

NOV-2025: UNDERSTANDING RBI INTENT : OUR VIEW AND FUNDS POSITIONS

RBI cancelled G-sec auction on 31 Oct. What does it mean?

- Auction cancellations are either to (i) manage govt financing, or (ii) manage cost of govt financing. The former is not the case this time because lower tax collections have put stress on govt financing. Thus, **the cancellation is purely to manage yields**, in our opinion. *Auction cancellation are not for liquidity as this impacts Govt, not RBI, balance sheet.*
- If RBI has decided, that yields are high, they will come down. **Be wary to bet against RBI.** Especially, since RBI Gov has already mentioned that Yields should be lower by 20bp. And this time RBI means it, because...
- RBI has ammunition to bring yields lower:** We expect liquidity to be ~Rs. 4 lac by Dec end, and markets will price in OMOs in Q4 as without liquidity injection, it will be dry down to ~Rs. 2 lac cr by Apr 26. RBI can always advance those OMOs if market does not take cognizance of its signal of lower yields.

What's our position?

- We maintain our position of higher duration across money markets and duration products - there's margin of safety.
- After being heavy on corporate bonds for months, we now have preference to Gsecs. Corp bond spreads have compressed due to lower issuances. An increased issuance in Corp bonds, and RBI's intent on Gsecs drives our view.

Why this works?

- In < 1 year the yields give a good carry (~100bp over overnight). We do not see high odds for yields rising significantly in this segment. While liquidity may tighten because of FX drain, RBI will ensure ample liquidity. Any mild MTM loss should be compensated for by the higher yields.
- We still expect 10-year yields to move closer 6.20% in next few months. We prefer duration as (i) Bank demand will start to mildly pick-up after one-off impact of LCR wanes, and (ii) RBI would turn less hawkish due to macro trends, and (iii) liquidity infusion may be expected to plug the leakages from CIC and FX sales by RBI.

Which funds?

You are into safety first and safety last bucket:

- DSP Overnight Fund / DSP Liquidity Fund* are no brainer to keep cash. We prefer *DSP Liquidity Fund* with ~50bp higher YTM v/s overnight rates and low risk of MTM losses.

The tricky one - You want to park a few months, expecting either stagnant or lower rates

- You need less volatility? *DSP Ultra Short Fund* at ~100bp higher than overnight can be a suitable option. It is higher yielding and will be less susceptible to RBI policy and liquidity movement. The high yielding papers generally compensate for MTM losses. And with duration of ~0.5 years, it's not high risk, in our view.
- You want safety first? But expect no spike in yields (like us): *DSP Low Duration Fund* is the one. Again, YTM is >100bp over the overnight rates with 100% AAA rated portfolio - but it has duration of ~1 year. So, if RBI actions lead to lower yields - you gain carry + MTM gains.
- You want low volatility but still participate if yields fall lower: *DSP Savings Fund* is the answer. Its 80bp higher YTM than overnight rates - a bit less than Ultra Short and Low duration. Its duration (~0.48 yrs) is similar to Ultra Short but likely to have low volatility because of its composition. A perfect mix.

You want to invest tactically for yields to fall to <6.20% in few months (our view)?:

- But you still want safety - *DSP Short Term Fund* and *DSP Banking & PSU Debt Fund* are the funds. They will give you relatively higher yields (130 to 140bp 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* - 2.77y, *DSP Banking & PSU Debt Fund* - 4.38y). The low credit risk highlights the relatively safer option.

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

- Our *DSP Strategic Bond Fund* (8.7 years) and *DSP Gilt Fund* (11.35 years) are the ones. Again, mostly in AAA and Gilts, these funds can give bang for your buck.

What we like?

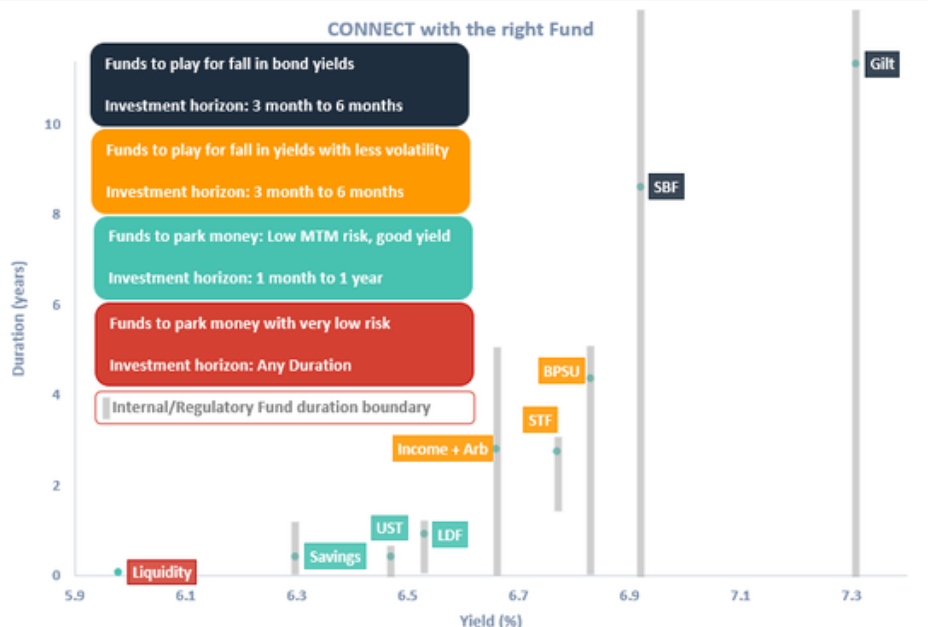
Investment choice is dependent on your needs, but we believe these funds are well suited in current markets:

DSP Savings Fund

At flushed systemic liquidity, spreads between overnight vs 1-yr CDs seem attractive (~95 bps). Our fund's deployment is heavier beyond Mar'26 segment - giving higher yield.

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

At a duration of 2.83 years the fund will moderately benefit from any rally in the market and the YTM of ~6.7% is reasonably high. The tax benefit is an added advantage.

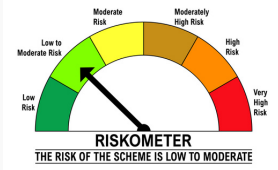
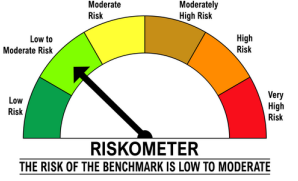
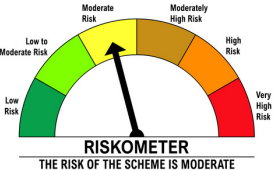
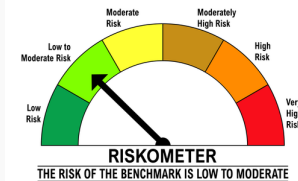
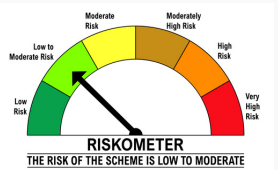
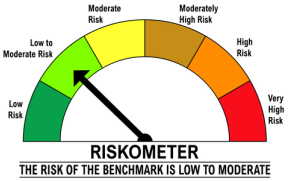
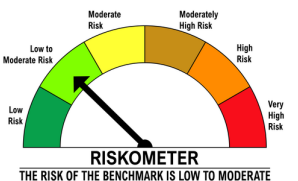


Source: Internal. Data as on 02-Nov-2025. YTM - Yield to Maturity, FX- Foreign Exchange, OMO - Open Market Operation, CIC - Currency in Circulation, MTM - Mark to Market. In the graph: Liquidity - DSP Liquidity Fund, Savings - DSP Savings Fund, UST - DSP Ultra Short Fund, LDF - DSP Low Duration Fund, 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:

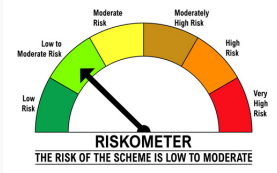
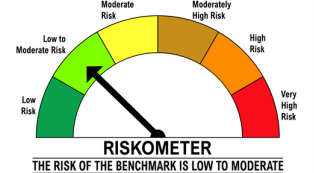
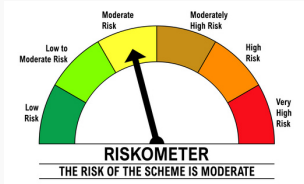
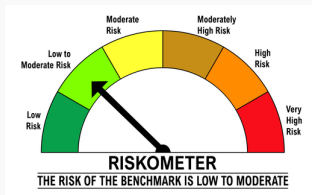
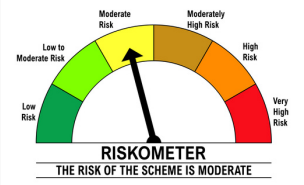
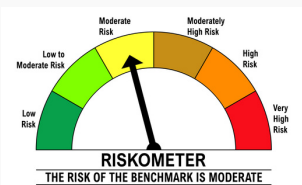
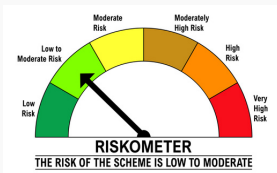
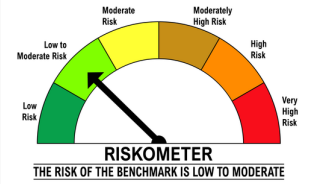
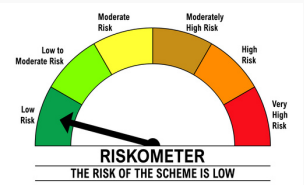
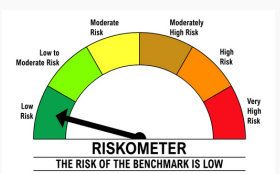
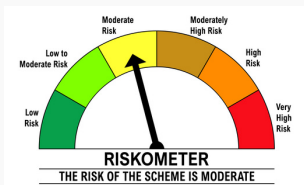
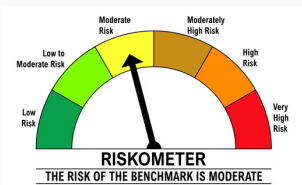
This note is for information purposes only. The statements contained herein may include statements of future expectations and other forward looking statements that are based on prevailing market conditions / various other factors and involve known and unknown risks and uncertainties that could cause 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. 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.

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

Scheme	Product Suitability	Scheme Riskometer	Benchmark Riskometer
DSP Ultra Short Fund 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	This Product is suitable for investors who are seeking* · Income over a short-term investment horizon · Investment in money market and debt securities	 THE RISK OF THE SCHEME IS LOW TO MODERATE	CRISIL Ultra Short Duration Debt A-I Index  THE RISK OF THE BENCHMARK IS LOW TO MODERATE
DSP Banking & PSU Debt Fund 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.	This Product is suitable for investors who are seeking* · Income over a short-term investment horizon · Investment in money market and debt securities issued by banks and public sector undertakings, public financial institutions and Municipal Bonds	 THE RISK OF THE SCHEME IS MODERATE	Nifty Banking & PSU Debt Index A-II  THE RISK OF THE BENCHMARK IS LOW TO MODERATE
DSP Liquidity Fund An open ended liquid scheme. A relatively low interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* · Income over a short-term investment horizon · Investment in money market and debt securities, with maturity not exceeding 91 days	 THE RISK OF THE SCHEME IS LOW TO MODERATE	CRISIL Liquid Debt A-I Index  THE RISK OF THE BENCHMARK IS LOW TO MODERATE
DSP Income Plus Arbitrage Omni FoF (Ex- DSP Income Plus Arbitrage Fund of Fund)@ An open ended fund of funds scheme investing in units of debt oriented schemes and arbitrage schemes.	This product is suitable for investor who are seeking* · Income Generation & capital appreciation through investments in units of arbitrage and debt-oriented schemes	 THE RISK OF THE SCHEME IS MODERATE	40% NIFTY 50 Arbitrage Index + 60% Nifty Composite Debt Index  THE RISK OF THE BENCHMARK IS LOW TO MODERATE

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them. Riskometer details are as on 30th September 2025
For latest Riskometers, investors may refer on the website of the Fund viz. 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
DSP Savings Fund An open ended debt scheme investing in money market instruments. A relatively low interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* - Income over a short-term investment horizon - Investment in money market instruments with maturity less than or equal to 1 year.		CRISIL Money Market A-I Index 
DSP Short Term Fund 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	This Product is suitable for investors who are seeking* - Income over a medium-term investment horizon - Investment in money market and debt securities		CRISIL Short Duration Debt A-II Index 
DSP Strategic Bond Fund An open ended dynamic debt scheme investing across duration. A relatively high interest rate risk and moderate credit risk.	This Product is suitable for investors who are seeking* - Income over a medium to long term investment horizon - Investment in actively managed portfolio of money market and debt securities		CRISIL Dynamic Bond A-III Index 
DSP Low Duration Fund 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.	This Product is suitable for investors who are seeking* - Income over a short-term investment horizon. - Investments in money market and debt securities		NIFTY Low Duration Debt Index A-I 
DSP Overnight Fund An Open Ended Debt Scheme Investing in Overnight Securities. A relatively low interest rate risk and relatively low credit risk.	This Product is suitable for investors who are seeking* - reasonable returns with high levels of safety and convenience of liquidity over short term - Investment in debt and money market instruments having maturity of upto 1 business day		CRISIL Liquid Overnight Index 
DSP Gilt Fund (Erstwhile DSP Government Securities Fund) An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.	This Product is suitable for investors who are seeking* - Income over a long-term investment horizon - Investment in Central and /or State government securities. Please refer to Notice cum addendum dated January 11, 2024 for change in fundamental attribute of scheme with effect from February 23, 2024.		Crisil Dynamic Gilt Index 

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them. Riskometer details are as on 30th September 2025

For latest Riskometers, investors may refer on the website of the Fund viz. 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)⁵⁵⁵

Potential Risk Class Matrix: The potential risk class matrix of DSP Gilt Fund (Erstwhile DSP Government Securities Fund)⁵⁵⁵ 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	-