

Investing the balanced way

“DO NOT PUT ALL YOUR EGGS
IN
ONE BASKET”

– Warren Buffett



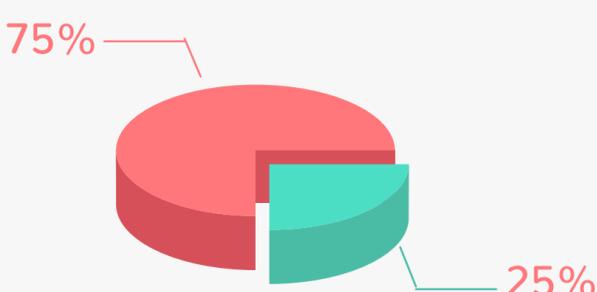
This means while investing, one needs to invest across different assets to manage risk better!

DEBT



Balanced funds do exactly that! It invests in equities, bonds and other debt related instruments and manages asset allocation across these assets with an objective to maximise returns with minimum possible risk.

EQUITY



A BALANCED FUND GENERALLY INVESTS 75% OF THE MONEY IN STOCKS AND 25% IN BONDS.

LET US SEE HOW DOES A BALANCED FUND WORK?

Based on the asset price movement, the fund manager rebalances the portfolio to manage the preferred allocation level:

Stock market goes up more than bonds
Bond market falls more than stock market fall
Bond markets fall and stock markets rise

Sell stocks and Buy bonds

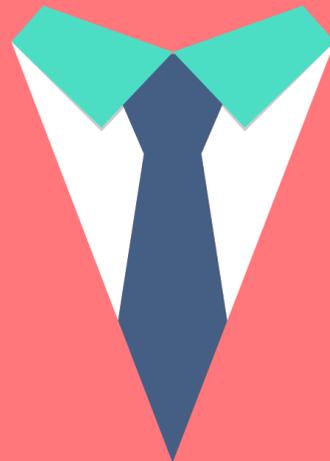
Stock market falls more than bond market fall
Bond markets rise more than stock market rise
Stock markets fall and bond market rise

Buy stocks and sell bonds

Can one manage doing this on his own? Yes,

But the challenge is – one would have to keep rebalancing the portfolio across the asset almost on daily basis. This is time consuming and tedious.

Thus it's better to let an expert manage the same for you.



BUT HAS BALANCED FUNDS DELIVERED IN THE PAST?

Return (%)	1 Year	3 Years	5 Years	10 Years	Standard Deviation
Balanced fund	4.75	16.92	11.84	11.75	11.37
Equity Multi Cap	2.71	20.52	12.76	13.68	16.43
Nifty 50 Index	1.03	12.39	8.8	10.57	15.09

3 Year Standard Deviation ;Data as on 26th Aug, 2016

WHAT DO NUMBERS TELL?

Balanced fund category has managed to beat Nifty 50 the bellwether index and has posted commendable returns as compared to diversified equity funds. More important, the feat is achieved at significantly lower standard deviation – the measure of volatility.

BETTER TAX TREATMENT

Dividends declared by balanced funds are TAX-FREE
All gains are TAX-FREE, if investments are held for one year or more.

SAVES ON COSTS AND TAX

If try to rebalance yourself by buying and selling equity fund and bond fund, you incur costs such as exit loads and taxes on every transactions and capital gains as applicable.

WHY YOU SHOULD BE INVESTING IN A BALANCED FUND

BRINGS IN DISCIPLINE

Asset rebalancing is done in an unemotional way.

INVESTING WITHOUT HASSLES

Fund manager does all the leg-work. You can relax and enjoy your coffee.