

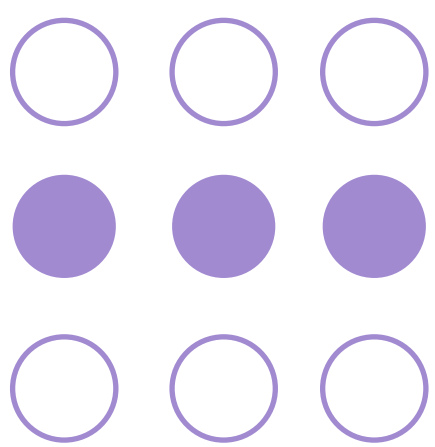
Finology

Recipe

BEST

LIQUID FUND

2026



What are the purposes and use cases of Liquid Mutual Funds?

- Build an emergency fund (6–9 months of essential expenses) before starting any investment in MFs or stocks.
- Plan for short-term goals (below 3 years), such as a home, car down payment, or planned expenses (probability of achieving your goal is above 90%)
- Also used to park short-term cash tranches, like bonuses, any asset sales, or booked equity profits until final deployment.
- Example - if you have a lump sum parked in Parag Parikh Liquid Fund, you can use the STP feature to gradually invest it (monthly or periodically) into the Parag Parikh Flexi Cap Fund — both within the same AMC.

Does instant redemption work on weekends or holidays?

Yes, but up to ₹50,000:

IMPS

Works 24×7,
365 days.



Request on
Saturday

Receive
same day.



Request on
Sunday

Receive
same day.



Note: Instant redemption isn't available via Demat. Invest directly with the AMC or in SOA mode (Non demat) to use this feature.

Above ₹50,000 (follows the regular T+1 settlement)

Weekend requests are treated as submissions on Monday.



Request on
Saturday

Receive Tuesday
(3-day wait)



Request on
Sunday

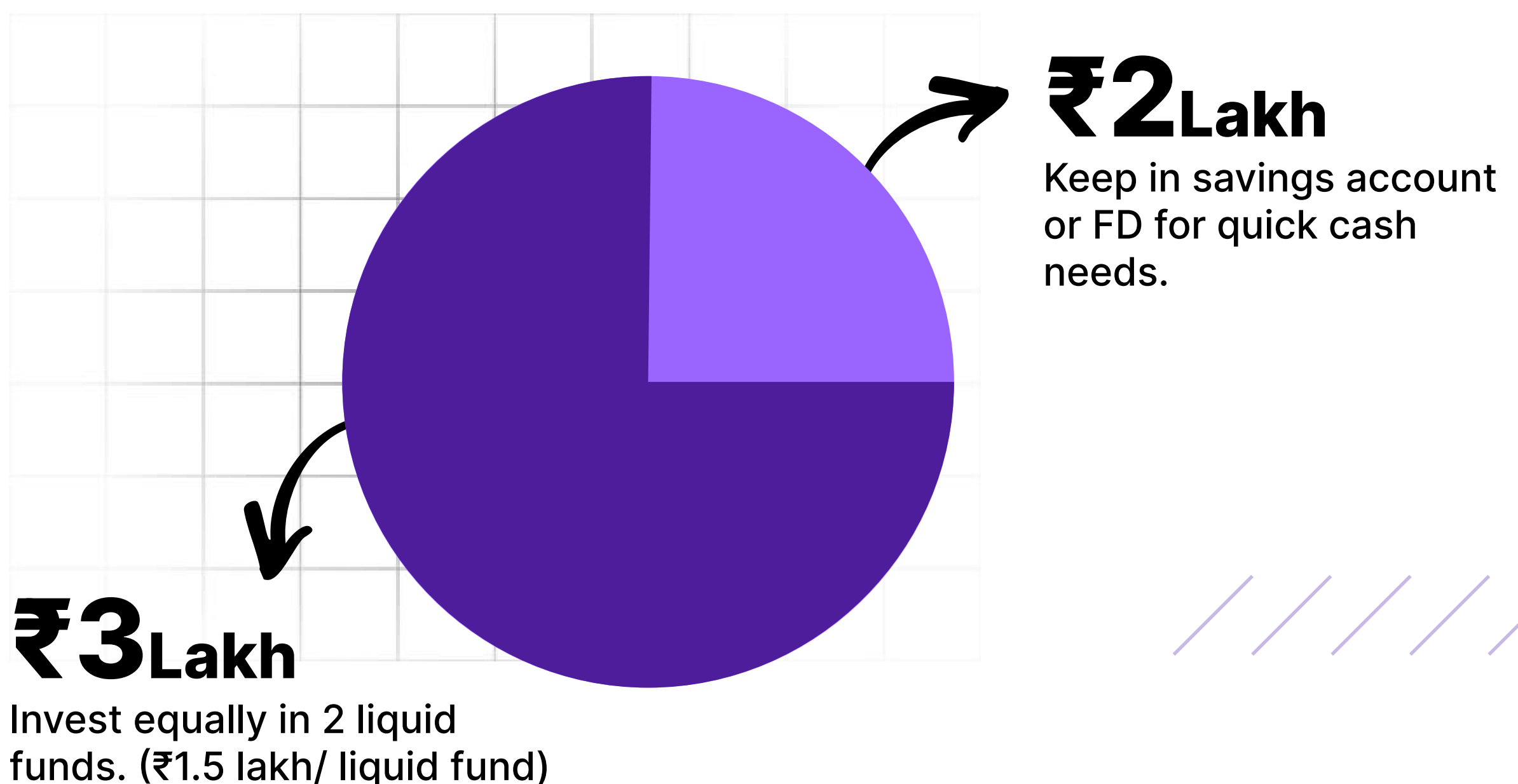
Receive Tuesday
(2-day wait)

It's best to redeem by Friday before 3 PM to receive the funds by Monday.

What is the best strategy to build an emergency corpus?

- Keep 60–70% of the corpus in multiple liquid funds (e.g., HDFC, Axis, ICICI Liquid).
- Keep 30–40% in a savings account or bank FD.
- This strategy ensures liquidity needs while delivering inflation-beating growth.

Example: For a ₹5 lakh+ emergency corpus



₹1 lakh is available anytime. (₹50,000 instantly from each fund)

How are Liquid Funds more tax-efficient than Bank FDs?

- In liquid funds, tax is applicable only at the time of redemption, enabling tax deferral and allowing your capital to compound on the full amount.
- In bank FDs, interest income is taxed every year (TDS is deducted annually) even if you don't withdraw the interest.
- However, capital gains from liquid funds (both short- and long-term) are taxed at your income slab rate, similar to FDs.
- Hence, the real benefit lies in tax deferral, not in a lower tax rate.

What are the fundamentals of a Liquid Fund?

- A liquid fund is a debt mutual fund that invests in short-term securities (maturity up to 91 days).
- It earns returns primarily through interest income, not through market price movements.
- Typical holdings include T-Bills, G-Secs, Commercial Papers (CPs), Certificates of Deposit (CDs), and short-term corporate bonds.
- The NAV increases each day slightly as interest accrues, even on holidays.
- Generally risk-free, but risks can rise if the fund manager chases higher yields by buying lower-rated papers (AA+, A2).
- A yield significantly higher than peers (>7.5% when peers are ~6.5%) can be a red flag. (Ideally, 1% above the repo rate)
- Always prioritize credit quality over higher returns; one bad bond can wipe out months of gains.

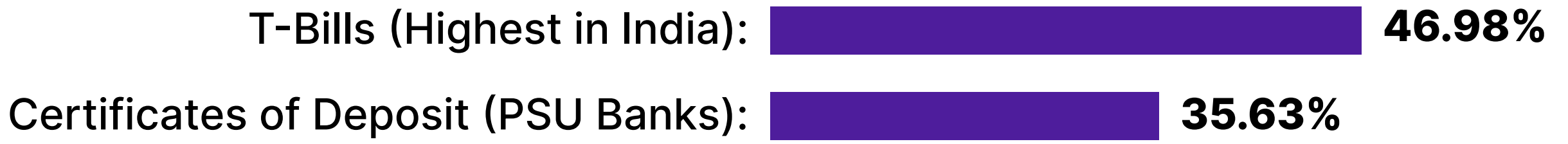
The scheme will only be selected when this criterion is met.

Criterion	Our Benchmark Standard
Scheme Track Record	Minimum 5+ years of performance history.
AMC Credit Track Record	No history of credit defaults or write-downs across any of the AMC's debt schemes.
T-Bills + Certificate of Deposits (% Allocation)	Above 70% of portfolio (Both have zero credit risk)
Credit Quality	Above 90% asset allocation (AAA / A1+ / Sovereign exposure) Issuer Concentration (Non-Sovereign)
Issuer Concentration (Non-Sovereign)	≤10% exposure to any single issuer other than government securities
Instant Redemption Facility	Available
Expense Ratio (Direct Plan)	< 0.15%
Yield to Maturity (YTM)	Current ≤ 6.5% (not more than 100 bps above current repo rate), 3yr CAGR ≤ 7%
Modified Duration	< 0.15 years. (If interest rates rise by 1%, NAV impact should not exceed 0.15%) Indicates minimal rate sensitivity.
Average Maturity	< 60 days (ensuring high portfolio churn), which is more conservative than SEBI's 91-day cap.

Name of Liquid Fund

1. Quantum Liquid Fund

Portfolio Composition:

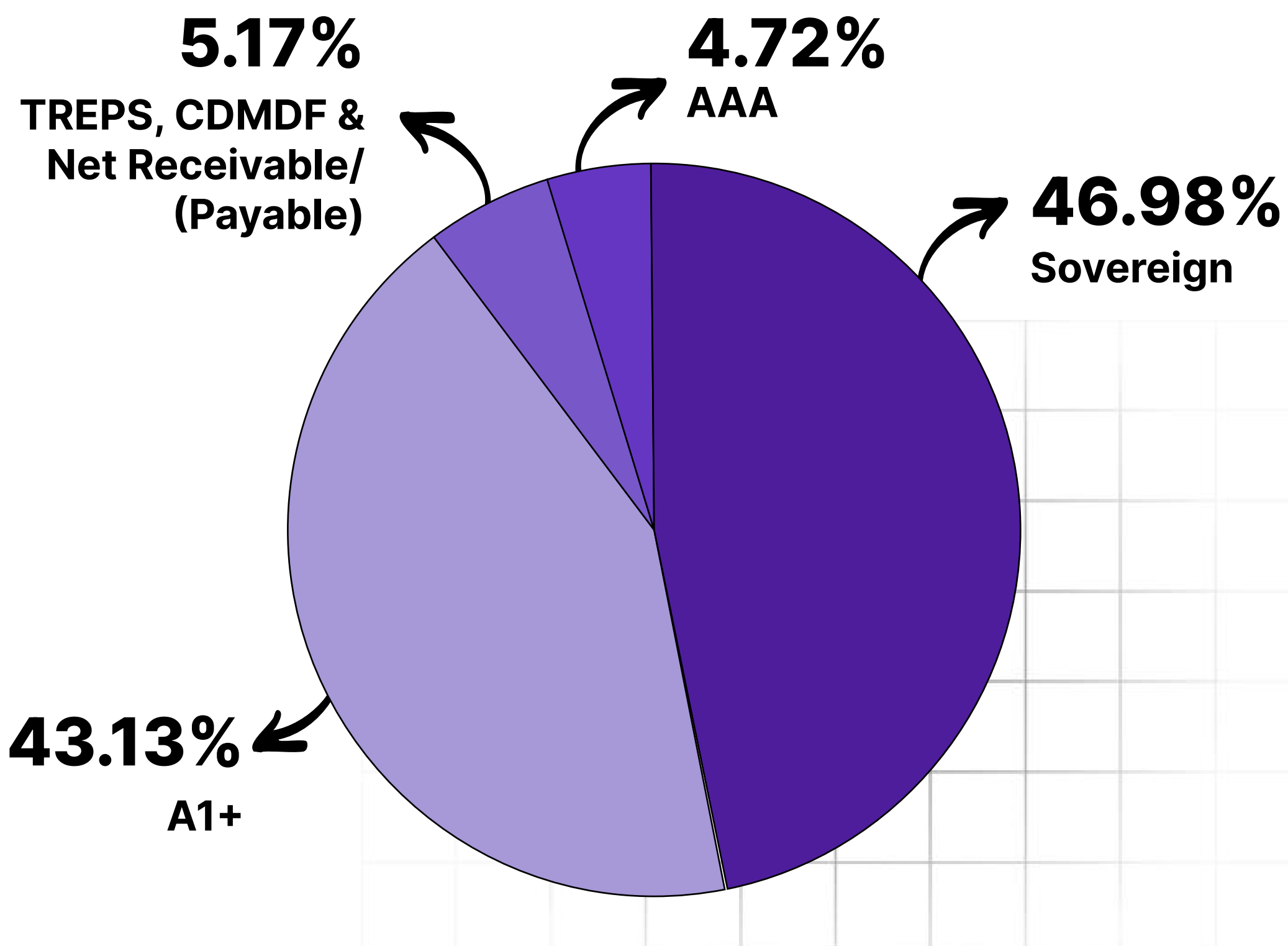


Unique Features:

- Zero exposure to private sector corporates
- Weekly portfolio disclosure – highly transparent.
- Lowest interest rate sensitivity (If interest rates rise by 1%, the NAV impact should not exceed 0.09%)
- Asset allocation 94% (AAA / A1+ / Sovereign exposure)

Rating Profile (%) as on Sept 30, 2025

Rating Profile



Key Statistics:

- AUM: ₹529 Cr
- Track Record: 19 years
- Expense Ratio: 0.15%

Investment Philosophy

Prioritizes safety and liquidity over returns. Invests only in Government Securities, Treasury Bills, and money market instruments issued by Public Sector Undertakings.

Statutory Disclaimer:

Mutual Fund investments are subject to market risks, read all scheme-related documents carefully. The Net Asset Values (NAVs) of the funds may experience fluctuations, influenced by various factors affecting the securities market and changes in interest rates. Data, video clippings, graphs and/or information displayed on this report are for information purposes only.

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