



Exploring target maturity funds

Just as you curate your wardrobe to suit various occasions and seasons, a well-rounded investment portfolio also demands diversity. Mutual funds, especially debt funds, have become popular for diversifying investments. Among these options, target maturity funds have captured the attention of several investors. Let's take a closer look at what target maturity funds are and why they could be a good fit for your investment plan.

What are target maturity funds?

Target maturity funds are a type of open-ended passive debt funds that are specifically designed to mimic the performance of a predetermined bond index until a specified maturity date. These funds are managed passively, so they aim to imitate the returns of the underlying benchmark bond index.

One distinctive feature of target funds is their defined maturity dates. Unlike other open-ended mutual funds, which do not have a fixed maturity date, target maturity funds are structured to mature on a specific date in the future. Upon maturity, you receive the principal amount invested along with the accrued interest earned over the investment period.

Where do these funds invest?

In accordance with regulations set by the Securities and Exchange Board of India (SEBI), target maturity debt funds in India primarily invest in a range of debt securities characterised by higher credit quality. These securities typically encompass Government Securities (G-Secs) issued by the central and state governments, Public Sector Undertakings (PSUs) bonds, State Development Loans (SDLs), and other bonds that meet specific criteria. Focusing on such instruments enables target maturity debt funds to provide exposure to a diversified portfolio while mitigating credit risk.

Why should you invest in them?

There are several potent reasons to consider investing in target maturity funds. One significant advantage of target maturity debt funds is their relative immunity to interest rate changes. As these funds are structured to hold securities until maturity with a decreasing duration over time, they tend to be less reactive to fluctuations in interest rates along the way.

Additionally, since target maturity bond funds operate passively, their investment strategy is based on replicating the composition of the underlying bond index. This passive approach can offer better predictability and stability in returns over time.

Furthermore, target maturity funds are available as open-ended schemes, providing you with enhanced liquidity compared to some other investment options. However, if you are seeking stable returns, you must hold your investment until the fund's maturity.

Conclusion

Target maturity funds offer a transparent and straightforward way to invest in a broad range of bonds with a predefined investment horizon. They invest in high-quality debt securities for better diversification and minimised risk. This makes them suitable for those seeking predictable returns and capital preservation over a specific time frame.

An investor education initiative by Edelweiss Mutual Fund

All Mutual Fund Investors have to go through a onetime KYC process. Investor should deal only with Registered Mutual Fund (RMF).

For more info on KYC, RMF and procedure to lodge/redress any complaints, visit - <https://www.edelweissmf.com/kyc-norms>

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