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**LIVE TV**

# Stick to short-term funds, experts advise investors

BY PRASHANT MAHESH, ET BUREAU | UPDATED: AUG 03, 2018, 10.14 AM IST

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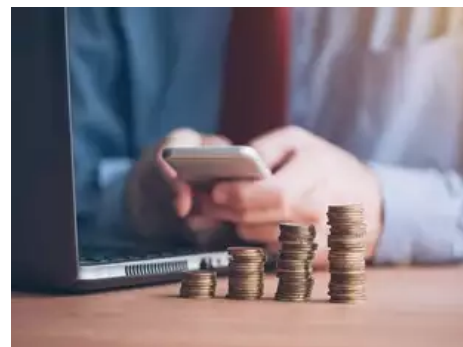
After the second hike in repo rates by 25 basis points by the central bank on Wednesday, fund managers say debt investors should stick to ultra short-term or **short-term funds**. With crude prices rising, upward risks to inflation are high and fund managers do not rule out further rate hikes of 25-50 basis points over the next 12 months.

“From here on, we asses that the central bank should now pause for next two meetings and resume the rate hike (if any) only in the next year, after the trends in global commodity, MSP and fiscal has further evolved,” says Navneet Munot, CIO, SBI Mutual Fund. Wealth managers believe that given high inflation and a rise in fiscal deficit, it is a matter of time before rates move up further.

“The direction and the trend of interest rates will remain upwards in the near future through the quantum and the frequency of rate hikes remain uncertain,” says Raj Mehta, Fund Manager, PPFAS.

Rising rates are bad news especially for investors in long-duration funds. When interest rates move up, bond prices move down resulting in mark-to-market losses to investors. With rising interest rates, investors have been selling gilt funds and income funds over the past couple of months. As per data from **AMFI**, investors have sold income funds and gilt funds worth Rs 39,600 crore since the start of this financial year. Returns from long-duration funds have been poor. As per the data from Value Research, investors in the long-duration funds category have made just 0.57 per cent in the past year, while investors in liquid funds have made 6.84 per cent in the same period. Wealth managers believe investors should exit long duration funds and shift to short-duration funds.

“Investors should pare down their exposure to income funds and gilt funds and move to short term or ultra short term funds,” says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. He advises investors to be with ultra short and short-term income funds only.



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### Short & Sweet

Fund Name	1 Yr Return (%)
BOI AXA Ultra Short Duration	7.39
Franklin India Ultra Short Bond	7.71
SBI Magnum Ultra Short Duration	7.23
DHFL Pramerica Ultra Short Term	7.07
Reliance Ultra Short Duration	7.39

Source: Value Research

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