

NFO Period

27-Nov-24 to 11-Dec-24

DSP
MUTUAL FUND

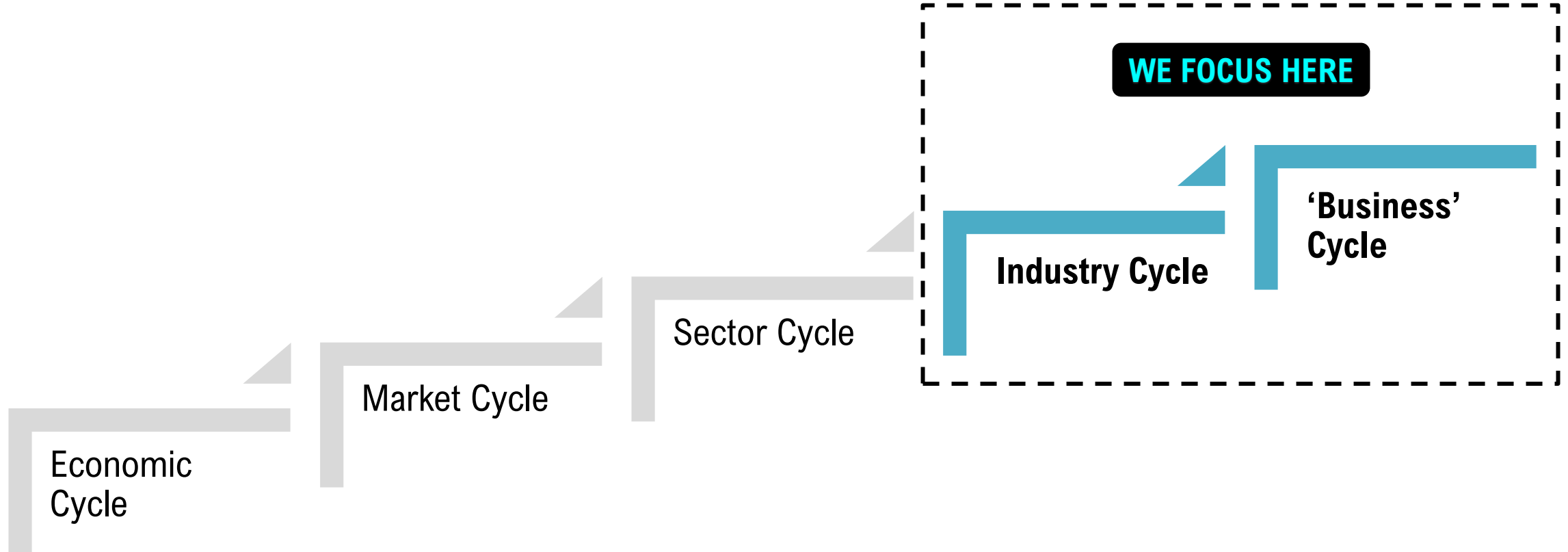
DSP Business Cycle Fund

Focusing on Industry Cycles



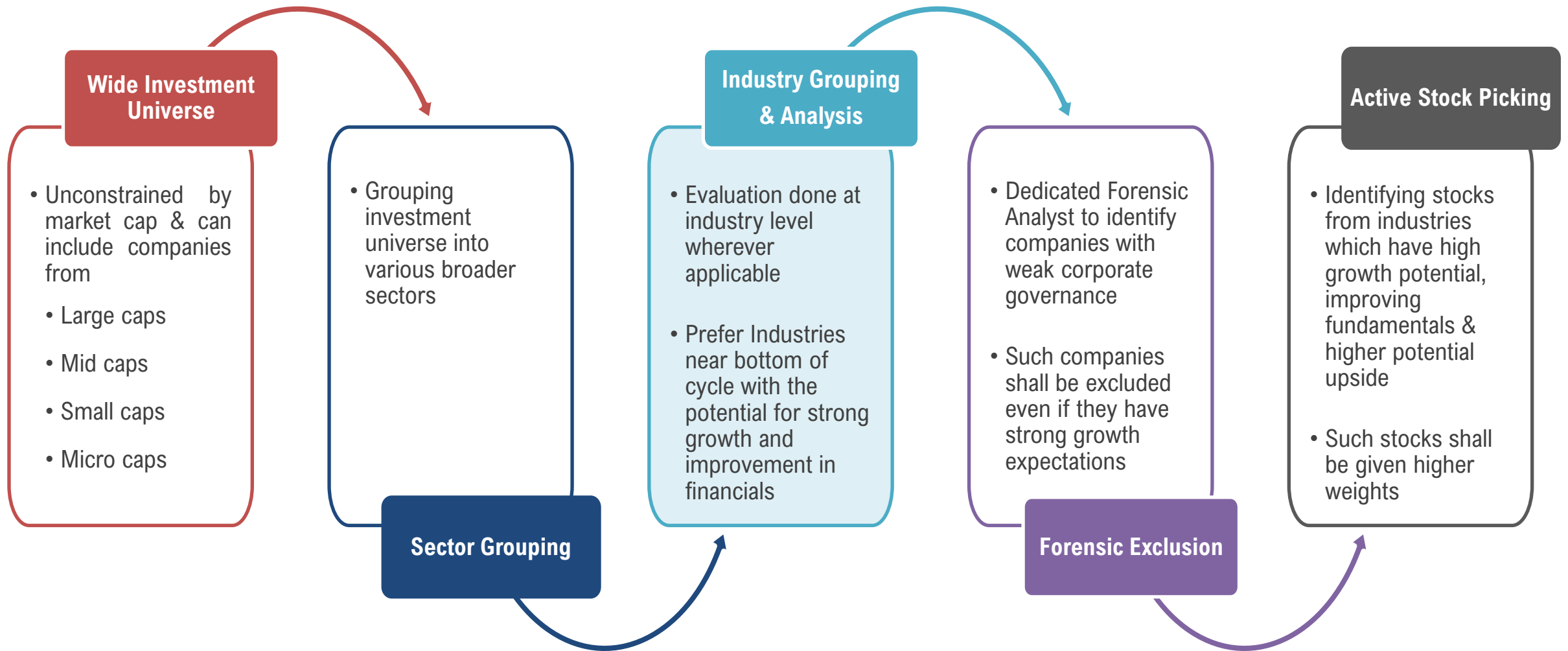
An open ended equity scheme following business cycles based investing theme

Fund Philosophy – Where will we focus?

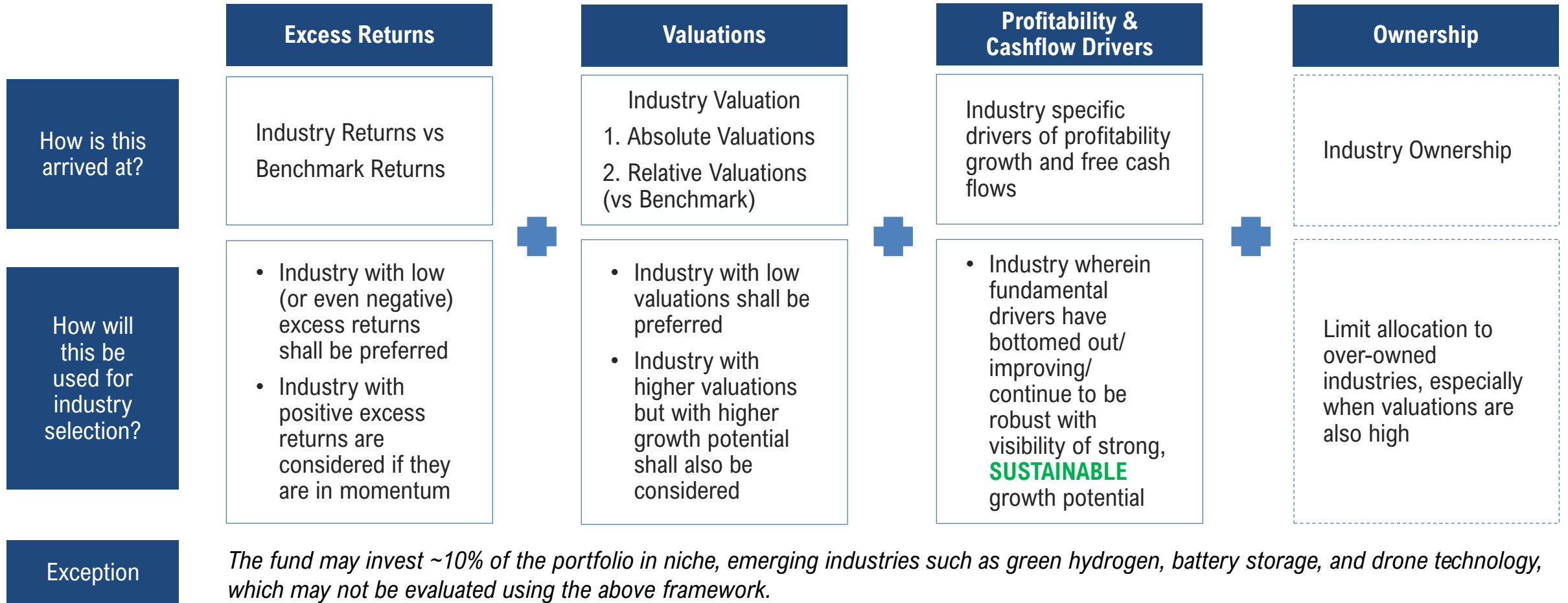


Why do we focus here? Check [this](#) note

DSP Business Cycle Fund – Focused On Identifying Strong Industry Cycles

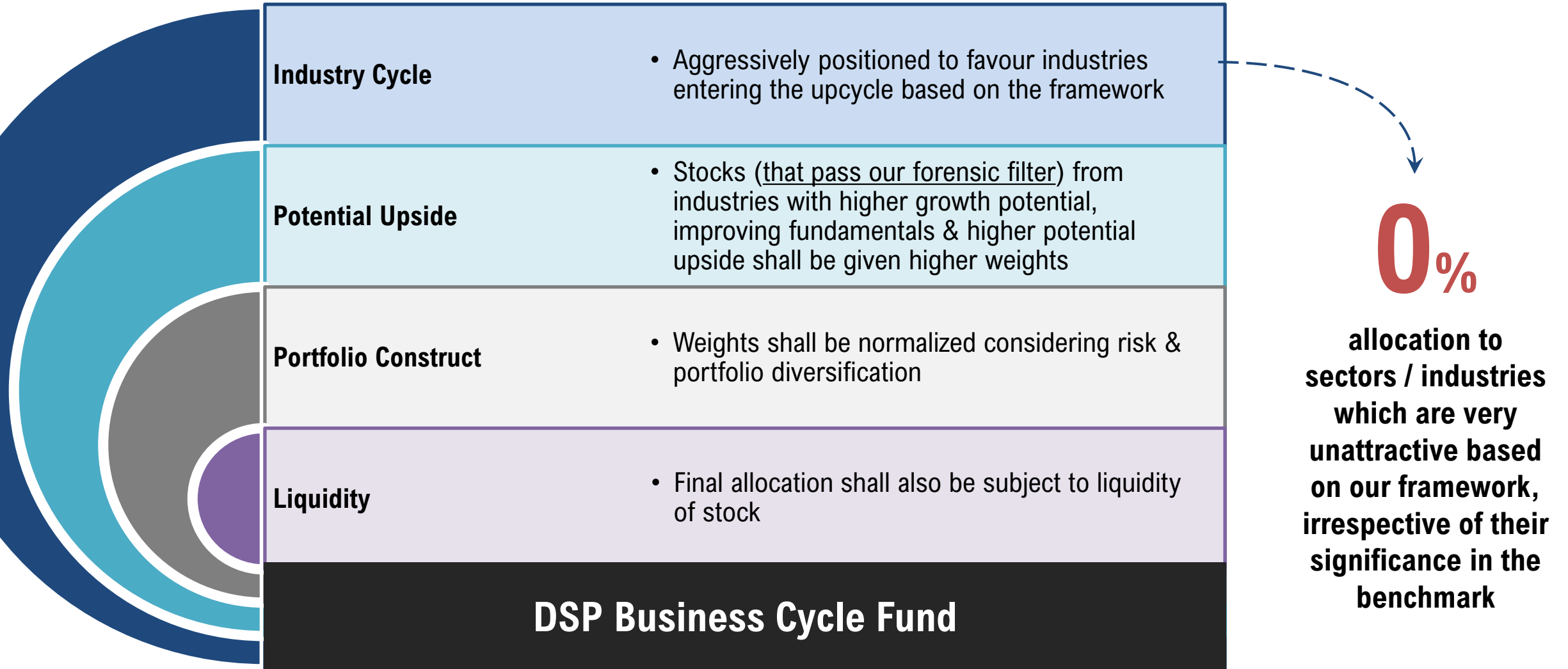


Framework for Investment Decision



Preference for Industries with Low Excess Returns + Low Valuations + Strong Earnings + Under-Ownership

Framework for Portfolio Construction



Risk Management Via Portfolio Hedging

Given the aggressive positioning across industries, the potential downsides can be higher especially when the investment thesis does not play out as expected.

The fund may employ the below risk management tools to mitigate this downside risk

Put Options

- Hedge using Put options during periods of high valuations/ significant events
- No put hedge when the cost to benefit (premium vs potential gain) is unfavorable

Cash calls

- May increase cash holdings when valuations are expensive, opportunities are scarce, or the outlook is negative
- Maximum cash allocation up to 20%

Arbitrage

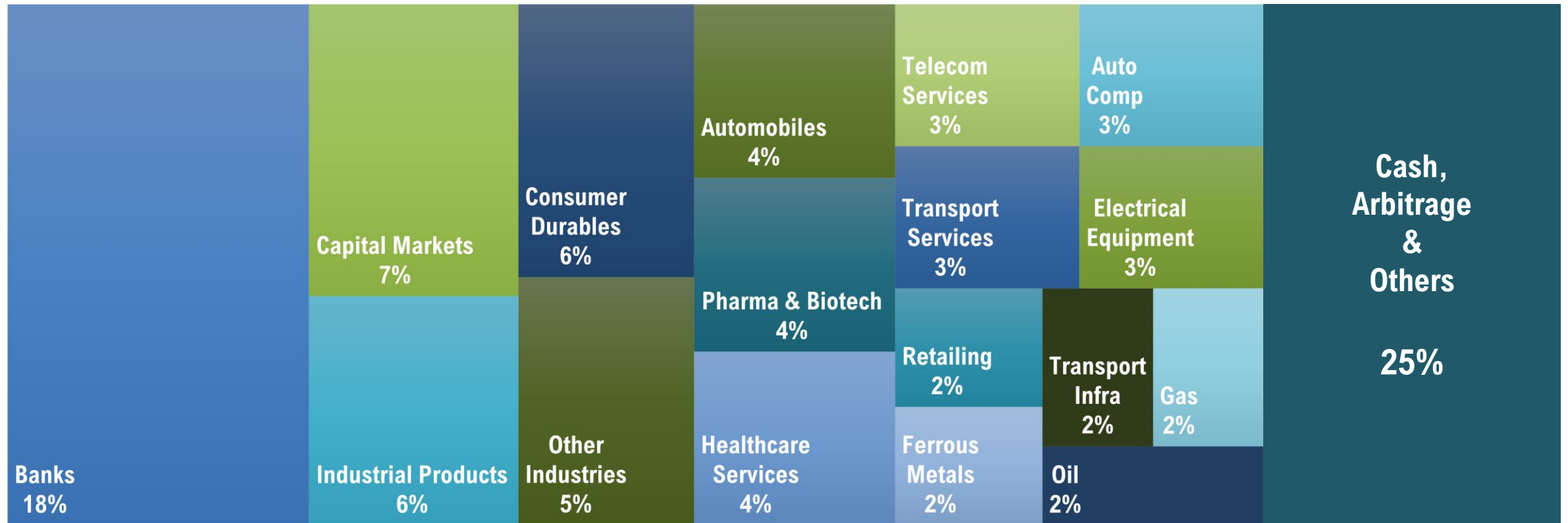
- Proxy for cash used to hedge equity risk
- Hedge only for stocks with active futures & options market

REITs & InvITs

- Exposure when equity market opportunities are scarce and REITs / InvITs offer attractive yields
- Up to 10% of portfolio

What did our framework suggest in Oct 2024?

Industry Breakup Suggested By Our Framework as on 31 Oct 2024



Our framework indicated **ZERO** allocation to Cement, FMCG, IT & NBFCs

What did our framework suggest in Oct 2024?

Business Cycle vs Valuation Breakup Suggested By Our Framework as on 31 Oct 2024

Business Cycle

		Business Cycle				Cash, Arbitrage & Others	Grand Total
		Early	Mid	Advance	Late		
Valuation Cycle	Attractive	-	5%	4%	-	-	9%
	Low	3%	7%	7%	6%	-	23%
	High	7%	9%	6%	6%	-	28%
	Excessive	6%	2%	1%	6%	-	15%
	Cash, Arbitrage & Others	-	-	-	-	25%	25%
	Grand Total	16%	23%	18%	18%	25%	100%

Business Cycle Stage: Categorization predominantly based on quartile positioning 3-year rolling revenue growth and EBITDA margins (percentile upto 25th – Early, upto 25-50th – Mid, 50-75th – Advance, above 75th – Late)

Valuation: Categorization predominantly based on valuations relative to history (below -1 SD – Attractive, -1 SD to Average – Low, Average to +1 SD – High, above +1SD – Excessive)

DSP Business Cycle Fund - In A Nutshell

- 1 Framework-driven selection of industries & companies with high growth / turnaround potential
- 2 Flexibility to aggressively allocate significant weights to industries in an upcycle
- 3 Does not shy away from taking cash calls or using other risk management strategies
- 4 Suitable for all market phases given its unconstrained nature
- 5 Recommended holding period of 5+ years

Framework Illustration

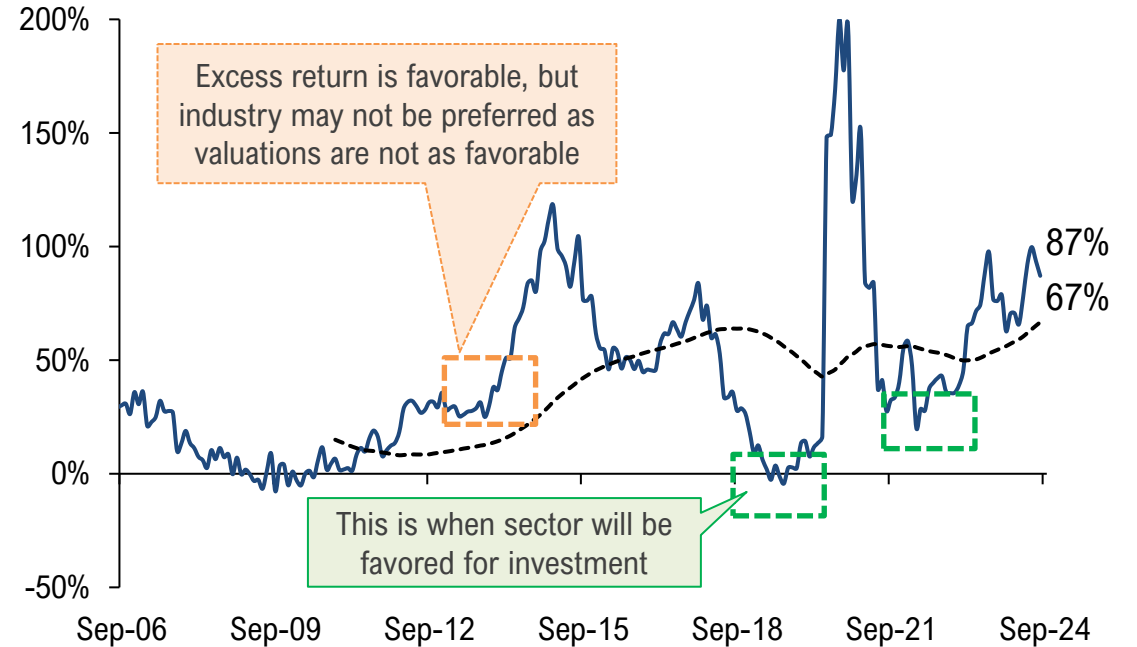
Illustration – Evaluation of Excess Returns & Valuations

Excess Return is calculated as rolling return difference between Industry & Market.
 Industry Valuation Premium is calculated using the percentage difference between valuation ratios of Industry & Market.

Excess Return of Auto Ancillaries
12 Month Rolling Return Differential (Auto Ancillaries - Nifty)



Valuation Premium of Auto Ancillaries over Nifty 50 using trailing 12 month PE



Source: Bloomberg, Internal. Data as on 30-Sep-24. Auto Ancillaries is represented by companies falling under Auto Components industry as categorized by AMFI. PE - Price to Earnings. The investment approach/ framework/ strategy mentioned herein are proposed to be 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). **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.** These figures pertain to performance of the index and do not in any manner indicate the returns/performance of this scheme.

Illustration of Valuation Metrics Used

Every industry is evaluated on different valuation parameters...

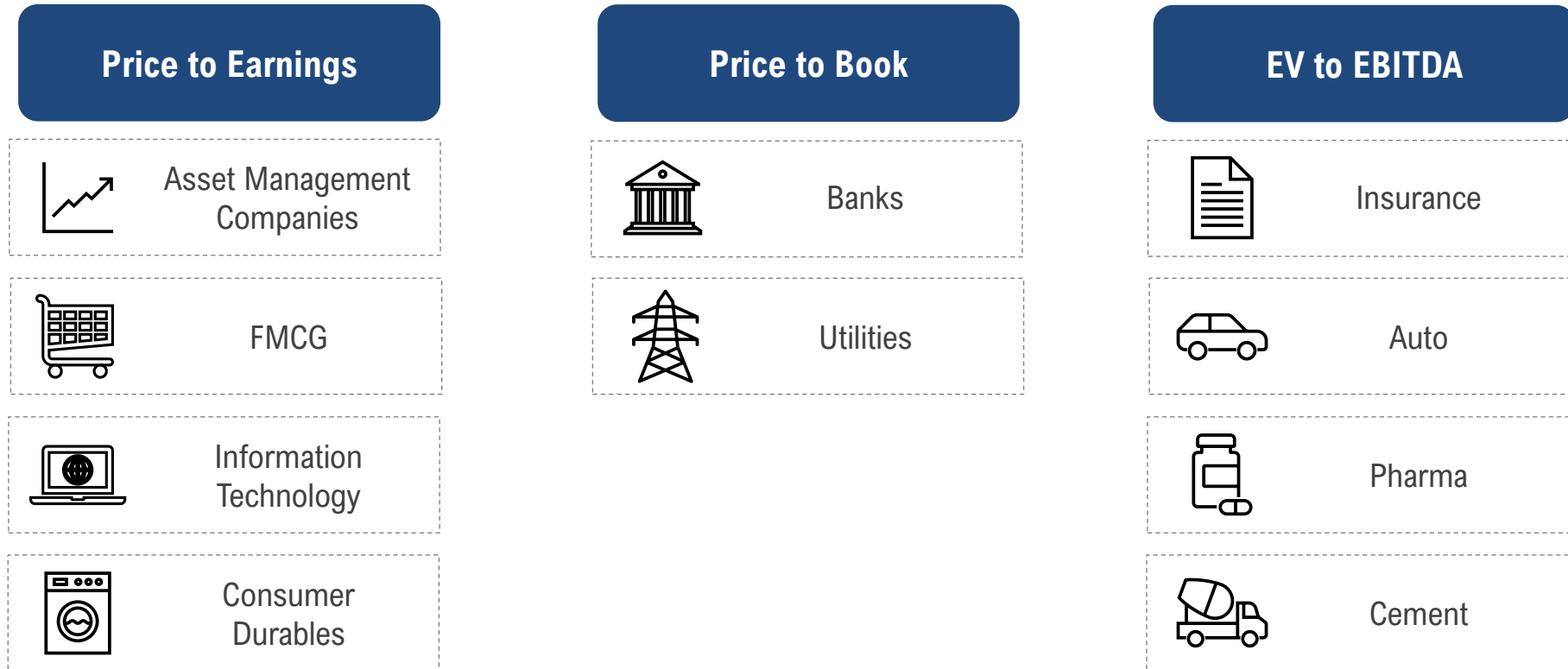


Illustration – Drivers of Profitability & Cashflows

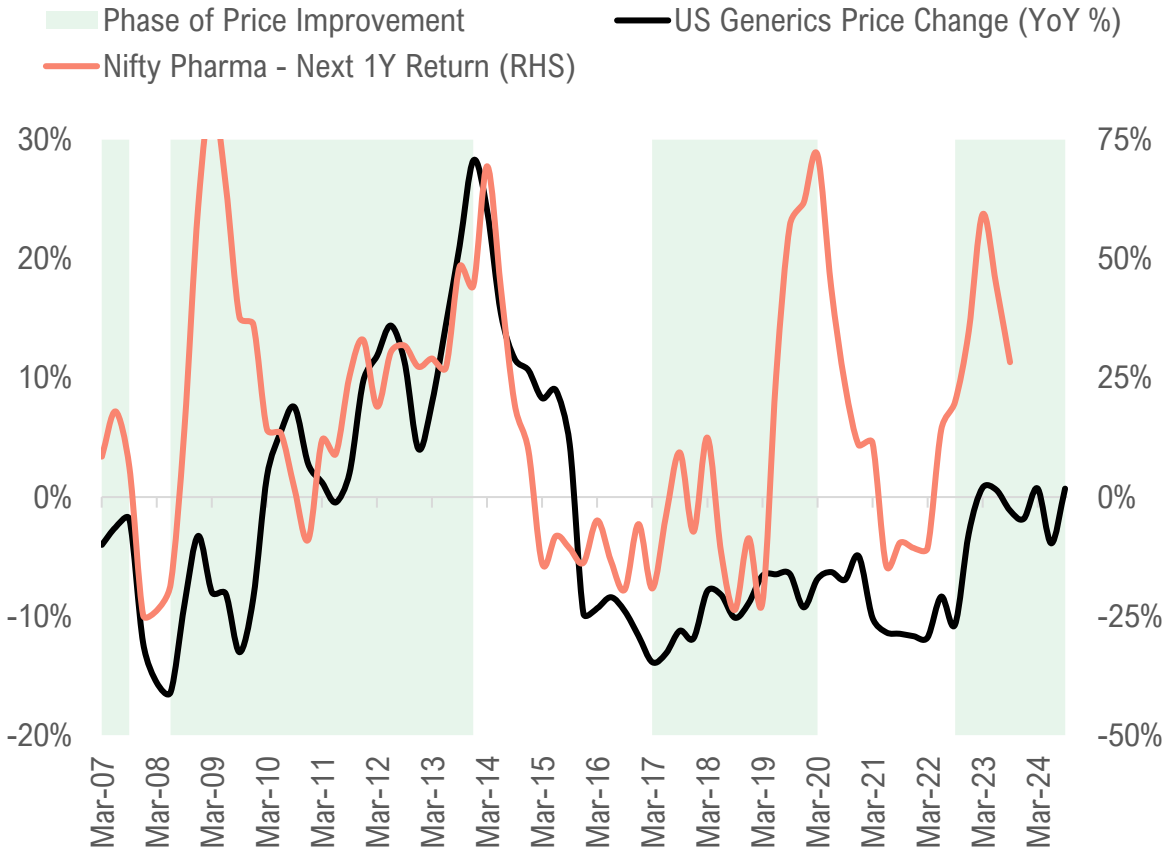
Industry	Key Drivers To Understand How The Industry Is Currently Positioned			
Banks/ NBFCs	PPOP / NIM	GNPA / NNPA	Credit Growth	CASA Ratio
Auto	Volume Growth	Launch Pipeline	Interest Rates	Rural Outlook
Consumer Staples	Rural Outlook	Volume Growth	Distribution Expansion	Market Share Changes
IT Services	Hiring And Attrition	Margins Outlook	Demand Outlook	Offshore / Onshore Mix
Infra & Capital Goods	Government Capex	Private Project Announcements	Capacity Utilization	Technology Capability
Materials	Global Demand Supply	Spreads	Capacity Utilization	Balance Sheet Strength
Real Estate	Affordability Levels	Inventory Levels	Interest Rates	Cash Flow Conversion
Consumer Discretionary	Rising Income Levels	Increasing Penetration	Interest Rates	Distribution Expansion
Chemicals	Capacity Addition	Specialty Chemicals Mix	Demand Supply	Spreads

Source: Internal. Data as on 31-Oct-24. NBFC – Non-Banking Financial Company. PPOP – Pre-Provision Operating Profit. NIM – Net Interest Margin. GNPA – Gross Non-Performing Assets. NNPA – Net Non-Performing Assets. CASA – Current Account and Savings Account. The investment approach/ framework/ strategy mentioned herein are proposed to be 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).

Industry Case Studies

Illustration – Pharma & FMCG

Pharma - Improvement in US Generics pricing environment leads to better future returns



FMCG – Returns tend to have inverse relationship with inflation expectations

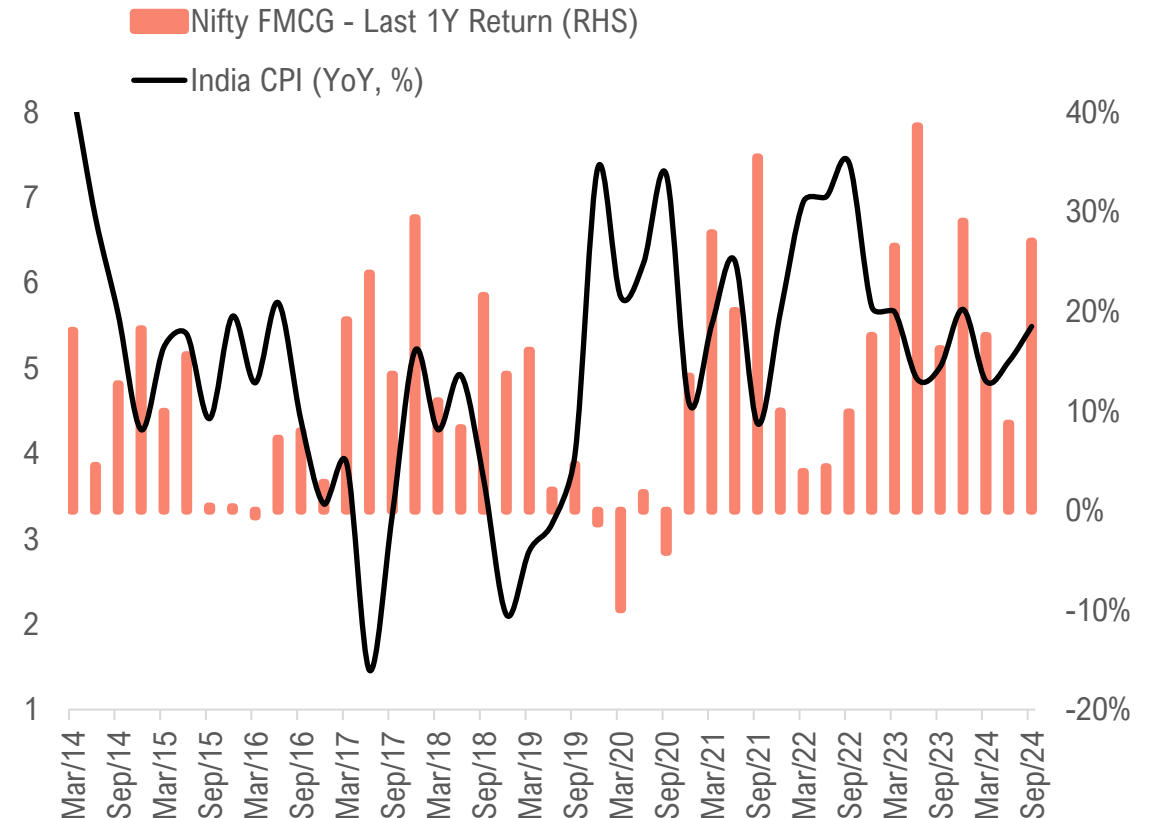


Illustration – Real Estate & Building Materials

Real Estate Completion Cycle & Building Materials Industry Growth tend to have high positive correlation

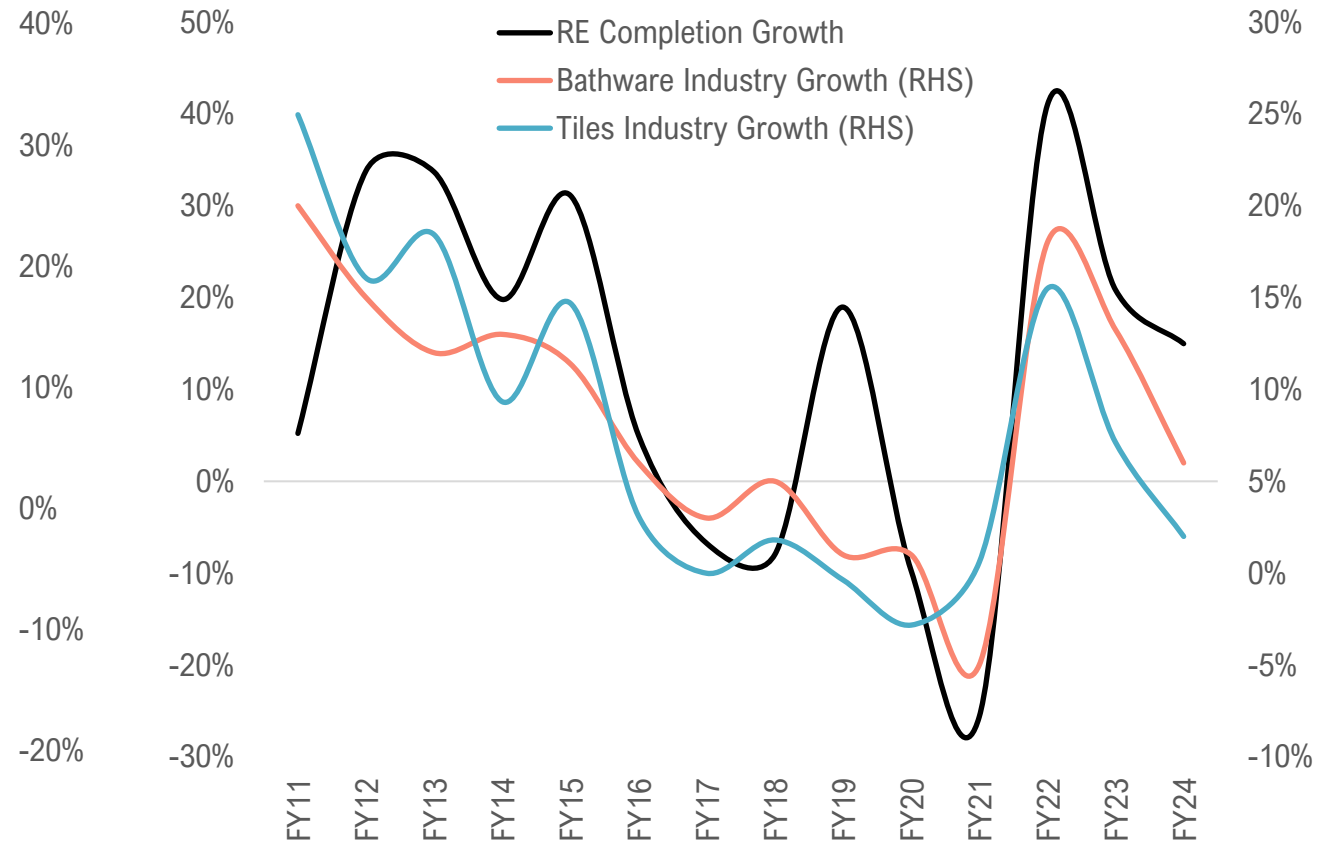
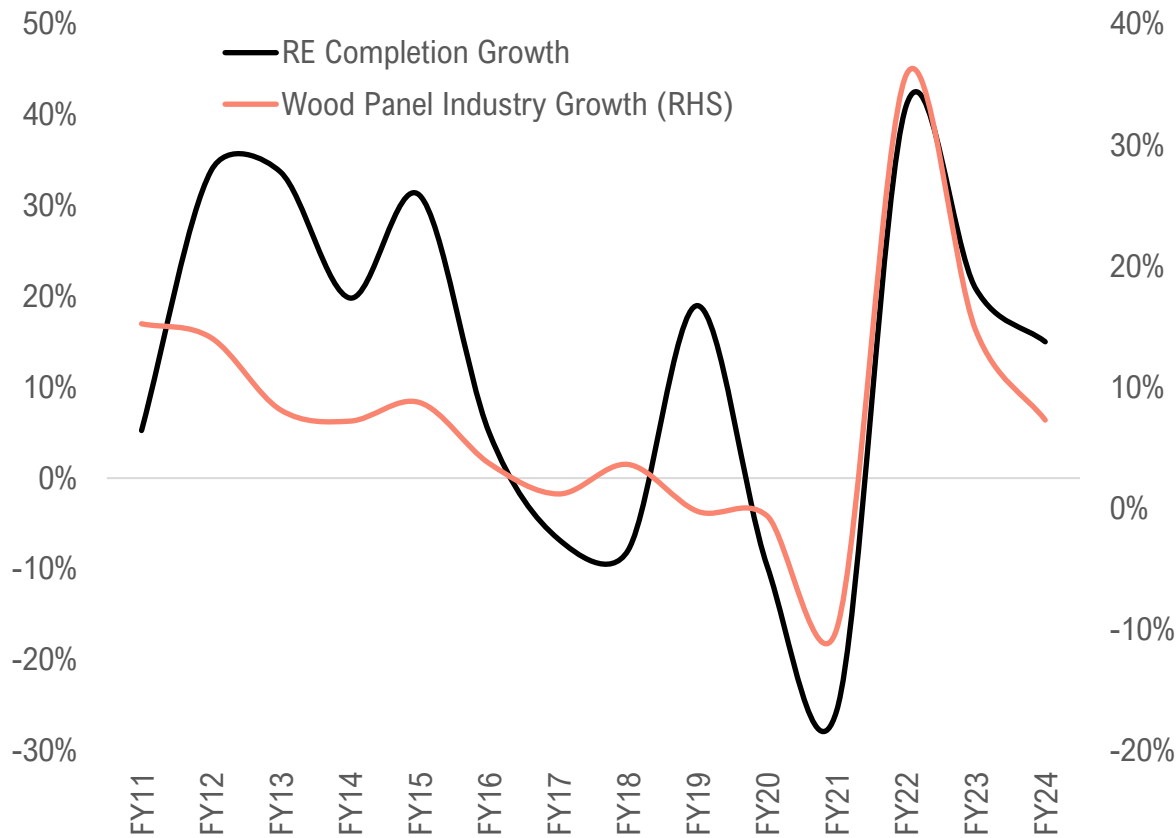
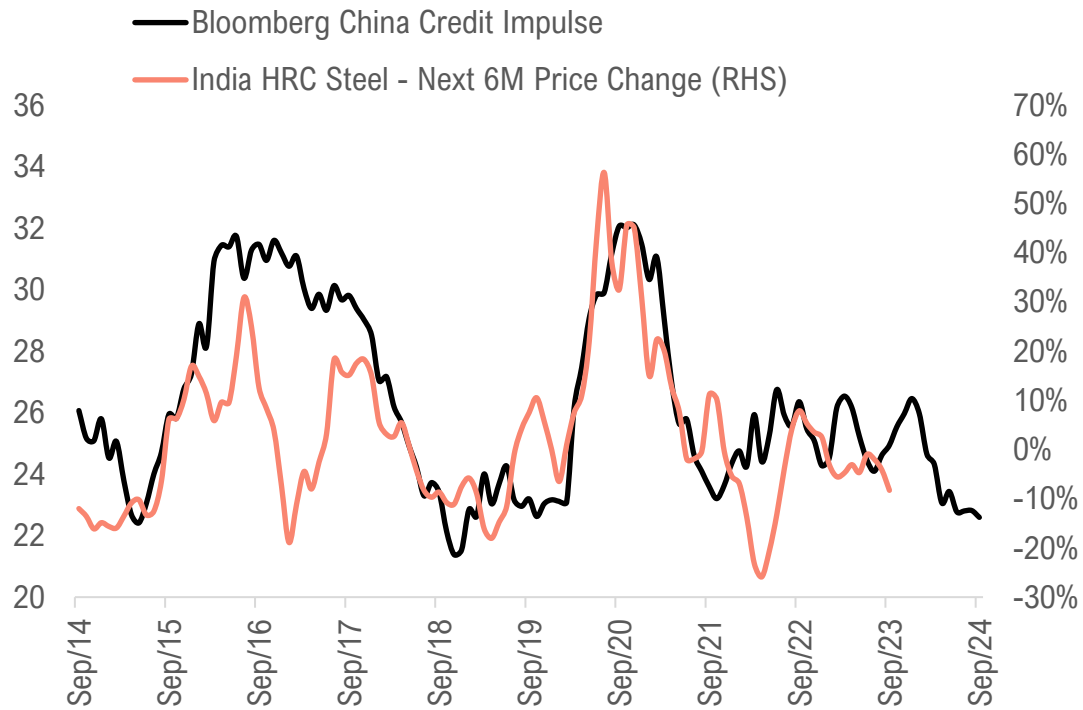


Illustration – Metals

Indian Steel Price tends to follow credit conditions in China



Metals prices are inversely related to US Dollar

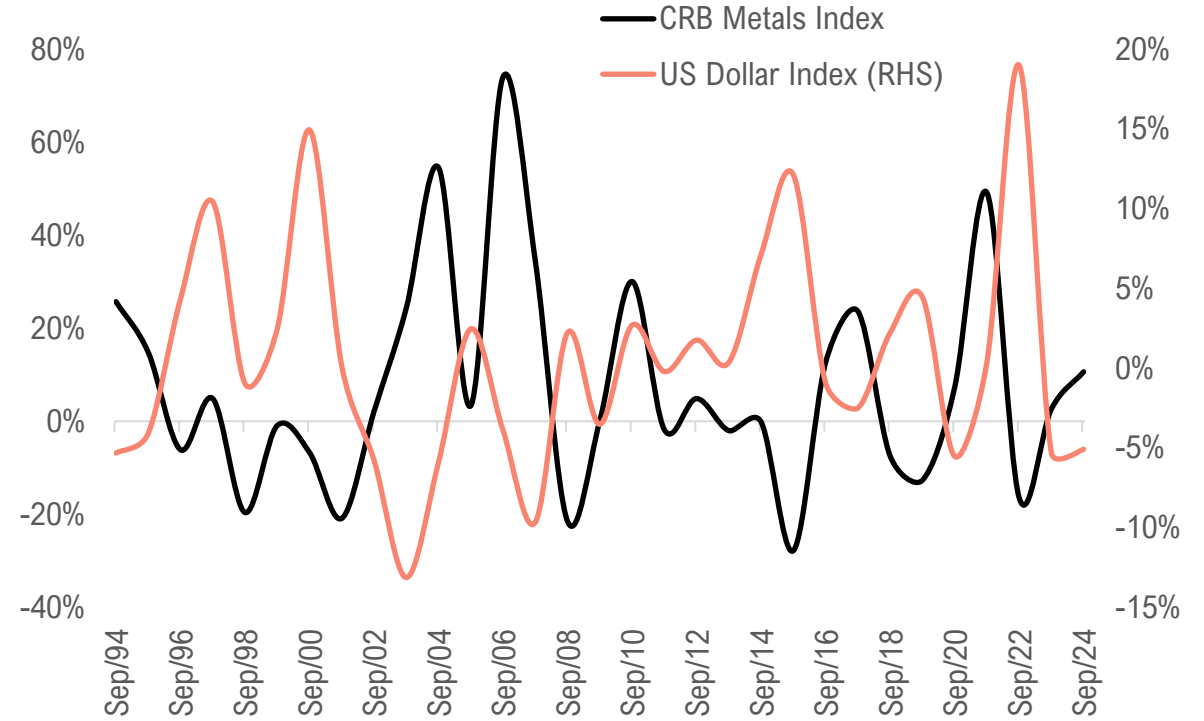
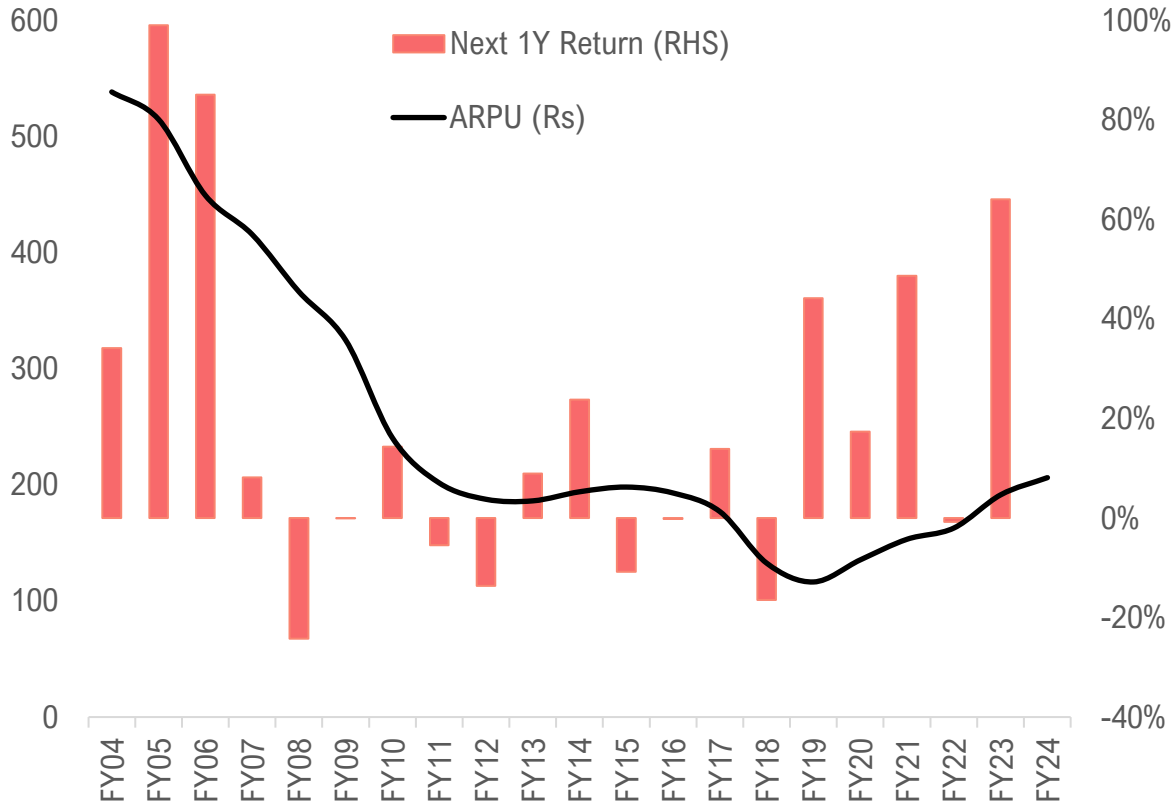


Illustration – Telecom & Agriculture

Telecom - Forward Returns are higher when there is improvement in ARPU



Agriculture - Output as measured by GVA tends to follow rainfall levels

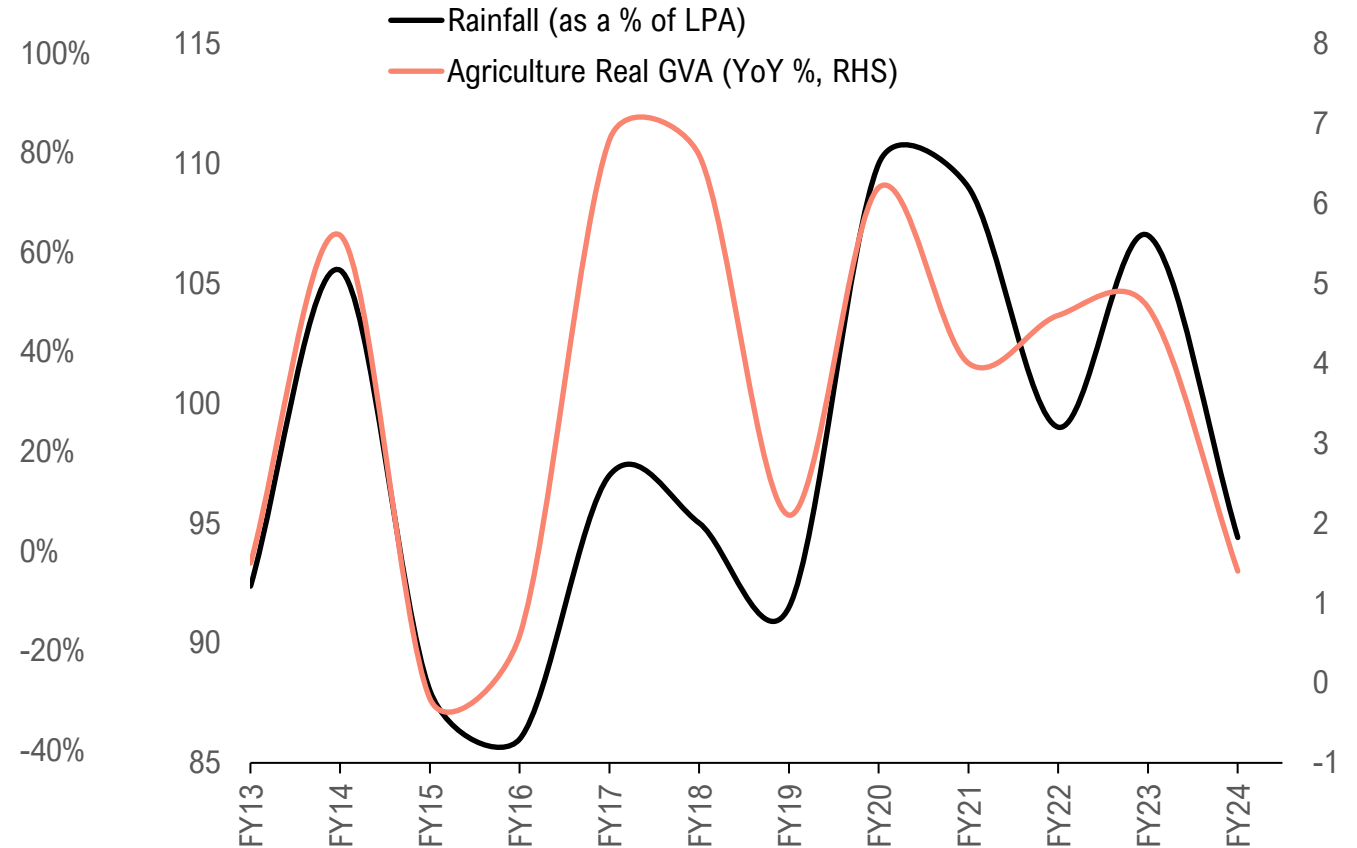
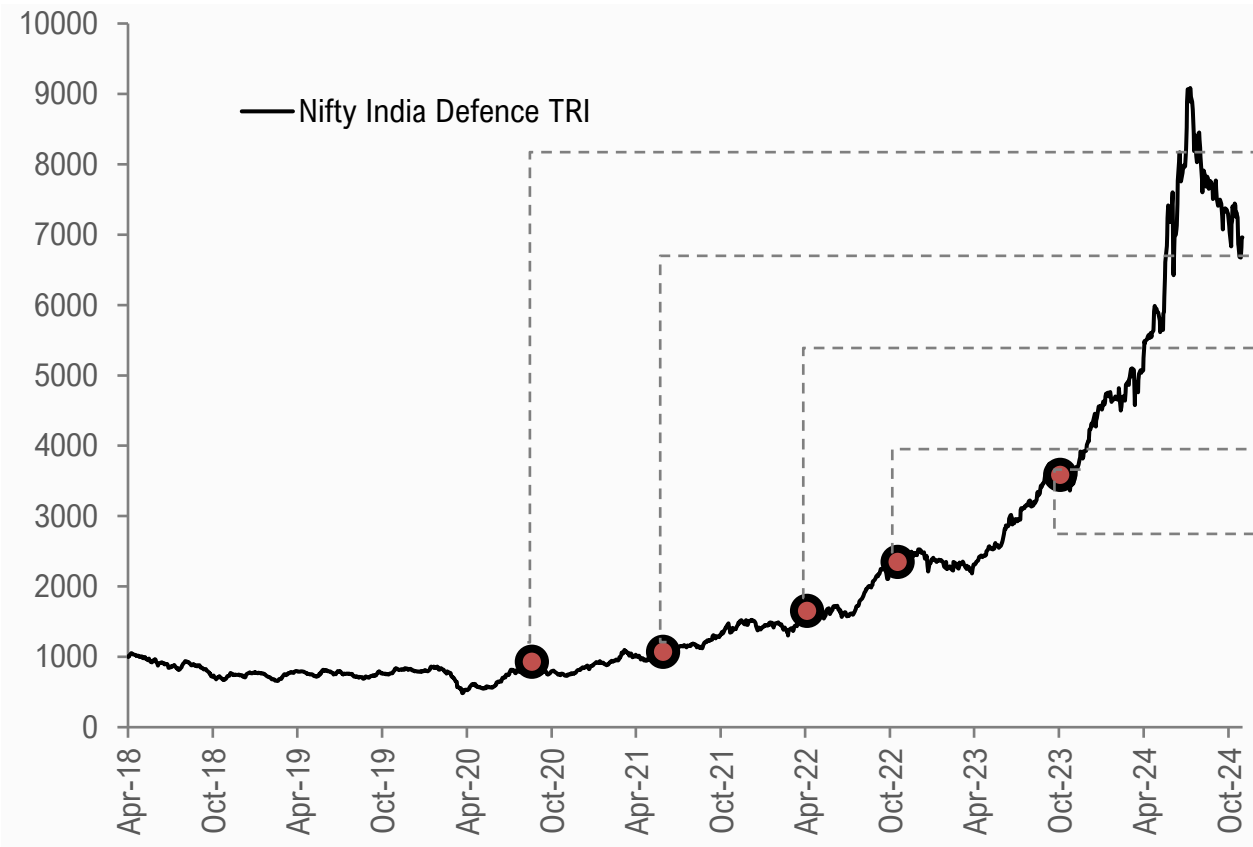


Illustration – Emerging Sector: Defence

Defence – Sector came into spotlight after Government’s announcement of localization measures



Positive Indigenisation List	Announcement Date	No of Items/ Components to be localized	Annualized Returns Since Announcement Date
List 1	21-Aug-20	101	64%
List 2	31-May-21	108	75%
List 3	07-Apr-22	101	79%
List 4	19-Oct-22	101	75%
List 5	05-Oct-23	98	96%

Investment Team

Fund Manager



Charanjit Singh

VP & Fund Manager, Capital Goods, Infra, Power Utilities, Consumer Durables

Role

- Joined DSP in Sep 2018 to cover Industrials, Utilities, Infrastructure and Consumer Durables sectors

Experience

- > 19 years of work experience
- Rated as No. 2 analyst in 2017 Asia Money Polls in Industrials sector
- Consistently voted in top quartile by leading investment managers in previous roles

Previous Roles

- B&K securities – Heading Industrials, Utilities, Infrastructure and Consumer Durables sectors
- Axis Capital
- BNP Paribas
- HSBC

Education

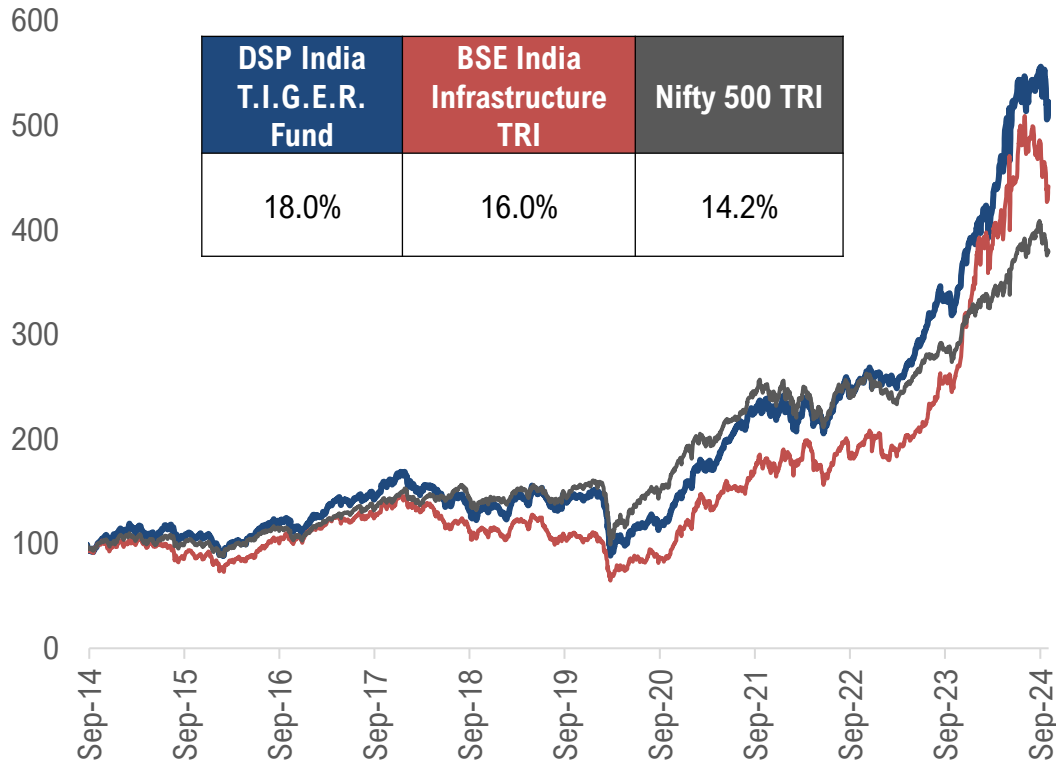
- MBA in Finance from IIT Madras DOMS
- Electronics and Communication Engineer

Funds Managed

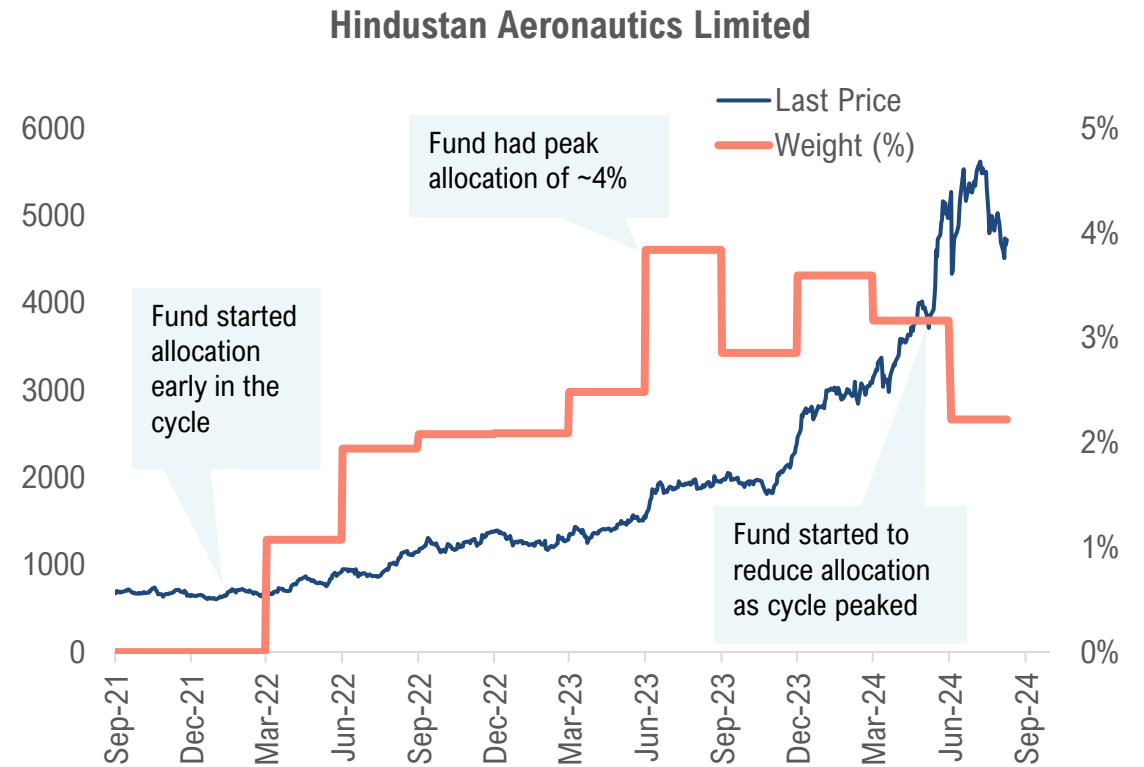
- DSP India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms Fund)

Fund Manager History Of Identifying Trends Early In The Cycle

The fund has outperformed the benchmark & broader index in the last 10 years



Defence Story – Theme identified early in cycle with the current framework



Evidence of ability to ride industry cycles in DSP India T.I.G.E.R. Fund

Equity Investments Team Supporting Fund Manager

Head of Equities



Vinit Sambre (26)
Senior Vice President
Head - Equities



Rohit Singhania (23)
Senior Vice President
Co-Head – Equities

Analyst / Fund Manager



Abhishek Singh (17)
VP, Portfolio Manager



Chirag Dagli (22)
VP, Healthcare



Aniket Pande (9)
AVP, Tech, Telecom,
FMCG, Internet



Kaivalya Nadkarni (6)
Sr. Manager
Arbitrage Opportunities



Bhavin Gandhi (20)
AVP, Portfolio Manager



Dhaval Gada (14)
VP, Banking and
Financial Services



Vaibhav Shah (5)
Sr. Manager, Auto and
Metals sector



Sarthak Tita (1)
Mgmt Trainee, Oil &
Gas and Cement
sector



Resham Jain, CFA (19)
VP, Small & Mid Caps, Agri
inputs, Textiles, Chemicals,
Retail



Abhishek Ghosh (16)
AVP, Small & Mid Caps,
Transportation



Nilesh Aiya (14)
VP, Forensic Research

*Plays the role of a SKEPTICAL ANALYST
– a first of its kind role in the domestic
Indian asset management industry*

Risk Factors

Risks associated with investment in Sectoral / thematic fund:

Any sectoral or thematic fund will seek to invest in underlying investments belonging to a defined sector or the theme. Investor needs to understand that a specific sector/theme may not achieve desired result / growth and may also experience unexpected changes adversely affecting the performance, thus investing in a sectoral /thematic fund could involve potentially higher volatility and risk. Further the fund would be restricted to invest in underlying investments from the defined sectors/themes and thus the concentration risk is also expected to be high.

Risks associated with mid-cap and small-cap companies

SEBI has defined the market capitalization spectrum as follows:

- Large-Cap Stocks: 1st -100th company in terms of full market capitalization
- Mid-Cap Stocks: 101st -250th company in terms of full market capitalization
- Small-Cap Stocks: 251st company onwards in terms of full market capitalization

Investment in mid-cap and small-cap companies are based on the premise that these companies have the ability to increase their earnings at a faster pace as compared to large- 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 mid-cap stocks and beyond, there are higher risks in terms of volatility and market liquidity. Scheme also invests in mid-cap and small-cap companies and hence is exposed to associated risks.

Liquidity

The ability to execute investment strategies or sell these investments could be limited by the overall trading volume, settlement periods, transfer cycles on the stock exchanges and may lead to the Scheme incurring losses till the security is finally sold.

Asset Allocation as per Scheme Information Document

Under normal circumstances, the asset allocation of the Scheme will be as follows:

Instruments	Indicative Allocations (% of total assets)		Risk Profile
	Minimum	Maximum	
Equity and Equity related instruments based on business cycle	80%	100%	Very High Risk
Equity and Equity related instruments other than business cycle	0%	20%	Very High Risk
Debt and Money Market Instruments	0%	20%	Low to Moderate Risk
Units issued by REITs & InvITs	0%	10%	Very High Risk

Annexure – Performance of DSP India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms Fund) In SEBI Format

	This Fund		BSE India Infrastructure TRI ^		NIFTY 50 TRI #	
	CAGR	Current Value	CAGR	Current Value	CAGR	Current Value
1 Year	61.81%	₹ 16,202	75.66%	₹ 17,593	28.31%	₹ 12,839
3 years	32.07%	₹ 23,089	36.87%	₹ 25,709	12.35%	₹ 14,195
5 Years	28.91%	₹ 35,645	31.99%	₹ 40,127	16.61%	₹ 21,582
Since Inception	18.67%	₹ 328,947	NA	NA	16.04%	₹ 208,136
NAV / Index Value	₹ 328.95		₹ 916		₹ 35,971	

Fund Manager

Charanjit Singh – Managing since Jan 2021

^ Fund Benchmark. # Additional Benchmark.

Data as on 31-Oct-2024. Date of allotment: 11-Jun-2004. 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 31-Oct-2024. **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.** As on 31-Oct-2024, the fund manager only manages DSP India T.I.G.E.R. Fund (The Infrastructure Growth and Economic Reforms Fund).

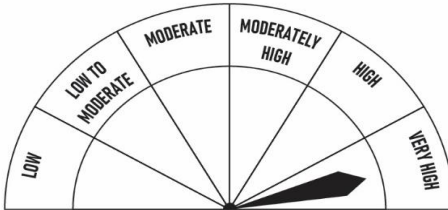
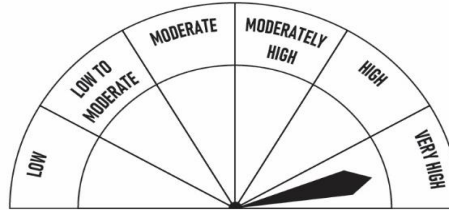
Scheme Features

Name of scheme	DSP Business Cycle Fund
Type of scheme	An open ended equity scheme following business cycles based investing theme
Category	Thematic Fund
Investment Objective	The investment objective of the scheme is to provide long-term capital appreciation by investing in equity and equity related securities with a focus on riding business cycles through dynamic allocation across various sectors / themes / stocks at different stages of business cycle. There is no assurance that the investment objective of the Scheme will be achieved.
Plans	<ul style="list-style-type: none"> - Regular - Direct
Options	<ul style="list-style-type: none"> - Growth option - Income Distribution cum capital withdrawal (IDCW) – Payout & Reinvestment option
Minimum Application Amount (First purchase and for subsequent purchase)	Rs. 100/- and any amount thereafter
Exit Load	Holding period from the date of allotment: <= 1 month – 0.5%, > 1 month – Nil
Fund Managers	Charanjit Singh
Benchmark	Nifty 500 TRI
SIP/STP/SWP	Available
Minimum Installment Amount for SIP/SWP/STP	Rs. 100/- and any amount thereafter
Taxation	Equity Taxation
Expense ratio*	Regular Plan – Upto 2.25% Direct Plan – Upto 0.5%

Disclaimer & Product Labelling

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

<p>DSP Business Cycle Fund</p> <p>(An open ended equity scheme following business cycles based investing theme)</p>	<p>This scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> • Long term capital growth • Investment in equity and equity related securities with a focus on riding business cycles through dynamic allocation across various sectors / themes / stocks at different stages of business cycle <p>*Investors should consult their financial advisers if in doubt about whether the scheme is suitable for them.</p>	<p style="text-align: center;">SCHEME RISKOMETER</p>  <p style="text-align: center;">RISKOMETER</p> <p style="text-align: center;">INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p>	<p style="text-align: center;">BENCHMARK [Nifty 500 TRI] RISKOMETER</p>  <p style="text-align: center;">RISKOMETER</p> <p style="text-align: center;">INVESTORS UNDERSTAND THAT THEIR PRINCIPAL WILL BE AT VERY HIGH RISK</p>
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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.

DSP
ASSET MANAGERS

#INVESTFORGOOD