Invesco Mutual Fund

Multi Asset Allocation Funds - For good & bad times!

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Financial markets, characterised by heightened volatility and unpredictability, often see sudden shifts in investor sentiment, leading to an uneven investment landscape that can challenge even the most seasoned investors.

In markets where no single asset class remains a favourite for long, Multi Asset Allocation Funds can help investors quickly adjust to the new realities and make course corrections accordingly. Instead of forcing investors to guess the next performer, these funds let portfolios evolve with the environment and optimize the return opportunities that keep shifting between equities (domestic and global), debt and commodities.

By blending uncorrelated assets and rebalancing with discipline, they bring structure to the natural chaos of market cycles, creating a smoother, more resilient investment journey.

Diversification: The shield

Risk is often underrated when choosing investment products. While people do look at historical returns, risk in conjunction with returns does not get the same attention when making investment decisions. This is where diversification helps by reducing risk.

By spreading investments across asset classes, sectors and geographies, investors can minimize their exposure to any one business segment or market. This reduces the likelihood of incurring heavy losses and provides a more stable return on the investment over the long term.

Benefits of diversification

Reduces risk: Diversification helps to minimize risk by spreading investments across asset classes, sectors and geographies.

Increases potential of returns: By investing in a range of assets, investors can capitalize on growth opportunities in multiple markets and sectors, potentially increasing their overall returns.

Protects against inflation: Diversification can provide a hedge against inflation, as different assets perform well in different economic environments, helping to maintain the purchasing power of an investor's wealth.

Provides stability: Diversification helps to reduce the impact of volatility and market fluctuations on a portfolio, providing a more stable investment experience.

Correlation: The silent risk amplifier

Correlation between asset classes plays a crucial role in determining the risk-return profile of a portfolio. Understanding correlation is essential to construct a portfolio that is diverse and can deliver consistent returns over the long term. In today's complex and interconnected financial markets, investors who overlook this factor are exposing themselves to unnecessary risk.

	Long Term Debt	Short Term Debt	Domestic Equity	Overseas Equity	Gold	Silver
Long Term Debt	1	0.87	0.15	-0.02	0.09	0.07
Short Term Debt	0.87	1	0.18	-0.01	0.08	0.07
Domestic Equity	0.15	0.18	1	0.28	-0.01	0.12
Overseas Equity	-0.02	-0.01	0.28	1	0.02	0.09
Gold	0.09	0.08	-0.01	0.02	1	0.78
Silver	0.07	0.07	0.12	0.09	0.78	1

Source: Crisil Research, Timeline considered for correlation: January 1, 2020 to December 31, 2025 basis daily returns.

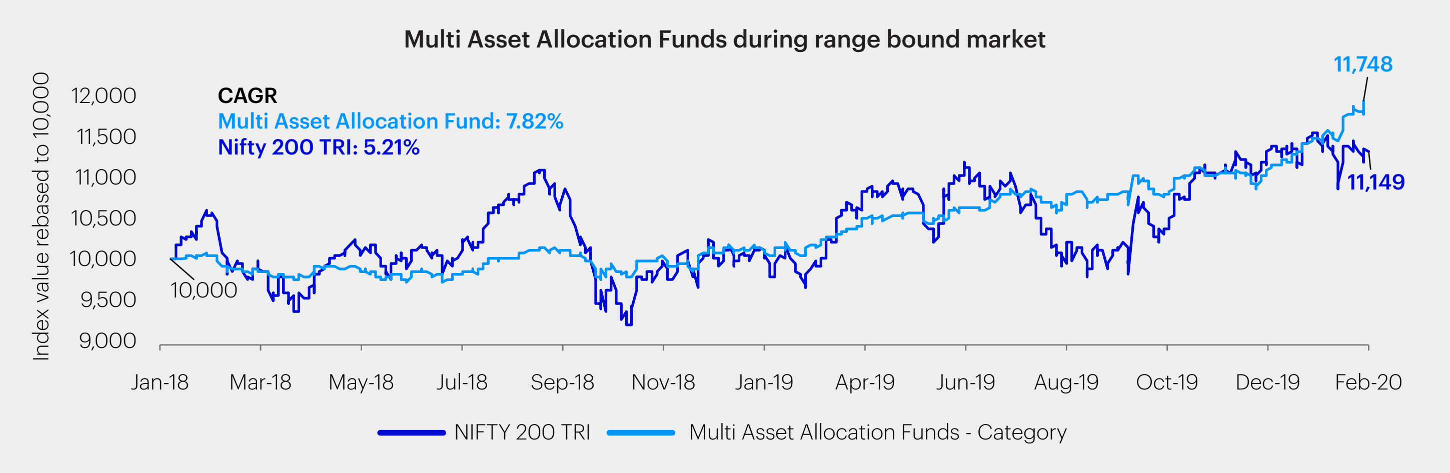
Note: Proxy Indices considered for correlation – Long Term Debt – Crisil Dynamic Debt Index, Short Term Debt - Crisil Short Term Debt Index, Domestic Equity – Nifty 50 TRI, Overseas Equity – S&P 500 International, Gold – MCX Gold, Silver – MCX Silver. Correlation measures how two variables move in relation to each other and can range from +1 (perfect positive correlation) to -1 (perfect negative correlation). Positive correlation implies that if one variable moves either up or down, the other variable will move in the same direction. Alternatively, negative correlation implies that if one variable moves in either direction, other one will move in the opposite direction. In above table Green indicates low correlation, Yellow indicates moderate correlation, Red indicates high correlation.

Disclaimer: The above analysis is based on performance of broader asset classes and is not exhaustive. The performance of indices referred above should not be construed as recommendations, advice to buy, sell or in any manner transact and neither should it be considered as Research Report from Invesco Asset Management (India) Private Limited (IAMI) and/or Invesco Mutual Fund (IMF). It should not be construed as a promise on minimum return and safeguard of capital. The IAMI/IMF is not guaranteeing or forecasting any returns.

Multi Asset Allocation Funds offer a diversified portfolio of assets with low or negative correlations that can help reduce correlation risk and increase the potential for consistent returns over the long term. By investing in a range of asset classes, such as domestic equity, global equity, debt, silver and gold, these funds can provide investors with a robust and balanced investment solution.

Performance of Multi Asset Allocation Funds during changing market conditions

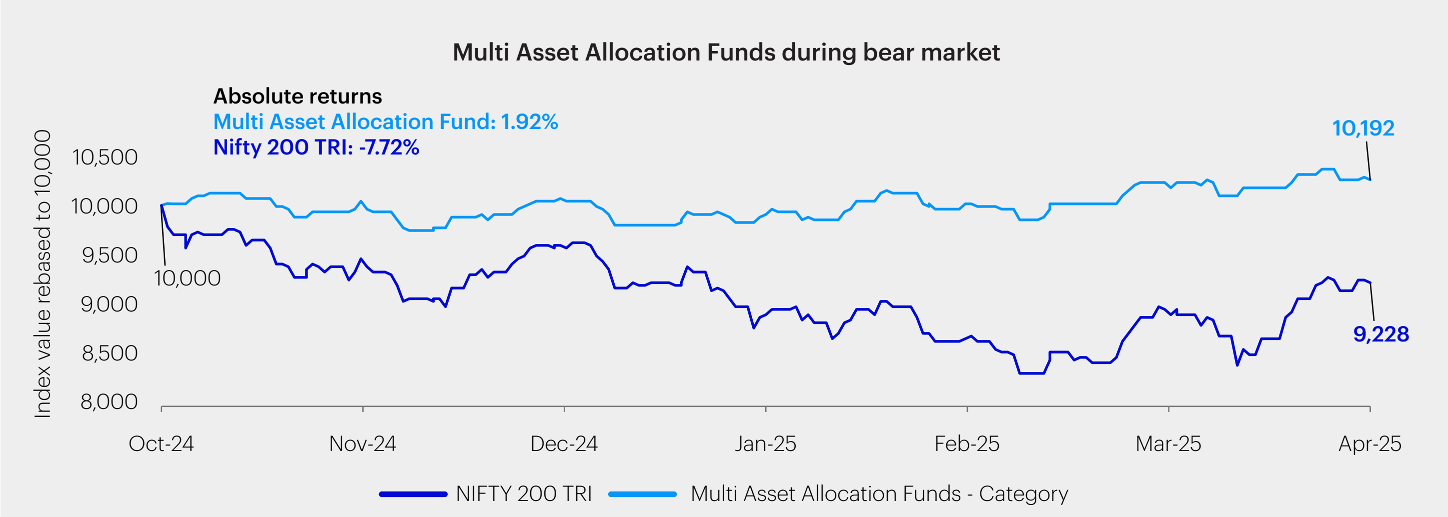
A review of the historical returns of Multi Asset Allocation Funds versus the Nifty 200 TRI highlights their ability to effectively manage volatility, particularly in bearish or sideways markets, such as 2018, 2022, and 2025, where the category delivered better returns. By diversifying across asset classes, these funds play a crucial role in reducing portfolio volatility and providing a smoother investment experience, even it could mean potentially sacrificing some upside in strong equity bull markets. Ultimately, their primary value proposition lies in their ability to mitigate downside risk and offer more stable returns over the long-term.



Source: Crisil Intelligence. Index Values are rebased to 10,000. CAGR: Compounded Annualised Growth Rate.

Periods considered: Range bound market - January 1, 2018 to February 21, 2020.

Past performance may or may not be sustained in future. It should not be construed as a promise on minimum returns and safeguard of capital. Invesco Asset Management (India) Private Limited (IAMI) and/or Invesco Mutual Fund (IMF). The IAMI is not guaranteeing or forecasting any returns. For Multi Asset Allocation Funds – Category, all funds within the category have been considered. Based on the available NAV (Regular Plan - Growth) of these funds, daily returns were computed, and the average of these daily returns was used to construct the NAV series for the category.



Source: Crisil Intelligence. Index Values are rebased to 10,000. CAGR: Compounded Annualised Growth Rate.
Periods considered: Bear Market - October 2, 2024 to April 30, 2025.
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The outperformance of Multi Asset Allocation Funds over Nifty 200 TRI is largely driven by their diversified allocation across asset classes such as equity (domestic & overseas), debt, gold and silver. By strategically allocating across these asset classes, Multi Asset Allocation Funds have been able to generate excess returns and provide a more stable investment experience. As a result, investors have benefited from reduced volatility and improved risk-adjusted returns.

Calendar year-wise performance of Multi Asset Allocation Funds against Nifty 200 TRI

	Multi Asset Allocation Funds – Category Average	Nifty 200 TRI
CY 2018	0.35%	0.31%
CY 2019	9.54%	10.03%
CY 2020	17.13%	16.78%
CY 2021	24.49%	28.88%
CY 2022	6.17%	4.93%
CY 2023	21.79%	24.73%
CY 2024	15.55%	14.63%
CY 2025	16.36%	9.57%

Source: ICRA MFI Explorer
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How Invesco India Multi Asset Allocation Fund fits in a portfolio?

Invesco India Multi Asset Allocation Fund focuses on an active asset allocation mix to deliver better risk-reward outcome. Our asset allocation is based on our Proprietary Asset Allocation Framework where we look at various quantitative and qualitative factors to decide the allocation between asset classes.

Key attributes of the fund

The fund manager endeavours to reallocate every month the net asset of the scheme to multiple asset classes based on the results of an asset allocation framework.

- Active asset allocation strategy following proprietory framework and aims to navigate market conditions
- Monthly optimization[1] of asset classes in response to changing macro and risk regime, facilitating quick alignment
- Dynamic allocation between domestic and overseas equities[2]
- Risk management is embedded at every stage of the investment process
- Framework allows to capture prevalent investment opportunities without being bound to a static asset allocation approach due to taxation

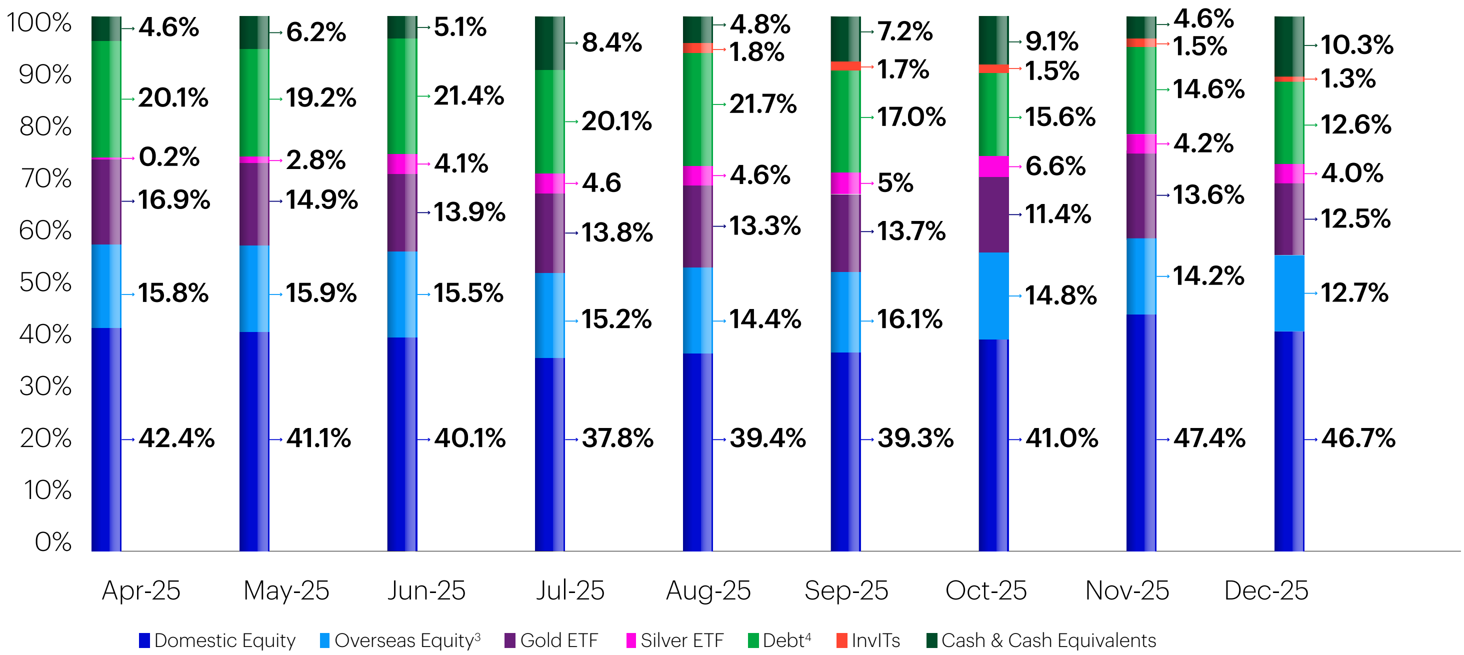
Notes - [1]The Fund manager will endeavour to allocate the net asset of the scheme to different asset classes based on the results of asset allocation framework at a monthly frequency. However, the fund manager at his sole & absolute discretion reserves the right to not allocate the asset allocation based on the results of asset allocation framework.

[2]The Scheme will invest in Overseas securities / Overseas ETFs on an ongoing basis. The Scheme may make investments in overseas securities (i.e. ADRs, GDRs etc.) upto the available limit at the Fund level. Investments in Overseas ETFs is temporarily suspended and will be allowed once the communication is received from SEBI / AMFI.

Active management

The fund's active asset allocation strategy dynamically adjusts its exposure in various asset classes, aiming to capitalize on growth opportunities and mitigate the risk in multiple market scenarios. By actively monitoring market trends and economic conditions, the fund managers make informed decisions to overweight or underweight equities (domestic as well as overseas), debt and gold/silver ETFs.

Asset Allocation at a glance



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[4]Debt allocation includes allocation to Debt oriented Mutual Fund as well.

Disclaimer: The above is for illustration purpose only and should not be construed as any asset allocation recommendation or to build any portfolio strategy from Invesco Asset Management (India) Private Limited and / or Invesco Mutual Fund.

Conclusion

Multi Asset Allocation Funds have become a cornerstone for investors seeking a hassle-free and professionally managed solution to navigate the intricacies of asset allocation and market volatility. By offering a diversified portfolio that spans across asset classes—such as equities, debt and commodities—these funds provide a stable and optimal investment experience, even during turbulent market phases.

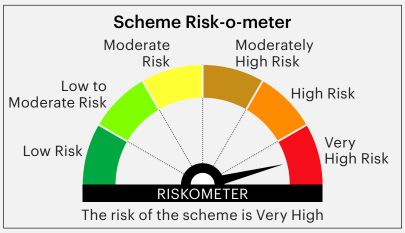
Investors can also benefit from the expertise of seasoned fund managers who actively monitor market trends and adjust the asset allocation to optimize returns and minimize risk. This is particularly valuable when the market is going through a rough phase, such as the bearish market in CY25, as these funds can provide a safe haven by diversifying across asset classes that are less correlated with equities.

Multi Asset Allocation Funds have emerged as a preferred option for investors by balancing returns with risk and by providing a unique combination of stability, diversification and professional management that can help them achieve their long-term financial goals.

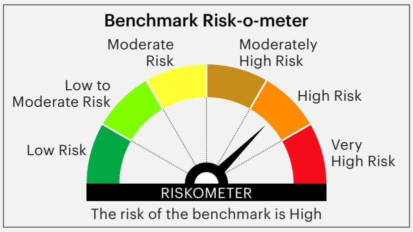
This product is suitable for investors who are seeking*:

- Capital appreciation/income over long term
- Investment in diversified portfolio of instruments across multiple asset classes

***Investors should consult their financial advisers if in doubt about whether the product is suitable for them**



As per AMFI Tier 1 Benchmark i.e. **Nifty 200 TRI (60%) + CRISIL 10 year Gilt Index (30%) + Domestic Price of Gold (5%) + Domestic Price of Silver (5%)**



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