

# 5x rise in individual traders & 90% lose money<sup>1</sup>

Many of them are 'trying' their hand in small cap investing.

How do we know this?

The largest shareholding by the public (more than 90% of the float of outstanding shares) are all smallcap companies.<sup>2</sup>



## What are the critical mistakes in small-cap investing?

**Buying without evaluating:** Investing in firms that have borrowed huge sums of money and are not able to generate profits consistently. In an internal study that we conducted, we found out that poor quality small caps were 8 times more likely to cause a permanent loss of capital versus high quality firms.<sup>3</sup>

**Timing the market:** Small caps are more volatile than large caps due to heightened competition and smaller buffers. Timing these stocks is tricky; after the 2018 peak, the Nifty Smallcap 250 Index fell over 50%.<sup>4</sup> Timing these moves is a challenging task.

Sources:

<sup>1</sup>SEBI data on Futures & Options data, FY 19-22,

<sup>2</sup><https://www.dsij.in/article-details/articleid/4888/top-ten-companies-with-highest-public-holding%C2%A0, FY22-23>

<sup>3</sup>Internal, Data Period - 1st Jan 2010 to 31st Oct 2023.

<sup>4</sup> Internal. From 14th Jan 2018 to 23rd Mar 2020.

**Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments.**

## How can we reduce those critical mistakes?

**Solve for quality:** Doing business in emerging markets is challenging. Successful small firms require numerous factors to align with, some of which are:



Low leverage



Profitability



Consistent earnings

These are the hallmarks of "Quality," a vital trait in small-cap companies that our fund managers look for.



### Aim to buy at attractive valuations or Stagger investments via SIP:

That is why, in the past, when valuations were very high, we took the following decisions<sup>5</sup> for the DSP Small cap Fund so that investors would not buy at high valuations and therefore stagger their investments

**October 2014 -**

DSP first restricted flows into the Scheme in October 2014 to ₹ 2 Lakh per investor.

**August 2016 -**

DSP further restricted flows into the Scheme to ₹ 1 Lakh per investor.

**February 2017 -**

The Scheme stopped fresh inflows altogether.

**September 2018 -**

Opened the Scheme for subscriptions only through SIP/STP route

**April 2020 -**

Allowed lumpsums & all systematic investments.

<sup>5</sup>Source: Press release <https://www.dspim.com/news-and-press-releases/dsp-mutual-fund-to-open-dsp-small-capfund-forlumpsum-investments>

These good investing principles and stands taken by our fund managers for the last 15+ years provided good investing experience for long-term investors in the DSP Small Cap fund.

Now there is also another new way to participate in the smallcap space where the fund prioritizes quality-based on good investing rules. And we again urge investors to start a SIP to stagger their investments over time.



Now we are introducing **India's First Quality Focused Small cap Index Fund**

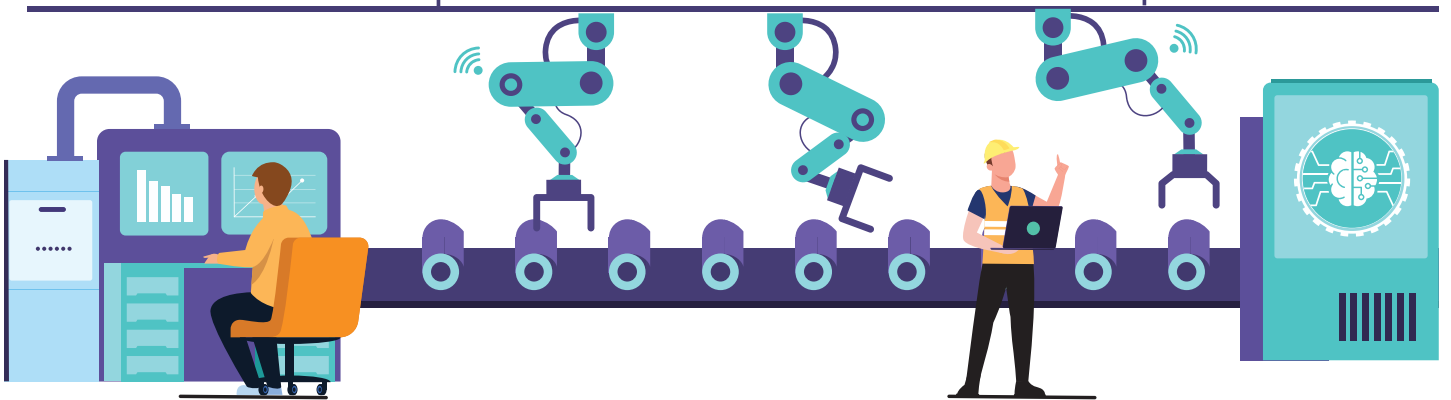
**DSP Nifty Smallcap250 Quality 50 Index Fund**

(An open ended scheme replicating/ tracking Nifty Smallcap 250 Quality 50 Index)

# INDEX CONSTRUCTION

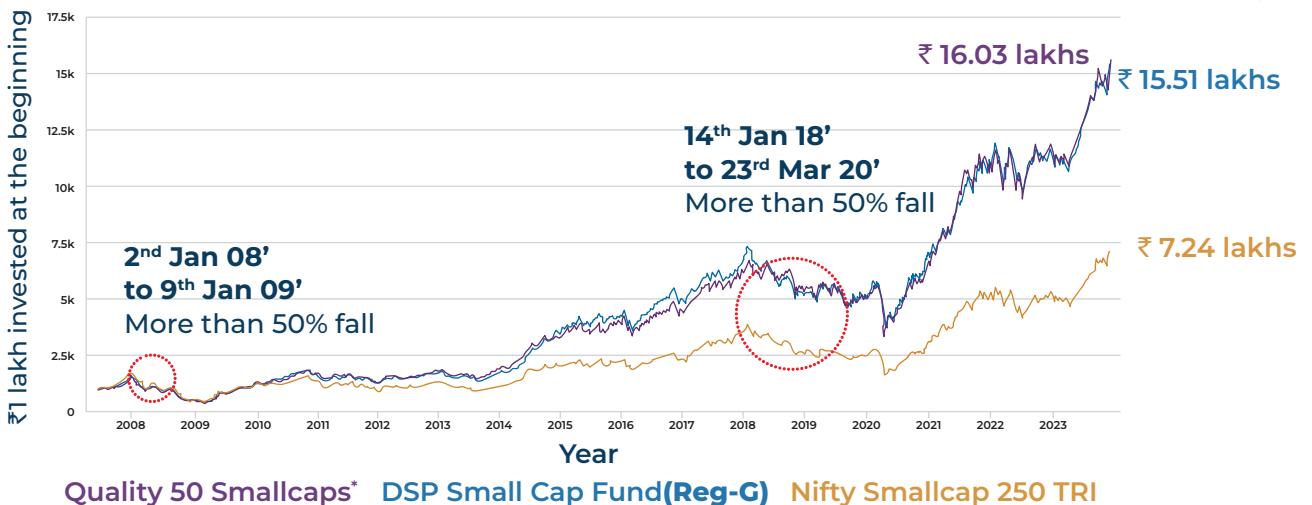
Out of the 250 stocks from Nifty Smallcap 250 Index, 50 companies are chosen by<sup>6</sup>

| ❌ Excluding companies based on |                                   | ✅ Selecting top 50 companies based on |  |
|--------------------------------|-----------------------------------|---------------------------------------|--|
| Circuit breakers               | High Pledged promoter holding     | High ROE                              |  |
| Less Liquid stocks             | Very High valuation               | Low Debt to Equity                    |  |
| Highly Volatile                | Minimum listing history of 1 year | High Earnings Stability               |  |



<sup>6</sup>Source –NSE; ROE: Return on Equity. Detailed methodology can be found at [https://www.niftyindices.com/Methodology/Method\\_NIFTY\\_Equity\\_Indices.pdf](https://www.niftyindices.com/Methodology/Method_NIFTY_Equity_Indices.pdf)

## How has the Quality 50 Smallcaps\* performed in comparison with the Nifty Small Cap 250 index and DSP Small Cap Fund?



Data considered from 14 Jun, 2007 - 30 Nov, 2023. \*Nifty Small Cap250 Quality 50 Index. Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. Active Smallcap fund managers have their own stock selection framework & philosophy and differ from Index funds as it needs to replicate the Index.

Even though small cap mutual funds have generated reasonable long-term returns, there have been times where they had fallen more than 50% from their peaks (see above graph). Hence, we recommend a long-term SIP in small cap mutual funds for potentially better investing experience.

## Disclaimers

Investors can invest through SIP/ Lump sum, for more details refer Scheme Information Document on <http://www.dspim.com>. This brochure is for information purposes only. It should not be construed as investment advice to any party. In this material DSP Asset Managers Pvt Ltd (the AMC) has used information that is publicly available, including information developed in house Information gathered and used in this material is believed to be from reliable sources. While utmost care has been exercised while preparing this document, the AMC nor any person connected does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. The recipient(s) before acting on any information herein should make his/their own investigation and seek appropriate professional advice. The statements contained herein may include statements of future expectations and other forward looking statements that are based on prevailing market conditions various other factors and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. **Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments.** The sector(s)/stock(s)/issuer(s) mentioned in this brochure do not constitute any research report/recommendation of the same and the schemes of DSP mutual fund may or may not have any future position in these sector(s)/stock(s)/issuer(s). Large caps are defined as top 100 stocks on market capitalization, mid caps as 101-250 small caps as 251 and above. Data provided is as on Nov 30th 2023 (unless otherwise specified). The figures pertain to performance of the index and do not in any manner indicate the returns/performance of the Scheme. It is not possible to invest directly in an index. All opinions, figures, charts/graphs and data included in this brochure are as on date and are subject to change without notice. For complete details on investment objective, investment strategy, asset allocation, scheme specific risk factors and more details, please read the Scheme Information Document, Statement of Additional Information and Key Information Memorandum of the scheme available on ISC of AMC and also available on [www.dspim.com](http://www.dspim.com). **There is no assurance of any returns/capital protection/capital guarantee to the investors in above mentioned Schemes.** The brochure indicates the strategy/investment approach currently followed by the above mentioned Schemes and the same may change in future depending on market conditions and other factors. For index disclaimer, Click here. Investment in small cap companies is based on the premise that these companies have the ability to increase their earnings at a faster pace as compared to large cap and mid cap companies and grow into larger, more valuable companies. However, as with all equity investments, there is a risk that such companies may not achieve their expected earnings results, or there could be an unexpected change in the market, both of which may adversely affect investment results. Historically, it has been observed that as you go down the capitalization spectrum i.e., from large cap stocks to midcap stocks and beyond, there are higher risks in terms of volatility and market liquidity. Scheme invests in small cap companies and hence is exposed to associated risks. Active Smallcap fund managers have their own stock selection framework & philosophy and differ from Index funds as it needs to replicate the Index.

### Historical Returns in SEBI prescribed format as of November 30, 2023 with investment of ₹ 10,000 (DSP Small Cap Fund)

**Fund Manager - Vinit Sambre is managing the scheme since June 2010. Resham Jain is managing the scheme since March 2018. Abhishek Ghosh is managing the scheme since September 2022. Jay Kothari is managing the scheme since March 2013.**

|                   | This fund |               | S&P BSE 250 Small Cap TRI <sup>^</sup> |               | NIFTY 50 TRI <sup>#</sup> |               |
|-------------------|-----------|---------------|--|---------------|---------------------------|---------------|
|                   | CAGR      | Current Value | CAGR                                   | Current Value | CAGR                      | Current Value |
| 1 Year            | 35.53%    | ₹ 13,553      | 34.26%                                 | ₹ 13,426      | 8.47%                     | ₹ 10,847      |
| 3 Years           | 32.03%    | ₹ 23,070      | 32.77%                                 | ₹ 23,441      | 17.12%                    | ₹ 16,086      |
| 5 Years           | 23.97%    | ₹ 29,293      | 21.1%                                  | ₹ 26,043      | 14.45                     | ₹ 19,646      |
| Since Inception   | 18.11%    | ₹ 1,55,174    | 10.43%                                 | ₹ 51,231      | 11.34%                    | ₹ 58,673      |
| NAV / Index Value | ₹ 155.17  |               | ₹ 6,520                                |               | ₹ 29,585                  |               |

Date of allotment: Jun 14, 2007. **This fund means DSP Small Cap Fund.** Period for which fund's performance has been provided is computed based on last day of the month-end preceding the date of advertisement. Different plans shall have a different expense structure. The performance details provided herein are of Regular Plan – Growth Option. Since inception returns have been calculated from the date of allotment till November 30, 2023. **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.**

<sup>^</sup>Fund Benchmark <sup>#</sup>Standard Benchmark

## All funds managed by Vinit Sambre.

| Sr. No. | Scheme Name        | Managing since | Period            |                      |                   |                      |                   |                      |
|---------|--------------------|----------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|         |                    |                | 1 Year            |                      | 3 Years           |                      | 5 Years           |                      |
|         |                    |                | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) |
| 1       | DSP Focus Fund     | 01-Jun-20      | 20.95             | 13.84                | 16.47             | 20.04                | 13.69             | 15.83                |
| 2       | DSP Small Cap Fund | 01-Jun-10      | 35.53             | 35.53                | 32.03             | 33.15                | 23.97             | 21.31                |
| 3       | DSP Mid Cap Fund   | 01-Jul-12      | 27.28             | 32.84                | 17.77             | 29.87                | 16.98             | 21.87                |

### INR Performance of Permitted Category FPI Portfolio/s Managed by Vinit Sambre (Permitted category FPI portfolios managed under a bilateral agreement under Regulation 24(b) and subject to applicable laws)

| Period            | Portfolio 1 Returns | Benchmark (MSCI India + India Small Cap Index 20:80 Net. TR) Returns (%) | Portfolio 2 Returns | Benchmark (MSCI India Net. TR) Returns (%) |
|-------------------|---------------------|--|---------------------|--|
| 1 Year            | 22.2%               | 27.26%   | 21.78%              | 8.17%                                      |
| 3 Years           | --                  | --   | NA                  | NA   |
| 5 Years           | --                  | --   | NA                  | NA   |
| Since Inception   | 13.61%              | 20.00%   | 14.83%              | 9.12%                                      |
| Date of Inception | 15-Mar-21           |  | 15-Feb-22           |  |

**Past performance may or may not be sustained in the future.** Above performance of permitted category FPI portfolio is not comparable with the performance of the scheme(s) of DSP Mutual Fund due to differing investment objective/s and fundamental differences in asset allocation, investment strategy and the regulatory environment. The said disclosure is pursuant to clause 17.2.3.2 of SEBI Master circular no. SEBI/HO/IMD/IMD-PoD-1/PCIR/2023/74 dated May 19, 2023 pertaining to Regulation 24(b) of SEBI (Mutual Funds) Regulations, 1996. FPI – Foreign Portfolio Investor. Returns upto 1 year are absolute and >1 year are compounded annualised (CAGR). If the base currency of the permitted category FPI portfolio and respective benchmark is in the currency other than INR, then the base NAV is converted to INR (used for performance calculations) using USDINR closing rate sourced from Bloomberg. Portfolio 1 is of DSP Global Funds ICAV. Name of FPI Portfolio 2 has not been disclosed due to confidentiality reasons.

## All funds managed by Resham Jain.

| Sr. No. | Scheme Name        | Managing since | Period            |                      |                   |                      |                   |                      |
|---------|--------------------|----------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|         |                    |                | 1 Year            |                      | 3 Years           |                      | 5 Years           |                      |
|         |                    |                | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) |
| 1       | DSP Small Cap Fund | 01-Mar-18      | 35.53             | 35.53                | 32.03             | 33.15                | 23.97             | 21.31                |
| 2       | DSP Mid Cap Fund   | 01-Mar-18      | 27.28             | 32.84                | 17.77             | 29.87                | 16.98             | 21.87                |

## All funds managed by Abhishek Ghosh.

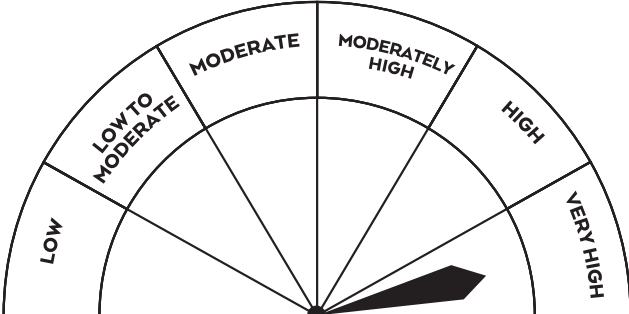
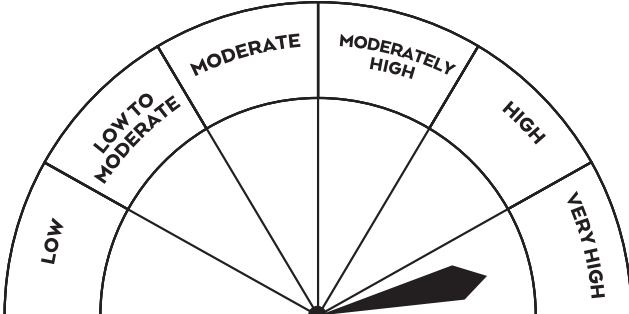
| Sr. No. | Scheme Name        | Managing since | Period            |                      |                   |                      |                   |                      |
|---------|--------------------|----------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|         |                    |                | 1 Year            |                      | 3 Years           |                      | 5 Years           |                      |
|         |                    |                | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) |
| 1       | DSP Small Cap Fund | 01-Sep-22      | 35.53             | 35.53                | 32.03             | 33.15                | 23.97             | 21.31                |
| 2       | DSP Mid Cap Fund   | 01-Sep-22      | 27.28             | 32.84                | 17.77             | 29.87                | 16.98             | 21.87                |

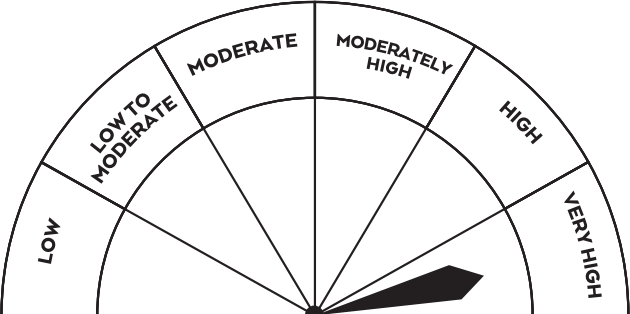
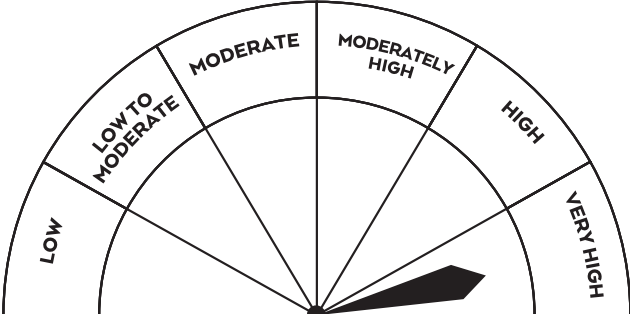
## All funds managed by Jay Kothari.

| Sr. No. | Scheme Name                               | Managing since | Period            |                      |                   |                      |                   |                      |
|---------|---|----------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|         |   |                | 1 Year            |                      | 3 Years           |                      | 5 Years           |                      |
|         |   |                | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) | Scheme Return (%) | Benchmark Return (%) |
| 1       | DSP Regular Savings Fund                  | 01-Mar-18      | 9.6               | 7.47                 | 7.34              | 6.42                 | 7.11              | 8.79                 |
| 2       | DSP Global Innovation Fund of Fund        | 14-Feb-22      | 35.76             | 14.15                | NA                | NA                   | NA                | 12.95                |
| 3       | DSP Equity Opportunities Fund             | 01-Mar-18      | 20.41             | 19.92                | 21.39             | 23.34                | 16.86             | 18                   |
| 4       | DSP Focus Fund                            | 01-Mar-13      | 20.95             | 13.84                | 16.47             | 20.04                | 13.69             | 15.83                |
| 5       | DSP World Energy Fund                     | 01-Mar-13      | 2.38              | 8.82                 | 7.4               | 21.81                | 6.12              | 14.02                |
| 6       | DSP Value Fund                            | 01-Dec-20      | 19.12             | 13.3                 | 16.88             | 20.33                | NA                | 15.73                |
| 7       | DSP World Agriculture Fund                | 01-Mar-13      | (9.65)            | 14.15                | (3.51)            | 9.5                  | 21.16             | 12.95                |
| 8       | DSP India T.I.G.E.R. Fund                 | 01-Mar-18      | 36.1              | 37.27                | 36.47             | 40.08                | 21.47             | 20.42                |
| 9       | DSP Small Cap Fund                        | 01-Mar-13      | 35.53             | 35.53                | 32.03             | 33.15                | 23.97             | 21.31                |
| 10      | DSP World Mining Fund                     | 01-Mar-13      | (6.42)            | 2.48                 | 10.86             | 12.4                 | 15.75             | 15.31                |
| 11      | DSP Top 100 Equity Fund                   | 01-Aug-18      | 16                | 10.1                 | 15.98             | 18.19                | 12.31             | 14.76                |
| 12      | DSP Helathcare Fund                       | 30-Nov-18      | 25.6              | 27.78                | 15.85             | 15.05                | 23.2              | 17                   |
| 13      | DSP World Gold Fund of Fund               | 01-Mar-13      | 10.85             | 15.95                | (1.35)            | 0.45                 | 11.97             | 15.05                |
| 14      | DSP Global Allocation Fund                | 01-Aug-14      | 7.96              | 10.66                | 3.28              | 6.4                  | 8.34              | 10.13                |
| 15      | DSP US Flexible Equity Fund               | 01-Mar-13      | 14.11             | 15.64                | 10.77             | 12.76                | 13.92             | 16.22                |
| 16      | DSP Equity Savings Fund                   | 01-Mar-18      | 9.2               | 7.89                 | 9.88              | 9.43                 | 8.5               | 9.36                 |
| 17      | DSP Natural Resources And New Energy Fund | 01-Mar-13      | 20.19             | 8.47                 | 26.1              | 31.07                | 17.32             | 16.34                |
| 18      | DSP Multi Asset Allocation Fund           | 01-Sep-23      | NA                | NA                   | NA                | NA                   | NA                | NA                   |
| 19      | DSP Mid Cap Fund                          | 01-Mar-18      | 27.28             | 32.84                | 17.77             | 29.87                | 16.98             | 21.87                |

Period for which fund's performance has been provided is computed based on last day of the month-end preceding the date of advertisement. Different plans shall have a different expense structure. The performance details provided herein are of Regular plan – Growth option.

**Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.**

| Name of the fund  | Product Suitability  |
|---|--|
| <p>DSP Small Cap Fund</p> <p>Small Cap Fund- (An open ended equity scheme predominantly investing in small cap stocks)</p>  | <p>This Open Ended Equity Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>· Long-term capital growth</li> <li>· Investment in equity and equity-related securities predominantly of small cap companies (beyond top 250 companies by market capitalization)</li> </ul> <p>*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.</p> |
| <p><b>Scheme Risk-o-meter</b></p>   | <p><b>Benchmark<br/>[S&amp;P BSE 250 Small Cap TRI]<br/>Risk-o-meter</b></p>   |
|  <p><b>RISKOMETER</b></p> <hr/> <p>INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p> <hr/> |  <p><b>RISKOMETER</b></p> <hr/> <p>INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p> <hr/>  |

| Name of the fund  | Product Suitability   |
|---|---|
| <p>DSP Nifty Smallcap250 Quality 50 Index Fund</p> <p>(An open ended scheme replicating/tracking Nifty Smallcap250 Quality 50 Index)</p>  | <p>This product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>• Long-term capital growth</li> <li>• Investment in equity and equity-related securities covered by Nifty Smallcap250 Quality 50 index, subject to tracking error</li> </ul> <p>*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.</p> |
| Scheme Risk-o-meter   | Benchmark -[Nifty Smallcap 250 Quality 50 TRI] Risk-o-meter   |
|  <p><b>RISKOMETER</b></p> <p>INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p> |  <p><b>RISKOMETER</b></p> <p>INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p>   |

The product labelling assigned during the New Fund Offer ('NFO') is based on internal assessment of the Scheme Characteristics or model portfolio and the same may vary post NFO when actual investments are made.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**