

# LETTER FROM **FUND MANAGER**

## **DSP Multicap Fund**

An open ended equity scheme investing across large cap, mid cap, small cap stocks

Release date – 17<sup>th</sup> April 2025

## Dear investors,

I envy fund managers who don't have to manage an open-ended mutual fund marked to market daily. It means they can focus purely on buying great businesses at good prices without worrying about short-term price swings.

As a mutual fund manager, I don't have that luxury. Net Asset Value (NAV) is published daily, and investors naturally pay attention to it, often believing it signals something important. But markets can see things differently in the short term.

My focus is on buying good businesses at reasonable prices, knowing that over time, this approach will outperform. The key to wealth creation isn't reacting to daily fluctuations—it's having the right temperament and staying the course.

### **Imagine meeting a fortune-teller in December 2019 who makes four big predictions:**

1. A global health crisis will lead to shutdowns in March 2020.
2. A war will break out in Europe in February 2022.
3. Another war will start in the Middle East in October 2023.
4. Despite all this, you will do well financially in your career or business.

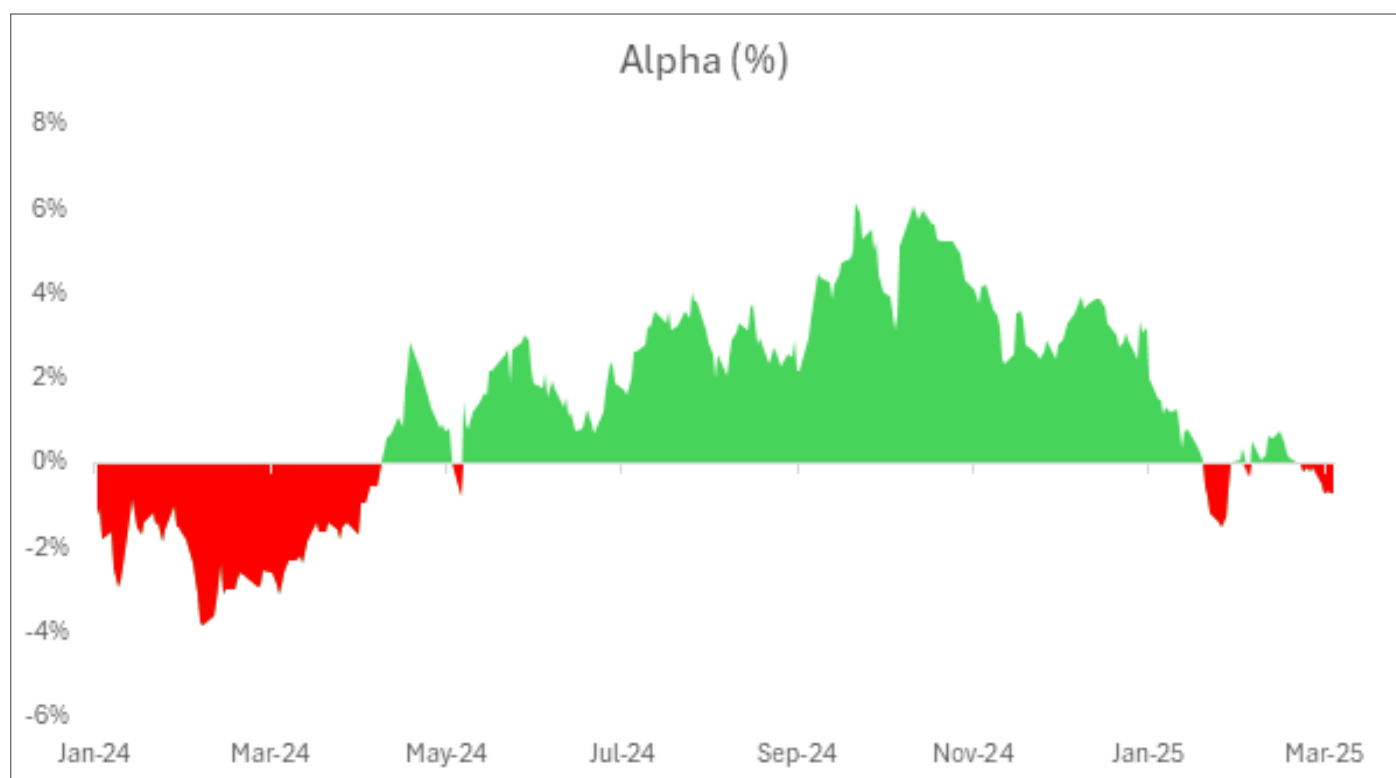
Knowing this, you keep investing. Five years later, despite all the crises, your equity wealth has grown 1.8-1.9x.

Now, notice something: The least surprising prediction was about your own success—you didn't need an Oracle to tell you that. And yet, that was the only thing you needed to know to stay invested. Still, most investors spend their time trying to predict events they can't control.

Equity markets are naturally volatile, as we've seen in the last few months. This is why having a clear asset allocation plan—and not getting distracted by short-term noise—is critical. Investors often react to equity market volatility because mutual fund NAVs are published daily. Interestingly, the same investors don't behave this way with real estate, simply because prices aren't marked to market every day.

Let's look at the recent performance of the DSP Multicap fund and the factors that influenced it.

The chart below shows that Alpha (fund return of regular plan over the benchmark i.e Nifty 500 Multicap 50:25:25 TRI) tends to be volatile over the short term. We witnessed strong alpha over the March 2024-Nov 2024 and since then we have seen performance deteriorate over Dec 2024-March 2025. Having a large exposure to Mid and Smallcaps (SMID) helped initially and then hurt thereafter.



So, what has happened recently? Put simply, my high-conviction positions (where I took larger weights than the benchmark) underperformed. Some of these include Prince Pipes, Hero MotoCorp, Cyient Ltd, and Bayer Crop Science. I think each of these companies have gone through transient/ temporary set backs and I expect them to recover over time.

### Let me summarize the key point on each of these stocks:

**Prince Pipes** – Prince Pipes is plastic pipes manufacturers, an industry which is facing tailwinds in the form of market share gains from unorganised to organized players. Over FY13-24, Prince Pipes has made an average operating profit of Rs16 per Kg. Over the last 2 quarters PVC prices have come down sharply impacting Prince's profitability to an average of Rs9/Kg. I think this low profitability may be transient and doesn't change the structural positive tailwind of the industry.

**Hero Moto Corp** – Hero Moto, a leader in motorcycles has a strong presence in entry level motorcycles especially in rural markets. This market faces challenges from electrification. We were expecting a recovery in rural economy which has got delayed. In my view, current valuations (5% Free Cashflow (FCF) yield on FY24 basis) factor these risks adequately even as Hero is trying to launch new products in newer areas like premium motorcycles, Electric Vehicles and export markets.

**JNK India** – Operating in a niche heat exchangers market with a 20% share, JNK recently did an initial public offering (IPO). With the capital goods space struggling

on growth and execution JNK has also disappointed on earnings. However, its order book continues to increase indicating that longer term prospects remain strong. More so in newer areas like Hydrogen etc. Recent fall has made valuations very attractive even as the long term prospects have not deteriorated.

**Cyient Ltd** - Cyient is a leader in Aerospace engineering services and has faced slowdown in Aerospace as its key customer faced technical challenges. In my view, valuations are attractive at significant discount of 15-50% to peers as well as on an absolute basis with 5% FCF yield on trailing basis. With new managing director in place and a potential up cycle in Aerospace could turn the fortunes of Cyient.

**Bayer Crop Science** - Bayer is a leader Agro chemicals in India, and I was expecting a strong monsoon to augur well for growth. While volume growth was strong, prices dipped on heightened product availability from China in the market. This led to weaker earnings. Such seasonal variation in performance is par for course and I expect a recovery in growth and margins going forward. Meanwhile Valuations at 4% FCF yield on trailing basis are attractive.

So, what am I changing? While I continuously refine my views on stocks and businesses, my core principle remains the same—buy good businesses at reasonable prices, whether in SMID or large-cap segments.

Why not hold cash? I have taken a small cash position but not a large one. I believe, investors have already made their asset allocation decisions and expect me to provide equity exposure. The question of holding cash comes down to market timing. Even if I perfectly predicted a 20% market drop and held 20% cash, the best-case gain would be just 4%. Market timing is rarely that precise. That's why I will only hold a large cash position (>15% of Asset Under Management (AUM)) if I genuinely don't find compelling opportunities. Right now, that's not the case given the relatively small size of the fund.

It's easy to focus on market views—global geopolitical uncertainties, economic slowdowns, or earnings growth concerns. These are important topics, and of course, I have a perspective on them. But views can change and sometimes be materially wrong. More importantly, Views are temporary and shouldn't drive your long-term asset allocation decisions.

Staying true to my “no style skew” framework, the portfolio as of March 2025 is structured into four categories:

- **Growth** - Companies growing faster than nominal GDP
- **Value** - Companies growing slower than nominal GDP
- **Compounders** - Companies growing in line with nominal GDP
- **Turnarounds** - Companies in special situations

As of end of March 2025, the fund is allocated as follows: 35% in 25 growth stocks, 23% in 16 value stocks, 31% in 15 compounders, and 7% in 9 turnarounds stocks. While the turnaround allocation may seem low, it reflects the current market environment, where many stocks are not fully pricing in risks. I continue to respect capital efficiency is most of our holdings except the turnaround ones.

Key stocks in each category:

- **Growth** – Schaeffler India, Syngene, AU Small Finance Bank, Coforge
- **Value** – ITC, Hero MotoCorp, NTPC, Crompton
- **Compounders** – Mahindra & Mahindra, HDFC Bank, ICICI Bank, Bayer Crop Science, Cipla
- **Turnarounds** – Jubilant Ingrevia, IFB Industries, Vardhman Textiles, Alembic Pharmaceuticals, Indoco Remedies

Sectorally, the fund is overweight on insurance, capital markets, staples (including Tobacco), pharmaceuticals, chemicals, and capital goods, while underweight on IT services and banks.

That said, the fund follows a bottom-up approach. The Nifty 500 Multicap 50:25:25 TRI is well-diversified across sectors, but I do not aim to mirror its allocation. I track the benchmark closely—we respect it but are not bound by it.

The portfolio consists of approximately 65 stocks, with 17 stocks (compared to 10 in February 2024) outside the top 500 stocks in the market. These 17 stocks make up 13% of the AUM. Meanwhile, the 48 benchmark stocks account for ~19% of the benchmark weight, reflecting the high active share (~81%) in the portfolio.

The portfolio leans towards small caps, which comprise 35% of AUM, while midcaps and large caps contribute 30% and 32%, respectively, as of March 2025.

I continue to recommend a SIP/STP approach to navigate the current volatility in small and mid-cap investing.

Thank you for your time and patience.

Regards,  
Chirag Dagli

Data as on 28 Mar 2025. Source – DSP, MFIE. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s). **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. There is no assurance of any returns/capital protection/capital guarantee to the investors in this scheme of DSP Mutual Fund.**

## Performance in SEBI Format

### Fund Managers

- Chirag Dagli – Managing since Jan 2024
- Jay Kothari – Managing since Jan 2024

### Regular Plan (Growth Option)

**Historical Returns (As per SEBI format)** as of March 28, 2025 with investment of ₹ 10,000

	This fund		NIFTY500 MULTICAP 50:25:25 TRI ^		NIFTY 50 TRI#	
	CAGR	Current Value	CAGR	Current Value	CAGR	Current Value
1 Year	8.91%	₹ 10,890	6.88%	₹ 10,688	6.65%	₹ 10,665
Since Inception	7.15%	₹ 10,832	7.76%	₹ 10,905	9.24%	₹ 11,079
NAV / Index Value	₹ 10.8320		₹ 19,037.97		₹ 35,054.09	

Date of allotment: **Jan 30, 2024**.

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**.

Since inception returns have been calculated from the date of allotment till **March 28, 2025**

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

^ Fund Benchmark # Additional Benchmark | Benchmark – NIFTY500 Multicap 50:25:25 TRI

### Direct Plan (Growth Option)

**Historical Returns (As per SEBI format)** as of March 28, 2025 with investment of ₹ 10,000

	This fund		NIFTY500 MULTICAP 50:25:25 TRI ^		NIFTY 50 TRI#	
	CAGR	Current Value	CAGR	Current Value	CAGR	Current Value
1 Year	10.59%	₹ 11,059	6.88%	₹ 10,688	6.65%	₹ 10,665
Since Inception	8.81%	₹ 11,028	7.76%	₹ 10,905	9.24%	₹ 11,079
NAV / Index Value	₹ 11.0280		₹ 19,034.97		₹ 35,054.09	

Date of allotment: **Jan 30, 2024**.

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 **Direct Plan**.

Since inception returns have been calculated from the date of allotment till **March 28, 2025**

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

^ Fund Benchmark # Additional Benchmark | Benchmark – NIFTY500 Multicap 50:25:25 TRI

## Performance of other schemes managed by same fund manager

» All Funds managed by Chirag Dagli:

Sr. No.	Scheme Name	Managing since	Period					
			1 Years		3 Years		5 Years	
			Scheme return (%)	Benchmark return (%)	Scheme return (%)	Benchmark return (%)	Scheme return (%)	Benchmark return (%)
1	DSP Healthcare Fund	01-Dec-2020	14.12	18.81	19.61	20.27	28.2	28.61
2	DSP Multicap Fund	29-Jan-2024	8.91	6.88	NA	15.82	NA	30.02

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.

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

All Funds managed by Jay Kothari:

Sr. No.	Scheme Name	Managing since	Period					
			1 Years		3 Years		5 Years	
			Scheme return (%)	Benchmark return (%)	Scheme return (%)	Benchmark return (%)	Scheme return (%)	Benchmark return (%)
1	DSP World Mining Fund of Fund	01-Mar-2013	3.82	3.86	(3.42)	0.59	19.03	20.09
2	DSP Global Innovation Fund of Fund	14-Feb-2022	5.82	10.41	11.88	11.41	NA	18.24
3	DSP World Gold Fund of Fund	01-Mar-2013	50.24	56.06	11.37	11.95	15.92	17.39
4	DSP Multicap Fund	29-Jan-2024	8.91	6.88	NA	15.82	NA	30.02
5	DSP US Treasury Fund of Fund	18-Mar-2024	7.26	7.2	NA	4.52	NA	1.36
6	DSP Global Clean Energy Fund of Fund (Erstwhile known as DSP World Energy Fund)	01-Mar-2013	(11.11)	(0.36)	(0.88)	(0.48)	10.68	15.63
7	DSP US Flexible Equity Fund of Fund	01-Mar-2013	0.69	10.13	8.26	12.92	18.12	21.42

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

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Investors are requested to note that DSP World Agriculture Fund has been merged with DSP World Mining Fund of Fund (Erstwhile Known as DSP World Mining Fund), effective from close of business hours of October 4, 2024. ('Effective Date'). For performance details of DSP World Agriculture Fund, Investors may request to DSP Asset Managers Private Limited ('AMC'), Investment Manager for DSP Mutual Fund, Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021. Investors can also reach our call centre as well (Toll-free 18002084499/ 18002004499, Tel. No.: 91-22 66578000, Fax No.: 91-22 66578181) or drop an email on [service@dspim.com](mailto:service@dspim.com).

#### Disclaimers:

This note is for information purposes only. The recipient of this material should consult an investment /tax advisor before making an investment decision. In this material DSP Asset Managers Pvt. Ltd. (the AMC) has used information that is publicly available, including information developed in-house and is believed to be from reliable sources. 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. Data provided is as on March 28, 2025 (unless otherwise specified and are subject to change without notice). **Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. There is no assurance of any returns/capital protection/capital guarantee to the investors in above mentioned scheme.** The investment approach / framework/ strategy mentioned herein are currently followed by the scheme and the same may change in future depending on market conditions and other factors. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the 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. This document is for information purposes only. The portfolio details are as on March 28, 2025. Portfolio Allocation will be based on the prevailing market conditions and is subject to changes depending on the fund manager's view of the equity markets. For more details and portfolio in SEBI prescribed format, please refer our website [www.dspim.com](http://www.dspim.com)

The statements contained herein are based on fund manager's views only and 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. The recipient(s) before acting on any information herein should make his/their own investigation and seek appropriate professional advice.

For complete details on investment objective, investment strategy, asset allocation, scheme specific risk factors and more details, please read the Scheme Information Document, and Key Information Memorandum of the scheme available on ISC of AMC and also available on [www.dspim.com](http://www.dspim.com).



### DSP Multicap Fund

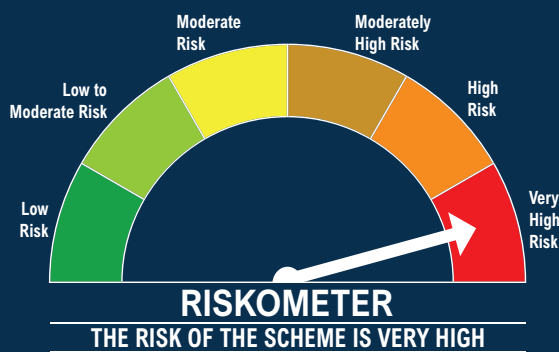
(An open ended equity scheme investing across large cap, mid cap, small cap stocks)

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

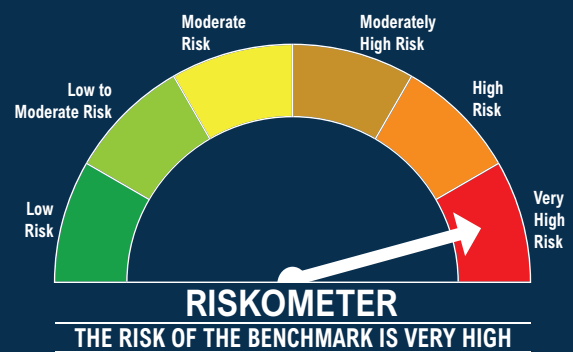
- Long term capital growth
- Investment in equity and equity related securities of large cap, mid cap, small cap companies

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

#### Scheme Riskometer



#### Benchmark Riskometer: Nifty 500 Multicap 50:25:25 TRI



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