DSP
TRUSTEE

June 13, 2022

Dear Unit Holder,

Sub: Change in Fundamental Attributes of DSP Quant Fund

Thank you for investing in DSP Mutual Fund ('Fund'). We appreciate your trust in us.

A. Background
DSP Quant Fund ('Scheme') is an open ended equity scheme investing based on quant model theme. The investment objective of the Scheme is to deliver superior returns as compared to the underlying benchmark over the medium to long term through investing in equity and equity related securities. The portfolio of stocks will be selected, weighed and rebalanced using stock screeners, factor-based scoring and an optimization formula which aims to enhance portfolio exposures to factors representing 'good investing principles' such as growth, value and quality within risk constraints. The AUM of the Scheme as on May 31, 2022 was Rs. 1283.4 crores.

B. Proposal

i) Change the frequency of Model Rebalancing Period: Currently, the quant model in terms of disclosure made in the Scheme Information Document ('SID') of the Scheme has a half yearly-balancing frequency where the entire quant model is run every March and September. It is proposed to move to a Quarterly rebalancing frequency instead of half yearly. At each model re-balance, the automated stock picking and weighting process that generates the portfolio as described in the investment strategy will be run based on latest available data.

ii) Enable writing of call options under a covered call strategy: In accordance with SEBI (Mutual Funds) Regulations, 1996 and SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019, schemes are allowed to write call options under a covered call strategy subject to guidelines issued by SEBI from time to time. It is proposed to enable writing of call options under a covered call strategy for the purpose of generating additional returns in the form of option premium in a range bound market.

(iii) Other modifications to be made in SID of the Scheme: We also propose to make certain modifications in the clauses of the SID of the Scheme which are listed below:

a. Negative exclusion criteria
b. Stock level constraints
c. Weighting scheme
d. Inclusion criteria

Rationale for the proposed changes:

a. Change in rebalancing period to make the quant model more dynamic and allow for re-balancing of portfolio weights that may have drifted higher or lower due to extreme price moves
b. Enabling writing of call options under a covered call strategy since this allows for generating additional returns in the form of option premium in a range bound market
c. Additions to stock selection and exclusion criteria incorporating data inputs such as ESG data, insider share sales data, trading volumes etc.
d. Removal of cap on stock weights in the portfolio currently capped at 10x of their respective weight in BSE 200 index. This is because a sizeable number of stocks within BSE200 TRI have very small weights below 10 basis points. The 10x constraint results in sub-optimal weights in the portfolio for stocks that score well on selected factors. The portfolio will continue to have a single stock concentration cap of 10%
e. Weighting scheme will additionally incorporate price and volume-based inputs to improve outcomes. Extensive back tests and research reveal the benefits of capturing behavioural factors since market behaviour is not driven only by stock fundamental but also by investor behavior
f. Inclusion criteria used for assigning percentile score for each company across selected factors may deviate from an equal weighted approach based on macro-economic data or if any of the selected factors exhibit extreme price moves

The appended table proposes to reflect existing and proposed changes to the SID of the Scheme along with rationale for such change are as follows:

Sl. No. (a)	Clause of SID (Chapter and Section) (b)	Particulars (c)	Existing Provision in SID (d)	Proposed Provision in SID (e)	Changes made (f)
1.		Name of the Scheme	DSP Quant Fund	DSP Quant Fund	No change
2.	SECTION I. HIGHLIGHTS/ SUMMARY OF THE SCHEME	Type of the Scheme	An Open ended equity Scheme investing based on a Quant model theme	An Open ended equity Scheme investing based on a quant model theme	No change
3.	SECTION I. HIGHLIGHTS/ SUMMARY OF THE SCHEME	Investment Objective	The investment objective of the Scheme is to deliver superior returns as compared to the underlying benchmark over the medium to long term through investing in equity and equity related securities. The portfolio of stocks will be selected, weighed and rebalanced using stock screeners, factor-based scoring and an optimization formula which aims to enhance portfolio exposures to factors representing 'good investing principles' such as growth, value and quality within risk constraints. However, there can be no assurance that the investment objective of the scheme will be realized.	The investment objective of the Scheme is to deliver superior returns as compared to the underlying benchmark over the medium to long term through investing in equity and equity related securities. The portfolio of stocks will be selected, weighed and rebalanced using stock screeners, factor-based scoring and an optimization formula which aims to enhance portfolio exposures to factors representing 'good investing principles' such as growth, value and quality within risk constraints. However, there can be no assurance that the investment objective of the scheme will be realized.	No change
4.	SECTION I. HIGHLIGHTS/ SUMMARY OF THE SCHEME	Benchmark Index	S&P BSE 200 TRI Index	S&P BSE 200 TRI Index	No change

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

<table>
<tr><th>Sl. No. (a)</th><th>Clause of SID (Chapter and Section) (b)</th><th>Particulars (c)</th><th>Existing Provision in SID (d)</th><th>Proposed Provision in SID (e)</th><th>Changes made (f)</th></tr>
<tr>
<td>5.</td>
<td>SECTION V - INFORMATION ABOUT THE SCHEME</td>
<td>How will the Scheme allocate its assets</td>
<td>
<table>
<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative allocations (% of total assets)</th><th rowspan="2">Risk Profile</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>A. Equity & Equity related instruments including derivatives</td><td>95%</td><td>100%</td><td>Medium to High</td></tr>
<tr><td>B. Debt and money market instruments</td><td>0%</td><td>5%</td><td>Low</td></tr>
<tr><td>C. Units issued by REITs & InvITs</td><td>0%</td><td>5%</td><td>Medium to High</td></tr>
</table>
The Scheme retains the flexibility to invest across all the securities in the debt and money markets as permitted by SEBI / RBI from time to time, including schemes of mutual funds.
The scheme may also invest in derivatives instruments to the extent of 80% of the Net Assets as permitted vide SEBI Circular no. DNPD/Cir 29/2005 dated September 14, 2005 and SEBI Circular No. DNPD/ Cir-30/2006 dated January 20, 2006, SEBI circular No. SEBI/DNPD/ Cir-31/2006 dated September 22, 2006 and SEBI Circular No. Cir/IMD/ DF/ 11/ 2010 dated August 18, 2010. The Scheme may use fixed income derivative instruments, subject to the guidelines as may be issued by SEBI and RBI and for such purposes as maybe permitted from time to time, including for the purpose of hedging and portfolio balancing, based on the opportunities available.
The Scheme shall not lend securities amounting to more than 50% of the net assets of the Scheme. The Scheme will enter into securities lending in accordance with the framework specified by SEBI in this regard.
The Scheme may enter into short selling transactions in accordance with the framework relating to short selling specified by SEBI. The Scheme may also participate in repo of money market and corporate debt securities.
The cumulative gross exposure through equity, debt, derivative positions (including fixed income derivatives), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the SEBI from time to time should not exceed 100% of the net assets of the scheme. The Scheme will not have a leveraged position in derivatives. The Scheme will not invest in equity linked debentures.
</td>
<td>
<table>
<tr><th rowspan="2">Instruments</th><th colspan="2">Indicative allocations (% of total assets)</th><th rowspan="2">Risk Profile</th></tr>
<tr><th>Minimum</th><th>Maximum</th></tr>
<tr><td>A. Equity & Equity related instruments including derivatives</td><td>80%</td><td>100%</td><td>Very High</td></tr>
<tr><td>B. Debt and money market instruments</td><td>0%</td><td>20%</td><td>Low</td></tr>
<tr><td>C. Units issued by REITs & InvITs</td><td>0%</td><td>5%</td><td>Very High</td></tr>
</table>
The scheme may also invest in derivatives instruments to the extent of 50% of the equity and debt component respectively as permitted vide SEBI Circular no. DNPD/Cir 29/2005 dated September 14, 2005 and SEBI Circular No. DNPD/ Cir-30/2006 dated January 20, 2006, SEBI circular No. SEBI/DNPD/ Cir-31/2006 dated September 22, 2006 and SEBI Circular No. Cir/ IMD/ DF/ 11/ 2010 dated August 18, 2010. The Scheme may use fixed income derivative instruments, subject to the guidelines as may be issued by SEBI and RBI and for such purposes as maybe permitted from time to time, including for the purpose of hedging and portfolio balancing, based on the opportunities available.
The Scheme will not lend securities more than 20% of its corpus and the Scheme shall not lend securities more than 5% of its corpus to a single counterparty. The Scheme will enter into securities lending in accordance with the framework specified by SEBI in this regard.
The Scheme may enter into short selling transactions in accordance with the framework relating to short selling specified by SEBI. The Scheme may also participate in repo of corporate debt securities, Government securities and T-bills not more than 5% of the corpus.
The cumulative gross exposure through equity, debt, derivative positions (including fixed income derivatives), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the SEBI from time to time subject to approval, if any should not exceed 100% of the net assets of the scheme. The Scheme will not have a leveraged position in derivatives. The Scheme will not invest in equity linked debentures.
</td>
<td>Changes as described in column e</td>
</tr>
<tr>
<td>6</td>
<td>SECTION V - INFORMATION ABOUT THE SCHEME</td>
<td>E – What are Investment strategies</td>
<td>
What is a factor model and why do factors work and why the preference for a multi-factor approach?
Factor strategies (also known as smart beta) today combine active and passive investing models providing the investors with the tools to express investment preferences and philosophies in an efficient manner.
Driven primarily by underperformance and shrinking alpha particularly in the large cap space, such strategies have, in recent years, gained tremendous popularity particularly in developed markets.
Globally, some of the most researched factors and the reasons for the risk-premia associated with them are the following:
Table 1: Illustration of globally most researched factors and reasons for associated risk premia
<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Growth</td><td>• Premium associated with companies that have consistently delivered on Earnings growth.
• Since most of the present value of these companies comes from future cash-flows, they are most susceptible to changes in interest rates (discount rate) and the growth outlook.</td></tr>
</table>
</td>
<td>
What is a factor model and why do factors work and why the preference for a multi-factor approach?
Factor strategies (also known as smart beta) today combine active and passive investing models providing the investors with the tools to express investment preferences and philosophies in an efficient manner.
Driven primarily by underperformance and shrinking alpha particularly in the large cap space, such strategies have, in recent years, gained tremendous popularity particularly in developed markets.
Globally, some of the most researched factors and the reasons for the risk-premia associated with them are the following:
Table 1: Illustration of globally most researched factors and reasons for associated risk premia
<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Growth</td><td>• Premium associated with companies that have consistently delivered on Earnings growth.
• Since most of the present value of these companies comes from future cash-flows, they are most susceptible to changes in interest rates (discount rate) and the growth outlook.</td></tr>
</table>
</td>
<td>Changes as described in column e</td>
</tr>
</table>

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

<table>
<tr><th>Sl. No. (a)</th><th>Clause of SID (Chapter and Section) (b)</th><th>Particulars (c)</th><th>Existing Provision in SID (d)</th><th>Proposed Provision in SID (e)</th><th>Changes made (f)</th></tr>
<tr><td></td><td></td><td></td>
<td>
<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Quality</td><td>• Well run companies with high earnings visibility.
• Companies that typically avoid over leveraging and are perceived as being less risky.
• Perception of lower risk brings down cost of capital, improving margins and increasing return on equity</td></tr>
<tr><td>Value</td><td>• Typically highly leveraged companies with lower ability to withstand macro shocks.
• Value premium can be viewed as a compensation for macro risk.</td></tr>
</table>

How to measure factor exposures?

Stock level exposures to various factors can be measured by one or any of the following descriptors. The below list is not an exhaustive list. As markets evolve and data availability as well as academic research becomes more sophisticated, the understanding and definitions of factors may keep evolving.

Table 2: Commonly used descriptors for factors (this is not an exhaustive list. The DSP Quant Fund uses 5 factors out of the below list)

<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Growth</td><td>• Historical Earnings Growth
• Estimated Consensus Earnings Growth
• Growth in revenues
• Growth in assets</td></tr>
<tr><td>Quality</td><td>• Return-on-Equity (ROE)
• Earnings Growth Variability
• Return-on-Invested Capital (ROIC)</td></tr>
<tr><td>Value</td><td>• Price/Book ratio
• Estimated FY1 Price/Earnings ratio
• IDCW Yield
• Free-Cashflow Yield
• EV/EBITDA
• Price/Sales ratio</td></tr>
</table>

DSP Quant Fund: Investment Strategy and Model Implementation

Our aim is to create a model based fund that is anchored around fundamental principles of good investing. The endeavor is to create an automated stock picking and weighting model that generates portfolios which maximize characteristics of the chosen factors while adhering to liquidity and risk concentration constraints.

Why BSE 200 as benchmark?
The Scheme will invest in stocks selected from a universe of S&P BSE 200 (half-yearly rebalance). We opine that BSE 200 represents a universe of reasonably liquid, well researched companies. The vast number of active funds in the large cap space are also benchmarked to BSE 200 for the same reason.

Importance of negative 'exclusion' criteria:
Our backtests suggest that not owning 'poorly run companies' is also a significant source of outperformance over the long term.

We narrow down the universe by applying objective pre-defined criteria that excludes the following from the investable universe;

- Exclude companies that fail to pass through proprietary earnings quality and forensic accounting screeners based on reported accounting statements
- Exclude companies exposed to higher default risk (higher than a predefined leverage threshold, ex-Financials)
- Exclude companies with higher than a predefined volatility threshold
- Exclude companies which do not meet certain pre-defined ownership/shareholding criteria
</td>
<td>
<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Quality</td><td>• Well run companies with high earnings visibility.
• Companies that typically avoid over leveraging and are perceived as being less risky.
• Perception of lower risk brings down cost of capital, improving margins and increasing return on equity.</td></tr>
<tr><td>Value</td><td>• Typically highly leveraged companies with lower ability to withstand macro shocks.
• Value premium can be viewed as a compensation for macro risk.</td></tr>
</table>

How to measure factor exposures?

Stock level exposures to various factors can be measured by one or any of the following descriptors. The below list is not an exhaustive list. As markets evolve and data availability as well as academic research becomes more sophisticated, the understanding and definitions of factors may keep evolving.

Table 2: Commonly used descriptors for factors (this is not an exhaustive list. The DSP Quant Fund uses 5 factors out of the below list)

<table>
<tr><th>Factor</th><th>Performance/Risk drivers</th></tr>
<tr><td>Growth</td><td>• Historical Earnings Growth
• Estimated Consensus Earnings Growth
• Growth in revenues
• Growth in assets</td></tr>
<tr><td>Quality</td><td>• Return-on-Equity (ROE)
• Earnings Growth Variability
• Return-on-Invested Capital (ROIC)</td></tr>
<tr><td>Value</td><td>• Price/Book ratio
• Estimated FY1 Price/Earnings ratio
• IDCW Yield
• Free-Cashflow Yield
• EV/EBITDA
• Price/Sales ratio</td></tr>
</table>

The 5 factors used in the quant model have been selected based on extensive back-tests to establish whether they have historically generated excess returns over time. The factors are also selected such that there is a combination of factors corresponding to Quality, Value and Growth styles to create a multi-factor model. The selected factors need to have a low correlation with each other with both pro-cyclical and defensive factors in order to have a more balanced performance across both 'bull' and 'bear' markets.

At every re-balance, the latest factor data for each company is refreshed and a percentile score is assigned for each company across the selected 5 factors, which is combined into an **aggregate score** for relative company percentile ranking. The aggregate scores are used for determination of final portfolio constituents and weights.

An investment committee review of the model including the selected factors is done annually. The AMC may review and modify the scheme's investment strategy if such changes are considered to be in the best interest of unit holders.

DSP Quant Fund: Investment Strategy and Model Implementation

Our aim is to create a model based fund that is anchored around fundamental principles of good investing. The endeavor is to create an automated stock picking and weighting model that generates portfolios which maximize characteristics of the chosen factors while adhering to liquidity and risk concentration constraints.

Why BSE 200 as benchmark?
The Scheme will invest in stocks selected from a universe of S&P BSE 200 (half-yearly rebalance). We opine that BSE 200 represents a universe of reasonably liquid, well researched companies. The vast number of active funds in the large cap space are also benchmarked to BSE 200 for the same reason.
</td>
<td></td></tr>
</table>

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

Sl. No. (a)	Clause of SID (Chapter and Section) (b)	Particulars (c)	Existing Provision in SID (d)	Proposed Provision in SID (e)	Changes made (f)
			Benefits of Multi-factor portfolio construction approach: • We select 5 factors (corresponding to the Factors that represent Quality / Value / Growth) that have historically delivered high risk adjusted returns and have low correlation with each other. We also try to balance out the factors such that the combination can be expected to have a balanced performance in both 'bull' and 'bear' markets. • Since individual factors go through phases of outperformance and underperformance over a business cycle, it is imperative for a multifactor strategy to have a mix of 'pro-cyclical' and 'defensive' factors to have a balanced performance in different market conditions. Our final factor selection is also influenced by this fact. • Combination of these 5 factors helps the resultant portfolio have balanced return profile across all market regimes and avoids cyclicality of performance often associated with single-factor models. • Score for each company across above factors gives aggregate score for relative company ranking **Optimization Engine for determination of final portfolio constituents and weights:** Maximizing portfolio level factor exposures and minimizing risk • Stock level constraints o Stock level weights in the portfolio to be capped at 10%, or 10x of weight in BSE 200 index, whichever is lower (avoid concentration, ensure liquidity/capacity) • Sector level constraints o The optimizer tries to minimize active sector risks by keeping max sector active weight to 10% (diversification, avoids risk of sector rotation) • Weighting scheme o Maximize **portfolio level factor exposure** such that portfolio level factor exposure is highest for the given set of constraints to get the o**ptimized weights for each stock** • Re-balancing frequency o Semi-annual **Formal review at Investment Committee:** An investment committee review of the model will be done annually. The AMC may review and modify the scheme's investment strategy if such changes are considered to be in the best interest of unit holders. However, such changes shall be within the overall contours of the Investment Strategy. Unscheduled and out-of-turn portfolio rebalances will not be undertaken unless extreme circumstances necessitate the same. Out of turn/ unscheduled rebalance can occur only under below circumstances: • Merger/Acquisition of a portfolio constituent • Issuer level ratings downgrade to non-investment grade or default status • Adverse news-flow that would completely negate original investment thesis, such as regarding misstatement of reported financial information • Notification to exchanges regarding significant changes to the composition of board of a portfolio constituent, change of auditors, earnings restatement, adverse outcome in pending litigation proceedings The decision to do an unscheduled re-balance must be ratified by the investment committee. The impacted portfolio constituent would be removed and the weight will be re-distributed across the remaining portfolio constituents. **Step-wise description of the investment strategy** **Step 1: Universe** • Start with the BSE 200 index Universe (200 stocks)	**Importance of negative 'exclusion' criteria:** Our backtests suggest that not owning 'poorly run companies' is also a significant source of outperformance over the long term. We narrow down the universe by applying objective pre-defined criteria that excludes the following from the investable universe; • Exclude companies that fail to pass through proprietary earnings quality and forensic accounting and governance screeners based on reported accounting statements and other data sources including ESG ratings, shareholding data etc.. • Exclude companies exposed to higher default risk (higher than a predefined leverage threshold, ex-Financials) • Exclude companies with higher than a predefined volatility threshold based on price and liquidity. Exclude companies which do not meet certain pre-defined ownership/shareholding criteria or which show poor capital allocation • Exclude companies which show trend of steadily weakening growth and margins **Benefits of Multi-factor portfolio construction approach:** • We select 5 factors (corresponding to the Factors that represent **Quality / Value / Growth**) that have historically delivered high risk adjusted returns and have low correlation with each other. We also try to balance out the factors such that the combination can be expected to have a balanced performance in both 'bull' and 'bear' markets. • Since individual factors go through phases of outperformance and underperformance over a business cycle, it is imperative for a multifactor strategy to have a mix of 'pro-cyclical' and 'defensive' factors to have a balanced performance in different market conditions. Our final factor selection is also influenced by this fact. • Combination of these 5 factors helps the resultant portfolio have balanced return profile across all market regimes and avoids cyclicality of performance often associated with single-factor models. • Score for **each company** across above factors gives **aggregate score** for relative company ranking **Optimization Engine for determination of final portfolio constituents and weights:** Maximizing portfolio level factor exposures and minimizing risk • Stock level constraints o Stock level weights in the portfolio to be capped at 10%, or 10x of weight in BSE 200 index, whichever is lower (avoid concentration, ensure liquidity/capacity) • Sector level constraints o The optimizer tries to minimize active sector risks by keeping max sector active weight to 10% (diversification, avoids risk of sector rotation) • Weighting scheme o Maximize **portfolio level factor exposure** such that portfolio level factor exposure is highest for the given set of constraints to get the **optimized weights for each stock** o The optimization process will also include technical factors that capture behavioural attributes reflecting in the stock price movement such as liquidity, stock price momentum, volatility • Re-balancing frequency o Quarterly **Formal review at Investment Committee:** An investment committee review of the model will be done annually. The AMC may review and modify the scheme's investment strategy if such changes are considered to be in the best interest of unit holders. However, such changes shall be within the overall contours of the Investment Strategy. Unscheduled and out-of-turn portfolio rebalances will not be undertaken unless extreme circumstances necessitate the same. Out of turn/ unscheduled rebalance can occur only under below circumstances: Merger/Acquisition of a portfolio constituent • Issuer level ratings downgrade to non-investment grade or default status • Adverse news-flow that would completely negate original investment thesis, such as regarding misstatement of reported financial information	

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

DSP TRUSTEE

Sl. No. (a)	Clause of SID (Chapter and Section) (b)	Particulars (c)	Existing Provision in SID (d)	Proposed Provision in SID (e)	Changes made (f)
			Step 2: Exclusion criteria • Exclude companies that fail to pass through proprietary earnings quality and forensic accounting screeners based on reported accounting statements • Exclude companies exposed to higher default risk (higher than a predefined leverage threshold, ex-Financials) • Exclude companies with higher than a predefined volatility threshold • Exclude companies which do not meet certain pre-defined ownership/shareholding criteria • After applying the exclusion criteria for recent backtests, the universe is reduced to about 80-100 companies **Step 3: Inclusion criteria** • For the remaining set of companies in the universe: • Percentile score assigned for each company across selected factors, which is combined into an aggregate score for relative company percentile ranking (equally weighted for each factor). The factors include 5 metrics capturing Quality, Growth and Value characteristics through objective ratios. • Include for consideration only top ranked companies (highest aggregate score) which constitute 50% of BSE 200 index by weight. This further reduces the stocks that will be considered for inclusion in the portfolio to about 30-50 stocks in recent rebalances as per back-tests. **Step 4: Portfolio construction: Optimizer inputs and constraints** • Inputs for selected stocks: Respective weights in BSE 200 index, **aggregate score** (output of **Step 3**) • Stock constraints embedded: Stock level:10 times its weight in the BSE 200 index or maximum weight of 10%, whichever is lower • Sector constrains embedded: active weight of +/- 10% deviation allowed from sector weight in BSE 200 index. If no stock is eligible from a sector, that sector would be absent from the portfolio **Step 5: Optimizer objective function and Output** • Run the optimizer with the utility function of maximizing portfolio level **aggregate score (using output of step 3)** and constraints as described in **Step 4** • Output: stock level weight for the portfolio **Step 6: Rebalance the portfolio end of every March and September**	• Notification to exchanges regarding significant changes to the composition of board of a portfolio constituent, change of auditors, earnings restatement, adverse outcome in pending litigation proceedings The decision to do an unscheduled re-balance must be ratified by the investment committee. The impacted portfolio constituent would be removed and the weight will be re-distributed across the remaining portfolio constituents. **Step-wise description of the investment strategy** **Step 1: Universe** • Start with the BSE 200 index Universe (200 stocks) **Step 2: Exclusion criteria** • Exclude companies that fail to pass through proprietary earnings quality and forensic accounting screeners based on reported accounting statements • Exclude companies exposed to higher default risk (higher than a predefined leverage threshold, ex-Financials) • Exclude companies with higher than a predefined volatility threshold • Exclude companies which do not meet certain pre-defined ownership/shareholding criteria • After applying the exclusion criteria for recent backtests, the universe is reduced to about 80-100 companies **Step 3: Inclusion criteria** • For the remaining set of companies in the universe: • Percentile score assigned for each company across selected factors, which is combined into an aggregate score for relative company percentile ranking (equally weighted for each factor). The factors include 5 metrics capturing **Quality, Growth and Value** characteristics through objective ratios. • Include for consideration only top ranked companies (highest aggregate score) which constitute 50% of BSE 200 index by weight. This further reduces the stocks that will be considered for inclusion in the portfolio to about 30-50 stocks in recent rebalances as per back-tests. **Step 4: Portfolio construction: Optimizer inputs and constraints** • Inputs for selected stocks: Respective weights in BSE 200 index, **aggregate score (output of Step 3)** • The optimization process will also include quantitative inputs that capture behavioral attributes such as price and volume-based measures • Stock constraints embedded: Stock level:10 times its weight in the BSE 200 index or maximum weight of 10%, whichever is lower • Sector constrains embedded: active weight of +/- 10% deviation allowed from sector weight in BSE 200 index. If no stock is eligible from a sector, that sector would be absent from the portfolio **Step 5: Optimizer objective function and Output** • Run the optimizer with the utility function of maximizing portfolio level **aggregate score (using output of step 3)** and constraints as described in **Step 4**. • Output: stock level weight for the portfolio The Optimiser refers to the automated process for assigning weights to the selected portfolio companies. This is not a discretionary process and is done based on set rules without human intervention. **Step 6: Rebalance the portfolio on a Quarterly basis** **Enable writing of call options under a covered call strategy:** Enable scheme to write call options under a covered call strategy in accordance with SEBI (Mutual Funds) Regulations, 1996 and SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2019/17 dated January 16, 2019	

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

Sl. No. (a)	Clause of SID (Chapter and Section) (b)	Particulars (c)	Existing Provision in SID (d)	Proposed Provision in SID (e)	Changes made (f)
				Benefits of Writing of Call Option Under a Covered Call Strategy A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. Covered calls are an options strategy where a person holds a long position in an asset and writes (sells) call options on that same asset. The strategy offers the following benefits: 1) Generating additional returns in the form of option premium in a range bound market. 2) Down side protection to the extent of premium collected - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option. Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction. **Illustration I - Covered Call strategy using stock call options:** A fund manager buys equity stock of ABC Ltd. for Rs. 1000 and simultaneously sells a call option on the same stock at a strike price of Rs. 1100. Further. it is assumed that the scheme has earned a premium of Rs. 50 and the fund manager is of the opinion that the stock price will not exceed Rs. 1100, during the expiry period of the option **Scenario 1: Stock price exceeds as 1100** The call option will get exercised and the fund manager will sell the stock to settle his obligation on the call at Rs. 1100 (earing a return of 10% on the stock purchase price. Also, since the scheme has earned a premium of Rs. 50, this has reduced the purchase cost of the stock Rs. 1000 - Rs. 50 - Rs 950. Hence, the Net Gain - Rs. 150 (Rs 100 stock appreciation + Rs 50 call option premium) (However, please note that in a scenario where the stock once reaches Rs. 1300, investment in long only equity would be more beneficial than a covered call strategy as the net gain under the covered call strategy would be Rs. 150, against a net gain of Rs. 300 under a pure long only equity strategy **Illustration II: Stock prices stays below Rs.1100** The call option will not get exercised and will expire worthless. The premium earned on call option will generate alpha for the scheme. Hence, the Net Gain is Rs. 50	
7	SECTION V - INFORMATION ABOUT THE SCHEME I – What are the Investment restrictions	Investment Restrictions for Covered Call strategy	NIL	Mutual Fund schemes (excluding ETFs and Index funds) can write Call options under a covered strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following: a) The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme b) The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances. c) At all points of time the Mutual Fund scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme. d) In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities. e) In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.	New provision added as explained in column e.

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

DSP

TRUSTEE

Sl. No. (a)	Clause of SID (Chapter and Section) (b)	Particulars (c)	Existing Provision in SID (d)	Proposed Provision in SID (e)	Changes made (f)
				f) The premium received shalt be within the requirements prescribed in terms of SEBI circular dated August 18, 2010 i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme. g) The exposure on account of the call option written under the covered call strategy shall not be considered as exposure in terms of paragraph 3 of SEBI Circular no. Cit/IMD./DF/11/2010, dated August 18, 2010. h) The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective schemes until the position is closed or expired. The Securities and Exchange Board of India vide its email dated August 24. 2020 has noted the above changes.	
8.	SECTION IV – INTRODUCTION A – Risk factors	Risks of Writing of Call Option Under a Covered Call Strategy	Nil	1) Writing call options are highly specialized activities and entail higher than ordinary investment risks. In such investment strategy, the profits from call option writing is capped at the option premium, however the downside depends upon the increase in value of the underlying equity shares. This downside risk is reduced only to the extent of premium received by writing covered call options. 2) The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity. 3) The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss 4) The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options. 5) Increased volatility in the market may result in higher premium and marked to market losses in NAV for all the existing short option position even at the same price of underlying stock	New provision added as explained in column e. .

Further Investors take a note that appropriate changes shall be carried out to the SID, Key Information Memorandum of the Scheme to reflect the above propose changes. All the other provisions of the SID, KIM of the Scheme, except as specifically modified herein above remain unchanged.

The Board of DSP Investment Managers Private Limited and DSP Trustee Private Limited have granted the approval to the aforesaid changes to the SID of the Scheme. Further, SEBI vide its email dated June 02, 2022 has taken note of the change in fundamental attribute of the Scheme.

C. EXIT OPTION

As the above proposal would constitute a change in Fundamental Attributes of the Scheme, in accordance with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996, the existing unitholders under the Scheme are hereby given an option to exit, i.e. either redeem their investments or switch their investments to any other scheme of the Fund, within the 30 days exit period starting from Thursday, June 16, 2022 till Friday, July 15, 2022 (both days inclusive) and upto 3.00 pm on Friday, July 15, 2022 at applicable NAV, without payment of any exit load , by filling up the requisite transaction slip and submitting the same at any of our designated Official Points of Acceptance (list available on www.dspim.com) and other modes as given in the offer document. If you have no objection to the proposed change, no action needs to be taken and it would be deemed that you have consented to the above change. The offer to exit from the Scheme is optional, at the discretion of the Unit Holder, and not compulsory. The Scheme will adopt the proposed change with effect from Monday, July 18, 2022.

Thus, all the applications for redemptions/switch-outs received under the Scheme shall be processed at applicable NAV of the day of receipt of such redemption / switch request, without payment of any exit load, provided the same is received during the exit period of 30 days mentioned above.

Unit Holders who have pledged their units will need to procure a release of pledge prior to submitting their redemption request. In case a lien is marked on units held by a unit holder or units have been frozen/ locked pursuant to an order of a governmental authority or a court, redemption/switch-out can be executed only after the lien/order is vacated/revoked within the period specified above.

Unitholders should ensure that their change in address or pay-out bank details are updated in records of DSP Mutual Fund as required by them, prior to exercising the exit option for redemption of units.

The redemption proceeds shall be dispatched within 10 business days of receipt of valid redemption request to those unitholders who choose to exercise the exit option.

DSP Trustee Private Limited
Regd. Off.: Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India
CIN U65991MH1996PTC100444 • +91 22 6657 8000 • **www.dspim.com**

DSP

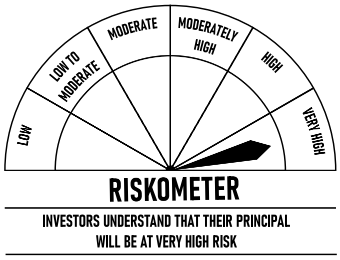
TRUSTEE

D. TAX IMPLICATIONS

Redemption / switch-out of units from the Scheme, during the exit period, may entail capital gain/loss in the hands of the unitholder. Similarly, in case of NRI investors, TDS shall be deducted in accordance with the applicable Tax laws, upon exercise of exit option and the same would be required to be borne by such investor only. In view of individual nature of tax implications, unitholders are advised to consult their tax advisors. For details on Tax implications, please refer to SID of the Scheme and Statement of Additional Information available on our website www.dspim.com.

We look forward to your continued support.

<table>
<tr><td colspan="2">This open ended equity Scheme is suitable for investors who are seeking*
• Long term capital growth
• Investment in active portfolio of stocks screened, selected, weighed and rebalanced on the basis of a pre-defined fundamental factor model

* Investors should consult their financial advisers if in doubt about whether the Scheme is suitable for them.</td></tr>
<tr><th colspan="2">Riskometer</th></tr>
<tr><th>Scheme</th><th>Benchmark
S&P BSE 200 TRI</th></tr>
<tr><td>
</td><td>
</td></tr>
</table>

Yours sincerely,

For and on behalf of DSP Trustee Private Limited

Sd/-
Director

Place: Mumbai

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