29 February 2024

# DSP INDIA EQUITY FUND

This is a marketing communication. Please refer to the prospectus of the UCITS and to the KIID before making any final decisions. This document is intended only for professional clients and / or qualified investors.

DSP ASSET MANAGERS

## INVESTMENT STRATEGY

**The investment objective of the DSP India Equity Fund ("Fund") is 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.**

## PERFORMANCE TRACK RECORD

***Past performance does not predict future returns***

| USD CAGR Performance as on 29 February 2024 | 1-Year 28-Feb-23 | 3-Years 26-Feb-21 | 5-Years 28-Feb-19 | 8-Years 29-Feb-16 | 10-Years 28-Feb-14 | Since Inception 14-Nov-06 |
|---|---|---|---|---|---|---|
| DSP India Equity Fund | 33.17% | - | - | - | - | - |
| DSP Strategy | - | 11.88% | 14.60% | 15.30% | 15.86% | 11.36% |
| Nifty Midcap 150 TR | 56.78% | 22.64% | 21.54% | 19.56% | 19.28% | 11.77% |
| MSCI India USD | 37.30% | 12.81% | 13.34% | 13.21% | 10.52% | 7.05% |

***Source: Internal.***

## KEY FUND CHARACTERISTICS

**Fund:** DSP India Equity Fund

**Fund Structure:** UCITS ICAV (Sub Fund of DSP Global Funds ICAV)

**Investment Manager:** DSP Asset Managers Private Limited

**Fund Manager:** Vinit Sambre

**Investment Area:** India Equities

**Total Firm Assets (DSP Asset Managers):** ~$21 bn as of 29 February 2024

**Total Sub Fund Assets:** ~#$18.5 mn as of 29 February 2024

**Strategy AUM:** ~US$ 1,985.6 mn as of 29 February 2024

**Share Class:** Seed Class

**Launch Date:** 15 March 2021

**Base currency:** USD

**Currency Classes:** Available USD and EUR

**Domicile:** Ireland, **Dealing Day (DD):** Daily

**Notice (Subscription Redemption):** 10:00 am (Irish time) on the relevant DD

**Website, Prospectus and KIID :** https://www.dspindia.com/ucits

**Settlement (Subscription):** After 5 business days from DD

**Settlement (Redemption):** Within 5 business days from DD

**Management Company:** KBA Consulting Management Limited

**Auditors and Tax Advisors:** Grant Thornton

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

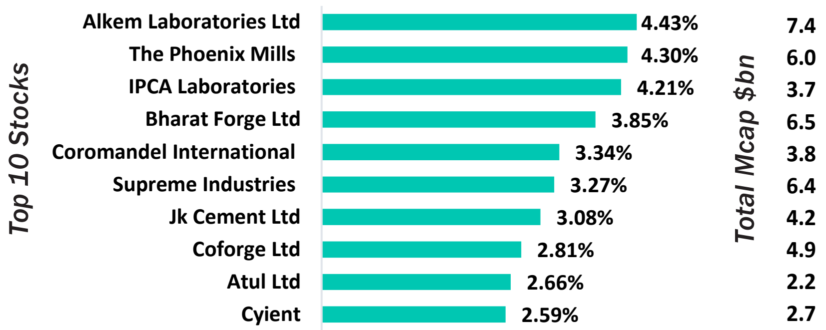
**Global Distributor:** DSP Global Services (Mauritius) Limited

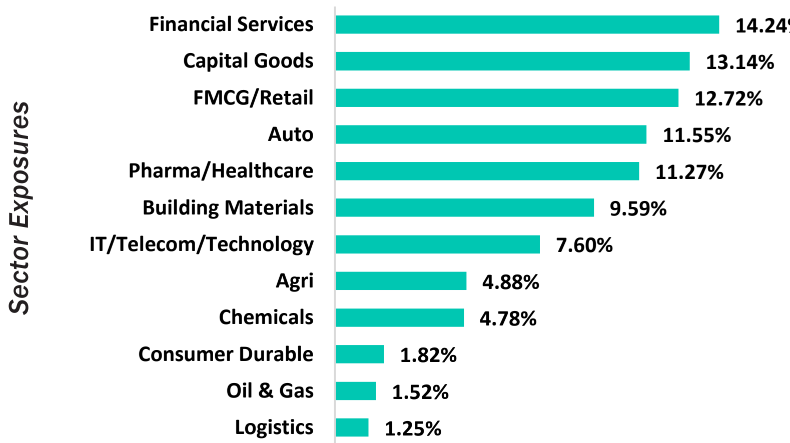
**Administrator:** HSBC Securities Services (Ireland) DAC

**ISIN:** IE00BK0WZ337

**Bloomberg Ticker:** DSPIESU ID EQUITY

## PORTFOLIO CHARACTERISTICS




| Portfolio Metrics** | FY24 | FY25E | FY26E |
|---|---|---|---|
| EPS Growth (%) | 27% | 35% | 23% |
| P/E (x) | 38.3 | 31.4 | 26.0 |
| P/BV | 7.3 | 6.2 | 5.3 |
| ROE | 17% | 19% | 20% |

| Fund Construct | Details |
|---|---|
| Number of Stocks | 56 |
| Portfolio Turnover (last 12m) | *27% (for DSP Strategy)* |
| Cap-wise split *(for DSP Strategy)* | Small Cap – 53.43%, Mid Cap – 37.12%, Large Cap – 5.75%, Cash – 3.70% |

**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. The investment which is herein promoted concerns the acquisition of shares in a UCITS fund and not in a given underlying asset such as shares of a company as these are only the underlying assets owned by the fund. The Fund is actively managed by the Investment Manager without reference to a benchmark index. Note: S.I. is Since Inception of DSP Strategy. It is not possible to invest directly in an index. Past performance is not a reliable indicator of future results. The Fund is subject to capital gain tax in India.

**^THE DSP STRATEGY HAS BEEN IMPLEMENTED SINCE 14 NOV 2006, AUM ~US$ 2 BN, AS ON 29 FEBRUARY 2024 THROUGH CERTAIN PRODUCTS MANAGED BY DSP ASSET MANAGERS PVT. LTD., WHICH ARE NOT AVAILABLE FOR INVESTMENT IN ANY JURISDICTION EXCEPT FOR INDIA.**

# DSP INDIA EQUITY FUND

DSP ASSET MANAGERS

## FUND MANAGER COMMENTARY

In Feb 2023, we **added** Oil India Limited and **exited** Crompton Greaves Consumer Electricals and Just Dial during the month.

Attribution summary for the month of February 2024:

| Contributors | |
|---|---|
| **Sectors** | **Active weight** |
| Health Care | -0.37 |
| Real Estate | 0.32 |
| Information Technology | 0.14 |
| **Stocks** | **Active weight** |
| Phoenix Mills Ltd | 3.45 |
| One 97 Communications Ltd | -0.41 |
| REC Ltd | -2.15 |

| Detractors | |
|---|---|
| **Sectors** | **Active weight** |
| Consumer Discretionary | 2.20 |
| Industrials | 1.28 |
| Energy | -2.10 |
| **Stocks** | **Active weight** |
| Indian Hotels Co. Ltd | -1.73 |
| Techno Electric & Engineering Ltd | 1.83 |
| Cummins India Ltd | -1.27 |

## Stock Spotlight

- Consumption at **Phoenix Mills**' malls in Q3FY24, was up 24% YoY (up 5% on a like-to-like basis). Retail collections were up 30% YoY. Housing sales are improving while occupancy in hotels also stayed strong. The commissioning of four new malls in the past 12 months should aid earnings growth in the near term, while a strong pipeline of retail (2.65 mn sq. ft) and commercial assets (5 mn sq. ft) should support medium-term growth. Management expects consumption to grow at 15% CAGR for the next five years.
- **Alkem Laboratories** EBITDA grew by 64.5% aided by margin expansion. Lower raw material cost, cost control & easing price erosion in the US market and increased operating leverage are key factors for margins improvement. Alkem is expected to perform well driven by India and US region, new launches, cost optimization and shift of focus to chronic and niche therapies.
- **Bharat Forge** reported an all-time high standalone revenue, growth of 15.9% YoY (+0.6% QoQ) led by growth in both domestic (+33.6% YoY) and export market (+4% YoY). The strong performance in 3Q was driven by execution of new defence orders. Exports from Indian manufacturing operations across components, defence and industrial saw a 36% YoY growth at US$ 200 mn. However, management anticipates a moderation in growth momentum across industries in 4QFY24E and FY2025E, with European business expected to face continued pressure.
- **JK Cement** Q3FY24 standalone EBITDA grew by 147% YoY, led by lower cost on the full ramp-up of its Central India capacities and fall in power & fuel costs. The company achieved a capacity utilization of ~90% within one year of commissioning its new plant, which helped the company deliver higher-than industry volume growth. Along with the results, the management also announced a clinker capacity expansion and associated grinding units.
- **Federal Bank** loan growth was healthy at 18% YoY, while deposits grew ~20% YoY. Both GNPL and NNPL ratios were broadly flat QoQ at 2.3% and 0.6%, respectively. The bank cut its guidance for credit growth at 18% YoY for FY24 (vs 19-20% guided earlier) and highlighted that increasing the share of high-yielding loan book will be RoA accretive. The current MD & CEO's term is ending, and the search for the successor is expected to take around ~3 months.

### AVAILABLE SHARE CLASSES

| Share Class | CCY | Distribution Policy | Launch Date | Initial Offer Price | Minimum Holding | Minimum Initial Subscription | Redemption Fee |
|---|---|---|---|---|---|---|---|
| **Seed Class*** | USD | Accumulation | 15 March 2021 | 10 USD | 1,000,000 USD | 1,000,000 USD | None |
| **Class A Unhedged** | USD | Accumulation | 18 August 2021 | 10 USD | 1000 USD | 1000 USD | None |
| **Institutional Class** | EUR | Accumulation | 01 Nov 2023 | 10 USD | 1,000,000 USD | 1,000,000 USD | None |

*The Seed Class 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.

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## MARKET UPDATE

The Indian markets have remained busy with now the average equity market turnover at~15bn now, which was ~8-9bn a couple of months back. **India market turnover is now more than Hong Kong (Hang Sang Index) which has been in the range of $11.5bn**. FIIs have sold ~US3.1bn while DIIs have bought ~US$6.2 bn in YTD23. Inflows into domestic equity mutual funds touched US$2bn (new highs) in Feb. The sticky bids from the retail flows have helped to offset the risk off moves during bout of foreign selling. This has resulted in **annual realized volatility of NIFTY being just ~10% in CY23**, which is the **second lowest annual volatility in the past 3 decades**. NIFTY has also posted fewer >1% down days than most other markets in the region over past 1 and 3 years. In YTD24, MSCI India Index US$ returned ~5.1% vs. MSCI EM ~(0.3%) and MSCI DM ~5.3%. MSCI India ~19x, 2YF is now trading at ~1.2SD above MSCI EM and DM, slightly above its long-term averages. **In Q3 FY24, India's real GDP growth surpassed expectations at 8.4% YoY.** This growth was led mainly by a sharp ~32% YoY rise in net tax growth. There has been a decline in the agricultural activity and moderation in the payment of existing subsidies in the last quarter while service growth has been steady. Overall, the trend is positive for the economy maintaining a positive momentum in business activities across the country.

**Fresh off the press, sector update from our analyst team following the recent earnings season:**

- **Banks:** Loan growth has remained steady, margin decline is less than expected, and asset quality is improving, especially among public sector banks. Private banks may need to adjust loan growth based on deposit growth, and CASA deposits may face continued pressure in the near term.
- **Auto:** Positive YoY volume growth observed across 2W, 3W, PV, and CV segments, supported by increased realizations through premiumization and improved net pricing. Margin performance bolstered by enhanced realizations/mix and commodity price easing. However, a key risk is the subdued outlook for the Domestic CV and Global HCV cycles for FY25.
- **Consumer Durables:** Despite Q3 being an off-season period, AC sales showed resilience driven by high temperatures and festivals, amid competition. Margins improved from lower commodity costs and premium product sales, but EBITDA margins faced pressure due to scale limitations. Overall, consumer durables demand stayed moderately weak due to low consumer spending, with some positive indicators emerging.
- **Consumer Staples:** Most consumer companies experienced margin expansion because of the cooling off key raw material prices. Distribution expansion has led to increased market penetration. However, rural areas continue to lag behind urban areas due to local competition in specific mass categories. Overall sector volume growth remained in the low to mid-single digits.
- **Information Technology:** Q3 was seasonally weak quarter due to furloughs. Deal wins remains decent for most the companies with improving commentary. Utilization has improved for the IT companies. Attrition continues to moderate. Clients remain cautious due to macro uncertainty causing delay in execution of deals. Sharp INR appreciation against USD and other currencies poses a significant risk to financials.
- **Pharma and Healthcare:** India's growth surpasses expectations, driven by field force expansion. Improved margins stem from softer input costs and reduced freight expenses. US price erosion remains low to mid-single digit, benefiting from drug shortages. Indian firms focus on complex molecules but face logistical disruptions risking higher costs and delayed shipments.
- **Engineering and capital goods:** Public capital expenditure-driven sectors like power generation, transmission, railways, and defence continue to show strong growth. Factors such as efficiency improvements, higher capacity utilization, better product mix, and easing commodity prices have sustained operating profit margins.
- **Specialty Chemicals:** Chemical players are expected to see a marginal recovery in earnings from Q4FY24 onwards as inventory destocking nears completion. The aggressive dumping of key raw materials by China seems to be tapering off, stabilizing intermediate prices. However, risks remain from higher capacity and weak demand in China, potentially impacting margins through aggressive pricing and dumping.

Info Sources: Internal, Bloomberg, UBS Research, Goldman Sachs, FII - Foreign Institutional Investor, DII- Domestic Institutional Investor, FY - Financial Year, CY – Calendar Year; YoY is Year over Year, YTD- Year to date, EM- Emerging Markets, DM- Developed Markets, 2YF- Two Year Forward. PP- Percentage point, GVA; Gross value added, GDP; Gross domestic product

# DSP INDIA EQUITY FUND

DSP ASSET MANAGERS

## REGULATORY PERFORMANCE DEPICTION

| Performance In Prescribed Regulatory Format | 28/Feb/2023 to 29/Feb/2024 | 28/Feb/2022 to 28/Feb/2023 | 26/Feb/2021 to 28/Feb/2022 | 28/Feb/2020 to 26/Feb/2021 | 28/Feb/2019 to 28/Feb/2020 |
|---|---|---|---|---|---|
| MSCI India Index | 37.30% | (10.00%) | 16.29% | 29.10% | 0.88% |
| Nifty Midcap 150 | 56.78% | (1.01%) | 19.05% | 39.02% | 3.35% |
| DSP Strategy | 33.17% | (9.22%) | 10.29% | 25.30% | 12.62% |

## POTENTIAL RISKS

The value of investment in the Fund may be affected by the following risks:

1. Market Risk: The Fund can invest in equities which may be affected by market risk (the risk of an investment losing its value due to changes in economic conditions).
2. Investment in India: The Fund will invest primarily in India. India is an emerging economy and investment carries with it often substantial risks.
3. Derivative and Counterparty Risk: The Fund will enter into various financial contracts (derivatives) with other parties. There is a risk that the other party to a derivative will become insolvent or fail to make its payments which may result in the Fund and your investment suffering a loss.
4. Liquidity Risk: The Fund can be invested in financial instruments that may have low levels of liquidity.
5. Currency Risk: Changes in the exchange rate between the base currency of the Fund and the designated currency of unhedged share classes of the Fund expressed in a currency other than the base currency of the Fund may lead to depreciation in the value of the shares of that share class.

For a complete overview of all risks attached to this Fund, refer to the section entitled “Risk Factors” in the Supplement and the Fund’s prospectus.”

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The Fund is domiciled in Ireland. 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. Further, a summary of investors rights (in English language) is available on Link. The Fund has appointed KBA Consulting Management Limited as its Management Company. The Swiss representative is Carnegie Fund Services S.A., having its registered office at 11, rue du Général-Dufour, 1204 Geneva, Switzerland. The Swiss paying agent is Banque Cantonale de Genève, having its registered office at 17, quai de l’Ile, 1204 Geneva, Switzerland. The prospectus, KIIDs, instrument of incorporation and annual and semi-annual report can be obtained from the Swiss representative, with respect to the Fund’s shares that are distributed in Switzerland. The distribution of this material in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of this material in such jurisdictions are required to inform themselves about, and to observe any such restrictions.

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**Disclaimer: 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**

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