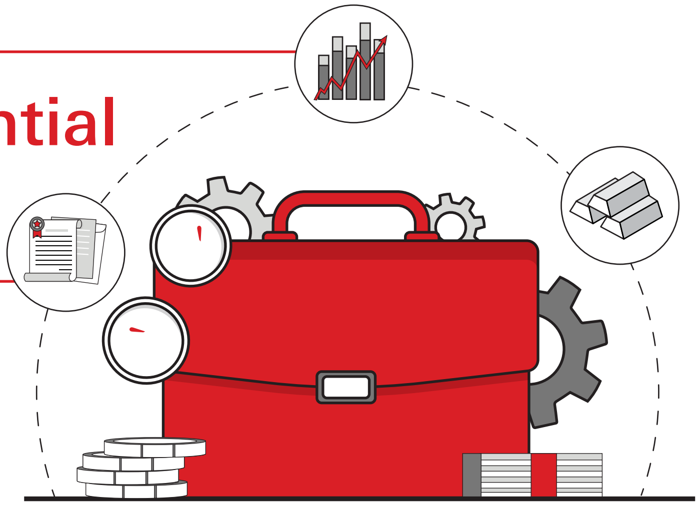
Mutual Fund

Diversification is essential for your portfolio

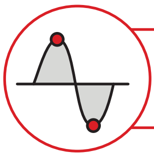


'Don't put all your eggs in one basket' might be the most overused but significant tip for all those investors who are looking to minimise the impact of volatility on their portfolio.

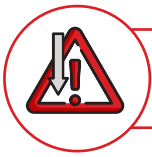
Different asset classes and instruments have distinct quality, risks and characteristics and therefore their returns tend to vary over the same investment horizon/period. When the investment portfolio includes each asset or product in an appropriate proportion, based on respective risk profile[1] of an investor, it has potential to enhance the portfolio quality and help you weather out all market phases. That is what 'diversification' is all about.

Diversification is a risk-mitigation strategy to offset losses incurred by one asset class or instrument by the gains of other assets in the portfolio.

Advantages of diversification



- Ride different market cycles



- Minimise/mitigate market risk

Check out the dispersion of returns in single asset classes as compared to a diversified portfolio*

Performance/ Returns			
Very Low	Low	Medium	High

	Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Performance/Returns	Debt	7.24%	10.23%	9.05%	9.87%	8.94%	9.04%	6.80%	7.69%	8.60%	7.47%
	Gold	42.70%	17.61%	-4.67%	-5.39%	-5.94%	8.66%	3.65%	5.97%	12.03%	13.44%
	Equity	-23.81%	29.43%	8.07%	32.90%	-3.01%	4.39%	30.27%	4.64%	13.48%	16.14%
	Diversified portfolio (debt +gold+equity)[2]	8.71%	19.09%	4.15%	12.46%	-0.01%	7.36%	13.57%	6.10%	11.37%	12.35%

Risk associated with the portfolio (Standard Deviation[#])	
Single Asset portfolio (Equity)	Diversified portfolio (Equity+Debt+Gold)
31.88%	**11.43%**

*Returns given above represent annual returns of the respective asset classes for the period 01 Jan 2011 to 31 December 2020. This asset class list is representative and not exhaustive one.| Debt: CRISIL gold rates 24K | Equity: NIFTY 50 TRI | Source: HSBC Asset Management,Bank Bazaar | Past performance may or may not sustain, it does not guarantee the future performance | These are for illustration purpose only. [#]Standard deviation is a measure of volatility and often used by investors to measure the risk of an investment tool. Higher the standard deviation, higher the volatility associated with respective asset/product.

[1] Risk profile of an investor is his/her willingness and ability to take risk.

[2] Performance of the diversified portfolio is calculated on the basis of weighted average returns with an equal weightage to debt, gold and equity. For example, in the year 2011 the annualised returns of debt are 7.24%, gold at 42.70% and equity at -23.81% and the annualised returns of a diversified portfolio are 8.71% (average of 7.24%, 42,70% and -23.81%)

To create wealth in the long run without worrying about market conditions, it is essential to build a diversified portfolio that is spread across various assets

Why diversification is essential?

Safeguards portfolio against adverse market cycles.
In the event of volatile market conditions, or global economic crisis some sectors are hit more than others. A diversified portfolio has potential to balance out returns in such a scenario and reduce the impact of overall volatility

Increases exposure to different investment products
Markets often experience a period of rotation resulting in one sector outdoing another. Diversification helps investors attain the mix of multiple instruments as the investment is spread across various assets (equity, debt & gold etc), sectors (IT, pharma & infrastructure etc.) ,themes (consumption, ESG etc) or territories (international funds) that the investor may not otherwise be exposed to.

Helps you get the right asset allocation strategy
In order to diversify the portfolio you invest in multiple asset classes which are in line with your investment objective and based on your risk tolerance level.

Therefore, if you want to navigate smoothly through the market volatility and manage risk, diversification is the way forward!

An investor awareness initiative by HSBC Mutual Fund.

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