

# LOOKING FOR BETTER RETURNS OVERNIGHT? LOOK NO FURTHER!

## WHAT ARE OVERNIGHT FUNDS?

Overnight Funds are a relatively new category of mutual funds. These funds invest in debt instruments that have a maturity period of one day. The instruments are bought with a day to mature and thus benefit from the overnight price difference. Clearing Corporation of India (CCIL) backed collateralised borrowing and lending obligations (CBLOs) with one day maturity are their preferred choice of investing.

## HOW DO OVERNIGHT FUNDS WORK?



The fund manager purchases securities in the overnight market at the start of each day. These securities mature on or before next business day, and the price will not be affected if the Reserve Bank of India (RBI) changes the interest rates. The next day, securities mature and new overnight securities are purchased at the new price. Even if the credit rating of the issuer changes, the price of this fund will not be affected as the underlying securities will mature the next day. Note that the reinvestment is done at the new rate of the next day.

## FEATURES OF OVERNIGHT FUNDS

 <p>Relatively unaffected by market volatility</p>	 <p>Greatest liquidity among debt funds</p>	 <p>One-day maturity</p>
 <p>Minimum to no risk due to the short investment horizon</p>	 <p>Strives to provide returns relatively better than savings bank account</p>	 <p>Better utilisation of idle funds</p>

## HOW ARE OVERNIGHT FUNDS TAXED?

Gains on selling of units held for more than three years are subject to LTCG tax at the rate of 20% after indexation. Gains on sale of units held for a shorter period are added to a person's income and taxed at the marginal tax rate. Their dividends are subject to 29.12% dividend distribution tax.



## WHO SHOULD INVEST IN OVERNIGHT FUNDS?

- Investors who are risk-averse and are looking to park their money overnight
- Investors looking for greater liquidity with returns relatively better than a savings bank account
- Ideal for institutional investors (banks, insurers and corporates) looking for better overnight returns when parking surplus funds
- Investors who require a temporary parking spot for money in a financial emergency
- Ideal feeder funds for those investing in equity funds through systematic transfer plan

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Mutual Fund

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

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