

Liquid funds are low risk with no lock in

Liquid funds are a common type of mutual funds. These funds are very popular among the corporate investors starting from small enterprise to big corporate. The basic reason for the corporate to put their money in liquid funds is low risk with no lock in period. Liquid funds are basically in the low risk- low return scale. They are basically provide the advantages of preserving money and liquidity and providing better returns than fixed deposits and current accounts with tax advantage.

The best part of liquid funds is liquidity with the money. In this case, the money can be brought back to your account within a day if the request is placed before 3 pm. Direct credit facility will return your money to your bank account within one day.

Advantages with liquidity and better yields have put liquid funds ahead of other debt instruments. Liquid funds are very less sensitive toward the interest rates. In 2011, we saw that liquid funds have given the return more than expected. It is because of 13 times rate hike by the reserve bank of India (RBI). Liquid funds usually give the return of 6-7% but last year they had given almost 8-9% return.

Here I am providing best three of liquid funds as per their performances:

Fund name	Crisil ratings	returns as on Aug28th, 2012				
		1 month	3 months	6 months	1 year	2 years
Principal Cash Management (G)	5	0.7	2.3	4.9	9.8	8.9
SBI Magnum Insta Cash (G)	5	0.7	2.3	4.8	9.5	8.8
SBI Magnum Cash-Liq Float -G	5	0.7	2.3	4.7	9.5	8.9

Source: moneycontrol.com