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Important Facts For Prelims (25th March 2019)

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Gilt Funds

- **Gilt funds are a type of investment fund that invests in gilt securities (fixed-interest generating securities of the central and state governments).**
- Gilts originated in Britain where gilt funds are primarily utilized. **However, some Commonwealth nations, such as South Africa and India also use this term.**
- When the Government of India requires funds (or loans), it approaches the Reserve Bank of India (RBI).
 - So, the **RBI lends money to the government after taking it from other entities** like insurance companies and banks.
 - In return for the loan, the **RBI issues government securities having a specific tenure**, which the fund manager of gilt fund subscribers. Upon maturity, this gilt fund returns the government securities and receives money in return.
 - Since these are issued by the Governments, **they are high-grade securities (government rarely fails financially and there is no risk for losing money)**, consequently carrying low yields. Because of higher credit ratings (AA), these offer a very low rate, say 4%.
 - Similarly, **well-known companies with high credit ratings (AA)** also issue bonds but pay low rates.
- **However, these not completely risk-free and are vulnerable to change in interest rates.**

In fact, for long-term investing, they are the riskiest of all other debt funds available in the market due to their sensitivity to change in interest rates.

Virtual SIM Card

Investigating agencies have found that **virtual SIM cards (Subscriber Identification Module Cards)** were used by the Jaish-e-Muhammad's terrorists for communications during the Pulwama attack.

What is a Virtual SIM?

- **In this technology, the computer generates a telephone number and the user downloads an application of the service provider on their smartphone.**
- It is a **cloud-based number that can be used from any device via an app.**
- All voice calls and SMS text messages directed from/to this virtual phone number are transferred to the Virtual SIM service provider's network over available data/Wi-Fi connection.