

MARKET OUTLOOK AND FUND UPDATE

**DSP BLACKROCK
MUTUAL FUND**

Equity Market Overview

- The Sensex and the Nifty indices have moved up during July 2010. As at July 21, 2010, the Nifty index was at 5,399, up 1.63% mtd while the Sensex Index was at 17,977, up 1.56% mtd.
- The Industrial Production (IP) growth for May 2010 decelerated to 11.5% y-o-y compared to 16.5% y-o-y growth in April 2010 (revised downwards from 17.6% earlier) and 13.9% y-o-y growth in March 2010. The growth was well below market expectations. On a seasonally adjusted basis the IP index was down 2.7% m-o-m compared with a growth of 2.6% m-o-m in April. In the manufacturing segment the growth decelerated to 12.3% y-o-y largely on account of machinery and equipment, food products and other manufacturing industries. Growth in the electricity and mining segments decelerated to 6.4% y-o-y and 8.7% y-o-y respectively. According to used based classification, growth in the capital good segment decelerated sharply to 34.3% y-o-y while that in the consumer goods segment also slowed down to 8.2% y-o-y for the month of May 2010.
- Headline inflation, as measured by the monthly Wholesale Price Index (WPI), stood at 10.6% y-o-y for June 2010, compared to 10.2% y-o-y inflation in the previous month and 11.2% y-o-y in April 2010 (revised upwards from 9.6% y-o-y). Non-food inflation accelerated to 10.1% y-o-y in June 2010 from 8.8% y-o-y in May, while food inflation moderated to 11.6% y-o-y in June 2010 as compared to 13% y-o-y in May 2010.
- The monsoon season has started on a slow note. Cumulative rainfall for the period June 1 to July 20, 2010 has been 15% below normal. This is marginally better than the 19% deficit same time last year. India's agricultural sector which comprises 15% of GDP is heavily dependent on monsoon rains and July is a crucial month as most of the sowing takes place in July. Looking ahead, however, it is possible that the rains cover up the deficit during August and September.
- Month to date, the economy has seen FII inflows of approx. USD 2 bn into equities. On an YTD basis, there have been inflows in excess of USD 8.5 bn.

Outlook

- Economic activity remains strong, and while global uncertainty remains, India should be in a beneficial position from a global liquidity point of view once things stabilize. Additionally, the funds collected by the Government from the 3G + BWA auction should alleviate concerns on the fiscal front. The RBI can be expected to hike rates in the upcoming policy review keeping in mind the rising inflation. However, if the global economic scenario worsens, RBI can be expected to go slow with the monetary tightening policy, in order to maintain growth. India, therefore, from a medium and long term perspective seems well set for GDP growth in excess of 8%.

Source: Internal

Scheme in Focus: DSP BlackRock Equity Fund

Portfolio

Asset size: Rs. 2,049.45 crore as on June 30, 2010

Top 10 Stocks	% to Net Assets	Top 10 Sectors	% to Net Assets
Reliance Industries	5.46%	Banks	11.28%
State Bank of India	4.56%	Pharmaceuticals	9.89%
Infosys Technologies	3.99%	Industrial Capital Goods	8.92%
GlaxoSmithKline Pharma	1.94%	Consumer Non Durables	8.11%
Jubilant Organosys	1.87%	Petroleum Products	7.65%
Torrent Pharmaceuticals	1.82%	Software	7.10%
Bharat Petroleum Corpn.	1.79%	Finance	5.04%
Larsen & Toubro	1.79%	Power	4.75%
Oil & Natural Gas Corpn	1.71%	Gas	3.64%
GAIL (India)	1.68%	Construction	2.99%

Compounded Annualised Returns as on July 21, 2010

	DSP BlackRock Equity Fund - Regular Plan	SNP CNX NIFTY [^]
Last 1 year	40.59%	20.82%
Last 3 years	13.66%	5.74%
Last 5 years	27.65%	19.33%
Since Inception	25.60%	13.11%
NAV / Index Value (July 21)	Rs. 50.291	5,399.35

[^]Benchmark. "Since inception" returns are calculated on Rs. 10/- invested at inception, viz. date of allotment. All returns are for Dividend Option assuming reinvestment of dividend. **Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.**

Fixed Income Overview

- The Benchmark 10 Yr government bond yield moved up from 7.55% pa in the beginning of the month to 7.68% pa currently on expectations of a rate hike in the upcoming policy review by the RBI.
- Money market yields rose sharply on account of the prevailing tight liquidity conditions and supply pressure. 3M Bank CD rates have moved from 6.50% pa to 6.70% pa mtd while the 12M bank CD rates have moved from approx. 6.90% pa to 7.30% pa during the same period.
- The Industrial Production (IP) growth for May decelerated to 11.5% y-o-y compared to 16.5% y-o-y growth in April 2010 (revised downwards from 17.6% earlier) and 13.9% y-o-y growth in March 2010. The growth was well below market expectations. On a seasonally adjusted basis the IP index was down 2.7% m-o-m compared with a growth of 2.6% m-o-m in April 2010. In the manufacturing segment the growth decelerated to 12.3% y-o-y largely on account of machinery and equipment, food products and other manufacturing industries. Growth in the electricity and mining segments decelerated to 6.4% y-o-y and 8.7% y-o-y respectively. According to used based classification, growth in the capital good segment decelerated sharply to 34.3% y-o-y while that in the consumer goods segment also slowed down to 8.2% y-o-y for the month of May 2010.
- Bank credit growth accelerated further to 21.7% y-o-y as of the fortnight of July 2, 2010 up from 19.6% y-o-y in June 2010. Deposit growth also accelerated to 14.9% y-o-y from 13.9% y-o-y in June 2010.

Outlook

- We expect government bonds to remain range-bound in the near-term due to market positioning ahead of upcoming Credit Policy. Market participants are expecting the RBI to hike both Repo and Reverse Repo Rate by another 25 basis points. We expect benchmark 10Y bond to trade between 7.60% to 7.70% pa in the near-term. However, we are bullish on the government bonds over the medium-term mainly due to improvement in the government finances and prospects of declining headline inflation.
- Money market rates are likely to head up further in response to further rate hikes as well as improvement in the credit off-take. We expect money market yield curve to steepen further due to market preference for short-term assets ahead of the RBI Credit Policy meeting. We expect 3M rates to approach 7% pa in the near term.

Source: Internal

Positioning of our Fixed Income Schemes as on July 16, 2010

	AUM Rs. crore	Fixed rate instruments	Floating rate instruments	Securitized debt	Money market instruments	Cash and equivalent	Modified duration
DSP BlackRock Liquidity Fund	1,448.97	11.45%	0.00%	0.00%	85.59%	2.96%	40 days
DSP BlackRock Money Manager Fund	685.24	7.97%	10.84%	0.19%	77.26%	3.74%	50 days
DSP BlackRock Floating Rate Fund	2,098.40	1.59%	2.97%	0.00%	94.01%	1.43%	61 days
DSP BlackRock Short Term Fund	771.57	3.19%	0.00%	1.03%	86.43%	9.35%	101 days
DSP BlackRock Strategic Bond Fund	891.84	0.00%	2.08%	0.00%	95.51%	2.41%	88 days
DSP BlackRock Bond Fund	117.76	67.31%	8.93%	0.68%	15.22%	7.86%	1420 days

Scheme in Focus: DSP BlackRock Money Manager Fund

Portfolio Construct*	% of Net Assets
Certificates of Deposit	61.16%
Commercial Papers	15.29%
Treasury Bill	3.08%
Securitized Debt Instruments	0.23%
Bonds & NCDs	15.75%
CBLO/ Repo Instruments	2.75%
Net Receivables/ Payables	1.74%

Modified Duration: 0.13 years, Average Maturity: 0.14 years
*Data as on June 30 2010.

Rating Profile*	% of Net Assets
AAA	12.25%
AA+	6.81%
A1+/ P1+/ F1+/ PR1+	76.45%
CASH & EQUIVALENT	4.49%

*Data as on June 30, 2010. All corporate ratings are assigned by rating agencies like CRISIL, CARE, ICRA, FITCH etc.

Compounded Annualised Returns as on July 20, 2010

PERIOD	DSP BLACKROCK MONEY MANAGER FUND	CRISIL LIQUID FUND INDEX ^
Last 1 Year	3.59%	3.45%
Last 3 Years	6.28%	6.03%
Since Inception	6.48%	6.41%
NAV/Index Value (June 20)	1283.3058	1,580.21

^Benchmark. Since inception returns are calculated on Rs. 10/- invested at inception, viz. date of allotment (July 31, 2006). All returns are for Regular Plan - Growth Option.

Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

DSP BlackRock Equity Fund (DSPBREF) is an open ended growth Scheme, seeking to generate long term capital appreciation, from a portfolio that is substantially constituted of equity securities and equity related securities of issuers domiciled in India. **Asset Allocation:** Equity & equity related securities: 90%-100%; Debt & money market securities: 0%-10% (Debt securities/instruments are deemed to include securitised debts). **Features:** SIP only in Regular Plan. Nomination facility available, subject to applicable conditions as per the Statement of Additional Information and Scheme Information Document. Declaration of NAV on all Business Days. Redemption normally within 3 Business Days. Sale and Redemption of Units on all Business Days at Purchase Price and Redemption Price respectively. Minimum Investment: Regular Plan - Rs. 5,000/- ; Institutional Plan - Rs. 5 crore. Entry load: NIL. Exit load: Holding Period < 12 months: 1%, Holding Period >= 12 months: NIL. **DSP BlackRock Bond Fund (DSPBRBF)** is an open ended income Scheme, seeking to generate an attractive return, consistent with prudent risk, from a portfolio which is substantially constituted of high quality debt securities, predominantly of issuers domiciled in India. As a secondary objective, the Scheme will seek capital appreciation. **Asset Allocation:** Debt & money market securities: 100% (Debt securities may include securitised debts upto 50% of net assets). **Features:** Sale and redemption of Units on all Business Days at Purchase Price and Redemption Price. Switching facility subject to prevailing terms of the scheme. SIP, SWP & STP facility available. Minimum Investment - Rs. 5,000/-. Entry Load: Nil; Exit Load - For holding period <= 7 calendar days : 0.10% and for holding period > 7 calendar days : Nil. Declaration of NAV on all Business Days. Redemption normally within 3 Business Days. **DSP BlackRock Strategic Bond Fund (DSPBRBSF)** is an open ended income scheme, seeking to generate optimal returns with high liquidity through active management of the portfolio by investing in high quality debt and money market securities. **Asset Allocation:** Money market securities and/or Debt securities with residual or average maturity of less than or equal to 367 days or put options within a period not exceeding 367 days: 0% - 100%; Debt securities which have residual or average maturity of more than 367 days: 0% - 100% (Debt Instruments may include securitised debts up to 75% of the net assets). **Features:** Minimum investment: Regular Plan - Rs. 5,000/-, Institutional Plan - Rs. 1 crore. Declaration of NAV on all Business Days. No Entry/ Exit Load. Redemption normally within 3 Business Days. **DSP BlackRock Short Term Fund (DSPBRSTF)** is an open ended income Scheme, seeking to generate income commensurate with prudent risk, from a portfolio constituted of money market securities, floating rate debt securities and debt securities. **Asset Allocation:** Money market securities, floating rate debt securities whose coupon(s) are reset at least once a year, fixed rate debt securities having an average or residual maturity <= 367 days or having put options within a period not exceeding 367 days: 50%-100% (Floating rate debt securities will include fixed rate debt securities swapped for floating rate returns by using derivatives); Fixed rate debt securities having a residual or average maturity > 367 days and floating rate debt securities where the next reset date is more than 367 days from the date of purchase: 0%-50% (Debt securities may include securitised debts up to 60% of the net assets). **Features:** No entry/exit load. Sale and redemption of Units on all Business Days at Purchase Price and Redemption Price. Switching facility subject to prevailing terms of the relevant schemes. SWP and STP facilities available. Minimum investment - Rs. 5,000/-. Declaration of NAV on all Business Days. Redemption normally within 1 Business Day. **DSP BlackRock Floating Rate Fund (DSPBRFRF)** is an open ended income Scheme, seeking to generate interest income through investments in acceptable floating rate assets commensurate with the credit risk. The Scheme may also invest in fixed rate debt securities. **Asset Allocation:** Floating rate debt securities* or money market securities: 65% to 100%; Fixed rate debt securities: 0% to 35% (Debt securities may include securitized debts upto 60% of the net assets). **Features:** No entry/exit load. Sale and redemption of Units on all Business Days at Purchase Price and Redemption Price. Switching facility subject to prevailing terms of the scheme. SWP and STP facilities available in each plan of the scheme. Minimum investment - Regular Plan - Rs. 5,000; Institutional Plan - Rs. 5 crore. Declaration of NAV on all Business Days. Redemption normally within 2 Business Days. Nomination facility available, subject to applicable conditions as per the Statement of Additional Information (SAI) and Scheme Information Document (SID). **DSP BlackRock Money Manager Fund (DSPBRMMF)** is an open ended income Scheme, seeking to generate reasonable returns commensurate with low risk and a high degree of liquidity, from a portfolio constituted of money market securities and high quality debt securities. **Asset Allocation:** Money market securities and/or debt securities which at the time of purchase have residual or average maturity of less than or equal to 367 days or have put options within a period not exceeding 367 days: 65%-100%; Debt securities, which, at the time of purchase have residual or average maturity of more than 367 days: 0%-50% (Debt securities may include securitised debts up to 75% of net assets). **Features:** No entry/exit load. Sale and redemption of Units on all Business Days at Purchase Price and Redemption Price. Switching facility subject to prevailing terms of the scheme. SWP and STP facilities available in each plan of the scheme. Minimum investment - Regular Plan - Rs. 5,000; Institutional Plan - Rs. 5 crore. Declaration of NAV on all Business Days. Redemption normally within 2 Business Days. **DSP BlackRock Liquidity Fund (DSPBRLF)** is an open ended income Scheme, seeking to generate a reasonable return commensurate with low risk and a high degree of liquidity, from a portfolio constituted of money market securities and high quality debt securities. **Asset Allocation:** Money market securities and/or Debt securities* with maturity of 91 days - 80% - 100% (* Debt securities may include securitised debts upto 30% of the net assets.) **Features:** No entry/exit load. Sale and redemption of Units on all Business Days at Purchase Price and Redemption Price. Switching facility subject to prevailing terms of the scheme. SWP and STP facilities available in each plan of the scheme. Minimum investment - Regular Plan - Rs. 5,000; Institutional Plan - Rs. 5 crore. Declaration of NAV on all days. Redemption normally 1 Business Day. Previous day NAV applicable for all applications received prior to cut off time subject to specified conditions. **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. **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. Each Scheme/Plan 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/Plan concerned will be wound up and in case of breach of the aforesaid point (ii) at the end of the prescribed period, the investor's holding in excess of 25% of the corpus will be redeemed as per SEBI guidelines. The names of the Schemes do not in any manner indicate the quality of the Schemes, their future prospects or returns. For scheme specific risk factors, please refer the Scheme Information Document (SID). For more details, please refer the Key Information Memorandum cum Application Forms, which are available on the website, www.dspblackrock.com, and at the ISCs/Distributors. Please read the SID and SAI carefully before investing.**