

# NFO Insight: Can this multi asset allocation fund save your portfolio in this volatile market?

By Surbhi Khanna, Published on May 09 2025



Canara Robeco Mutual Fund's latest new fund offer of Canara Robeco Multi Asset Allocation Fund is open for subscription and will close on May 23. The fund is an open-ended scheme investing in equity and equity related instruments, debt and money market instruments, Gold ETFs, and Silver ETFs.

The scheme will open for continuous sale and repurchase on June 6. Canara Robeco Multi Asset Allocation Fund will follow an active investment strategy and aims to generate long-term capital appreciation through predominantly investing in a mix of Equity & Equity related Instruments, Debt & Money Market Instruments, Gold ETFs, Silver ETFs, units of REITs and InvITs and such other asset classes as SEBI may prescribe from time to time.

## CEO take on launch

"The launch of Canara Robeco Multi Asset Allocation Fund not just expands our product offerings, it also enhances our ability to provide investors with diversified solutions tailored to meet the evolving needs of the market," said Rajnish Narula, Chief Executive Officer, Canara Robeco Asset Management Company.

"By continually developing new funds for investors, we aim to empower them to build resilient portfolios that may align with their financial goals, while also fostering our culture of continuous improvement and excellence in product development," he added.

## Experts take on new launch

Experts typically ask investors to avoid investing in NFOs unless they offer something unique. The uniqueness could be that the scheme is offering an investment option that is not available in the market or offering something extra to an existing option. Otherwise, the experts believe investors are better off with an existing scheme with a long performance record. This is because you have some historical data to base your investment decision. You don't have any .

According to an expert, one can invest in multi-asset allocation funds in the current market scenario as these funds offer the advantage of built-in diversification by mandating exposure to at least three distinct asset classes, with a minimum allocation of 10% in each and additionally this structure reduces the reliance on any one asset class and helps cushion the impact of equity market volatility.

He adds that as these asset classes have low or negative correlation with each other, decline in one segment is often offset by stability or gains in another.

"Being actively managed, the fund would dynamically adjust its allocations in response to changing market conditions. This not only helps manage risk more effectively but also removes the burden from investors of having to make asset allocation decisions themselves, besides creating higher tax efficiency," recommended Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

Another expert recommends that one should consider investing in such a way that you are diversified across equity and debt, by investing in pureplay equity and debt funds.

"Multi asset allocation funds allow you to primarily invest in equity and debt, gold as a mix. This is a type of hybrid fund where you are investing in different asset classes. However, when it comes to such funds, it is difficult for an investor to keep track of the asset allocation, which is an important metric an investor should keep track of for their portfolio," said Chirag Muni, Executive Director, Anand Rathi Wealth Limited.

## What does the head of equity and debt say?

### Equity

Shridatta Bhandwadar, Head – Equities at Canara Robeco Asset Management Company said that, "Canara Robeco Multi Asset Allocation Fund aims to deliver reasonable returns with lower volatility over long term. The equity portion will aim to provide long term capital appreciation while gold and silver ETF allocation will aim to act as a hedge against inflation and uncertainty, and debt allocation will aim to provide balance to the portfolio."

"We believe the fund can provide a strategic edge to investors and aim to give them an opportunity to potentially capture the upside whilst likely reducing the downside impact," he added.

## Debt

Avnish Jain, Head - Fixed Income, Canara Robeco Asset Management Company commented that, "The fund will have the flexibility to invest across debt and money market instruments and across durations, making it suitable for investors looking for diversification across asset classes."

"The fund will manage duration dynamically and hence will likely make sense for investors looking to participate in markets whilst mitigating losses during downturns," he adds.

The scheme will allocate 65-80% of the total assets towards equity and equity instruments, 10-25% towards Gold and Silver ETFs and 10-25% towards debt and money market instruments. The scheme may also invest in REITs and InvITs.

The equity portion of the fund would be a market capitalization, style and sector agnostic and would aim to invest in high conviction portfolio with leaders with proven track record across market cycles which could provide strength and compounding to the portfolio as well as in emerging companies with improving market share to lend alpha to the portfolio through superior earnings growth, according to a press release by the fund house.

At the same time, actively managed Gold and Silver Exchange Traded Funds (ETFs) exposure and dynamic fixed income portfolio could provide hedge and strength, respectively, to the portfolio.

The fund manager of the scheme is responsible for making buy / sell decisions for the scheme's portfolio and seeks to develop a well-diversified portfolio taking into account the asset allocation pattern of the Scheme along with risks that are associated with such investments. The investment decisions are made on an ongoing basis keeping in view the market conditions and other regulatory aspects.

### What allocation should one hold in their portfolio?

Based on the investment pattern of the multi asset allocation funds, Dhawan recommends an allocation of 10% to 20% of their overall portfolio to this category, depending on their risk appetite and investment horizon and one can also purchase these funds through SIP or STP, both methods help average out the cost of investment and bring in a level of rupee cost averaging.

The other expert shares a different view that as the investor does not have control over the asset allocation in the case of multi asset allocation funds and therefore, we do not suggest that one take exposure in a multi asset category at all.

"If you want gold exposure for personal goals, opt for a gold ETF with limited exposure. Debt and gold both are defence assets and together they should form a maximum 20% in the portfolio whereby gold and other can be within a range of 5-10%. Ideally opt for 80:20 in equity and debt," Chirag said.

Canara Robeco Multi Asset Allocation Fund will be benchmarked against 65% BSE 200 TRI + 20% NIFTY Short Duration Debt Index + 10% Domestic Price of Gold + 5% Domestic Price of Silver. The scheme will be managed by Amit Kadam, Ennette Fernandes, and Kunal Jain.

### What are multi-asset allocation funds?

Multi-asset allocation funds are hybrid funds that need to invest a minimum of 10% in at least 3 asset classes. These funds typically have a combination of equity, debt, and gold. Some schemes also add international equities, InvITs and REITs.

The equity allocation in the case of multi-asset funds could vary between 0-70%. Aggressive multi-asset funds could typically have 50-65% equity while the conservative ones could have between 35-50%. In the case of multi-asset funds, some schemes that allocate more than 65% to equity enjoy equity taxation.

Chirag of Anand Rathi Wealth mentions that multi asset allocation funds may be suitable for beginners who would find it difficult to keep track of their asset allocation strategy or have a very small portfolio and therefore, the challenge is that you will not be able to keep track of your market cap exposure and it would be difficult to ascertain whether you are adequately invested in large, mid and small cap in the right manner.

Multi asset allocation funds are suitable for investors with a moderate to aggressive risk tolerance, without having to manage different fund categories. Investors having a long-term investment horizon of 5 years and those who prefer lower volatility as compared to equity mutual funds can invest in this category is what Dhawan recommends.

Rebalancing between asset classes will be internal hence investors do not incur capital gains tax each time the portfolio is rebalanced. Based on allocation by Canara Robeco Multi Asset Allocation Fund it will be taxed like an equity-oriented fund that is taxed at 20% (if units are sold within 12 months) and if sold after 12 months at 12.5% (on gains above ₹1.25 lakh) + 4% cess, Dhawan further shares the tax structure of multi asset allocation funds.

According to the fund house, investors looking for diversification across asset classes should invest in this fund. Additionally, the investors with a very high-risk appetite and long-term investment horizon of five years and above and investors trying to moderate their participation in market rallies while mitigating potential losses can go for this fund.

There are around 23 multi asset allocation funds in the market who have completed one year of existence. WOC Multi Asset Allocation Fund has delivered the highest return of 17.10% in the last one year. DSP Multi Asset Allocation Fund delivered 13.51% return in the same period.

HDFC Multi-Asset Fund has offered a return of 12.05% in the said period. Bandhan Multi Asset Allocation Fund was the last one in the list to offer double-digit returns of around 10.46% in the similar time period. Quant Multi Asset Fund was the last one to deliver the positive return in the said time period. The scheme has offered 5.22% return in the last one year.

Motilal Oswal Multi Asset Fund and Shriram Multi Asset Allocation Fund lost 8% and 1.39% respectively in the last one year.

### **Way forward for multi asset allocation funds**

While recommending the allocation to have in portfolio, Dhawan comments that one can hold multi asset allocation funds in the portfolio especially in volatile markets as they can help preserve capital and deliver more stable returns over time compared to pure equity funds.

“Gold, for instance, has emerged as one of the strongest-performing asset classes in recent years, especially during times of global uncertainty. Its presence in the portfolio can act as a natural hedge, offering protection when equities are under pressure. However, it is important for investors to understand the fund’s asset allocation model and strategy as this will influence how the fund performs across different market cycles,” he adds.

The other expert sticks to avoiding multi-asset allocation funds as they do not provide control over the asset allocation and NFOs are generally best avoided, as they lack a performance track record and the fund manager’s strategy is often unclear and unlike IPOs, NFOs offer no price advantage.

One should always invest based on their risk appetite, investment horizon, and goals.