.96%</b>
Cyient	1.53%	National Aluminium Company	0.96%
KPIT Technologies	1.44%	<b>Media &amp; Entertainment</b>	<b>0.61%</b>
Persistent Systems	0.82%	Entertainment Network (India)	0.61%
RP SG Business Process Services	0.06%	<b>Net Cash and Cash Equivalent</b>	<b>5.97%</b>
		<b>Grand Total</b>	<b>100.00%</b>



**INDUSTRY ALLOCATION**



This product is suitable for investors who are seeking\*:

- To create wealth over long term
- Investment predominantly in equity and equity related instruments following a value investment strategy

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

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