

Policy to protect the interest of investors of DSP Small cap Fund  
and DSP Midcap Fund

Background and purpose:

As directed by SEBI, AMFI vide its letter no. 35P/ MEM-COR/116/2023-24 dated February 27, 2024 in the context of the froth building up in the small and mid-cap segment of the market and continuing flows in the small and mid-cap schemes of Mutual Fund, Trustees shall in consultation with the Unitholders Protection Committee ('UHPC') of the DSP Asset Managers Private Limited ('AMC/DSPAM') shall put in place a policy to protect the interest of all small and mid-cap investors.

DSPAM believes in the philosophy of managing the schemes closest to their mandate and offering products true to the label. The DSP Small cap scheme does not have any exposure to large market cap securities and DSP Mid cap scheme has minimal exposure of approx. 8% to large market cap securities as on the date of the policy implementation.

This policy facilitates balance between the philosophy of managing the scheme closest to their mandate and protecting the best interest of the investor. The policy provide measure that could be undertaken by the DSPAM individually or collectively to protect the interest of investors of DSP Small Cap Fund and DSP Mid Cap Fund in the exceptional market conditions. Individually called as Scheme and collectively as Scheme(s).

Proposed measures are as follows:

1. Moderating of Inflows in the scheme(s)

Huge inflow at any single point of time and/or in short period of time can significantly impair the investment capability of the fund management team to deploy the proceeds in the best interest of the investors, especially when such inflows are received when the valuations for small cap and midcap segment are extremely high. Hence, it is important to moderate inflows in the scheme(s) by evaluating to adopt waterfall mechanism or such other measures as may be deemed appropriate to protect the interest of Investors.

Condition for evaluating adoption:

- a) Net inflows in the respective Scheme are more than 10% of the Asset under Management ('AUM') of the Scheme in a single calendar month, subject to minimum AUM of the scheme being above INR 10,000 crores. AUM as on the previous month end would be considered for evaluating this condition. and/or
- b) High market valuation basis Price to Earnings ratio, Price to Book ratio, Enterprise value to EBITDA ratio, etc.

The Fund Managers of the respective Scheme will evaluate if the condition are suitable for moderating the inflows and accordingly suggest the suitable measures to moderate the inflow basis the waterfall mechanism (either in combination & not necessary sequentially) as mentioned below:

- i. Moderating the lump sum investment by defining threshold including switch-ins
- ii. Restricting the lump sum investment including switch-ins
- iii. Moderating the systematic investment

The Fund Managers of the respective Scheme in collaboration with Head of Sales (Institutional/Distribution) shall evaluate the waterfall measures and thresholds to be adopted by the AMC with suitable justification/rationale and propose the same to Investment Management Committee ('IMC') and thereafter to the UHPC of AMC and to the Board of DSP Trustee Private Limited ('Trustees').

Further the DSPAM can moderate inflows for any other conditions not mentioned above as it may deem fit by justifying in writing to the IMC, UHPC & Trustees.

In an eventuality of the condition being fulfilled but no waterfall mechanism to moderate inflows is adopted the same should be appropriately recorded and should be reviewed by the IMC, UHPC & Trustees

2. Portfolio rebalancing & Liquidity management

In order to protect the interest of the investors, the fund management team of the AMC shall adhere to the periodical portfolio rebalancing as laid under the SEBI (Mutual Fund) Regulations, 1996 and circulars/guidelines issued thereunder (“SEBI Regulations”). In addition to the portfolio rebalancing as mandated under SEBI Regulations, the fund managers should also adhere to the below measures for the purpose of liquidity management:

- a) Liquidity profile of the scheme should be maintained as per the Liquidity Risk Management Policy of DSPAM which would include minimum Redemption Coverage Ratio (RCR) (and/or)
- b) Capability to liquidate portfolio basis the days-to-cash methodology should be maintained as per the Liquidity Risk Management Policy of DSPAM

This review of the aforementioned criteria would be carried out on monthly basis or if desired earlier and in case of minimum threshold being not fulfilled the respective fund managers will have 30 days for curing the same which can be further extended by the IMC for further 30 days basis justification received from the fund managers and the same shall be appropriately recorded.

### 3. Exit Load

Investment in Small cap scheme and Mid-cap scheme should be for a longer period due to the nature of the schemes. However, redemptions by investors earlier than the desired period may impact the interest of the continuing investors and thus in order to protect the interest of the existing investors from the first mover advantage of redeeming investors, levying of suitable exit load may be considered.

Both DSP Small Cap Fund and DSP Mid Cap Fund already have exit load requirement in place to discourage early redemptions.

The period of the exit load and percentage can be further amended by DSPAM on the proposal by the fund management team in collaboration with sales team and should be internally reviewed and approved by Board of AMC & Trustees

### 4. Proportionate liquidation in case of huge redemption

In case of 5% or more net outflow on any particular day, the fund management team should adopt prudent liquidation of stock positions in the portfolio and ensure that characteristic of the portfolio w.r.t. liquidity, quality should not be skewed or majorly affected post redemption. Further fund management team should subsequently ensure compliance to various clauses of this policy. This measure will help investors protect from the first mover advantage of redeeming investors.

### 5. Restriction on Redemption of Units of the Schemes

Subject to the approval of the Boards of the AMC and the Trustee and subject to necessary communication to SEBI, necessary restriction on redemption may be imposed in accordance with Clause 1.12 of the SEBI master circular and circular/clarifications/guidelines as issued by SEBI/AMFI from time to time.

### 6. Discouraging investor concentration & monitoring of distributor concentration

In an eventuality of high single investor concentration there could be risk of high redemptions or high subscriptions to the scheme which can adversely impact the interest of other investors. All the measure mentioned above may be useful to protect the interest of other investors, however additional measure as listed below can be evaluated to limit investor concentration in the scheme as follows:

Maximum ceiling on the holding permissible for any single investor (single PAN holding) can be adopted to restrict investor concentration by imposing restriction on further subscription from the investor. The said measure should be evaluated when single investor concentration exceeds 5% of the AUM.

DSPAM should monitor the distributor concentration for the scheme and in case if concentration for a single distributor reaches 25% of the AUM the same should be closely reviewed by IMC for appropriate measures.

Implementing of the measures and the maximum ceiling would be determined and proposed by the fund management team in collaboration with sales team and the proposal would be internally reviewed and approved by the Investment Management Committee (IMC). Once approved the same will be informed to the UHPC and Trustees as per the regulations.

#### 7. Disclosures

DSPAM will ensure adherence to the disclosure requirement as has been mandated by the SEBI Mutual fund regulation and circular/clarifications/guidelines as issued by SEBI/AMFI from time to time.

#### 8. Review

DSPAM may review and adopt other suitable measure like Borrowing, Swing pricing and any other as permissible by SEBI mutual fund regulations from time to time, to help ensure protect the interest of the investors in the fund post discussion with UHPC & Trustees.

The policy will be reviewed at least annually or as and when need arises to reflect evolving market scenarios by the UHPC of the DSPAM and the Trustees.

Sr. No.	Version	Date of Policy
1	1.1	March 18, 2024
2	1.2	April 25,2025