


NFO Period: Sep 30, 2011 to Oct 14, 2011

# DSP BLACKROCK WORLD AGRICULTURE FUND



INVESTING IN AGRICULTURAL COMPANIES THROUGH  
INTERNATIONAL FUNDS

AN OPEN ENDED FUND OF FUNDS SCHEME

[www.dspblackrock.com](http://www.dspblackrock.com)



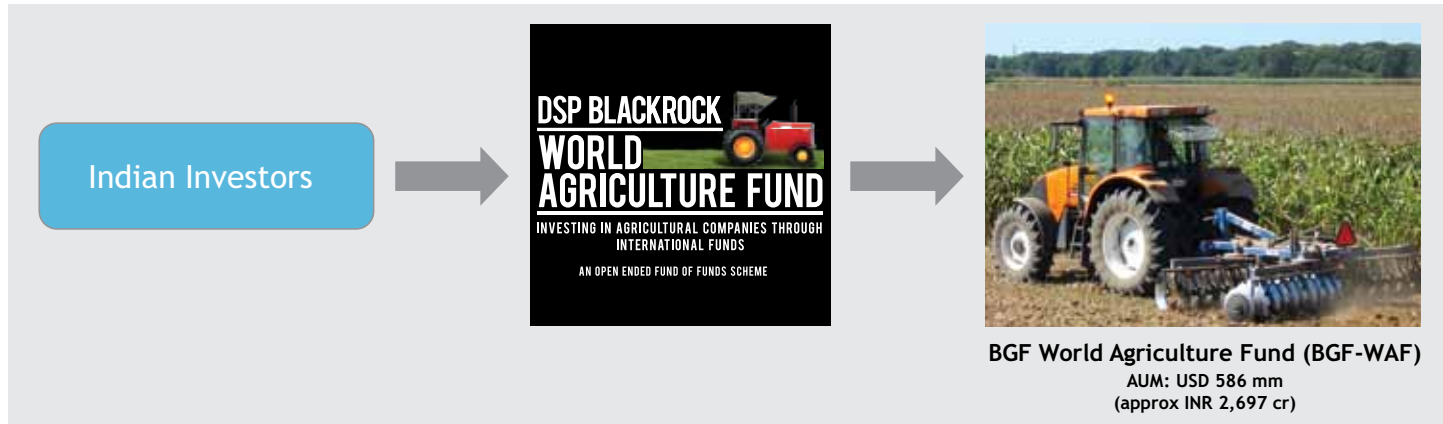
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**DSP BLACKROCK**  
MUTUAL FUND

# DSP BlackRock World Agriculture Fund



Access to leading global and emerging agricultural companies through international funds

Source: DataStream, as at Aug 31, 2011. Exchange Rate: 1 USD= INR 46.019

# Why invest?



- **Why Agriculture?**
  - Agriculture sector is among the top 10 global industries in terms of projected growth from 2008 - 2020\*
- **Why invest in the DSP BlackRock World Agriculture Fund?**
  - Low correlation of agriculture sector of 0.6 with Indian equities\*\*
  - Access to leading global and emerging agricultural companies through international funds
  - Access to an award-winning team at BlackRock with many years of investment experience
  - BGF World Agriculture Fund leverages on the fund managers' investment experience in the agricultural space and the commodities sector

<b>Name of Scheme</b>		DSP BlackRock World Agriculture Fund
<b>India dedicated Fund Manager</b>		Mehul Jani
<b>Name of underlying Scheme</b>		BlackRock Global Funds - World Agriculture Fund
<b>Fund Manager</b>		Desmond Cheung, Richard Davis
<b>Benchmark</b>		DAX Global Agribusiness Index (INR terms)
<b>Stock Capitalization</b>	LARGE	
	MID	
	SMALL	
<b>Investment Style</b>		Flexible

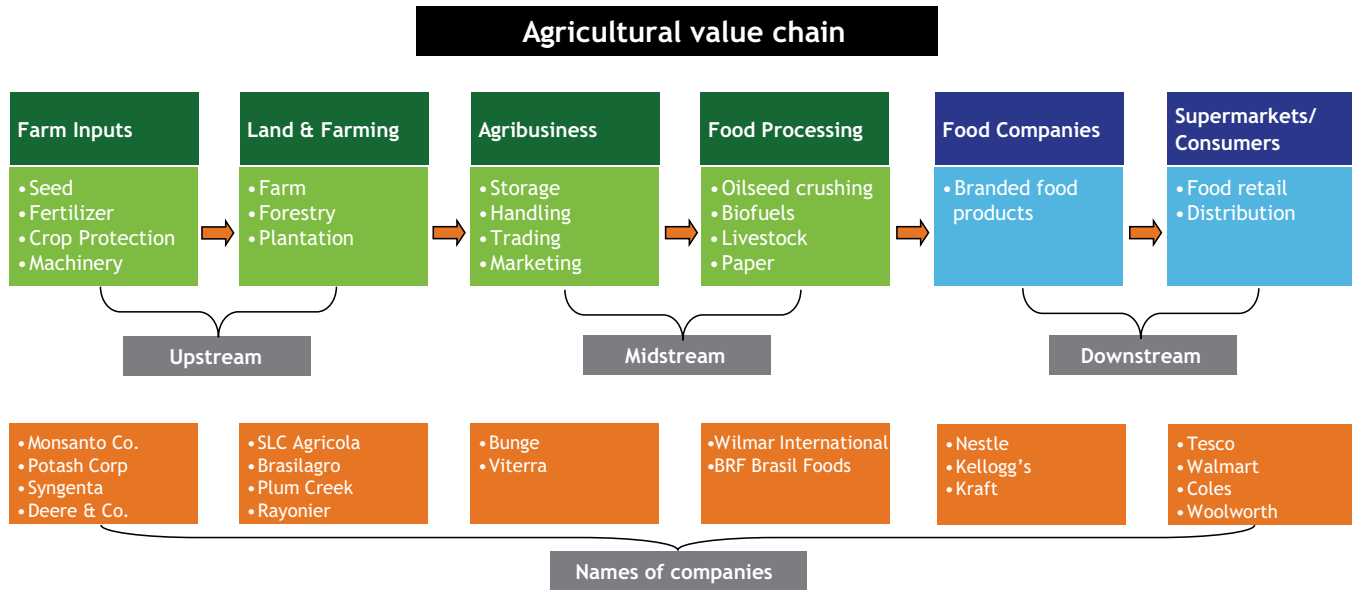
\*Source: Global Insight World Industry monitor, Deere & Co.

\*\*Data considered: Monthly returns of DAX Global Agribusiness Index v/s BSE100 Index from Oct 31, 2001 till Aug 31, 2011

# Agriculture Sector: Value Chain



- BGF-WAF mostly invests in the upstream and midstream portion of the agriculture value chain
- Upstream resource owners tend to make the highest margins

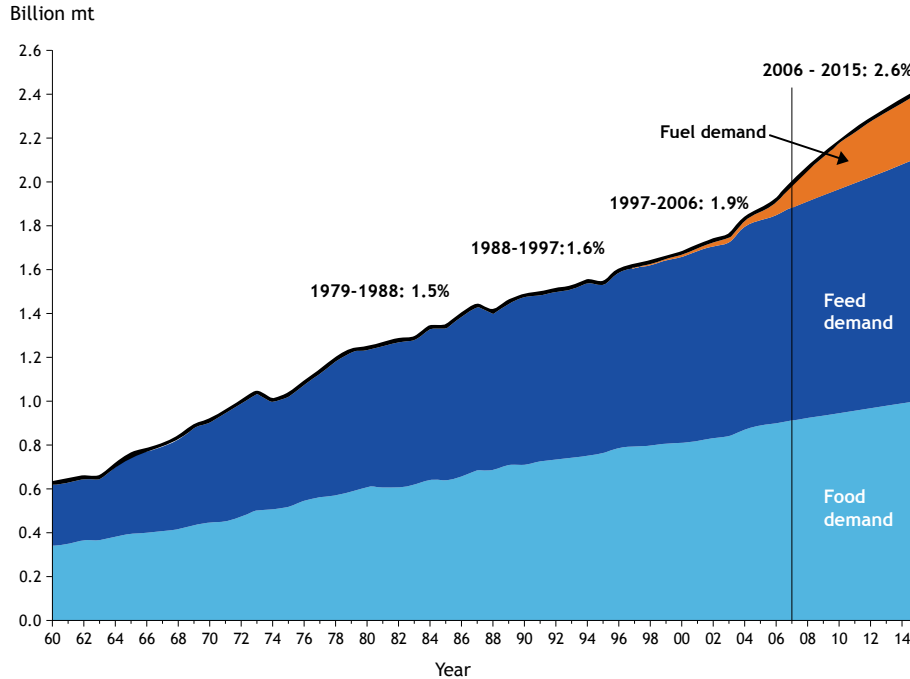


# Demand Drivers

# Drivers leading to acceleration of agricultural demand



**Growth of demand for agricultural commodities by sectors (1960-2015E)**



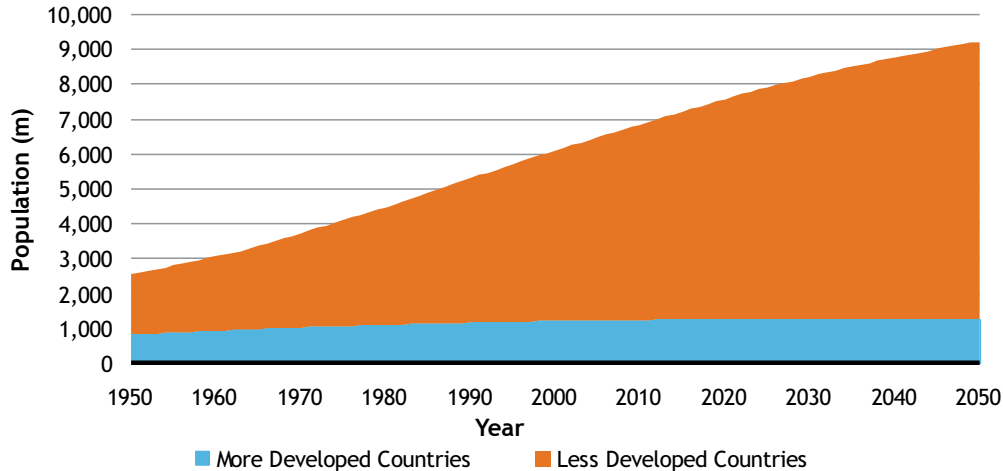
Source: USDA and Goldman Sachs Commodities Research

# Demand driver (I): Global population growth



- Global population is projected to reach 9 billion by 2050
- Global food production needs to rise by 40%+ by 2030 and 70%+ by 2050 above 2005-07 levels in order to cope with rising food demand from growing world population\*

Projected global population growth (1950-2050)



Source: US Census Bureau (<http://www.census.gov/ipc/www/idb/>) as at Dec 15, 2009

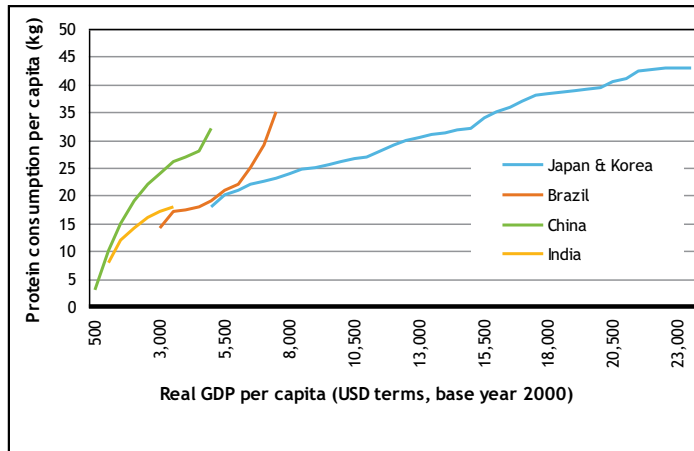
\*Based on UN World Urbanisation prospects 2007

# Demand driver (II): Rising incomes



- Rising affluence of urban population leads to demand for improvement in diet
- Growing protein demand from the developing countries requires exponential growth of grains output for livestock production

## Rising protein consumption when income increases\*



## Feeds required for per gram growth of animals\*\*

Fish	1.5g
Poultry	2.0g
Livestock	3.1g - 8.39

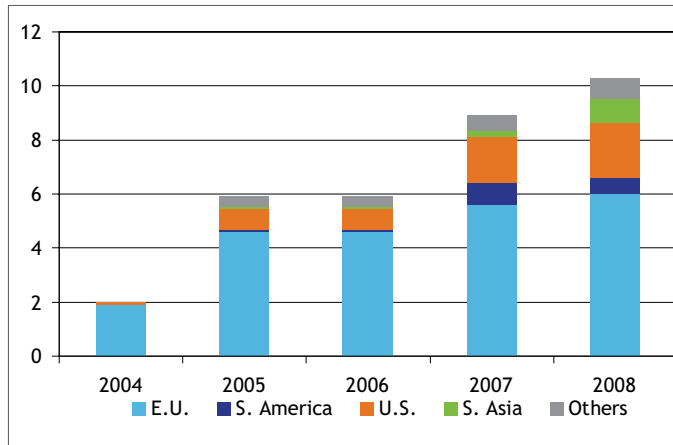
\*Source: FAO and Goldman Sachs Commodities Research, 2007; \*\*Source: CME, USDA and Goldman Sachs Commodities Research

# Demand driver (III): Biofuels

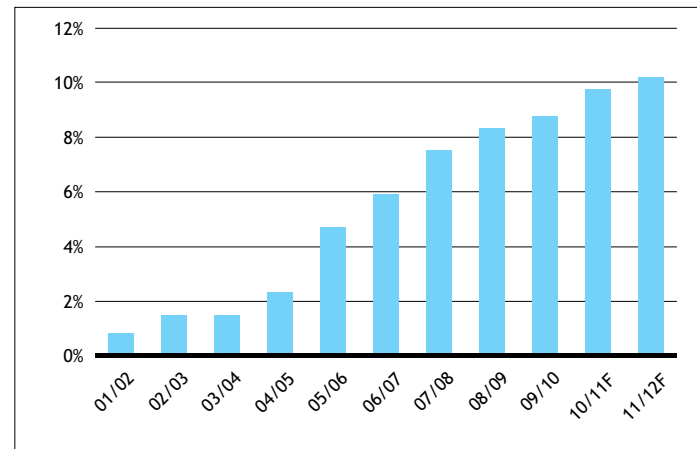


- “Food for fuels” is still growing from a low base and has room for growth
- Globally, a variety of grains and oilseeds are converted into ethanol and biodiesel
- Government mandates and financial support are the main drivers behind the biofuel industry
- Implication: Growth of the biofuel sector to form another structural source of demand for various crops

World biodiesel production (in million tonnes)\*



Biodiesel share in edible oils consumption (2009-10)\*\*



\*Source: ADM, USDA ; \*\*Source: OECD, Oil World, Macquarie Research, July 2011

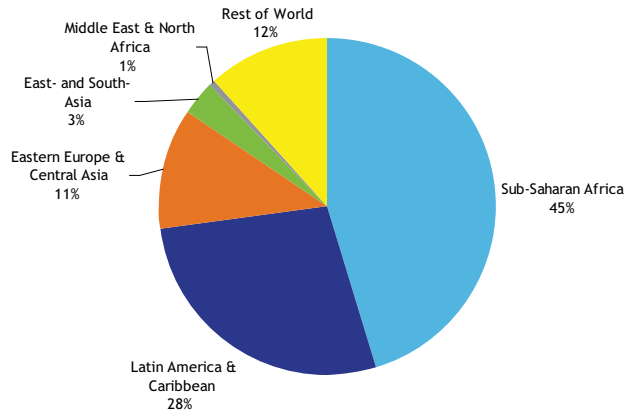
# Supply Drivers

# Supply driver (I): Land availability

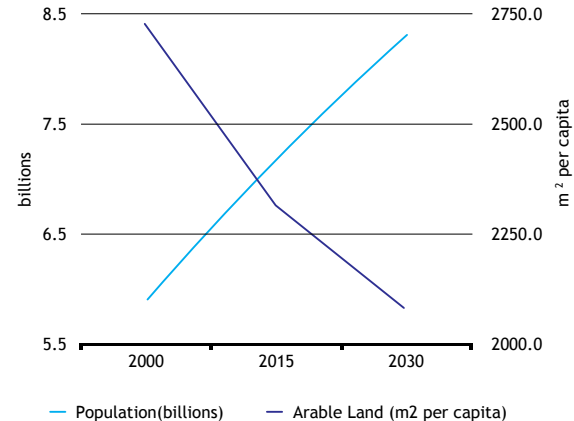


- According to the United Nations, the world currently has cropland of 1.5 billion hectares (11% of global land)
- Despite the potential to expand global cultivated area by 445 million hectares, 41% of the area lacks proper logistics and is far from market (i.e. over 6 hours away from market)
- Substantial investment is required for construction of logistics, e.g. transportation costs to deliver grains from cerrado region to ports in Brazil can cost up to \$2/bu of soybeans (c. 20% of unit price)

### Uncultivated land by region\*



### Rise in population vs decline in arable land\*\*

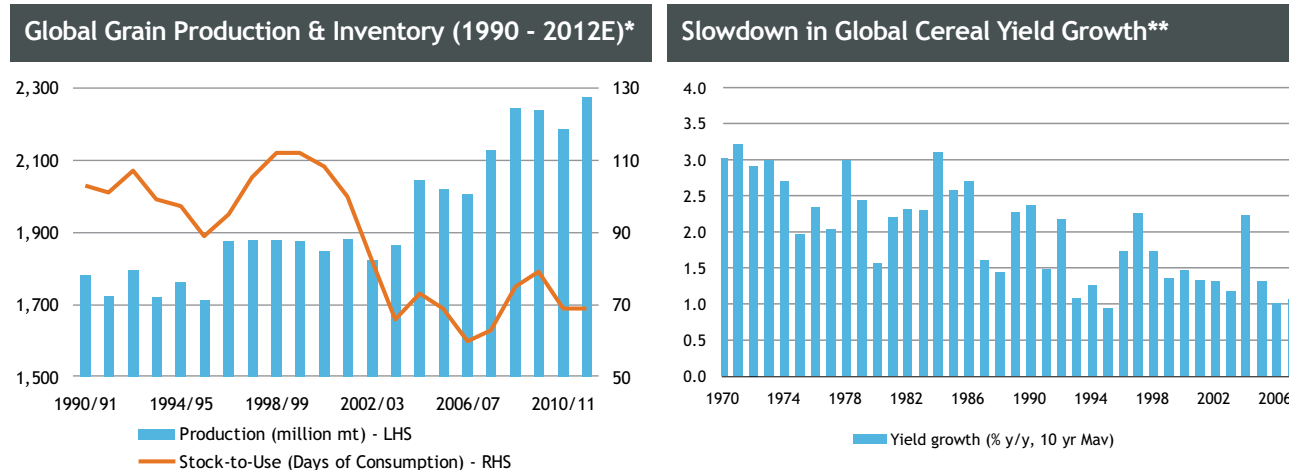


\*Source: Fischer and Shah 2010, World Bank Sep 2010; \*\*Source: FAO

# Supply driver (II): Slowdown in yield improvement



- Grain production has been rising over the past two decades, but outpaced by rising consumption
- The gradual decline in inventory has left the market more prone to supply shocks arising from adverse climatic conditions or government intervention in global grains trade
- Technological advancement is required to boost production and cope with rise in food demand
- Conventional breeding technology developed since Green Revolution has increasingly seen diminishing return in yield improvement



\*Source: USDA. Data as of May 16, 2011. Grains include barley, corn, millet, mixed grain, oats, milled rice, rye, sorghum and wheat

\*\*Source: FAO, ISAAA (International Service for the Acquisition of Agri-biotech Applications), Credit Suisse research

# Key Investment Themes in the Agricultural Sector

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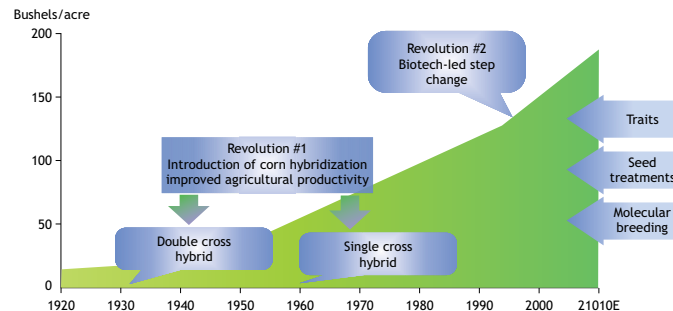
## • Agricultural Science Companies

- Advanced seed and chemical technologies are increasingly applied by farmers
- Increased crop value justifies the economic use of crop protection chemicals to protect yield
- **Typical holdings: Monsanto, Syngenta**

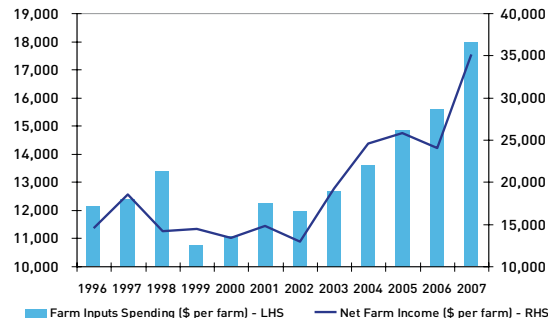
## • Fertilizer

- Increasingly sophisticated agronomy recommends regular fertilizer application to produce optimal crop yield
- Ambition of developing countries to boost domestic production would require sustainable increase in fertilizer application to correct the under-fertilized soil
- **Typical holdings: Potash Corp, Mosaic**

US Average Corn Yield Improvement\*



Increase of farm inputs application with rising farm income in U.S.\*\*



\*Source: Syngenta; \*\*Source: USDA

Reference to the company names in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of that company.

# Key Investment Themes in the Agricultural Sector



## • Agricultural Equipment

- Increased intensity of cultivation requires the use of state-of-the-art farming equipment, such as GPS technology
- The higher value of crops at stake creates the demand for irrigation equipment
- Consolidation of farms in emerging markets gives rise to demand for scalable use of advanced equipment
- **Typical holdings: Deere & Co, Agco**

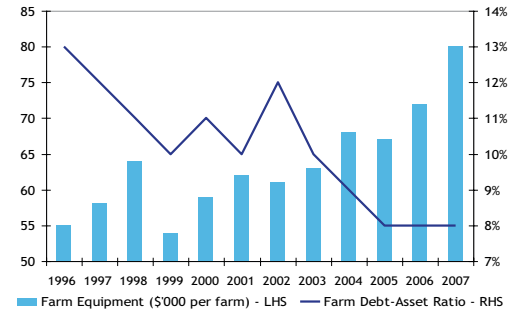
## • Agribusiness

- Rising crop production and global food trade gives rise to opportunities for companies in logistics business
- Companies with global crop sourcing / trading network and strategic port and transportation assets set to benefit
- **Typical holdings: Bunge, Viterra**

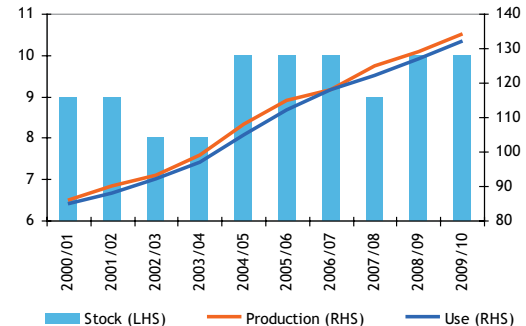
## • Food Processors

- Food processing companies would benefit from higher crop production and lower grain prices
- Rising affluence of developing countries drives demand growth for products such as edible oil
- **Typical holdings: Wilmar, Archer Daniels**

Rising fixed asset investment on farms with decline in leverage\*



World Production & Use of Vegetable Oils (in million tonnes)\*\*



\*Source: USDA; \*\*Source: ADM, USDA

Reference to the company names in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of that company.

# Key Investment Themes in the Agricultural Sector



## • Land & Farming

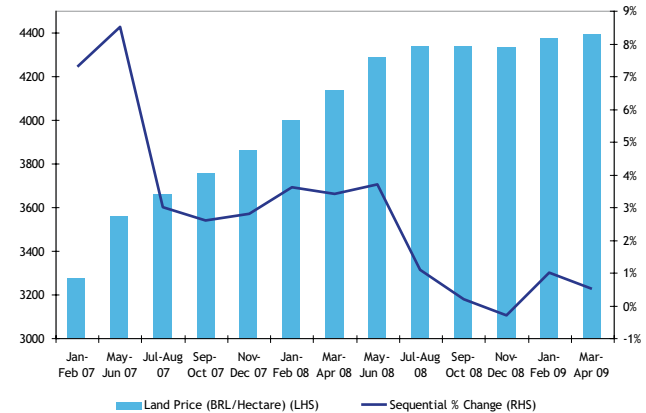
- Farm operating companies offer exposure to the underlying commodity prices
- Farm developers focus on uplift in farm property prices by converting fallow land into productive farms
- Still a young sector with a pipeline of new companies starting up globally to capture opportunities in different geographies and crop varieties
- **Typical holdings: SLC Agricola, Brasilagro**

## • Forestry

- Upstream timberland companies offer exposure to both land value and timber prices
- Some companies have downstream product exposure and future potential in biomass energy
- **Typical holdings: Plum Creek, Rayonier**

\*Source: FNP, Credit Suisse

Land Price in Brazil has been resilient over the financial crisis\*

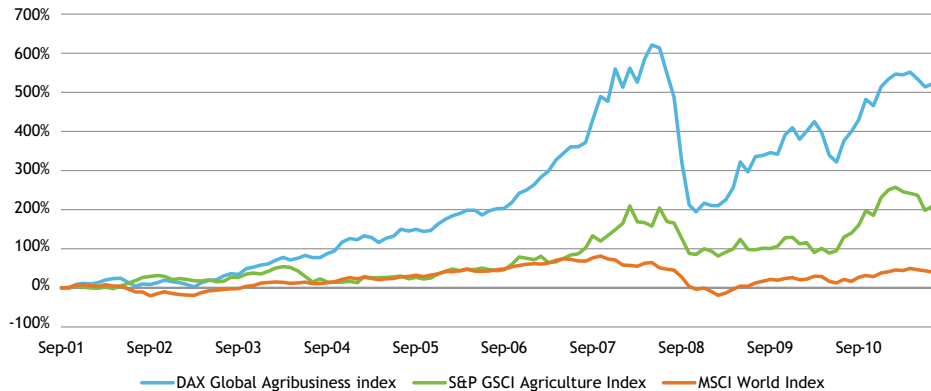


# Agricultural Equities vs. Agricultural Commodities

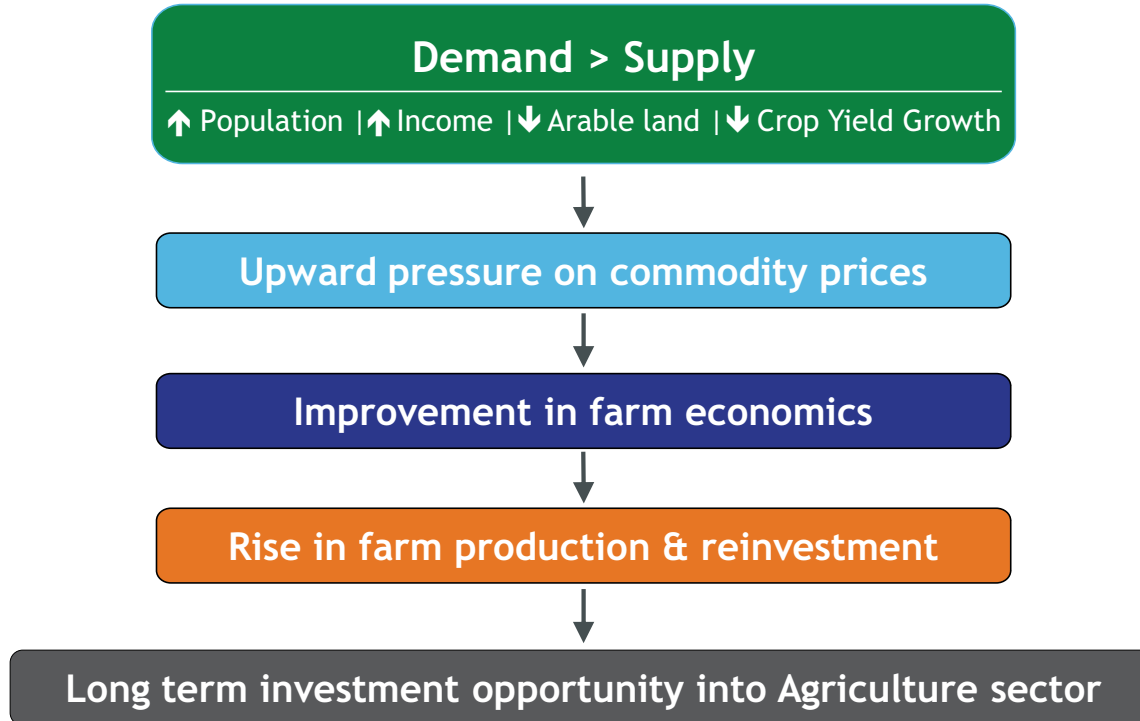


- Equities and commodities offer different exposure to investors
  - Commodities are more sensitive to factors affecting near-term supply and demand
  - Equities are more exposed to earnings growth and value creation by companies
- Short-term correlation between equities and commodities can be high, particularly in the farm inputs sub-sectors (fertilizer, agricultural science, equipment)
- Over the long-term, equities have the potential to outperform due to the value-creation that companies can bring over the cycle

Agricultural Commodities and Equities Indices (Rebased at Sep-2001 level)



Source: Bloomberg. Data as at end July 2011

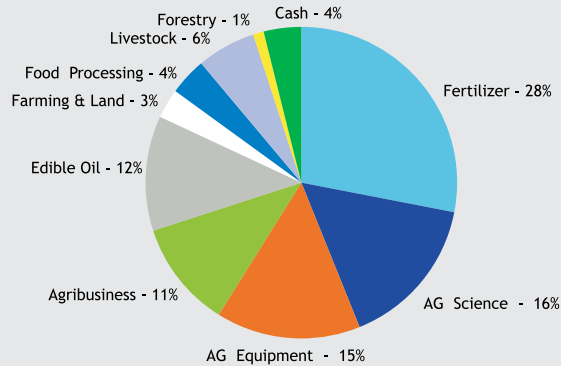


# BGF World Agriculture Fund

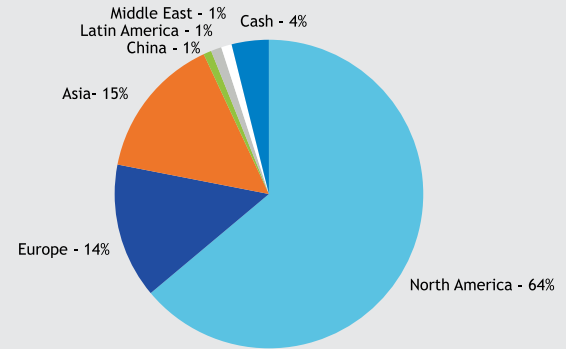
# BGF World Agriculture Fund: Asset allocation



## Sector Allocation



## Geographic Allocation



Source: Internal. Data as at Aug 31, 2011. Geographic exposure shown by listing.

# BGF World Agriculture Fund: Top 10 holdings



Company	Sector	Geography	% of Fund
Potash Corp	Fertilizer	Canada	9.2%
Monsanto Co.	Agricultural Science	USA	7.9%
Deere & Co	Agricultural Equipment	USA	7.6%
Syngenta	Agricultural Science	Switzerland	6.6%
Wilmar International	Edible Oil	Asia	5.2%
Archer-Daniels Midland	Agribusiness	USA	4.6%
Mosaic	Fertilizer	USA	4.6%
BRF Brasil Foods	Livestock	USA	3.9%
Agrium	Fertilizer	USA	3.8%
Yara International	Fertilizer	Global	3.5%
<b>Total</b>			<b>57.0%</b>

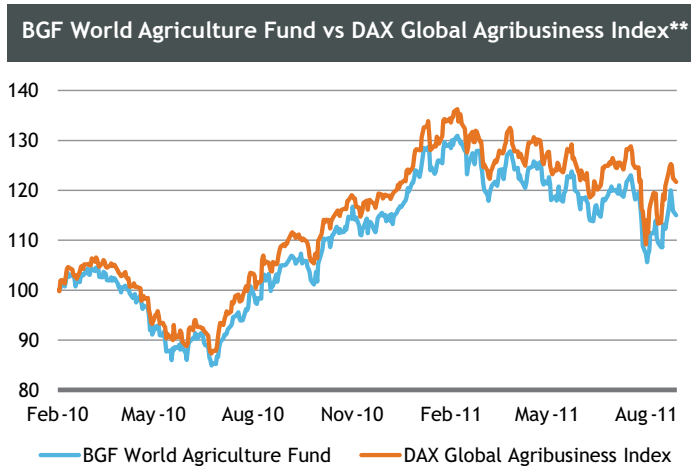
Market capitalization ranges from US\$100mm to US\$50bn

Source: BlackRock. Data as at Aug 31, 2011

# BGF World Agriculture: Performance



- Launched on 9th February 2010
- Fund Managers: Desmond Cheung & Richard Davis
- AUM of US\$586m\* (INR 2,697 cr)
- 40 - 70 holdings
- Benchmark - DAX Global Agribusiness Index



Compounded Annualised Growth Rate in INR terms***	1yr	Since Inception
BGF World Agriculture Fund	17.53%	12.23%
DAX Global Agribusiness Index	18.89%	14.63%

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

\*Source: DataStream, data as at Aug 31, 2011. Exchange Rate: 1 USD= INR 46.019;

\*\* Source: DataStream, Fund NAV v/s Benchmark value rebased to 100, Data in INR terms as at Aug 31, 2011; \*\*\*Source: DataStream, Data in INR terms as at Aug 31, 2011

# DSP BlackRock World Agriculture Fund: Scheme Features



- ➔ **Type of Scheme:** An Open Ended Fund of Funds Scheme
- ➔ **Minimum Investment:** Rs. 5,000/- and multiples of Re 1/- thereafter
- ➔ **Terms of Issue :** Rs 10/- per Unit (during NFO)
- ➔ **Options Available:**
  - Growth
  - Dividend
    - Payout
    - Reinvest

## ➔ **Load Structure**

Entry Load	NIL
Exit Load	Holding period < 12 months: 1.00 % Holding Period > = 12 months: Nil

## ➔ **Investor Benefits and General Services**

During Continuous Offer, sale (at Purchase Price) and redemption (at Redemption Price) on all Business Days (Redemption normally within 5 Business Days). SIP, SWP, STP & Nomination facilities available. If the SEBI limits for overseas investments allowed to the Fund are expected to be exceeded, the NFO may be closed / subscriptions and switches into the Scheme (During Continuous Offer) may be temporarily suspended / SIP/STP into the Scheme may be terminated. Declaration of NAV for each Business Day by 10 a.m. of the next Business Day.

# Disclaimer



**Investment Objective:** An open ended Fund of Funds Scheme investing in international funds and the primary investment objective of the Scheme is to seek capital appreciation by investing predominantly in the units of BlackRock Global Funds - World Agriculture Fund (BGF - WAF). The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes, which may constitute a significant part of its corpus. 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 (Fund), in order to meet liquidity requirements from time to time. There is no assurance that the investment objective of the Scheme will be realized. 'Similar overseas mutual fund schemes' shall have investment objective, investment strategy and risk profile/consideration similar to those of BGF - WAF. **Asset Allocation:** 1. Units of BGF - WAF# or other similar overseas mutual fund scheme(s): 95% to 100% 2. Money market securities and/or units of money market/liquid schemes of DSP BlackRock Mutual Fund: 0% to 5% #in the shares of BGF - WAF, Undertaking for Collective Investment in Transferable Securities (UCITS) III fund. **Terms of Issue:** Rs. 10/- per Unit. Min Investment - Rs. 5,000/- and multiple of Re. 1/- thereafter. **Load Structure & Expenses:** Entry Load - NIL Exit Load- For holding period < 12 months: 1%; for holding period >= 12 months: Nil. **Investor Benefits & General Services:** During Continuous Offer, sale (at Purchase Price) and redemption (at Redemption Price) on all Business Days (Redemption normally within 5 Business Days). SIP, SWP, STP & Nomination facilities available. If the SEBI limits for overseas investments allowed to the Fund are expected to be exceeded, the NFO may be closed / subscriptions and switches into the Scheme (During Continuous Offer) may be temporarily suspended / SIP/STP into the Scheme may be terminated. Declaration of NAV for each Business Day by 10 a.m. of the next Business Day. **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. **DSP BlackRock World Agriculture Fund is the name of the Scheme and does not in any manner indicate the quality of the Scheme, its future prospects or returns.** Mutual Fund Units involve investment risks including the possible loss of principal. Scheme specific risk factors such as, risk associated with underlying schemes, risk associated with overseas investments, risk associated with investment in debt and money market instruments, risk associated with transaction in Units through the stock exchange mechanism and risk associated with trading in derivatives shall be applicable. For detailed scheme specific risk factors, please refer the Scheme Information Document (SID). For more details, please refer the SID, Statement of Additional Information and Key Information Memorandum cum Application Forms, which are available on the website, [www.dsblackrock.com](http://www.dsblackrock.com), and at the ISCs/Distributors. **Please read the Scheme Information Document and Statement of Additional Information carefully before investing.**