

Credit Risk

- Credit risk refers to the credit worthiness of the issuer of a bond.
- Credit risk takes into account whether the bond issuer is able to make timely interest payments.
- The credit rating of the bond would be reduced if the issuer defaults.

Interest Risk

- It refers to a change in the price of a bond due to the change in the prevailing interest rate.
- Debt funds are highly exposed to the interest rate risk.
- Interest rate risk directly impacts the bonds, thus affecting the debt funds.
- Longer the maturity profile of the fund, more prone it is to interest rate risk.