

Gilt Funds

Fixed-income investors eyeing a high-quality portfolio with no credit risk which gives a chance to earn capital appreciation when interest rates move down, can consider gilt funds



WHAT ARE GILT MUTUAL FUNDS?

Gilt funds or government securities funds as they are called are a category of debt schemes that invest only in bonds issued by the central and state governments. Their portfolios comprise a mix of government securities maturing at different times.

HOW DO GILT FUNDS WORK?

Whenever the central or state government needs funds, it is arranged by the Reserve Bank of India (RBI) on behalf of the government. The central bank raises this money from investors such as banks and insurance companies through auctions where it issues government securities or Gsecs having a fixed tenure. Gilt funds too can participate in such auctions. These funds also buy and sell Gsecs in the secondary markets based on their requirements and outlook.



Invesco Mutual Fund

An investor education and awareness initiative

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on www.invescomutualfund.com. Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/Market Infrastructure Institutions" on <https://www.sebi.gov.in/index.html>. For any grievance / complaint, please call us on 1800-209-0007 or write to us at mfservices@invesco.com. Alternatively, complaints can be registered on the SEBI SCORES Portal at <https://scores.gov.in>

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

DO GILT FUNDS HAVE ANY RISKS?

Since the securities held in the portfolio of the gilt fund are issued by the government, there is no credit risk as the government never defaults on its payments. However, these funds carry an interest rate risk. In a rising interest rate environment, if the interest rates rise sharply, the prices of long-tenure government securities will fall, leading to a mark-to-market loss for the investor.

WHO SHOULD INVEST IN GILT FUNDS?

Aggressive fixed-income investors who believe interest rates have peaked now and could fall in the next 9-12 months, can start accumulating gilt funds in their portfolio. As and when interest rates fall, the NAV of long-tenure gilt funds could rise, leading to capital appreciation for investors. Conservative investors with a horizon of seven years and above can invest in these funds for steady appreciation and compounding of income.

HOW ARE GILT FUNDS TAXED?

Gilt funds are classified as debt funds for taxation purposes. For an investor in the growth plan of the scheme, tax will be levied only at the time of redemption. As per rules, any capital gains from such schemes after April 1, 2023, will be taxed at the slab rate.

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