

OCT-2025 MONETARY POLICY PREVIEW: OUR VIEW AND FUNDS POSITIONS

What can happen in policy?

- RBI Governor should sound a bit more dovish. With govt trying hard to increase consumption, there will be onus on Governor to change his communication.
- While RBI can do rate cuts, we do not expect in our base case.
- We do not expect RBI to announce any liquidity measures - they are for the next policy.

What's our position?

- We maintain our position of status-quo i.e. higher in duration. Across money markets and duration products.

Why this works?

- In < 1 year the yields give a good carry (~100bp over overnight). We do not see high odds for yields to rise 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%. 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 for to leakages to CIC and FX sales by RBI.

Which funds?

You are into safety first and safety last bucket:

- *DSP Overnight Fund / DSP Liquid Fund* are no brainer to keep cash. We prefer *DSP Liquid 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, with low interest rate (RBI actions risk)

- 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 (~0.55 yrs) is a bit higher than 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% by Dec (our view)?:

- But you still want safety - *DSP Short Term Fund*, *DSP Floater Fund* and *DSP Banking & PSU Fund* are the funds. With higher allocation in corporate bonds (nearly all AAA) they will give you higher yields (100 to 150bp above overnight). Duration is enough to give you capital gains - and between these 3 you can choose based on your risk preference (FF- 2.3y, STF 2.9y, BPSU -4y). The low credit risk highlights that your risk is limited to only taking interest rate call.

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

- Our *DSP Strategic Bond Fund* (7 years) and *DSP Gilt Fund* (10 years) are the ones. Again, mostly in AAA and gilts, these funds can give bang for your buck.

What we like?

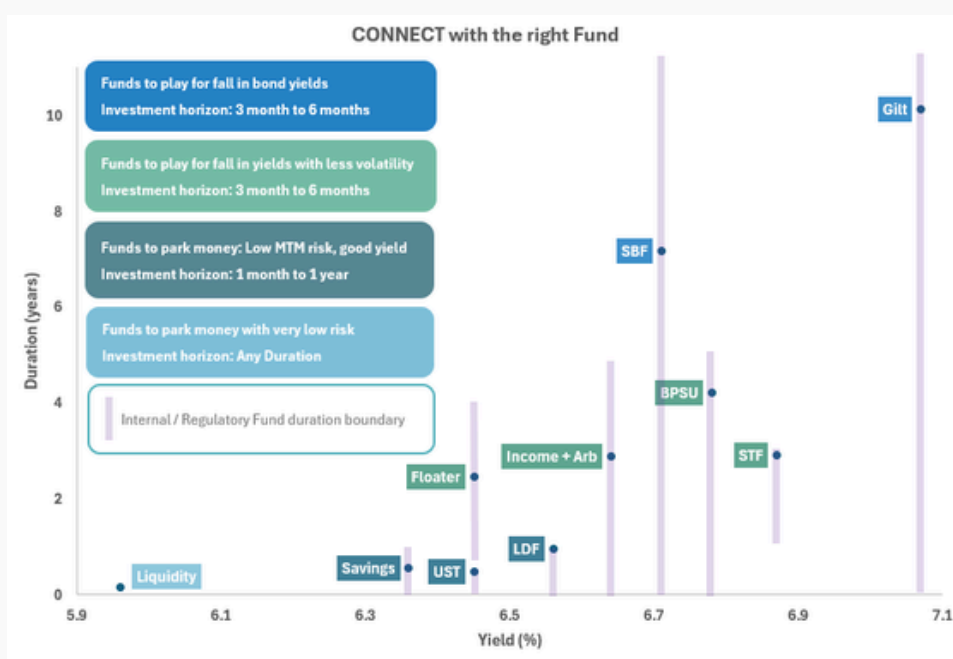
Investment choice is dependent on your needs, but we believe these funds are well suited in current markets:

DSP Savings Fund

At flushed systemic liquidity, spreads between overnight vs 1-yr CDs seem attractive (~90 bps). Our fund's deployment is heavier beyond Mar'26 segment - giving higher yield.

DSP Income + Arb Fund

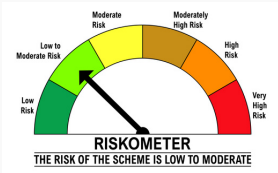
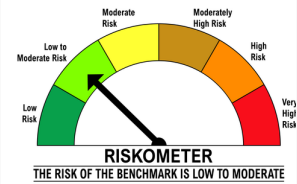
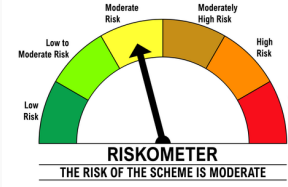
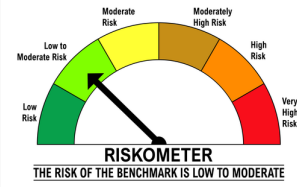
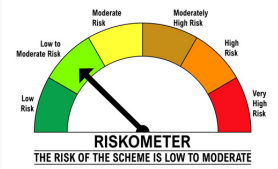
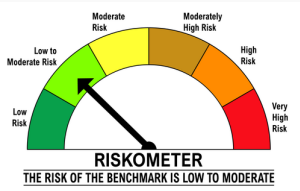
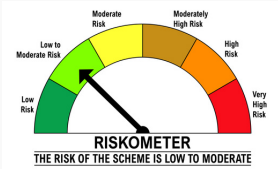
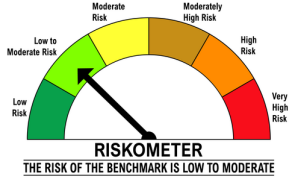
At a duration of 2.7 years the fund will moderately benefit from any rally in the market and will the YTM of ~6.9% is reasonably high. The tax benefit is an added advantage.



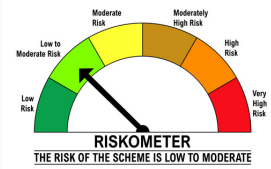
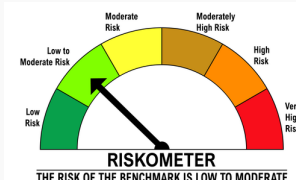
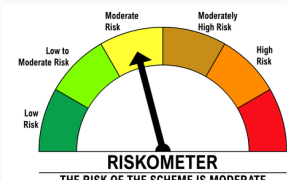
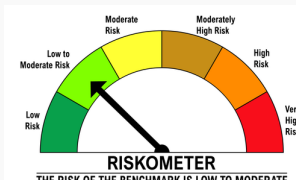
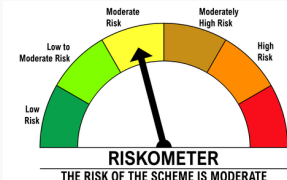
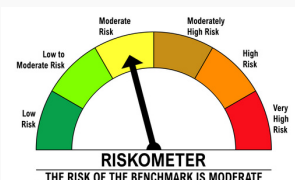
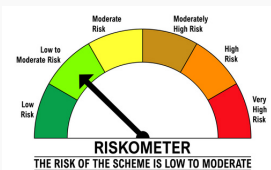
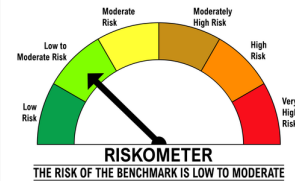
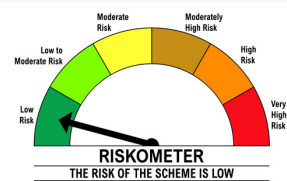
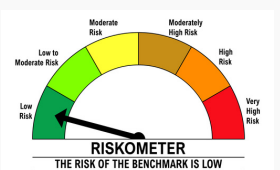

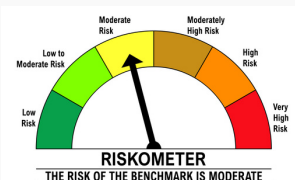
Disclaimers:

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.

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		CRISIL Ultra Short Duration Debt A-I Index 
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		Nifty Banking & PSU Debt Index A-II 
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		CRISIL Liquid Debt A-I Index 
DSP Floater Fund An open ended debt scheme predominantly investing in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/ derivatives. A relatively high interest rate risk and relatively low credit risk..	This Product is suitable for investors who are seeking* · To generate regular Income · Investment predominantly in floating rate instruments (including fixed rate instruments converted to floating rate exposures)		CRISIL Short Duration Debt A-II Index 

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

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* <ul style="list-style-type: none"> Income over a short-term investment horizon Investment in money market instruments with maturity less than or equal to 1 year. 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW TO MODERATE</p>	CRISIL Money Market A-I Index  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
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* <ul style="list-style-type: none"> Income over a medium-term investment horizon Investment in money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	CRISIL Short Duration Debt A-II Index  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
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* <ul style="list-style-type: none"> Income over a medium to long term investment horizon Investment in actively managed portfolio of money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	CRISIL Dynamic Bond A-III Index  <p>RISKOMETER THE RISK OF THE BENCHMARK IS MODERATE</p>
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* <ul style="list-style-type: none"> Income over a short-term investment horizon. Investments in money market and debt securities 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW TO MODERATE</p>	NIFTY Low Duration Debt Index A-I  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW TO MODERATE</p>
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* <ul style="list-style-type: none"> 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 	 <p>RISKOMETER THE RISK OF THE SCHEME IS LOW</p>	CRISIL Liquid Overnight Index  <p>RISKOMETER THE RISK OF THE BENCHMARK IS LOW</p>
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* <ul style="list-style-type: none"> 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.	 <p>RISKOMETER THE RISK OF THE SCHEME IS MODERATE</p>	Crisil Dynamic Gilt Index  <p>RISKOMETER THE RISK OF THE BENCHMARK IS MODERATE</p>

*Investors should consult their financial advisors if in doubt about whether the scheme is suitable for them.

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 Floater Fund:

Potential Risk Class Matrix: The potential risk class matrix of DSP Floater 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	-