



## International investing with DSP



| People | Processes | Performance |

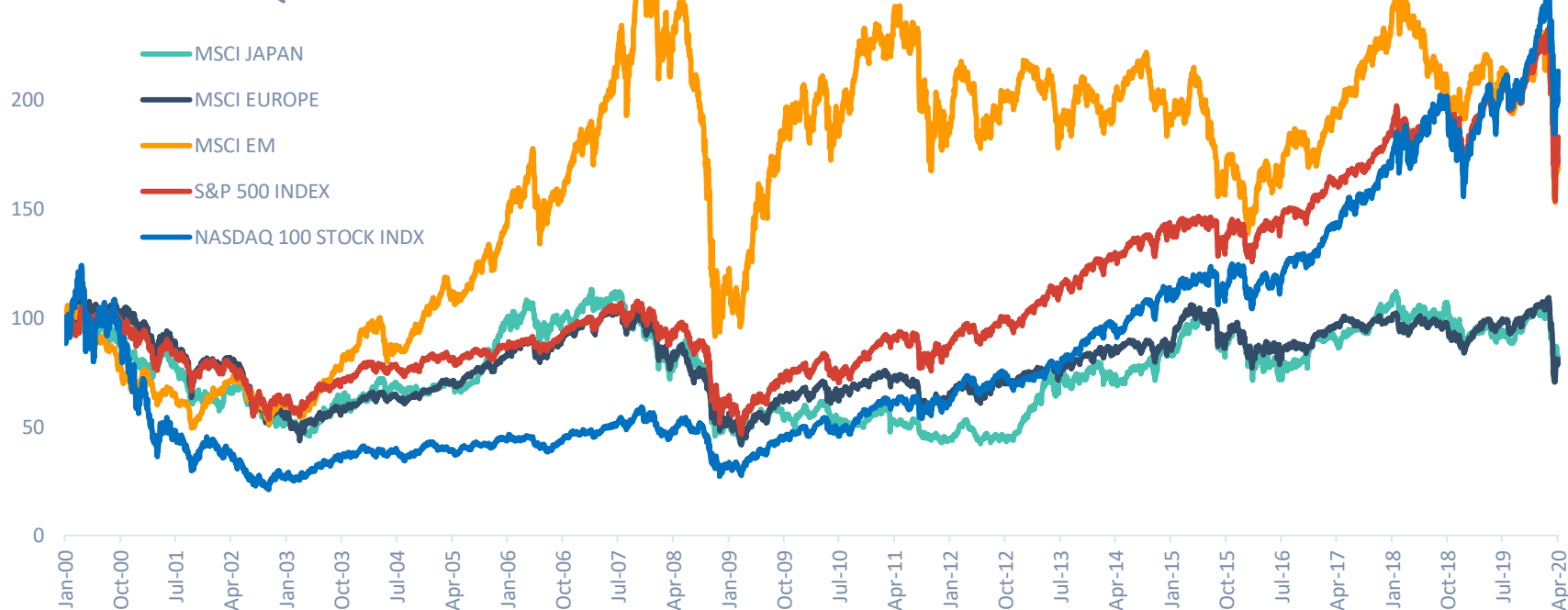
**Behavior of international markets and investment options**

**May 2020**

# Equity markets in this millennium

INDEX	OVERALL CAGR ('00 – Apr '20)	PRE GFC CAGR ('00 – '07)	POST GFC CAGR ('08-date)	GFC TO PRE COVID CAGR ('08-'19)	YTD 2020 (ABS. RETURN)
MSCI Japan Index	-1.0%	-0.9%	-1.0%	0.8%	-19.4%
MSCI Europe Index	-1.0%	-0.5%	-1.4%	0.8%	-22.9%
MSCI EM Index	2.7%	12.2%	-3.0%	-0.9%	-23.4%
S&P 500 Index	3.0%	0.1%	5.0%	6.8%	-17.6%
NASDAQ 100 Index	3.8%	-7.2%	11.7%	12.7%	-7.5%

## HEADLINE EQUITY INDICES

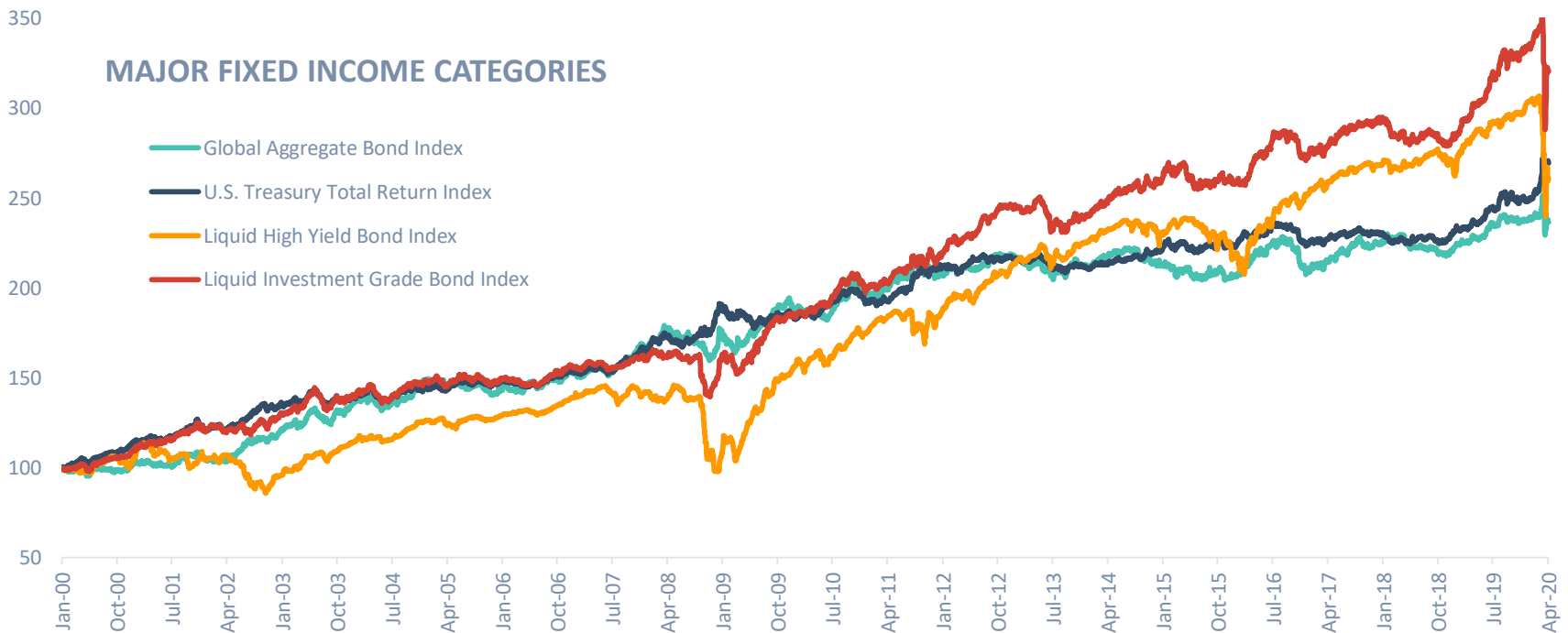


## Dramatic reversal in fortunes for EMs v/s Tech post GFC

Source: Bloomberg | Data as on April 30, 2020. Indices are managed and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index | Past performance may or may not be sustained in the future and the same should not be used as a basis for comparison with other investments.

# Bond markets in this millennium

INDEX	OVERALL CAGR ('00 – Apr '20)	PRE GFC CAGR ('00 – '07)	POST GFC CAGR ('08-date)	GFC TO PRE COVID CAGR ('08-'19)	YTD 2020 (ABS. RETURN)
Global Aggregate Bond Index	4.3%	6.6%	2.9%	3.0%	-0.9%
U.S. Treasury TR Index	5.0%	6.6%	4.0%	3.4%	8.5%
Liquid High Yield Bond Index	4.8%	4.5%	5.1%	6.5%	-14.0%
Liquid Inv. Grade Bond Index	5.9%	6.2%	5.7%	6.2%	-3.8%



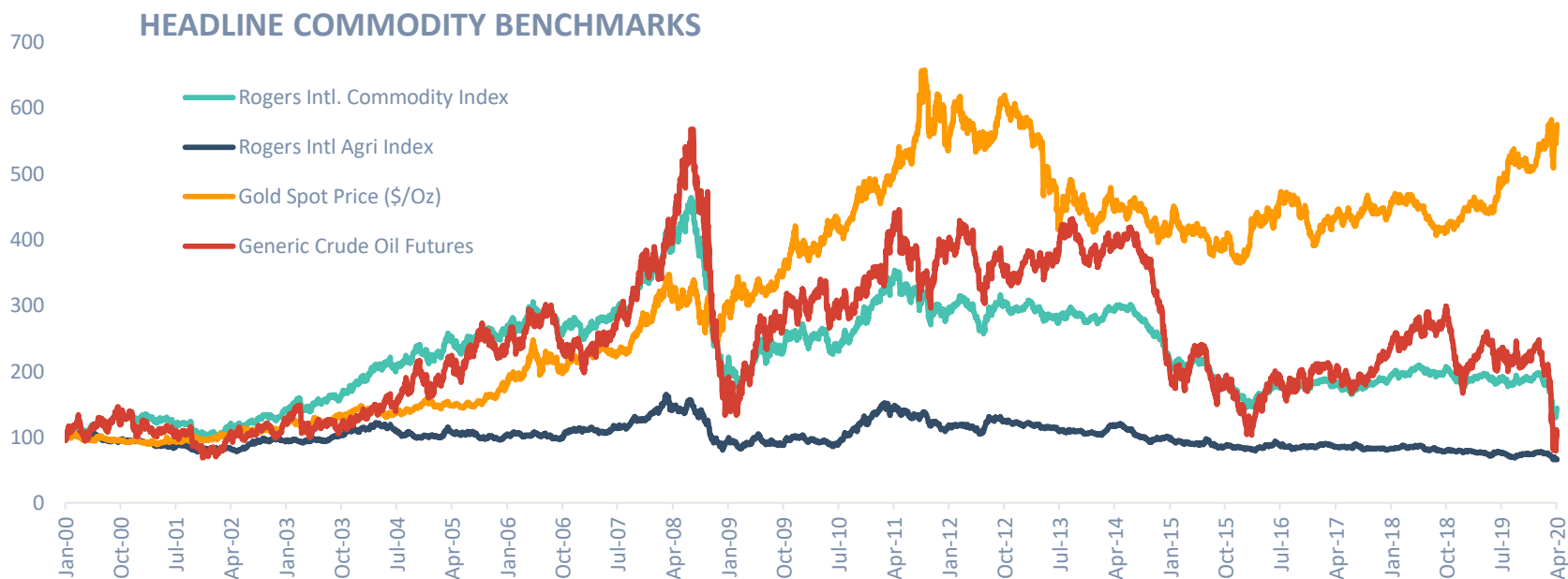
## Dramatic hit to Corp. credit (esp. HY) in 2020 post a decade's outperformance



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# Commodity markets in this millennium

INDEX / BENCHMARK	OVERALL CAGR ('00 – Apr '20)	PRE GFC CAGR ('00 – '07)	POST GFC CAGR ('08-date)	GFC TO PRE COVID CAGR ('08-'19)	YTD 2020 (ABS. RETURN)
Rogers Intl. Commodity Index	1.8%	17.0%	-7.0%	-4.8%	-26.4%
Rogers Intl Agri Index	-2.0%	3.9%	-5.7%	-4.7%	-14.3%
Gold Spot Price (\$/Oz)	9.0%	14.2%	5.7%	5.1%	9.1%
Generic Crude Oil Futures	0.3%	18.0%	-9.8%	-3.7%	-55.6%



**Significant reversal for commodities (ex Gold) post GFC.**

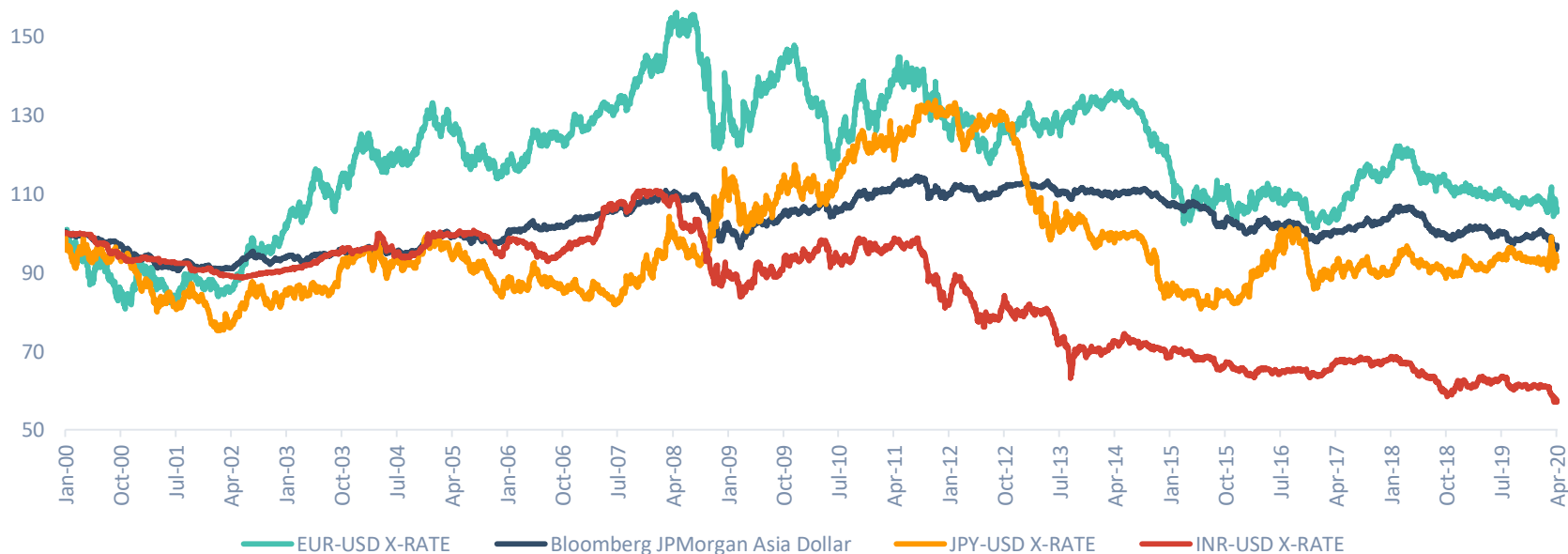
**Agricultural commodities consistent underperformer**

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# Currency markets in this millennium

INDEX / RATE	OVERALL CAGR ('00 – Apr '20)	PRE GFC CAGR ('00 – '07)	POST GFC CAGR ('08-date)	GFC TO PRE COVID CAGR ('08-'19)	YTD 2020 (ABS. RETURN)
EUR-USD X-RATE	0.3%	4.5%	-2.4%	-2.2%	-2.9%
Bloomberg JPMorgan Asia Dollar Index	-0.2%	1.1%	-0.9%	-0.7%	-3.3%
JPY-USD X-RATE	-0.4%	-1.2%	0.2%	0.2%	-0.4%
INR-USD X-RATE	-2.7%	1.3%	-5.2%	-4.8%	-5.6%

## PERFORMANCE AGAINST THE USD

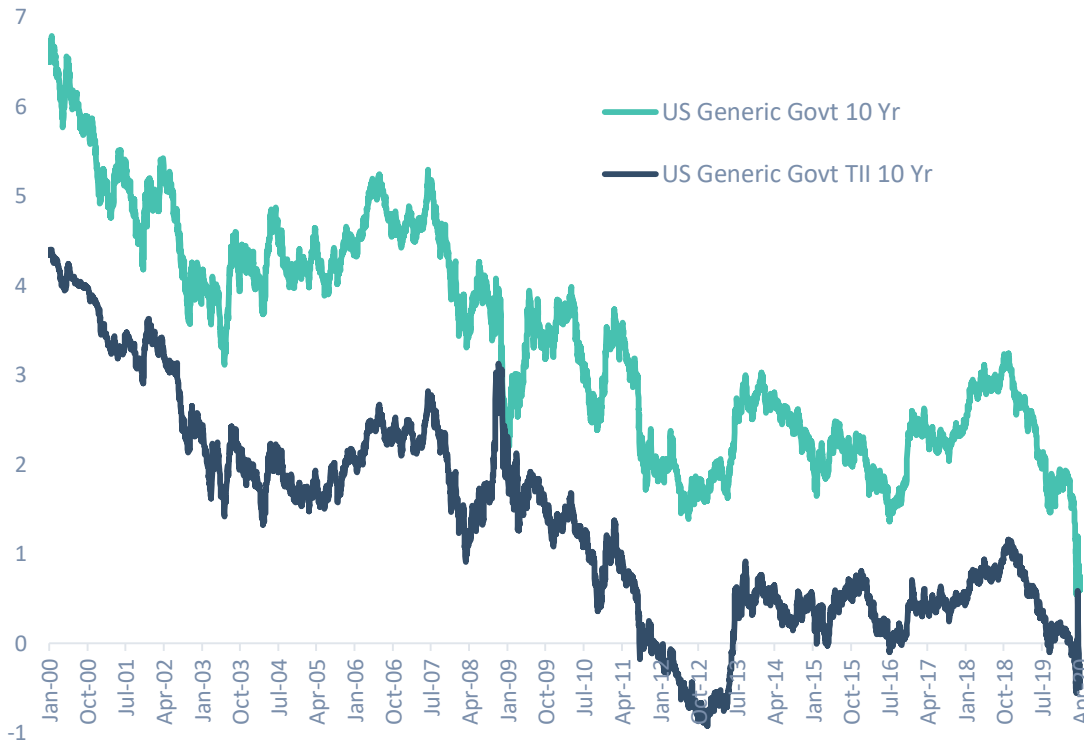


## Depreciation v/s USD post GFC = Money flow into US

Source: Bloomberg | Data as on April 30, 2020. Indices are managed and used for illustrative purposes only and are not intended to be indicative of any fund's performance. It is not possible to invest directly in an index | Past performance may or may not be sustained in the future and the same should not be used as a basis for comparison with other investments.

# Trend in Interest rates and implications on Asset valuations

US 10 YR NOMINAL YIELD v/s US 10 YR REAL YIELDS



Source: Bloomberg – Apr 30<sup>th</sup> 2020

## EARNINGS YIELD V/S BOND YIELD

Relative attractiveness of each asset class



## EARNINGS V/S VALUATIONS

Earnings yield (E/P)  
= Inverse of P/E ratio



## IMPACT OF NEGATIVE YIELDS

Zero to negative bond yields  
=> Earnings yields tend to zero  
=> P/E tending to infinity.

As yields tend to zero or negative, traditional valuation metrics lose meaning

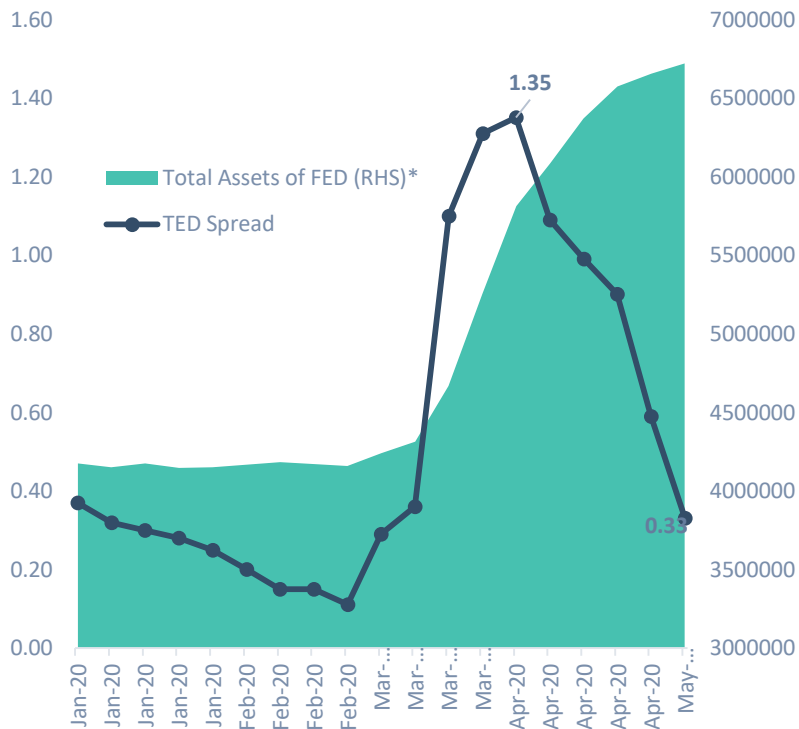
# Bonds v/s Equities – the Covid-19 effect



Data as on 29<sup>th</sup> May 2020, Source Bloomberg

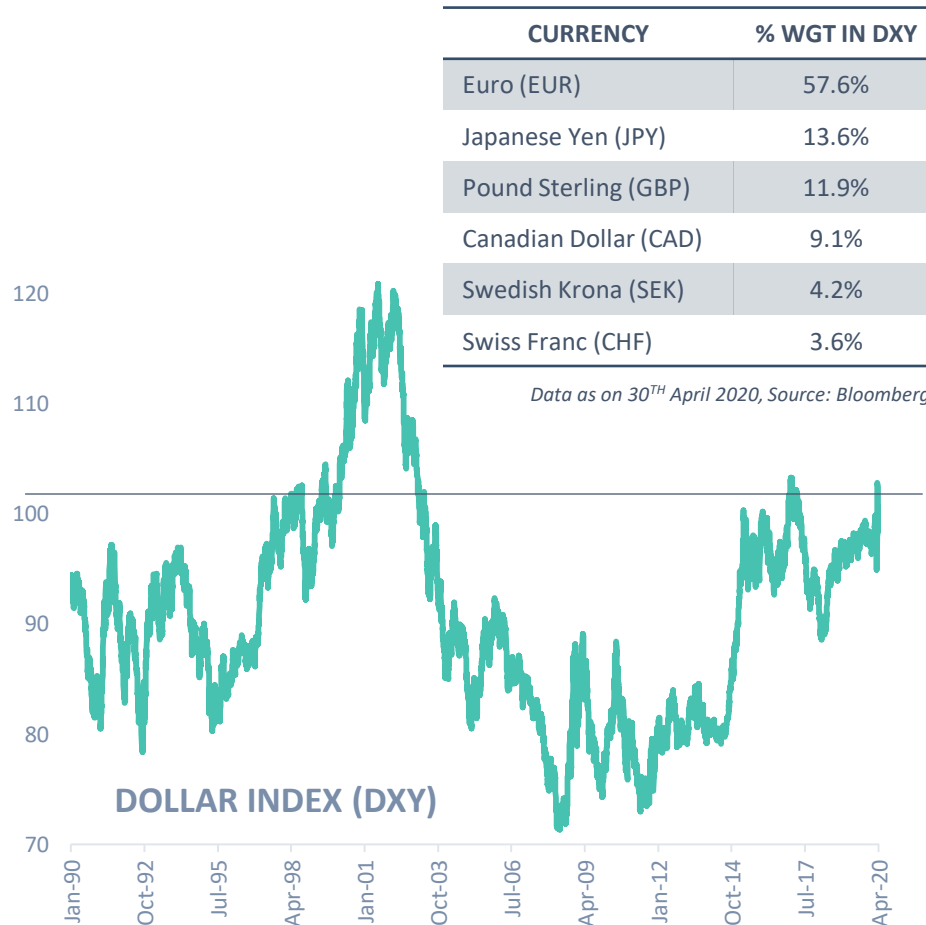
Covid-19 forces equity markets to catch – up with bond market signals

# FED balance sheet expansion effect on the US Dollar



Source –Research of Federal Reserve Bank of St. Louis | Data as on 6<sup>th</sup> May 2020 |  
\*Millions of U.S. Dollars, Weekly, Not Seasonally Adjusted

**Lower TED Spreads => Global liquidity has improved**

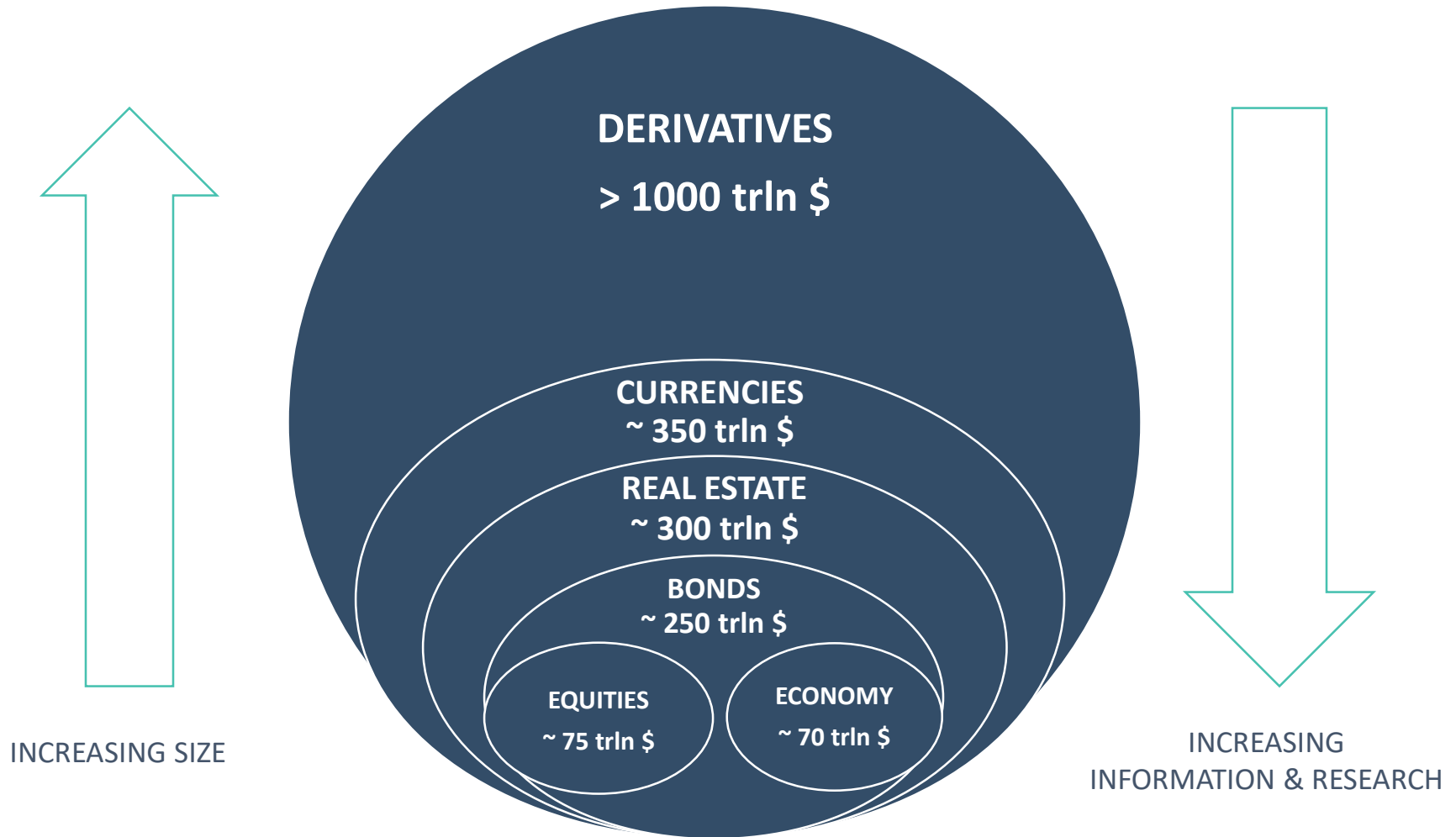


Source: Bloomberg – Apr 30<sup>th</sup> 2020

**US Dollar not weakening despite record balance sheet expansion by FED**



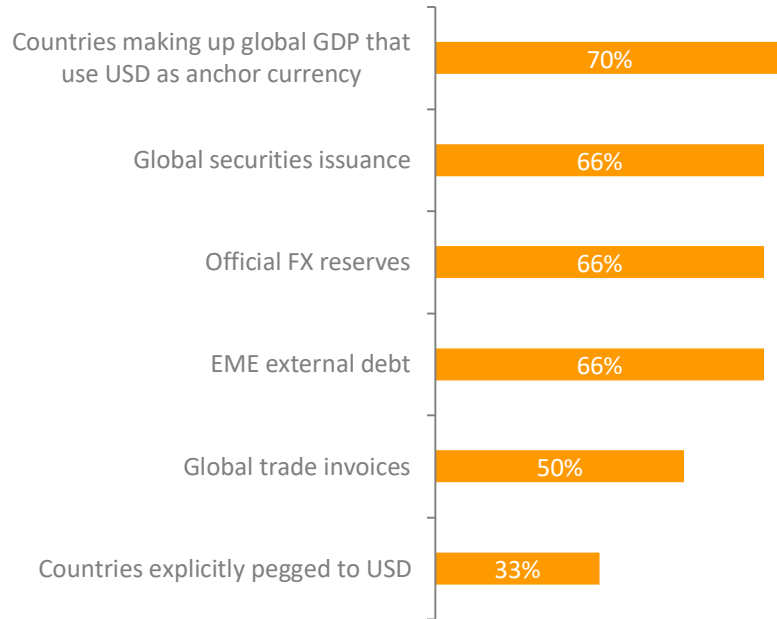
# Structural imbalance in the global financial markets



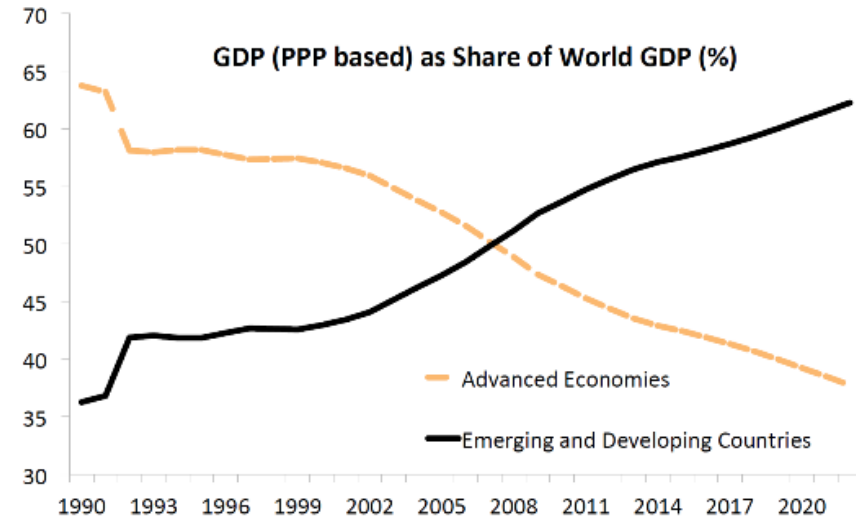
Tail wags the dog - Risks are less evident and complex to analyze

# Structural Imbalance in the global currency system

## SHARE OF US\$ IN GLOBAL FINANCIAL SYSTEM



## DM V/S EM SHARE IN GLOBAL GDP



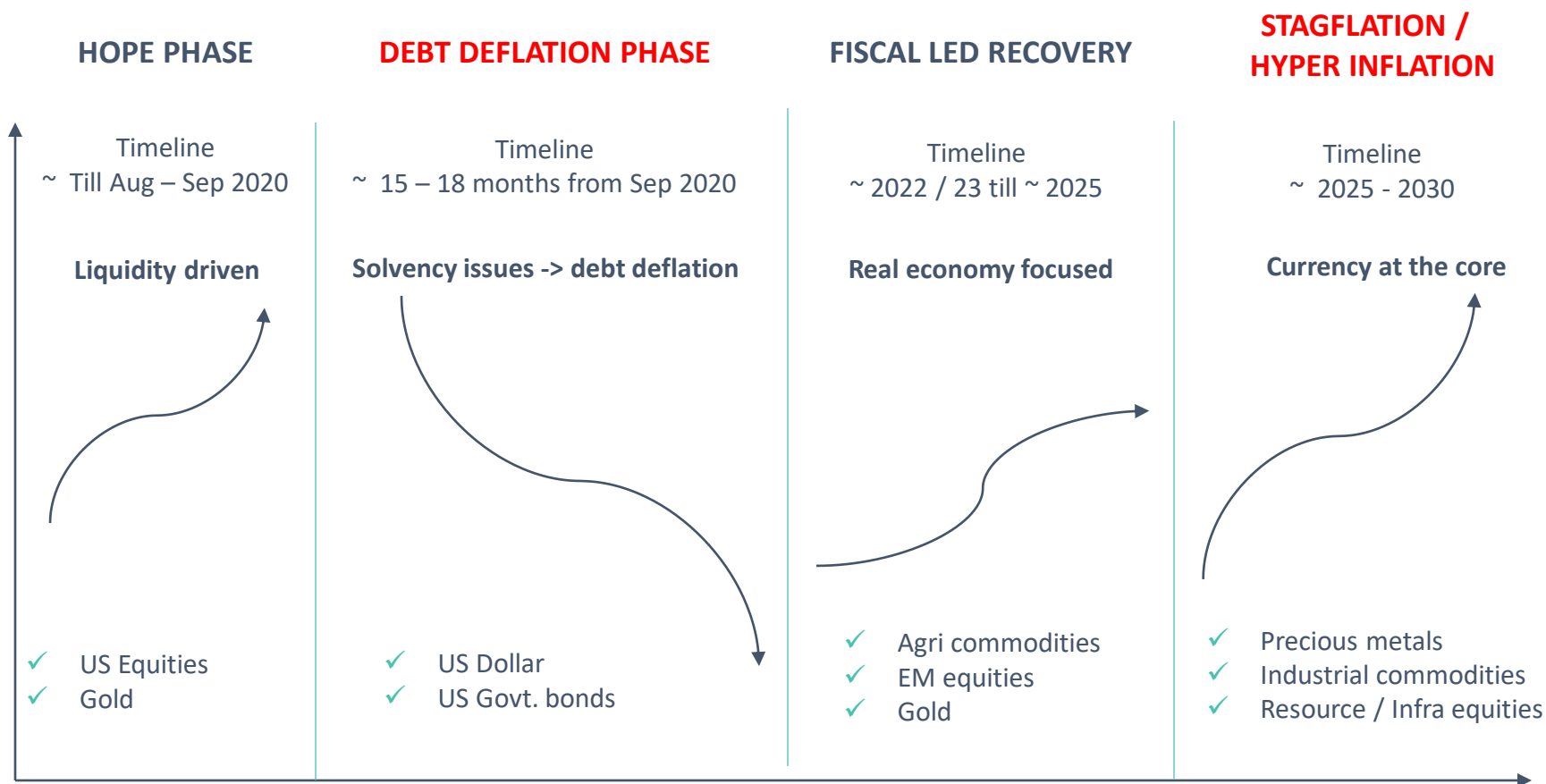
Source: Statista.com, as 31<sup>st</sup> Mar 2020

Share of US in Global GDP in 2019 = 15.1% ↔ USD is a much higher share of global financial system

Source: BlackRock, Bloomberg, and Bank of England, as of 31 March 2020.

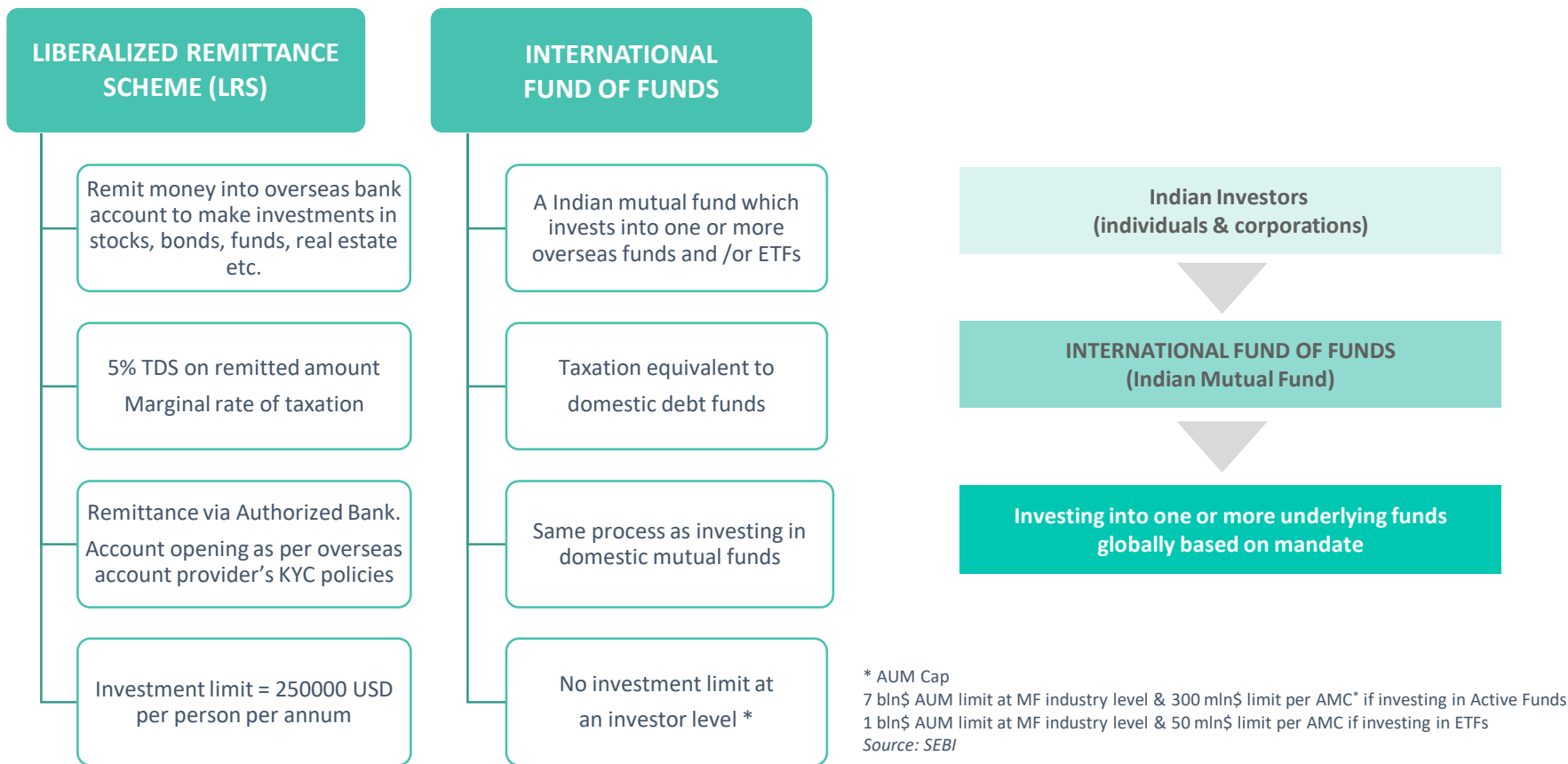
**Global demand for USD negating impact of FED balance sheet expansion**

# Probable roadmap for the decade ahead



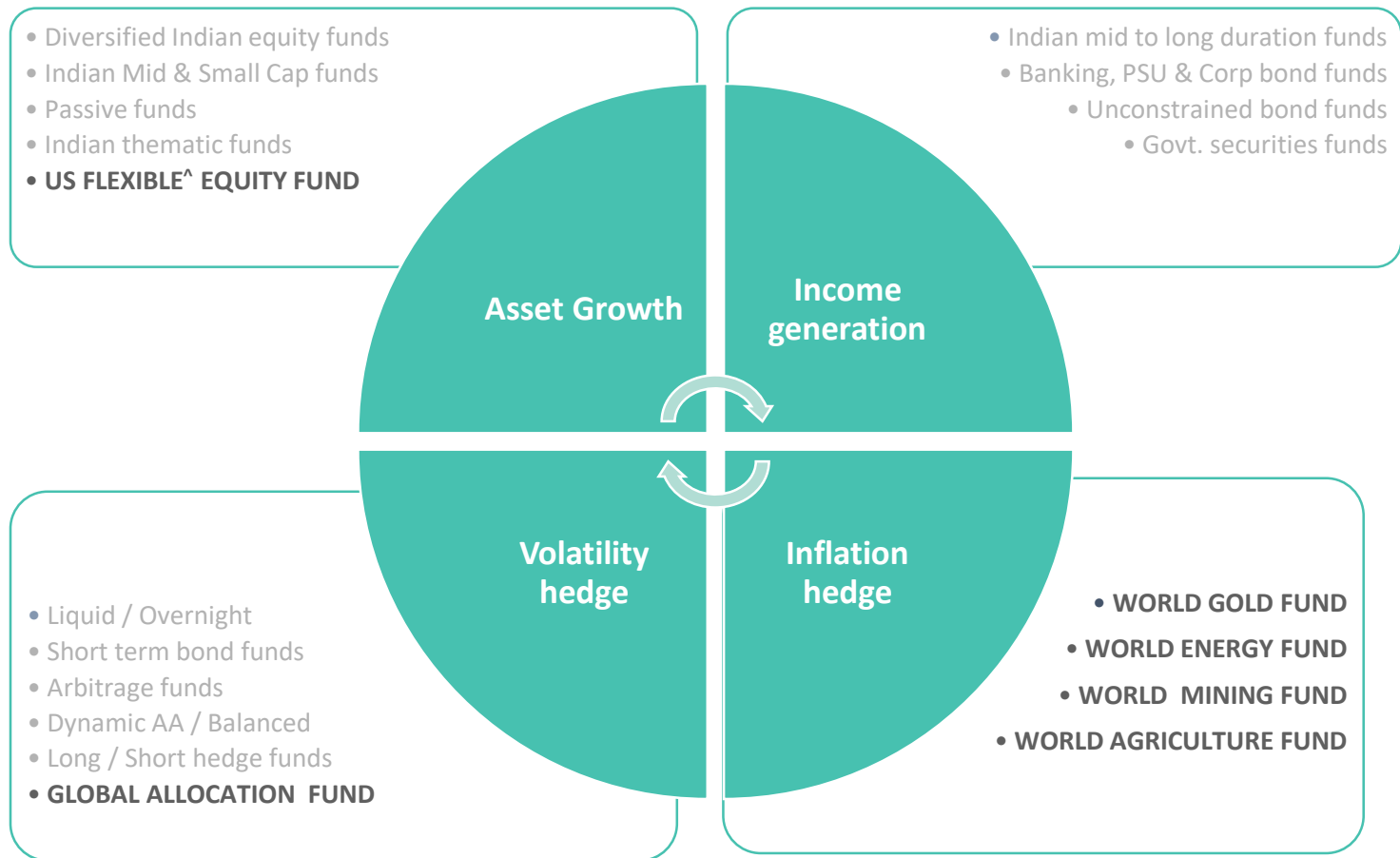
**Unwinding of structural imbalances (financial leverage & reserve currency)  
and resultant capital flows to drive asset performance**

# Various routes to invest internationally



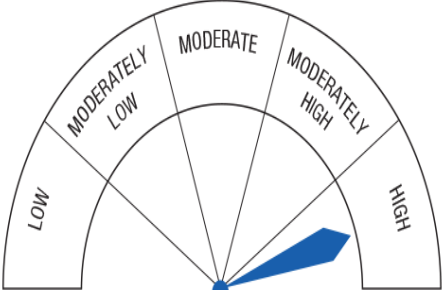
International fund of funds offer a convenient option for investing overseas

# Asset allocation framework & DSP international FoFs



Defining the need which each product is trying to address

# Product Labeling Details

Scheme	Product Suitability	Riskometer
<p><b>DSP US Flexible<sup>^</sup> Equity Fund</b>  <i>(An open ended fund of fund scheme investing in BlackRock Global Funds – US Flexible Equity Fund)</i></p>	<p>This Open Ended Fund of Funds Scheme (Investing In US Equity Fund) is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investment in units of overseas funds which invest primarily in equity and equity related securities of companies domiciled in, or exercising the predominant part of their economic activity in the USA</li> </ul> <p><sup>^</sup>The term “Flexible” in the name of the Scheme signifies that the Investment Manager of the Underlying Fund can invest either in Growth or value investment characteristic securities placing an emphasis as the market outlook warrants.</p>	 <p>Investors understand that their principal will be at high risk</p>
<p><b>DSP Global Allocation Fund</b>  <i>(An open ended fund of fund scheme investing in BlackRock Global Funds – Global Allocation Fund)</i></p>	<p>This Open Ended Fund of Funds Scheme (Investing In International Fund) is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investments in units of overseas funds which invest in equity, debt and short term securities of issuers around the world</li> </ul>	
<p><b>DSP World Gold Fund</b>  <i>(An open ended fund of fund scheme investing in Global Funds - World Gold Fund (BGF - WGF))</i></p>	<p>This Open-ended Fund of Funds Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investment in units of overseas funds which invest primarily in equity and equity related securities of gold mining companies</li> </ul>	
<p><b>DSP World Agriculture Fund</b>  <i>(An open ended fund of fund scheme investing in Global Funds – Nutrition Fund (BGF - NF))</i></p>	<p>This Open-ended Fund of Funds Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investment in units of overseas funds which invest primarily in equity and equity related securities of companies in the agriculture value chain</li> </ul>	
<p><b>DSP World Mining Fund</b>  <i>(An open ended fund of fund scheme investing in Global Funds - World Mining Fund (BGF - WMF))</i></p>	<p>This Open-ended Fund of Funds Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investment in units of overseas funds which invest primarily in equity and equity related securities of mining companies</li> </ul>	
<p><b>DSP World Energy Fund</b>  <i>An open ended fund of fund scheme investing in Global Funds - World Energy Fund (BGF - WEF) and Global Funds – Sustainable Energy Fund (BGF - SEF)</i></p>	<p>This Open-ended Fund of Funds Scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>▶ Long-term capital growth</li> <li>▶ Investment in units of overseas funds which invest primarily in equity and equity related securities of companies in the energy and alternative energy sectors</li> </ul>	

# Disclaimer

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

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