


NFO Period: November 7, 2014 to November 21, 2014

DSP BLACKROCK

3 YEARS CLOSE ENDED EQUITY FUND




A CLOSE ENDED EQUITY SCHEME

This close ended Scheme is suitable for investors who are seeking[^]

- Capital appreciation with a long term investment horizon;
- Investing predominantly in equity & equity related securities;
- High Risk  (Brown)

[^]Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

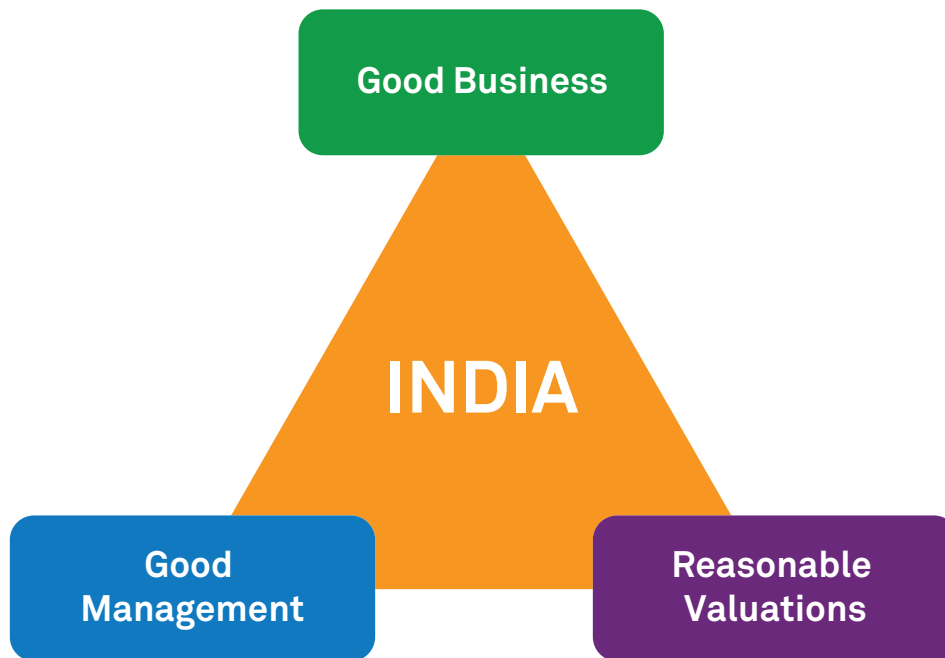
Note: Risk may be represented as:

- Investors understand that their principal will be at Low risk  (Blue)
- Investors understand that their principal will be at Medium risk  (Yellow)
- Investors understand that their principal will be at High risk  (Brown)



Stage is set for an economic turnaround

Why Indian equities now?



Priorities of the new government

Tax reforms
(Goods & Services Tax)

New tax structure to integrate all state economies, improve compliance and boost growth

Job creation

Focus on adding 10-12 million jobs every year

Mega projects

Delhi-Mumbai Industrial Corridor, Dedicated Rail Freight Corridor, etc

Public Sector Enterprises

Reform in governance

Energy reforms

Coal + Power + Fuel

Agriculture

Streamline outdated distribution system to increase efficiency

Source: Internal

India could be amongst the top 3 economies in the world by 2030

Four pillars of India's growth

2013: USD 1.9 trillion economy

2030: USD 13 trillion economy

Demographics

Large working age population (~650 mn)
Low worker-dependent ratio (55:45)
45% of population less than 25 years

Consumption

Expected CAGR growth across sectors:
Consumer Durables: ~18%
Auto: ~20%
Mortgage: ~22%

Technical Competence

IT: 78% of Fortune 500 outsource IT to India
Auto: Likely to be the 3rd largest market for light vehicles by 2021
Pharma: Largest number of FDA-approved facilities outside US

Infrastructure

Cumulative infrastructure investments of USD 35 trillion expected by 2030
Significant growth opportunity in:
Power generation capacity
Road network
Port capacity
Airport capacity

Source: Internal, CLSA, Axis Research, NCEAR, Indian Labour report 2009, CRISIL report (Retail finance), National Housing Board, Nomura, ACMA, Morgan Stanley, IIFL Research

Macro-economic scenario has started improving

Reducing Fiscal Deficit

- Fiscal deficit could **fall below 4% of GDP** for first time in seven years
- Some of the contributing factors: Higher than estimated tax collections (around Rs. 9.7 lac crore), expectations of a successful disinvestment program and lower food and fuel bills

Narrowing Current Account Deficit

- Current Account Deficit **declined sharply to 1.7% of GDP** in Q1FY15 from 4.8% of GDP last year

Crude oil prices below USD 100/barrel

- Global demand/supply mismatch have kept crude oil prices under pressure
- The correction in crude oil prices has eased off pressure from current account deficit, inflation, oil subsidies, fiscal deficit and corporate margins

Forex Reserves near all-time highs (around USD 311 billion)*

- The RBI is preparing for withdrawal of US Fed's easy monetary policy by building forex reserves
- This will help curb currency volatility

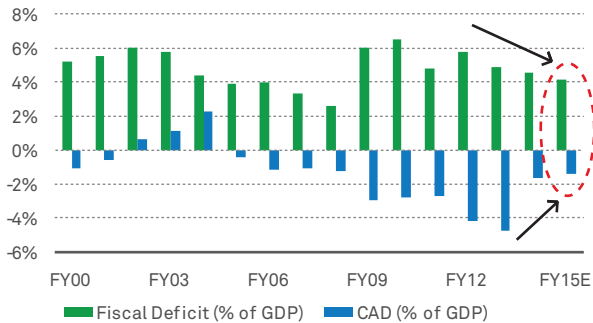
Strong recovery in monsoon

- Will help in controlling food inflation which is a key contributor to core inflation

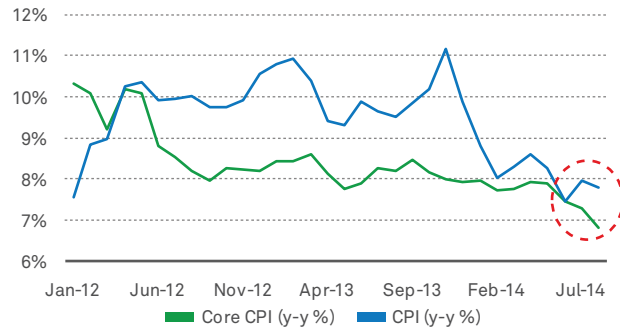
Source: Internal *As on Oct 03, 2014

Improvement in macro data

Narrowing Current Account Deficit & Fiscal Deficit



Moderating Inflation (CPI)



Stability in Industrial Production (IIP)

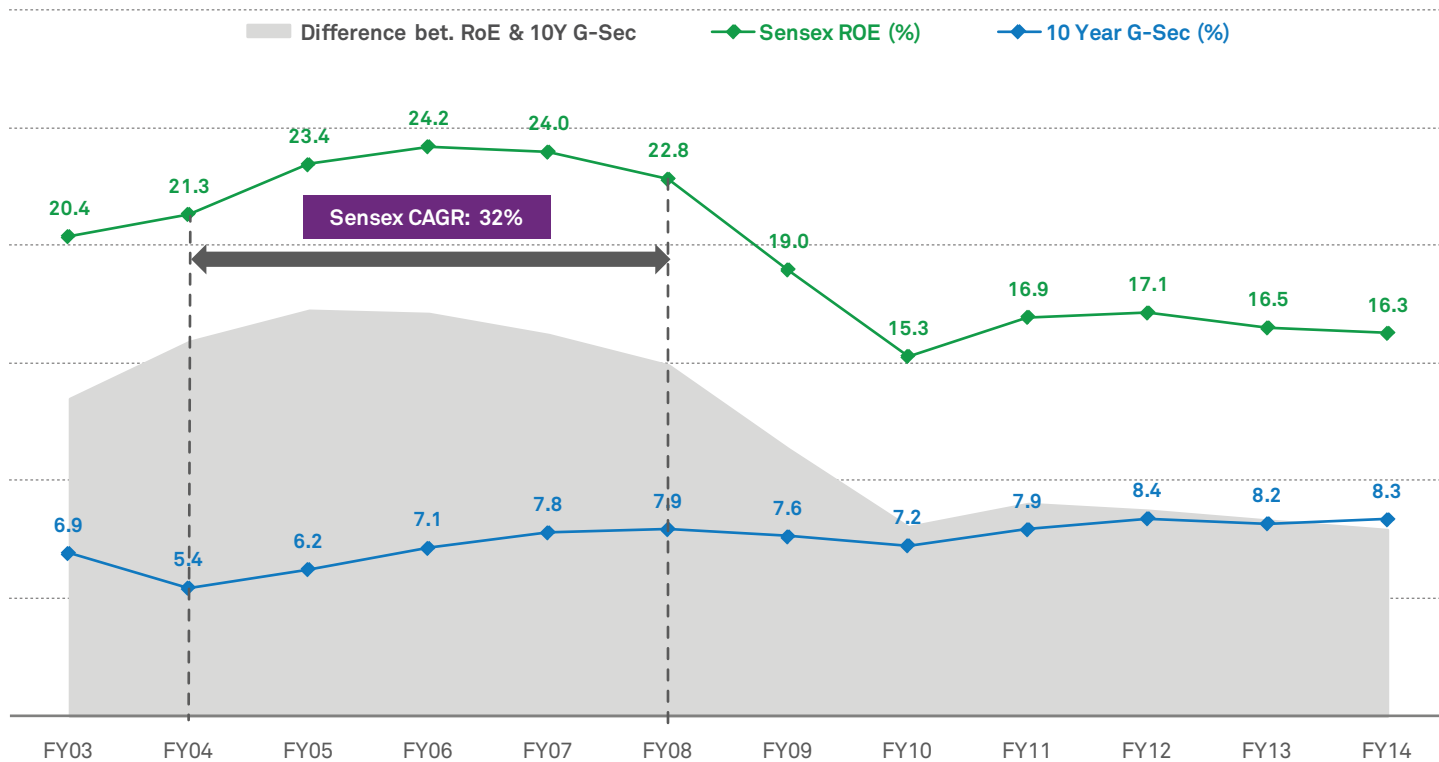


Revival in Currency (RBI REER)



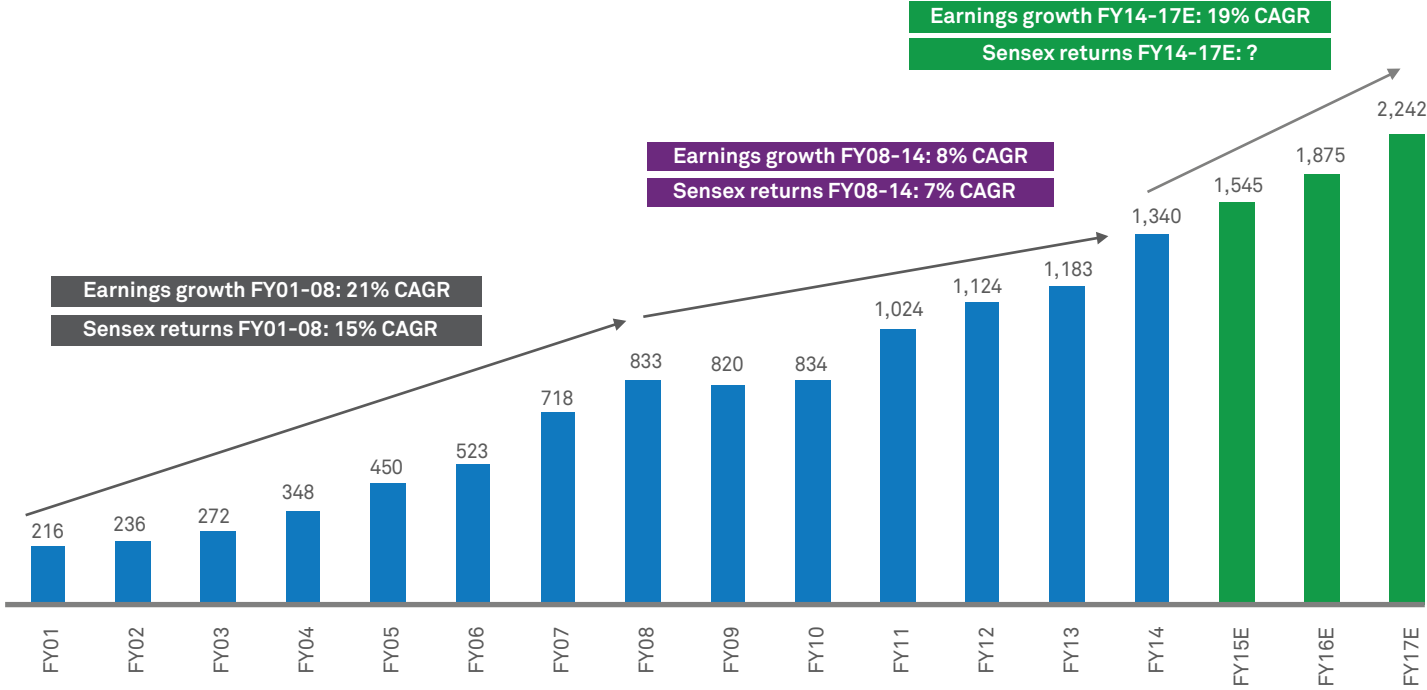
Source: CMIE, Bloomberg, Nomura research. August 2014

Gap between Return on Equity (RoE) & interest rates has bottomed out



Source: Motilal Oswal Research

Earnings growth expected to pick up



Historically, equity market performance has been highly correlated with earnings growth

Source: Motilal Oswal Research. Internal. The data or figures mentioned above shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund.



How to best capture the Indian growth story over the next few years?

Mid/Small/Micro Cap space – Value proposition

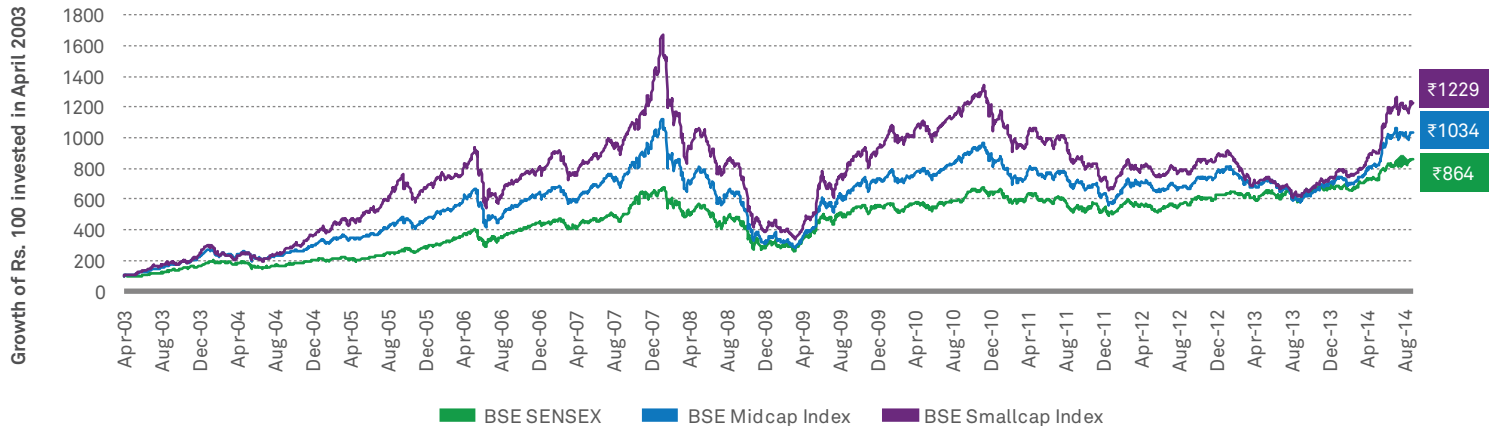
Best way to access market inefficiencies

Niche plays reduce correlation amongst stocks & with broader markets

Large pool of varied, uncorrelated stocks

Large number of under-owned & under-researched stocks

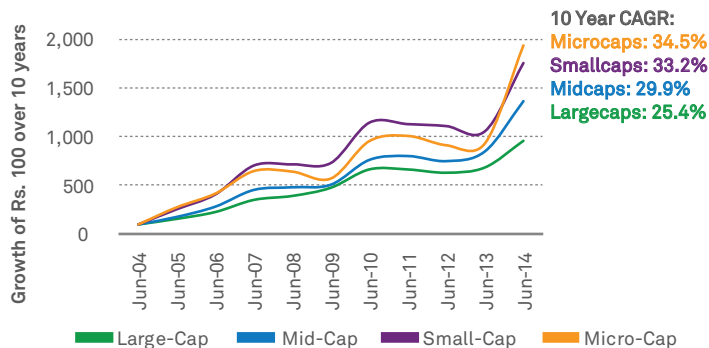
Mid/small caps tend to outperform large caps as economy grows at a faster pace



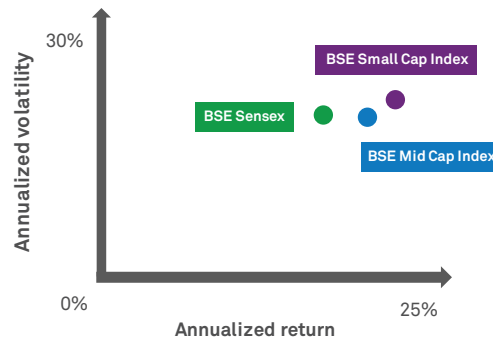
Source: Bloomberg; Data as on Aug 31 2014. All indices have been rebased to 100 on April 1, 2003 for the purpose of this chart

Factors that contribute to attractiveness of Mid/Small/Micro Cap stocks

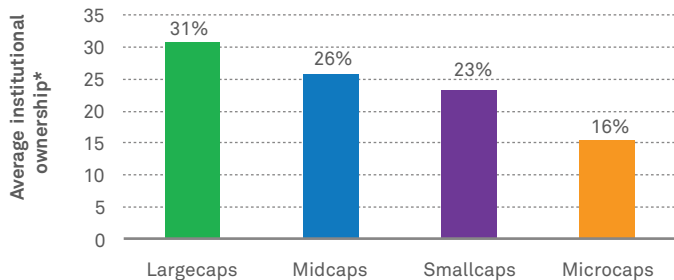
Potential of better performance over long-term



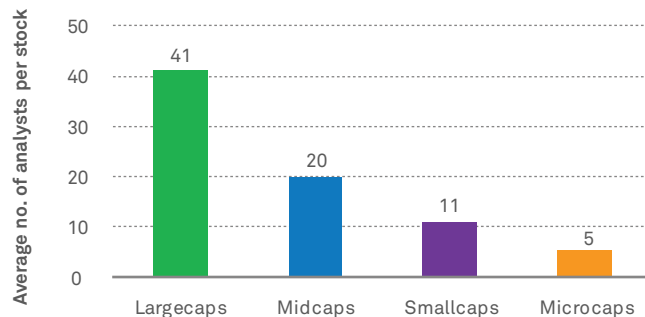
Small cap index has delivered best risk-adjusted returns



Under-owned stocks



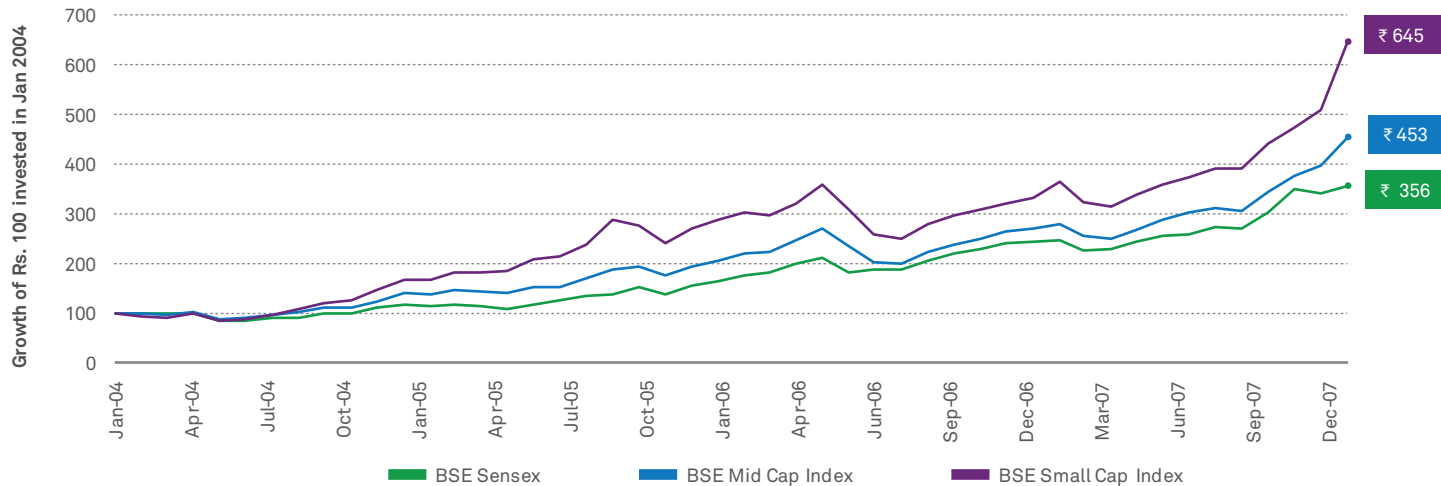
Under-researched stocks



Source: Ambit Capital, Bloomberg. *Average of institutional ownership of individual companies within each segment.

Note: Universe is top 500 stocks on market cap each year. Large-caps are defined as top 100 stocks on market capitalization, mid-caps as 101-200, small-caps as 201-300 and micro-caps as 301-500

Outperformance of Mid Cap and Small Cap stocks in bull markets



- ▶ The above chart shows the growth of Rs. 100 invested in BSE Sensex , BSE Mid Cap Index and BSE Small Cap Index over the period Jan 2004 – Dec 2007
- ▶ The period considered reflects one of the most well known bull runs

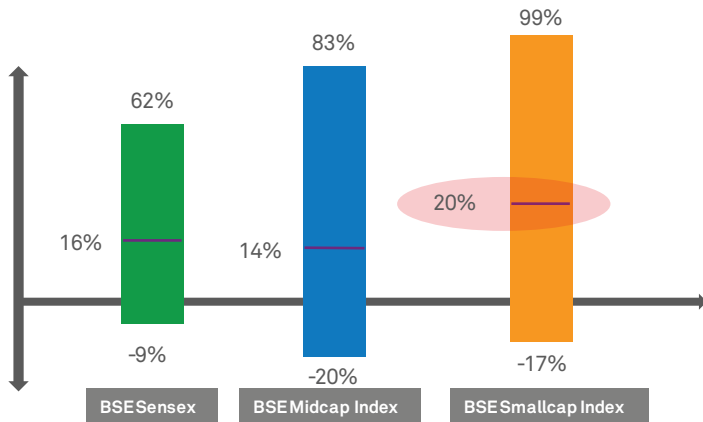
In case of a secular bull run, mid cap and small cap stocks have the potential to outperform large cap stocks

Source: Bloomberg; Period considered: Monthly data from Jan 04 – Dec 07. BSE Small Cap Index , BSE Mid Cap Index and Sensex have been rebased to 100 in Jan 2004 for the purpose of this chart. The data or figures mentioned above shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund.

Why choose a close ended equity fund?

Flexibility to the fund manager as he/she does not have to manage daily fund flows from investors

Liquidity within the small/micro cap segment is lower (as seen in the adjacent chart)

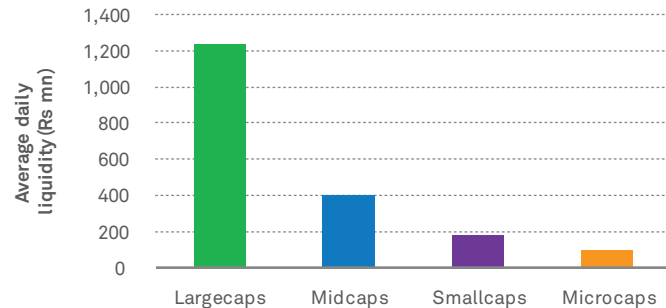


On an annualized rolling returns basis, small cap index delivers highest average returns on a three year basis (as seen in the adjacent chart)

— Average return

The adjacent chart shows performance range (minimum, maximum and average) for a three year holding period. Returns shown are annualized rolling returns with a daily rolling frequency. Period considered: April 2003 to August 2014.

Lower activity levels

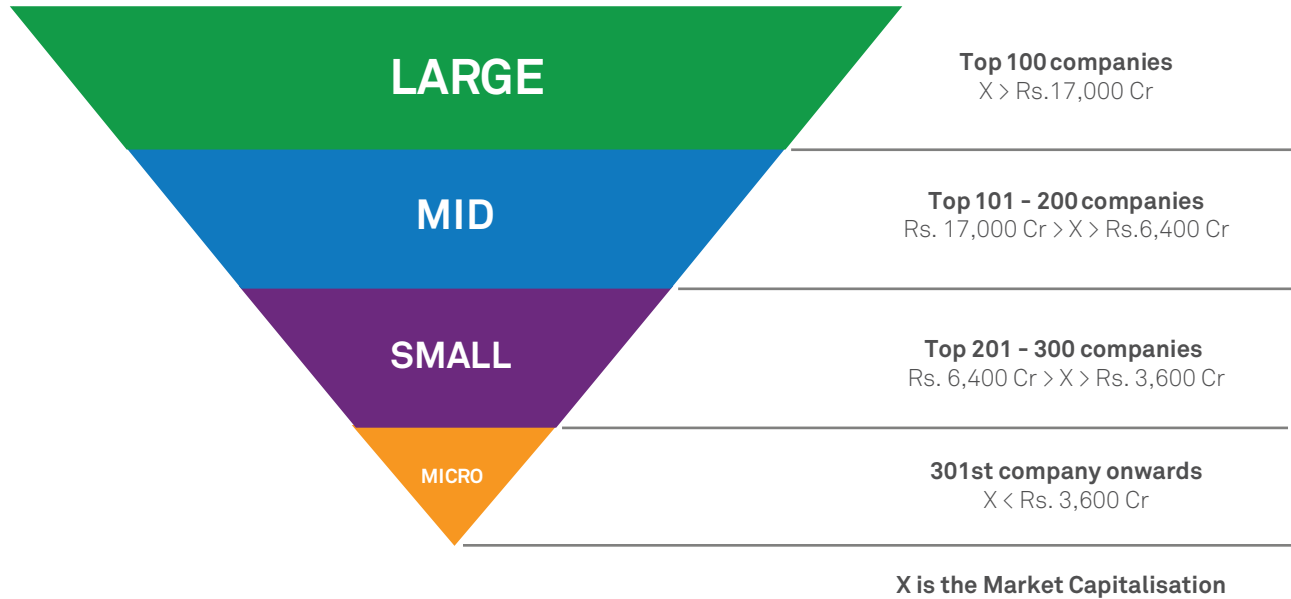


Source: BSE, Internal. The data or figures mentioned above shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund.



Presenting: DSP BlackRock 3 Years Close Ended Equity Fund

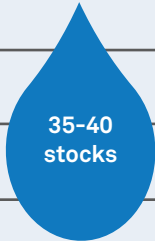
Market capitalization spectrum



Source: Internal; Data as of September 2014.

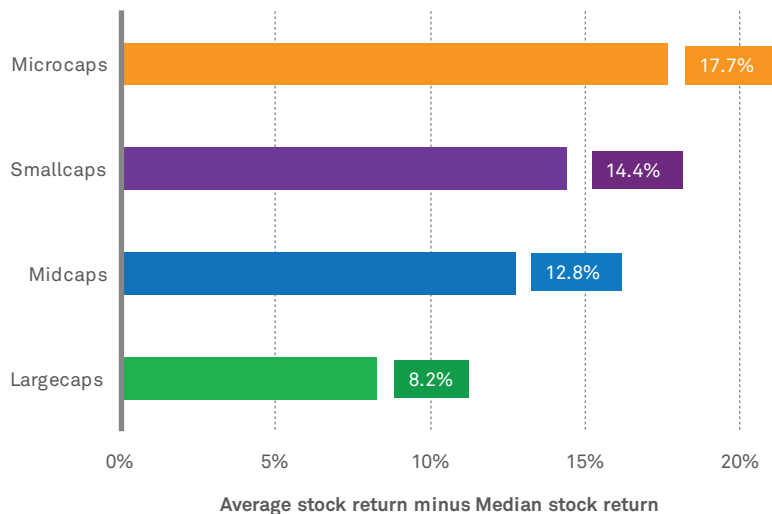
Reasons to consider DSP BlackRock 3 Years Close Ended Equity Fund

- Experienced investment team
- Robust risk and quantitative analytics
- Long track record of fund manager

Fund Managers		Vinit Sambre, Laukik Bagwe
Benchmark		CNX 500 Index
Market Capitalization	LARGE	
	MID	
	SMALL	
	MICRO	
Style		Flexible

Case for active management in mid/small/micro cap space

Difference between average stock returns and median stock returns



Difference between average and median returns – an indicator of how divergent the outliers are from the median

Higher this difference, higher the divergence in returns and higher the potential to generate excess returns

Ability to identify these outliers could potentially add significant alpha

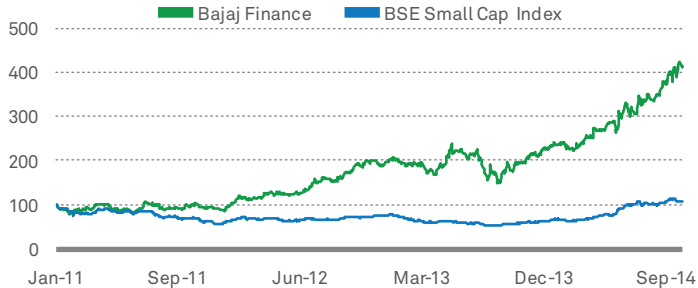
As the average is much higher than median for small/micro caps vs large caps, there is a higher potential to generate alpha via active management

Source: Bloomberg.

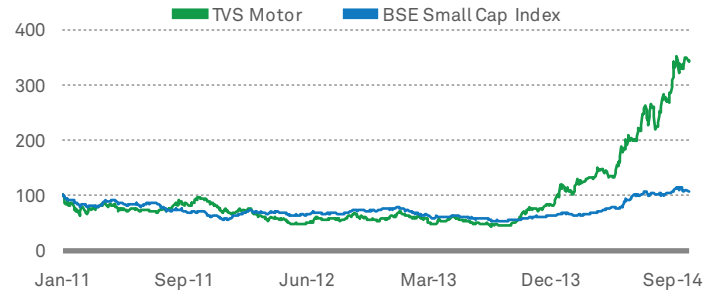
Note: Universe is top 500 stocks on market cap each year. Large-caps are defined as top 100 stocks on market capitalization, mid-caps as 101-200, small-caps as 201-300 and micro-caps as 301-500

Stock pickers market: generate alpha via active management

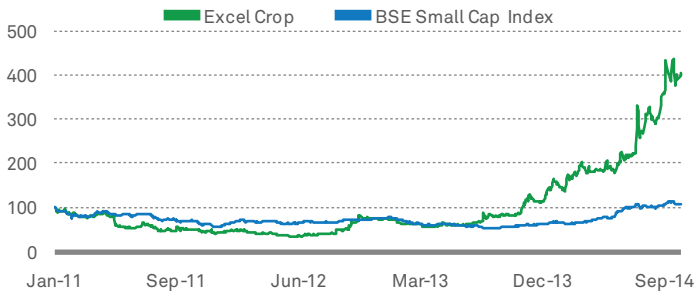
Management Attributes: Entrepreneurship, vision, ambition, value and belief.
E.g.: Bajaj Finance



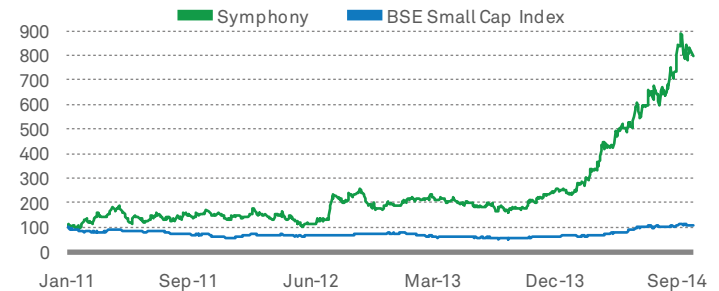
Turnaround story: Increased market share, new products/upgrades, operating leverage. E.g.: TVS Motor Company



Theme: E.g.: Excel Crop Care. "Rural prosperity through better agriculture" one of the focus areas of new government

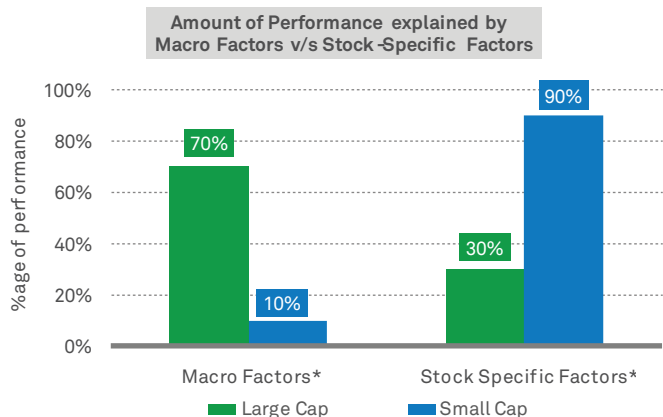


Bottom-up play: Product innovation, category leader, growth opportunity due to lower penetration, attractive financials with strong valuations. E.g.: Symphony Ltd



Source: Bloomberg; Data as on 30 September, 2014. Prices normalized to the base of 100. Individual stock price/stock performance does not represent the returns/performance of the Scheme. The data or figures mentioned above shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund. For disclaimers please refer last page.

Opportunities & Challenges



*Macro factors would include, for example, inflation, GDP growth, commodities prices, etc.

Stock-specific factors include, for example, the company's earnings, product development and market share.

Source: Citigroup

Under-owned & under-researched companies

Large number of stocks & wide variety of sectors

Founders exert greater influence on operations

Corporate actions (for example, mergers, acquisitions, etc.) affect stock prices

For small/micro cap stocks, company-specific factors have a much higher impact than macro factors

The data or figures mentioned above shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund.

Features

Name of the Scheme	DSP BlackRock 3 Years Close Ended Equity Fund
Type of Scheme	A Close Ended Equity Scheme
Fund Managers	Vinit Sambre, Laukik Bagwe
NFO dates	7 November 2014 – 21 November 2014
Benchmark	CNX 500 Index
Entry load	Not Applicable
Exit load	NIL (The Units under the Scheme cannot be directly redeemed with the Mutual Fund as the Units will be listed on the Stock Exchange/s.)
Plans	Regular Plan Direct Plan
Options	<ul style="list-style-type: none">• Growth (default option)• Dividend

Possible risks of investing in small cap and micro cap companies

Business model might not scale

Liquidity risk

Poor corporate governance

Company management dependent on one or a few persons

High price volatility

For scheme specific risk factors, please refer the Scheme Information Document and Key Information Memorandum of the Scheme available at www.dsblackrock.com

Disclaimer

Statutory Details: DSP BlackRock Mutual Fund was set up as a trust and the settlers/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 Private Limited. **Risk Factors: Mutual funds, like securities investments, are subject to market and other risks and there can be no assurance that the Scheme's 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. Investors in the Scheme are not being offered a guaranteed or assured rate of return. Each Scheme is required to have (i) minimum 20 investors and (ii) no single investor holding >25% of corpus. If the aforesaid point (i) is not fulfilled within the prescribed time, the Scheme concerned will be wound up and in case of breach of the aforesaid point (ii) the application to the extent of exposure in excess of the stipulated 25% limit would be liable to be rejected and the allotment would be effective only to the extent of 25% of the corpus collected. Consequently, such exposure over 25% limits will lead to refund within 5 Business days from the closure of the NFO period. **The name of the Scheme do not in any manner indicate the quality of the Scheme, its future prospects or returns.** In this material DSP BlackRock Investment Managers Pvt. Ltd. (the AMC) has used information that is publicly available, including information developed in-house. Information gathered and used in this material is believed to be from reliable sources. The AMC however does not warrant the accuracy, reasonableness and / or completeness of any information. We have included statements / opinions / recommendations in this document, which contain words, or phrases such as "will", "expect", "should", "believe" and similar expressions or variations of such expressions that are "forward looking statements". Actual results may differ materially from those suggested by the forward looking statements due to risk or uncertainties associated with our expectations with respect to, but not limited to, exposure to market risks, general economic and political conditions in India and other countries globally, which have an impact on our services and / or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices etc. **The product strategies mentioned in the document may change depending upon the market conditions and the same may not be relevant in future.**

All figures and other data given in this document are as on 7 Oct, 2014 (unless otherwise specified) and the same may or may not be relevant in future and the same should not be considered as solicitation/ recommendation/guarantee of future investments by DSP BlackRock Investment Managers Pvt. Ltd. or its affiliates. The data or figures mentioned in this presentation shall not be construed as indicative yields/returns of any of the Schemes of DSP BlackRock Mutual Fund ('Fund'). **Past performance may or may not be sustained in the future.** The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any recommendation of the same and the Scheme may or may not have any future position in these sector(s)/stock(s)/issuer(s). Investors are advised to consult their own legal, tax and financial advisors to determine possible tax, legal and other financial implication or consequence of subscribing to the units of the Fund. **For scheme specific risk factors and more details, please read the Scheme Information Document, Statement of Additional Information and Key Information Memorandum of Scheme available on ISC of AMC and also available on www.dspblackrock.com.**

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.