

**DSP BlackRock Dual Advantage Fund
– Series 5 – 36M**

NFO Period: July 02, 2012 – July 16, 2012

The question on the investor's mind

Markets are volatile

Global uncertainty still prevails

Inflation playing spoilsport

What do I do with my money?

Where are we now?

Equity

- We expect economic growth to remain subdued for the first half (till September) of the financial year (FY2013) due to the lack of investment spend, high crude oil prices and headwinds from the Euro zone
- However, we believe economic activity could improve in the second half of the financial year as headwinds cited earlier begin to recede and the investment cycle picks up
- We expect the earnings growth for the market to be around 13-15%. Inflation and crude oil prices remain the key risks for the market
- The RBI may further cut rates as we have witnessed a slowdown in the GDP (India's Q4 GDP at 5.3% & FY12 GDP at 6.5%)
- Equity markets are trading at reasonable valuations with the 1 year forward Sensex P/E at 12.9x; below the 15-year average P/E of 14.8x (Source: Motilal Oswal)

Fixed Income

- RBI initiated repo rate and CRR cuts in April to combat signs of weakening growth, but is focusing now in inflationary pressures
- Barring structural outflows, systemic liquidity scenario continues to remain near the comfort zone and is likely to improve in light of prospective FII-friendly investment norms
- Core inflation has remained range-bound, but food inflation continues to pose a threat to headline WPI. And in the wake of awaited diesel price deregulation, retail inflation, as measured by CPI continues to be a sore point for the RBI
- Interest rates have likely peaked and are set to reverse in our opinion. Therefore, it may be a good time to invest for the long-run at prevalent interest rates

Benefit from higher interest rates with likely equity market upside

Source: Internal

DSP BlackRock Dual Advantage Fund – Series 5 – 36M (Scheme)

What is this Scheme?

- An income scheme that seeks to offer stability of fixed income while combining the likely upside potential of equity markets
- Equity allocation to be invested in long-dated index options in order to benefit from the likely higher return potential as compared to investing in a portfolio of stocks
- Debt allocation to be invested in instruments that could provide superior risk-adjusted returns
- Rigorous credit research and evaluation process to manage the credit risk in the portfolio

Features	
Name of the Scheme	DSP BlackRock Dual Advantage Fund – Series 5 – 36M
Type of Scheme	A close-ended income fund
Fund Managers	Dhawal Dalal & Apoorva Shah
Maturity date	22 July 2015
Benchmark	CRISIL MIP Blended Index
Entry load	NIL
Exit load	Not applicable (the units of the scheme will be listed on the Bombay Stock Exchange)
Options	Growth
	Dividend Payout

How does it work?

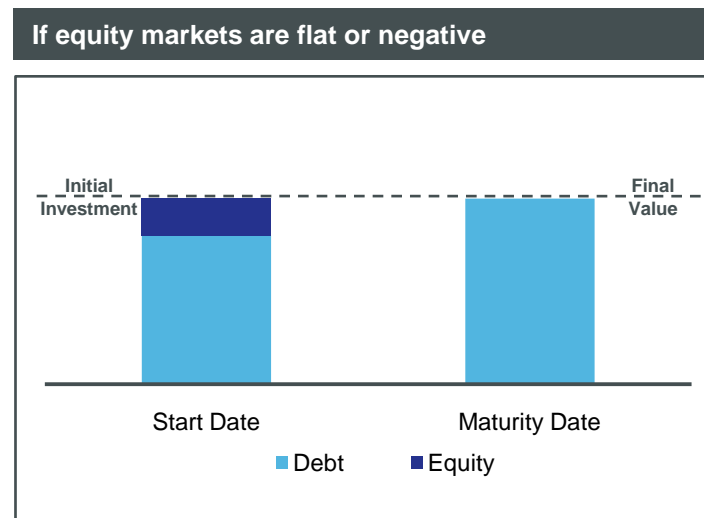
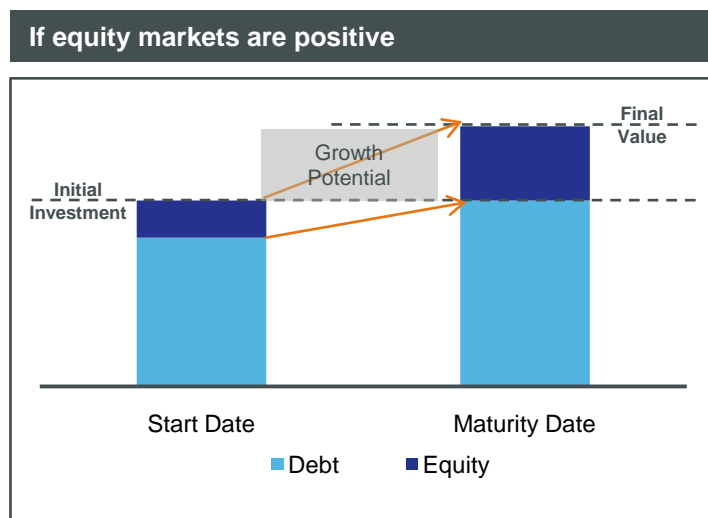
The Scheme is a hybrid portfolio whose investment allocation is as follows

- **Debt**

- Debt allocation to be invested in instruments that could provide superior risk-adjusted returns
- The maturity of the underlying securities will be on or before the maturity date of the Scheme in order to seek to minimise interest rate risk















- **Equity**

- Equity allocation to be invested in long tenure index options¹ in order to benefit from the likely higher return potential of equity markets



The calculation and figures shown above are only for illustration purposes and by no means should it be construed as indicative of the Scheme's performance. There is no assurance of any capital protection or capital guarantee for investors in this Scheme. **There is no assurance that the investment objective of the Scheme will be realized.**

How is it different from other hybrid funds?

	DSP BlackRock Dual Advantage Fund	Monthly Income Plans (MIP)	Balanced Funds	Fixed Maturity Plans (FMP)
Type	Close-ended	Open-ended	Open-ended	Close-ended
Debt exposure				
Equity participation ¹				NA
Equity downside risk ²				NA
Interest rate risk				

Legend ○ - Low ● - High

¹ The actual equity participation will depend on the market conditions (market level, option premium, etc.) prevailing at the time of deployment

² The investment made in option premiums is a cost that cannot be recovered

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How does a hybrid strategy using options work?

▪ Option specifications

- Type: Long-dated equity index call option
- Expiry: The Scheme will invest in long-dated options whose expiry is closest (but earlier) to the maturity date of the Scheme
- Strike price: The strike price of these options will be closest to the market level at the time of investment to ensure that the payoff of the option strategy is as close as possible to that of the broad market

Illustration of equity participation for the fund

	Scenario 1	Scenario 2
Portfolio value	100	100
Equity allocation* (A)	20	20
Nifty call option strike price (B)	5100	5100
Option premium in Rs. (C)	1020	1130
Option premium as % of strike ($D = C / B$)	20%	22%
Number of call options that can be bought from equity allocation (i.e. Participation Ratio = A / D)	100%	90%

* As per SEBI guidelines, the maximum exposure to option premium can be 20% of the net assets of the Scheme. The calculation and figures shown above are only for illustration purposes and by no means should it be construed as indicative of the Scheme's performance. There is no assurance of any capital protection or capital guarantee for investors in this Scheme. **There is no assurance that the investment objective of the Scheme will be realized.**

Illustration of returns for a hybrid equity strategy using options

		Scenario 1	Scenario 2	Scenario 3
Initial portfolio value (A)		100	100	100
Debt allocation (B)		80	80	80
Yield on debt portfolio (indicative)		9.4%	9.4%	9.4%
Returns from debt allocation (C)		24.8	24.8	24.8
Equity allocation* ($E = A - B - D$)		20	20	20
Equity participation		95%	95%	95%
Annualized Nifty returns		20%	0%	-20%
Absolute Nifty returns		73%	0%	-49%
Returns from equity allocation (F)		69.2	0	0
Final portfolio value at maturity ($= B + C + F$)		173.9	104.7	104.7
Portfolio returns	Absolute	73.9%	4.7%	4.7%
	Annualized	20.3%	1.6%	1.6%

* As per SEBI guidelines, the maximum exposure to option premium can be 20% of the net assets of the Scheme. The calculation and figures shown above are only for illustration purposes and by no means should it be construed as indicative of the Scheme's performance. The returns shown above are before expenses that will be charged to the fund. There is no assurance of any capital protection or capital guarantee for investors in this Scheme. **There is no assurance that the investment objective of the Scheme will be realized.**

Disclaimers

Investment Objective: The primary investment objective of **DSP BlackRock Dual Advantage Fund – Series 5 – 36M (DSPBRDAF – S5 – 36M)** is to generate returns and seek capital appreciation by investing in a portfolio of debt and money market securities. The scheme also seeks to invest a portion of the portfolio in equity & equity related securities to achieve capital appreciation. As far as investments in debt and money market securities are concerned, the Scheme will invest only in securities which mature on or before the date of maturity of the Scheme. **There is no assurance that the investment objective of the Scheme will be realized.** **Asset Allocation:** *Debt Securities 50% to 100%, Money Market Securities/Instruments 0% to 25%, Equity and Equity related securities 0% to 25%. *Debt Securities may include securitized debt instruments upto 50% of the net assets. **Terms of Issue: Minimum Investment** –Rs. 5,000/- and multiples of Re. 1/- thereafter. **Options** – Growth & Dividend Payout. Declaration of NAV on every Business Day. **Listing** – Units of the Scheme will be listed on the Bombay Stock Exchange Ltd. (BSE). Investors can buy/sell Units on a continuous basis on BSE during the trading hours like any other publicly traded stock. The Units under the Scheme cannot be directly redeemed with the Mutual Fund as the Units will be listed on the stock exchanges. **Dematerialization** - The Unit holders are given an option to hold the Units by way of an account statement (physical form) or in dematerialized form (Demat). The Units of the Scheme will be traded compulsorily in dematerialized form.

Statutory Details: DSP BlackRock Mutual Fund was set up as a Trust and the settlors/sponsors are DSP ADIKO Holdings Pvt. Ltd. & DSP HMK Holdings Pvt. Ltd. (collectively) and BlackRock Inc. (Combined liability restricted to Rs. 1 lakh). **Trustee:** DSP BlackRock Trustee Company Pvt. Ltd. **Investment Manager:** DSP BlackRock Investment Managers Pvt. Ltd. ('AMC') **Risk Factors:** **Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Schemes' objectives will be achieved. As with any investment in securities, the NAV of Units issued under the Scheme can go up or down depending on the factors and forces affecting capital markets.** Past performance of the sponsor/AMC/mutual fund does not indicate the future performance of the Scheme. Investors in the Scheme are not being offered a guaranteed or assured rate of return. The Scheme are required to have (i) minimum 20 investors and (ii) no single investor holding >25% of the corpus of the Scheme. In case of non-fulfillment of the condition of minimum 20 investors, the investor's money would be refunded, in full, immediately after the close of the New Fund Offer Period. In case of non-fulfillment with the condition of 25% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the 25% limit would be rejected, and the allotment would be effective only to the extent of 25% of the corpus collected. **DSPBRDAF – S5 – 36M is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns.** For detailed Scheme specific risk factors such as liquidity risk, credit risk, reinvestment risk, interest rate risk, concentration risk, event risk, price risk, risk associated with equity and equity related instruments, risk of co-mingling, risk associated with derivatives, risk associated with securitized asset, risk associated with listing of units and risk associated with closed-ended scheme, please refer the relevant Scheme Information Document (SID). For more details, please refer the Statement of Additional Information, SID and Key Information Memorandum cum Application Forms, which are available at AMC and Registrar Offices and Investor Service Centres/ AMC website i.e www.dspblackrock.com. BSE Disclaimer: It is to be distinctly understood that the permission given by Bombay Stock Exchange Ltd. should not in any way be deemed or construed that the SID has been cleared or approved by Bombay Stock Exchange Ltd. nor does it certify the correctness or completeness of any of the contents of the SID. The investors are advised to refer to the Scheme Information Document for the full text of the BSE Disclaimer. **Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

Additional disclosures:

- Buying of a call option gives the buyer a right but not the obligation to buy the Index at a future date. Hence,
 - i. If market goes up, buyer has a right to buy the Index at a lower level and sell at the prevailing rate, thereby realizing profit.
 - ii. If market goes down, the buyer loses the premium paid. But the maximum loss for a buyer is the premium paid, even if the market (though theoretically) becomes zero.
- At the time of deployment, the Scheme shall invest into fixed income securities as mentioned in the intended portfolio allocation table in the SID and KIM. However, in the event of lack of suitable assets (as mentioned in the intended portfolio allocation table), the Scheme may alternatively change its intended fixed income allocation into AAA-rated PFI and NBFC assets. Please refer to the SID and KIM for further details

The information provided in this document are as of June 25 2012 and may change as subsequent conditions vary