

**What are gilt funds?**

*A gilt fund is a type of mutual fund that offers decent returns with a high security factor. Learn more about gilt funds [here](#).*

Ever wondered if you can get an investment option that is safe and also ensures decent returns? If so, gilt funds may be the product you are looking for. Gilt funds are not as complicated as they may sound to a new investor: they are mutual funds that invest only in government securities.

Government securities, also referred to as gilts, are units of debt issued by the Reserve Bank of India (RBI) to raise money and help the government reduce its fiscal deficit. However, for a retail investor, it is quite difficult to buy gilts directly, as the minimum investment amount is usually in crores. In such a scenario, the only way to put money in these securities is through a gilt fund, which requires an investment of as little as Rs 5,000.

**Why should you invest in gilt funds?**

One of the main advantages of investing in a gilt fund is the level of security it provides. Although investment in these funds does not guarantee very high returns, it provides a higher level of security to your portfolio. Since the RBI issues most of the securities in which gilt funds invest, you can rest assured that your money is in safe hands.

**When to invest?**

Timing the investment is crucial when it comes to this investment option, as the price of gilts is inversely proportional to the movement of interest rates. These rates, in turn, are subject to change due to macro-economic factors. It would be wise to invest in gilt funds when the interest rates are high. Over the long term, appreciation in the price of government securities also enhances the Net Asset Value (NAV) of a gilt fund.