MySIPonline
SIMPLIFYING INVESTMENTS

Hybrid Mutual Funds

Consistent Gains From Multiple Asset Classes

What are Hybrid Mutual Funds?

- The mutual funds that invest the pooled corpus into more than one type of asset are called as hybrid mutual funds.
- Hybrid funds are further divided into various sub categories based on the type of asset chosen and the proportion of investment in different asset class.
- Hybrid funds are generally considered ideal for the new investors as they involve moderate level of risk and deliver reasonable returns.
- Equity and debt are the most common asset class chosen by hybrid schemes.

Sub Categories of Hybrid Mutual Fund

- Aggressive Hybrid Mutual Funds
- Conservative Hybrid Mutual Funds
- Dynamic Asset Allocation Funds
- Balanced Hybrid Mutual Funds
- Multi-Asset Funds
- Arbitrage Funds
- Equity Savings Funds

Aggressive Hybrid Mutual Funds

Definition: Aggressive hybrid mutual funds are also known as equity oriented hybrid funds as majority of the investment is done in equity instrument while the minor proportion is invested in fixed income securities.

Rule: As per the norms of SEBI, aggressive hybrid funds have to invest more than 65% of the corpus in equity instruments and the rest in fixed income securities.

Suitable Investors: Aggressive hybrid mutual funds are ideal for the new investors or those who seek risk adjusted gains from equity oriented hybrid portfolio.

Best Schemes: L&T Hybrid Equity Fund, Mirae Asset Hybrid Equity Fund, DSP Equity & Bond Fund, ICICI Prudential Equity & Debt Fund, Reliance Equity Hybrid Fund

Conservative Hybrid Mutual Funds

Definition: Conservative hybrid mutual funds are also known as debt oriented hybrid funds as majority of the investment is done in fixed income securities while the minor proportion is invested in equity stocks.

Rule: As per the norms of SEBI, conservative hybrid funds have to invest more than 65% of the corpus in fixed income securities and the rest in equity instruments .

Suitable Investors: Conservative hybrid mutual funds are ideal for the conservative investors or those who seek decent gains from debt oriented hybrid portfolio.

Best Schemes: ICICI Prudential Regular Savings Fund, UTI Regular Savings Fund, Aditya Birla Sun Life Regular Savings Fund, HDFC Hybrid Debt Fund

Dynamic Asset Allocation Funds

Definition: Dynamic Asset Allocation Fund uses multiple asset class for investment including equity, debt, derivatives, and arbitrage opportunities. The allocation between different asset classes can be shifted dynamically to deliver consitent long term gains.

The proportion of allocation can range from 0-100% depending upon the market conditions but to keep the tax treatment of equity mutual fund, 65% of the corpus is invested in equity and its derivative tools.

Suitable Investors: Such schemes are ideal for those investors who seek low-risk returns from a dynamically managed portfolio.

Best Schemes: ICICI Prudential Balanced Advantage Fund, Aditya Birla Sun Life Balanced Advantage Fund, HDFC Balanced Advantage Fund, Reliance Balanced Advantage Fund

Multi-Asset Hybrid Funds

Definition: Dynamic Asset Allocation Fund uses 3 diffrent asset class for investments. In general, the two asset class are equity and debt and the third asset is generally commodity.

Rule: Funds following the mandate of multi asset mutual funds have to invest a minimum of 10% corpus in each of the three asset classes.

Suitable Investors: Such schemes are ideal for those investors who seek risk adjusted returns from a variety of asset classes.

Best Schemes: SBI Multi Asset Allocation Fund, ICICI Prudential Multi Asset Fund

Arbitrage Funds

Definition: Arbitrage funds predominantly utilise the arbitrage oppotunities in the equity market. These funds take the advantage of price difference of the same stock at different exchange. Pure equity and debt tools are also included in the portfolio.

Rule: Arbitrage funds have to use more than 65% of the corpus to invest in arbitrage opportunities. The rest of the corpus can be invested in equity or debt tools.

Who Should Invest: Arbitrage funds are suitable for the investors who seek low returns from price difference between different exchanges. These funds possess very low risk.

Best Schemes: Reliance Arbitrage Fund, ICICI Prudential Equity Arbitrage Fund, Kotak Equity Arbitrage Fund

Equity Savings Funds

Definition: Equity savings fund aim to deliver consistent returns at very low risk. These funds invest in equity, debt and derivative tools.

Rule: Equity savings fund have to invest 65% of the corpus in equity and its derivative tools.

Suitable Investors: These funds are considered as equity scheme for taxation purpose but deliver the returns as of debt scheme at low risk.

Best Schemes: HDFC Equity Savings Fund, Kotak Equity Savings Fund, ICICI Prudential Equity Savings Fund, Axis Equity Saver Fund

MySIP online

SIMPLIFYING INVESTMENTS

We can help you select the best scheme as per your objectives