

31 July 2021

COMMENTARY

With a little over half the year behind us, the MSCI India Index is up 13% YTD in USD terms. This is good, until we note that the MSCI India Smallcap Index is up 37% in the same period. The unsurprising follow-up question that we get is, "Is there any upside left? Should we worry about valuations?" Our answer: It is really hard to time the market or foretell a correction, and for the next 12 months there isn't substantial upside from a fundamentals-only perspective given the run up already. However, our investment horizon is usually at least 3 to 5 years out and seen this way, we are excited by the value in the companies we hold.

Covid situation improving: New daily cases are ~40k and much below the peak ~414k seen earlier in this second wave. However, this ~40k number has remained constant for almost a month now – with just 2 states currently contributing to ~65% of new cases. One perspective is that the total active cases at ~400k are low, just ~0.03% of the 1.3bn population. Consequently, restrictions have been relaxed in most parts of the country, and business and mobility indicators are now barely 5% below pre-Covid levels. While the lockdowns during the first wave in 2020 saw a 55% peak to trough dip in business activity and took 10 months to recover, this second wave in 2021 saw only a 40% dip and has bounced back in just 2 months.

Vaccination rate improving, but needs more speed ahead: The 7DMA of daily vaccination is ~4.7mn doses, and total doses administered till now is ~472mn. Around 7.8% of the population is fully vaccinated, while ~27.6% has got one dose. According to the govt., vaccine availability will rise sharply from the start of Aug'21, so as to meet its guidance of complete adult population vaccination by end-2021. This however would need a run-rate of ~10m doses a day, double of where we are now. Nevertheless, an incremental positive is the fourth national serological survey conducted in Jul'21, which showed ~67.6% Indians above the age of 6 had antibodies against Covid-19. This compares with ~21.5% in Dec'21, 6.6% in Sep'20 and only 0.7% in Jun'20.

China outflows to benefit India? Much has been said globally about China's clampdown on some of their companies, resulting in an erosion of nearly US\$ 0.8trn of market cap in Chinese ADRs in a month. Given that China was ~37% of the MSCI EM Index at the start of July, could outflows from there lead to inflows into India and other EMs? It doesn't appear to be the case thus far given FPIs were sellers every day in the last month, net selling just over US\$ 2bn (and over US\$ 3bn if we exclude their participation in IPOs – more on IPOs below). Perhaps some Indian tech-oriented companies could benefit from funds leaving China, but on an overall basis, the India impact could be mixed and too early to comprehend in our view.

New-age IPOs – finally! This year so far, ~27 companies have raised close to US\$ 6.1bn. And potentially the largest Indian IPO of all time (a rumored ~US\$ 2bn+ size) of a fin-tech/e-commerce company is not even through yet. Jul'21 saw the IPO of one of India's two largest food delivery aggregators – perhaps the first real *tech* and *unicorn* IPO. It was valued at ~US\$ 8bn, and closed listing day at a premium of ~65% above IPO price. While India has a flourishing start up eco-system of new age companies, they are practically absent from the listed equity market. The opportunity is huge. For context, this 'new economy' space was 12%/20% of market cap in US/China at the end of CY20. There are 50+ unicorns in India and even if half of them list over the next 5 years, estimates suggest they could collectively add ~US\$ 300-500bn in market cap. Not only would investors get more *tech* options, but India's weight in the MSCI EM index could rise too, from ~10% now.

Valuations and earnings: The Nifty Index trades at ~21.3x FY22e and ~18.2x FY23e PE multiple on our current numbers, and estimates a 33% and 17% EPS growth for FY22/21 and FY23/22 respectively. A few highlights from the ongoing earnings season – 1) the Insurance sector saw the impact of rising COVID related claims, 2) Banks and NBFCs felt the impact of retail segment stress, thus elevating credit cost expectations. Both '1' and '2' we expect are transitory. 3) Autos saw raw material related headwinds compressing margins, 4) On the flip side, this has helped some materials companies post healthy results so far, 5) the IT sector saw revenue growth marginally above consensus estimates on continued healthy deal wins, while margins were lower due to higher personnel related costs, 6) Consumer outcomes were mixed: so there is insufficient evidence of the start of a structural consumer strength story in India but more reflective of the volatility caused by the lockdowns / reopening. What could drive a recovery in India? Amongst other things, a re-leveraging cycle would help. Liquidity is well supplied, rates are at multi-year lows and Small and Medium Enterprises and corporates have been paying back debt even before Covid hit.

MAIN FUND CHARACTERISTICS

Fund	DSP India Equity Fund			
Fund Structure	UCITS ICAV (Sub Fund of DSP Global Funds ICAV)			
Investment Manager	DSP Investment Managers Private Limited			
Investment Area	India Equities			
Total Firm Assets (DSP Investment Managers)	\$16.7 bn as of 30 June 2021			
Share Class	Seed Class			
Launch Date	15 March 2021			
Total Sub Fund Assets	~\$2.5 mn as of 31 Jul 2021			
Base currency	USD			
Currency Classes Available	USD and EUR			
Domicile	Ireland			
Dealing Day (*DD*)	Daily			
Notice (Subscription Redemption)	9:30 pm (Irish time) on the relevant DD			
Settlement (Subscription)	After 3 business days from DD			
Settlement (Redemption)	Within 5 business days from DD			
Management Company	KBA Consulting Management Limited			
Number of Stocks	~49			
Cap-wise split	Small Cap – 66.5%, Mid Cap – 22.5%, Large Cap – 7.1%, Cash – 3.9%			
Portfolio Turnover (last 12m)	17%			
Strategy AUM	~US\$ 1,810 mn as of 31 Jul 2021			
Website	https://www.dspindia.com/ucit			
ISIN	IE00BK0WZ337			
Stocks	Total Mcap (USD bn)	Weight	Stocks	Weight
Manappuram Finance	2.4	4.19%	Financial Services	20.7%
Balkrishna Industries	6.2	3.92%	Consumer Durables	11.4%
Max Financial Services	5.2	3.82%	FMCG/Retail	11.3%
Atul Limited	3.6	3.37%	Auto	9.3%
Supreme Industries	3.6	3.26%	Building Materials	7.0%
IPCA Laboratories	3.6	3.18%	Pharma/Healthcare	6.5%
Coromandel International	3.6	2.95%	IT/Telecom/Tech	6.5%
The Ramco Cements	3.5	2.85%	Agri	5.5%
Jubilant Foodworks	6.7	2.84%	Chemicals	5.4%
Bata India	2.8	2.74%	Capital Goods	4.7%
			Oil & Gas	3.1%
			Logistics	2.4%
Portfolio Metrics*	FY21E	FY22E	FY23E	
EPS Growth (%)	11.3%	24.5%	24.2%	
P/E	41.2	36.9	29.7	
P/BV	7.4	6.5	5.6	
ROE	17%	18%	18%	

*The portfolio metrics displayed are estimates of the anticipated development of the portfolio holdings when measured against certain metrics. Some computations may also have extreme values removed from the calculations. These estimates are not intended to be an estimate or representation of future performance of the fund.

TYPICAL INDIA INVESTMENTS

(tend to be in large-caps, often benchmarked to MSCI India)



As on 6 Aug 2021

FFMC - Free Float Market Cap TMC - Total Market Cap

RETURN DRIVERS

(Quality companies delivering higher ROE and profit growth exist down the market-cap chain as well)

L&MC	LARGE & MIDCAPS	sc	SMALL CAPS	RETURN DRIVERS			
NO. OF STOCKS MOVED	MARKET CAP CLASSIFICATION (AS ON JAN 2008)		MARKET CAP CLASSIFICATION (AS ON MAR 2021)		AVE PRICE APPRECIATION CAGR	PROFIT POOL INCREASE (% CAGR)	AVERAGE ROE
48	L&MC		L&MC		10.9%	7.3%	1.4%
42	L&MC		SC		2.4%	NEGATIVE	6.1%
30	SC		L&MC		24.9%	17.7%	24.5%
139	SC		SC		20.4%	7.2%	22.0%
119	SC		SC		9.4%	3.5%	7.1%

As on 31 Jul 2021

WEALTH CREATORS

WEALTH DESTROYERS

PERFORMANCE TRACK RECORD

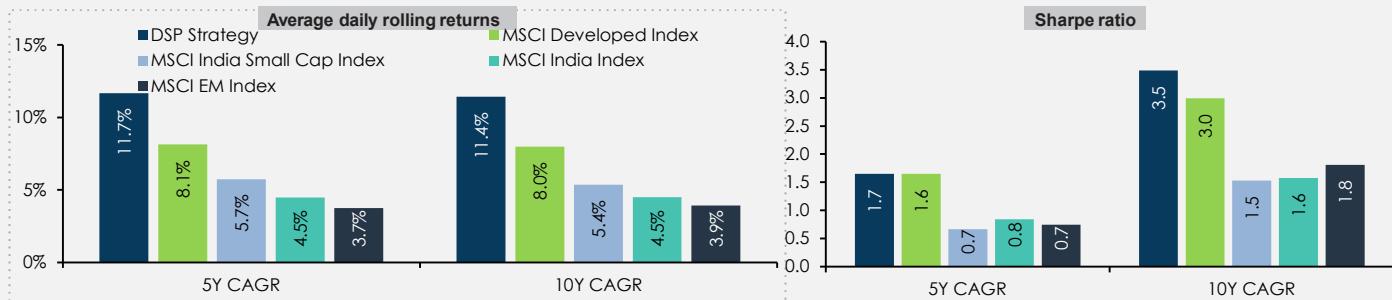
(The DSP Strategy has generated alpha in 3Y, 5Y, 8Y, 10Y and Since Inception periods)

USD CAGR Performance as on 30 July 2021. Compared with all UCITS funds focused on India.	1-Year	3-Year	5-Year	8-Year	10-Year	Since Inception
	31-Jul-20	31-Jul-18	29-Jul-16	31-Jul-13	29-Jul-11	14-Nov-06
DSP Representative Fund	57.26%	13.38%	13.25%	20.99%	11.20%	11.86%
Ranking	8	6	5	1	1	2
No of funds	44	43	41	35	34	22
Quartile Position	1	1	1	1	1	1
Average India focused UCITS returns	46.93%	8.74%	9.42%	12.34%	6.81%	7.16%
MSCI India USD	42.87%	9.86%	10.81%	10.56%	5.86%	6.41%
MSCI India Small Cap USD	88.96%	12.24%	13.52%	18.50%	8.10%	7.61%
Custom 20:80 Composite Index	79.74%	11.77%	12.97%	16.91%	7.65%	7.37%

Note: The 'average India focused UCITS returns' refers to the average returns of all India focused UCITS equity funds as listed on Bloomberg. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. The DSP Strategy has been implemented since 14 Nov 2006 through certain products managed by DSP Investment Managers Pvt Ltd which are not available for investment in any jurisdiction except for India.

THE OPPORTUNITY

- India is the **2nd largest** contributor to global GDP growth but has less than **1%** representation in MSCI All Country World Index, and **~10%** in MSCI Emerging Markets Index
- Consumption is **~58%** of GDP; **65%** of the population < **35** years of age
- Inefficient markets, particularly down the market cap spectrum where active management has delivered compelling excess returns over time

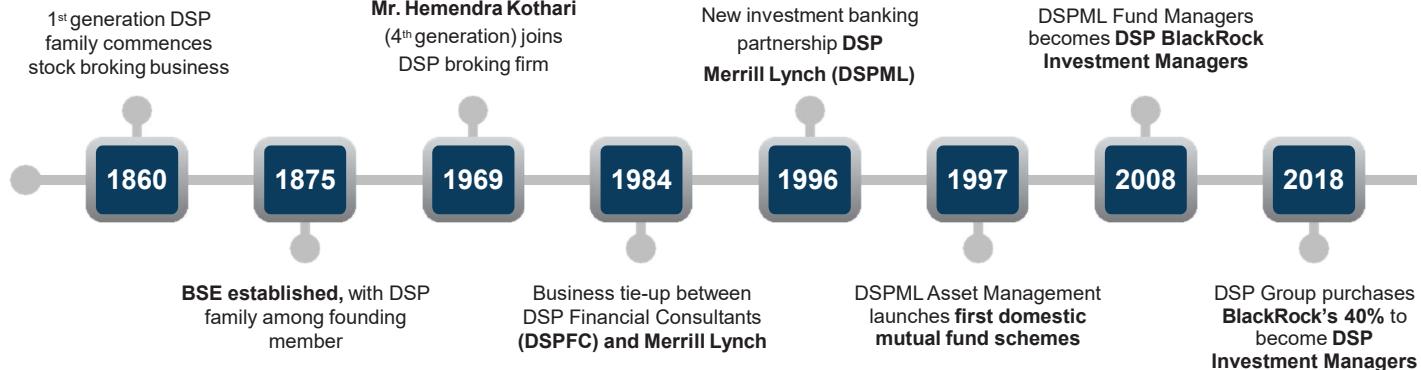


*Data from Nov 2006 to 31 Jul 2021. All figures in USD. Source Bloomberg. This graph does not contain information about the performance or risks of DSP India Equity Fund, but only about DSP Strategy and other indices. PAST PERFORMANCE WARNING: Please be aware that those figures refer to the past and past performance is not a reliable indication of future results. The performance shown for DSP Strategy is net performance, which takes into account the effect of management fees and other administrative charges. Please note that these fees and charges may be different to those charged for DSP India Equity Fund. Kindly refer to the last page below for performance in the prescribed format.

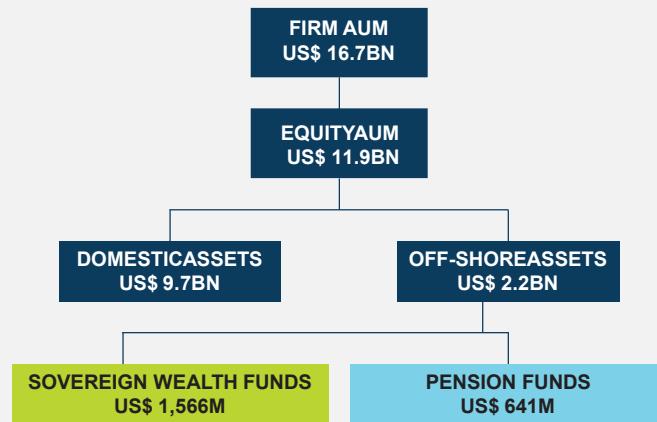
ABOUT DSP INVESTMENT MANAGERS

- The DSP Group, is one of India's oldest financial services firms having commenced its business in the 1860's

EVOLUTION OF DSP



ASSET UNDER MANAGEMENT



As on 31 Jul 2021

DSP KEY HIGHLIGHTS & OUR PRINCIPLES

- Core Business:** Investment Management
- Two decades of investment best practices:** From JVs with Merrill Lynch and BlackRock
- Strong corporate access:** DSP Group brought many of the top 300 companies in India to capital markets for the first time
- Skin in the Game:** The DSP Group family invests their wealth in DSP Funds. DSP employees too invest in DSP Funds
- Experienced Talent:** The on-ground 24 member Equity Investment team have witnessed many market, economic & business cycles since 1997
- Investment Frameworks:** Building transparency, clarity & alignment with investors, through regular communication
- Sustainability:** Incorporating ESG (Environment, Social, Governance) into our investment framework
- Sceptical Analyst:** Focus on avoiding exposure to companies with accounting misrepresentations / bad governance

FUND MANAGER

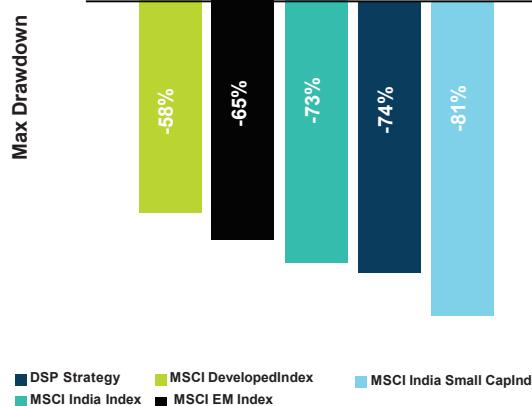
Vinit Sambre heads the equity team at DSP and has been with the firm since 2005. His 23 years of investment experience across 4 major market cycles, stand as a testament to his in-depth knowledge of Indian equities with expertise in small mid caps.

**POTENTIAL RISKS**

Investing into Small cap & Mid cap companies could come with a variety of risks, such as, but not limited to:

1. Business model might not scale, given they may have lesser access to capital, not as many resources, face competition from larger companies etc.
2. Volatility in returns tend to be higher than for large cap companies, especially during periods of economic contractions.
3. Liquidity risk may be a challenge owing to lower trading volumes
4. Key man (promoter) risk may arise as critical decision making may be concentrated on a single person
5. Corporate governance concerns including board composition, accounting issues, performance incentives etc.
6. Insufficient data on businesses may not be available in the public domain making an informed evaluation more difficult for potential investors.
7. Unproven business models given limited history if the company is new, or expanding into newer business lines to pursue growth

Additional country risks for international investors may also apply such as political risk, currency risk, macro risk, regulatory risk, sovereign risk, economic risk to name a few.

**FUND TERMS**

Objective: The DSP India Equity Fund (the "Fund") aims to achieve long term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities of mid cap and small cap companies.

Investment philosophy: Bottom up approach to stock picking. Universe: is anticipated that the Fund will invest across the entire range of capitalizations (across large cap, mid cap and small cap), however there will be a focus on mid cap and small cap companies. The classification of capitalizations will be based on the classifications of securities comprised in the MSCI INDIA INDEX and the MSCI INDIA SMALL CAP INDEX, which are the indices used by the Fund for performance comparison purposes only. Diversified: Typically portfolio of ~50 stocks across market capitalization.

Management LLP , DSP

Risk management: Governed by a robust risk framework; No leverage;

Auditors and Tax Advisors: Grant Thornton

Legal Advisor to the ICAV as to Irish law: Zeidler Legal Services

Secretary: Clifton Fund Consulting Limited

Administrator: HSBC Securities Services (Ireland) DAC

Domicile: Ireland

Dealing and Valuation: Daily

Depository: HSBC Continental Europe, Ireland

Global Distributors : Thornbridge Investment

Global Services (Mauritius) Limited

Class	Total Fees and Operating Expenses
Seed Class	(i) 0.70% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is up to \$150 million; or (ii) 0.60% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is greater than \$150 million and up to \$300 million; or (iii) 0.40% of the Net Asset Value of the Seed Class when the Net Asset Value of the Fund is greater than \$300 million

PERFORMANCE IN PRESCRIBED FORMAT	31/07/2020 to 31/07/2021	31/07/2019 to 31/07/2020	31/07/2018 to 31/07/2019	31/07/2017 to 31/07/2018	29/07/2016 to 31/07/2017
MSCI India Index	42.87%	-3.39%	-3.95%	5.30%	19.72%
MSCI India Small Cap Index	88.96%	-8.12%	-18.55%	-1.82%	35.85%
DSP Strategy	56.90%	2.11%	-9.10%	-0.63%	28.72%
MSCI EM Index	18.43%	4.04%	-4.64%	1.99%	22.07%
MSCI Developed Index	33.16%	5.37%	1.60%	9.79%	13.90%

Investments in funds are subject to risk Past performance is no guarantee of future returns The money invested in a fund can increase and decrease in value and there is no guarantee that you will get back the full amount invested

Shares				Performance			Fees	
Class	CCY	Distribution Policy	Launch Date	Initial Offer Price	Minimum Holding	Minimum Initial Subscription	Subscription Fee	Redemption Fee
Seed Class*	USD	Accumulation	15 March 2021	10 USD	1,00,000 USD	1,00,000 USD	Up to 5%	None
Class A Unhedged	USD	Accumulation	-	10 USD	1000 USD	1000 USD	Up to 5%	None
Class A Unhedged	EUR	Accumulation	-	10 EUR	1000 EUR	1000 EUR	Up to 5%	None
Class B Unhedged	USD	Accumulation	-	10 USD	1,00,000 USD	1,00,000 USD	Up to 5%	None
Class B Unhedged	EUR	Accumulation	-	10 EUR	1,00,000 EUR	1,00,000 EUR	Up to 5%	None
Founder Class**	USD	Accumulation	-	10 USD	1,00,000 USD	1,00,000 USD	Up to 5%	None

*The Seed Class is a founders share class and will be open for subscriptions until the Class reaches US\$50 million in net assets or such other period as may be determined by the Directors.

**The Founders Class is a founders share class and will be open for subscriptions until the Class reaches US\$50 million in net assets or such other period as may be determined by the Directors.

DISCLAIMER

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The prospectus and KIIDs for the Fund are available at DSP Global Funds ICAV, 5, George's Dock, IFSC, Dublin 1, Ireland. The prospectus is available in English and the KIIDs are available in English and Swedish. Swiss representative: Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva, Switzerland. Swiss paying agent: Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva, Switzerland. The Fund is domiciled in Ireland. The prospectus, KIIDs, instrument of incorporation and annual and semi-annual report can be obtained from the Swiss representative.

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