

MARKET OUTLOOK AND FUND UPDATE

**DSP BLACKROCK
MUTUAL FUND**

Equity Market Overview

- The Sensex and the Nifty indices have moved up sharply during March 2010. As at March 22, 2010, the Nifty index was at 5,205.2, up 5.75% while the Sensex Index was at 17,410.6, up 5.97%.
- The Index of Industrial Production (IIP) for the month of January 2010 rose by 16.7% y-o-y, following the 16.8% y-o-y growth in the previous month. The cumulative growth for the period April 2009 - January 2010 stands at 9.6% over the same period last year. Growth in the mining and electricity segments accelerated to 14.6% y-o-y and 5.6% y-o-y while the growth in the manufacturing segment, though still remaining high, decelerated to 17.9% y-o-y in January 2010.
- Month to date, the economy has seen large FII inflows of approx. USD 3 bn into equities.

Outlook

- Lead indicators continue to show the economy to be gaining traction, while exports have been picking up and credit off-take is improving. Keeping the strong pick up in mind, the RBI has hiked the key policy rates in order to balance growth and inflation, as inflation has also been moving up sharply over the past few months. Sustainability of global recovery remains another important variable which could influence the direction of the market. Infrastructure, though, continues to remain an important theme which should perform well over the next few years, helped by government's strong emphasis on development in this sector.

Source: Internal

Scheme in Focus: DSP BlackRock Tax Saver Fund

Portfolio

Asset size: Rs. 744.49 crore as on February 28, 2010

Top 10 Stocks	% to Net Assets	Top 10 Sectors	% to Net Assets
Reliance Industries	3.84%	Pharmaceuticals	13.05%
Infosys Technologies	3.25%	Banks	13.00%
ICICI Bank	2.78%	Consumer Non Durables	11.33%
Voltas	2.50%	Software	6.32%
HDFC Bank	2.48%	Construction	5.06%
Piramal Healthcare	2.23%	Petroleum Products	4.96%
ING Vysya Bank	2.21%	Construction Project	4.73%
Dr. Reddy's Laboratories	2.17%	Industrial Capital Goods	4.28%
Larsen & Toubro	2.16%	Auto Ancillaries	3.19%
Tata Consultancy Services	2.15%	Finance	3.18%

Compounded Annualised Returns as on February 26, 2010

	DSP BlackRock Tax Saver Fund (Growth Option)	S&P CNX 500 [^]
Last 1 year	97.63%	95.71%
Last 3 years	15.17%	9.93%
Since Inception	12.70%	6.28%
NAV / Index Value (Feb 26)	Rs. 14.505	4,127.55

[^]Benchmark. *Note : As per the SEBI standards for performance reporting, the "since inception" returns are calculated on Rs. 10/- invested at inception. For this purpose the inception date is deemed to be the date of allotment, i.e. 18-Jan-07. DSP BlackRock Tax Saver Fund, which is benchmarked to the S&P CNX 500 Index, is not sponsored, endorsed, sold or promoted by India Index Services & products Limited (IISL). IISL is not responsible for any errors or omissions or the results obtained from the use of such index and in no event shall IISL have any liability to any party for any damages of whatsoever nature (including lost profits) resulted to such party due to purchase or sale or otherwise of DSP BlackRock Tax Saver Fund marked to such index. **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 Reserve Bank of India (RBI) hiked the Repo and the Reverse Repo rates by 25bps each with immediate effect to 5.0% pa and 3.5% pa, respectively. The RBI has cited the strong IIP data as a sign of economic consolidation being well underway and hence the need to take action, keeping the risk of WPI reaching double digits in March 2010 in mind. This has been done with a view to balance economic growth and inflation.
- The Benchmark 10Y has remained volatile through the month, trading in the range of 7.8% to 8.0% pa, to close at 7.88% pa on March 19, 2010. The borrowing calendar which is to be announced on March 29, 2010 could provide direction to the market.
- Money market rates have come off during the month. While the 3M bank CD rates have moved from around 5.80% pa at the beginning of the month to around 5.20% pa as on March 22, 2010 the 12 month Bank CD rates have moved from 6.75% pa to 6.40% pa during the same period due to increased demand by foreign banks and FILs.
- Headline inflation, as measured by the monthly Wholesale Price Index (WPI), stood at 9.89% y-o-y for February 2010, compared to 8.56% y-o-y inflation in the previous month. On a month on month basis, the index for primary articles remained unchanged, while the manufacturing products index rose by 0.6% and the fuel, power, light and lubricant index rose by 1.5% m-o-m.
- Liquidity in the banking system has come down sharply from close to Rs. 60,000 crore to Rs. 10,000 crore on account of advance tax outflows.

Outlook

- We expect government bond yields to harden gradually from present levels on the back of expectations of further rate hikes in the following credit policy review on April 20, 2010 as well as announcement of the Government borrowing schedule.
- Money market rates are likely to remain stable in the near term as liquidity will comeback in the next financial year. The credit policy could provide further triggers to money market rates.
- Corporate bond yields are expected to track the movement in government bonds.

Source: Internal

Positioning of our Fixed Income Schemes as on March 19, 2010

	AUM Rs. crore	Fixed rate instruments	Floating rate instruments	Securitized debt	Money market instruments	Cash and equivalent	Modified duration
DSP BlackRock Liquidity Fund	1,234.14	3.31%	0.00%	0.00%	69.68%	27.01%	27 days
DSP BlackRock Money Manager Fund	624.41	0.00%	16.98%	0.30%	65.91%	16.81%	59 days
DSP BlackRock Floating Rate Fund	3,479.28	3.16%	2.32%	0.00%	83.65%	10.87%	82 days
DSP BlackRock Short Term Fund	1,044.64	2.43%	0.00%	0.86%	89.28%	7.43%	165 days
DSP BlackRock Strategic Bond Fund	908.44	0.00%	7.59%	0.00%	82.93%	9.48%	57 days
DSP BlackRock Bond Fund	148.52	44.61%	4.91%	0.58%	20.79%	29.11%	772 days

Scheme in Focus: DSP BlackRock Floating Rate Fund

Portfolio Construct*	% of Net Assets
Certificates of Deposit	58.33%
Commercial Papers	21.74%
Treasury Bill	3.03%
Corporate Bonds	5.20%
Fixed Deposits	1.37%
CBLO/ Repo Instruments	7.31%
Net Receivables/ Payables	3.02%

Modified Duration: 0.21 years, Average Maturity: 0.23 years
*Data as on February 28, 2010.

Rating Profile*	% of Net Assets
AAA/SOV	4.40%
AA+	2.15%
A1	1.47%
A	1.08%
A1+/P1+ / F1+ / PR1+	79.21%
CASH & CASH EQUIVALENT/ FD	11.69%

*Data as on February 28, 2010. All corporate ratings are assigned by rating agencies like CRISIL, CARE, ICRA, FITCH etc.

Compounded Annualised Returns as on February 26, 2010

PERIOD	DSP BLACKROCK FLOATING RATE FUND	CRISIL LIQUID FUND INDEX ^
Last 1 Year	4.87%	3.88%
Last 3 Years	6.39%	6.77%
Last 5 Years	6.16%	6.24%
Since Inception	5.88%	5.67%
NAV/Index Value (Feb 26)	Rs. 14.7415	1,554.03

^Benchmark. Since inception returns are calculated on Rs. 10/- invested at inception, viz. date of allotment (May 13, 2003). 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 Tax Saver Fund (DSPBRTSF) is an open ended equity linked savings scheme, whose primary investment objective is to seek to generate medium to long-term capital appreciation from a diversified portfolio that is substantially constituted of equity and equity related securities of corporates, and to enable investors avail of a deduction from total income, as permitted under the Income Tax Act, 1961 from time to time. **Asset Allocation:** Equity and equity related securities: 80% to 100%; (investments in ADRs, GDRs and foreign equity securities: 0% to 20%); Debt, securitised debt and money market securities: 0% to 20% (Exposure to Securitised debt will not exceed 10% of the net assets of the Scheme). **Features:** Nomination facility available, subject to applicable conditions as per the Statement of Additional Information (SAI) and Scheme Information Document (SID). SIP facility available. SWP & STP available subject to completion of 3 year lock-in period. Declaration of NAV on all Business Days. Redemption normally within 3 Business Days (subject to the completion of a 3 year lock-in period). Minimum investment : Rs. 500/- . Entry load : NIL; Exit load : N.A. **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 securitised 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. **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 (DSPBRSBF)** 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 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. DSPBRTSF, DSPBRLF, DSPBRMMF, DSPBRFRF, DSPBRSTF, DSPBRSBF & DSPBRBF are the names of the Schemes and 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.