

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

USD CAGR Performance as on 31 Dec 2021	1-Year 31-Dec-20	3-Years 31-Dec-18	5-Years 30-Dec-16	8-Years 31-Dec-13	10-Years 30-Dec-11	Since Inception 14-Nov-06
DSP Strategy	25.84%	17.45%	14.69%	17.69%	16.62%	11.70%
Average India UCITS fund	24.14%	14.96%	12.90%	11.73%	11.46%	7.41%
MSCI India USD	26.23%	16.19%	15.06%	11.04%	10.84%	6.99%
20:80 Composite Index	46.15%	19.49%	16.27%	15.66%	14.19%	7.82%

Source: Internal. Please refer footnote for the disclaimers.

KEY 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): \$17.2 bn as of 31 Dec 2021

Total Sub Fund Assets: ~\$8.6 mn as of 31 Dec 2021

Strategy AUM: ~US\$ 1,913 mn as of 31 Dec 2021

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): 9:30 pm (Irish time) on the relevant DD

Website: <https://www.dspindia.com/ucits>

Prospectus and KIID: [Link](#)

Settlement (Subscription): After 3 business days from DD

Settlement (Redemption): Within 5 business days from DD

Management Company: KBA Consulting Management Limited

Auditors and Tax Advisors: Grant Thornton

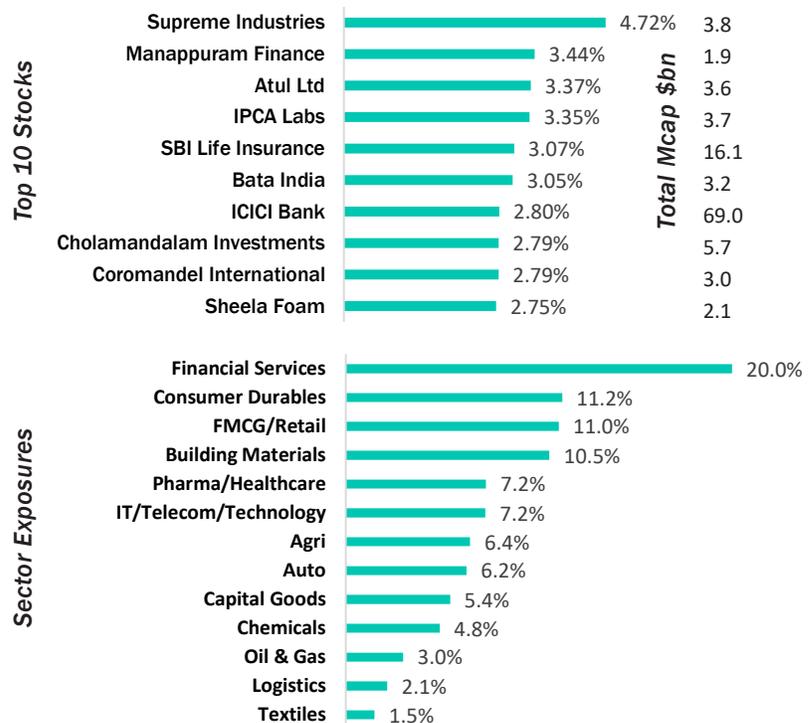
Legal Advisor to the ICAV as to Irish law: Zeidler Legal Services

Global Distributor: DSP Global Services (Mauritius) Limited

Administrator: HSBC Securities Services (Ireland) DAC

ISIN: IE00BK0WZ337

PORTFOLIO CHARACTERISTICS



Portfolio Metrics*	FY21	FY22E	FY23E
EPS Growth	15.4%	22.2%	19.7%
P/BV	8.4	7.5	6.4
ROE	18%	18%	19%

Fund Construct	Details
Number of Stocks	52
Portfolio Turnover (last 12m)	26% (for DSP Strategy)
Cap-wise split (for DSP Strategy)	Small Cap – 70.3%, Mid Cap – 17.1%, Large Cap – 9.2%, Cash – 3.4%

*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. The 'average India UCITS returns' refers to the average returns of all India focused UCITS equity funds listed on Bloomberg. The Custom 20:80 Composite Index, the benchmark for the ICAV is a customized 20% MSCI India Index and 80% MSCI India Small Cap Index. 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 whereas the return/performance shown for the DSP Strategy is not subject to such tax.

^THE DSP STRATEGY HAS BEEN IMPLEMENTED SINCE 14 NOV 2006, AUM ~US\$ 1.9 BN, AS ON 31 DEC 2021 THROUGH CERTAIN PRODUCTS MANAGED BY DSP INVESTMENT MANAGERS PVT. LTD., WHICH ARE NOT AVAILABLE FOR INVESTMENT IN ANY JURISDICTION EXCEPT FOR INDIA.

FUND MANAGER COMMENTARY

Wish you a very happy 2022! The year ahead looks exciting, as we witness tremendous on-the-ground activity on growth, signs of new capex, production linked incentive schemes, digitization of businesses and infrastructure push by the govt. There seems to be another wave of covid the world is going through though, but hopefully with improved vaccination coverage and experience from prior waves, businesses are much better placed to adapt as needed.

Just as a quick look back on 2021, a) here is one learning - the market reacted very quickly to changing data points, much faster than us in some cases and b) here is one win - our ability to hold on and add to companies with high conviction, even when the narrative was negative (pharma, specialty chemicals and a dairy company).

As we mentioned to you last time, our sector weights are an outcome of bottom up stock selection, Financials is our current top sector by weight and it continues to show positive traction. We are also optimistic on the next few sectors including retail, consumer durables and building materials. For this month's deep dive we wanted to discuss our views on the agricultural inputs theme.

India is one of the world's largest food producers with ~160 million hectares of agricultural land. It is among the 15 leading exporters of agricultural products (~USD 35-40 bn) in the world. Why does this theme excite us?

1. High domestic demand driven by increasing population, declining arable land, low market penetration of agri products and increasing awareness among farmers.
2. Agri industry in India is still in its nascent stage given that ~48% of the area under cultivation is still not irrigated and average yield of key crops is ~30-50% lower than global average.
3. Better irrigation facilities to reduce farmer's dependency on rain based farming thus enabling 2/3 season farming vis-à-vis single season farming currently. It will also lead to higher investments in agri-inputs like fertilizers and agrochemicals.

We currently own 3 companies in this space. One of these is Coromandel International which we have detailed for you in the 'Stock Spotlight' section below:

STOCK SPOTLIGHT

Coromandel International Ltd.

Coromandel belongs to the Murugappa group. It is the largest private entity in the Agri input industry in India. They have a network of 10,000 dealers and house 60+ brands. The company is the 3rd largest Mancozeb (fungicide) manufacturer globally. It is also the largest player in the domestic phosphatic market with a ~60% market share in its primary market.

- Recent rising input costs did not impact the EBITDA margin/ton because of strong backward integration. The company has a healthy ROCE of 36% and a 5 year earnings CAGR of 30%.
- The company remains debt free due to good cash collections and timely receivables of subsidies from the govt which remains its biggest strength.
- Working capital cycle reduced by ~80% to just 20 days on the back of good cash generation by the business leading to lower borrowing cost.
- The company is likely to benefit from 2 large irrigation facilities coming up in its home market.
- Key govt. focus areas leading to higher fertilizer usage in India are: a) Better use of productive land (currently only ~40% of the net sown area in India is used for second crop), b) improving existing low agriculture yields, c) consistent increase in sowing area to drive fertilizer usage per acre and d) DBT (Direct transfer of subsidies) resulting in improved working capital cycle, zero subsidy and low govt. intervention.

We feel all these to be great drivers of growth for the Agri industry and specifically for the leaders like Coromandel

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	1,00,000 USD	1,00,000 USD	None
Class A Unhedged	USD	Accumulation	August 2021	10 USD	1000 USD	1000 USD	None
Class A Unhedged	EUR	Accumulation	-	10 EUR	1000 EUR	1000 EUR	None
Founder Class**	USD	Accumulation	-	10 USD	1,00,000 USD	1,00,000 USD	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.

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MARKET UPDATE

Indian markets delivered strong returns in CY21 (MSCI India USD up 24.8%). It was one of the best performing markets relative to EMs and DMs (MSCI EM -4.6%, MSCI DM +20.1%). India also became the 6th largest market in the world by market-cap. During the year MSCI Small Cap Index delivered 50.7%, outperforming MSCI India by 25.9%. Within MSCI India, Materials (+47.6%) and Industrials (+47.1%) were the best performing sectors, while Financials (+13.2%) and Consumer staples (+10.5%) were laggards

Flows and valuations: In CY21, FIIs invested USD 3.7bn with inflows of USD 10.8bn in the primary market balanced by outflows of USD 7.2bn in the secondary market. India saw the highest foreign inflows among EMs (ex-China) while many countries had outflows (like Korea USD -22.8bn, Taiwan USD -15.3bn). DII inflows during the year were USD 12.6bn. Systematic monthly inflows into MFs from retail investors touched an all-time high of USD 1.5bn in Nov21. The 12-month forward PE of the Nifty 50 index has come off to 20.6x (within +2 SD) against the recent peak of 22.9x.

Covid and vaccinations: Strong vaccination progress has been seen, with ~1.5bn vaccine doses administered - split as ~847m first dose and ~609m second dose. Govt. statistics show ~90% and ~65% of the eligible population are single-dosed and fully vaccinated respectively compared with other developed nations USA ~(73% and 61%), UK ~(76% and 70%). We think this is quite an achievement for India with such a large population. The govt. also announced a booster dose for those above 60 years and vaccination for the 15-18 year age group – both to start this month. In the last one week, Covid cases in some cities have picked up, but ~80-90% are asymptomatic. 5DMA of daily covid cases at ~18k in the country still remains much lower than the 2nd wave peak of 400k, but indications of a 3rd wave are picking up (will hopefully remain mild helped by vaccines).

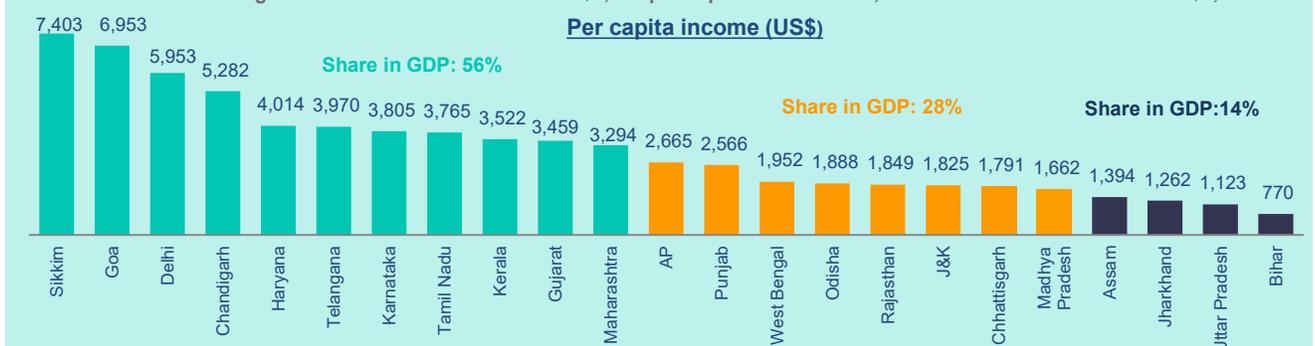
Sector deep dive: Our analyst team completed a sector-wise analysis for 2022. We highlight to you some interesting tidbits:

- **Banks:** In past cycles, declining GNPA boosted credit growth. During 1999-05, GNPA went from ~15% to ~5% while credit growth accelerated from ~14% to ~32%. In the last 4 years, GNPA has declined from 11.5% to 7.5%. System credit growth is weak at ~5.5%, but given the NPA clean-up is largely behind us, we expect a healthy pick up in the coming quarters.
- **Capital goods:** After a 30% YoY rise in RM costs, price hikes are now essential for improved profitability of the sector. ROEs have gone from a peak of 33% in FY07 to 9.5% in FY21, and have likely bottomed out.
- **Consumer durables:** The 'premiumization' theme is playing out across sub-categories. For example, Inverter ACs are 60% of the industry vs. only 10% in FY16. Fully automatic washing machines are ~40% of the industry vs. ~30% a decade ago.
- **Infrastructure:** The sector has deleveraged over the last 10 years. Net Debt/ EBITDA is down from 2.0x in FY12 to 0.7x in FY21. Most companies are focused on cash flow generation and asset monetization.
- **IT:** The multi-year spending shift to cloud-based technology has gotten a fillip with covid. Valuations are not cheap however, at +3SD above long term averages; Sustenance likely hinges on continued strong demand.
- **Pharma:** The valuation premium of the sector over Sensex has compressed from 80% (Aug15) to 0% now. Investments of USD 15bn (+132% in FY16-20 vs. FY11-15) in capex and R&D by the top 6 Indian companies (for their US businesses) should help going forward.

India's growth prospects remain strong led by signs of new capex, PLI schemes, digitization of businesses, privatization, and the infrastructure push by the govt. GST collections for Dec21 came in at USD 17.3bn (up 26% vs. pre-covid Dec19), while direct tax collections touched a decade high of USD 86bn for the year (up 71% YoY). Capex spending by the govt. across sectors has witnessed a ~25% YoY growth. Debt levels of the top 200 companies (by Mcap) remains lowest in the last 20 years on account of de-leveraging which builds the case for corporate capex spending. Hiring activities in the formal sector have picked up and it is ~17% higher than the pre-covid level. Increased purchasing power of employees leads to a rise in discretionary spending. There are a number of case studies of countries where a per capita income of ~USD 2,000 has led to a non-linear jump in discretionary spending. As a country, India is at this very inflection point now. The top 11 states by income representing 56% of the GDP have already crossed this mark and are now at an average of ~USD 3,730. 8 other states representing ~28% of GDP have reached the ~USD 2,000 mark as well (please see *Chart of the month* below).

Some **key events** lined up (and we will cover for you) - the Union Budget next month, elections in 7 states and India's expected inclusion into global bond indices which could lead to ~USD 40bn in annual flows.

Chart of the Month: 11 large Indian states have crossed the \$3,000 per capita income mark; 8 other states have reached the \$2,000 mark



Sources: Internal, Bloomberg, Elara, GS, UBS, Spark; FPI - Foreign Portfolio Investor, FY - Financial Year, CY - Calendar Year; YoY is Year over Year; PLI - Production Linked Incentive scheme; EM- Emerging Markets, DM - Developed Markets, MF- Mutual Funds; 5DMA - 5 Day Moving Average; GNPA - Gross Non performing Assets, RM - Raw material; GST - Goods and service tax; ROE - Return on equity; EBITDA - Earnings before interest, tax, depreciation and amortization; SD - Standard Deviation

REGULATORY PERFORMANCE DEPICTION

Performance In Prescribed Regulatory Format	31/12/2020 to 31/12/2021	31/12/2019 to 31/12/2020	31/12/2018 to 31/12/2019	29/12/2017 to 31/12/2018	30/12/2016 to 29/12/2017
MSCI India Index	26.23%	15.55%	7.58%	-7.30%	38.75%
MSCI India Small Cap Index	51.13%	20.94%	-4.65%	-25.98%	66.98%
DSP Strategy	25.84%	20.54%	6.86%	-17.68%	48.82%

POTENTIAL RISKS

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

- 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).
- Investment in India:** The Fund will invest primarily in India. India is an emerging economy and investment carries with it often substantial risks.
- 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.
- Liquidity Risk:** The Fund can be invested in financial instruments that may have low levels of liquidity.
- 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."

DISCLAIMERS

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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. Further, summary of investors rights (in English language) are available on [Link](#). 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. 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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