


DYNAMIC ASSET ALLOCATION FUND

This Open ended Fund of Funds Scheme is suitable for investors who are seeking[^]

- Long-term capital growth;
- Investments in units of one or more equity mutual funds and debt mutual funds of DSP BlackRock Mutual Fund;
- High Risk  (Brown)

FREQUENTLY ASKED QUESTIONS

What is the DSP BlackRock Dynamic Asset Allocation Fund?

DSP BlackRock Dynamic Asset Allocation Fund (Scheme) is a first of its kind mutual fund scheme that offers clients an asset allocation solution. The Scheme endeavours to dynamically change the asset allocation based on the relative attractiveness between equity and fixed income.

The Scheme would invest in existing equity and fixed income schemes of DSP BlackRock Mutual Fund.

What is the New Fund Offer (NFO) period for DSP BlackRock Dynamic Asset Allocation Fund?

The NFO for this Scheme opens on January 17, 2014 and closes on January 31, 2014

Why should an investor consider this Scheme?

- **Solution focused:** Seeks to offer a bundled investment proposition
- **Active approach:** Achieves tactical asset allocation based on the relative attractiveness of equity and debt markets
- **In-built risk management:** Automatic rebalancing of portfolios to not only aim for better returns, but also to limit downside for investors during market downturns
- **Simple and holistic:** Uses the simple Yield Gap ratio to assess valuations of both equity and debt markets.
- **All-weather fund:** Suitable for investors looking at long-term wealth creation, without tracking equity and debt market conditions

What is the investment strategy of DSP BlackRock Dynamic Asset Allocation Fund?

DSP BlackRock Dynamic Asset Allocation Fund decides upon the asset allocation considering how equity markets are valued with regards to debt markets. If equity markets are cheaper in valuation than debt markets, then the Scheme invests more in equity. If equity markets are expensive in valuation than debt markets, then the Scheme invests more in debt.

The Scheme makes these asset allocation decisions based on metrics known as "Yield Gap" ratio and "Modified Yield Gap" ratio which consider relative valuation of equity and debt markets.

Please refer to the Scheme Information Document for more details.

What is the Yield Gap ratio?

Yield Gap ratio for the Scheme is calculated as follows:

$$\text{Yield Gap} = (10 \text{ year G-Sec yield}) / (\text{Earnings yield of Nifty})$$

Since the model intends to make asset allocations between debt and equity, we have considered a proxy for both these markets to arrive at the asset allocation decision.

What is the earnings yield ratio?

Earnings yield is calculated as follows:

$$\text{Earnings yield} = \text{Earnings/Price}$$

Thus, it's a reciprocal of the more commonly known ratio Price/Earnings or P/E ratio.

While P/E is a valuation measure, E/P is a "return on investment" indicator which shows what is the return (E) earned by investing at a price (P).




What is the Modified Yield Gap ratio?

Modified Yield Gap ratio is a variation of the yield gap ratio and it considers 1 Yr GSec yield instead of 10 Yr GSec yield.

Thus, modified yield gap ratio is calculated as follows:

$$\text{Modified yield gap} = (1 \text{ Yr GSec yield}) / (\text{Earnings yield of Nifty})$$

[^]Investors should consult their financial advisors if in doubt about whether the scheme 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)

What are the allocation bands for Yield Gap and Modified Yield Gap ratios?

$$\text{Yield Gap} = \frac{10\text{Y G Sec Yield}}{\text{Earnings Yield of Nifty}}$$

$$\text{Modified Yield Gap} = \frac{1\text{Y G Sec Yield}}{\text{Earnings Yield of Nifty}}$$

Equity Allocation Vs. Yield Gap Levels

Yield Gap Ratio	Equity Allocation
<1.10	90%
1.10 - 1.20	80%
1.20 - 1.30	70%
1.30 - 1.40	60%
1.40 - 1.50	50%
1.50 - 1.60	40%
1.60 - 1.70	30%
1.70 - 1.80	20%
>1.80	10%

Modified Yield Gap Ratio	Equity Allocation
<0.7	90%
0.7 - 0.8	80%
0.8 - 0.9	70%
0.9 - 1	60%
1 - 1.1	50%
1.1 - 1.2	40%
1.2 - 1.3	30%
1.3 - 1.4	20%
>1.4	10%

Source for the above tables: Scheme Information Document

Under what circumstances will the Yield Gap and Modified Yield Gap based allocation be used?

We would be calculating both the yield gap and modified yield gap ratios on a daily basis. If the difference between the two ratios (yield gap ratio minus modified yield gap ratio) is greater than 0.05, we would use the yield gap ratio and when the difference between the two ratios is less than 0.05, we would use the modified yield gap ratio.

If the Scheme was live currently, what would be the equity allocation under the Scheme?

The model driving the Scheme currently suggests a 10% equity allocation (as at December 31, 2013). This is based on allocation bands of the modified yield gap ratio.

How frequently will the Scheme change its asset allocation?

The Scheme will allocate its assets in a) Units of DSP BlackRock Equity Fund and/or DSP BlackRock Top 100 Equity Fund and/or other specified equity schemes of DSP BlackRock Mutual Fund: 10% - 90%, b) Units of DSP BlackRock Strategic Bond Fund and/or DSP BlackRock Short Term Fund and/or other specified debt schemes of DSP BlackRock Mutual Fund: 10%-90% and c) Money market securities and/or units of money market/liquid schemes of DSP BlackRock Mutual Fund: 0%-10%.

There is no pre-defined frequency at which the Scheme will change its asset allocation. The relevant metrics will be tracked on a daily basis and rebalancing will be done whenever the model suggests the same.

Where would the Scheme primarily invest to get equity and debt exposure?

The Scheme would be investing primarily in the following funds to get equity exposure:

- DSP BlackRock Top 100 Equity Fund
- DSP BlackRock Equity Fund

The Scheme would be investing primarily in the following funds to get debt exposure

- DSP BlackRock Strategic Bond Fund
- DSP BlackRock Short Term Fund

The aforesaid schemes are hereafter referred to as "primary underlying schemes"

What will be the basis for allocation between the primary underlying schemes each in equity and fixed income?

The allocation between the primary underlying schemes in each asset class will be equally weighted.

Will the Scheme consider any other mutual fund schemes for investment apart from the primary underlying schemes?

The Scheme has a provision to invest in the following additional schemes of DSPBR:

- Additional Equity schemes: DSP BlackRock Focus 25 Fund and/or DSP BlackRock Opportunities Fund and/or DSP BlackRock India T.I.G.E.R Fund (The Infrastructure Growth and Economic Reforms Fund) .
- Additional Debt schemes: DSP BlackRock Money Manager Fund and/or DSP BlackRock Banking & PSU Debt Fund and/or DSP BlackRock Income Opportunities Fund.

However these additional schemes will be considered for allocation only when the Scheme's allocation to a primary underlying scheme reaches 20% of AUM of primary underlying scheme.

What are the features of DSP BlackRock Dynamic Asset Allocation Fund?

Minimum Investment: Rs. 5,000/- and multiples of Re 1/- thereafter

Options Available: Growth (default option) Dividend – Payout/Reinvest

Plans: Regular Plan Direct Plan

Load structure:

Entry Load	Not Applicable
Exit Load (as a % of Applicable NAV)	Holding period <= 1 year: 1% Holding period > 1 year; <= 2 years : 0.5% Holding period >2 years: NIL

Disclaimer:

Investment Objective: The investment objective of the Scheme is to seek capital appreciation by managing the asset allocation between specified equity mutual funds schemes and debt mutual funds schemes of DSP BlackRock Mutual Fund. The Scheme will dynamically manage the asset allocation between the specified equity mutual funds schemes and debt mutual funds schemes of DSP BlackRock Mutual Fund based on the relative valuation of equity and debt markets. The Scheme may also invest a certain portion of its corpus in money market securities and/ or money market/liquid schemes of DSP BlackRock Mutual Fund, in order to meet liquidity requirements from time to time. However, there is no assurance that the investment objective of the Scheme will be realized. **Asset Allocation:** a) Units of DSP BlackRock Equity Fund and/or DSP BlackRock Top 100 Equity Fund and/or other specified schemes of DSP BlackRock Mutual Fund: 10% - 90%, b) Units of DSP BlackRock Strategic Bond Fund and/or DSP BlackRock Short Term Fund and/or other specified schemes of DSP BlackRock Mutual Fund: 10%-90% and c) Money market securities and/or units of money market/liquid schemes of DSP BlackRock Mutual Fund: 0%-10%. **Investment Strategy:** The asset allocation of the Scheme shall be based on the Yield Gap Ratio Model. **Exit load:** Holding period from date of allotment : Less than or equal to one year: 1%; Greater than one year and less than or equal to two years: 0.5%; Greater than two years: Nil. The expenses of the scheme will be over and above the expenses charged by the underlying schemes. 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 Scheme. **For complete details on risk factors, event of suspension of subscriptions and more details, investors are requested to read the Scheme Information Document (SID) of the Scheme. For risk factors and product labeling details of the underlying schemes, investors are requested to read the respective SIDs of the underlying schemes. Past performance may or may not be sustained in the future.**

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

FOR MORE INFORMATION

Contact Centre: 1800 200 4499

Email: service@dspblackrock.com

Website: www.dspblackrock.com

DSP BLACKROCK
MUTUAL FUND