Flexible, debt-heavy multi-asset funds brave market correction

Schemes with downside protection strategies shine

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Mumbai, 4 March

Fund houses that adopted a differentiated approach in the multi-asset allocation fund (MAAF) category are reaping the benefits during the ongoing equity market correction. While most MAAFs launched in the past two years followed an equity-heavy strategy, a handful of fund houses — WhiteOak Capital, Edelweiss, DSP, Quantum, and Mahindra Manulife — opted for a more flexible, debt-oriented approach. Nippon India MAAF, launched in 2020, also stands out with its unique fund structure.

These schemes are among the few in the category to deliver positive returns over the past year for both systematic investment plan (SIP) and lump sum investors. Some fund-of-funds multi-asset solutions from Franklin India, ICICI Prudential, and Motilal Oswal have also emerged as top performers during this period.

Data from Value Research shows that the regular plans of Edelweiss and WhiteOak MAAFs have delivered SIP returns of around 7.5 per cent over the past year, significantly outperforming the category average return of minus 5.8 per cent. However, many of these schemes are relatively new and lack a long-term track record.

Experts emphasise that selecting a MAAF should align with an investor's risk appetite and financial goals rather than being driven solely by recent performance.

"The multi-asset category offers a wide range of products tailored to different investor needs. Those with a higher risk tolerance and a longer investment horizon may prefer equity-oriented schemes, while conservative investors with shorter time frames might opt for debt-heavy funds," said Vishal Dhawan, founder and chief executive officer of PlanAhead Wealth Advisors.

While Edelweiss and Quantum operate their MAAFs as debt-oriented funds, WhiteOak, DSP, Nippon, and Mahindra Manulife are considered more 'true-to-label' MAAFs, offering greater flexibility to allocate across equity, debt, and commodities.

MAAFs' allocation to different asset classes is influenced by the fund's tax structure — equity or hybrid. For equity taxation, a minimum of 65 per cent gross equity allocation is required, while hybrid schemes must maintain at least 35 per cent equity exposure.

Fund managers and experts highlight that MAAFs with higher flexibility have gained an edge in recent months due to their ability to allocate a larger portion of the corpus to gold, silver, and debt instruments.

"Over the past year, timely asset allocation, strong equity portfolio performance, and higher exposure to gold have driven returns. Investments in REITs and InvITs, and arbitrage strategies have also contributed," said Ramesh Mantri, chief investment officer of WhiteOak Capital AMC.

DSP Mutual Fund (MF) attributes its fund's performance to allocations in gold and foreign equities.

"Our fund's structure allows greater flexibility to invest in precious metals and foreign equities. This has helped limit downside in recent months," said Aparna Karnik, head of quantitative investments and analytics at DSP MF.

ILLUSTRATION: BINAY SINHA

GROWING APPEAL

27 number of multi-asset funds as of Jan '25; up from 11 in Mar '23

■ A sharp surge in the number and variety of offerings post change in debt fund taxation in Mar '23

3x growth in investment count in last two years

₹1.1 trillion Assets under management as of Jan '25; up nearly four-fold in 2 years