DSP INVESTMENT MANAGERS

Date: January 2, 2023

Dear Unitholder,

Sub: Change in Fundamental Attributes of DSP Equity Savings Fund of DSP Mutual Fund

Unit holders are requested to note that the following scheme will be undergoing certain changes in the key features as detailed in the table below. The changes, indicated as Fundamental Attribute Change ('FAC') in the below table will be considered as change in the fundamental attributes in line with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 ("MF Regulations"). Accordingly, these proposed changes shall be carried out by implementing the process for change in the fundamental attributes of the Scheme.

1. **Name of the Scheme:** DSP Equity Savings Fund

2. **Rationale for the changes:**

In times the markets are trading significantly below long-term averages (in terms of valuations), it would be prudent to increase the exposure in the Equity market even if there is a high volatility. This could give Fund Manager to grab the opportunity to buy equity and equity related instruments at the low cost. We now propose to increase upper limit of net long equity exposure to 55% from 40% and align the asset allocation table considering the increased upper limit of net long equity exposure.

Considering the proposed change to increase the net long equity exposure to 55% when adequate arbitrage opportunities are available and accessible in the cash and derivative market segment, then in a scenario where arbitrage opportunities are not available the fund Manager require to keep minimum 55% net long equity exposure. We now propose to increase upper limit of net long equity exposure to 55% from 50% and align the asset allocation table considering the increased upper limit of net long equity exposure.

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.

3. The comparison between the existing features and the proposed features are as follows:

<table>
<tr><th>Particulars</th><th>Existing Scheme Features</th><th>Proposed Scheme Features (Changes are highlighted in bold)</th></tr>
<tr>
<td>Asset Allocation Pattern*

(SECTION II - INFORMATION ABOUT THE SCHEME- Sub-section C- How will the Scheme allocate its assets)</td>
<td>Under normal circumstances, when adequate arbitrage opportunities are available and accessible in the cash and derivative market segment, the asset allocation of the Scheme will be as follows:

Table 1:
<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 instru-ments including derivatives</td><td>65%</td><td>75%</td><td>Medium to High</td></tr>
<tr><td>A1. Of which cash-futures arbitrage*</td><td>25%</td><td>55%</td><td>Low to Medium</td></tr>
<tr><td>A2. Of which net long equity exposure^</td><td>20%</td><td>40%</td><td>High</td></tr>
<tr><td>B. Debt and money market instruments</td><td>15%</td><td>35%</td><td>Low</td></tr>
<tr><td>C. Units issued by REITs & InvITs</td><td>0%</td><td>10%</td><td>Medium to High</td></tr>
</table>
When adequate arbitrage opportunities are not available and accessible in the cash and derivative market segment, the asset allocation of the Scheme will be as follows:</td>
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<tr><td>A. Equity & Equity related instru-ments including derivatives</td><td>65%</td><td>75%</td><td>Very High</td></tr>
<tr><td>A1. Of which cash-futures arbitrage*</td><td>10%</td><td>55%</td><td>Low to Moderate</td></tr>
<tr><td>A2. Of which net long equity exposure^</td><td>20%</td><td>55%</td><td>Very High</td></tr>
<tr><td>B. Debt and money market instruments</td><td>10%</td><td>35%</td><td>Low to Moderate</td></tr>
<tr><td>C. Units issued by REITs & InvITs</td><td>0%</td><td>10%</td><td>Very High</td></tr>
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When adequate arbitrage opportunities are not available and accessible in the cash and derivative market segment (Defensive Consideration), the asset allocation of the Scheme will be as follows:</td>
</tr>
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Table 2:
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<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>40%</td><td>65%</td><td>Medium to High</td></tr>
<tr><td>A1. Of which cash-futures arbitrage*</td><td>0%</td><td>45%</td><td>Low to Medium</td></tr>
<tr><td>A2. Of which net long equity exposure^</td><td>20%</td><td>50%</td><td>High</td></tr>
<tr><td>B. Debt and money market instruments</td><td>15%</td><td>60%</td><td>Low</td></tr>
<tr><td>C. Units issued by REITs & InvITs</td><td>0%</td><td>10%</td><td>Medium to High</td></tr>
</table>
*Refers to equity exposure completely hedged with corresponding equity derivatives
^Refers to only net long equity exposures aimed to gain from potential capital appreciation and thus is a directional equity exposure which will not be hedged
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 can take exposure upto 20% of its net assets in stock lending. The Scheme shall also not lend more than 5% of its net assets to any counter party.
Under normal circumstances the Schemes shall not have an exposure of more than 25% of its net assets in foreign assets/securities, subject to applicable regulatory limits.
Investment in Securitized Debt could be upto 20% of the Net Assets under the Scheme.
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), repo transactions and Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the Board 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.
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The cumulative gross exposure through equity, debt, derivative positions (including fixed income derivatives), repo transactions and Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), other permitted securities/assets and such other securities/assets as may be permitted by the Board 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.
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Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in bold)
	Pending deployment of funds of the Scheme, the AMC may invest funds of the Scheme in short-term deposits of scheduled commercial banks, subject to the following conditions issued by SEBI vide its circular SEBI/IMD/CIR No. 1/91171 /07 dated April 16, 2007, SEBI/HO/IMD/DF4/CIR/P/2019/093 dated August 16, 2019 and SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019: 1. The term 'short term' for parking of funds shall be treated as a period not exceeding 91 days. 2. Such deposits shall be held in the name of the Scheme. 3. The Scheme shall not park more than 15% of its net assets in the short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with the prior approval of the Trustee. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits. 4. The Scheme shall not park more than 10% of its net assets in short term deposit(s) with any one scheduled commercial bank including its subsidiaries. 5. The Trustee shall ensure that the funds of the Scheme are not parked in the short term deposits of a bank which has invested in that Scheme. 6. AMC will not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks. 7. The Trustee shall also ensure that the bank in which a scheme has short term deposits do not invest in the scheme until the scheme has short term deposits with such bank. The above provisions do not apply to term deposits placed as margins for trading in cash and derivative market. Portfolio Rebalancing: In the event of any deviation below the minimum limits or beyond the maximum limits as stated in the asset allocation Table 1, the Investment Manager will rebalance the portfolio within 30 days from such deviation. In cases where the rebalancing is not carried out within 30 days, the reasons for not carrying out the rebalancing within the aforesaid period will be placed before the Investment Committee for its consideration and the Investment Manager shall follow the asset allocation pattern as specified in Table 2 till the time such opportunities are available. Such changes in the investment pattern will be for short term and defensive considerations and the intention being all times to seek to protect the interest of the unitholder. a. Action with respect to passive breaches in light of SEBI circular dated March 30, 2022: As per the SEBI circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39 dated March 30, 2022 and the clarifications/ guidelines issued by AMFI/ SEBI from time to time, in the event of deviation from mandated asset allocation mentioned, passive breaches (i.e. occurrence of instances not arising out of omission and commission of AMC), shall be rebalanced within 30 business days. Where the portfolio is not rebalanced within above mentioned period, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period. b. Action with respect to breaches arising due to defensive consideration in light of SEBI circular dated March 04, 2021:	Pending deployment of funds of the Scheme, the AMC may invest funds of the Scheme in short-term deposits of scheduled commercial banks, subject to the following conditions issued by SEBI vide its circular SEBI/IMD/CIR No. 1/91171 /07 dated April 16, 2007, SEBI/HO/IMD/DF4/CIR/P/2019/093 dated August 16, 2019 and SEBI/HO/IMD/DF2/CIR/P/2019/101 dated September 20, 2019: 1. The term 'short term' for parking of funds shall be treated as a period not exceeding 91 days. 2. Such deposits shall be held in the name of the Scheme. 3. The Scheme shall not park more than 15% of its net assets in the short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with the prior approval of the Trustee. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits. 4. The Scheme shall not park more than 10% of its net assets in short term deposit(s) with any one scheduled commercial bank including its subsidiaries. 5. The Trustee shall ensure that the funds of the Scheme are not parked in the short term deposits of a bank which has invested in that Scheme. 6. AMC will not charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks. 7. The Trustee shall also ensure that the bank in which a scheme has short term deposits do not invest in the scheme until the scheme has short term deposits with such bank. The above provisions do not apply to term deposits placed as margins for trading in cash and derivative market. **Portfolio Rebalancing:** **<u>a. Action with respect to passive breaches in light of SEBI circular dated March 30, 2022 (For Table 1):</u>** **As per the SEBI circular No. SEBI/HO/IMD/IMD-II DOF3/P/CIR/2022/39 dated March 30, 2022 and the clarifications/ guidelines issued by AMFI/ SEBI from time to time, the Scheme shall rebalance the portfolio in case of any passive deviation (occurrence of instances not arising out of omission and commission of AMCs), to the asset allocation. Such rebalancing shall be done within 30 business days from the date of occurrence of deviation. Where the portfolio is not rebalanced within above mentioned period, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before Investment Committee. The Investment Committee, if so desires, can extend the timelines up to sixty (60) business days from the date of completion of mandated rebalancing period.** **<u>b. Action with respect to breaches on defensive consideration in light of SEBI circular dated March 04, 2021 (for Table 1 & 2):</u>** **In addition to above, SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021 allows scheme to alter the asset allocation for a short term period on defensive considerations. In such a case, the Scheme shall rebalance the portfolio within 30 calendar days from the date of occurrence of such deviation. The intention being at all times to protect the interests of the Unit Holders.**

Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in bold)
	In addition to above, SEBI circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, asset allocation pattern can be altered for a short term period on defensive considerations. It may be noted that no prior intimation/indication will be given to investors when the composition/asset allocation pattern under the Scheme undergoes changes within the permitted band as indicated above.	**However, at all times the portfolio will adhere to the overall investment objectives of the Scheme.** It may be noted that no prior intimation/indication will be given to investors when the composition/asset allocation pattern under the Scheme undergoes changes within the permitted band as indicated above.
Investment Strategy* (SECTION II - INFORMATION ABOUT THE SCHEME- Sub-section- E – What are Investment strategies)	No provision w.r.t. Covered call strategy.	***New provision added as explained below-*** **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-** **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 holds equity stock of ABC Ltd. for Rs. 1000 and he 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.**

Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in bold)
		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.** **The Fund manager can also choose to cover the call at any point for loss/profit depending upon his risk assessment and as per regulatory provisions.**
Any other changes- (SECTION II - INFORMATION ABOUT THE SCHEME Sub- Section- I – What are the Investment restrictions)	No investment restrictions mentioned w.r.t. Covered call strategy.	***New point added as explained below-*** **Investment Restrictions for Covered Call strategy-** **As per SEBI circular No. SEBI/HO/IMD/DF2/ CIR/P/2019/17 dated January 16, 2019, 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.** **f) 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. Cir/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.**

Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in bold)
Any other changes- SECTION I – INTRODUCTION A – Risk factors	No risk factor mentioned w.r.t. Covered call strategy.	***New point added as explained below-*** **Risks of Writing of Call Option Under a Covered Call Strategy-** **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.**

*** Considered as Fundamental Attribute Change**

Note: All other features of the Scheme except those mentioned above will remain unchanged.

4. The Board of Directors of DSP Investment Managers Private Limited ('AMC') and the Board of Directors of DSP Trustee Private Limited, have approved the above proposed changes. Further, SEBI, vide email dated December 14, 2022, has taken on record the proposed changes.
5. In line with regulatory requirements, for scheme where a change in fundamental attributes is being proposed, we are offering an exit window ("Exit Option") to the Unit holders of 30 days (minimum 30 days) from January 9, 2023 to February 7, 2023 (both days inclusive) ("Exit Option Period"). These changes will be effective from February 8, 2023 ("Effective Date"). During the Exit Option Period, unit holders not consenting to the change may either switch to any other scheme of DSP mutual fund or redeem their investments at applicable Net Asset Value without payment of exit load subject to provisions of applicable cut-off time as stated in the Scheme Information Document (SID) of the relevant scheme. All transaction requests received on or after February 8, 2023 (Effective date) will be subject to applicable exit load (if any), as may be applicable to the respective Scheme mentioned above.
6. Redemption / Switch requests, if any, may be lodged at any of the Official Points of Acceptance of DSP Mutual Fund.
7. The above information is also available on the website of DSP Mutual Fund viz., www.dspim.com.
8. Unit holders who have pledged / encumbered their units will not have the option to exit unless they submit a letter of release of their pledges / encumbrances prior to submitting their redemption / switch requests.
9. Investors who have registered for Systematic Investment Plan (SIP) in the Scheme and who do not wish to continue their future investments must apply for cancellation of their SIP registrations.
10. The redemption warrant/cheque will be mailed, or the amount of redemption will be credited to the unit holders bank account (as registered in the records of the Registrar, Computer Age Management Services Limited) within applicable regulatory guidelines.
11. **It may be noted that the offer to exit is purely optional and not compulsory. If the Unit holder has no objection to the aforesaid change, no action is required to be taken and it would be deemed that such Unit holder has consented to the aforesaid change.**
12. Please note that unit holders who do not opt for redemption on or before February 7, 2023 (upto 3 p.m.) shall be deemed to have consented to the changes specified herein above and shall continue to hold units in the scheme of DSP Mutual Fund. In case the unit holders disagree with the aforesaid changes, they may redeem all or part of the units

in the respective scheme of DSP Mutual Fund by exercising the Exit Option, without exit load within the Exit Option Period by submitting a redemption request online or through a physical application form at any official point of acceptance/investor service center of the AMC or to the depository participant (DP) (in case of units held in Demat mode). Unit holders can also submit the normal redemption form for this purpose.

13. The option to redeem the Units without exit load during the Exit Option Period can be exercised in the following manner:

(a) Unit holders can submit redemption requests online or via duly completed physical application form at any official points of acceptance/investor service center of the AMC or to the DP (in case of units held in Demat mode).

(b) The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the Scheme.

(c) Unit holders should ensure that any changes in address or pay-out bank details required by them, are updated in DSP Mutual Fund's records at least 10 (Ten) working days before exercising the Exit Option. Unit holders holding Units in dematerialized form may approach their DP for such changes.

14. The expenses related to the proposed changes and other consequential changes as outlined above will not be charged to the unit holders of the Scheme of DSP Mutual Fund.

15. Tax Consequences:

Redemption / switch-out of units from the Scheme may entail capital gain/loss in the hands of the unitholder. For unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of DSP Mutual Fund and Scheme Information Document of relevant scheme of DSP Mutual Fund would be applicable. In case of NRI investors, TDS shall be deducted from the redemption proceeds in accordance with the prevailing income tax laws. In view of the individual nature of tax consequences, Unitholders are advised to consult their professional tax advisors for tax advice.

Unit holders who require any further information may contact:

DSP Investment Managers Private Limited
CIN: U74140MH1996PTC099483
Investment Manager for DSP Mutual Fund
Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021
Tel. No.: 91-22 66578000, Fax No.: 91-22 66578181 Toll-free: 1800 208 4499 or 1800 200 4499
Email ID: service@dspim.com
Website: www.dspim.com

Yours faithfully

For DSP Investment Managers Private Limited
Sd/-
Authorised Signatory

Unit holders are requested to update their PAN, KYC, email address, mobile number, and nominee details with AMC and are also advised to link their PAN with Aadhaar Number. Further, Unit holders can view the Investor Charter available on website of the Fund as well as check for any unclaimed redemptions or Income Distribution cum Capital Withdrawal ('IDCW') payments.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.