

DSP

INVESTMENT MANAGERS

DSP Quant Fund



| People | Processes | Performance |

Investment Process

Investment Process

BASED ON A QUANT MODEL

ELIMINATE STOCKS
from the S&P BSE 200 Index



- Exclude stocks which may destroy value
- ✗ High debt
 - ✗ Excessive volatility in stock prices
 - ✗ Inefficient capital allocators
 - ✗ Poor quality of reported earnings

SELECT GOOD COMPANIES
from the above shortlist



- Select final list by ranking stocks based on average scores for:
- ✓ Quality
 - ✓ Growth
 - ✓ Value

ASSIGN WEIGHTS
to create the final portfolio



- Weights assigned to manage risks
- Single Stock exposure limits
 - Single Sector exposure limits
 - Exposure limits based on stock liquidity

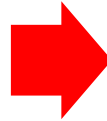
REVIEW & REBALANCE every six months (Mar & Sep)

Model converts sound investing principles into a **RULES BASED** investment process

Stage 1 : Elimination process

200 STOCKS
(Components of the
S&P BSE 200 Index)

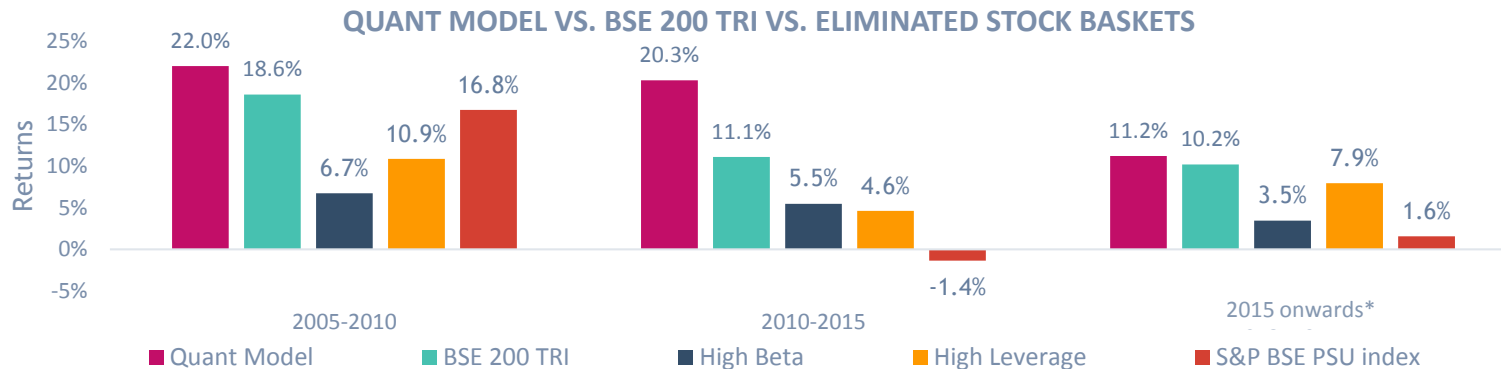
Identify characteristics that often
lead to value destruction



Companies which display these
characteristics are eliminated
from the investable universe

~ 100 STOCKS
(Shortlist for
next stage)

WHY ELIMINATION IS A CRITICAL PART OF THE PROCESS

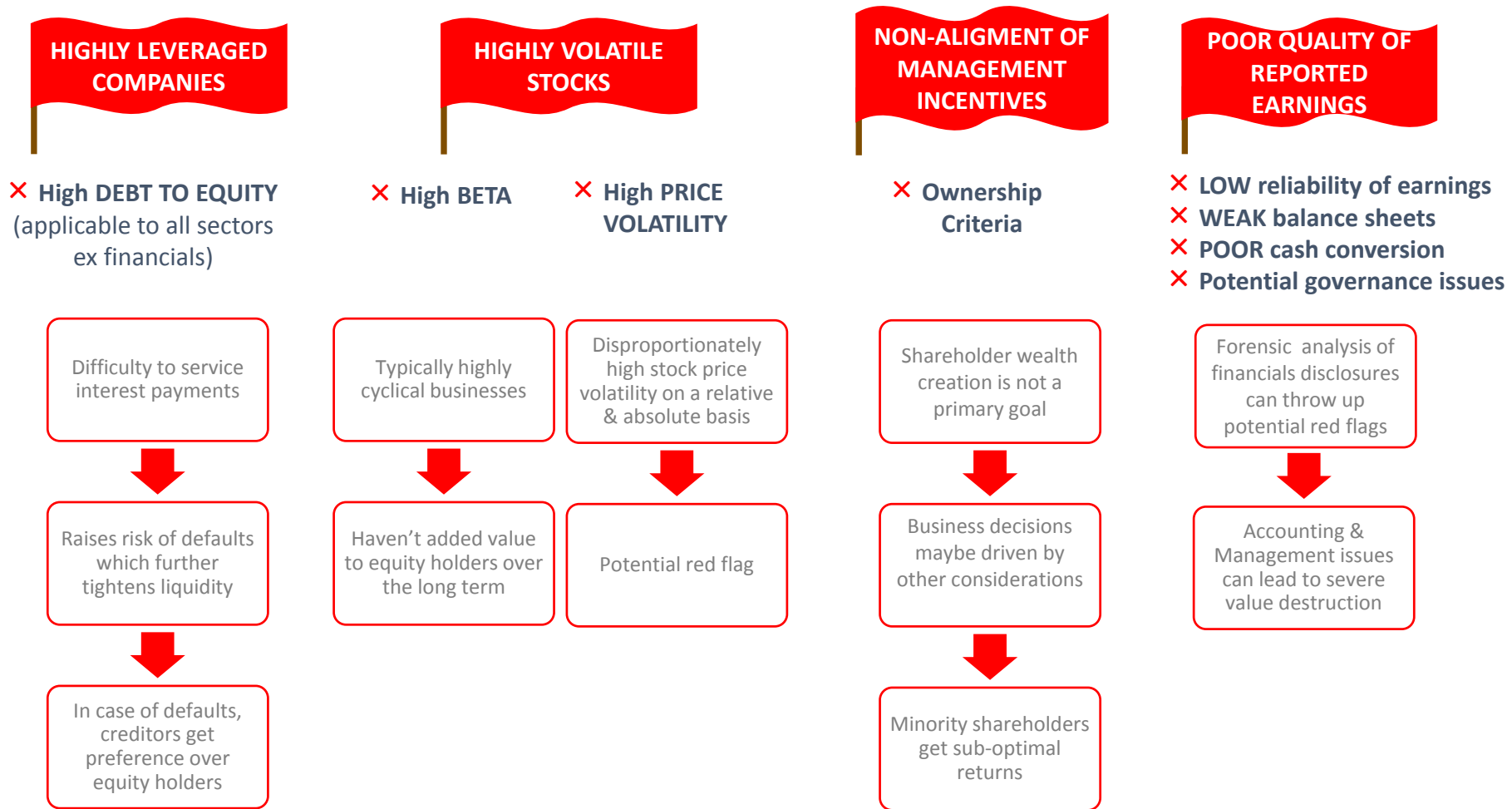


**Note: The performance numbers are Total return series from 30-Sep-2005 to 31-Mar-2019. Eliminated stock portfolios created using BSE 200 constituents that meet the elimination criteria described in the previous slide at every rebalance. Weighting is proportional to their weights in BSE 200 index. The portfolios are rebalanced every March and September. Data Source: FactSet, MFIE. Past performance may or may not sustain in future and should not be used as a basis for comparison with other investments. These figures pertain to performance of the model and do not in any manner indicate the returns/performance of the Scheme. One cannot invest directly in an index.*

ENTIRE PERIOD	QUANT MODEL	S&P BSE 200 TRI	S&P BSE PSU INDEX	HIGH BETA BASKET	HIGH LEVERAGE BASKET
RETURNS	17.9%	13.1%	5.0%	5.2%	7.6%
STD. DEVIATION	18.7%	22.5%	24.2%	33.6%	28.8%
RETURN/RISK	0.96	0.58	0.21	0.16	0.26

Eliminating likely value destroyers is a principal consideration of the strategy

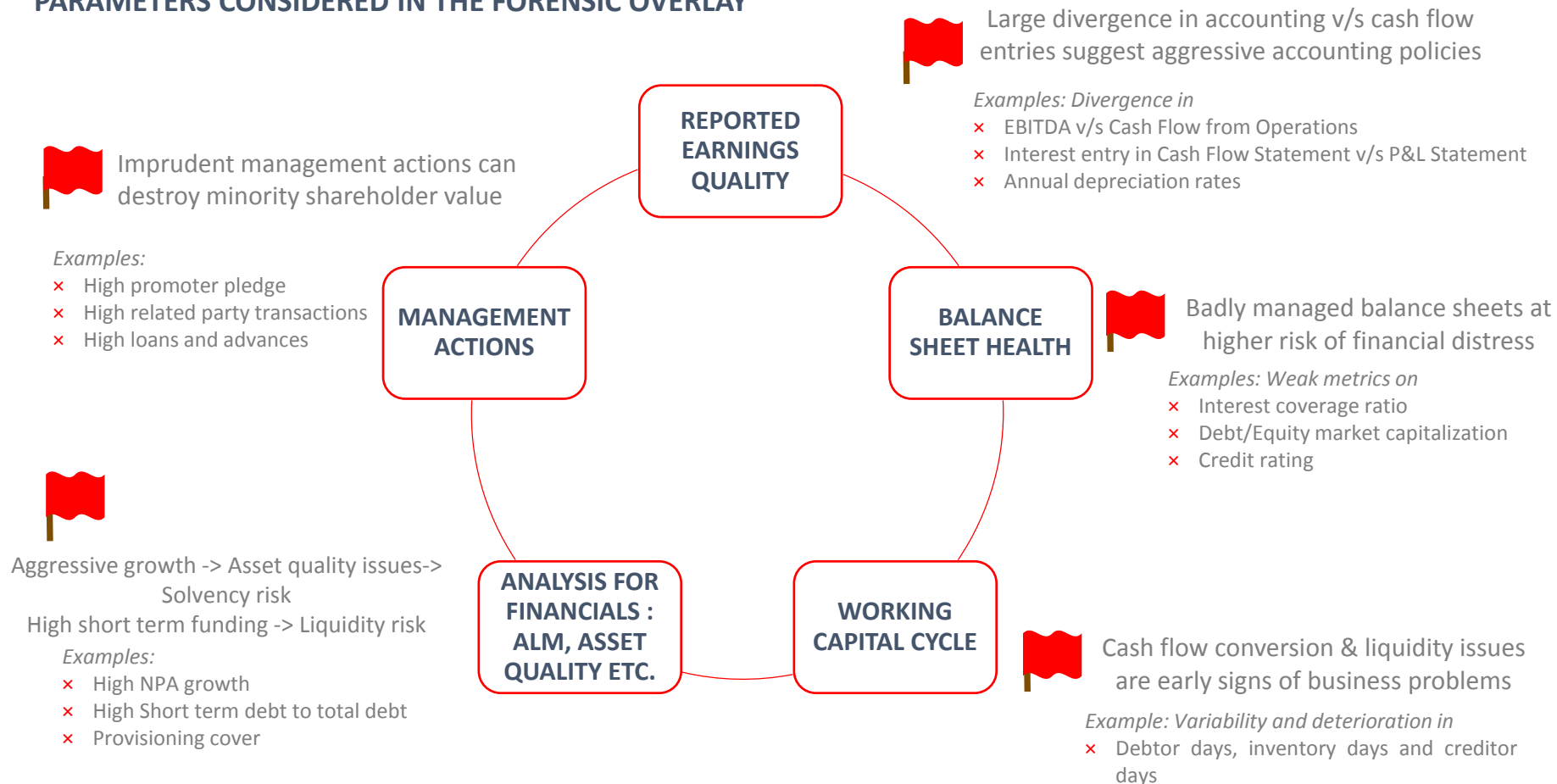
Stage 1 : Criteria used for elimination



Extensive criteria to identify and eliminate potential value destroyers from the investible universe

Details of Forensic Analysis

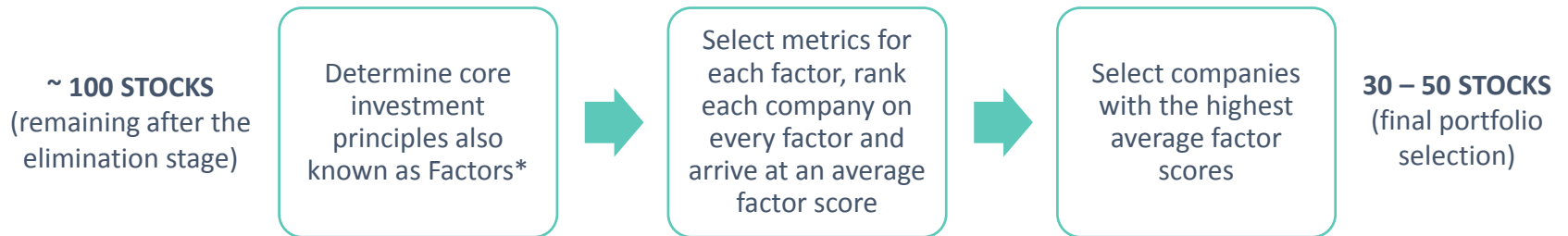
PARAMETERS CONSIDERED IN THE FORENSIC OVERLAY



Forensic analysis is a critical part of the elimination process

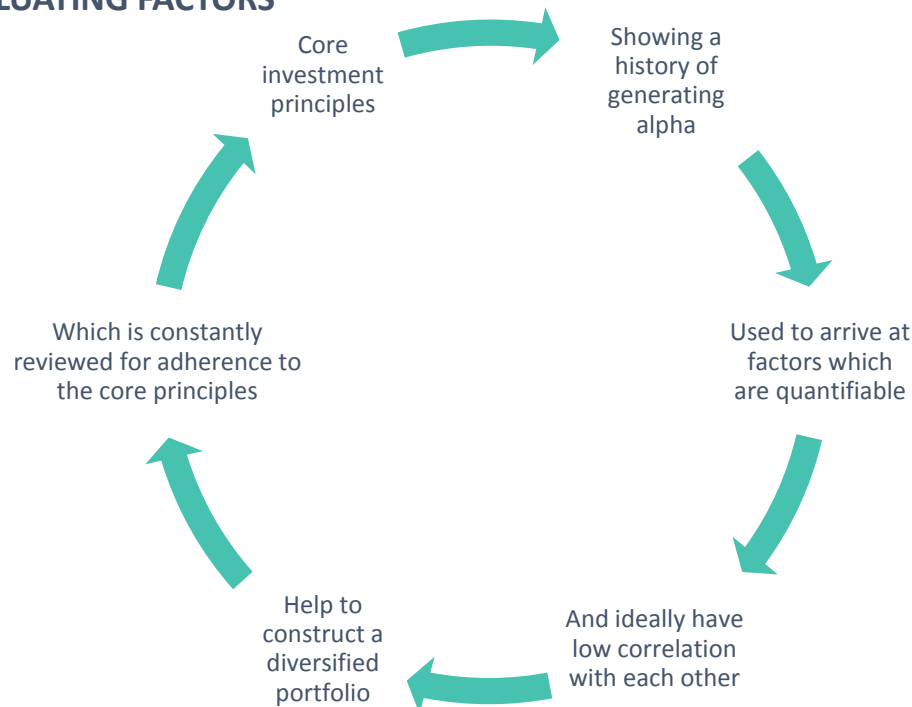
Stage 2 : Selection process

SELECTION PROCESS FLOW



**Based on research, established in back-tests*

EVALUATING FACTORS

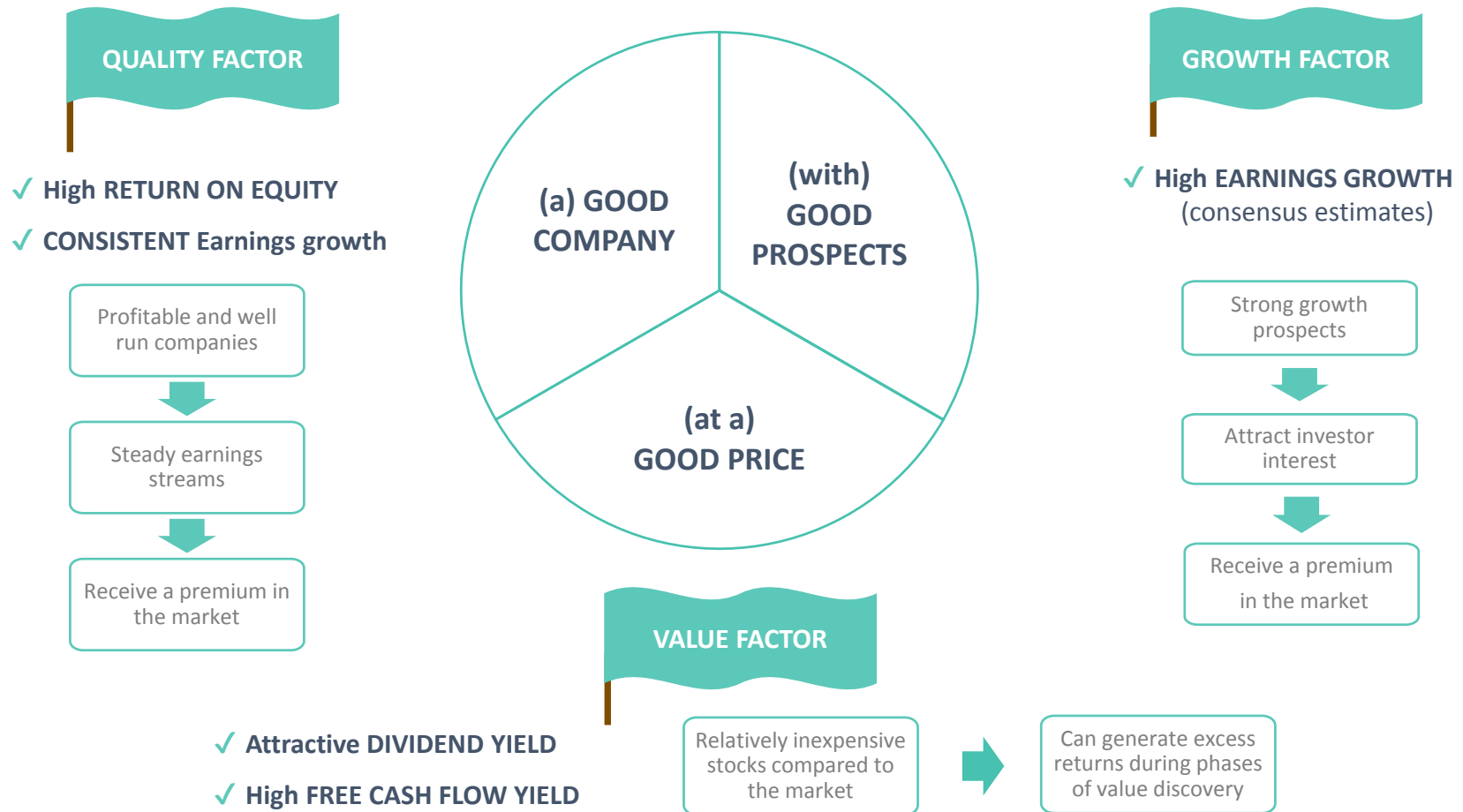


Factors convert core investment principles into easily measurable metrics

Factors have historically been principal drivers of alpha

Stage 2 : Selection of good companies

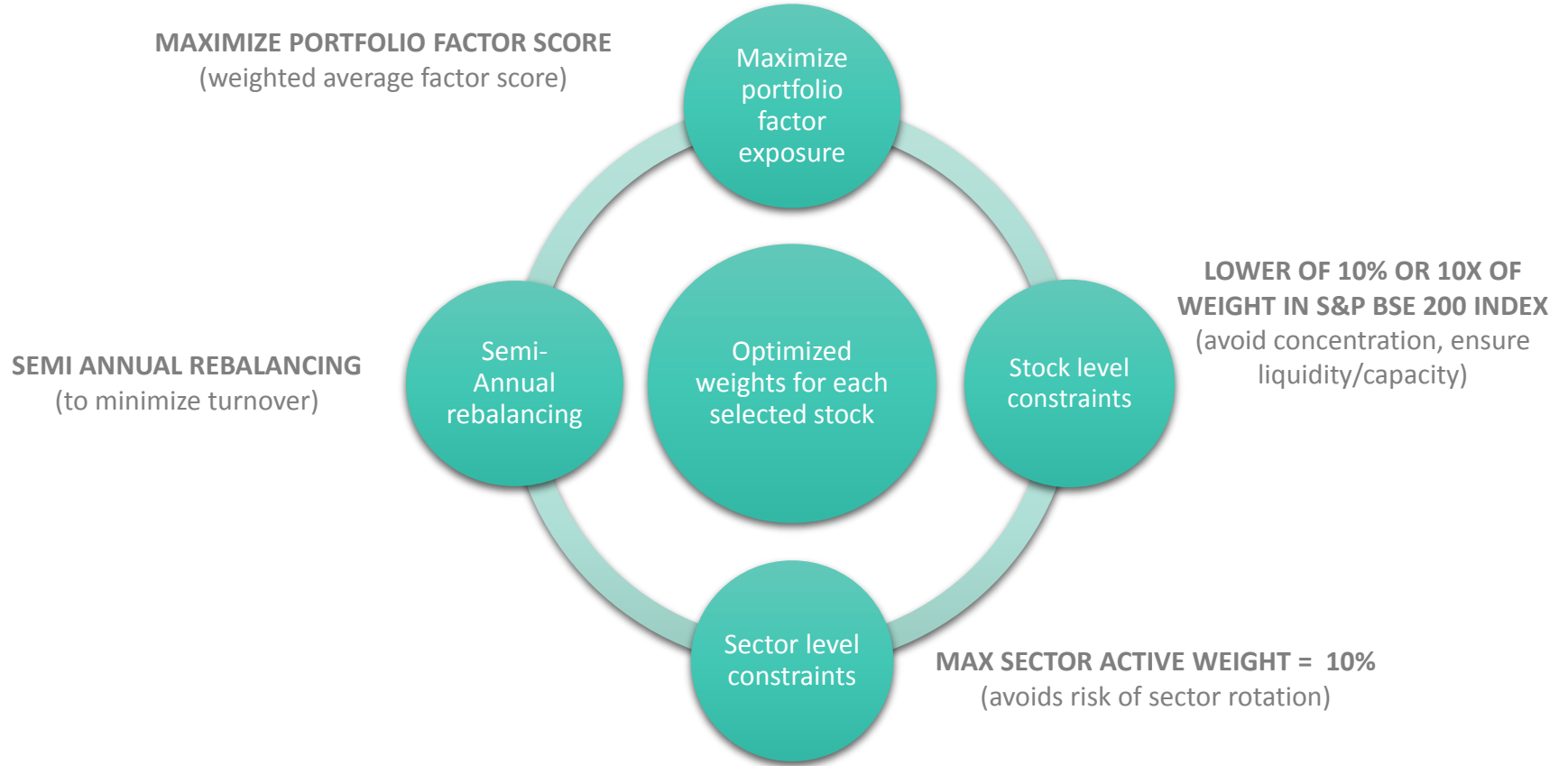
EVALUATING COMPANIES ACROSS MULTIPLE FACTORS



Using a multi-factor approach to assess companies in a holistic manner

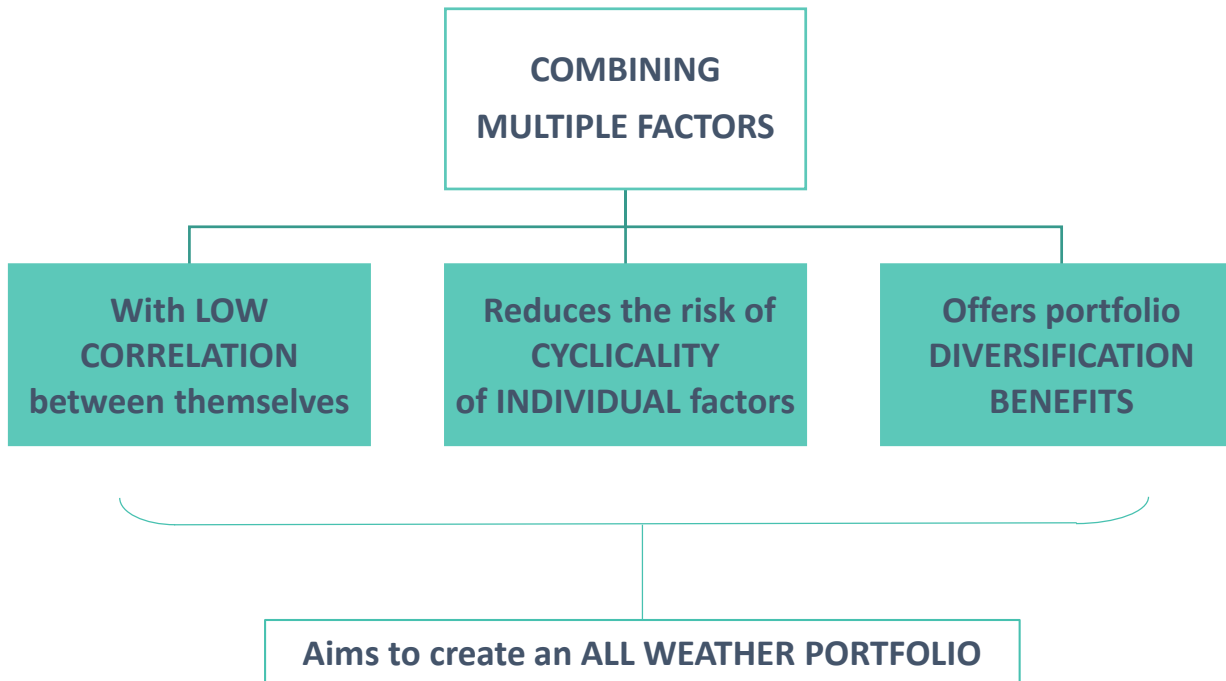
Stage 3 : Optimization process

ASSIGN WEIGHTS TO 30 – 50 SELECTED STOCKS AND CREATE FINAL PORTFOLIO



Optimization done with the objective of creating a diversified portfolio

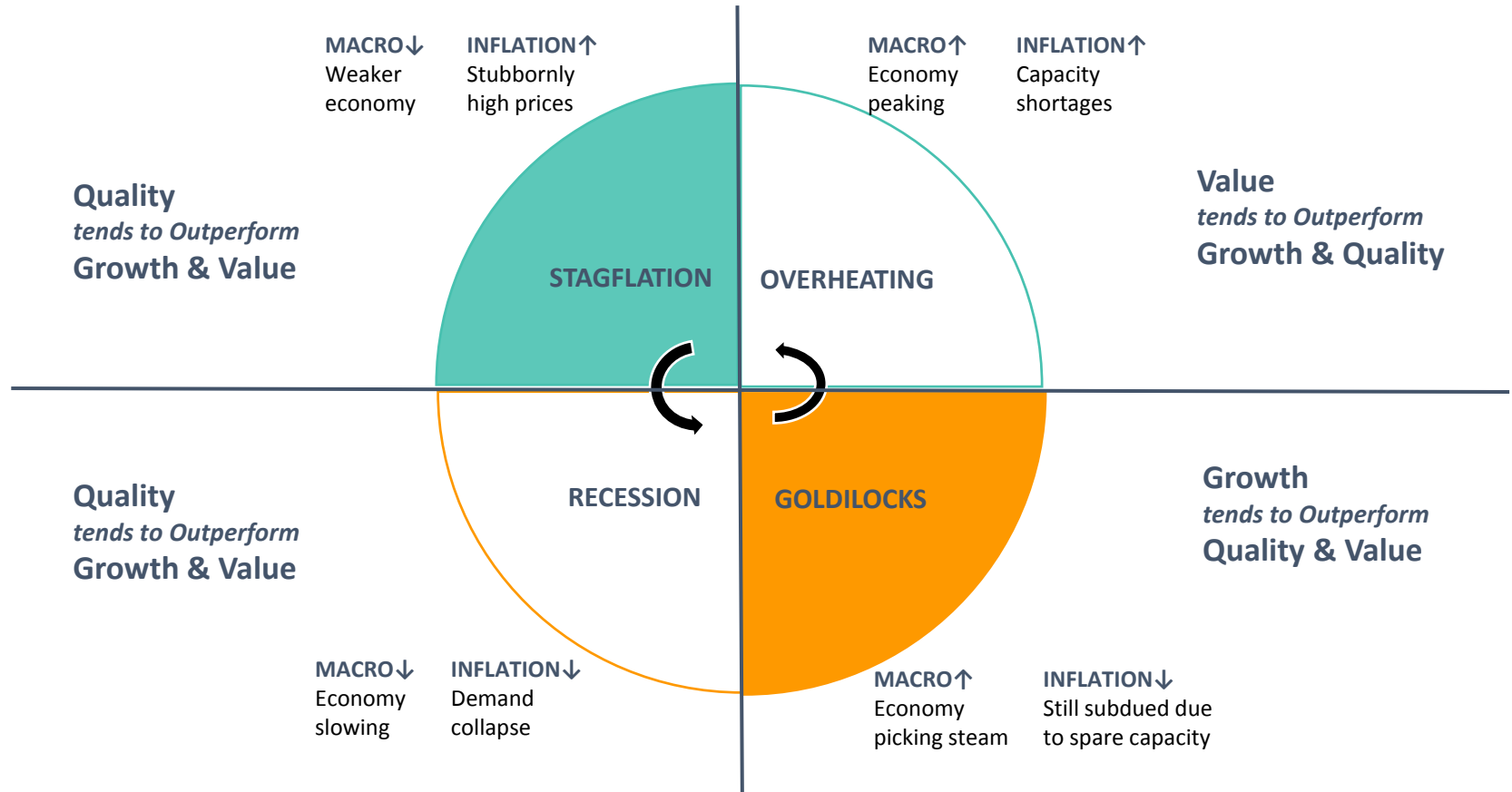
Why do we use multiple factors?



Based on the core investment principle of portfolio diversification

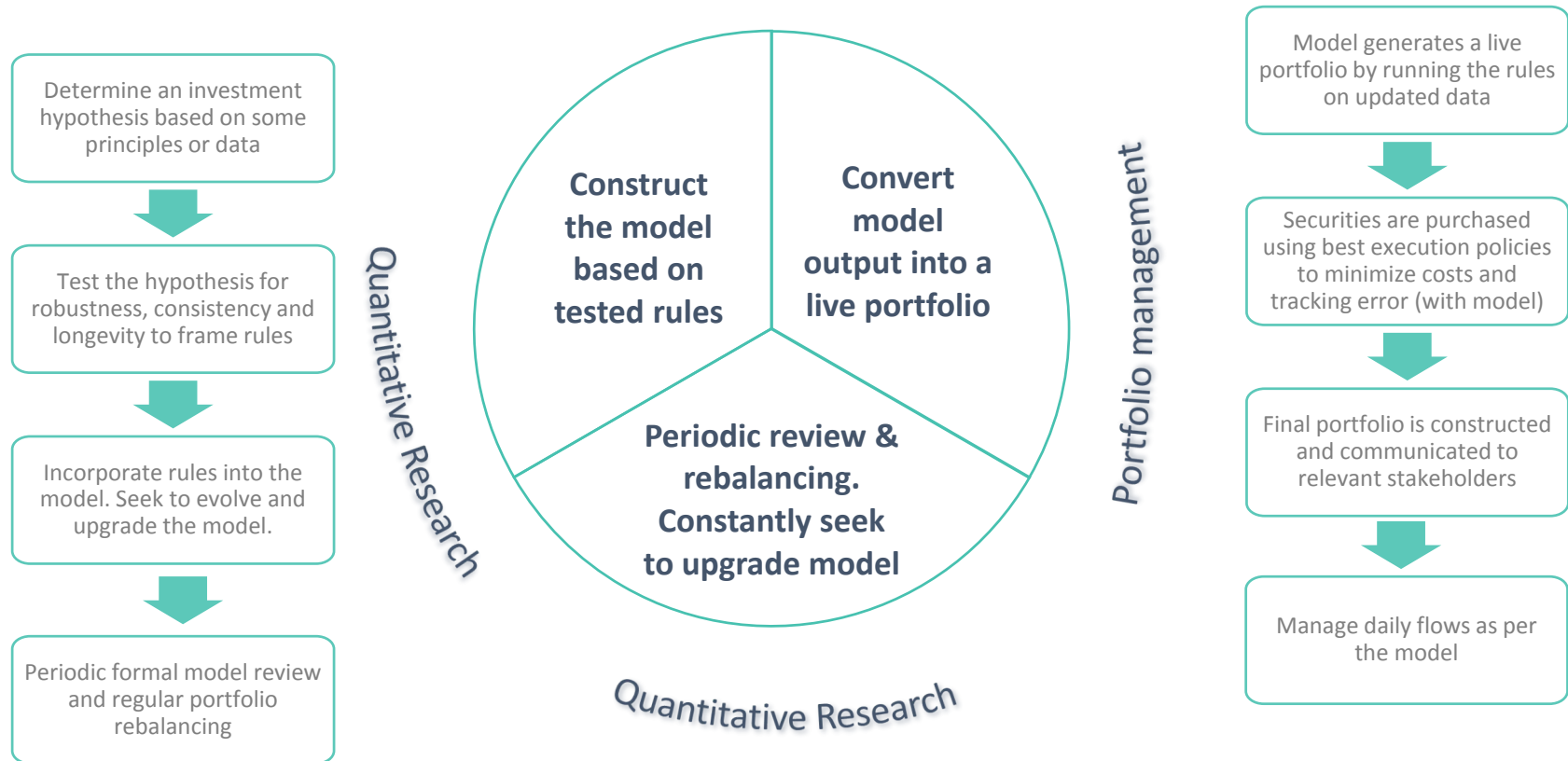
Factor cyclicality

MAPPING MACRO CONDITIONS TO FACTORS

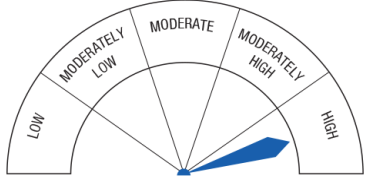


Factors generally show cyclicality in performance across the economic cycle

QUANTITATIVE RESEARCH and PORTFOLIO MANAGEMENT TEAM



Product labelling details

Fund	Product Suitability	Riskometer
DSP Quant Fund (An open ended equity scheme investing based on a quant model theme)	<p>This open ended equity scheme is suitable for investors who are seeking*</p> <ul style="list-style-type: none">▶ Long term capital growth▶ Investment in active portfolio of stocks screened, selected, weighed and rebalanced on the basis of a predefined fundamental factor model	 <p>Investors understand that their principal will be at high risk</p>

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

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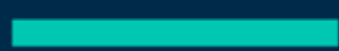
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