Product advised on: Overnight Funds/liquid Funds/Ultrashort/Money Market Funds

Rationale: - As part of tactical allocation, any money awaiting deployment will be parked in Overnight Funds/liquid Funds/Ultrashort/Money Market Funds or any such investment. This will be considered as a part of fixed income allocation till further deployment. We recommended investing in Overnight Funds/liquid Funds/Ultrashort/Money Market Funds in case there is no immediate use of the excess liquidity or no long-term investment (like STP, lumpsum etc.) is planned for the additional liquidity at that time. You may redeem from the same as and when required. As informed to you that you will not need any specific advice for this purpose and hence, kindly treat this as general advice for parking in Overnight Funds/liquid Funds/Ultrashort/Money Market Funds.

Overnight Funds/liquid Funds/Ultrashort/Money Market Funds enable easy access for any specific use and also enable investment of wealth in securities in case any long-term investments are planned in future. Please note that NAV doesn't fluctuate too frequently as the underlying assets mature within very short maturity (eg up to 1 day in overnight funds, up to 91 days in liquid funds, between 3 months to 6 months in ultra-short term funds and up to 1 year in money market funds).

Overnight Funds are preferable for parking surplus cash for less than a week as they have no exit load. SEBI has mandated that there will be an exit load applicable on liquid funds if units are redeemed within 7 days. As per the new structure, holding for one day in liquid fund would draw an exit load of 0.007 per cent, two-day will have 0.0065 per cent exit load, followed by 0.006 per cent, 0.0055 per cent, 0.0050 per cent, 0.0045 per cent for the third, fourth, fifth and sixth day respectively with exit load from the seventh day onwards being nil. Ultra-short term, money market funds may or may not have exit loads.

Risks associated with these are provided below:

Interest Rate Risk

As with all debt securities, changes in interest rates will affect the Scheme's Net Asset Value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do shorter-term securities. Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the NAV.

Liquidity or Marketability Risk

This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market

Credit Risk Credit risk or default risk

This refers to the risk which may arise due to default on the part of the issuer of the fixed income security (i.e. will be unable to make timely principal and interest payments on the security). Because of this risk debentures are sold at a yield spread above those offered on Treasury securities, which are sovereign obligations and generally considered to be free of credit risk. Normally, the value of a fixed income security will fluctuate depending upon the actual changes in the perceived level of credit risk as well as the actual event of default.

Spread Risk

Credit spreads on corporate bonds may change with varying market conditions. Market value of debt securities in portfolio may depreciate if the credit spreads widen and vice –versa. Similarly, in case of floating rate securities, if the spreads over the benchmark security / index widen, then the value of such securities may depreciate.

Counterparty Risk: - This is the risk of failure of counterparty to a transaction to deliver securities against consideration received or to pay consideration against securities delivered, in full or in part or as per the agreed specification. There could be losses to the Scheme in case of a counterparty default.

Re-investment Risk: - Investment in fixed income securities carries re-investment risk. Interest rates prevailing on the coupon payment or maturity date may differ from the purchase yield of the security. This may result in final realized yield to be lower than that expected at the time of purchase

Risks associated with unrated instruments: - Investments in unrated instruments are subject to the risk associated with investments in any other fixed income securities, as referred above. However, investments in unrated instruments are considered to be subject to greater risk of loss of principal and interest than rated instruments.

Settlement Risk: The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the Scheme's portfolio due to the extraneous factors that may impact liquidity would result at times, in potential losses to the Scheme, in case of a subsequent decline in the value of securities held in the Scheme's portfolio.

Regulatory Risk: Changes in government policy in general and changes in tax benefits applicable to Mutual Funds may impact the returns to investors in the Scheme.

Disclaimer

Contact detail: Registered Office –B 7,Jay Chambers, Dayaldas Road, Vile Parle East, Mumbai, Maharashtra ,India

Pin Code: 400057, Website-www.sanguinewealth.com