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THE NAVIGATOR

What do I do with my money?

June 2026

DSP Mutual Fund - SEBI Registration No.: MF/036/97/7

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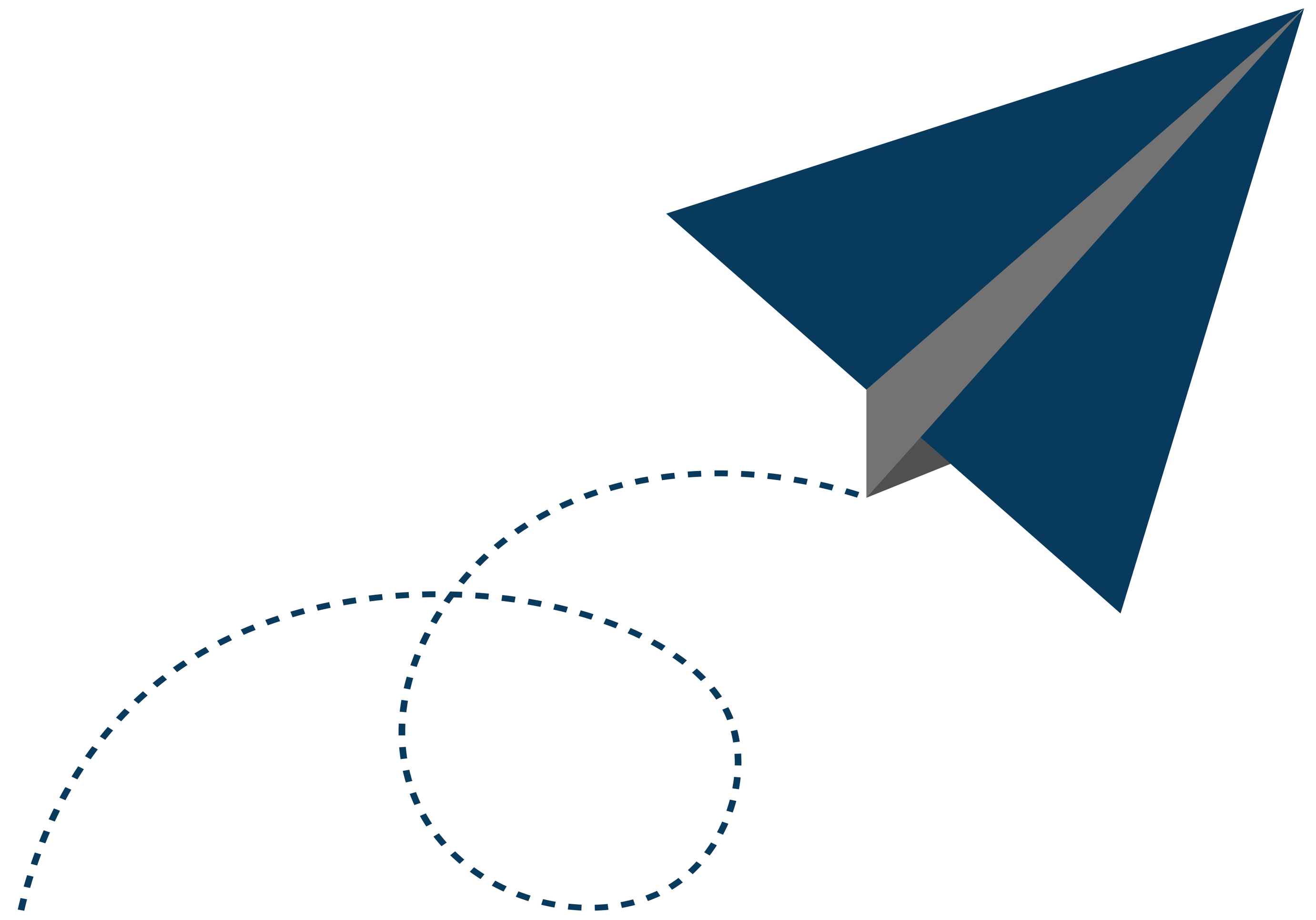
Objective: Why Navigator?

1. At DSP, we aim to help investors identify the right theme/fund at the right time for a smoother journey.

2. The team at DSP crafts many knowledge enhancing products such as **Netra**, **Tathya**, **The Transcript**, **The Report Card**, **Converse** etc. Navigator aims to bring some of these insights together and recommends funds too

3. For anyone interested in knowledge enhancement, it offers a rounded perspective on drivers of returns- earnings, valuations, macros, flows, interest rates and gives pointed views on asset classes.

Source, Internal, DSP
Disclaimer: 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).



The Drivers Of Returns

- Valuations
- Earnings
- Macros & Flows
- Interest rate cycle

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Navigating Today: What Are We Saying?

Equities:
In continuation of dropping our conservative stance in March 2026, we retain a moderate stance on equities. Opportunities are selective. We see relatively better risk-reward in large caps with private banks, select consumption sector stocks like Auto and cement being focus areas. IT continues to remain below long term valuations with continued headwinds.

Market cap preference:
Large caps remain the core allocation. Valuations are broadly between fair and average, while the broader market still needs more selectivity. On **SMIDs,** We remain cautious on the broad SMID universe. Select opportunities exist, but this is a stock-picker's market, not a blanket beta opportunity.

Fixed income:
G-Sec duration remains a tactical opportunity. The Rupee REER bottomed below 88 in May 2026. GOI and RBI measures to improve tax treatment and ease access for debt flows can attract meaningful foreign inflows.

Macro backdrop:
We expect demand to gradually improve as BoP stress abates, yields normalise and the economy repairs.

Gold and silver:
Gold and silver have corrected below the midpoint of our fair-value framework. Price froth has been removed from this space.We would wait for a better margin of safety before adding. Patience is still the better strategy.

Source: NSE, DSP. Data as on May 2026, SMID – Small and Mid Cap. BoP – Balance of Payment, REER – Real Effective Exchange Rate

Looking At India Through Three Balance Sheets

At its core, every economy can be reduced to a simple equation:

Y *(Income)* = C + G + I + NX

Consumption, Government Spending, Investment and Net Exports.

The challenge is that none of these operate independently. Weak consumption can hold back investment. Strong exports can attract foreign capital. And markets can sometimes get ahead of both.

So how do we understand where India stands today?

We break the economy into three interconnected balance sheets.

The **Internal Balance Sheet** looks at households, corporates and the government, and asks whether they have the capacity to consume and invest.

The **External Balance Sheet** looks at how India earns and finances foreign exchange, and whether it is vulnerable to shocks from the rest of the world.

The **Market Balance Sheet** looks at what investors are expecting from the economy, and whether those expectations are justified by fundamentals.

Why call them balance sheets?

Because every source of strength comes with a corresponding constraint. Strong consumption may come with higher leverage. Healthy corporate balance sheets may coexist with weak investment. Attractive returns may come with demanding valuations.

Source: DSP. Data as of May 2026.

The Internal Balance Sheet
Is Waiting For A Hand-off

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What’s Supporting Consumption?

HH Consumption Capacity

	% of GDP	*CAGR*
	PFCE	**Comp of Employees**
FY03-08 Avg	58.7%	18.2%
FY09-13 Avg	56.0%	14.1%
FY14-19 Avg	58.7%	14.1%
FY20-25 Avg	61.0%	10.8%
Current	61.4%	11.1% *(3Yr CAGR)*
Historical Max	FY03: 63.0%	FY09: 23.0%
Historical Min	FY11: 54.7%	FY21: 9.9%

wages are barely growing in double digits – compared to very high teens in their best phase of FY03-08

Consumption's share in GDP remains elevated. The question is what is supporting it.

GDP has barely grown, so compared to that 8-9% of nominal growth of GDP, consumption’s share looks like a significant number

HH Constraints

	Ratio
	HH Debt to Disposable Income
FY03-08 Avg	0.34
FY09-13 Avg	0.38
FY14-19 Avg	0.40
FY20-25 Avg	0.50
Current	0.55
Historical Max	FY25: 0.55
Historical Min	FY03: 0.26

If wage growth isn't doing the heavy lifting, household debt increasingly is.

so in the absence of income, what is fueling consumption is the debt of the households. The lack of growth in wages is feeding into ballooned household debt, and such debt is substituting for their wages.

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Source: CMIE, DSP. Data as of May 2026.
GDP – Gross Domestic Product, PFCE – Private Final Consumption Expenditure, HH – Household, Comp: Compensation

The Capacity Exists. The Participation Doesn't.

The government has already stepped up. Corporates have not followed. Households are not in a position to take on materially more leverage.

Investment Capacity

	HH GFCF (Dwelling + Mach & Equipment)	Govt Capex	Corporate Debt/EBITDA
	% of GDP	% of GDP	Ratio
FY03-08 Avg	12.6%	2.7%	2.48
FY09-13 Avg	14.1%	1.8%	3.30
FY14-19 Avg	11.3%	1.7%	3.63
FY20-25 Avg	12.2%	2.6%	2.81
Current	12.5% *essentially unchanged*	3.2% *significantly higher*	2.18 *Healthier balance sheets*
Historical Max	FY12: 15.7%	FY04: 3.9%	FY20: 3.9
Historical Min	FY16: 9.4%	FY18: 1.5%	FY25: 2.2

HH are investing roughly where they have historically invested. the next leg of growth likely needs to come from elsewhere.

govt capex is running above the levels seen during India's strongest growth phases
the missing piece is that it has not translated into a comparable pickup in private investment.

corporate balance sheets arguably the cleanest they have been in 2 decades,

yet private investment remains below levels seen during FY03-08.

Investment Constraints *(Who Still Has The Room To Borrow and Invest)*

	Private Corp GFCF (Mach & Equipment)	India Private NF Debt Service Ratio	Fiscal Deficit
	% of GDP	Ratio	% of GDP
FY03-08 Avg	6.4%	10.3%	4.0%
FY09-13 Avg	6.8%	14.9%	5.7%
FY14-19 Avg	5.1%	13.6%	3.8%
FY20-25 Avg	4.0%	11.0%	5.9%
Current	3.8%	11.6%	4.8%
Historical Max	FY08: 9.2%	FY13: 16.0%	FY21: 9.2%
Historical Min	FY03: 3.6%	FY04: 8.5%	FY08: 2.6%

Despite healthier balance sheets

corporate investment is 40% lower than FF03-08 cycle

corporate debt servicing costs remain well below previous cycle peaks, suggesting balance sheets are not the constraint to investment today.

The problem isn't leverage.
The problem is willingness.

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Source: CMIE, DSP. Data as of May 2026. GDP – Gross Domestic Product
HH – Household, GFCF – Gross Fixed Capital Formation, NF – Non financial, EBITDA – Earnings before interest, tax, depreciation and amortisation

…in summary

Government capex is running above FY03-08 levels.
The bigger question is why private investment has not followed.

Government capex has already done much of the heavy lifting this cycle.
Expecting another leg of growth to come solely from the public sector risks leaving consumption and private sector participation weak.

Corporate balance sheets are cleaner than they were during most previous investment cycles.
Private investment remains far below the 6.4%-6.8% of GDP seen during India's strongest growth phases.

Consumption is not weak enough to force a slowdown, but not strong enough to trigger a private capex cycle.
Income growth has slowed materially, while household debt has climbed to record highs.

Economic growth is cyclical. While nominal growth has softened in recent years, real growth has remained resilient. A recovery in WPI inflation could lift nominal growth, supporting revenues, wages and the broader domestic cycle.

For corporates, the issue does not appear to be the ability to invest, but the willingness to do so.
Because of the lack of visibility of demand.
If nominal growth begins to recover, demand visibility could improve and help catalyse the next phase of private capex.

India's growth story may be weaker than its peak years, it may be sitting closer to the lower end of the growth cycle. Growth cycles turn, and improving nominal growth could become the missing link between healthy balance sheets and stronger private investment, when it comes.

This has largely been a government-led investment cycle. The next phase likely needs corporates to participate.

Source: CMIE, DSP. Data as of May 2026.

The External Balance Sheet Is Stronger Than The Capital It Attracts

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What Is Generating India's Foreign Exchange Earnings?

Structural FX Earners

	% of GDP **Goods Exports**	% of GDP **Non-Oil Exports**	% of GDP **Remittances**	% of GDP **Services Exports**
FY03-08 Avg	12.0%	10.7%	3.2%	2.3%
FY09-13 Avg	15.3%	12.7%	3.5%	3.4%
FY14-19 Avg	13.4%	11.4%	2.9%	3.3%
FY20-26 Avg	11.8%	10.0%	3.0%	4.1%
Current	10.9%	9.6%	3.6%	5.4%
Historical Peak	FY14: 17.0%	FY12: 13.7%	FY10: 3.9%	FY26: 5.4%
Historical Trough	FY03: 10.2%	FY25: 9.6%	FY18: 2.4%	FY03: 0.7%
Full Period Avg	13.0%	11.1%	3.1%	3.3%

goods exports remain well below the levels seen during the post-GFC export boom.

continue to be one of India's most stable sources of external earnings, remaining close to historical highs across cycles.

services exports have more than doubled as a share of GDP since FY03-08, and now stand at a record high.

Source: CMIE, DSP. Data as of May 2026.
FX – Foreign Exchange, GDP – Gross Domestic Product

The Export Basket Has Upgraded, Not Expanded

Qaulity of External Earnings

	as share of Total Exports Services Exports	*as share of Total Exports* Non-oil Goods Exports	*as share of Total Exports* High Value Added Exports	*as share of Total Exports* Low Value Added Exports	*as share of current account receipts* Remittances' Inflows
FY03-08 Avg	15.4%	76.0%	25.7%	30.3%	15.3%
FY09-13 Avg	17.9%	68.0%	26.2%	21.5%	13.4%
FY14-19 Avg	20.0%	68.3%	29.6%	21.4%	12.3%
FY20-26 Avg	25.6%	63.2%	33.5%	17.3%	12.9%
Current	32.9%	59.0%	34.6%	14.8%	14.4%
Historical Peak	FY26: 32.9%	FY03: 89.0%	FY21: 35.2%	FY03: 39.3%	FY04: 19.0%
Historical Trough	FY03: 6.5%	FY24: 58.8%	FY06: 25.3%	FY26: 14.8%	FY22: 11.2%
Full Period Avg	20.0%	68.7%	29.1%	22.4%	13.4%

Nearly one-third of India's exports now come from services, more than double their share during FY03-08.

goods exports still account for the majority of India's export basket.

PS – its contribution to GDP is at historical lows (9.6%) – previous slide

The export basket has moved up the value chain, but the broader goods export engine is yet to meaningfully participate.

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Source: CMIE, DSP. Data as of May 2026.
GDP – Gross Domestic Product

The Problem Isn't Earnings. It's Capital…

With goods exports struggling to gain share, India is increasingly reliant on services exports and remittances for external earnings. That makes attracting foreign capital even more important if domestic investment remains subdued.

External Financing Dependence

	in months	Rented Capital % of GDP	Rented Capital % of GFCF	Rented Capital % of GDP	% of GDP	% of GDP	% of GDP	Index
	Import Cover	**FDI Net Inflows**	**FDI Net Inflows**	**FPI Net Inflows**	**Oil Balance**	**Current Acc Balance**	**Capital Acc Balance**	**REER**
FY03-08 Avg	14.57	0.7%	2.1%	1.3%	-3.5%	-0.1%	4.2%	92.24
FY09-13 Avg	9.21	1.2%	3.6%	1.1%	-4.9%	-3.4%	3.4%	93.92
FY14-19 Avg	10.10	1.4%	4.7%	0.5%	-3.4%	-1.4%	2.7%	96.10
FY20-26 Avg	12.09	0.8%	2.8%	0.2%	-2.9%	-0.7%	1.8%	98.26
Current	10.64	0.2%	0.6%	-0.4%	-3.0%	-0.6%	0.0%	90.98
Historical Peak	FY21: 17.7	FY09: 1.9%	FY21: 6.0%	FY10: 2.4%	FY21: -2.1%	FY04: 2.3%	FY08: 8.8%	FY24: 101.9
Historical Trough	FY13: 7.2	FY25: 0.0%	FY25: 0.1%	FY09: -1.2%	FY13: -5.6%	FY13: -4.8%	FY26: 0.0%	FY09: 85.1
Full Period Avg	11.61	1.0%	3.3%	0.8%	-3.6%	-1.3%	3.0%	95.31

Portfolio flows have turned -ve

foreign exchange reserves remain comfortably above levels seen during most periods of external stress.

FDI is running at a fraction of historical norms, despite a far stronger macro backdrop than many previous periods.

Despite a persistent oil deficit, the current account remains relatively contained, supported by services exports and remittances.

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Source: CMIE, DSP. Data as of May 2026.
FPI – Foreign Portfolio Investment, FDI – Foreign Direct Investment, REER – Real Effective Exchange Rate, GDP – Gross Domestic Product, GFCF – Gross Fixed Capital Formation

...And That Capital Is Almost Set To Return

if debt flows remain firm and equity valuations become more attractive, the recent FDI/FPI weakness may not persist.

Balance of Payment Components (USD, Billions)	FY27 Est.	FY26	FY25	FY24	FY23	FY15 to FY12 (Avg)	FY15	FY14	FY13	FY12
Capital and Financial Account	**70**	**2**	**17**	**89**	**59**	**74**	**89**	**49**	**89**	**68**
Foreign Investment	30	**(9)**	**5**	**54**	**23**	**46**	**73**	**26**	**47**	**39**
Foreign Direct Investment*	20	7	1	10	28	**24**	31	22	20	22
Foreign Institutional Investment	10	(16)	3	45	**(5)**	**22**	**41**	**5**	**27**	**17**
Loans*	15	15	29	7	**8**	**15**	3	8	31	19
External Assistance Balance*	5	5	6	7	**6**	**2**	2	1	1	2
Commercial Borrowings Balance*	8	8	16	0	**(4)**	**8**	2	12	8	10
Short Term*	2	2	7	(6)	**7**	**6**	(0)	(5)	22	7
Banking Capital Balance*	30	21	(10)	41	**21**	**17**	12	25	17	16
Current Account Balance (% of GDP)	-0.7%	-0.6%	-0.6%	-0.7%	-2.0%	**-3.7%**	-1.4%	-1.8%	-5.7%	-5.7%

a large part of the pickup is likely to come through FCNR(B), amidst the tax exemption on such inflows

FPI story has been less about weak fundamentals and more about rich valuations.

as largecap valuations become more attractive, foreign appetite could improve.

The absence of foreign capital has been a feature of this cycle. It may not remain one.

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Source: CMIE, DSP. Data as of May 2026.

FPI – Foreign Portfolio Investment, FDI – Foreign Direct Investment, FCNR(B) – Foreign Currency Non-resident deposits

Zooming In

External Financing Dependence

	Import Cover (in months)	FDI Net Inflows (% of GDP)	FDI Net Inflows (% of GFCF)	Current Acc Balance (% of GDP)	Capital Acc Balance (% of GDP)	REER (Index)
Current	**10.64**	0.2%	**0.6%**	**-0.6%**	0.0%	90.98
Full Period Avg	11.61	1.0%	3.3%	-1.3%	3.0%	95.31

much of the INR's depreciation looks less like a balance sheet problem and more like the exchange rate running its course.

This is an unusual combination

India is receiving very little foreign capital despite carrying one of its stronger external balance sheets in recent history.

Source: CMIE, DSP. Data as of May 2026.
GFCF – Gross Fixed Capital Formation, GDP – Gross Domestic Product, REER – Real Effective Exchange Rate

Zooming In

	Import Cover (in months)	FDI Net Inflows (% of GDP)	FDI Net Inflows (Rented Capital, % of GFCF)
FY03-08 Avg	14.57	0.7%	2.1%
FY09-13 Avg	9.21	1.2%	3.6%
FY14-19 Avg	10.10	1.4%	4.7%
FY20-26 Avg	12.09	0.8%	2.8%
Current	**10.64**	0.2%	**0.6%**
Historical Peak	FY21: 17.7	FY09: 1.9%	FY21: 6.0%
Historical Trough	FY13: 7.2	FY25: 0.0%	FY25: 0.1%
Full Period Avg	11.61	1.0%	3.3%

Investment Capacity

	HH GFCF (Dwelling + Mach & Equipment) (% of GDP)	Govt Capex (% of GDP)	Corporate Debt/EBITDA (Ratio)
FY03-08 Avg	12.6%	2.7%	2.48
FY09-13 Avg	14.1%	1.8%	3.30
FY14-19 Avg	11.3%	1.7%	3.63
FY20-25 Avg	12.2%	2.6%	2.81
Current	12.5%	**3.2%**	**2.18**
Historical Max	FY12: 15.7%	FY04: 3.9%	FY20: 3.9
Historical Min	FY16: 9.4%	FY18: 1.5%	FY25: 2.2

This is perhaps the most unusual feature of the current cycle.

Foreign capital is weak not because India needs fixing, but it is weak despite strong reserves, low inflation, healthier corporate balance sheets and sustained public investment.

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Source: CMIE, DSP. Data as of May 2026.

GFCF – Gross Fixed Capital Formation, GDP – Gross Domestic Product, HH – Household, FDI – Foreign Direct Investment, EBITDA – Earnings before interest, tax, depreciation and amortisation, Capex – Capital Expenditure

…in summary

Government India's external balance sheet looks considerably stronger than it did during many of its previous growth cycles. Services exports and remittances have become larger and more stable sources of foreign exchange, reserve adequacy remains comfortable, and the current account remains contained despite a persistent oil deficit.

Yet, the most striking feature of the current cycle is not external weakness, but the absence of foreign capital. FDI is running near historical lows, portfolio flows have turned negative, and the capital account has weakened materially despite a relatively stable macro backdrop.

This matters because the Internal Balance Sheet suggests domestic growth engines are struggling to fully take over. Households are facing weaker income growth and higher leverage, the government has already deployed significant fiscal resources through capex, and corporates continue to hold back on investment despite healthier balance sheets.

In that context, foreign capital becomes less a source of vulnerability and more a source of support. With inflation benign, real rates positive, reserves adequate and corporate balance sheets clean, India appears better positioned to attract and productively deploy foreign capital than it has been for much of its recent history.

The question, therefore, is no longer whether India's economic balance sheets can support growth. The question is whether markets are recognising that strength – improving valuations and stronger debt inflows can bring foreign capital back into the cycle.

If the Internal and External Balance Sheets are not flashing major warning signs, why has foreign capital remained absent? And why do investors continue to debate whether India is too expensive?
To answer that, we need to move from the balance sheet of the economy to the balance sheet of the market.

Is The Market's Balance Sheet Balanced?

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Market Balance Sheet — The Gap Has Opened Before

This is not the first time market expectations have moved ahead of fundamentals. Previous episodes emerged in FY15–FY19 and peaked in FY21, when valuations reached historical extremes despite weak growth delivery.

Today, the gap is widening again. Valuations have returned to the upper end of their historical range while revenue and earnings growth remain meaningfully below long-term norms. For only the third time in two decades, the market is pricing significantly more than it has delivered.

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Source: Bloomberg, DSP. Data as of May 2026.
PE – Price to Earnings, Best PE – Bloomberg estimates

Assets: What the Market Is Delivering

Indicator	Unit	Current	5Y Avg	10Y Avg	Median	Historical Peak	Current Percentile
Revenue Growth	% CAGR	8.2%	12.3%	9.5%	14.5%	29.6%	17%
Earnings Growth	% CAGR	9%	19%	13%	12%	47%	43%
ROE*	%	14.8%	14.0%	12.4%	13.9%	22.2%	68%
EBITDA Margin	%	23.7%	23.6%	23.5%	23.7%	26.9%	50%

revenue growth is the weakest part of the asset base, sitting near the bottom of its historical range.

earnings growth is outpacing revenue growth — margin discipline and cost control are doing more work than topline expansion right now.

profitability remains healthier than growth, with ROE still above its long-term median.

the sectors generating the strongest returns aren't the ones generating the strongest growth, a disconnect that shows up directly in their valuations.

Sector	Revenue Growth	Earnings Growth	ROE (3yr avg)	EBITDA Margin
Banks	8.6%	16.5%	13.6%	50.0%
Industrials	13.8%	19.0%	12.3%	13.7%
Capital Goods	8.4%	14.4%	13.3%	18.4%
Consumer	9.1%	15.4%	26.2%	10.9%
IT Services	6.8%	8.3%	25.2%	22.1%
Pharma	11.4%	22.8%	14.6%	24.2%
Energy	3.1%	0.0%	15.0%	19.7%

growth leadership is concentrated in Pharma and Industrials rather than broad-based.

corporate India is preserving profitability but struggling to generate broad based top-line growth.

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Source: Bloomberg, Nuvama, DSP. Data as of 2026. *3 quarter Rolling starting from 2007For Industrials ROE, Nifty Metals Index is used, for Capital Goods ROE, Nifty Infrastructure Index is used and for ROE of Consumer, Nifty FMCG ROE is used. ROE – Return On Equity, EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization

Liabilities: What Investors Are Paying For

Indicator	Unit	Current	5Y Avg	10Y Avg	Median	Historical Peak	Current Percentile
Forward P/E	x	21.6	23.4	22.5	19.1	30.3	67.4
P/B	x	3.2	3.5	3.1	2.9	5.3	70.5
EV/EBITDA	x	13.5	15.5	14.1	12.0	18.6	71.0

At the 67th percentile, the market is paying a multiple last seen consistently only during stronger growth phases (as seen 2 slides back) the multiple hasn't yet adjusted to the slower growth backdrop.

Investors continue to pay above-average prices for book value.

All three valuation measures cluster in the 67th-71st percentile band — a market that's expensive on every conventional yardstick, not on one alone.

Growth sits in the bottom third of its 10-year range; valuations sit in the top third the widest gap on the report's two core dimensions.

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Source: Bloomberg, DSP. Data as of 2026. PE- Price to Earnings, PB – Price to Book, EV/EBITDA – Enterprise Value/ Earnings before interest, tax, depreciation and amortisation

Which Sectors Have Earned Their Valuations?

one of the largest discounts despite healthy earnings growth.

valuations remain rich even though growth advantage has narrowed.

highest premium to ROE-implied value despite already strong growth.

Sector	ROE	P/B	Earnings Growth (3Y Avg)	Valuation Gap
Banks	13.6%	1.7	16.5%	-41.3%
Industrials	12.3%	3.0	19.0%	20.5%
Capital Goods	13.3%	3.1	14.4%	10.6%
Consumer	26.2%	8.3	15.4%	21.3%
IT Services	25.2%	5.0	8.3%	-23.4%
Pharma	14.6%	4.6	22.8%	43.3%
Energy	15.0%	2.4	0.0%	-28.0%

IT services and energy also trade at meaningful discounts to ROE-implied value but unlike Banks, both also post the weakest earnings growth in the set, so the discount looks more justified.

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Source: Nuvama, Bloomberg, DSP. Data as of 2026. For Industrials PB & ROE, Nifty Metals Index is used, for Capital Goods PB & ROE, Nifty Infrastructure Index is used and for Consumer PB & ROE , Nifty FMCG ROE is used.
PB – Price to Book, ROE – Return on Equity

Putting Assets and Liabilities Together

Sector	Fundamental Strength	Valuations Risk	Net Assessment
Banks	0.33	0	Moderate fundamentals trading at the lowest valuation risk in the set — the most underappreciated sector here.
Industrials	0.83	0.67	Strong fundamentals, but valuation has largely priced that strength in — limited margin of safety left.
Capital Goods	1	0.50	Strongest fundamentals in the set, carrying only moderate valuation risk — the best-balanced sector overall.
Consumer	0.17	0.83	Weak fundamentals paired with one of the highest valuation risks — the least supported sector here.
IT Services	0.67	0.33	Strong fundamentals with only moderate valuation risk — reasonably attractive without being the cheapest option.
Pharma	0	1	Weakest fundamentals and highest valuation risk in the set — the most stretched sector overall.
Energy	0.5	0.17	Moderate fundamentals trading cheap — modestly attractive, though without a strong growth case behind it.

Looking across fundamentals and valuations simultaneously reveals a clear pattern: the market's strongest opportunities lie where delivery exceeds expectations, while the greatest risks lie where expectations have run ahead of delivery.

Source: Bloomberg, DSP. Data as of 2026. Fundamental Strength is the percentile rank of the current ROE levels as compared to historical values from 2011 onwards. Valuation Risk is the percentile ranking of Valuation Gap from the previous slide and
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).

…in summary

The market's asset base shows the same pattern playing out across the economy, growth is the weak link, not profitability. Revenue growth sits near the bottom of its 10-year range, at the 17th percentile, while earnings growth holds up better at the 43rd. ROE remains comfortably above its long-term median, and EBITDA margins are sitting almost exactly where they've historically averaged. Corporate India isn't broken it's preserving what it already has, without growing it.

On the other side of the ledger, however, expectations haven't adjusted to match. Forward P/E, P/B, and EV/EBITDA all sit in the 67th-71st percentile of their own history not at one extreme, but consistently rich across every conventional valuation lens. The market is paying a multiple closer to what's typically seen in stronger growth phases than the one it's currently in.

This gap isn't evenly spread. Banks trade at one of the steepest discounts to what their fundamentals would justify, despite delivering reasonably healthy earnings growth. Pharma and Consumer carry the largest premiums partly earned by genuine growth leadership, but stretched well beyond what even that growth implies. IT Services and Energy are also discounted, though more defensibly, given they're also the weakest growers in the set.

Nor is this gap new. The same pattern valuations running ahead of growth has opened twice before in the past decade, most starkly in FY21 and across FY15-FY19. Each time, the gap eventually closed. Since FY24, it has reopened for a third time.

If growth hasn't disappeared and corporate fundamentals haven't deteriorated, the imbalance isn't in the economy it's in the price. The question, then, is not whether India's businesses can deliver. It's whether the market has already paid in advance for delivery that hasn't happened yet.

DSP

Source: DSP. Data as of May 2026.

Putting The Three Balance Sheets Together

DSP

...in conclusion

Segments	What are they Saying?
Internal	*Capacity exists, participation is missing*
External	*Strength exists, capital is missing*
Market	*Expectations exceed delivery*

What We Found	What It Means
Government capex is already elevated	*Public investment cannot be the sole growth engine indefinitely*
Corporate balance sheets are healthy	*Capacity to invest exists*
Household leverage is at record highs	*Consumption alone cannot drive the next cycle*
External balance sheet is strong	*India can comfortably absorb more foreign capital*
Foreign capital remains absent	*Growth is not being funded externally*
Market valuations remain elevated	*Expectations are ahead of delivery*

Source: DSP. Data as of May 2026.

What Could Restart Growth Today?

Lower Interest Rates,
which could -

- Reduce borrowing costs
- Improve project viability
- Encourage private capex
- Falling term premia could reinforce the rate cycle

Foreign Capital Inflows,
which could -

- Supplement domestic savings
- Fund investment
- Reduce financing constraints

Stronger Income Growth,
which could -

- Reduce dependence on household leverage
- Improve demand visibility
- Increase corporate willingness to invest

Private Capex Revival,
which could -

- Creates jobs
- Creates incomes
- Creates demand
- Reinforces the growth cycle

India's challenge is no longer repairing balance sheets.
It is converting strong balance sheets into stronger growth.

Source: DSP. Data as of May 2026.

Let's sum it up.

DSP

Asset Class View

- **Equity:**
  - Allocation can be increased by adding Large-caps; Equity underweight positions and fresh lumpsums can be rebalanced / deployed in a staggered manner
  - Currently, sectors like Private Banks, select consumption sector stocks, cement and healthcare offer opportunities helped by recent corrections and can be considered relative play compared to broader equity.
  - Mid & Small Caps – allocation can be made via SIPs

- **Debt:**
  - Focus on Income Plus Arbitrage for fresh allocation
  - Funds with higher allocation to longer durations G-Secs can be preferred tactically to benefit from possible rally in yields when macro headwinds subside

- **Commodities:**
  - Gold and silver have corrected below the midpoint of our fair-value framework. We would wait for a better margin of safety before adding.

Source: internal, Data as on 29th May 2026. Disclaimer: The investment approach / framework/ strategy mentioned herein is currently followed by the scheme(s) 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). The recipient(s), before acting on any information herein, should make his/her/their own assessment and seek appropriate professional advice.
Large caps are defined as top 100 stocks on market capitalization, mid caps as 101-250 small caps as 251 and above

How To Position Your Portfolio?

DSP

Asset Allocation: Our Recommendations

If you are

Type of investor	Equity Allocation (Approx)
Conservative	30%
Moderate/ Passive-Moderate	60%
Aggressive	70%

Then you may consider having this % of equity in your portfolio

DSP

Disclaimer: The above allocation is indicative in nature. Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Conservative Strategy

Portfolio: Conservative

Asset Class	Category	Fund	Allocation
Equity 30%	Large Cap Fund	DSP Large Cap Fund (Ex DSP Top 100 Equity Fund)	15%
	Index Fund	DSP Nifty Top 10 Equal Weight Index Fund	10%
	Sectoral / Thematic	DSP Nifty IT Index Fund	5%
Alternate & Hybrid 20%	Multi Asset Allocation	DSP Multi Asset Allocation Fund (or)	20%
	FoFs – Domestic	DSP Multi Asset Omni Fund of Funds	
Fund of Fund 20%	Income Plus Arbitrage FoF	DSP Income Plus Arbitrage Omni FoF*	20%
Debt 30%	Money Market Fund	DSP Savings Fund	10%
	Dynamic Bond	DSP Strategic Bond Fund	20%

*The scheme name has been changed from 'DSP Income Plus Arbitrage Fund of Fund' to 'DSP Income Plus Arbitrage Omni FoF' w.e.f. August 31, 2025

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Moderate Strategy

Portfolio: Moderate

Asset Class	Category	Fund	Allocation
Equity 60%	Large Cap Fund	DSP Large Cap Fund (Ex DSP Top 100 Equity Fund)	25%
	Value Fund	DSP Value Fund	20%
	Sectoral / Thematic	DSP Healthcare Fund	5%
	Index Fund	DSP Nifty IT index Fund	5%
	Index Fund	DSP Nifty Private Bank Index Fund	5%
Alternate & Hybrid 15%	Multi Asset Allocation	DSP Multi Asset Allocation Fund (or)	15%
	FoFs – Domestic	DSP Multi Asset Omni Fund of Funds	
Fund of Fund 10%	Income Plus Arbitrage FoF	DSP Income Plus Arbitrage Omni FoF*	10%
Debt 15%	Money Market Fund	DSP Savings Fund	5%
	Dynamic Bond	DSP Strategic Bond Fund	10%

*Ex DP Income Plus Arbitrage FoF

Aggressive Strategy

Portfolio: Aggressive

Asset Class	Category	Fund	Allocation
Equity 70%	Large Cap Fund	DSP Large Cap Fund (Ex DSP Top 100 Equity Fund)	25%
	Value Fund	DSP Value Fund	20%
	Index Fund	DSP Nifty Top 10 Equal Weight Index Fund	10%
	Index Fund	DSP Nifty IT Index Fund	10%
	Sectoral / Thematic	DSP Healthcare Fund	5%
Alternate & Hybrid 10%	Dynamic Asset Allocation or Balanced Advantage	DSP Dynamic Asset Allocation Fund	10%
Fund of Fund 10%	Income Plus Arbitrage FoF	DSP Income Plus Arbitrage Omni FoF*	10%
Debt 5%	Dynamic Bond	DSP Strategic Bond Fund	5%

*Ex DSP Income Plus Arbitrage FoF, FoF – Fund of Fund

Passive - Moderate Strategy

Portfolio: Passive- Moderate

Asset Class	Category	Fund	Allocation
Equity 65%	Index Fund	DSP Nifty Top 10 Equal Weight Index Fund	35%
	Sectoral / Thematic	DSP Quant Fund*	10%
	Index Fund	DSP Nifty IT Index Fund	10%
	Index Fund	DSP Nifty Private Bank Index Fund	10%
Debt 35%	Index Fund	DSP CRISIL-IBX 50:50 Gilt Plus SDL - April 2033 Index Fund (Erstwhile known as DSP CRISIL SDL Plus G-Sec Apr 2033 50:50 Index Fund)	15%
	Corporate Bond	DSP Corporate Bond Fund*	20%

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* DSP Quant Fund is managed by following a model-based approach to portfolio construction and DSP Corporate Bond Fund is currently managed as a roll down strategy. These investment strategies are currently followed by the scheme and the same may change in future depending on market conditions and other factors. For complete details on investment objective, investment strategy, asset allocation, scheme specific risk factors and more details, please read the Scheme Information Document, and Key Information Memorandum of the scheme available on ISC of AMC and also available on www.dspim.com . The above table is indicative in nature. Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

...And Some Fun Recommendations

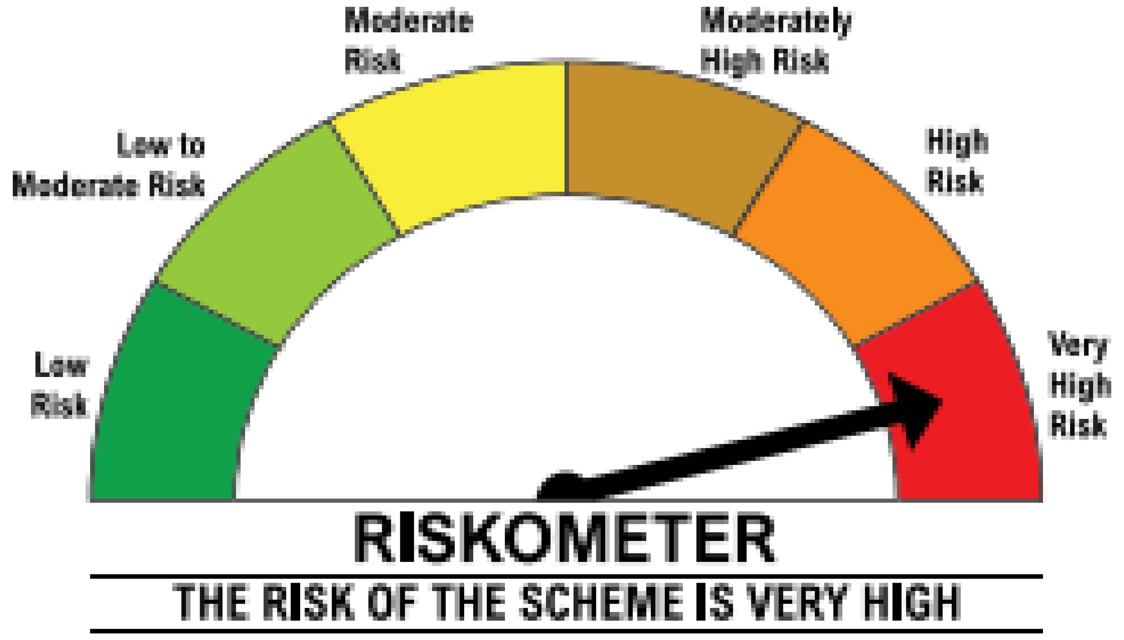
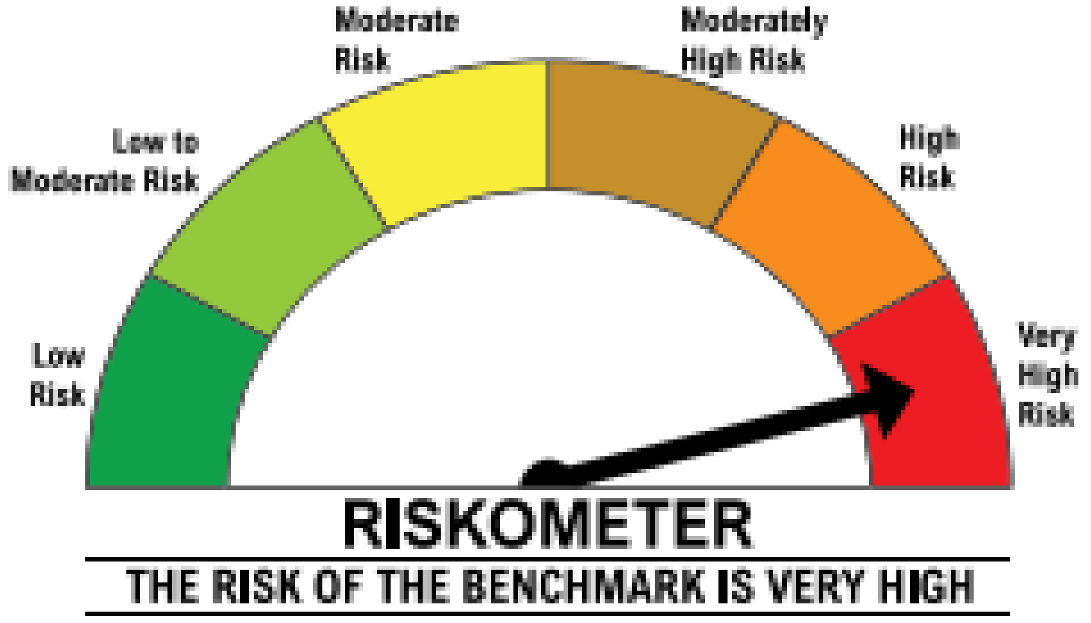
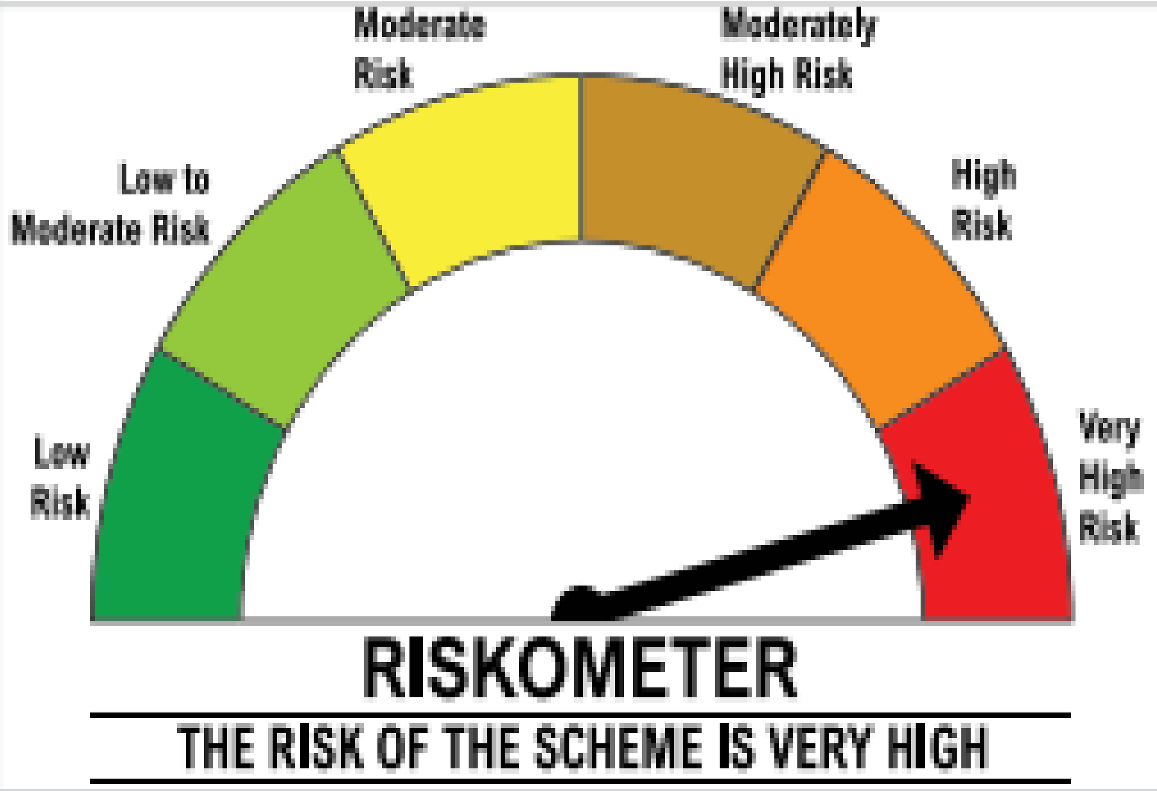
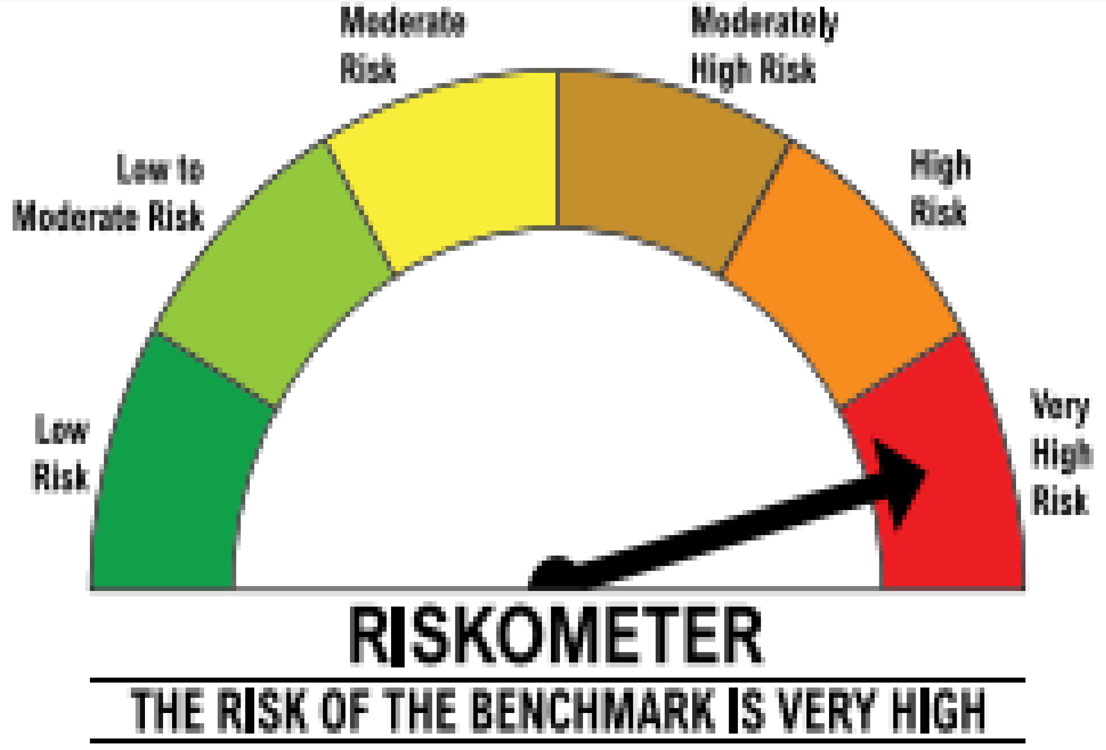
What we liked:

- Book: Tap Dancing To Work
- Podcast: Daniel Yergin Sees a 'Different World' Emerging After the Hormuz Crisis | Odd Lots
- Article: A Generational Collapse in Reading

Our in-house creations:

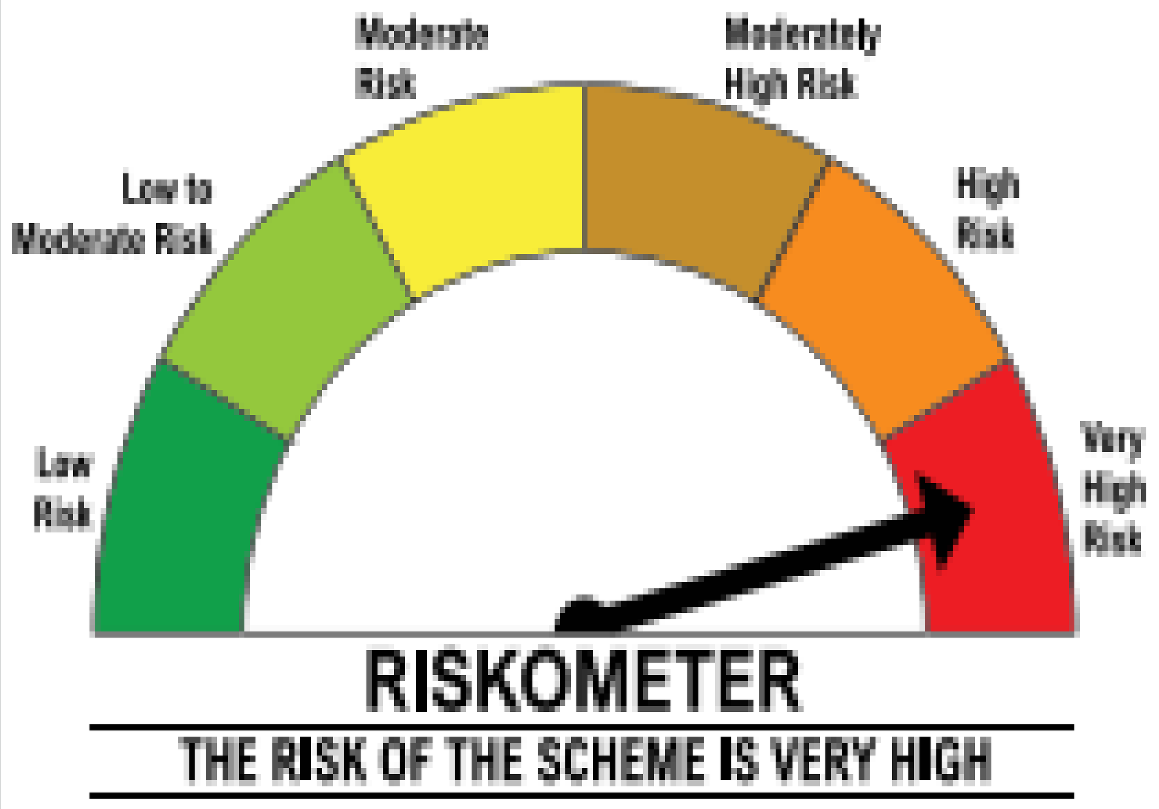
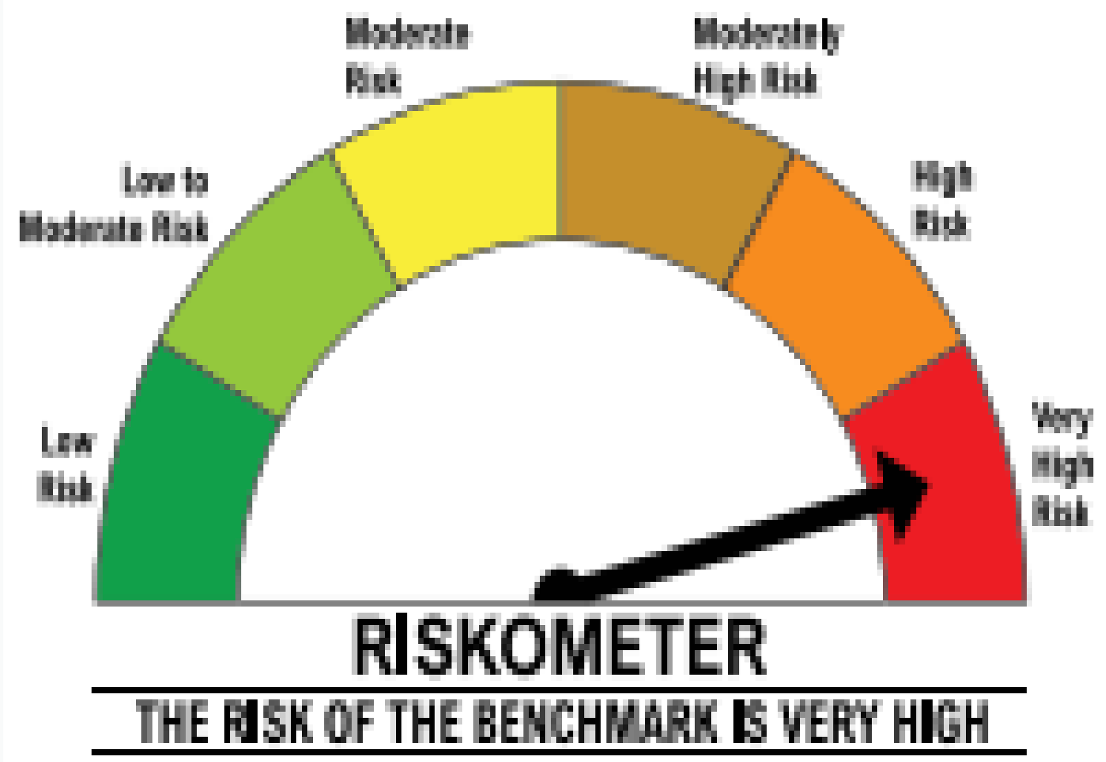
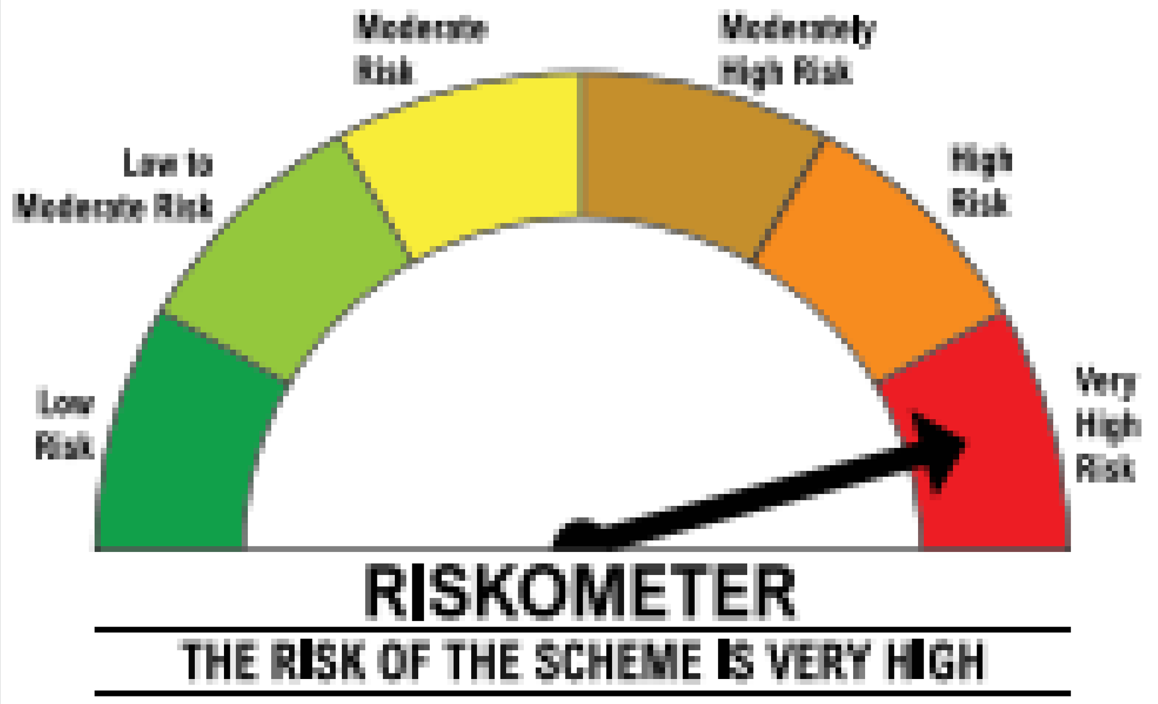
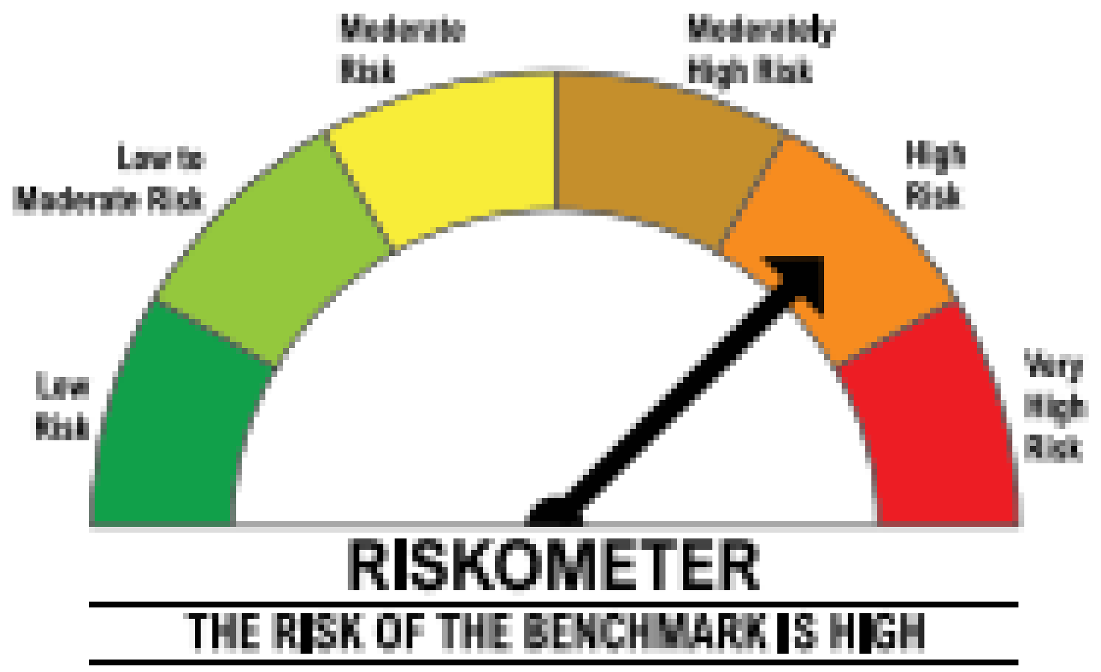
- Immortal Documentary| Watch here
- DSP Blog| What's Your Tourniquet? | Read here
- DSP Blog | Pessimism is a virtue even for an optimistic credit analyst| Read here

Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Nifty IT Index Fund An open ended scheme replicating / tracking Nifty IT Index	This product is suitable for investors who are seeking* • Long term capital growth • Investment in equity and equity related securities covered by Nifty IT Index, subject to tracking error. The investment objective of the Scheme is to generate returns that are commensurate with the performance of the Nifty IT Index, subject to tracking error. **There is no assurance that the investment objective of the Scheme will be achieved.**		Nifty IT TRI	
DSP Healthcare Fund An open ended equity scheme investing in healthcare and pharmaceutical sector	This Product is suitable for investors who are seeking* • Long term capital growth • Investment in equity and equity related Securities of healthcare and pharmaceutical companies		BSE HEALTHCARE (TRI)	

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

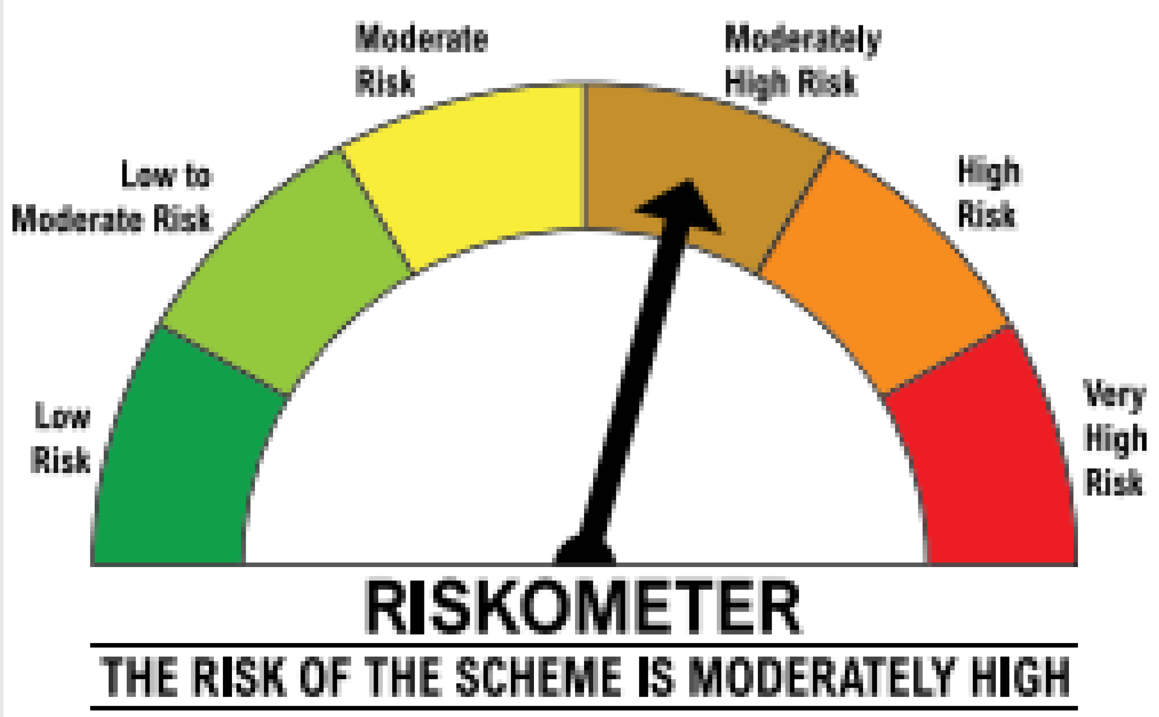
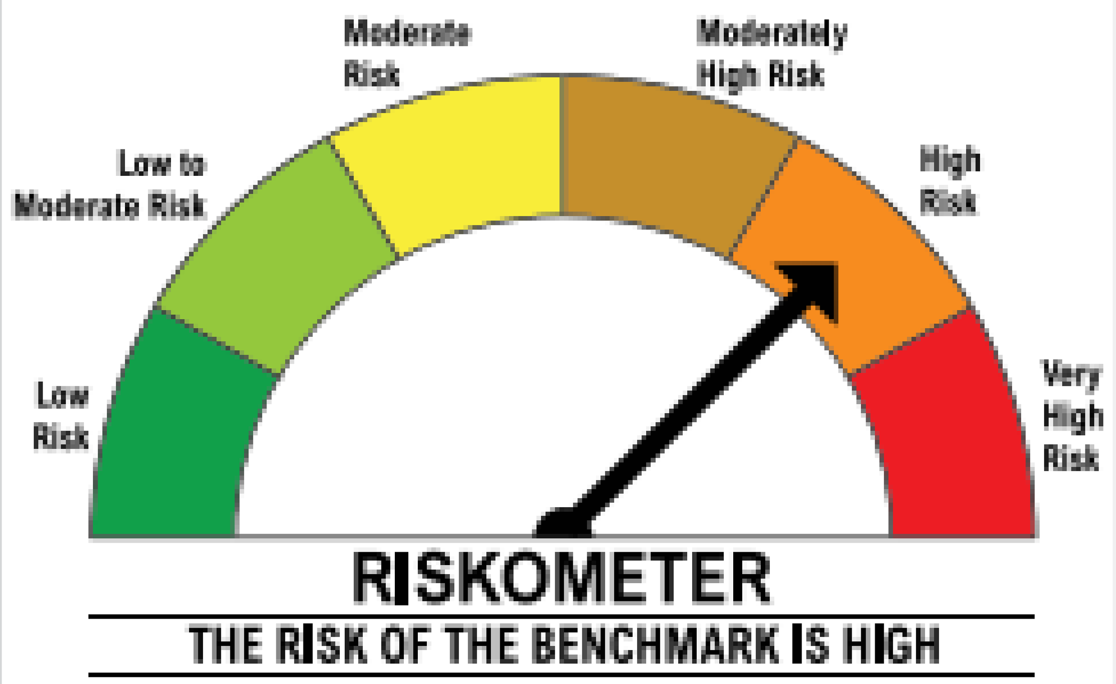
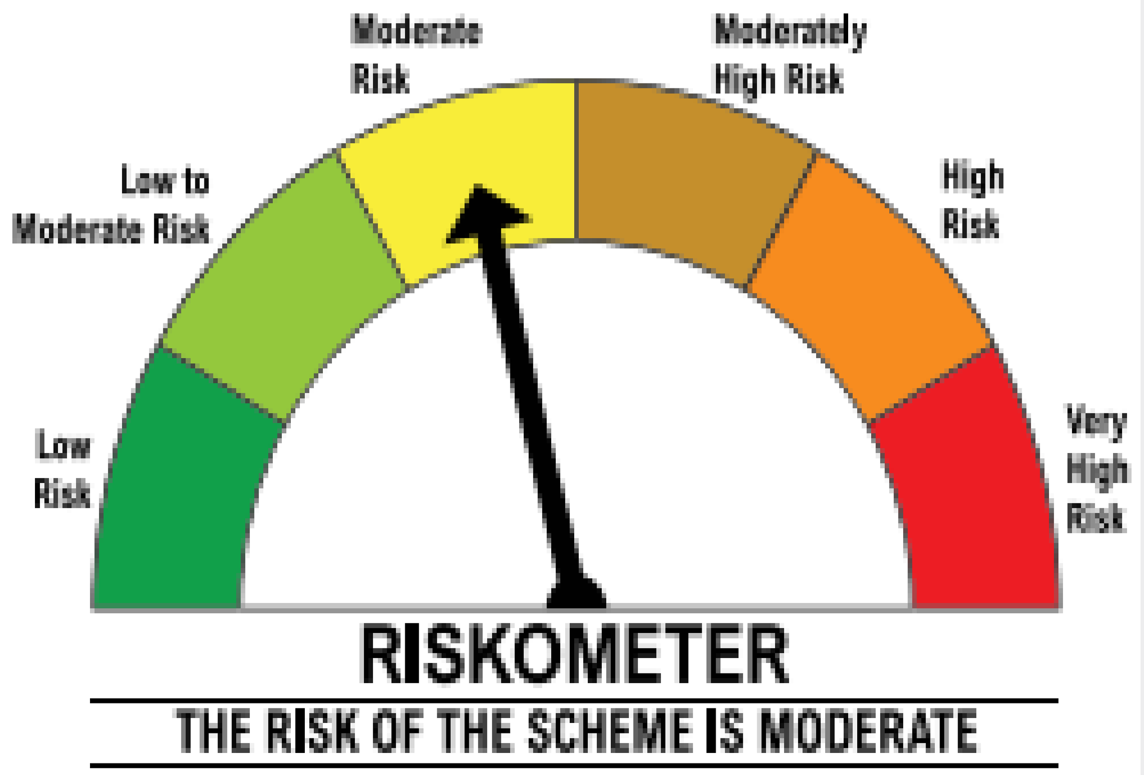
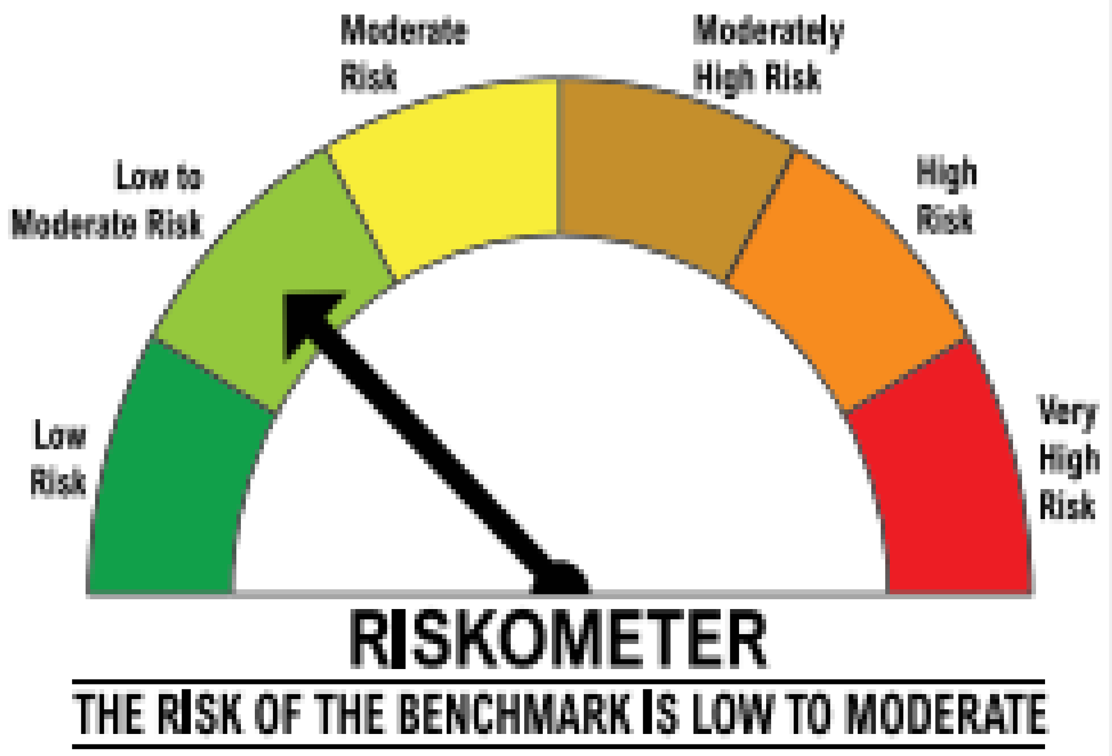
Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Multi Asset Allocation Fund An open ended scheme investing in equity/equity related securities, debt/ money market instruments, commodity ETFs, exchange traded commodity derivatives and overseas securities	This Product is suitable for investors who are seeking* • Long-term capital growth • Investment in a multi asset allocation fund with investments across equity and equity related securities, debt and money market instruments, commodity ETFs, exchange traded commodity derivatives, overseas securities and other permitted instruments		40% NIFTY500 TRI + 20% NIFTY Composite Debt Index+ 15% Domestic price of Gold + 5% iCOMDEX Composite Index + 20% MSCI World Index.	
DSP Multi Asset Omni Fund of Funds An open ended fund of fund scheme investing in units of active and passive schemes of Equity, Debt and Commodity asset classes	This product is suitable for investors who are seeking* • Long term capital growth • Investments in units of equity oriented, debt oriented and commodity oriented schemes Investors should consult their financial advisers if in doubt about whether the Scheme is suitablefor them.		55% Nifty 500 TRI + 15% Domestic price of Gold + 5% Domestic price of Silver + 25% NIFTY Composite Debt Index.	

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

DSP

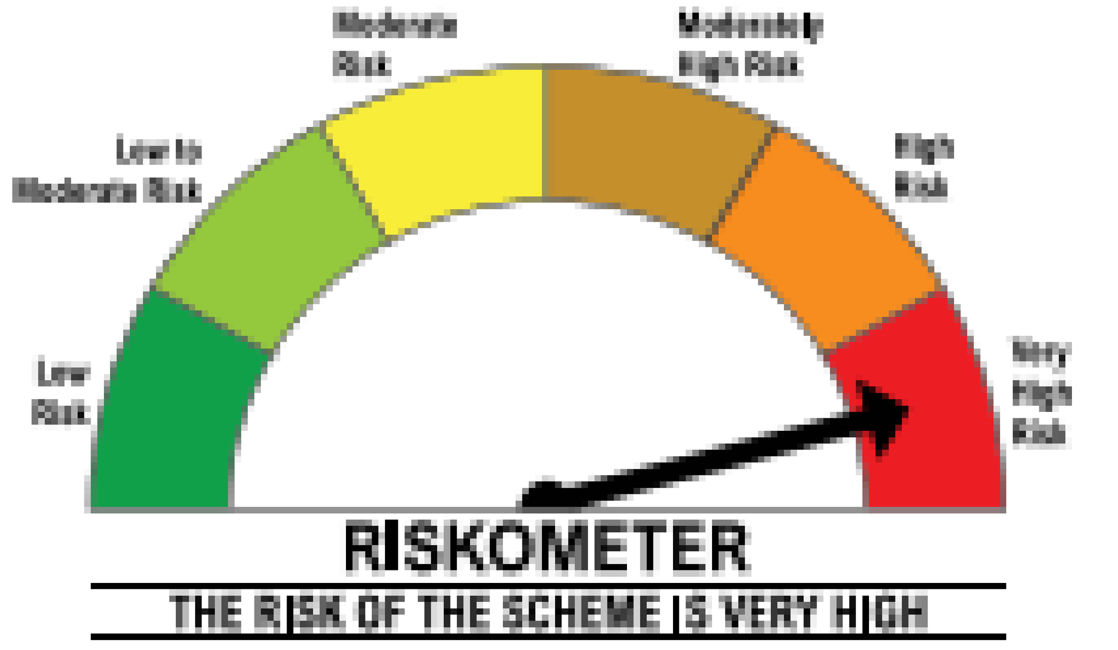
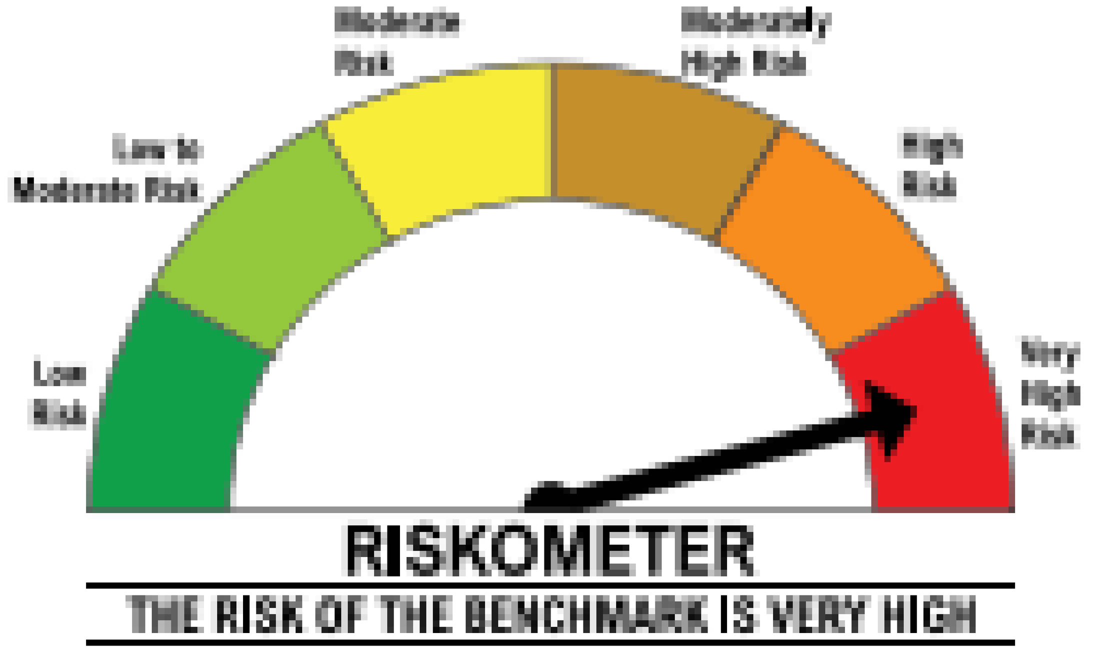
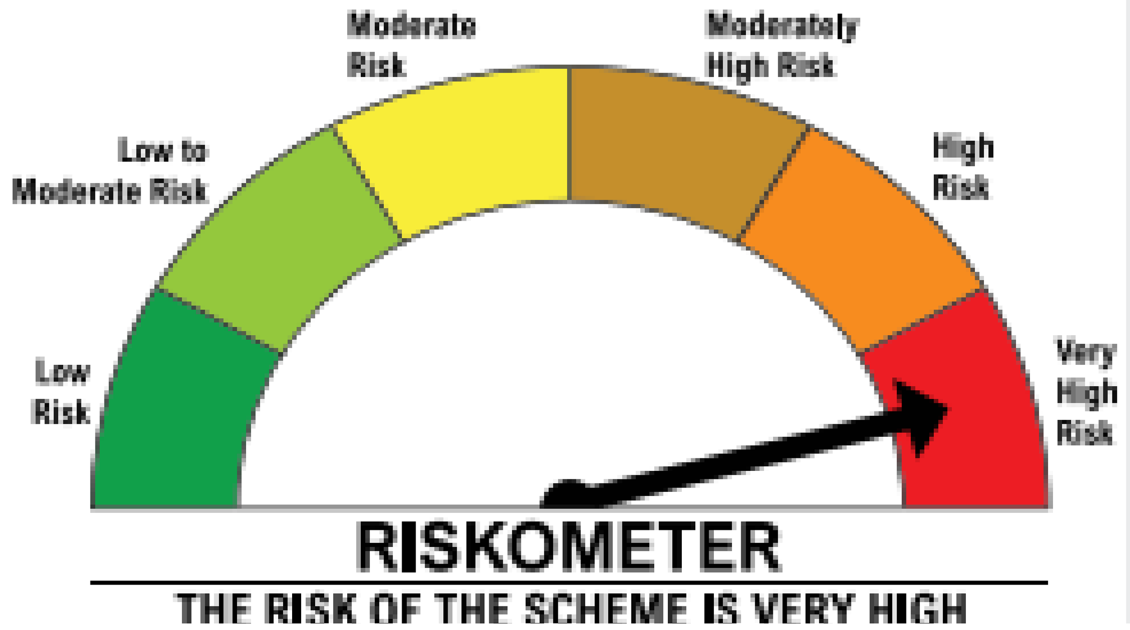
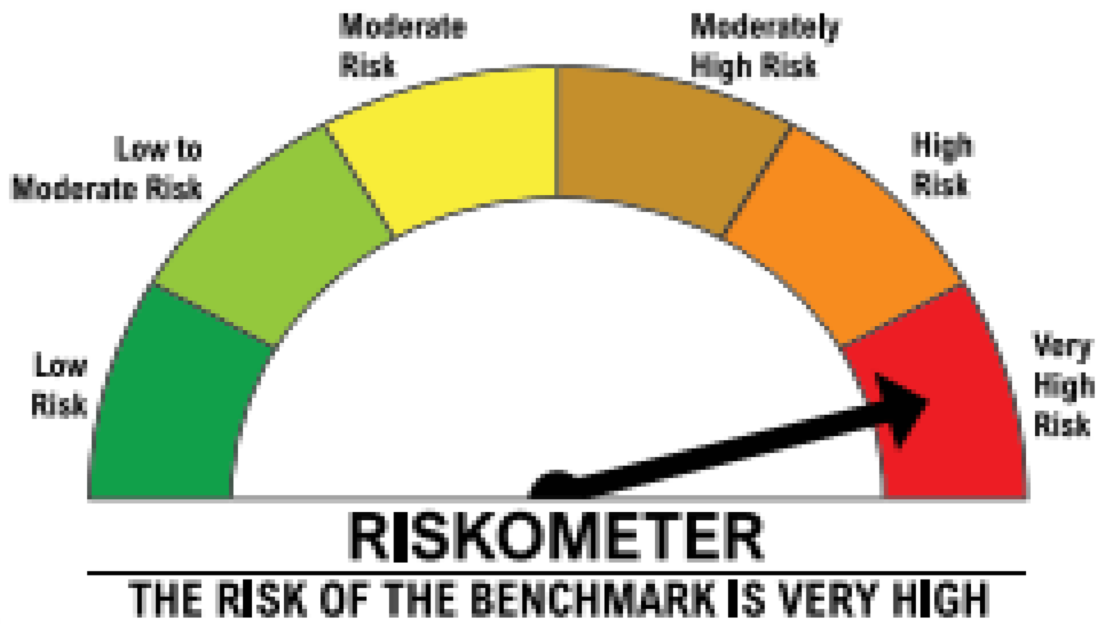
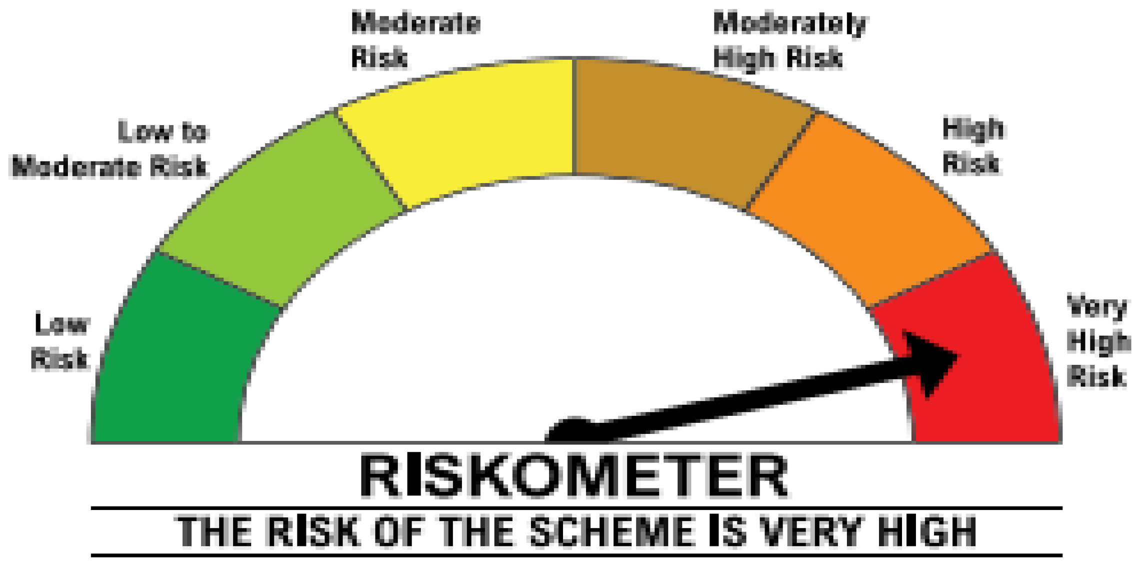
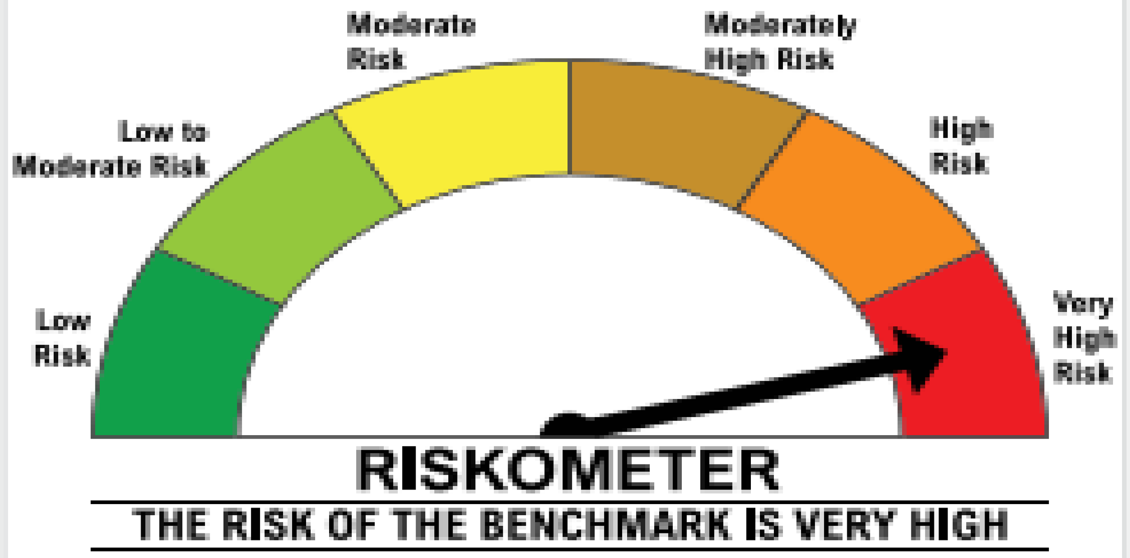
Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Dynamic Asset Allocation Fund An open ended dynamic asset allocation fund #Please refer to Notice cum addendum dated August 08, 2024 for change in fundamental attribute of scheme with effect from September 21, 2024.	This product is suitable for investors who are seeking* • Long-term capital growth • Investment in equity and equity related securities including the use of equity derivatives strategies and arbitrage opportunities with balance exposure in debt and money market instruments.		CRISIL Hybrid 50+50 - Moderate Index	
DSP Income Plus Arbitrage Omni FoF^^ (Erstwhile known as DSP Income Plus Arbitrage Fund of Fund) An open ended fund of funds scheme investing in units of debt oriented schemes and arbitrage schemes.	This Product is suitable for investors who are seeking* • Income Generation & capital appreciation through investments in units of arbitrage and debt-oriented schemes. Please refer to Notice cum addendum dated February 4, 2025 for change in fundamental attribute of scheme with effect from March 11, 2025		40% NIFTY 50 Arbitrage Index + 60% NIFTY Composite Debt Index	

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

^^The scheme name has been changed from 'DSP Income Plus Arbitrage Fund of Fund' to 'DSP Income Plus Arbitrage Omni FoF' and the scheme benchmark has been changed from '40% NIFTY 50 Arbitrage Index + 60% CRISIL Dynamic Bond A-III Index' to '40% NIFTY 50 Arbitrage Index + 60% NIFTY Composite Debt Index' w.e.f. August 31, 2025.

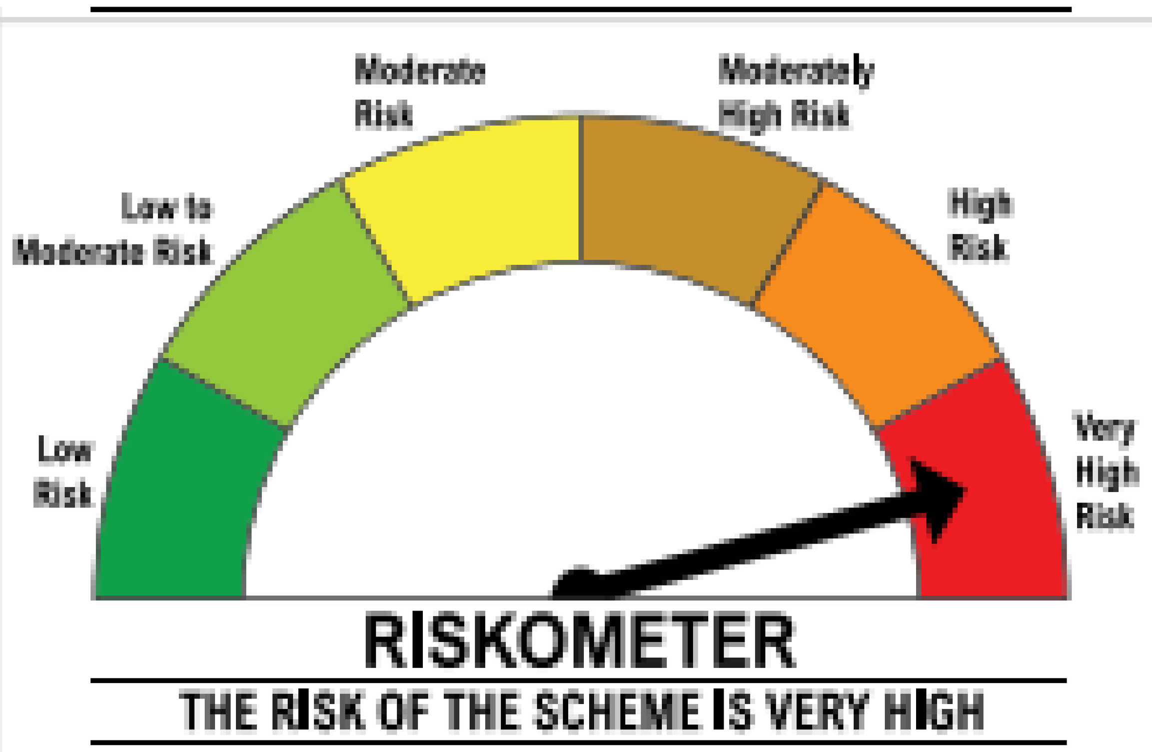
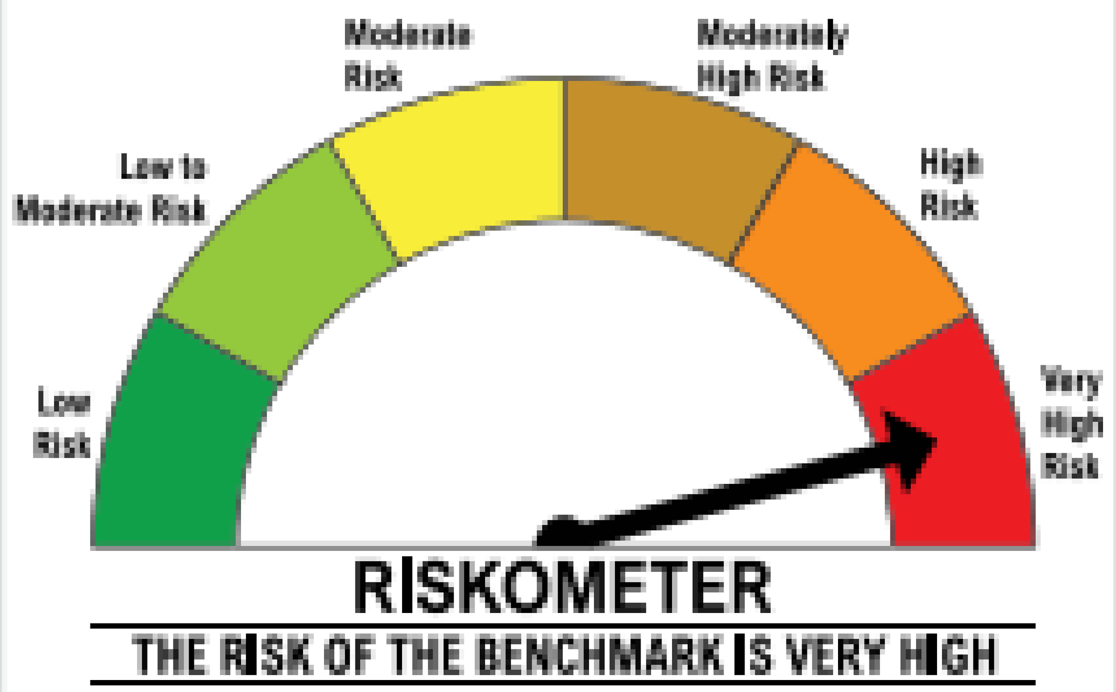
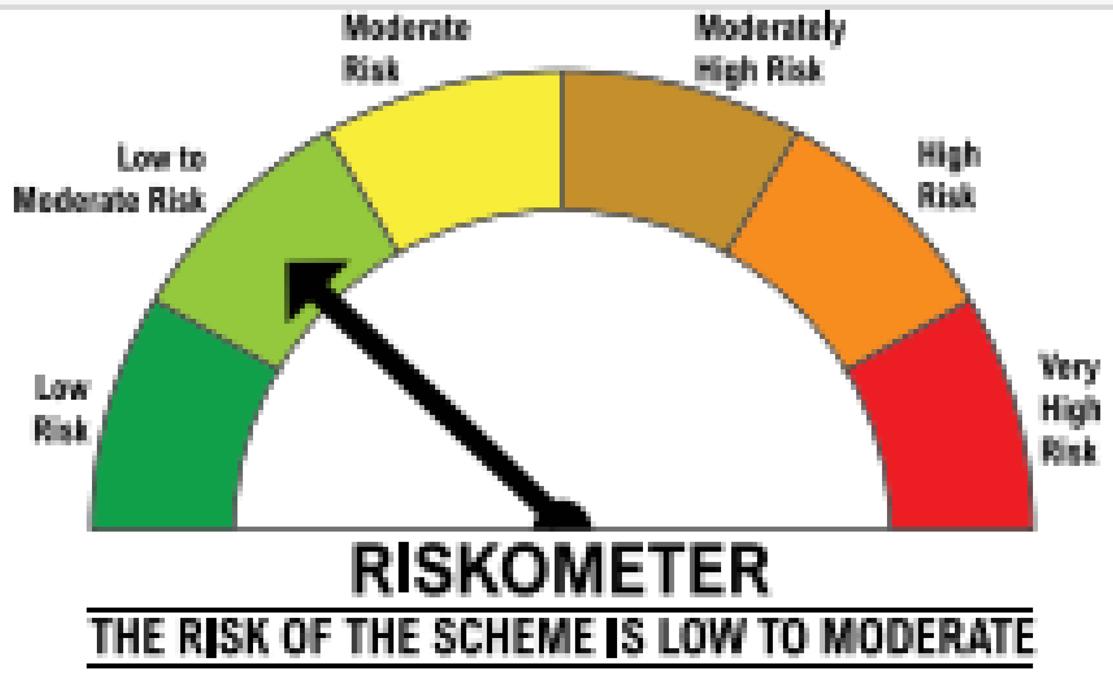
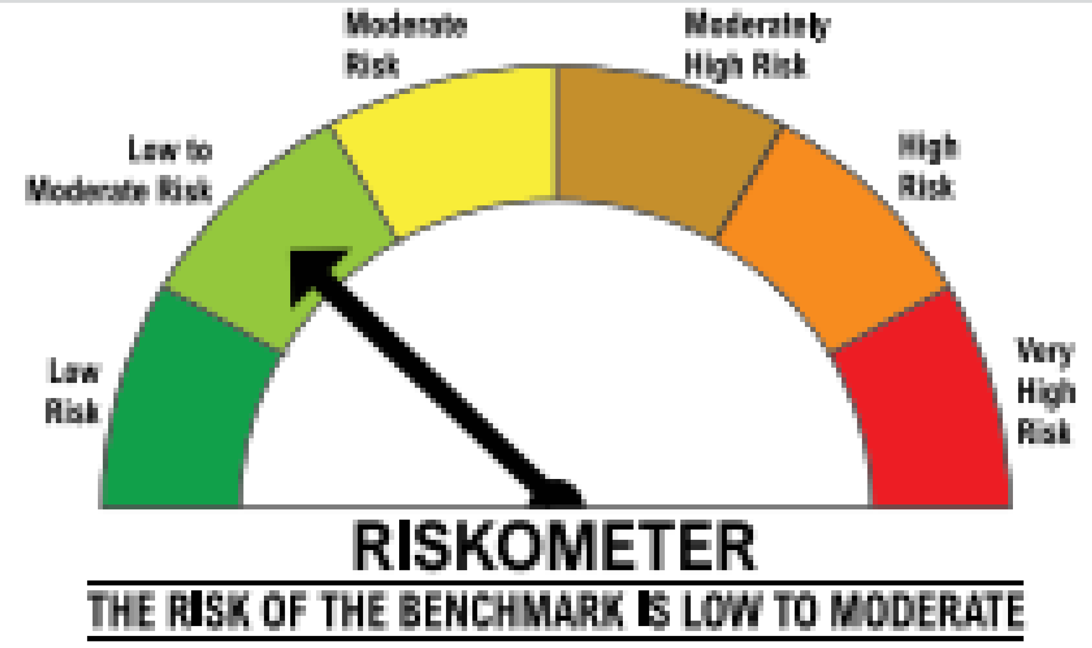
Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Large Cap Fund (Erstwhile known as DSP Top 100 Equity Fund) Large Cap Fund- An open ended equity scheme predominantly investing in large cap stocks Please refer to Notice cum addendum dated April 28, 2025 for change of scheme name w.e.f. May 01, 2025.	This Product is suitable for investors who are seeking* • Long-term capital growth • Investment in equity and equity-related securities predominantly of large cap companies		Nifty 100 Index TRI W.e.f. May 16, 2026; there is change in benchmark of the scheme from 'BSE 100 TRI' to 'NIFTY 100 Index TRI'	
DSP Nifty Top 10 Equal Weight Index Fund An open ended scheme replicating/ tracking Nifty Top 10 Equal Weight Index.	This product is suitable for investor who are seeking* • Long-term capital growth • Investment in equity and equity related securities covered by Nifty Top 10 Equal Weight Index, subject to tracking error.		Nifty Top 10 Equal Weight TRI	
DSP Value Fund An open ended equity scheme following a value investment strategy	This product is suitable for investors who are seeking* • to generate long-term capital appreciation / income in the long term • investment primarily in undervalued stocks		Nifty 500 TRI	

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

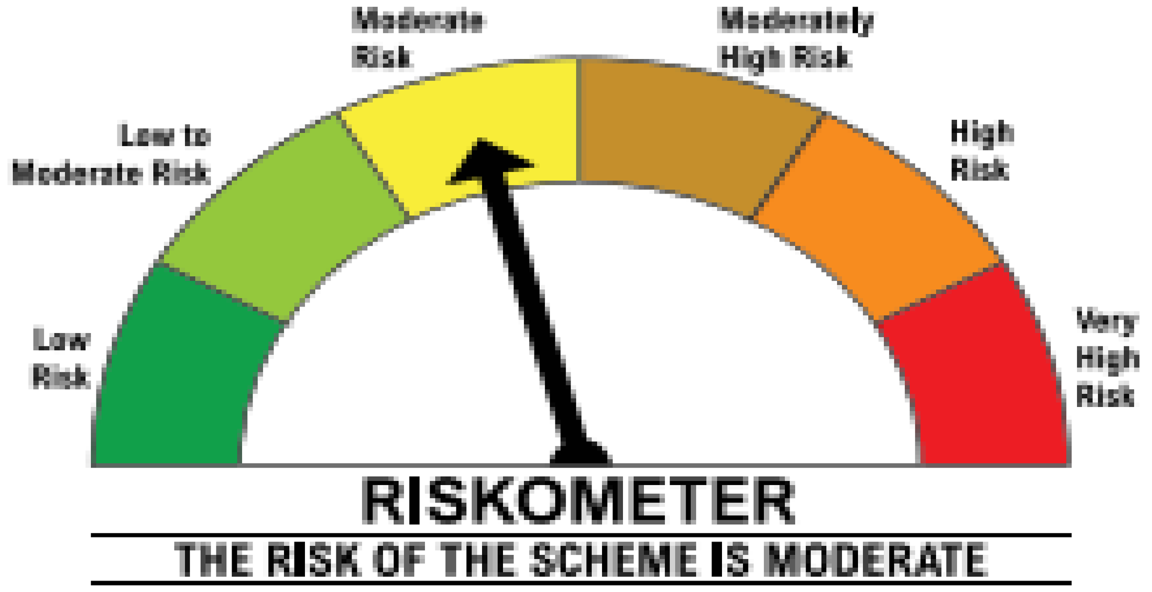
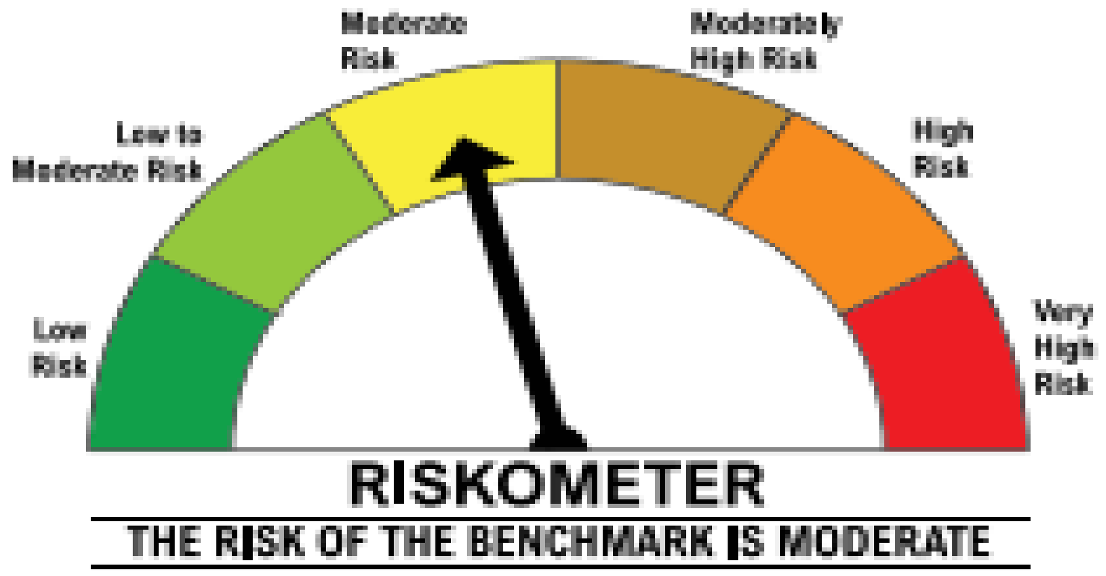
DSP

Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Quant Fund An Open ended equity Scheme investing based on a quant model theme Please refer to Notice cum addendum dated October 22, 2024 for change in fundamental attribute of scheme with effect from November 28, 2024.	This Product 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 quant model		BSE 200 TRI	
DSP Savings Fund An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* • Income over a short-term investment horizon • Investment in money market instruments with maturity less than or equal to 1 year.		CRISIL Money Market A-I Index	

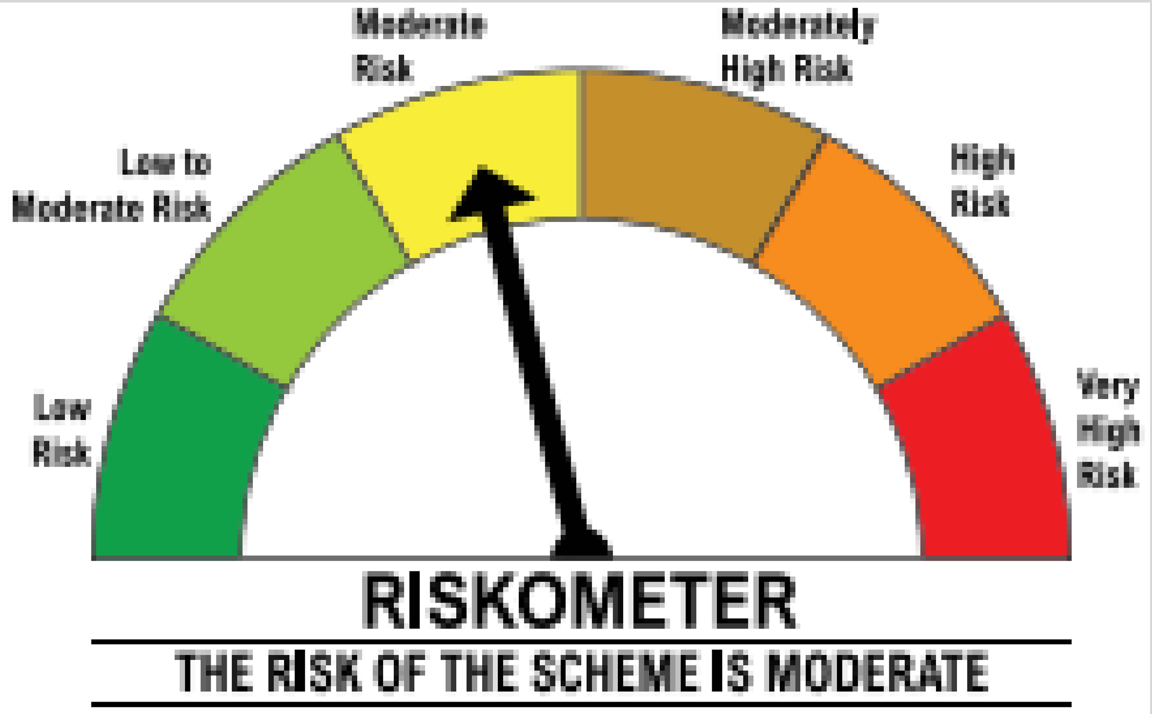
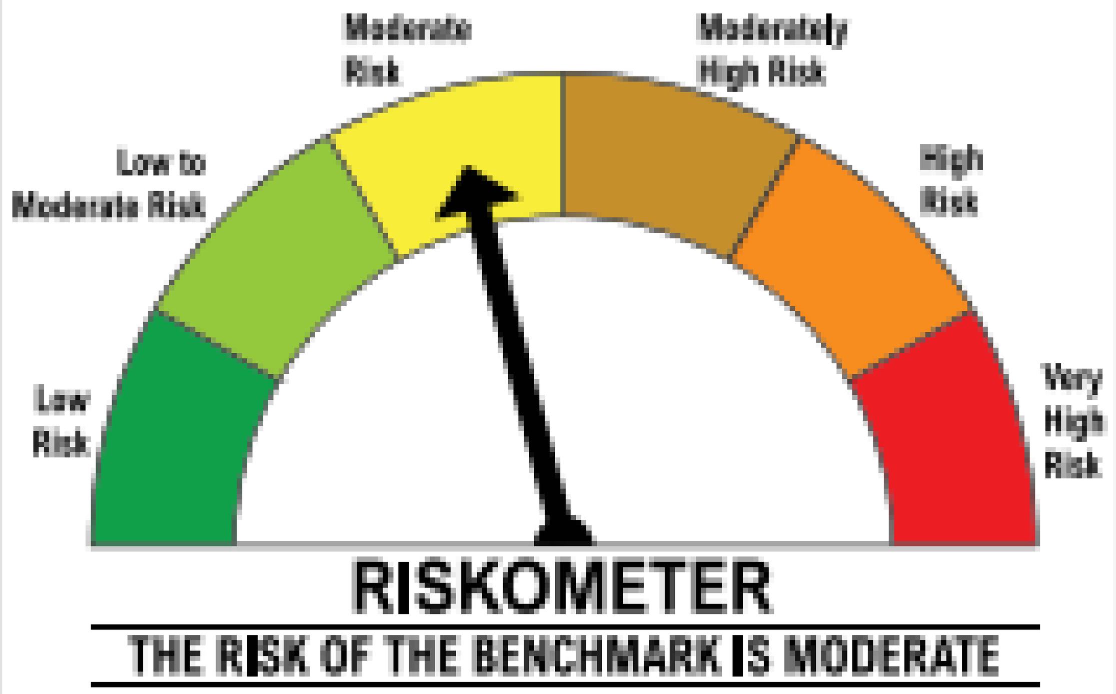
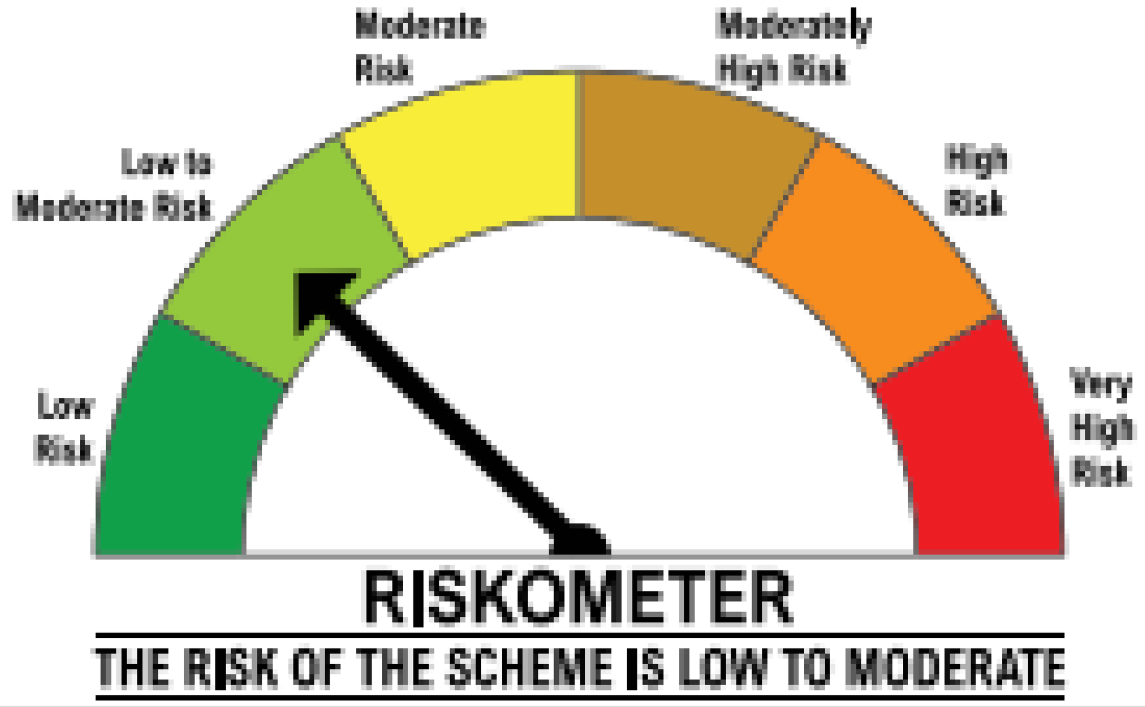
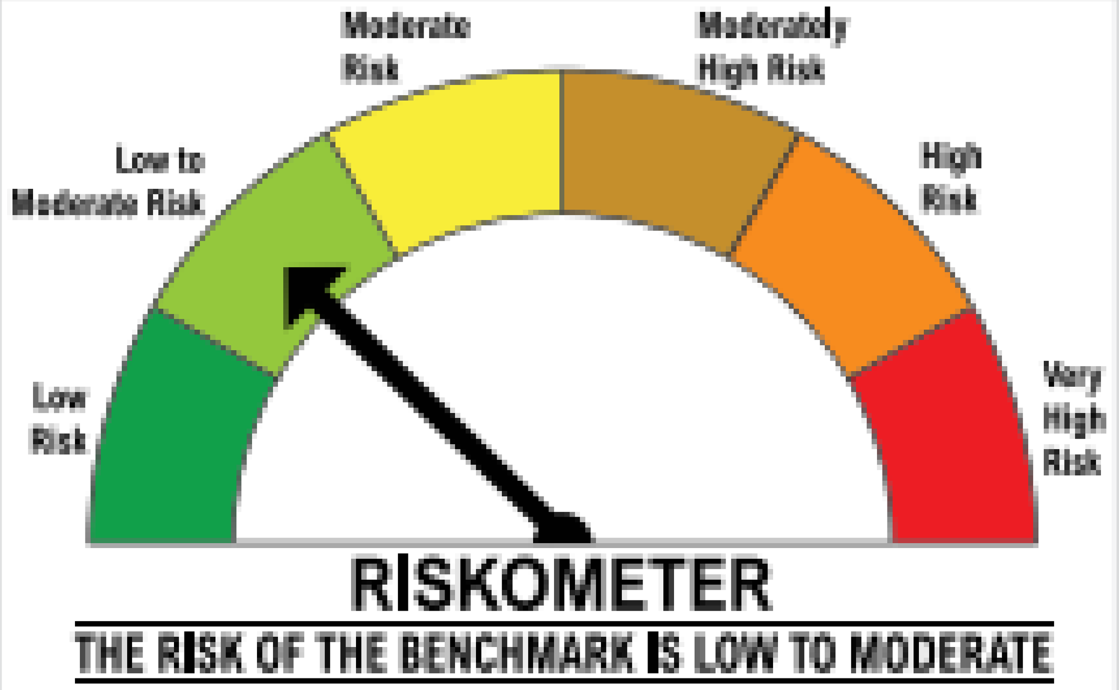
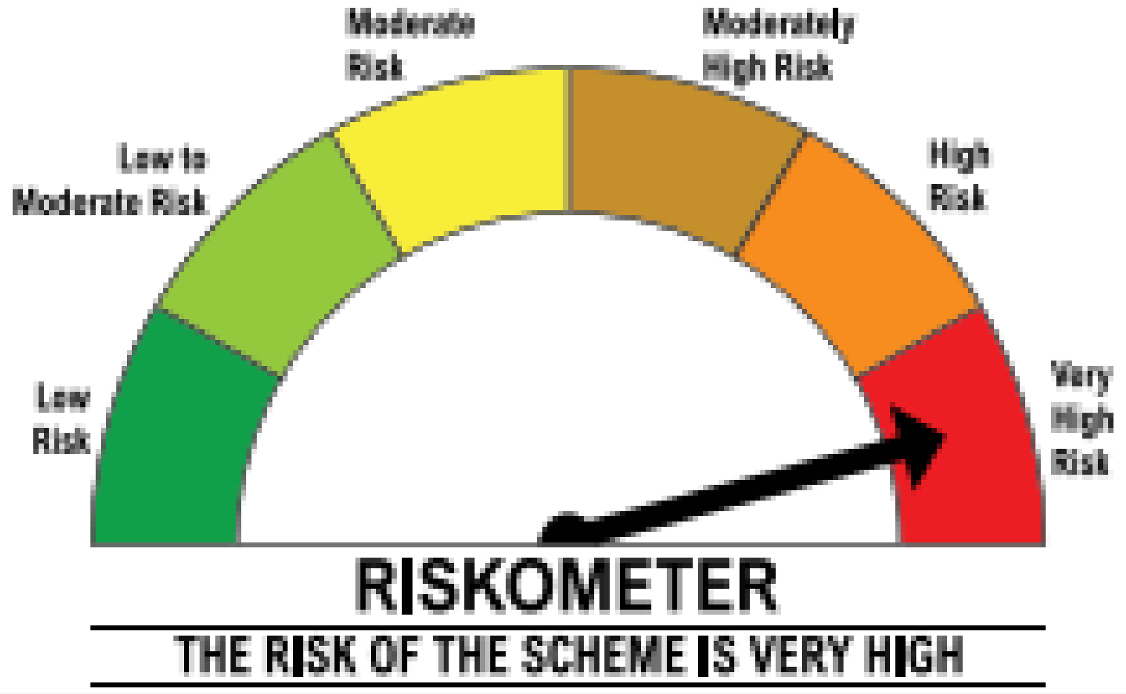
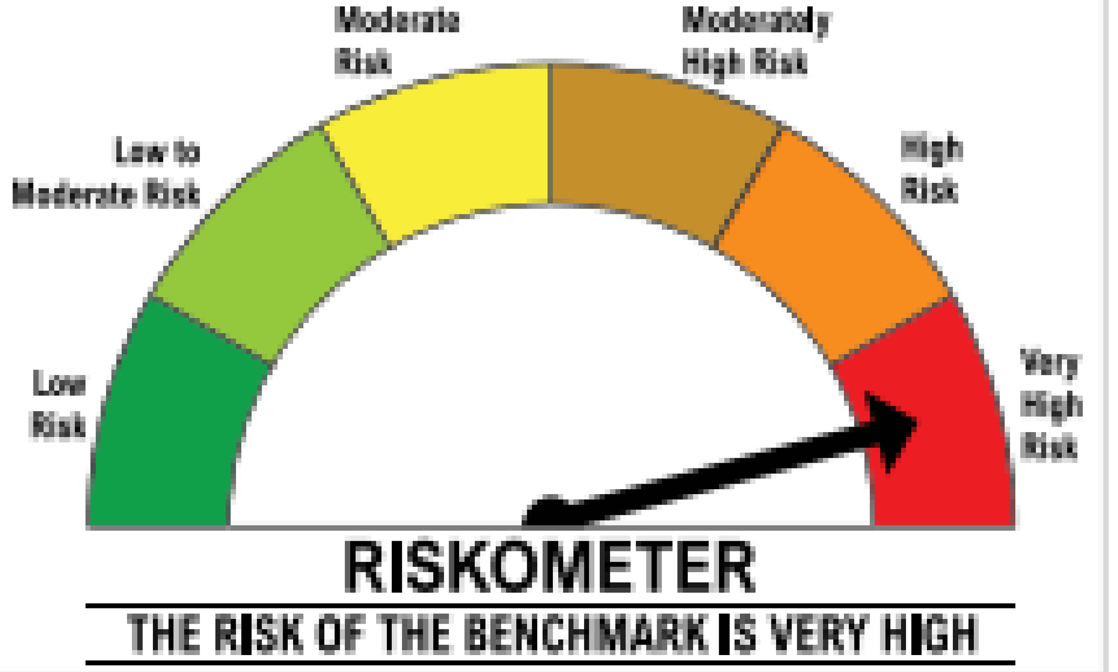
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP CRISIL-IBX 50:50 Gilt Plus SDL - April 2033 Index Fund (Erstwhile known as DSP CRISIL SDL Plus G-Sec Apr 2033 50:50 Index Fund) An open ended target maturity index fund investing in the constituents of CRISIL-IBX 50:50 Gilt Plus SDL Index - April 2033. A relatively high interest rate risk and relatively low credit risk. Please refer to Notice cum addendum dated May 27, 2025 for change of scheme name and change of benchmark for above scheme with immediate effect.	This Product is suitable for investors who are seeking* • Income over long term • An open ended target maturity index fund that seeks to track the performance CRISIL-IBX 50:50 Gilt Plus SDL Index - April 2033, subject to tracking error. The investment objective of the scheme is to track the CRISIL-IBX 50:50 Gilt Plus SDL Index - April 2033 by investing in Government Securities (G-Sec) and SDLs, maturing on or before April, 2033 and seeks to generate returns that are commensurate (before fees and expenses) with the performance of the underlying Index, subject to tracking error. **There is no assurance that the investment objective of the Scheme will be achieved. The Scheme does not assure or guarantee any returns.**		CRISIL-IBX 50:50 Gilt Plus SDL Index - April 2033	

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product Labelling & Riskometer

Scheme	Product Suitability	Riskometer of Scheme	Name of Benchmark	Riskometer of Benchmark
DSP Strategic Bond Fund An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* • Income over a medium to long term investment horizon • Investment in actively managed portfolio of money market and debt securities		CRISIL Dynamic Bond A-III Index	
DSP Corporate Bond Fund An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* • Income over a medium-term to long term investment horizon • Investment in money market and debt securities		CRISIL Corporate Debt A-II Index	
DSP Nifty Private Bank Index Fund An open ended scheme replicating / tracking Nifty Private Bank Index	This product is suitable for investors who are seeking* • Long term capital growth • Investment in equity and equity related securities covered by Nifty Private Bank Index, subject to tracking error.		Nifty Private Bank TRI	

DSP

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Potential Risk Class Matrix For Debt Scheme(s) Of The Fund

Potential Risk Class Matrix: The potential risk class matrix of the Scheme based on interest rate risk and credit risk is as follows:

Scheme names	Potential Risk Class Matrix (PRC Matrix)			
DSP Savings Fund	Potential Risk Class			
	Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	-	B-I	-
	Moderate (Class II)	-	-	-
	Relatively High (Class III)	-	-	-
DSP Corporate Bond Fund	Potential Risk Class			
	Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	-	-	-
	Moderate (Class II)	-	-	-
	Relatively High (Class III)	-	B-III	-

Potential Risk Class Matrix For Debt Scheme(s) Of The Fund

Potential Risk Class Matrix: The potential risk class matrix of the Scheme based on interest rate risk and credit risk is as follows:

	Potential Risk Class			
DSP Strategic Bond Fund	Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	-	-	-
	Moderate (Class II)	-	-	-
	Relatively High (Class III)	-	B-III	-

	Potential Risk Class			
DSP CRISIL-IBX 50:50 Gilt Plus SDL – April 2033 Index Fund (Erstwhile known as DSP CRISIL SDL Plus G-Sec Apr 2033 50:50 Index Fund)	Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
	Relatively Low (Class I)	-	-	-
	Moderate (Class II)	-	-	-
	Relatively High (Class III)	A-III	-	-

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Disclaimer:Please refer to Notice cum addendum dated May 27, 2025 for change of scheme name (DSP CRISIL-IBX 50:50 Gilt Plus SDL – April 2033 Index Fund) and change of benchmark for the scheme with immediate effect.

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