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THE NAVIGATOR

What do I do with my money?

March 2023

Objective: Why Navigator?

1. At DSP, we aim to help investors identify the right theme/fund at the right time for a smoother journey. In the past, we have stopped subscriptions to DSP Small Cap fund, gave a buy call on DSP Healthcare Fund, gave a sell on commodities and a buy on financials at the most opportunistic times

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.

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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).

Navigating today: What Are We Saying?

1. There's enough noise in the macro environment, creating an opportunity to add equity for the long term. **We suggest moving the equity allocation to 60% when the market is below 17400** *(NIFTY 50 Index is at 16972 as on 15th March 2023)*

2. Excessive monetary tightening can take away growth. In 2023, markets will worry about growth. Markets will also reward growth. India appears to be in a sweet spot

3. The sectors that we recommended in the **December edition: B**anking, Automobiles, Pharmaceuticals/ Healthcare have done reasonably well and we continue to stay with them

4. **We reiterate, we are in a multi-year bull market with intermittent pull backs and corrections. Asset allocation can smoothen the journey**

5. In fixed income, market volatility is giving opportunity to add duration.

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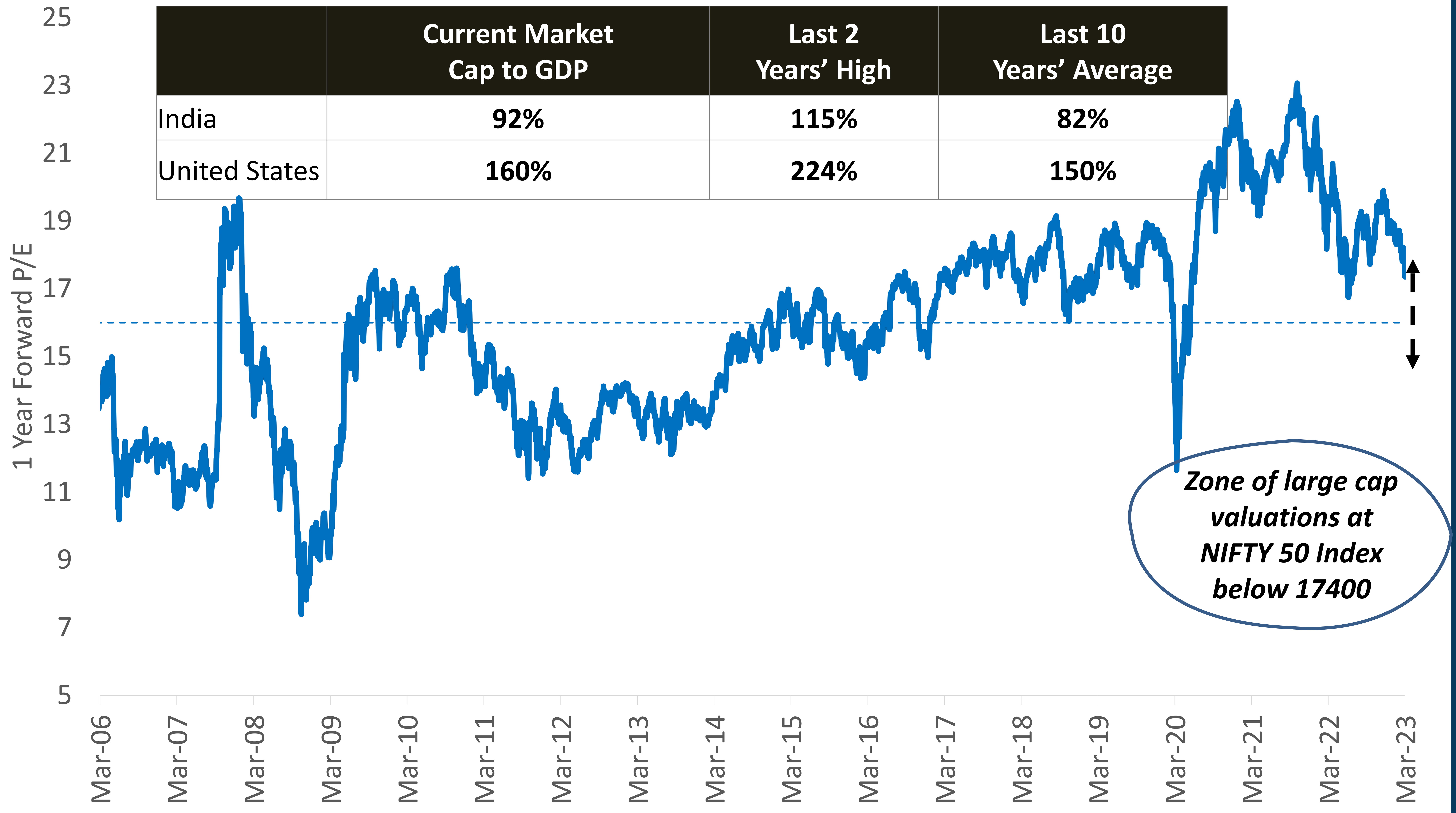
The Drivers Of Returns

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

Valuations: There Are Pockets Of Opportunity

Large Cap Valuations: Add Below 17400*

	Current Market Cap to GDP	Last 2 Years' High	Last 10 Years' Average
India	**92%**	**115%**	**82%**
United States	**160%**	**224%**	**150%**

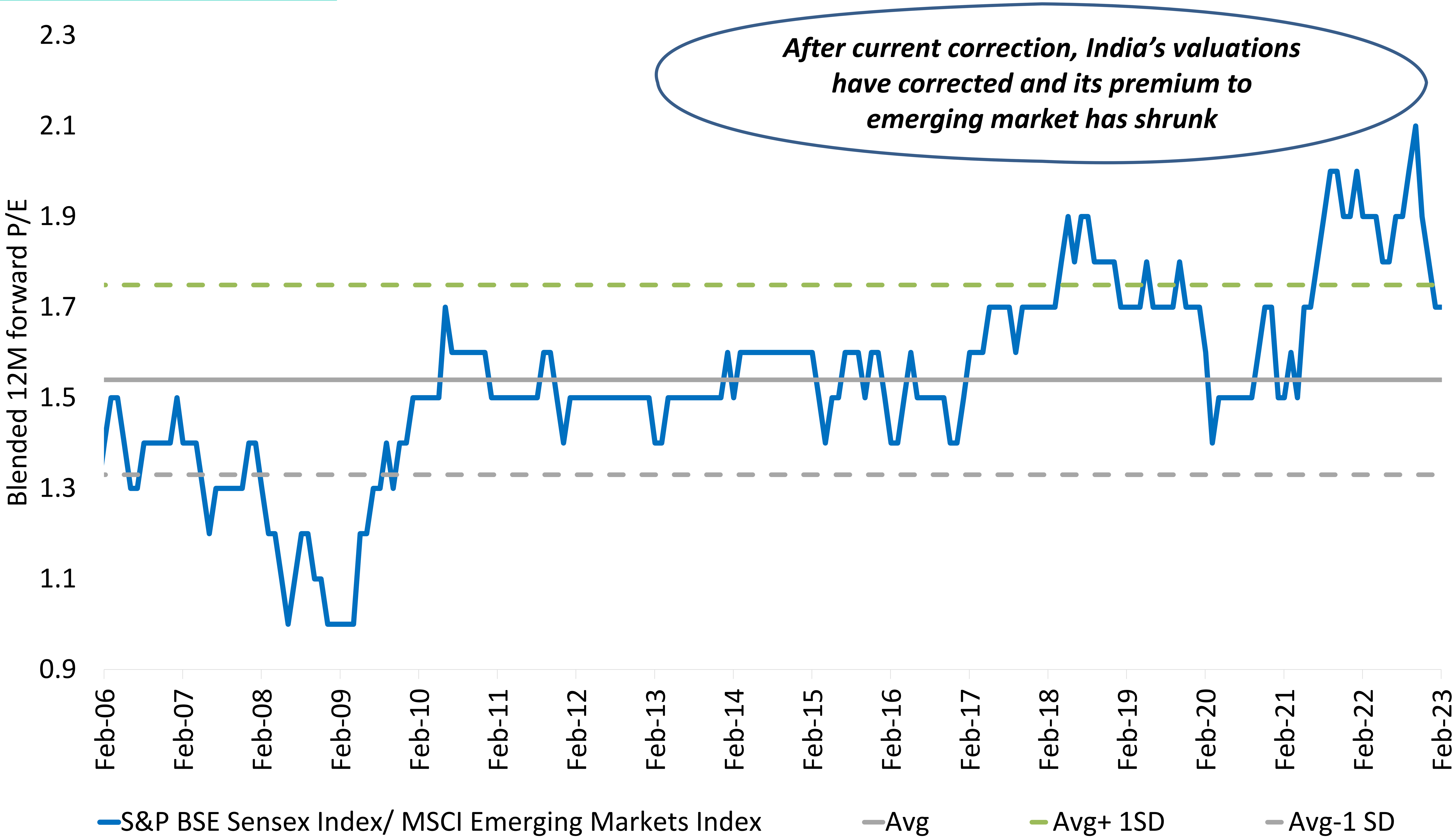


After the recent correction, some space has been built in the large cap space. **NIFTY 50 below 17400 can be considered a buy zone with favorable risk reward.**

NIFTY 50 Index has corrected for 3 consecutive months and is also negative 3% in the fourth month, which is quite rare. FIIs have 1.66 lakh contracts short on Nifty. This is a very large short position on the index. Whenever it reverses, it can lead to a durable bottom. Nifty is likely to see a Rs. 1000 EPS in CY2024. At current levels it is trading close to 17x its forward earnings, near to long-term average.

The NIFTY 50 Index is on 18th month of consolidation. Ever since high of October 2021, earnings have risen, and valuations have normalized. **Disciplined investing is extra helpful in current scenario.**

India Is Priced In-Sync With History



India has historically commanded a premium to other emerging markets. While some of it is a factor of better fundamentals, some of it also attributed to higher multiples. In either case, India's current valuation premium is not in "over-priced" zone. Like we said in the previous edition of The Navigator, India is turning to be a steady ship in choppy global waters. It has still not gotten its fair share of flows. Once the FII flows start, the upside can be significant.

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Source: Bloomberg as on February, 2023

SD= Standard Deviation

There's Data Behind The India Story

India may be trading at slight premium vs history but promises a good earnings growth. There are very few economies that can match this combination of reasonable valuations+ good earnings

Country	Current Forward P/E	Avg of 10 Years	Premium/Discount	FY24E* EPS Growth
Brazil	12.4	13.8	-10%	-18%
UK	12.6	13.8	-8%	-7%
Indonesia	11.0	10.7	3%	8%
US	17.8	17.5	2%	1%
MSCI EM	11.0	10.7	3%	-6%
China	14.0	15.7	-11%	22%
Russia	4.1	3.9	3%	9%
Korea	12.0	10.3	17%	-7%
India	17.8	17.3	3%	17%
Taiwan	13.9	13.9	0%	-19%
Europe	13.1	14.4	-9%	0%

Looking at a comparison between valuation comfort and earnings possibility, India and China appear to be attractive. However, China's profitability is not reaped entirely by the investors, given the socialistic ownership structure of the companies On the other hand, if China was to do well, EM basket will get flows which also has a positive ripple effect on India.

For FY24, India appears a very promising market. In the last decade, China received USD 1.4 trillion foreign portfolio investments vs USD 330 bn received by India. Can this course correct? Possibly, Yes!

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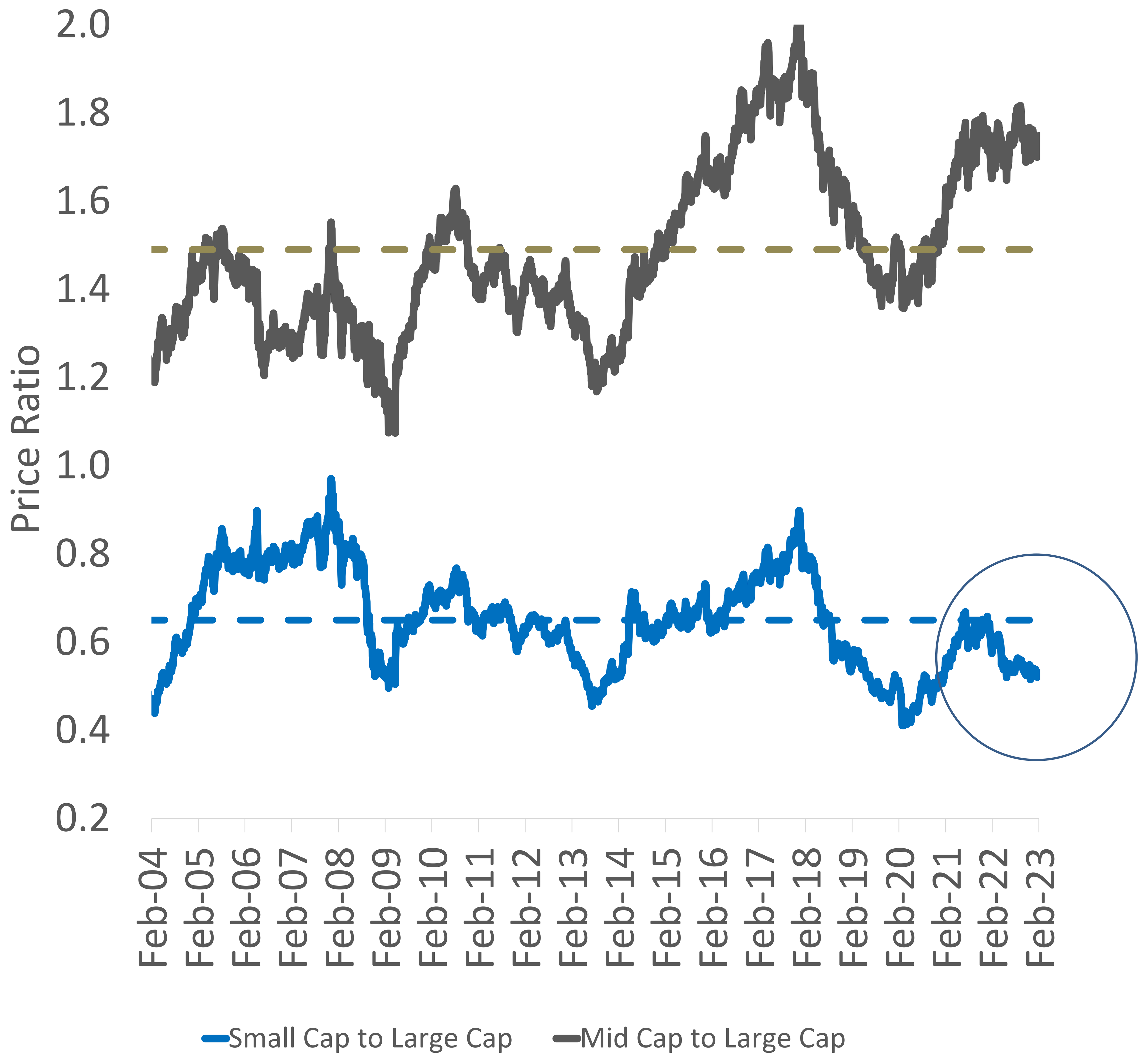
Source: Bloomberg as on February, 2023. EM- Emerging Markets. E*- Represents Estimates

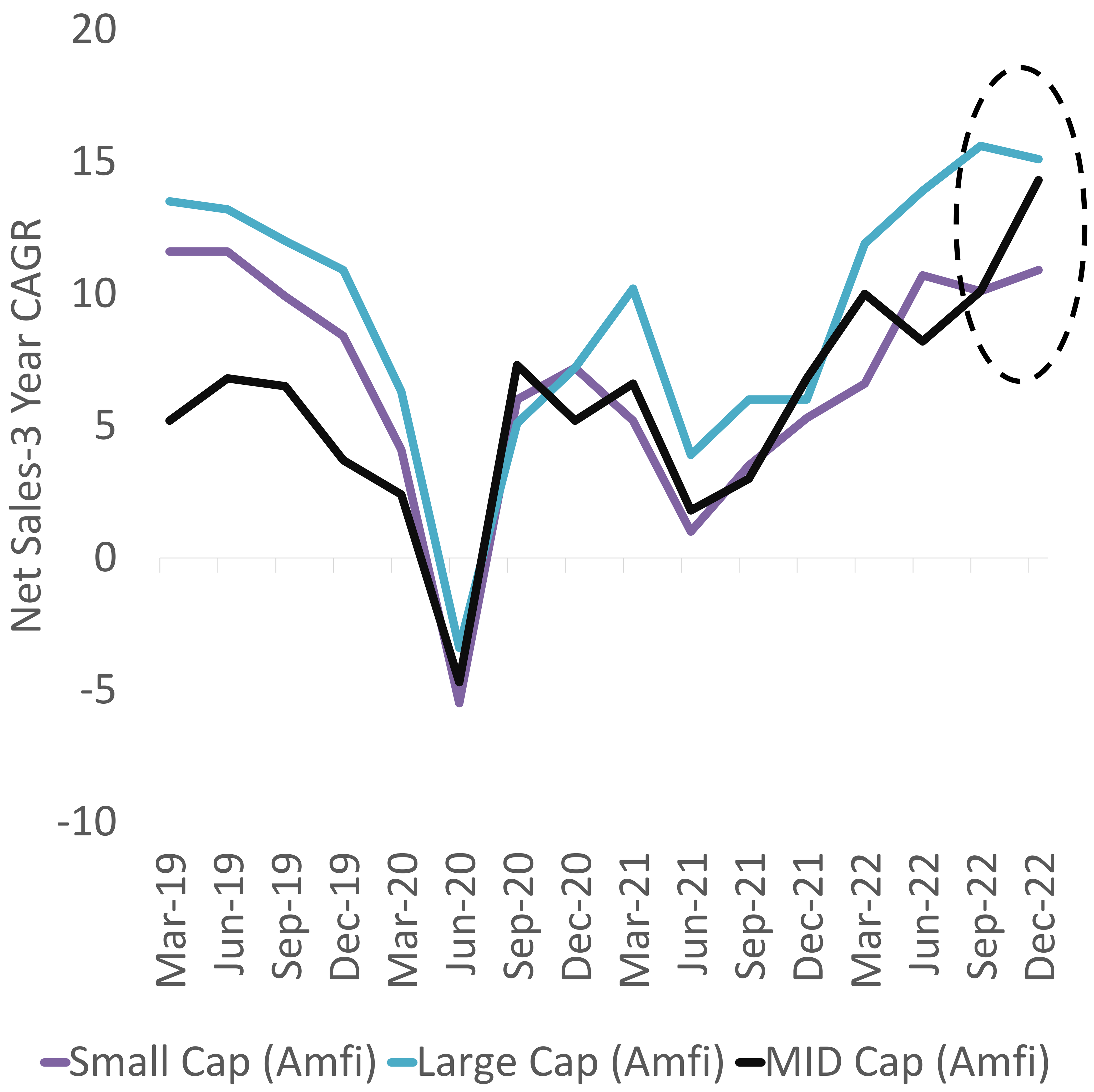
SMIDs Are Still Attractive

The price ratio chart points at more space in small caps…



Large Cap= NSE NIFTY 50 Index, Midcap= NSE Midcap 100 Index, Small Cap= NSE Smallcap 100 Index

..which is backed by higher sales growth in the SMID segment



The price ratio charts illustrate small caps to be relatively cheaper. It has been a "big gets bigger" type of recovery post covid but this seem to be reversing now. The trickle down has finally begun!

As highlighted in Transcript, "multiple companies indicated increased competition from unorganized sector in this quarter. One possible reason for this resurgence could be the sharp decline in commodity prices which may be providing a fresh lease of life for the unorganized players"

Small caps are making a relatively pressing case.

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Source: Bloomberg as on February, 2023; SMIDs= Small and Medium Caps

Earnings: India’s Firepower?

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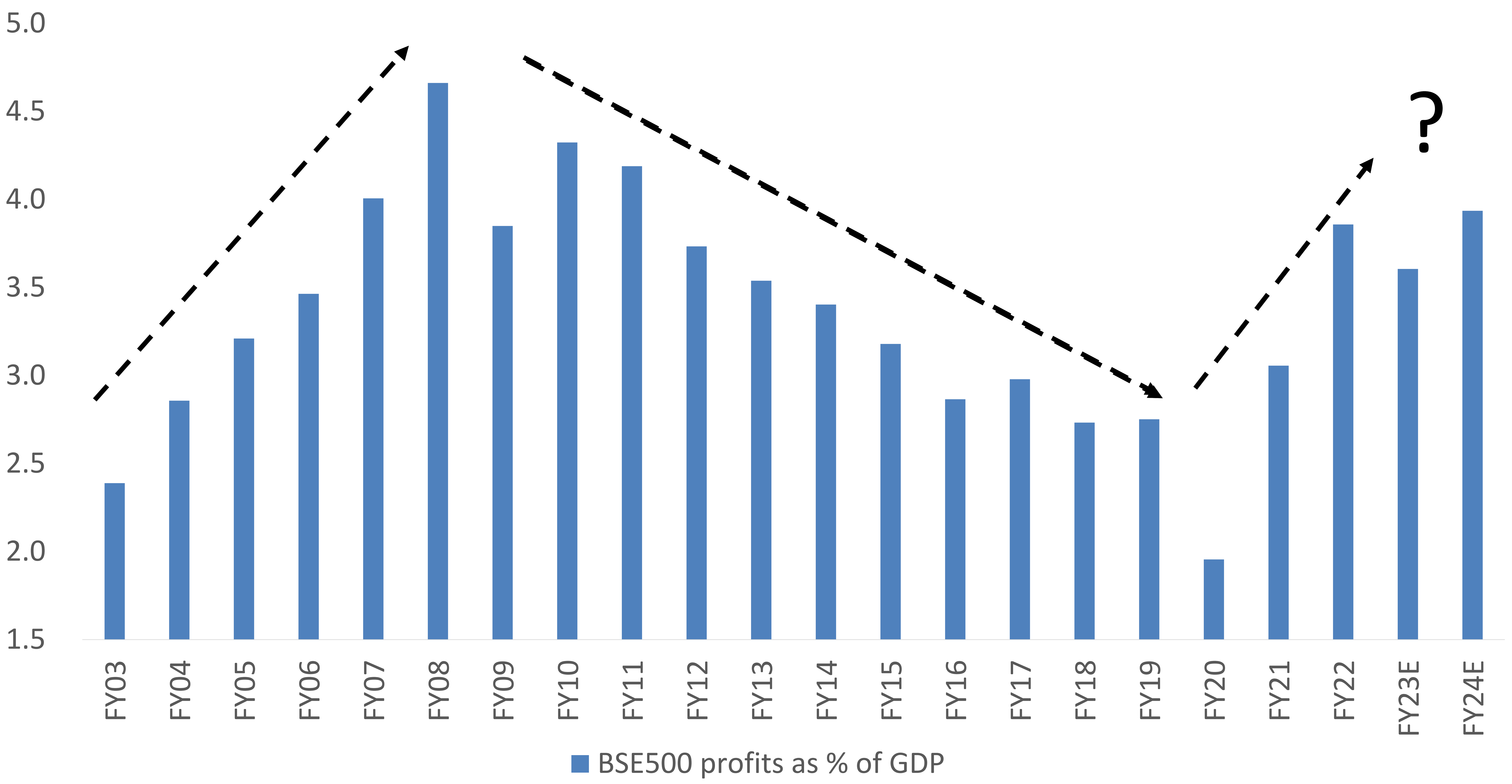
Corporate Profitability Has Seen A Turnaround

After a decade of fall in profitability, there's a marked turnaround. Can it get better?



Corporate profitability is finally back. Consequently, India's ROIC in FY22 is up at 11.6% (a number last seen in FY10, with last decade's average close to 8.5%). This is despite the fact that risk-free rate has only been marginally favourable.

A strong earnings-backed recovery is possibly the only thing to watch out for! If India can achieve it in the coming lustrum, markets are set to outperform current expectations.

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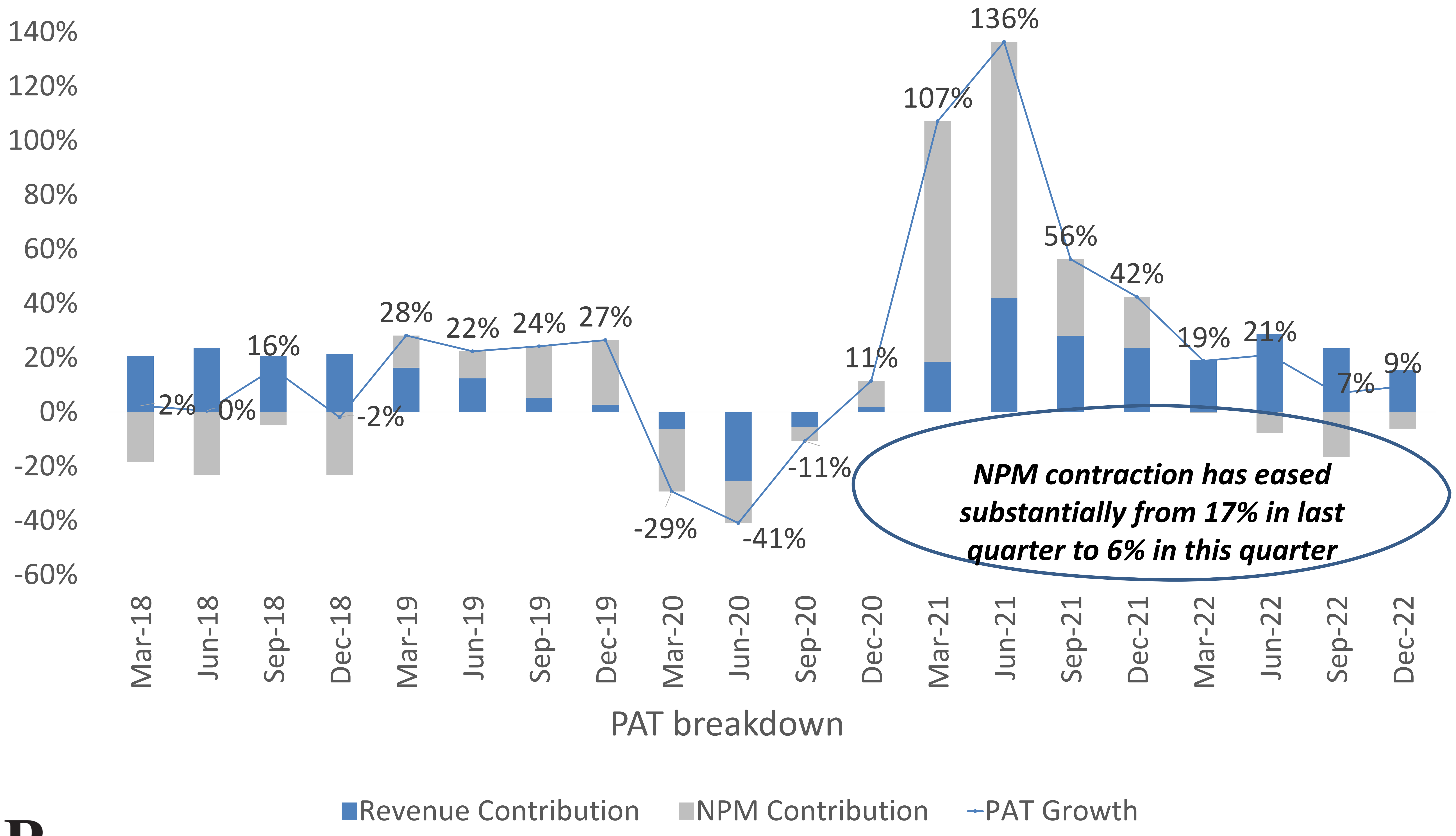
Source: Investec, Ace Equity, DSP Research, Data as on Feb 2023, ROIC=Return on Invested Capital

Margin Contraction Is Fading Away- As Expected

With input prices easing, margin contraction was set to get better. Q3FY23 results reflected it.



Q3FY23 results saw a PAT growth of 9% with margin contraction easing. As we had argued in previous versions as well,

- Wholesale Price Index(WPI) inflation is easing
- Oil and commodities prices are trending down
- Strong demand is leading to smaller gap between wholesale and retail inflation

These trends make a clear case for improved margins which has started to reflect in hard data as well.

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Source: Investec Research, DSP, Data as on February 2023, Data for NIFTY 50 PAT=Profit After Tax, NPM=Net Profit Margin

Sectoral Earnings Benefited The Expected Sectors

Net Income- YoY	FY17	FY18	FY19	FY20	FY21	FY22	Jun-22	Sep-22	Dec-22
Consumer Discretionary*	17%	11%	4%	-20%	-22%	34%	31%	41%	51%
Consumer Staples	14%	13%	13%	19%	0%	10%	13%	16%	20%
Energy	-3%	9%	28%	-21%	28%	41%	47%	18%	6%
Financials	-17%	-8%	39%	51%	18%	37%	39%	33%	33%
Health Care	12%	-47%	38%	18%	2%	27%	23%	20%	10%
Industrials	33%	10%	19%	5%	21%	-17%	41%	11%	16%
Information Technology	10%	3%	13%	5%	6%	17%	7%	5%	6%
Materials	146%	173%	-4%	-19%	48%	157%	43%	-13%	-40%
Utilities	1%	10%	17%	-4%	23%	29%	3%	5%	4%
Nifty 50	1%	8%	6%	-1%	23%	47%	32%	17%	11%

The sectoral pockets which have more opportunity have also been backed by decent earnings growth in the past quarter. Financials have been a known outperformer. Similarly, consumer goods/healthcare/industrials have also done well. **We continue to look for earnings driven comfort for our investment thesis.**

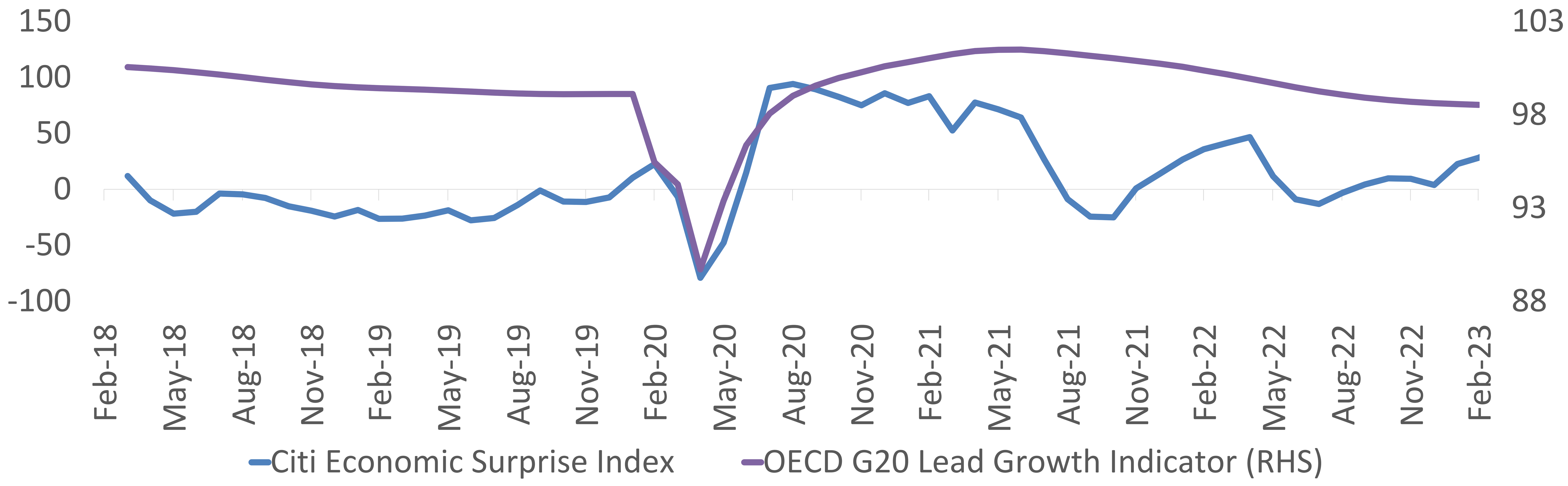
Want to understand the most from corporate commentaries?
Read The Transcript

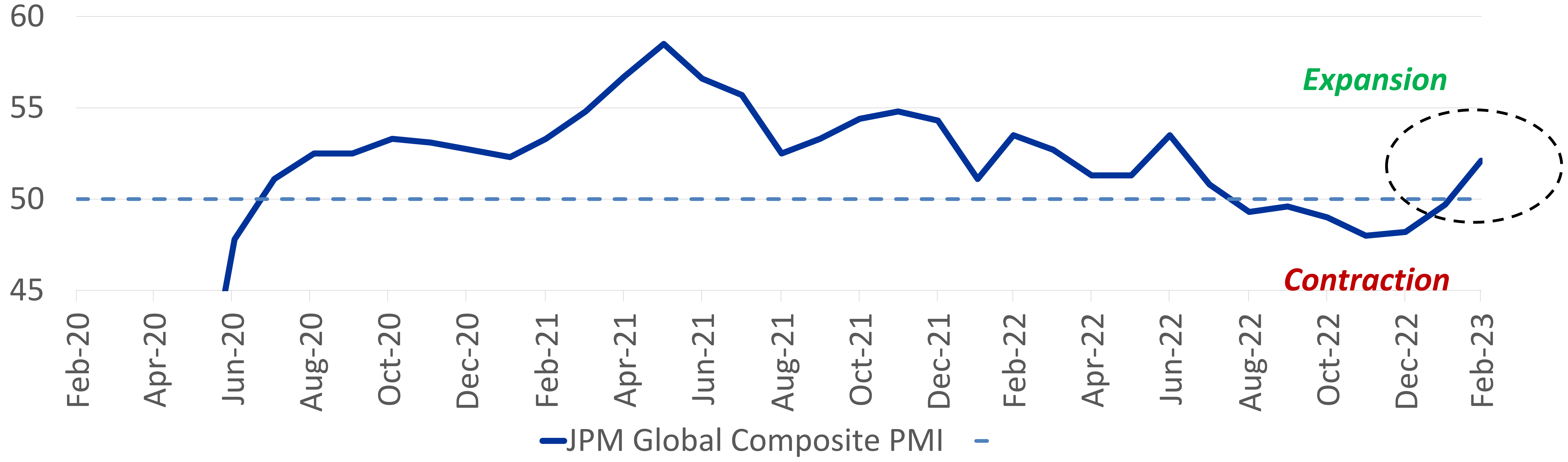
Source: Bloomberg, Investec Research, DSP, Data as on February, 2023

*ex Tata Motors, #Trailing 12 Months, PL= Profit to Loss, LP= Loss To Profit

Macros & Flows: Volatile, News-Driven Environment

Have The Global Economies 'Skipped To The Good Part?' Not So Soon.





Global environment is volatile, and news driven. Bank failure, another virus, use of nukes, end of dollar- we have possibly heard it all. What does the data say? Global economies are performing better than the expectations. Is all good? Not without potent risks.

- MPC tightening reflects on real economy with a lag. If rates go up for longer, it will influence economy which will be visible at least two quarters later
- After sharp contraction, such as that of covid, economic stabilization needs continued support. With inverted yield curves, slowdown can not be ruled out.

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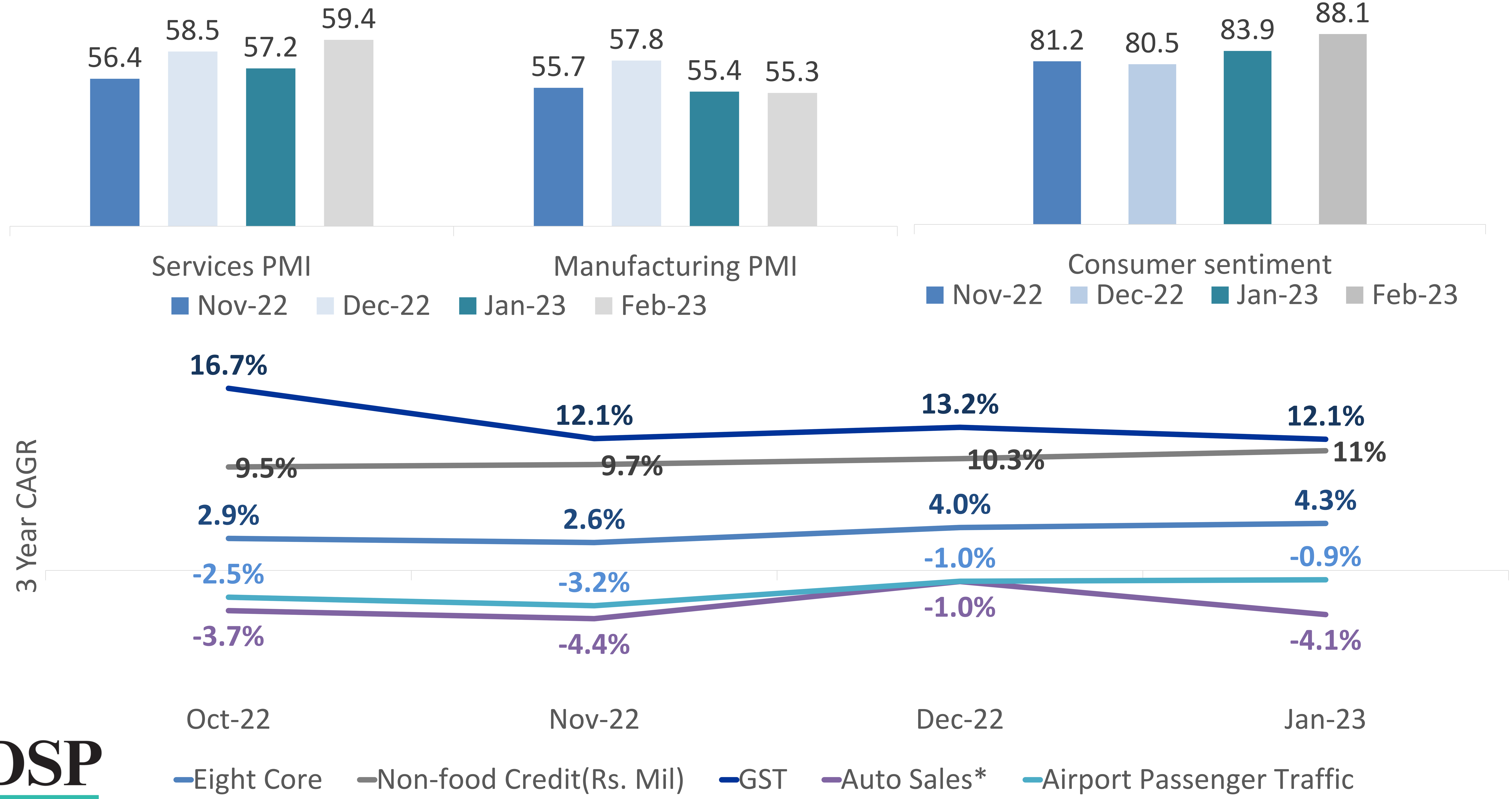
Source: Bloomberg, DSP, Data as on 07 March 2023

More Positives Than Negatives In The Domestic High Frequency Data

The economic high frequency data looks mixed but there are more positives than negatives



Source: CMIE, Data as on February 2023, *contains 2 wheelers and passenger vehicles

The domestic high frequency indicators are not showing any serious signs of slowdown. While manufacturing activity has decelerated, it remains in the expansionary zone. Services PMI, however, is creating a record high and so is consumer sentiment index.

Some slowdown is visible in auto sales etc. **Although some high frequency may be losing momentum, our tracking for 50+ macro data points that there are more positives than negatives. For now, growth is resilient.** Adjusted for base, most data is tracking flattish numbers.

Read: Tathya

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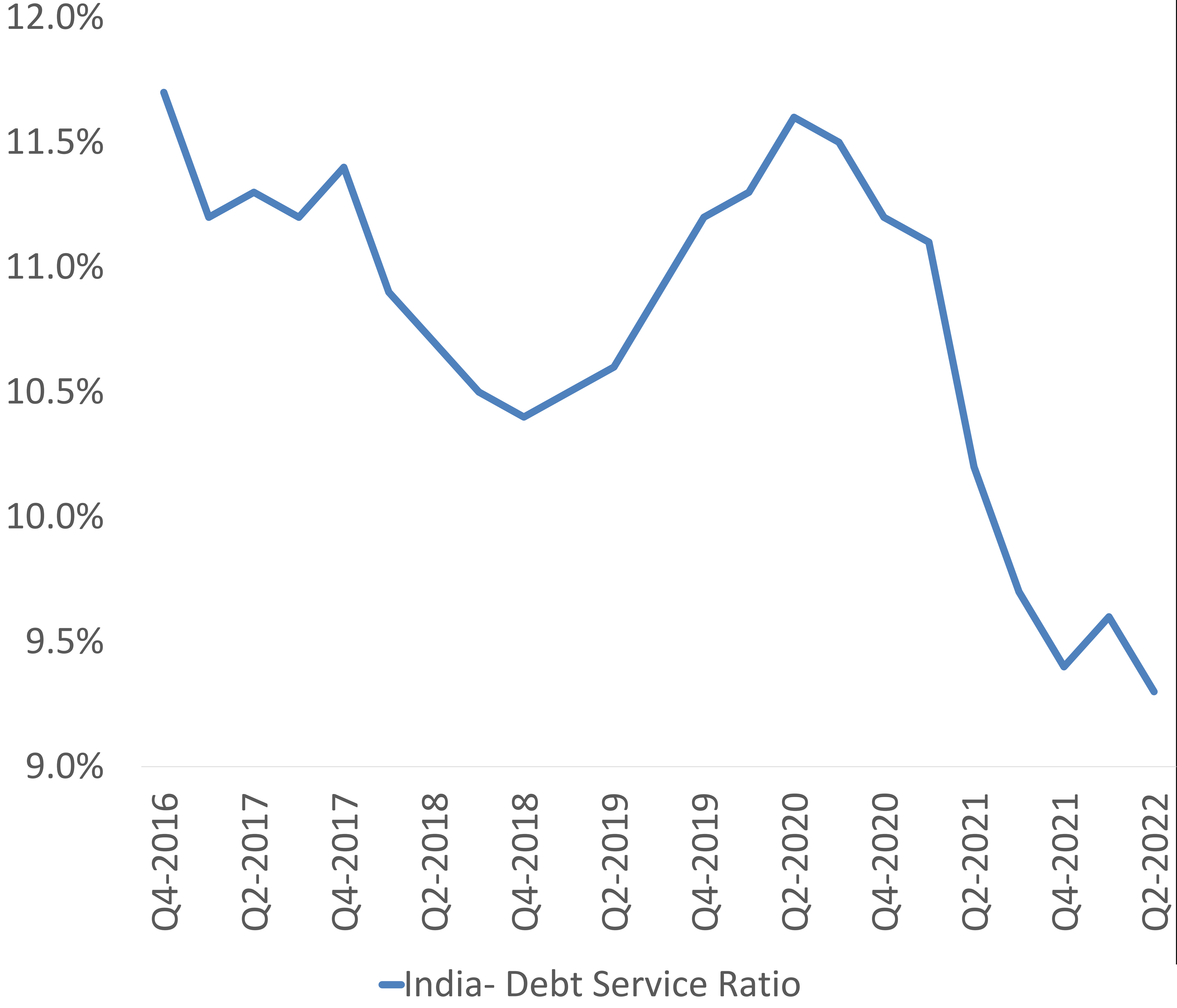
India Stands At A Comfortable Debt Position

India has deleveraged, marking signs of reduced financial stress



Country	Debt Service Ratio*
Indonesia	4.1
South Africa	6.9
India	9.3
Italy	9.9
Germany	11.1
Malaysia	12
United Kingdom	12.9
United States	13.9
Thailand	14.3
Japan	15.7
Russia	16.3
China	20.7
Korea	21.6

India's debt-service ratio has eased over the years as core debt continued to contract. Compared to peers and its own history, India's debt service ratio is now lower.

As the economic survey highlighted, India's core debt is lower. The deleveraging cycle has reduced the financial stress. **India has one of the strongest macro fundamentals globally**.

For many other positives in India, read Netra, Mar 2023

**The debt service ratio (DSR) is defined as the ratio of interest payments plus amortisations to income. The DSR provides a flow-to-flow comparison – the flow of debt service payments divided by the flow of income*

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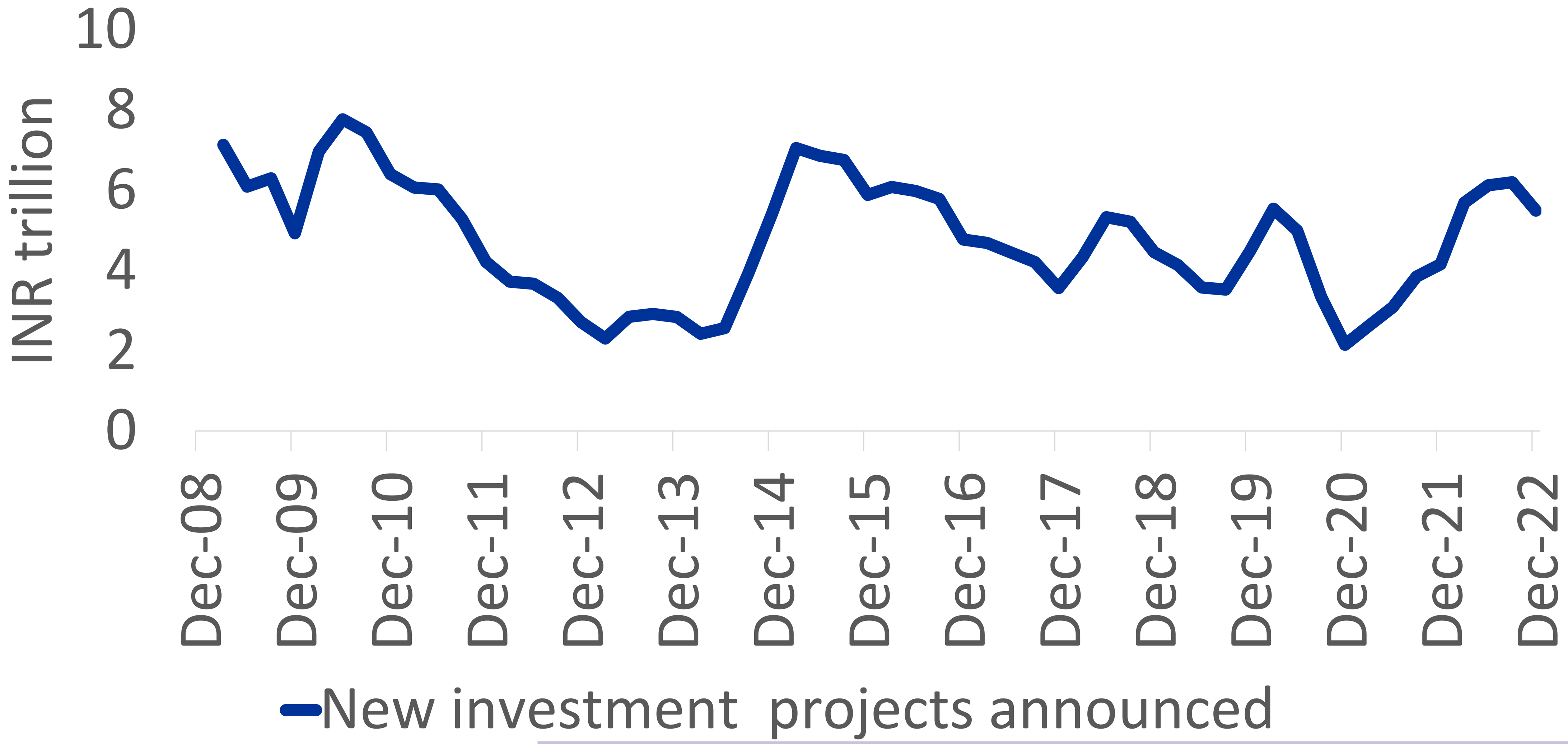
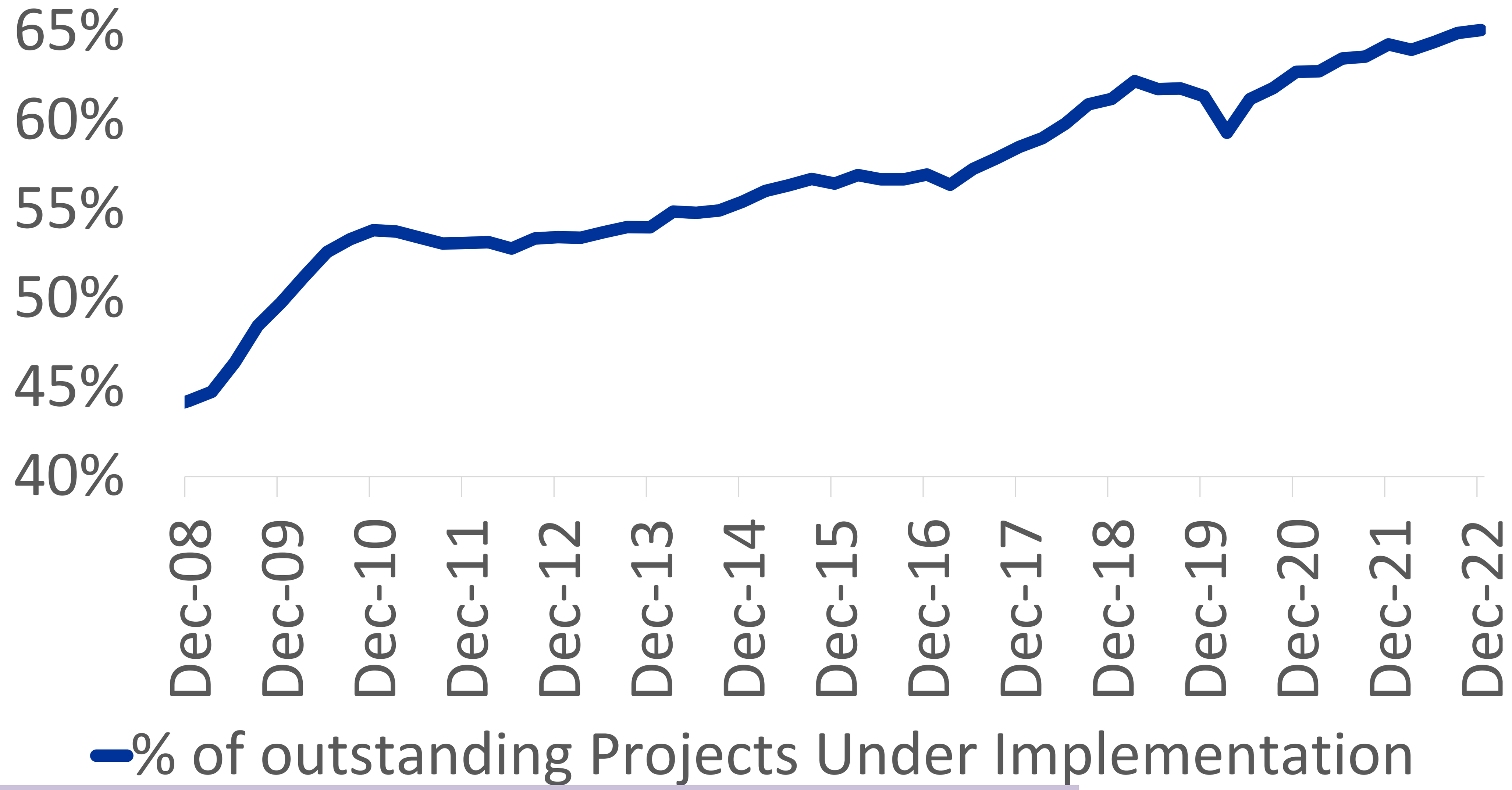
Source: BIS, DSP, Data as on February 2023

Investments: It's A Beginning Of New Era

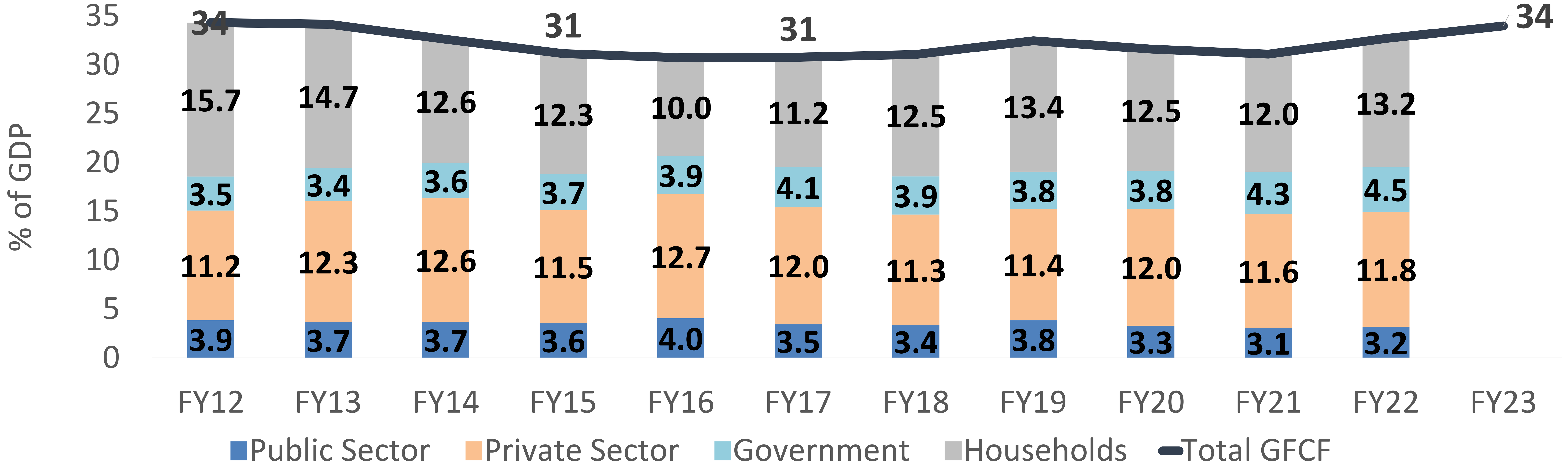
Not only more projects are getting announced…



…more projects are also under implementation



At 34% of GDP, India is creating more than USD 1 trillion+ assets every year



India's investments are seeing a new era-

- More number of projects are being announced
- ~68% of projects are under implementation, meaning lesser number of projects are getting stalled or abandoned
- At 34% of GDP, India is set to build assets worth USD 1 trillion+ every year

As the Netra highlighted, India has spent $14 trn on infra since independence of which $7trn was spent in last 9 years. Another $7trn will be spent in next 6 years. **Clearly, this investment cycle has only begun and will help in creating jobs along with output.**

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Source: CMIE, DSP, Data as on February, 2023

DSP Capex Tracker: Scorecard Is Healthy

	Units	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	3 Year CAGR
New Investments	INR Billion	7816	5242	1928	2858	1669	3351	4240	3963	4362	8960	5268	4496	6823	-4%
OBICUS Capacity utlisation	Per cent	68.6	69.9	47.3	63.3	66.6	69.4	60.0	68.3	72.4	75.3	72.4	74.0		
Central Govt Capex	INR Billion	680	801	883	776	1431	1166	1115	1179	1623	2012	1751	1678	1471	29%
Aggregate New Orders	INR Billion	1012	835	482	897	1518	2157	702	945	1296	1675	1448	424	542	-19%
Cement Volumes	Million Tonnes	84	87	53	69	81	93	93	93	81	93	47	70	83	0%
Import of engineering goods	USD Billion	24	23	13	16	22	25	23	22	28	28	27	30	33	10%
Industrial credit	INR Trillion	28	30	29	28	28	29	29	29	30	32	32	32	33	6%
IIP- Capital Goods	Index	91	91	35	79	91	99	74	92	88	100	96	99	96	2%
Housing loans	INR Trillion	13	14	14	14	14	15	15	16	16	17	17	18	19	14%

DSP Capex tracker shows that most macro indicators are looking healthy. New investments have moderately slowed but given that implementation has picked up, it is overall healthy. There's fiscal support to investments, private investments can still do better.

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Source: CMIE, DSP, Data as on February, 2023, red to blue indicates worst to best data in that order

FII Flows: India Is Yet To Get Its Fair Share

Flows (USD Bn)	Feb'23 YTD	CY22	CY21	CY20	% contribution to flows CY22	CY21	CY20
Auto	0.2	-0.1	0.1	0.9	-6%	1%	2%
Finance	-1.9	-8.1	-2.1	7.2	44%	49%	-56%
IT	-0.1	-9.3	-3.2	0.3	3%	56%	-87%
O&G	-1.5	-2.8	0.6	0.9	37%	17%	16%
Consumer (incl. Media)	-0.7	-1.3	3.8	5.2	17%	8%	103%
Utilities (Incl. Telcos)	-0.7	1.0	2.3	-1.3	17%	-6%	63%
Healthcare	0.1	1.8	-0.5	1.3	-3%	-11%	-13%
Industrials (Inc. Cement)	0.5	0.0	1.0	1.0	-13%	0%	27%
Metals	0.2	0.5	-0.3	0.0	-5%	-3%	-7%
Others	-0.4	1.8	2.0	7.6	9%	-11%	53%
Total	-4.2	-16.5	3.7	23.1	100%	100%	100%

India's have FII flows have seen a record negative in the last CY. The outflows have continued even in the current year. India's resilient growth, strong earnings outlook and relatively strength among peers possibly demands better flows. Autos, healthcare, industrials attracted flows while some other sectors such as finance saw net outflow after many months of continuous inflows.

Source: CMIE, Investec Research, DSP, Data as on February, 2023, red to blue indicates worst to best data in that order

Interest Rates: Of Flattened, Inverted Curves

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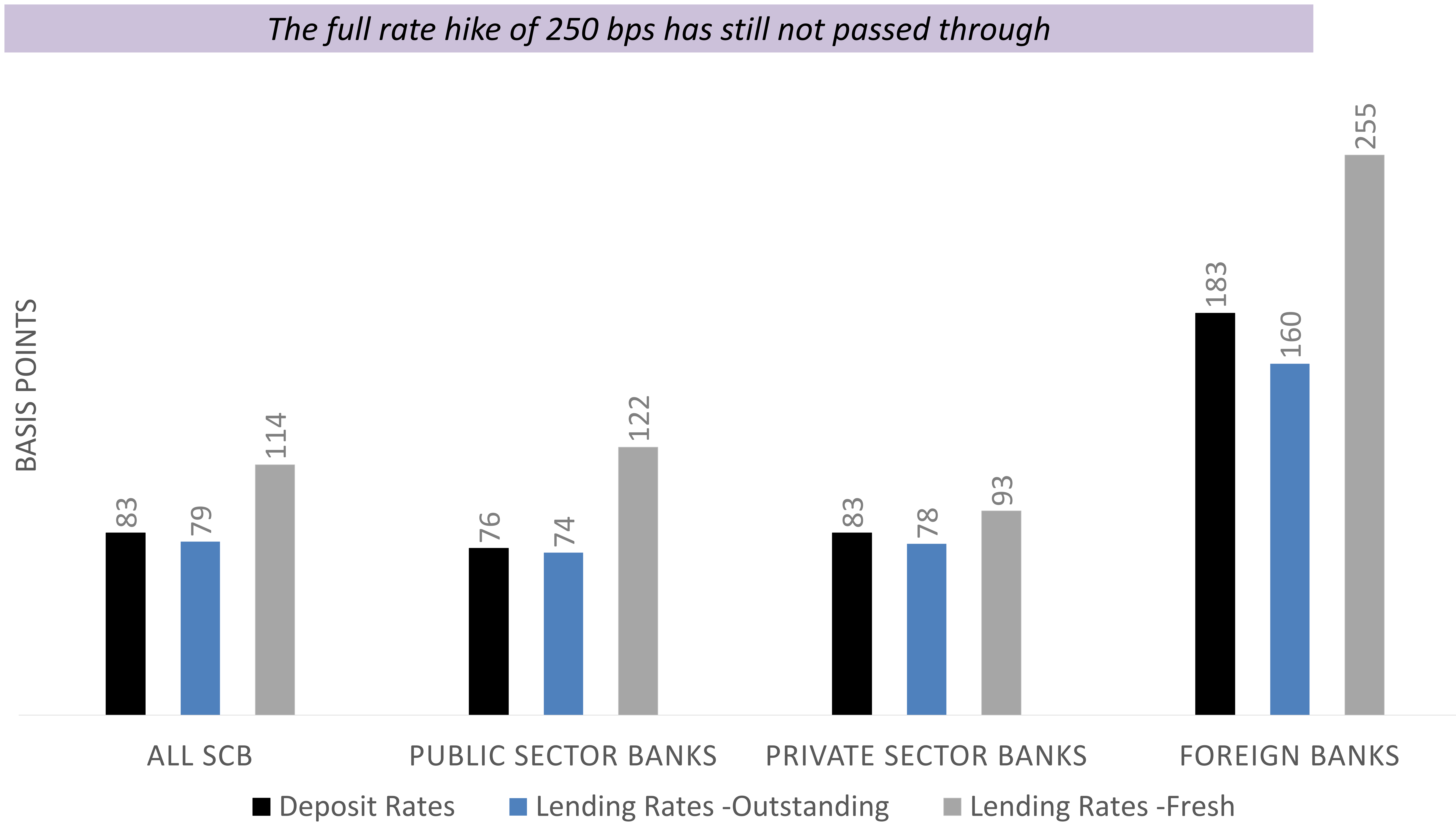
What Did The Repo Rate Hike Translate Into?



Does India need to follow Fed? We don't think so.

- Of the 250bps rate hike so far, only part of it has seen a pass-through. The full trickle down is yet to happen.
- The impact of rate hikes on growth comes with a lag of 9 months
- India's external situation is getting better with lower oil prices, higher services surplus and possibly more flows in the near future.

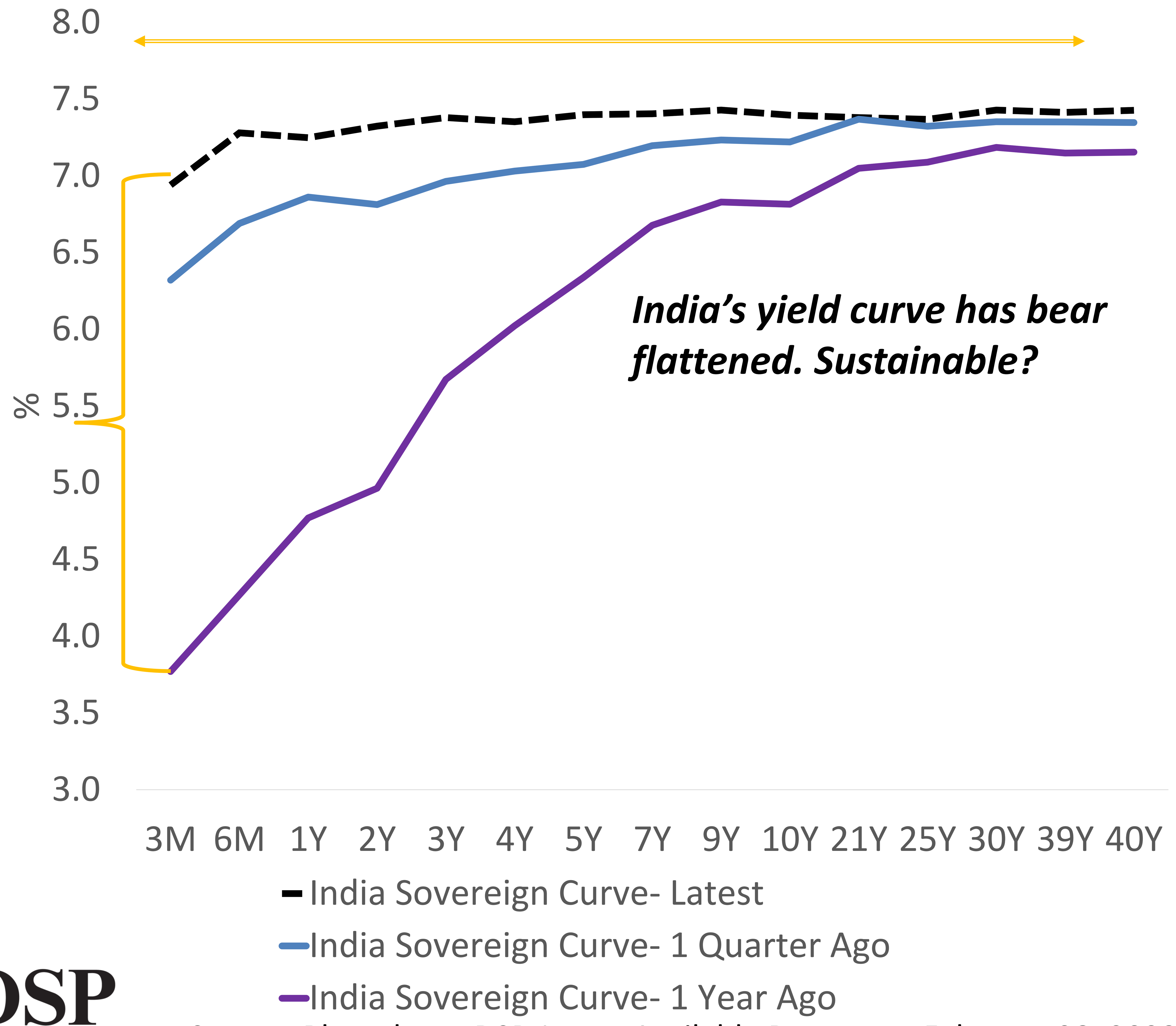
India can now take a breather on interest rates and let the old hikes sink in.

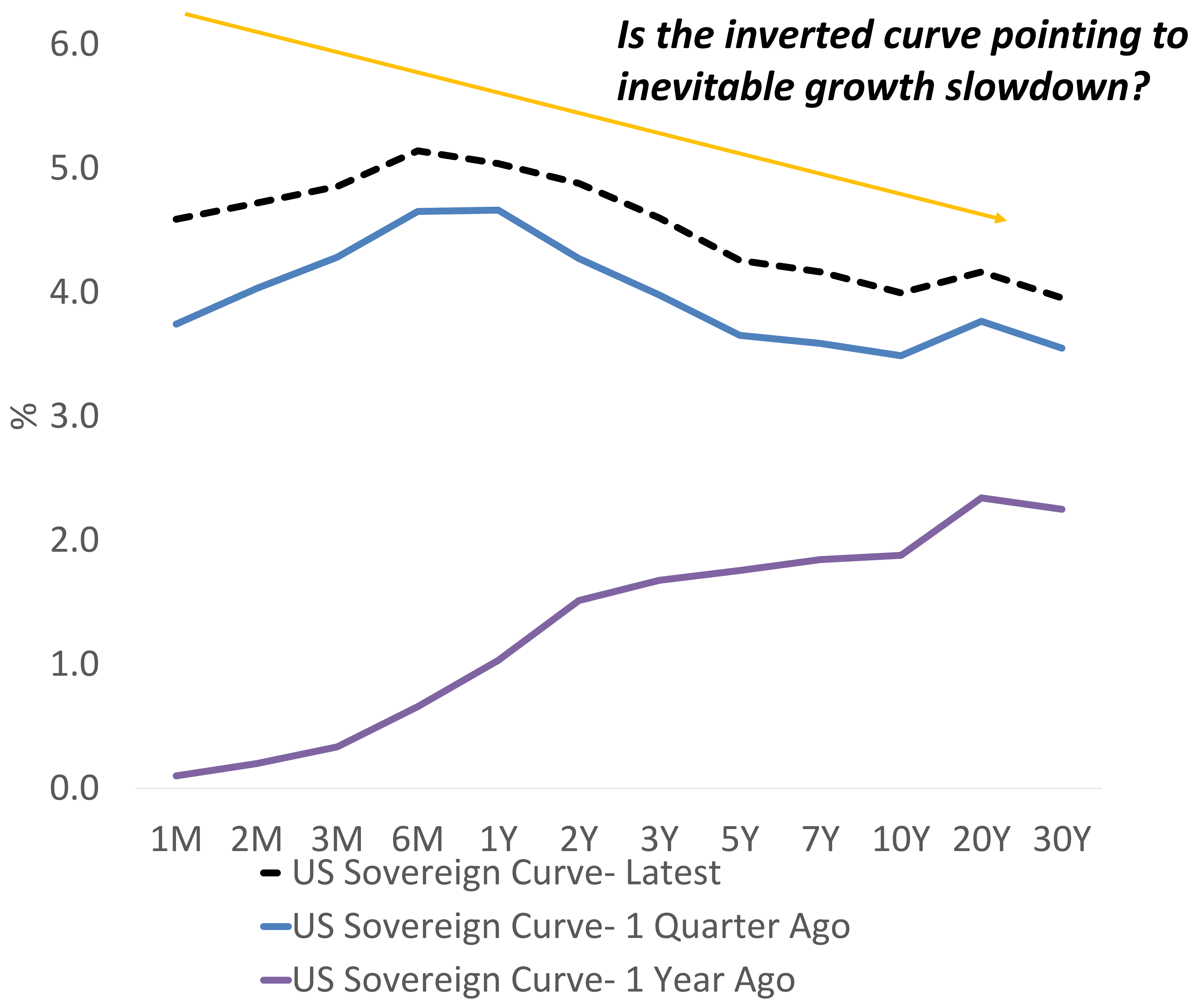
Source: CMIE, DSP, Data as on January 2023

Yield Curve: Short Term Rates Are Worrying

India's yield curve is has flattened after Feb policy sounding more hawkish than was expected. To protect growth, rates shall ease across spectrum

US' yield curve is inverted. Fed may not land but for how long can US sustain inverted curve without compromising growth?



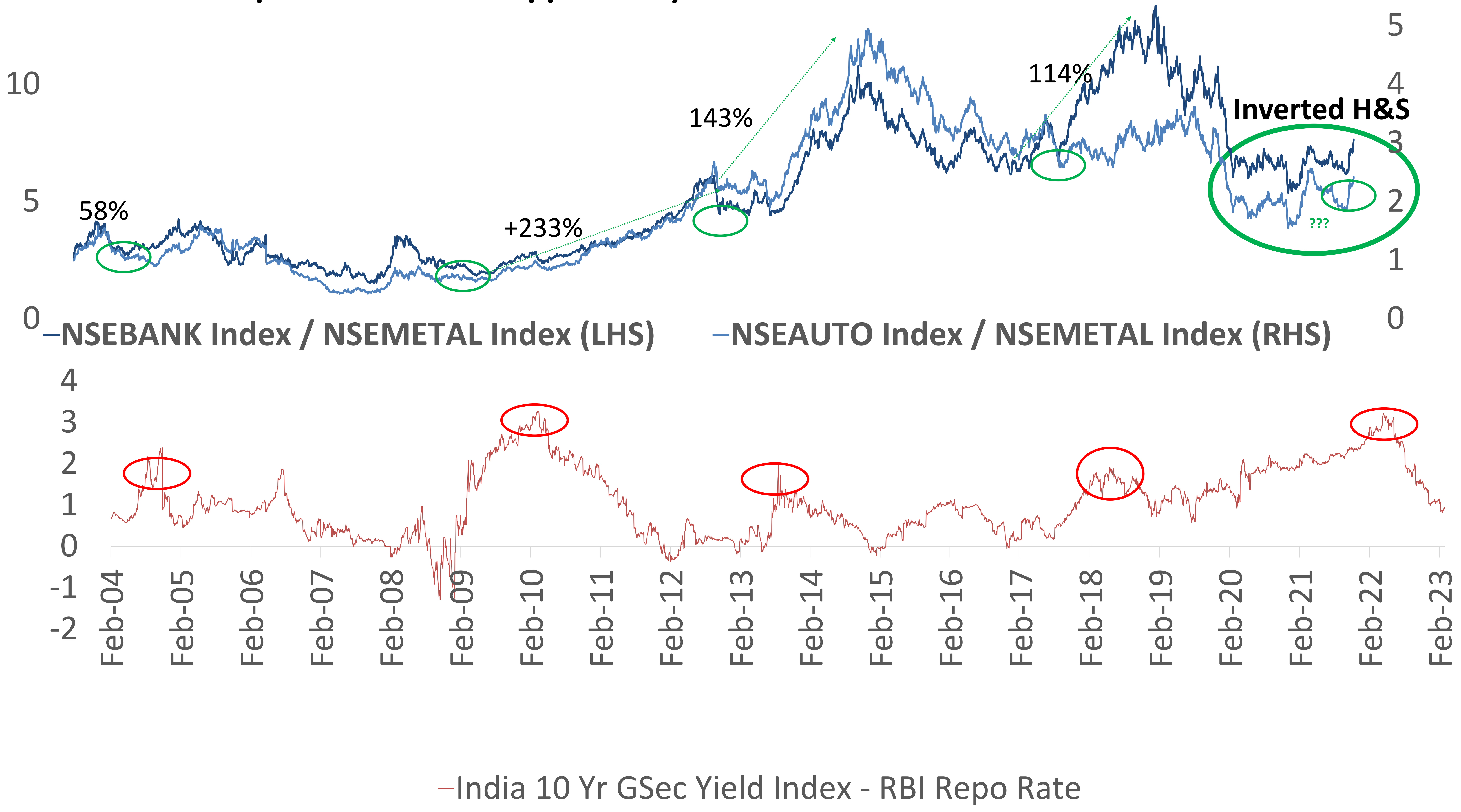


Source: Bloomberg, DSP, Latest Available Data as on February 28, 2023

Sectors: Linking Some Macro Trends

Another Opportunity To Own Banks & Autos?

Banks and Autos could outperform metals. The current dip in banking equities is another opportunity to add lenders over borrowers.



The ratio of NSE Bank Index to NSE Metal Index, or the ratio of lenders to borrowers is now at multi year lows. *When commodity prices normalize, and economic growth is steady borrowers and users of commodities do better than sellers of commodities. Hence this ratio.*

Interestingly this ratio bottomed out at time when the yield curve was very steep, and RBI was about to embark on an interest rate hike journey.

Since then, metals have consolidated with a leg down and then a rebound while Banks and Autos were top performers since. Recent correction in Banking stocks and a rally in Metals equities makes this an attractive proposition once again.

A technical price pattern, an inverted head and shoulder, is also visible on Banks to Metals ratio chart. This confluence of factors supports the bullish banks over metals thesis.

Read: Netra

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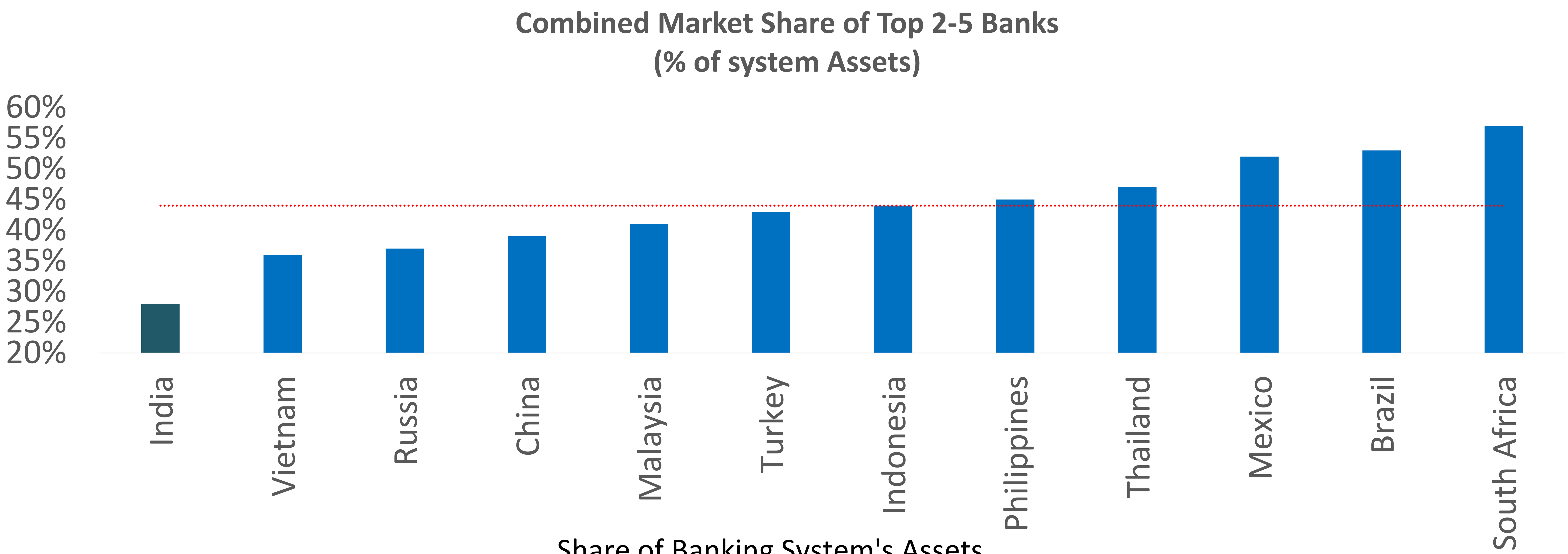
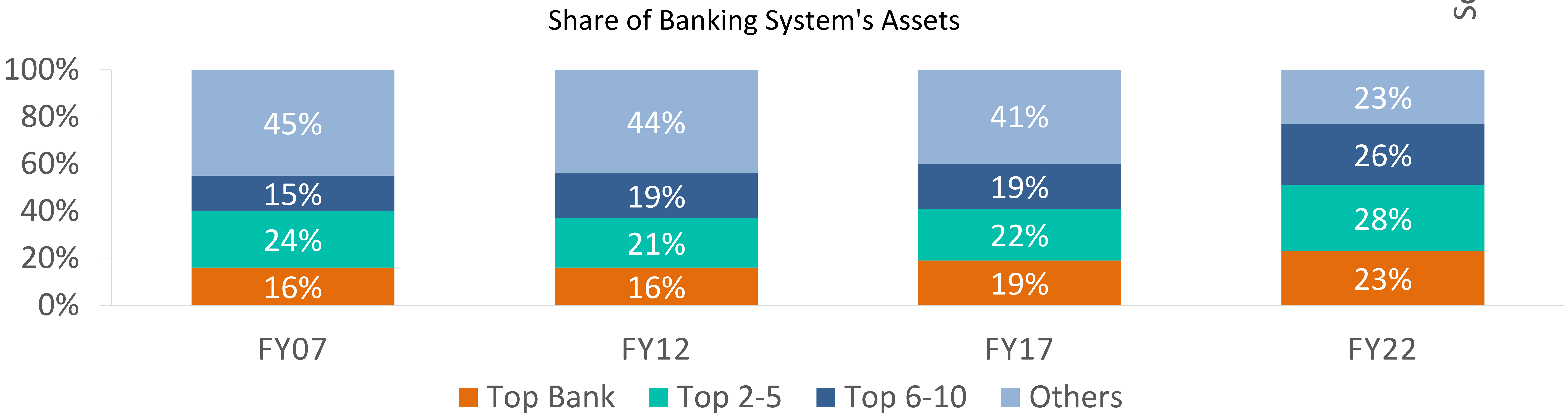
Source: Bloomberg Data as on Feb 2023

Banking: It's A Structural Story





There is huge consolidation story that is underway in the private banking sector. Top 2-5% banks own much lesser than the global average of 44%. However, this is also changing. In FY22, top 2-5 banks owned 28% of the system's assets vs 21% in FY12. Consolidation will lead to opex benefits for the banking sector, making banking a structural theme.

The current narrative on sustainability of credit as deposit growth remains lower is likely to be refuted. With household net financials savings pattern being constant, there doesn't appear to be a structural problem. Banks are now beginning to pass the benefits of rate hikes to depositors which will bring back deposit growth and possibly offer more steam to banking story in India.

Read: Netra

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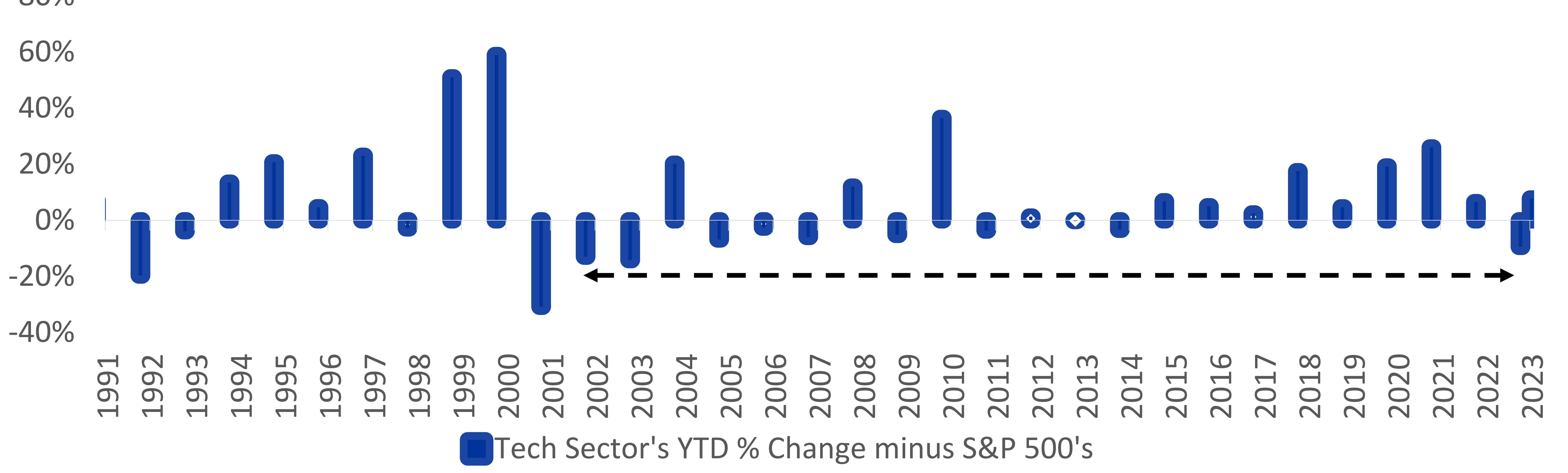
Source: Bernstein Research. Data as on February 2023

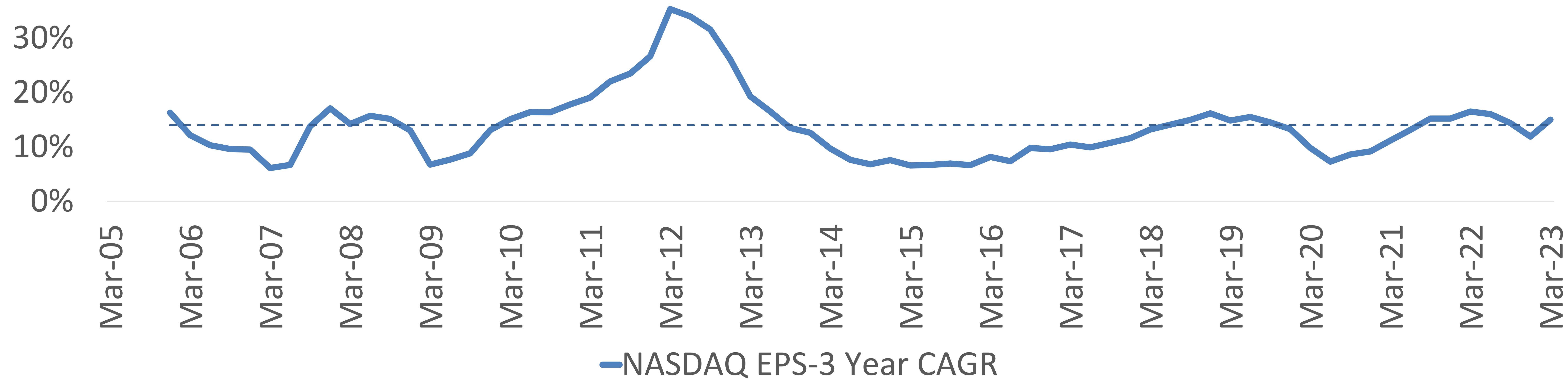
Disclaimer: The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the Fund may or may not have any future position in these sector(s)/stock(s)/issuer(s).

Global Tech: There Is Still An Opportunity

In 2022, Global tech saw sharpest correction since 2002. In 2023, there has been some improvement



Earnings projections is strong while valuations are not extremely expensive



Global tech possibly has more scope, but volatility can never be ruled out. Therefore, investing in this space via SIP (systematic investment plan) makes sense.

Read: Netra

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Source: Bloomberg, Data as on March 09, 2023

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Let’s sum it up.

Equity: Continued Active Management To Capture The Sectoral Churn

- At DSP, we believe in pre-emptive strategies. There is so much noise and uncertainty currently that **we believe stocks with good foreseeable cash flows will do better.** This appears to be a good time for active management. **Broadly, we continue to hold Banking and Financial Services, Autos and ancillaries, Healthcare & some construction materials**

- There are pockets of opportunity in the market, and we continue to use a rigorous approach to pick quality names

- Quality as theme hasn't done well in the past year which has reflected on our performance. However, we think that the current environment of uncertainty will reward quality

- Each of our Fund Managers deploys a rigorous framework to pick up the most profitable companies and we urge investors to read our frameworks and styles of investing.

Source: internal, 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).

Fixed Income: Risk Reward Is Favorable To Buy Duration

After more than a year, we are finally advising clients to buy long duration bonds

➢ **Risks to yields moving higher greatly diminished.** Thus risk/reward gravitates towards a long duration position:

1. **Favorable Demand-Supply:** Announced govt borrowing for FY24 is just 8% more than FY23. Demand expected to grow at faster pace
2. **RBI OMOs:** In FY24, RBI will finally purchase govt bonds, after a gap of more than 1-year
3. **Bond index inclusion chatter:** An unlikely event, but with large impact. If risk of yields spiking up is very low, it is prudent to be invested to be able to benefit from such tail events
4. **Global central banks:** Closer to end of rate hike cycle. Powell was much more benign in Feb policy as compared to Dec policy.

➢ **Risks to our view**

1. Rupee depreciation
2. Global inflationary pressures
3. Liquidity

➢ **Risk/Reward to buy duration**

For long duration investment: With low chances of yields spiking up, we advise to add duration. Event risks also favor long bonds

For money markets investment: We like the 1-year segment because of its high term premium. The high carry is lucrative. Central banks stance change will lead to fall in yields in this segment.

Read more on Converse: Our Monthly Fixed Income Update

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Source: internal, 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.

Commodities: No Bull Case

- Commodity prices are likely to remain in an easing mode as growth in US, EU continues to slow. The uneven global growth cycle removes a key risk of run-away demand for commodities over the next few quarters

- So far China reopen has been a benign event. Commodity prices have failed to reap broad benefits from it. Slowing growth in western markets is likely causing a demand contraction.

- Energy markets have seen price declines. Crude Oil has now corrected meaningfully and is now below the pre-Russia-Ukraine crisis lows, in line with our expectations. Natural Gas prices have fallen in US and Eurozone.

- **We expect commodity markets to remain benign and in correction mode for the next few months. Gold, however, may enter a bull market as US Dollar weakens.**

Source: internal, 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.

How To Position Your Portfolio?

Asset Allocation: Our recommendations

If you are

Risk Appetite/ Type of investor	Equity Allocation
Conservative	30%
Moderate/ Passive-Moderate	60%
Aggressive	70%

Then you should have this % of equity in your portfolio

DSP

Conservative Strategy

Portfolio: Conservative

Asset Class	Category	Fund	Allocation
Equity 30%	Index Fund	DSP Nifty 50 Equal Weight Index Fund	10%
	Flexi cap Fund	DSP Flexi Cap Fund	20%
Alternate & Hybrid 10%	FoF – Overseas	DSP World Gold Fund of Fund	5%
	Equity Savings	DSP Equity Savings Fund	5%
Debt 60%	Money Market Fund	DSP Savings Fund	20%
	Short Duration Fund	DSP Short Term Fund	15%
	Dynamic Bond	DSP Strategic Bond Fund	25%

Moderate Strategy

Portfolio: Moderate

Asset Class	Category	Fund	Allocation
Equity 60%	Large and Mid Cap Fund	DSP Equity Opportunities Fund	15%
	Midcap Fund	DSP Mid Cap Fund	20%
	Thematic Fund	DSP India T.I.G.E.R.* Fund	5%
	Value Fund	DSP Value Fund	20%
Alternate & Hybrid 10%	FoF – Overseas	DSP Global Innovation Fund of Fund	5%
	Equity Savings	DSP Equity Savings Fund	5%
Debt 30%	Money Market Fund	DSP Savings Fund	5%
	Short Duration Fund	DSP Short Term Fund	5%
	Index Funds	DSP Nifty SDL Plus G-Sec Jun 2028 30:70 Index Fund	25%

*T.I.G.E.R= The Infrastructure Growth and Economic Reforms

DSP

Aggressive Strategy

Portfolio: Aggressive

Asset Class	Category	Fund	Allocation
Equity 70%	Flexi cap Fund	DSP Flexi Cap Fund	25%
	Mid cap Fund	DSP Mid Cap Fund	15%
	Small cap Fund	DSP Small Cap Fund	15%
	Thematic Fund	DSP India T.I.G.E.R. Fund*	5%
	Sectoral Fund	DSP Healthcare Fund	10%
Alternate & Hybrid 15%	FoF – Overseas	DSP Global Innovation Fund of Fund	10%
	Dynamic Asset Allocation or Balanced Advantage	DSP Dynamic Asset Allocation Fund	5%
Debt 15%	Gilt Fund	DSP Government Securities Fund	5%
	Index Funds	DSP Nifty SDL Plus G-Sec Jun 2028 30:70 Index Fund	5%
	Gilt Fund with 10 Year Constant Duration	DSP 10Y G-Sec Fund	5%

*T.I.G.E.R= The Infrastructure Growth and Economic Reforms

DSP

Passive-Moderate Strategy

Portfolio: Passive- Moderate

Asset Class	Category	Fund	Allocation
Equity 60%	Index Fund	DSP Nifty 50 Equal Weight Index Fund	15%
	Thematic Fund	DSP Quant Fund	20%
	Index Fund	DSP Nifty Midcap 150 Quality 50 Index Fund	25%
Alternate & Hybrid 10%	ETFs - Others	DSP Silver ETF	10%
Debt 30%	Index Funds	DSP Nifty SDL Plus G-Sec Jun 2028 30:70 Index Fund	20%
	Gilt Fund with 10 Year Constant Duration	DSP 10Y G-Sec Fund	5%
	Money Market Fund	DSP Savings Fund	5%

DSP

…And Some Fun Recommendations

What we liked:

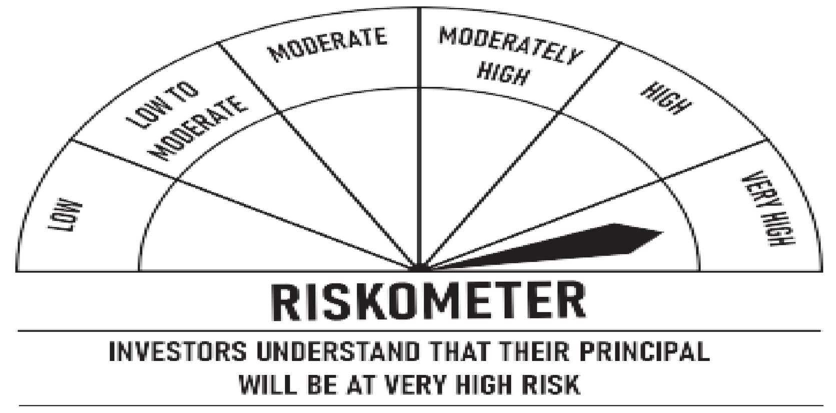
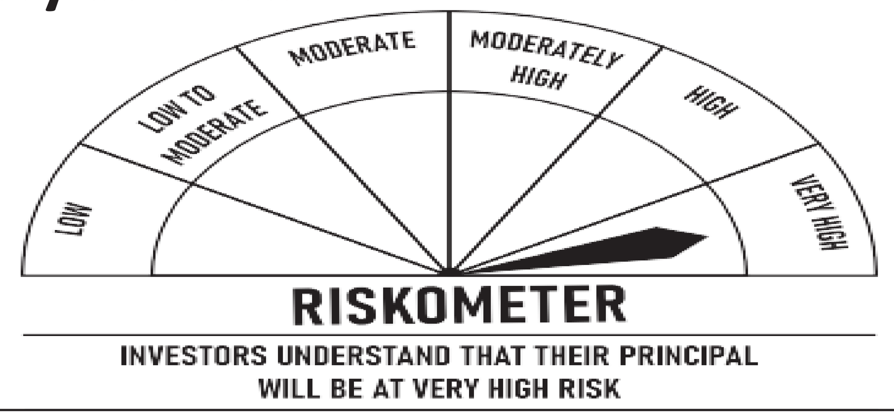
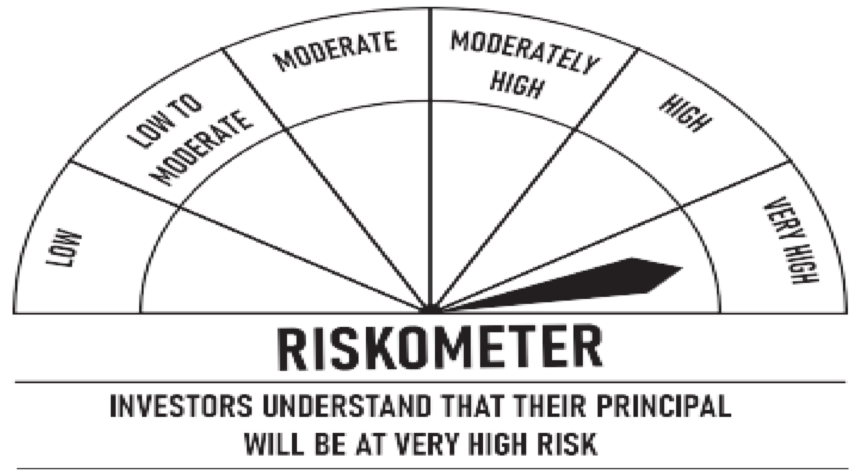
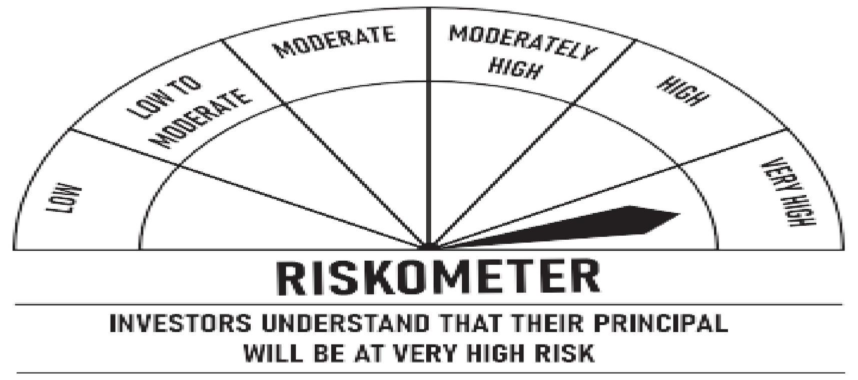
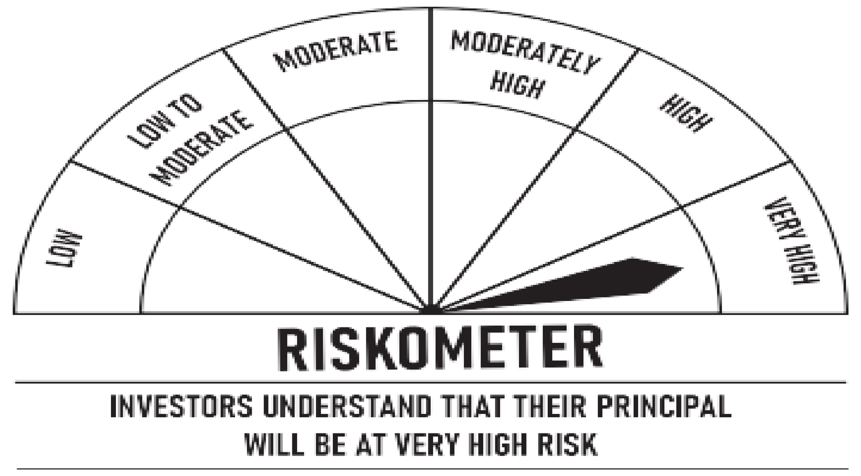
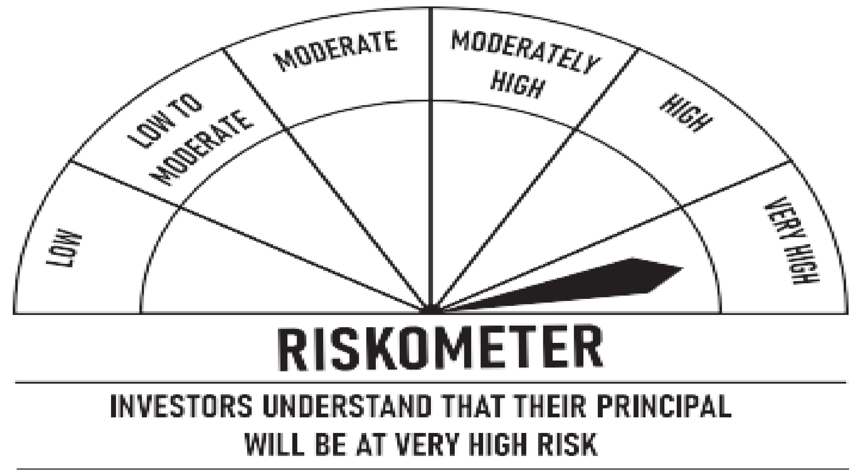
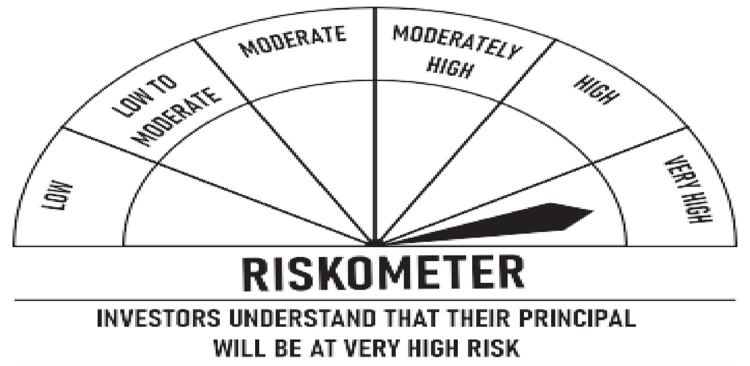
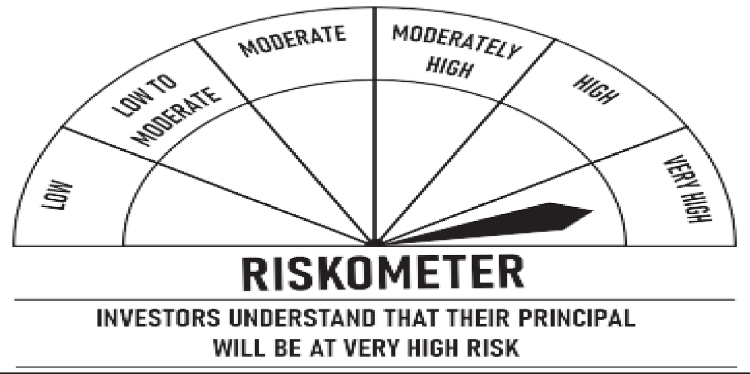
- **Book:** Cars by Bryan Appleyard
- **Podcast**: Qualcomm on Acquired
- **Article:** About Those 'Safe' Silicon Valley Bank Treasurys

Our in-house creations:

- **DSP's Credit Risk Framework | Arjava** *(by Vivek Ramakrishnan)* Watch here
- **The Value of Valuations |** Excerpted from **DSP's Lighthouse Conference** *(by Abhishek Singh)* Watch here
- **Short Film:** Family- The Lifetime Treasure: #EmotionsOfMoney by DSP

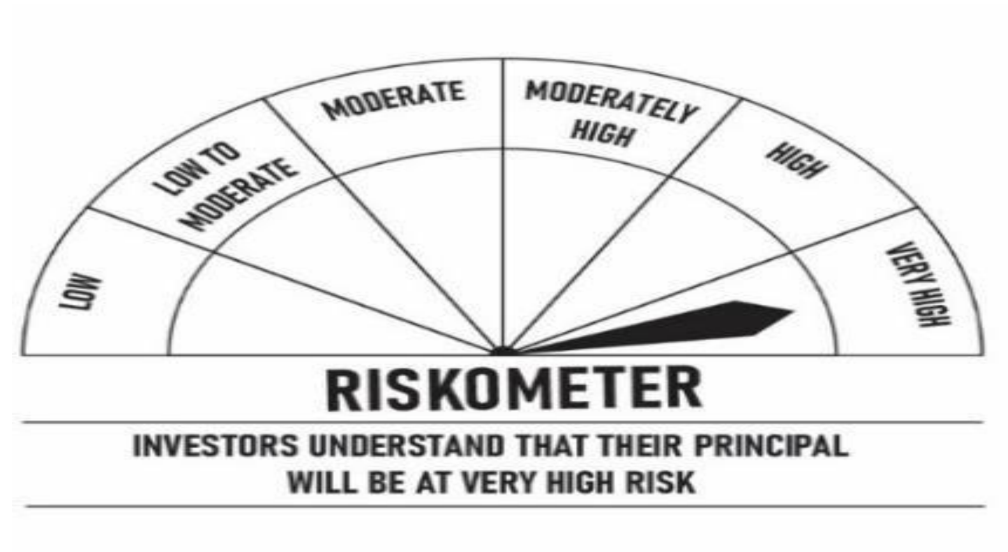
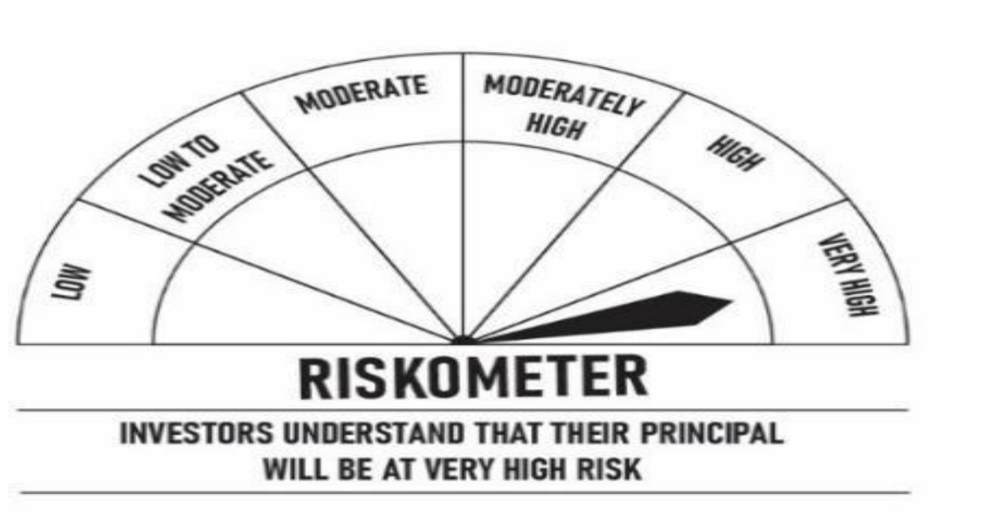
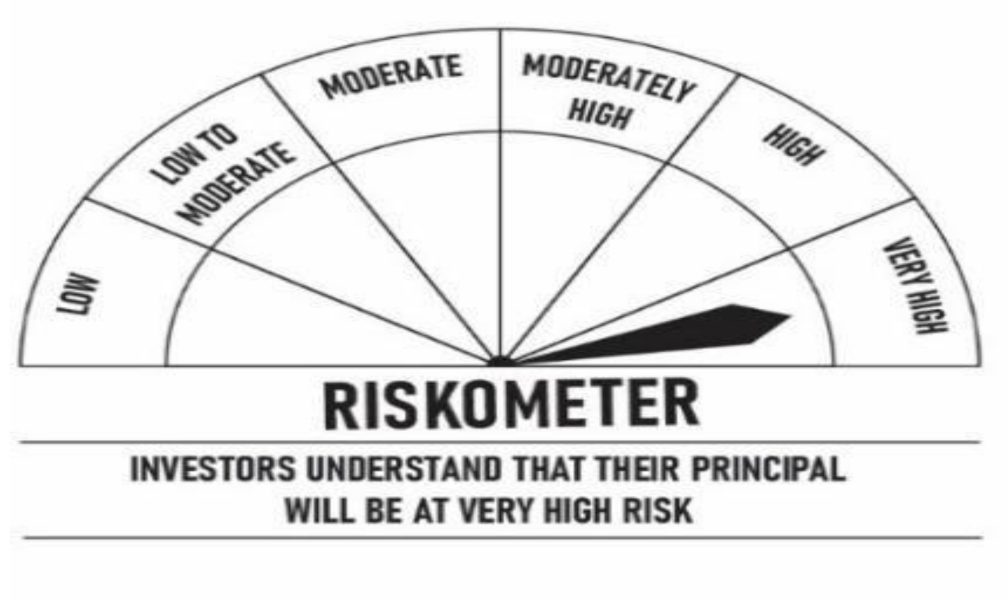
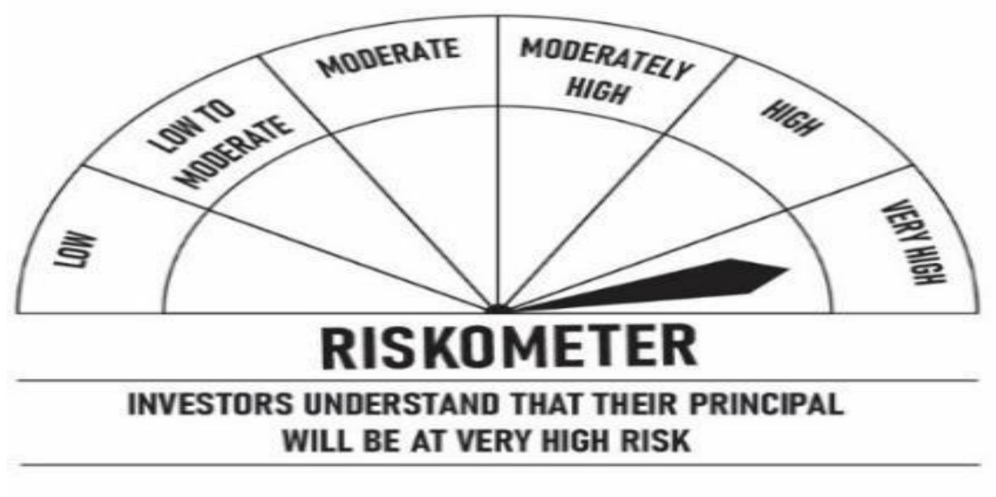
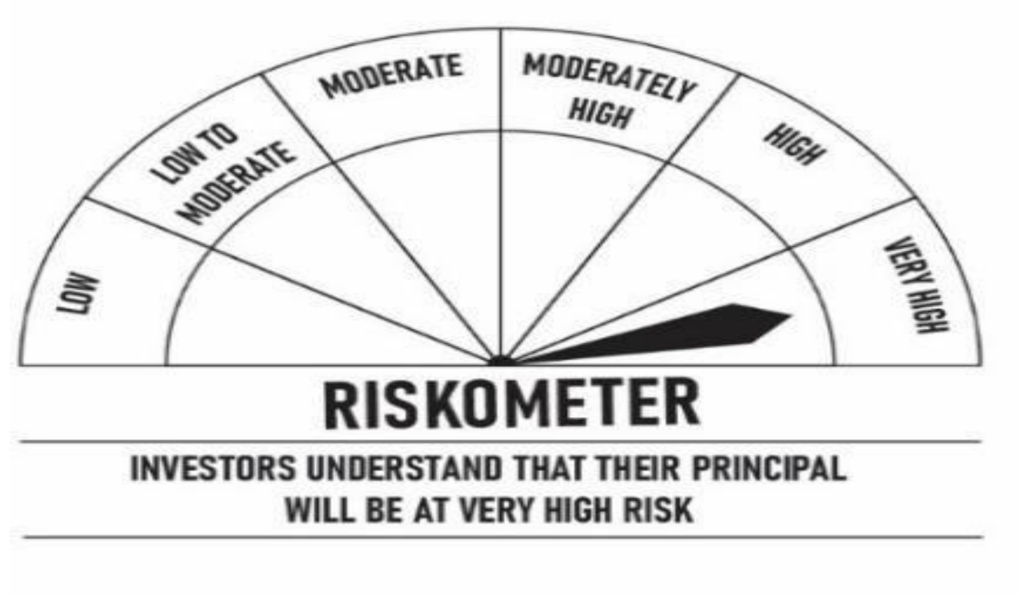
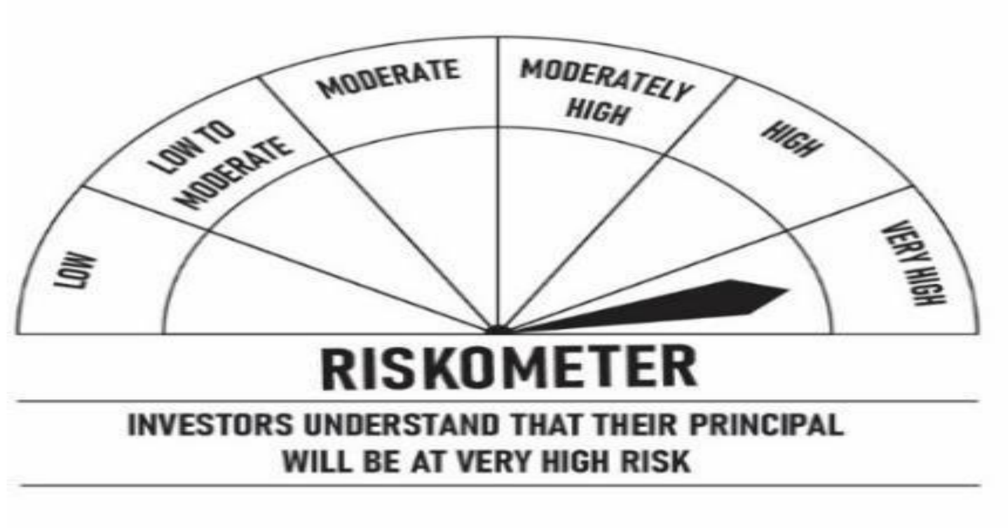
"It's not enough to be against something.
*You have to be **for** something better"*
In investing, choices are limited. Choose better.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP Flexi Cap Fund (An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks)	This Scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity and equity-related securities to form a diversified portfolio		**Nifty 500 TRI** 
DSP Small Cap Fund (An open ended equity scheme predominantly investing in small cap stocks)	This equity scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity & equity-related securities predominantly of small cap companies (beyond top 250 companies by market capitalization)		**S&P BSE 250 Small Cap TRI** 
DSP India T.I.G.E.R. Fund (The Infrastructure Growth & Economic Reforms Fund) (An open ended equity scheme following economic reforms and/or infrastructure development theme)	This Scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity & equity-related securities of corporates, which could benefit from structural changes brought about by continuing liberalization in economic policies by the Govrnment and/or from continuing investments in infrastructure, both by the public and private sector		**S&P BSE India Infrastructure 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** 

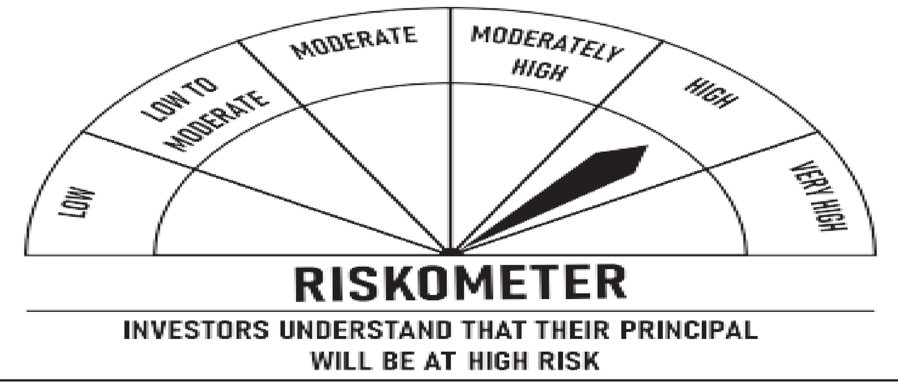
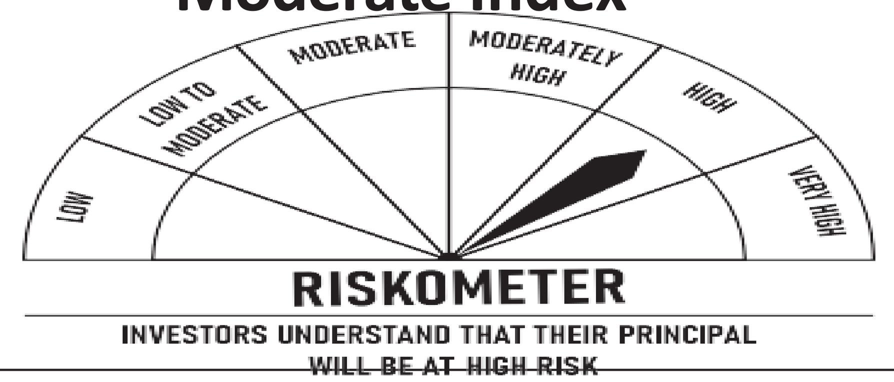
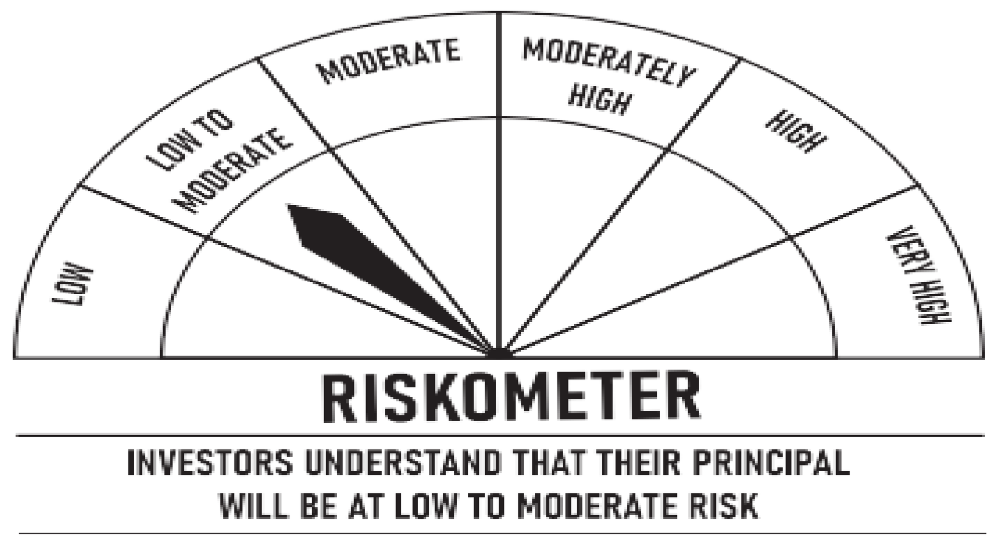
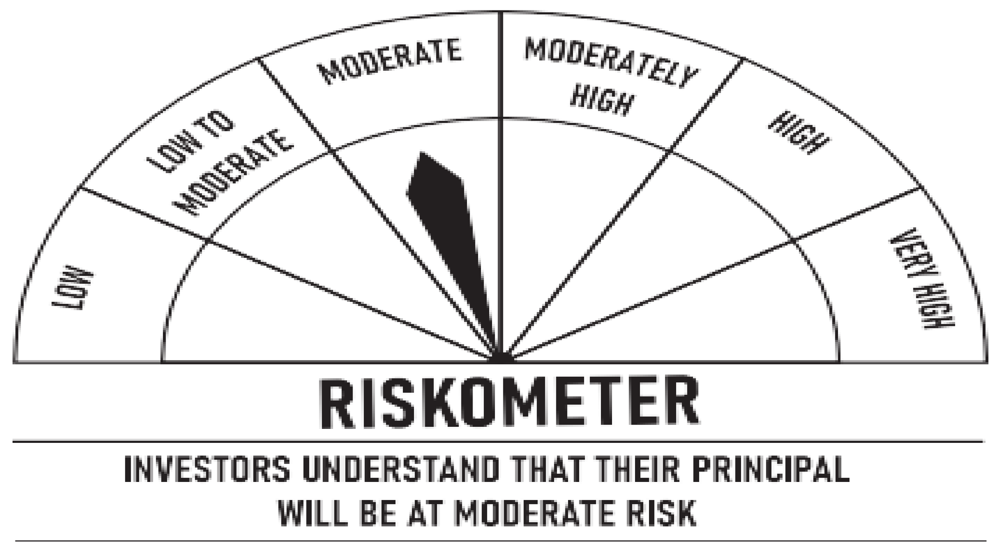
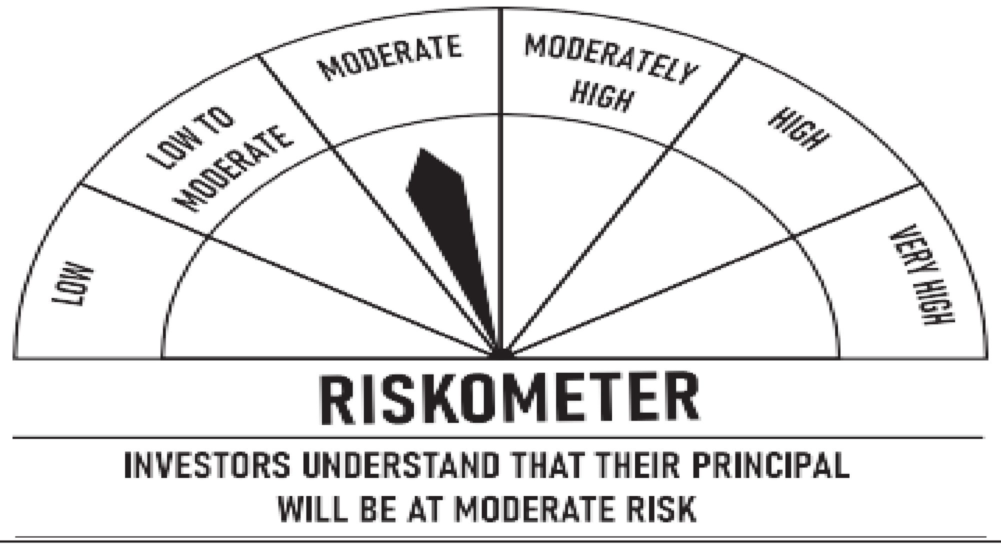
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP Mid Cap Fund (Mid Cap Fund-An open ended equity scheme predominantly investing in mid cap stocks)	This scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity & equity-related securities predominantly of midcap companies		**Nifty Midcap 150 TRI** 
DSP Equity Opportunities Fund (Large & Mid Cap Fund-An open ended equity scheme investing in both large cap and mid cap stocks)	This scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity & equity-related securities predominantly of large and midcap companies		**NIFTY Large Midcap 250 TRI** 
DSP Healthcare Fund (An open ended equity scheme investing in healthcare and pharmaceutical sector)	This equity scheme is suitable for investors who are seeking* •Long-term capital growth •Investment in equity & equity related Securities of healthcare and pharmaceutical companies		**S&P BSE Healthcare TRI** 

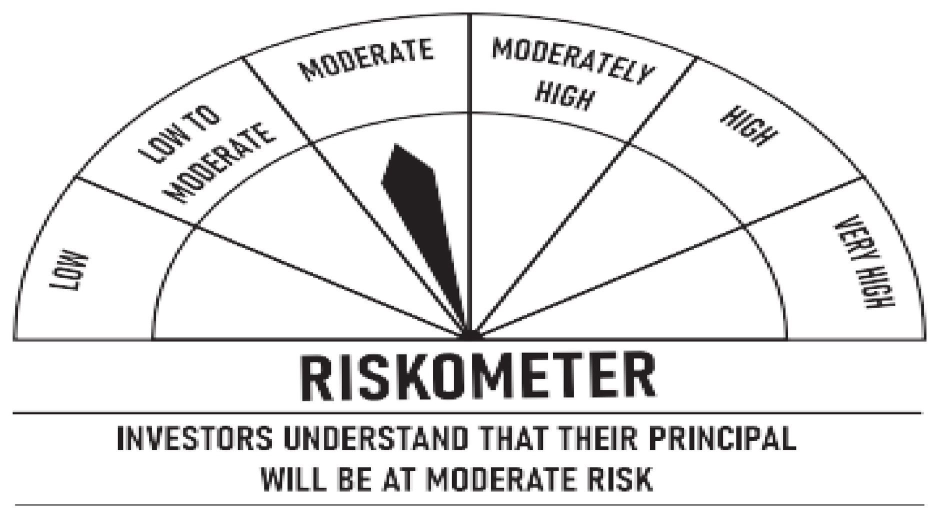
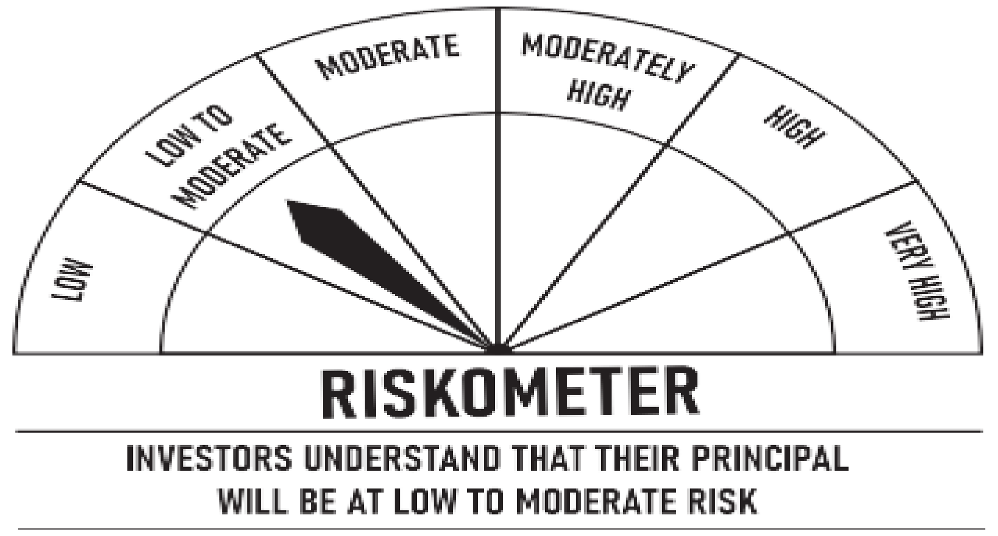
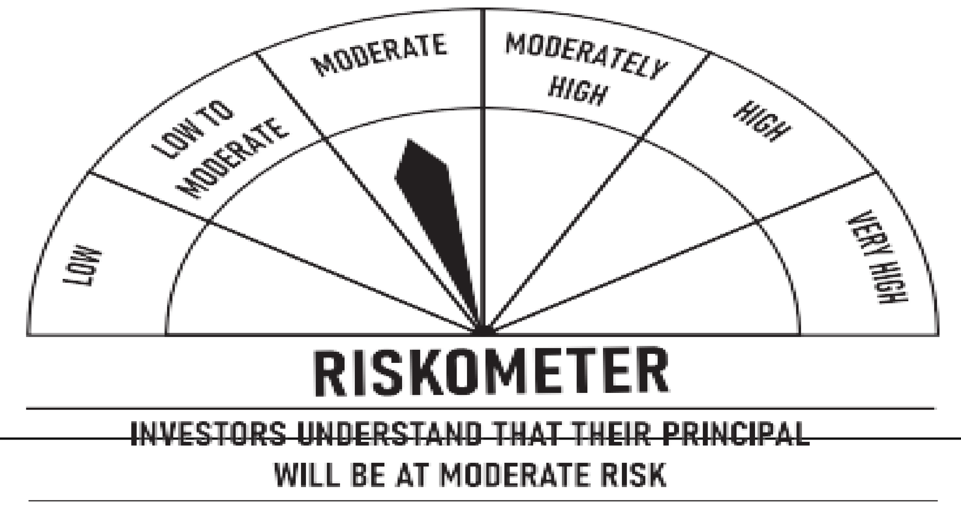
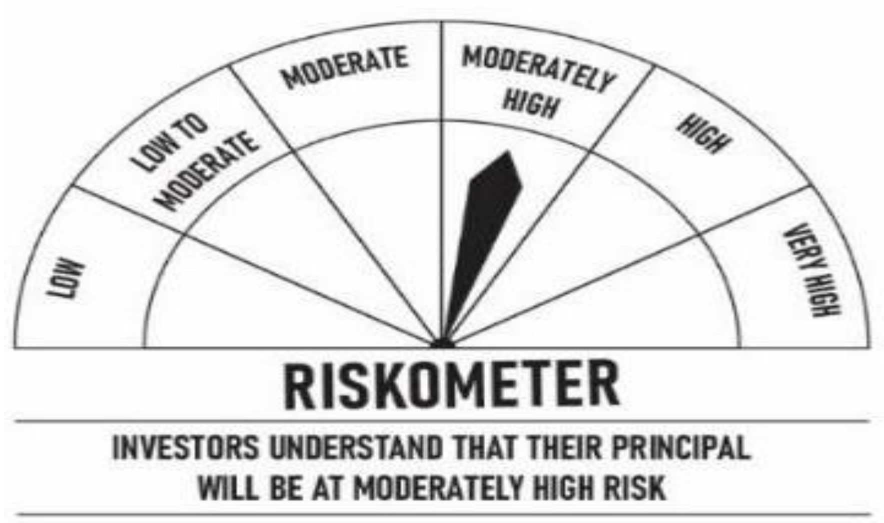
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP Dynamic Asset Allocation Fund (An open ended dynamic asset allocation fund)	This scheme 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 Savings Fund (An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.)	This Scheme 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 Fund BI Index** 
DSP Nifty SDL Plus G-Sec Jun 2028 30:70 Index Fund (An open ended target maturity index fund investing in the constituents of Nifty SDL Plus G-Sec Jun 2028 30:70 Index. A relatively high interest rate risk and relatively low credit risk.	This scheme is suitable for investor who are seeking* • Income over long term • An open ended target maturity index fund that seeks to track the performance of Nifty SDL Plus G-Sec Jun 2028 30:70 Index, subject to tracking error.		**Nifty SDL Plus G-Sec Jun 2028 30:70 Index** 

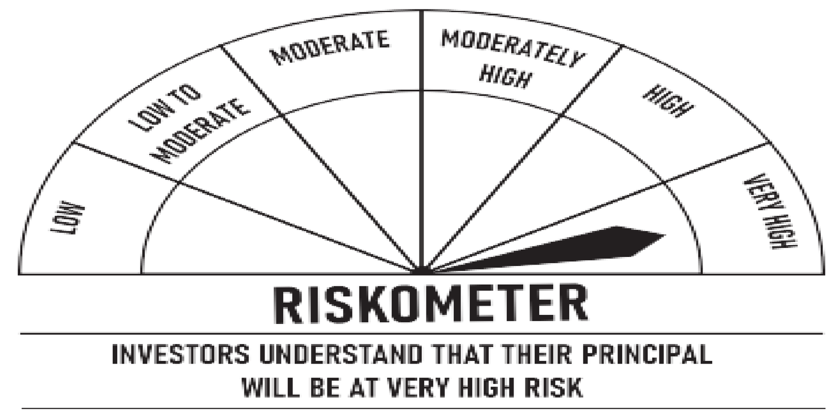
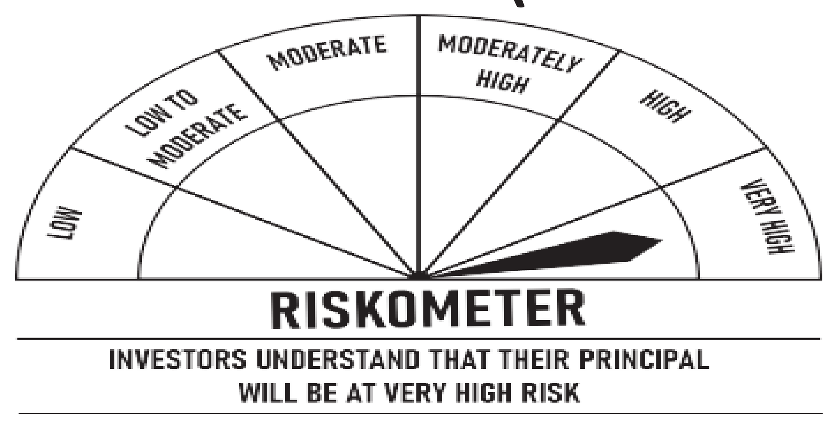
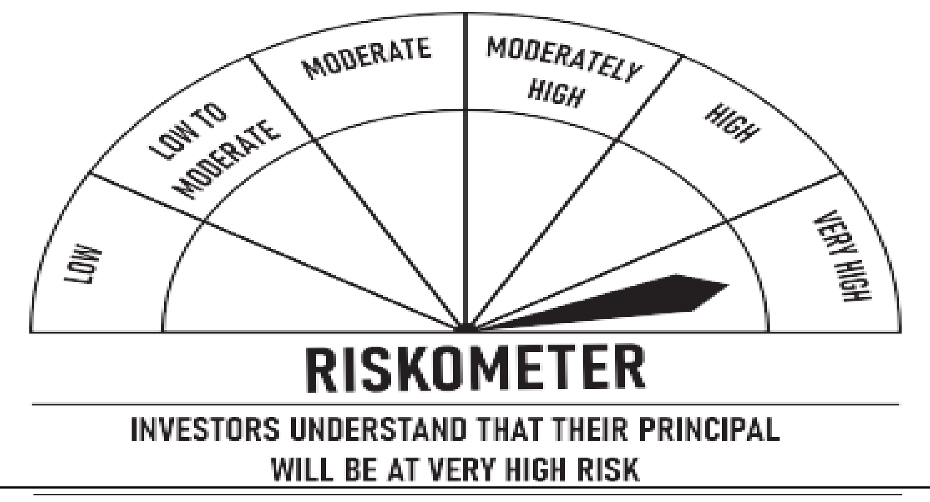
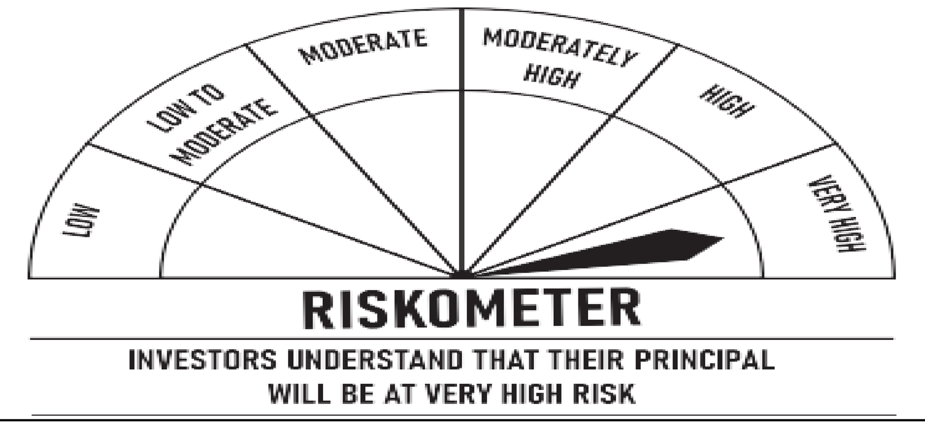
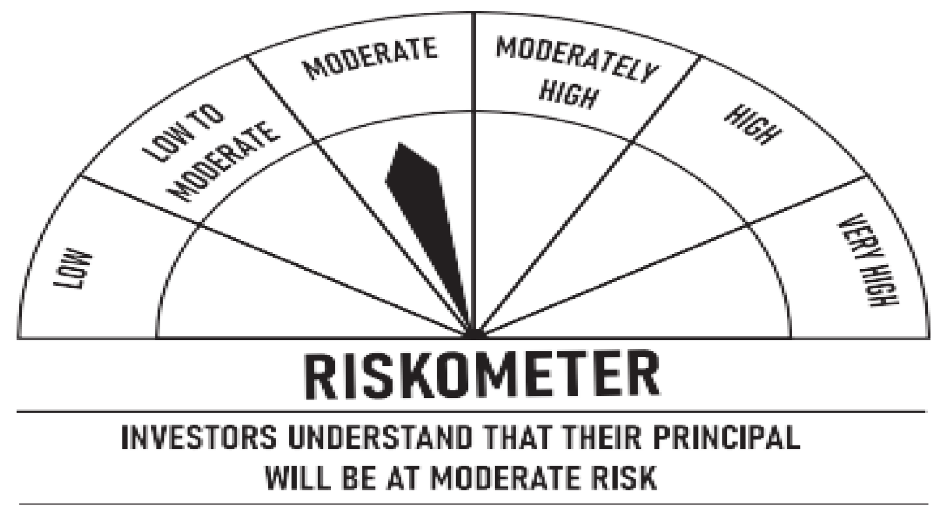
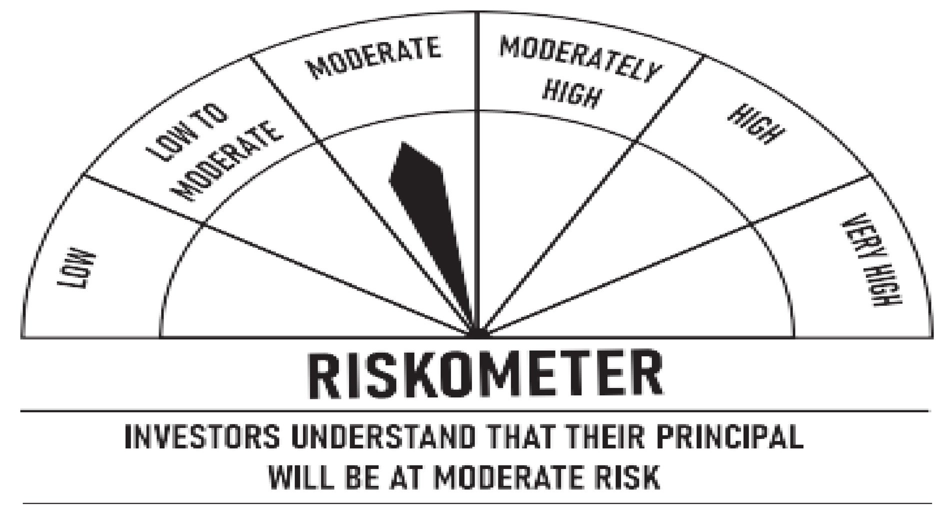
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP Short Term Fund (An open ended short term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 1 year and 3 years (please refer page no. 19 under the section “Where will the Scheme invest?” for details on Macaulay’s Duration. A moderate interest rate risk and relatively low credit risk.)	This Scheme is suitable for investors who are seeking* •Income over a medium-term investment horizon •Investment in money market and debt securities		**CRISIL Short Duration Fund AII Index** 
DSP Government Securities Fund (An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.)	This scheme is suitable for investors who are seeking* •Income over a long-term investment horizon •Investment in Central government securities		**CRISIL Dynamic Gilt Index** 
DSP Strategic Bond Fund An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.	This scheme 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 Fund BIII Index** 

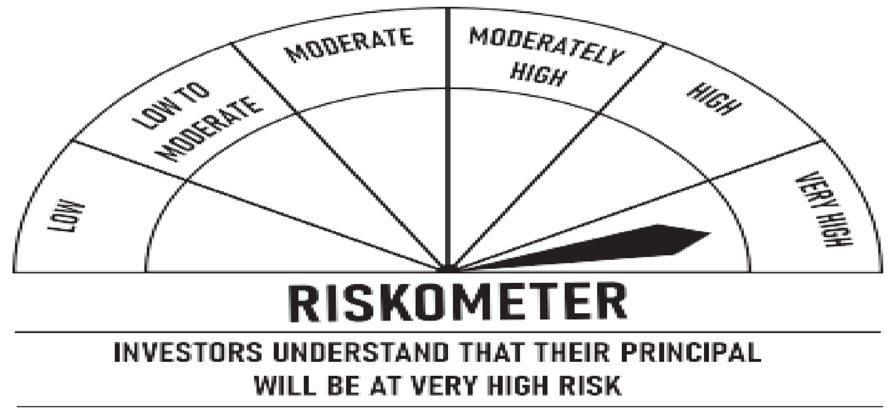
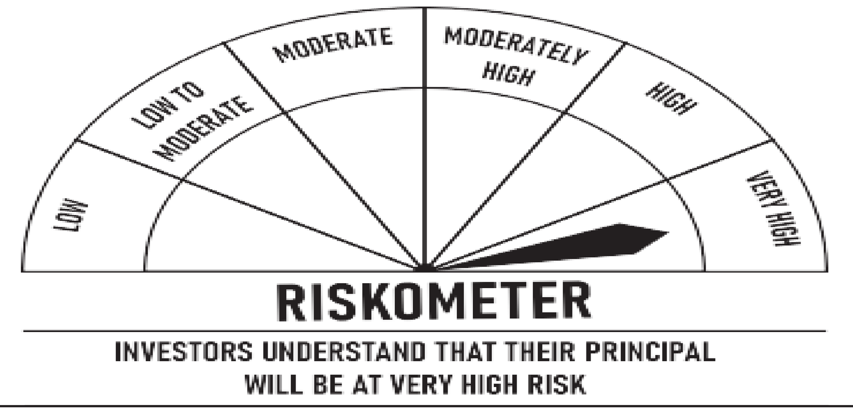
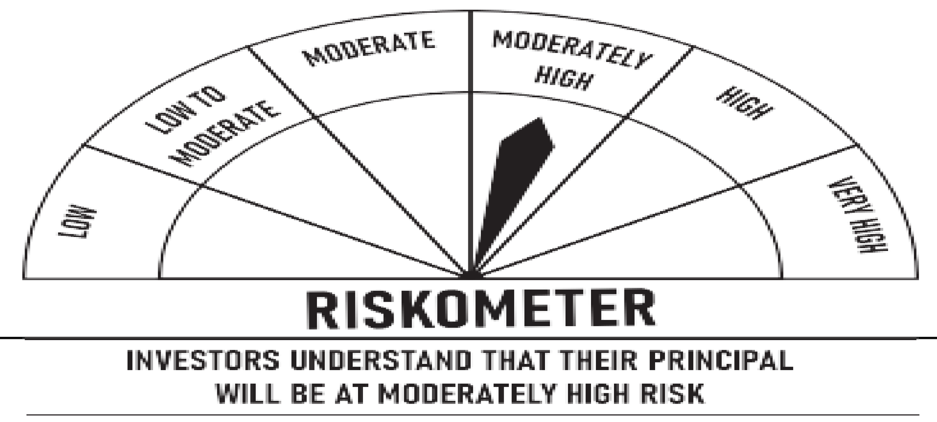
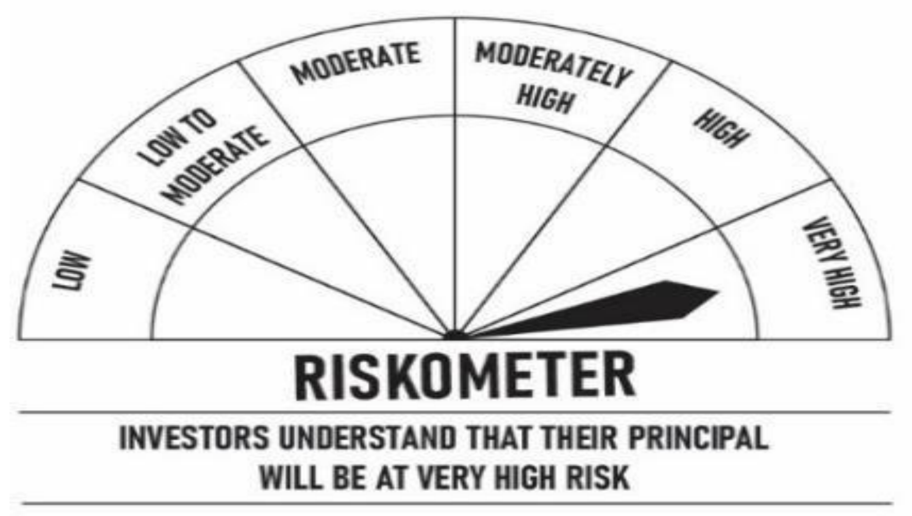
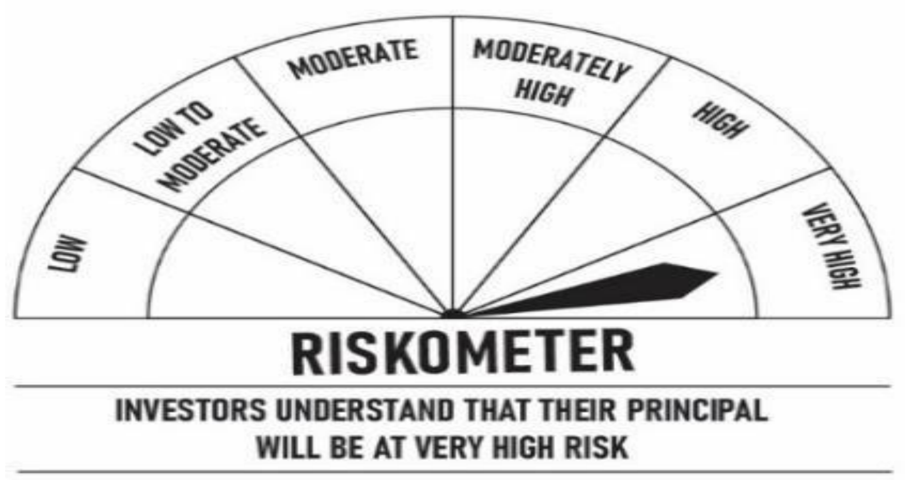
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP World Gold Fund of Fund (An open ended fund of fund scheme which invests into units/securities issued by overseas Exchange Traded Funds (ETFs) and/ or overseas funds and/or units issued by domestic mutual funds that provide exposure to Gold/Gold Mining theme.)	This Scheme is suitable for investors who are seeking* • Long-term capital growth • Investment in units/securities issued by overseas Exchange Traded Funds (ETFs) and/or overseas funds and/or units issued by domestic mutual funds that provide exposure to Gold/Gold Mining theme.		**FTSE Gold Mine TR (In INR Terms)** 
DSP Quant Fund (Open Ended Equity Scheme investing based on a quant model theme)	This 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 predefined fundamental factor model		**S&P BSE 200 TRI** 
DSP 10Y G-Sec Fund (Open ended debt scheme investing in government securities having a constant maturity of 10 years. A relatively high interest rate risk and relatively low credit risk.)	This Scheme is suitable for investors who are seeking* •Income over a long-term investment horizon •Investment in Government securities such that the Macaulay duration of the portfolio is similar to the 10 Years benchmark government security		**CRISIL 10 Year Gilt Index** 

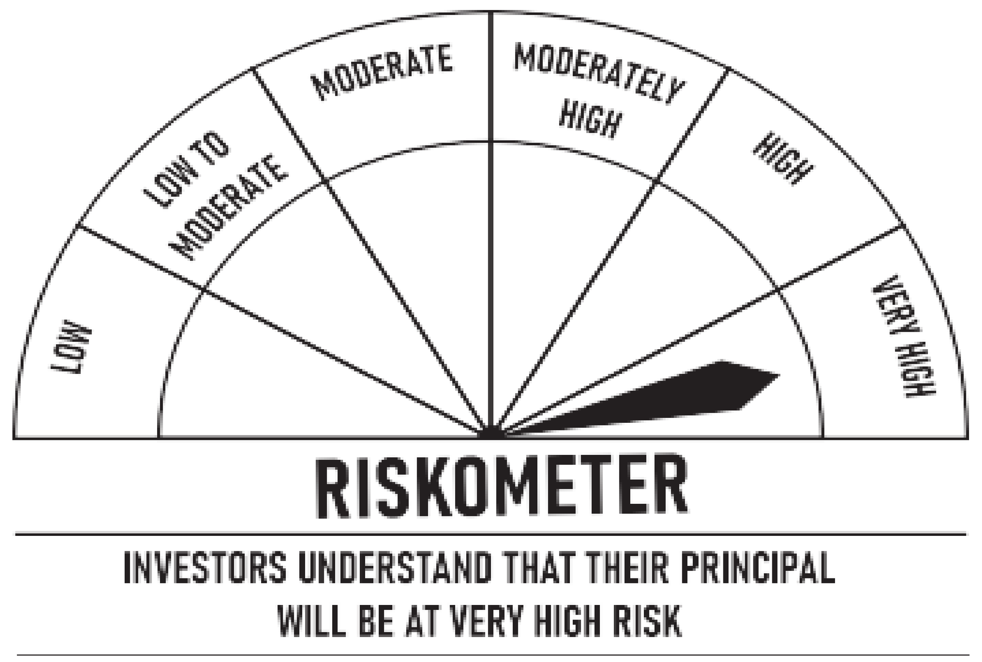
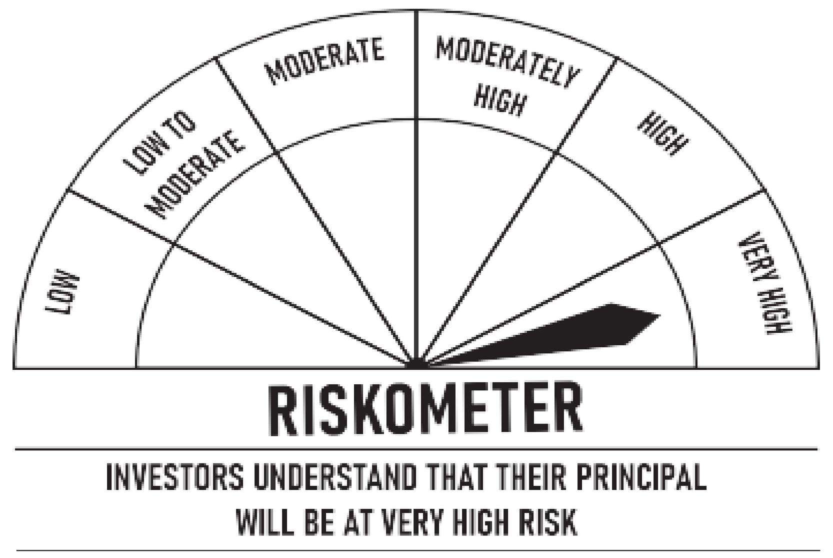
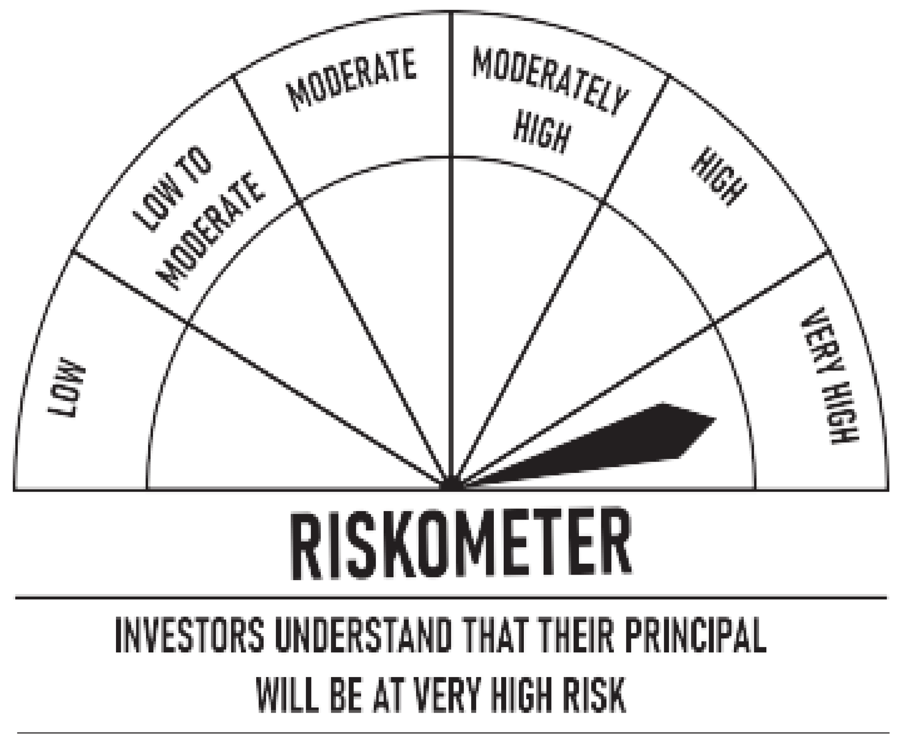
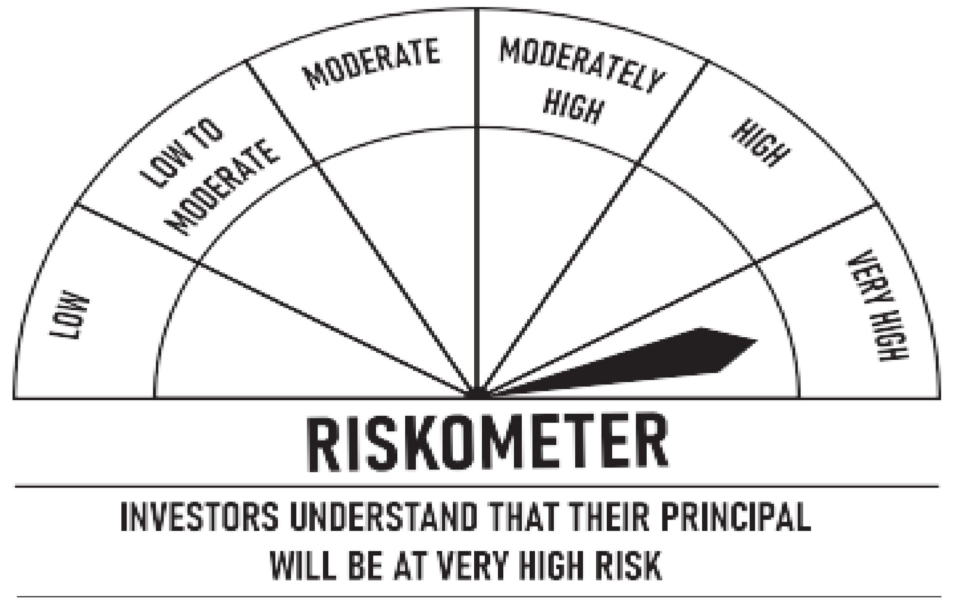
*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

Product labelling & Riskometer

Scheme	Product Suitability	Riskometer of the Scheme	Riskometer of Benchmark
DSP Global Innovation Fund Of Fund **(** An open ended fund of fund scheme investing in Innovation theme)	This open ended Fund of Funds Scheme (Investing In Overseas Fund) is suitable for investors who are seeking* • Long-term capital growth • Investments in units of overseas funds which invest in equity and equity related securities of companies which are forefront in innovation		**MSCI All Country World Index(ACWI) – Net Total Return** 
DSP Equity Savings Fund (An open ended scheme investing in equity, arbitrage and debt)	This Scheme is suitable for investors who are seeking* • Long term capital growth and income • 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		**Nifty Equity Savings Index** 
DSP Nifty 50 Equal Weight Index Fund **(**An open ended scheme replicating NIFTY 50 Equal Weight Index)	This open ended index linked equity Scheme is suitable for investors who are seeking* • Long-term capital growth • Returns that are commensurate with the performance of NIFTY 50 Equal Weight Index TRI, subject to tracking error.		**NIFTY 50 Equal Weight 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 the Scheme	Riskometer of Benchmark
DSP Nifty Midcap 150 Quality 50 Index Fund An open ended scheme replicating/ tracking Nifty Midcap 150 Quality 50 Index	This product is suitable for investor who are seeking* • Long-term capital growth • Investment in equity and equity related securities covered by Nifty Midcap 150 Quality 50 Index, subject to tracking error		Nifty Midcap 150 Quality 50 TRI 
DSP Silver ETF An open ended exchange traded fund replicating/tracking domestic prices of silver	This product is suitable for investors who are seeking* • Portfolio diversification through asset allocation. • Silver exposure through investment in physical silver		**Domestic Price of Physical Silver (based on London Bullion Market association (LBMA) Silver daily spot fixing price.)** 

*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

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 Short Term 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)	**A-II**	-	-
	Relatively High (Class III)	-	-	-

Potential Risk Class matrix for debt scheme(s) of the fund

DSP Strategic 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	-

DSP Government Securities 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)	A-III	-	-

Potential Risk Class matrix for debt scheme(s) of the fund

<table>
<tr><th>Scheme names</th><th colspan="4">Potential Risk Class Matrix (PRC Matrix)</th></tr>
<tr><td rowspan="6">DSP 10y G-Sec Fund</td><td colspan="4">Potential Risk Class</td></tr>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Moderate (Class II)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Relatively High (Class III)</td><td>A-III</td><td>-</td><td>-</td></tr>
<tr><td colspan="4"></td></tr>
<tr><td rowspan="5">DSP Nifty SDL Plus G-Sec Jun 2028 30:70 Index Fund</td><td colspan="4">Potential Risk Class</td></tr>
<tr><td>Credit Risk →
Interest Rate Risk ↓</td><td>Relatively Low (Class A)</td><td>Moderate (Class B)</td><td>Relatively High (Class C)</td></tr>
<tr><td>Relatively Low (Class I)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Moderate (Class II)</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Relatively High (Class III)</td><td>A-III</td><td>-</td><td>-</td></tr>
</table>

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