

Challenges in adapting strategic asset allocation in your portfolio and its significance

Asset allocation is like a superhero cape for your investments, that aims to swooping in to manage risks, optimise returns, and steer your financial ship through the unpredictable waves of the market over long run. However, it is difficult, yet important to build a well-thought-out and comprehensive asset allocation strategy.



Market Uncertainty

Predicting market movements and economic conditions is inherently challenging. Uncertainties make it difficult to accurately forecast how different asset classes will perform, adding complexity to the asset allocation decision.

forecast how different asset classes will perform, adding complexity to the asset allocation decision.

Changing Financial Goals

Your financial goals, risk tolerance, and time horizons can evolve over time. Adapting asset allocation to align with changing circumstances requires ongoing assessment and adjustment.



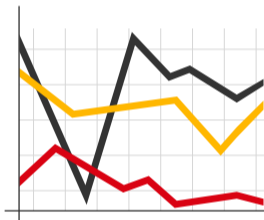
Diversification Challenges

Achieving true diversification

requires selecting assets that do not move in perfect tandem. Identifying uncorrelated assets can be challenging, especially during volatile markets.

Correlation Among Assets

The relationships between different asset classes can shift, impacting their correlation. In dynamic markets, correlations may change unexpectedly, making it challenging to maintain an optimal asset mix.



Global Economic Factors

Global events and economic factors can have widespread effects on various asset

classes. Navigating the interconnectedness of global markets could add an additional layer of complexity to asset allocation decisions.



Psychological Factors

Emotions and behavioural biases can influence decision-making. One may get swayed by short-term market trends or sentiment, leading to suboptimal asset allocation decisions.



In conclusion, while asset allocation is vital for a robust investment strategy, its difficulty lies in navigating the complexities of dynamic markets. One of the ways to manage asset allocation efficiently is through investing in Hybrid category funds such as Multi asset allocation funds etc.

Multi asset allocation funds invest in a mix of assets with an aim to provide the right balance between risk and return to the investors.



Find out more about this category in our next infographic.

Stay Tuned To Explore More....

An Investor Education & Awareness Initiative by HSBC Mutual Fund

Visit <https://grp.hsbc/KYC> w.r.t. one-time Know Your Customer (KYC) process, complaints redressal process including SEBI SCORES (<https://www.scores.gov.in>). Investors should only deal with Registered Mutual Funds, to be verified on SEBI website under Intermediaries/Market Infrastructure Institutions (<https://www.sebi.gov.in/intermediaries.html>). Investors may refer to the section on 'Investor Education' on the website of HSBC Mutual Fund for the details on all 'Investor Education and Awareness Initiatives' undertaken by HSBC Mutual Fund.

Document intended for distribution in Indian jurisdiction only and not for outside India or to NRIs. HSBC MF will not be liable for any breach if accessed by anyone outside India. For more details, click here.