

**ANCHOR YOUR YIELDS BEFORE THEY DRIFT**

**Looking Ahead:**

- Domestic yields have gradually drifted downward post June 2026 MPC policy. *IS THE RALLY OVER?* The recent Foreign Currency Non-Residents (FCNR) and External Commercial Borrowing (ECB) relief measures have started to draw in overseas capital, resulting in liquidity boost. This should continue to put downward pressure on yields, reaffirming our strategic shift toward capturing carry.
- While the RBI MPC has maintained its strict vigil on inflation—raising its CPI projection to 5.1%—the target remains manageably within the central bank's tolerance band. Especially since Oil is much lower than RBI's assumption of 95\$.
- Easing off of the geopolitical tensions has led to drop in prices of crude and the same have helped in downward movement of yields. However, going ahead any adverse movement in geopolitical landscape remains a risk.

**Our strategy?**

- Looking at the RBI's detailed rules on Foreign Currency Non-Residents (FCNR) and overseas borrowing (External Commercial Borrowing (ECB) & Overseas Foreign Currency Borrowing (OFCB)), it is clear that raising interest rates will be their absolute last resort to keep the rupee stable. Also, because of these measures, we expect banks and public sector companies to issue fewer bonds.
- As foreign capital begins to flow in from FCNR accounts and overseas loans, domestic spreads on 2-to-3-year corporate bonds should compress. A reduced supply of new issuances in this segment will naturally heighten demand among mutual funds and banks. We intend to increase our allocation in 2-3 yrs corporate bonds particularly PSUs.
- In the money markets, even though overnight rates are sitting at 5.25%, the higher carry (YTM around 6.80% to 6.90%) on our short-term funds may still give us a cushion in case the yields move up. The high interest income makes this a great tactical moment to lock in these attractive yields. We intend to stay invested in this segment.

**Which funds?**

**You want to park for a shorter tenor?**

- *DSP Ultra Short Fund (YTM ~7.07%)*: Currently yielding roughly ~182bp over overnight levels (5.25%). Despite the strong rally in CD rates, the high accrual (carry) provides an attractive opportunity. Its short duration (~0.5 years) makes it resilient to policy shifts.
- *DSP Liquidity Fund (YTM ~6.45%)*: Remains a reliable "pure" parking vehicle for immediate needs, capturing the current elevated money market rates.
- *DSP Savings Fund (YTM ~6.88%)*: Yielding ~160bp over overnight rates. We are investing incremental flows in the Dec-26/Mar-27 segment, as we continue to see value in the premia over overnight rates and we expect incremental CD issuance to reduce.

**You want to park in pure AAA fund with low duration risk?**

- For those who prioritize safety: *DSP Low Duration Fund (YTM ~6.97%)*: This 100% AAA-rated portfolio carries a duration of ~0.99 year. By investing in this fund, you can benefit from both the high accrual and potential MTM gains once supply reduces, resulting in spread compression.

**You want to invest tactically for duration yields to fall in few months?**

- But you still want relatively lower volatility - *DSP Short Term Fund* and *DSP Banking & PSU Debt Fund* are the funds. They have relatively higher YTM (200bps above overnight). Duration is enough to give you capital gains - and between these 2 you can choose based on your risk preference (DSP Short Term Fund - 2.66y, DSP Banking & PSU Debt Fund - 4.06y). The low credit risk highlights the relatively better option.

**You are sure that yields will fall lower in next few months and want to go all-in?**

- Our *DSP Strategic Bond Fund (~7.5 years)* and *DSP Gilt Fund (~7.9 years)* are the ones. Again, mostly in AAA and Gilts, these funds can be a suitable option if G-sec yields fall.

**What we like?**

Investment choice is dependent on your needs, but we believe these funds are well suited in current markets:

**DSP Savings Fund**

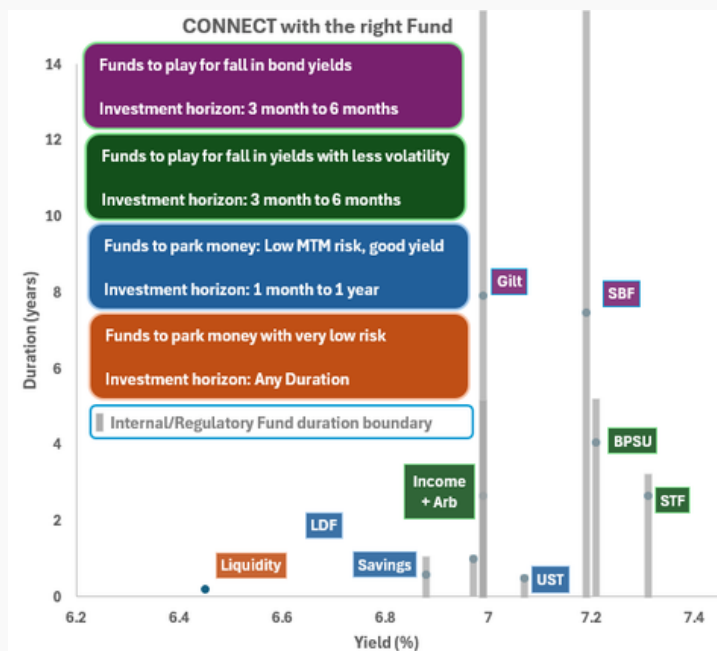
Money market yields have rallied big time in last week. However, the spreads are still attractive to stay invested.

**DSP Income Plus Arbitrage Omni Fund of Fund (Ex- DSP Income Plus Arbitrage Fund of Fund)**

At a duration of 2.65y, the fund may moderately benefit from any rally in the market and the YTM of ~7.00% is reasonably high. The tax benefit is an added advantage.

**Tactically: DSP Gilt Fund**

The fund provides a tactical opportunity for investors who believe that the curve is steep and yields can come down if Bloomberg Bond Index inclusion happens.



Source: Internal

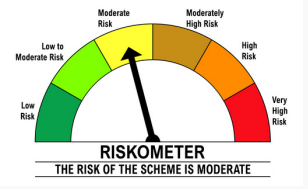
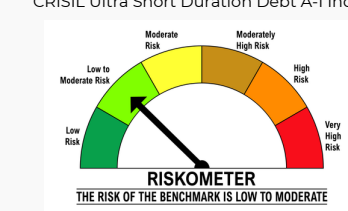
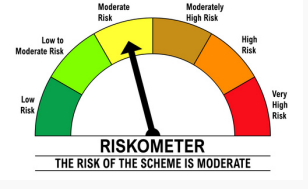
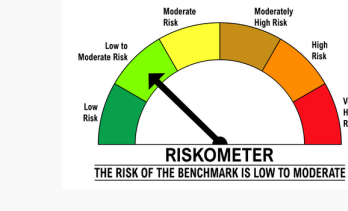
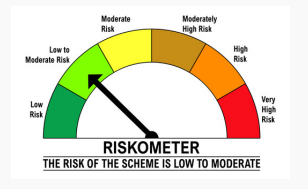
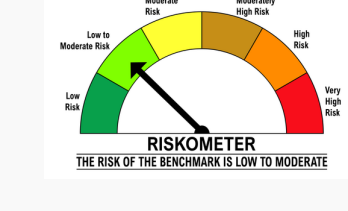
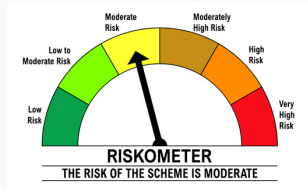
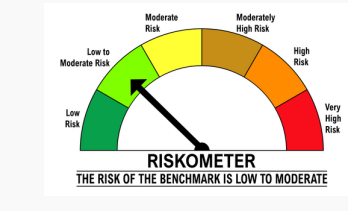
YTM - Yield to Maturity, FX- Foreign Exchange, OMO - Open Market Operation, CIC - Currency in Circulation, MTM - Mark to Market. In the graph: Liquidity - DSP Liquidity Fund, Savings - DSP Savings Fund, UST - DSP Ultra Short Fund, LDF - DSP Low Duration Fund, Income + Arb - DSP Income Plus Arbitrage Omni FoF (Ex- DSP Income Plus Arbitrage Fund of Fund), STF - DSP Short Term Fund, BPSU - DSP Banking & PSU Debt Fund, SBF - DSP Strategic Bond Fund, Gilt - DSP Gilt Fund.

Disclaimers:

DSP Mutual Fund - SEBI Registration No.: MF/036/97/7

This note is for information purposes only. The statements contained herein may include statements of future expectations and other forward looking statements that are based on prevailing market conditions / various other factors and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The recipient of this material should consult an investment /tax advisor before making an investment decision. In this material DSP Asset Managers Pvt. Ltd. (the AMC) has used information that is publicly available, including information developed in-house and is believed to be from reliable sources. The AMC nor any person connected does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. **Past performance may or may not be sustained in the future and should not be used as a basis for comparison with other investments. There is no assurance of any returns/capital protection/capital guarantee to the investors in above mentioned scheme.** For complete details on investment objective, investment strategy, asset allocation, scheme specific risk factors and more details, please read the Scheme Information Document, and Key Information Memorandum of the scheme available on ISC of AMC and also available on [www.dspim.com](http://www.dspim.com). Tax treatment is governed by applicable tax laws in force at the time. Investors should note that they will be bearing the recurring expenses of the scheme, in addition to the expenses of other schemes in which the Fund of Funds Scheme makes investments. For more details and month end portfolio in SEBI prescribed format, please refer our website [www.dspim.com](http://www.dspim.com).

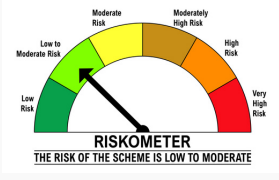
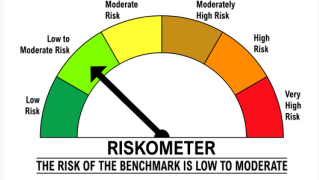
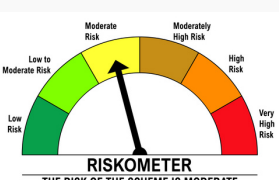
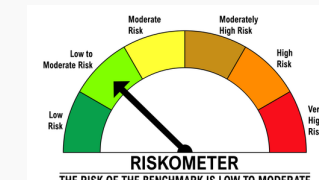

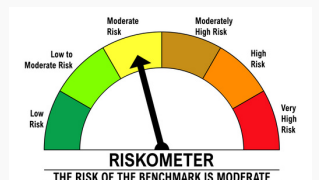
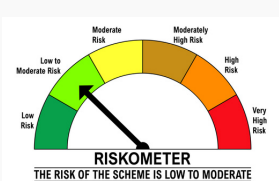
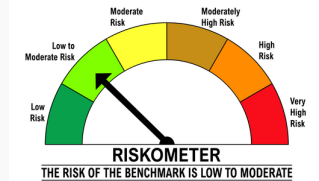
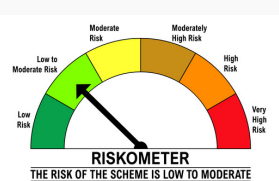
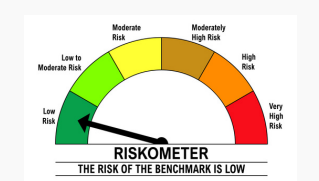
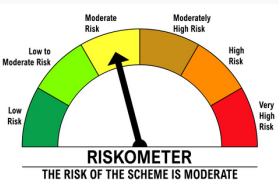
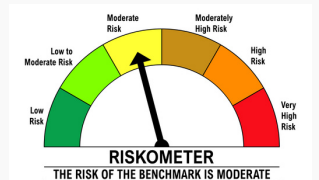
**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

Scheme	Product Suitability	Scheme Riskometer	Benchmark Riskometer
<p><b>DSP Ultra Short Fund</b></p> <p>An open ended ultra-short term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 3 months and 6 months (please refer page no. 56 under the section "Where will the Scheme invest?" of SID for details on Macaulay's Duration). A relatively low interest rate risk and moderate credit risk</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a short-term investment horizon</li> <li>Investment in money market and debt securities</li> </ul>	 <p><b>RISKOMETER</b> THE RISK OF THE SCHEME IS MODERATE</p>	<p>CRISIL Ultra Short Duration Debt A-I Index</p>  <p><b>RISKOMETER</b> THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p><b>DSP Banking &amp; PSU Debt Fund</b></p> <p>An open ended debt scheme predominantly investing in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds. A relatively high interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a short-term investment horizon</li> <li>Investment in money market and debt securities issued by banks and public sector undertakings, public financial institutions and Municipal Bonds</li> </ul>	 <p><b>RISKOMETER</b> THE RISK OF THE SCHEME IS MODERATE</p>	<p>Nifty Banking &amp; PSU Debt Index A-II</p>  <p><b>RISKOMETER</b> THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p><b>DSP Liquidity Fund</b></p> <p>An open ended liquid scheme. A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a short-term investment horizon</li> <li>Investment in money market and debt securities, with maturity not exceeding 91 days</li> </ul>	 <p><b>RISKOMETER</b> THE RISK OF THE SCHEME IS LOW TO MODERATE</p>	<p>CRISIL Liquid Debt A-I Index</p>  <p><b>RISKOMETER</b> THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
<p><b>DSP Income Plus Arbitrage Omni FoF (Ex- DSP Income Plus Arbitrage Fund of Fund)@</b></p> <p>An open ended fund of funds scheme investing in units of debt oriented schemes and arbitrage schemes.</p>	<p>This product is suitable for investor who are seeking*</p> <ul style="list-style-type: none"> <li>Income Generation &amp; capital appreciation through investments in units of arbitrage and debt-oriented schemes</li> </ul>	 <p><b>RISKOMETER</b> THE RISK OF THE SCHEME IS MODERATE</p>	<p>40% NIFTY 50 Arbitrage Index + 60% Nifty Composite Debt Index</p>  <p><b>RISKOMETER</b> THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>

\*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them. Riskometer details are as on 31st May 2026

# For latest Riskometers, investors may refer on the website of the Fund viz. [www.dspim.com](http://www.dspim.com).

@Please refer to Notice cum addendum dated February 4, 2025 for change in fundamental attribute of scheme with effect from March 11, 2025. The scheme name has been changed from 'DSP Global Allocation Fund of Fund' to 'DSP Income Plus Arbitrage Fund of Fund' and the scheme benchmark has been changed from ' MSCI ACWI Net total returns index' to '40% NIFTY 50 Arbitrage Index + 60% CRISIL Dynamic Bond A-III Index' with effect from March 11, 2025. The scheme name has been changed from 'DSP Income Plus Arbitrage Fund of Fund' to 'DSP Income Plus Arbitrage Omni FoF' and the scheme benchmark has been changed from '40% NIFTY 50 Arbitrage Index + 60% CRISIL Dynamic Bond A-III Index' to '40% NIFTY 50 Arbitrage Index + 60% NIFTY Composite Debt Index' w.e.f. August 31, 2025.

Scheme	Product Suitability	Scheme Riskometer	Benchmark Riskometer
<p><b>DSP Savings Fund</b></p> <p>An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a short-term investment horizon</li> <li>Investment in money market instruments with maturity less than or equal to 1 year.</li> </ul>		<p>CRISIL Money Market A-I Index</p> 
<p><b>DSP Short Term Fund</b></p> <p>An open ended short term debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 1 year and 3 years (please refer page no. 40 under the section "Where will the Scheme invest?" for details on Macaulay's Duration). A moderate interest rate risk and relatively low credit risk</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a medium-term investment horizon</li> <li>Investment in money market and debt securities</li> </ul>		<p>CRISIL Short Duration Debt A-II Index</p> 
<p><b>DSP Strategic Bond Fund</b></p> <p>An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a medium to long term investment horizon</li> <li>Investment in actively managed portfolio of money market and debt securities</li> </ul>		<p>CRISIL Dynamic Bond A-III Index</p> 
<p><b>DSP Low Duration Fund</b></p> <p>An open ended low duration debt scheme investing in debt and money market securities such that the Macaulay duration of the portfolio is between 6 months and 12 months (please refer page no. 39 under the section "Where will the Scheme invest" in the SID for details on Macaulay's Duration). A relatively low interest rate risk and moderate credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a short-term investment horizon.</li> <li>Investments in money market and debt securities</li> </ul>		<p>NIFTY Low Duration Debt Index A-I</p> 
<p><b>DSP Overnight Fund</b></p> <p>An Open Ended Debt Scheme Investing in Overnight Securities. A relatively low interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>reasonable returns with high levels of safety and convenience of liquidity over short term</li> <li>Investment in debt and money market instruments having maturity of upto 1 business day</li> </ul>		<p>CRISIL Liquid Overnight Index</p> 
<p><b>DSP Gilt Fund (Erstwhile DSP Government Securities Fund)</b></p> <p>An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.</p>	<p>This Product is suitable for investors who are seeking*</p> <ul style="list-style-type: none"> <li>Income over a long-term investment horizon</li> <li>Investment in Central and /or State government securities.</li> </ul> <p>Please refer to Notice cum addendum dated January 11, 2024 for change in fundamental attribute of scheme with effect from February 23, 2024.</p>		<p>Crisil Dynamic Gilt Index</p> 

\*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them. Riskometer details are as on 31st May 2026

# For latest Riskometers, investors may refer on the website of the Fund viz. [www.dspim.com](http://www.dspim.com).

**DSP Overnight Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Overnight Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	A-I	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

**DSP Liquidity Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Liquidity Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

**DSP Ultra Short Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Ultra Short Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

**DSP Low Duration Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Low Duration Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-

**DSP Gilt Fund (Erstwhile DSP Government Securities Fund)<sup>555</sup>**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Gilt Fund (Erstwhile DSP Government Securities Fund)<sup>555</sup> based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	A-III	-	-

**DSP Savings Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Savings Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	B-I	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	-	-

**DSP Short Term Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Short Term Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	A-II	-	-
Relatively High (Class III)	-	-	-

**DSP Banking & PSU Debt Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Banking & PSU Debt Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	A-III	-	-

**DSP Strategic Bond Fund:**

**Potential Risk Class Matrix:** The potential risk class matrix of DSP Strategic Bond Fund based on interest rate risk and credit risk is as follows:

Potential Risk Class			
Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	-	-	-
Moderate (Class II)	-	-	-
Relatively High (Class III)	-	B-III	-