

Capitalmind Liquid Fund

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Liquid Fund 101

What are liquid funds?



What is a Liquid Fund?

As per SEBI's classification, Liquid Funds are open-ended debt schemes that invest exclusively in debt and money market instruments with residual maturity of up to 91 days. Typical instruments include Treasury Bills (T-Bills), Government Securities (G-Secs), Commercial Paper (CP), Certificates of Deposit (CD), and repos on G-Secs and corporate bonds.

Reduce risk & penalties

Highly liquid investments with minimal interest rate volatility, supported by stringent credit and duration filters. Withdraw anytime without premature penalty charges**

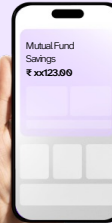
High Liquidity

Liquid funds are a type of mutual fund that invest in liquid money market instruments.



Alternative to Traditional Savings Products

They are considered as an alternative to traditional bank savings accounts since liquid funds tend to offer relatively better returns* without TDS.



Suitable for Emergency Funds

Liquid funds are also suitable for creating an emergency fund as they offer easy liquidity and quick redemption options.



Short Maturity

Liquid funds invest in securities that mature within 3 months. It suits investors looking to park money for more than 1 week.



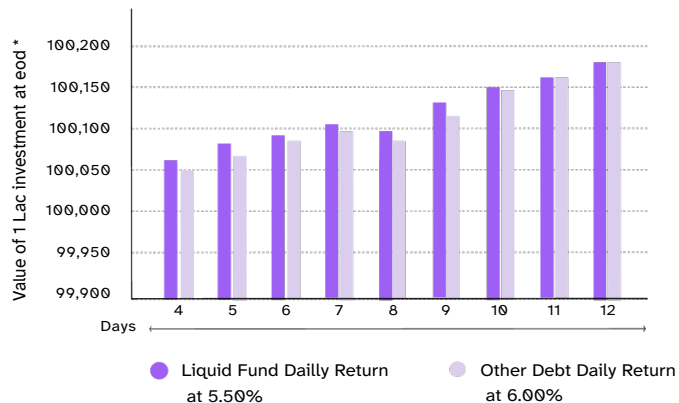
*Returns from liquid funds vary depending on underlying money market conditions. The returns on the traditional banking products usually are stable over the long period of time.

** No exit load after 7 days

Among debt funds, liquid funds are some of the most liquid at comparable returns



Excess return due to same day accruals*



Liquid Funds are ideal for very short-term needs because investments are made at the previous day's NAV, ensuring **not even a single day's accrual is lost**.

For example, if you invest ₹1,00,000 in a Liquid Fund earning 5.50% and another debt fund yielding 6.00%, the latter will take roughly two weeks to outperform the Liquid Fund. This is because the Liquid Fund starts earning returns immediately, while other debt funds begin accrual only from the next day.

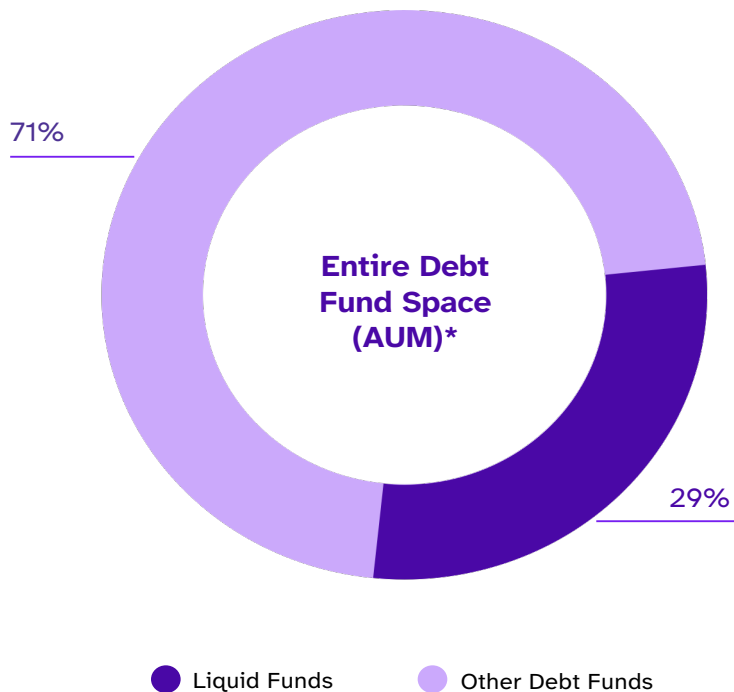
Hence, for holding periods of up to about 14 days, Liquid Funds offer better efficiency, safety, and instant liquidity despite offering lower annual yields.

For parking funds up to 2–4 weeks, a Liquid Fund is the most efficient choice.

Feature	Liquid	Money Market / Ultra Short	Corporate Bond / Banking & PSU	Credit Risk
Residual Maturity	≤91 days	1–12 months	1 year+	1 year+ (often lower-rated)
Interest Rate Risk	Very Low	Low	Moderate	Higher potential risk
Credit Stance	A1+ money-market, AAA for bonds	High-quality mix	Predominantly AAA	Broader credit exposure
Use Case	7 days – 6 Months	1–12 months	>1 year horizon	>1 year horizon

*Returns mentioned, is for illustrative purposes only and should not be construed as a forecast or promise of returns.

These funds constitute almost a third of all debt funds combined by assets under management



Despite the recent taxation changes that removed indexation benefits for debt mutual funds, **Liquid funds continues to dominate the debt fund category**, holding nearly 30% of the category's total AUM.

With an estimated ₹5.5 lac crore in assets, Liquid funds remain a preferred choice for both institutional and retail investors due to their liquidity, diversification, and regulatory transparency, reaffirming their crucial role in short-term and fixed-income allocation strategies.

*AMFI monthly_AUM data October 2025

9 ways Liquid Funds can help you

1

Emergency Fund or Contingency Reserve

Ravi keeps ₹50,000 in a liquid fund for emergencies like medical bills or sudden travel. He earns more than he would in a savings account and can withdraw the money quickly when needed.



For illustration purposes only; does not represent actual investor experience.

2

Temporary Parking with STP option (Systematic Transfer Plan)

Neha has ₹5 lakhs to invest but is worried about market ups and downs. She parks it in a liquid fund and sets up an STP to transfer ₹25,000 every month into an equity fund.



3

Protecting Achieved Goals

Amit saved ₹10 lakhs for his child's college fees. He moves the money from equity funds to a liquid fund to protect it from market risks until admission time.



4

Tax efficiency

In a Liquid Fund, the returns or accruals are not taxed on an annual basis. This is different from a Fixed Deposit, where the interest earned each year is taxable and banks deduct TDS on the interest income.



For illustration purposes only; does not represent actual investor experience.

5

Managing Large Short-term Surpluses

A company receives ₹2 crores from a client but needs to pay vendors in 2 months. They park the money in a liquid fund to earn returns in the meantime.



6

Alternative to Short-Term Fixed Deposits

Priya wants to invest ₹25 lakh for 3 months. Instead of a fixed deposit, she chooses a liquid fund for better returns.



7

Cash Flow Management for Corporates & Professionals

Dr. Mehta keeps ₹5 lakhs in a liquid fund to pay clinic staff salaries and buy medicines. He earns returns until the money is used.



For illustration purposes only; does not represent actual investor experience.

8

Cash Buffer for Market Opportunities

Suresh is waiting to buy a property. He parks ₹20 lakhs in a liquid fund, so it earns returns while he waits for the legal due diligence is completed.



9

Margin Placement at Stock Exchanges

This means investors can pledge their units of liquid funds with brokers or clearing members to meet margin requirements, Treatment from margin perspective is just like cash. Whereas Liquid Fund will earn returns rather than giving actual cash which will not yield any returns.



General benefits of Liquid Funds

Liquid funds are stringently regulated by SEBI to protect high liquidity at the lowest volatility



Key Regulatory Guardrails

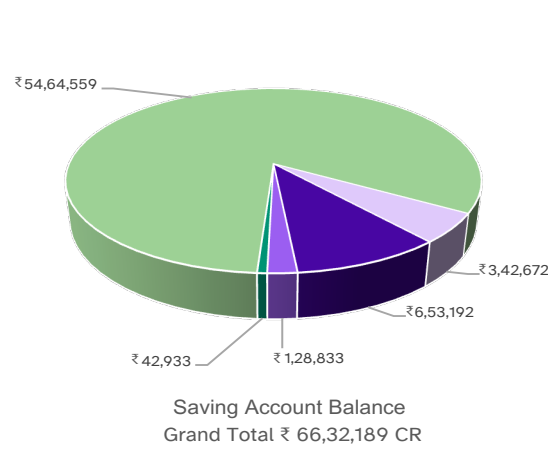
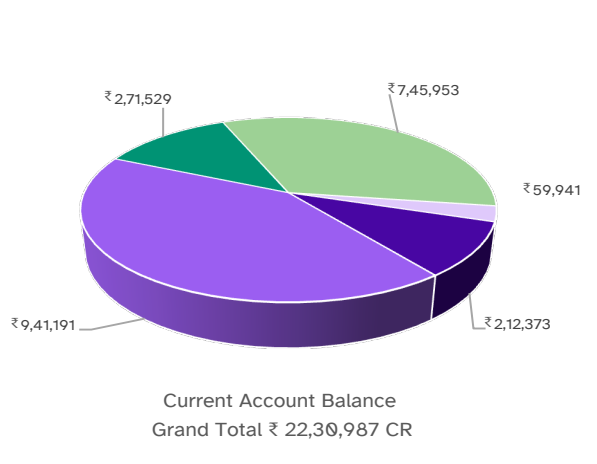
- Liquid funds have enhanced SEBI norms for liquidity and redemption risk management.
- No exit load on redemptions after 7 days
- Liquid funds maintain 20% in liquid assets vs. 10% for other debt schemes
- Higher frequency of stress testing mandated by SEBI vis a vis other funds
- Get interest for the day that you invest also; not possible in any other scheme* type

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

More than ₹1.6 lac crore could be earned additionally even if only half of CASA balances were invested in liquid funds



Ownership of Deposits with Scheduled Commercial Banks - June 2025



■ General Government Sector
 ■ Non-Financial Corporations
 ■ Financial Corporations
 ■ Household sector
 ■ Rest of the World (Non-Residents)

- Where 50% of all Current account balances are invested in liquid funds yielding ~5.5%, the potential incremental annual return is **~₹61,000 crore**.
- Similarly potential return from investing 50% of all savings account balance at ~3% incremental to savings account returns would yield an annual return of **~₹99,500 crore** on incremental basis.
- This highlights the **significant opportunity cost of idle low-yield deposits** and the potential uplift in returns from more efficient management of surplus liquidity.

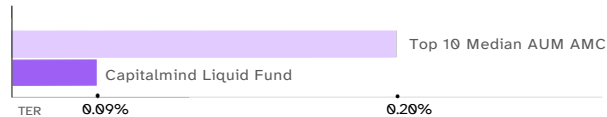
*Source - RBI DBIE

The Capitalmind Liquid Fund edge

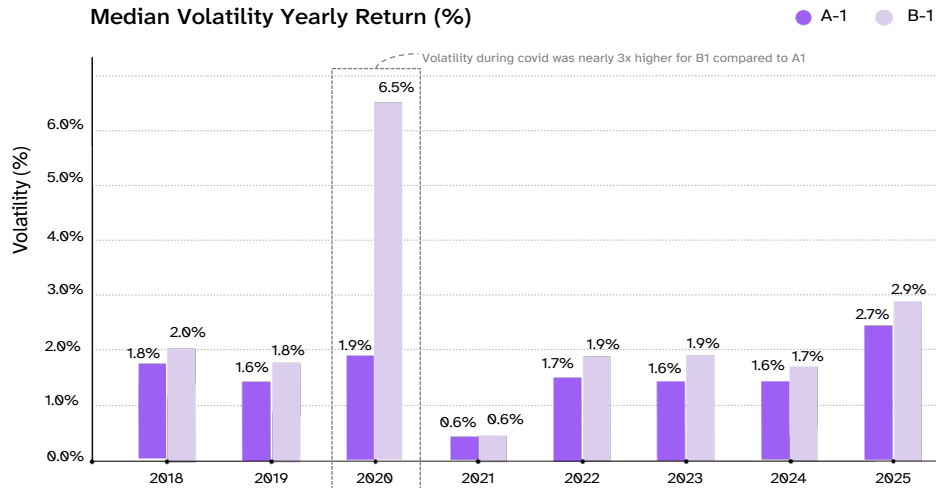


Capitalmind Liquid Fund is TER competitive & its A1 strategy helps the scheme achieve its core objectives of capital preservation & low volatility

Expense Ratio – Against Peers



Median Volatility Yearly Return (%)



Source – AMFI

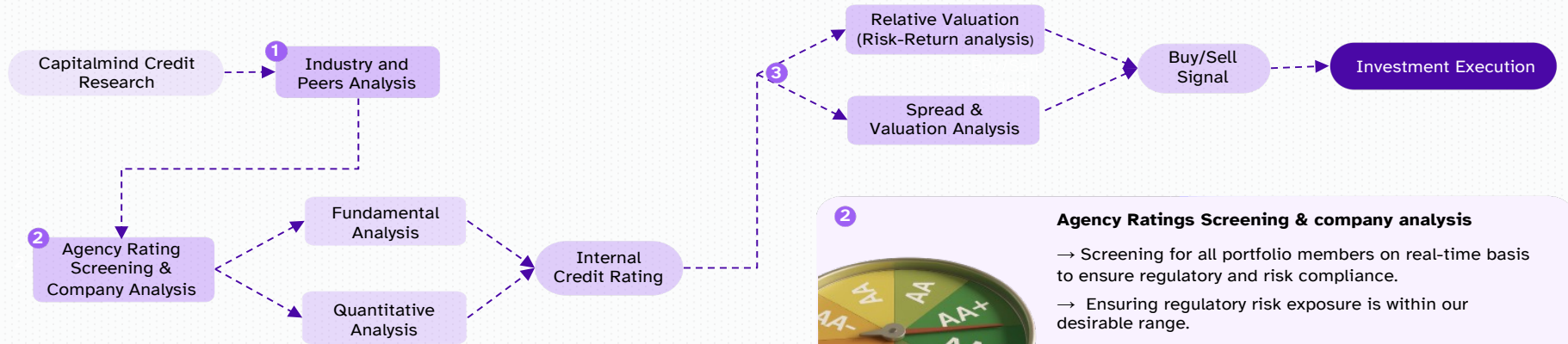
Within the Liquid Fund category, the industry is broadly divided between Potential Risk Class (PRC) A1 and PRC B1 classifications.

The key distinction lies in the credit quality requirements. A fund manager operating in the PRC A1 category must maintain at least 60% exposure to long term AAA rated issuers, **ensuring a higher credit quality portfolio**. In contrast, PRC B1 schemes have far more flexibility. Theoretically, their exposure to AAA rated issuers could go as low as 0–10%, allowing them to take on additional credit risk in pursuit of slightly higher yields.


Historically, PRC A1 funds have underperformed PRC B1 funds by about 5–10 basis points, but **we believe that the incremental credit risk taken by B1 funds does not justify this marginal extra return**.

We therefore position our fund firmly within the PRC A1 category, focusing on the core objective of capital preservation, high liquidity, and lower volatility, which align better with the true purpose of a Liquid Fund.

The scheme also follows a rigorous research process to guide its investment decisions




1



Industry and Peers Analysis

- Monitoring industry trends, macro developments, and relative performance of peers.
- Identifying early indicators and actionable signals relevant to current and potential portfolio companies.


2



Agency Ratings Screening & company analysis

- Screening for all portfolio members on real-time basis to ensure regulatory and risk compliance.
- Ensuring regulatory risk exposure is within our desirable range.
- Maintaining rigorous credit appraisal processes that continuously tracks financial and non-financial metrics.









3



Relative Valuation and Spread analysis (Risk- Return analysis)

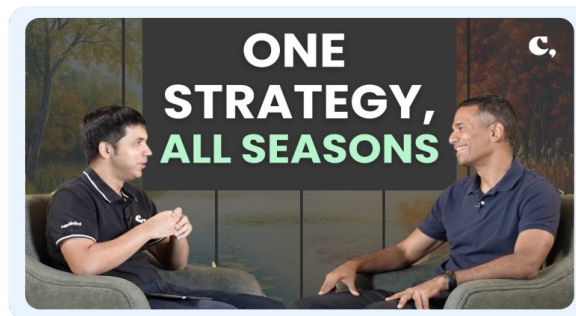
- Performing comparative analysis of sectors and industries within the coverage universe to evaluate relative credit strengths.
- Evaluating yields and spreads against benchmarks to identify investment ideas that offer an optimal balance of risk and reward.
- Evaluating and executing identified investment opportunities.

Capitalmind Liquid Fund scheme details

 Investment Objective	<p>To generate regular Income over the short-term investment horizon by investment in debt and money market instruments with maturity upto 91 days. The Scheme does not guarantee or assure any returns. There is no assurance that the investment objective of the Scheme will be achieved.</p>	 Exit Load <table border="1" data-bbox="1315 233 1827 604"> <thead> <tr> <th>Redemption Day (from date of allotment)</th> <th>Exit Load (% of redemption amount)</th> </tr> </thead> <tbody> <tr> <td>Day 1</td> <td>0.0070%</td> </tr> <tr> <td>Day 2</td> <td>0.0065%</td> </tr> <tr> <td>Day 3</td> <td>0.0060%</td> </tr> <tr> <td>Day 4</td> <td>0.0055%</td> </tr> <tr> <td>Day 5</td> <td>0.0050%</td> </tr> <tr> <td>Day 6</td> <td>0.0045%</td> </tr> <tr> <td>Day 7 onwards</td> <td>Nil</td> </tr> </tbody> </table>	Redemption Day (from date of allotment)	Exit Load (% of redemption amount)	Day 1	0.0070%	Day 2	0.0065%	Day 3	0.0060%	Day 4	0.0055%	Day 5	0.0050%	Day 6	0.0045%	Day 7 onwards	Nil
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Day 4	0.0055%																	
Day 5	0.0050%																	
Day 6	0.0045%																	
Day 7 onwards	Nil																	
 Plan & Options	<p>Regular & Direct Growth Option</p>																	
 Minimum Amount	<p>Minimum application amount (lumpsum): Rs. 5,000/- and in multiples of Re. 1/- thereafter. Minimum Amount for switch-in to the Scheme: Rs. 1,000/- and in multiples of Re. 1/- thereafter. Minimum Amount for Systematic Investment Plan (SIP): Rs. 1,000/- and in multiples of Rs. 1/- thereafter.</p>																	
 Type of Scheme	<p>An Open-Ended Liquid scheme. A Relatively low-interest rate risk and Relatively Low credit risk.</p>																	
 Benchmark	<p>Tier I Benchmark - Nifty Liquid Index A-I (TRI), Tier II Benchmark – Not Applicable</p>																	
 Facilities Offered	<p>SIP / SWP / STP</p>																	
 Fund Manager	<p>Mr. Prateek Jain</p>																	

The Capitalmind journey

Capitalmind Financial Services Private Limited, the sponsor, has a decade of asset management, investment research & thought leadership experience



Founded in
2014



₹4,500+
Crores in Assets (PMS)¹



5000+
articles on investing



2,000,000+
podcast downloads

Citations: ¹SEBI Portfolio Manager Monthly Report (As of Jan 2026)

Left to Right - Image 1: Mint -31, Oct 2024, "India will be festive for years to come" | Image 2: ET Now | Image 3: Capitalmind YouTube Channel

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



Deepak Shenoy

CEO, Capitalmind Asset Management Pvt Ltd

“Sometimes winning means having a safety net. For the emergencies. For the idle cash balances you don't use now but could need it quickly. Sometimes winning at life means having something that isn't too much risk, while the rest of your money is in riskier markets. That feeling of safety is part of what makes you win at life. ”

Win at Life



~~Not yet.~~
Why not?

Win at Life



~~Not yet.~~
Why not?

Win at Life

 **capitalmind**
Mutual Fund | Win at Life

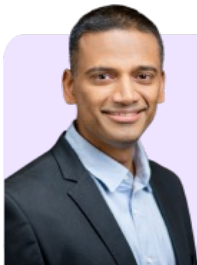
Our leadership team



Deepak Shenoy

CEO

Capitalmind Asset
Management Pvt. Ltd.



Anoop Vijaykumar

Fund Manager,
Head of Equity
Capitalmind Asset
Management Pvt. Ltd.



Prateek Jain

Fund Manager,
Head of Fixed Income
Capitalmind Asset
Management Pvt. Ltd.



Aaryan Amir Sanghavi
Quantitative Analyst



Divyansh Agnani
Quantitative Analyst



Agrani Gupta
Credit Analyst



Karthik H Shetty
Credit Analyst

Disclaimers

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

Product Labelling:

Capitalmind Liquid Fund

An open-ended Liquid scheme. A relatively low-interest rate risk and relatively low credit risk fund.

This product is suitable for investors who are seeking*-

1. Regular Income over the short-term investment horizon
2. Investment in debt and money market instruments with maturity upto 91 days

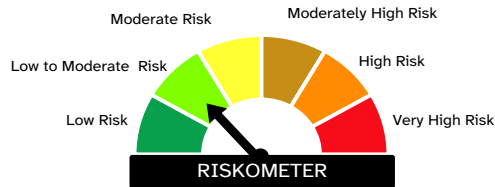
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them

Potential Risk Class (“PRC”) Matrix of the Scheme

Credit Risk →	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Interest Rate Risk ↓			
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

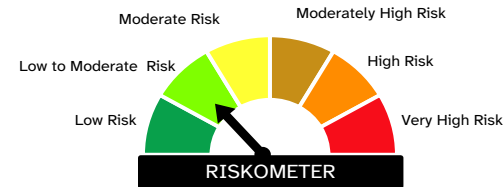
A-I - A Scheme with Relatively Low-Interest Rate Risk and Relatively Low Credit Risk

Scheme Riskometer



The Risk of the Scheme is Low to Moderate

Benchmark (Tier I: Nifty Liquid Index A-I TRI) Riskometer



Benchmark Riskometer is Low to Moderate

Note: Please visit the website for latest Riskometer updates: capitalmindmf.com



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