

Aggressive Hybrid Funds

Financial planners believe first-time investors in mutual funds can consider an aggressive hybrid equity fund to start with given that it combines two asset classes and is likely to be less volatile as compared to a pure equity fund.



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WHAT ARE AGGRESSIVE HYBRID FUNDS?

Aggressive hybrid funds invest between 65% and 80% of their total assets in equity and equity-related instruments with the remaining 20-35% in debt securities and money market instruments. Since this is meant for conservative investors, most fund managers make a higher equity allocation to large caps and allocate the debt portion to sovereign or high-rated (AAA) papers.

HOW LARGE IS THE FUND CATEGORY?

As of July 31, 2024, the aggressive hybrid fund category manages ₹2.19 lakh crore of assets and has 31 schemes with 5.5 million folios.

Invesco Mutual Fund

An investor education and awareness initiative

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on www.invescomutualfund.com. Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/Market Infrastructure Institutions" on <https://www.sebi.gov.in/index.html>. For any grievance / complaint, please call us on 1800-209-0007 or write to us at mfservices@invesco.com. Alternatively, complaints can be registered on the SEBI SCORES Portal at <https://scores.gov.in>

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

WHAT ADVANTAGES DO THESE FUNDS OFFER?

The biggest advantage of these funds is that they give investors automatic asset allocation. This helps first-timers and investors who do not have a financial advisor or those who do not want too many mutual fund schemes in their portfolios. This works well for do-it-yourself (DIY) investors or those who do not want a distributor or a financial planner. In this category whenever the equity allocation goes above the 65-75% mark the fund manager is forced to prune the equity allocation and move to debt and vice versa, thereby helping in auto allocation.

WHAT IS THE TAX TREATMENT FOR AGGRESSIVE HYBRID FUNDS?

The biggest advantage of aggressive hybrid funds is that you get allocation to debt and the tax treatment is that of equity funds. For schemes held for more than a year, long-term capital gains tax of more than ₹1.25 lakh in a year are taxed at 12.5%, while for holding periods of less than a year, short-term capital gains tax of 20% is applicable. Thus, an investor in high tax brackets gets exposure to fixed income and eventually pays a lower tax.

WHO SHOULD CONSIDER AGGRESSIVE HYBRID FUNDS?

Financial planners believe conservative first-time investors moving to mutual funds from fixed-income products, and eyeing an automatic asset allocation product can consider such funds. Investors should opt for schemes with a track record of higher allocations to large-cap stocks, as such companies are well-established with long track records. Investors with moderate risk tolerance and an investment horizon of at least five years can consider these funds and stagger their investments using a systematic investment plan (SIP).

PRASHANT MAHESH