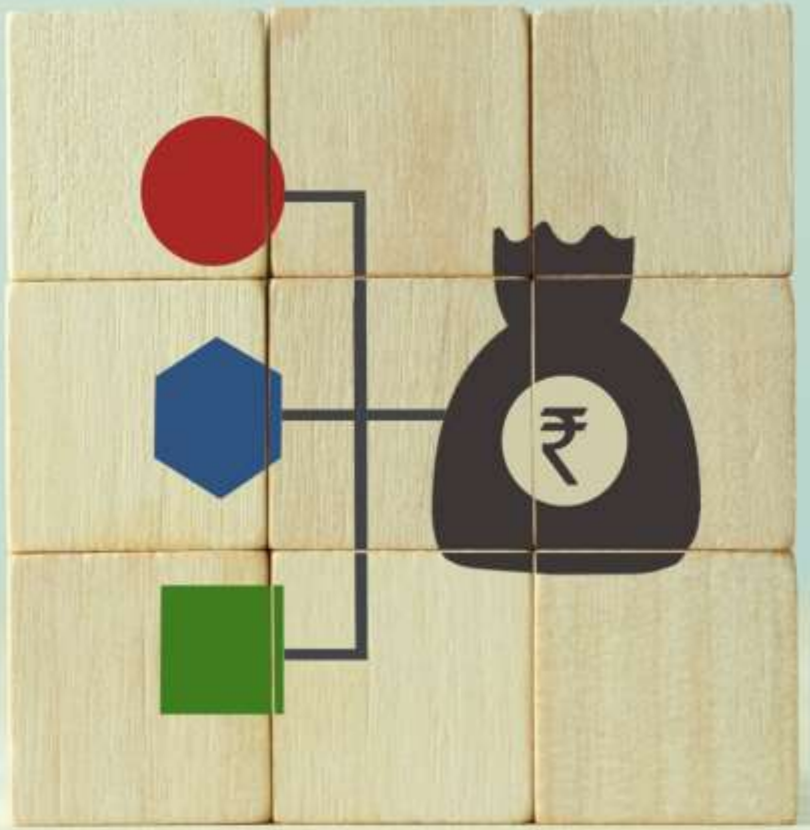
# Aim to grow peacefully with all-weather strategy

# Multi Asset Allocation Funds

Concept Deck



HSBC Mutual Fund

January 2024

# Long-term success in football insists for more than just one type of player


- Every team needs a right mix of aggressive, dependable and defensive players
- This may vary based on different factors such as ground conditions and the situation of game

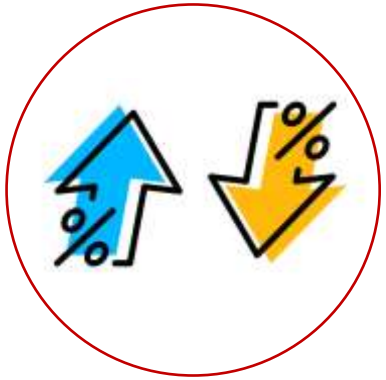
**Victory demands all-round abilities due to dynamic situations**

Source: HSBC Mutual Fund, For illustration purpose only.

# Long-term investment and goal planning insists for more than a single asset

Equities were highest performer in 2023, should we consider investing all money in equity in 2024?

Can investors achieve all investment goals with a single asset class?



It takes more than that in the long run. One can aim for …

**Equity**

Aggressive growth

**Debt**

Dependable income

**Gold**

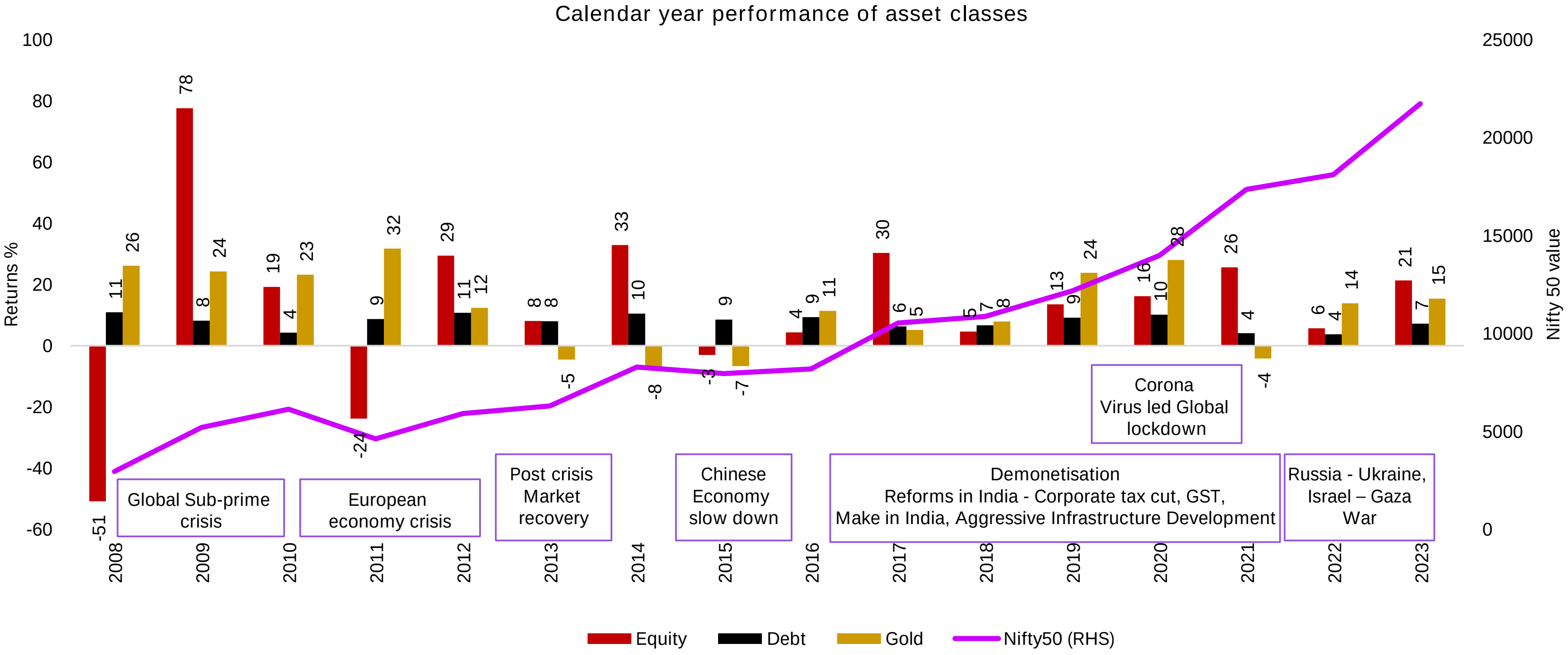
Timely defense

**Long term successful goal planning demands Multi Asset Allocation ability**

Source: HSBC Mutual Fund, For illustration purpose only.

# Look at the history of asset classes through some major events

Can investors achieve all financial goals with a single asset class?




| | Equity | Debt | Gold |
|---|---|---|---|
| 2008 | -51 | 11 | 26 |
| 2009 | 78 | 8 | 24 |
| 2010 | 19 | 4 | 23 |
| 2011 | -24 | 9 | 32 |
| 2012 | 29 | 11 | 12 |
| 2013 | 8 | 8 | -5 |
| 2014 | 33 | 10 | -8 |
| 2015 | -3 | 9 | -7 |
| 2016 | 4 | 9 | 11 |
| 2017 | 30 | 6 | 5 |
| 2018 | 5 | 7 | 8 |
| 2019 | 13 | 9 | 24 |
| 2020 | 16 | 10 | 28 |
| 2021 | 26 | 4 | -4 |
| 2022 | 6 | 4 | 14 |
| 2023 | 21 | 7 | 15 |

It takes more than that in the long run

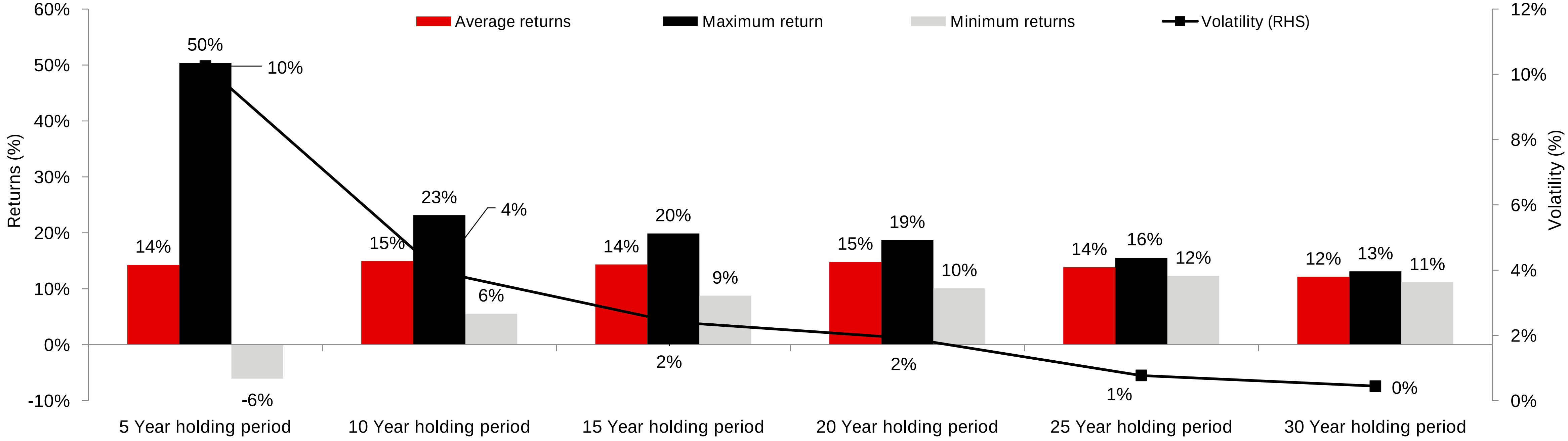
- Equity markets have delivered strong performance during positive market situations but also corrected sharply during major events such as Sub-prime, Chinese slowdown and Corona virus led global lockdown
- During such events, asset classes such as Gold or Debt have compensated for negative equity performance

**Best asset class may changes often**

Equity represented by NIFTY 50 TRI, Debt by NIFTY Short Duration Debt Index, and Price of Gold (per 10 gram), Nifty50 value.
Source: MFI Explorer, ICRA, Data as on 31 Dec 2023, Absolute Returns for the period of 1 Jan to 31 Dec for respective Calendar Years
Past performance may or may not be sustained in the future and is not indicative of future results

# Equity can look appealing from long-term perspective…

Equity performance




- May have the ability to beat inflation by significant margin on an average over long term
- As evident from return chart, probability of achieving positive returns may increase as the investment horizon increases
- Volatility may decrease with an increase in the investment horizon

**…but is subject to volatility in the short-term**

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Source: HSBC Mutual Fund, CRISL, Data as on 31 Dec 2023,
Average annualised returns on a daily rolling basis since inception (1979) of S&P BSE Sensex TRI considered across various holding periods
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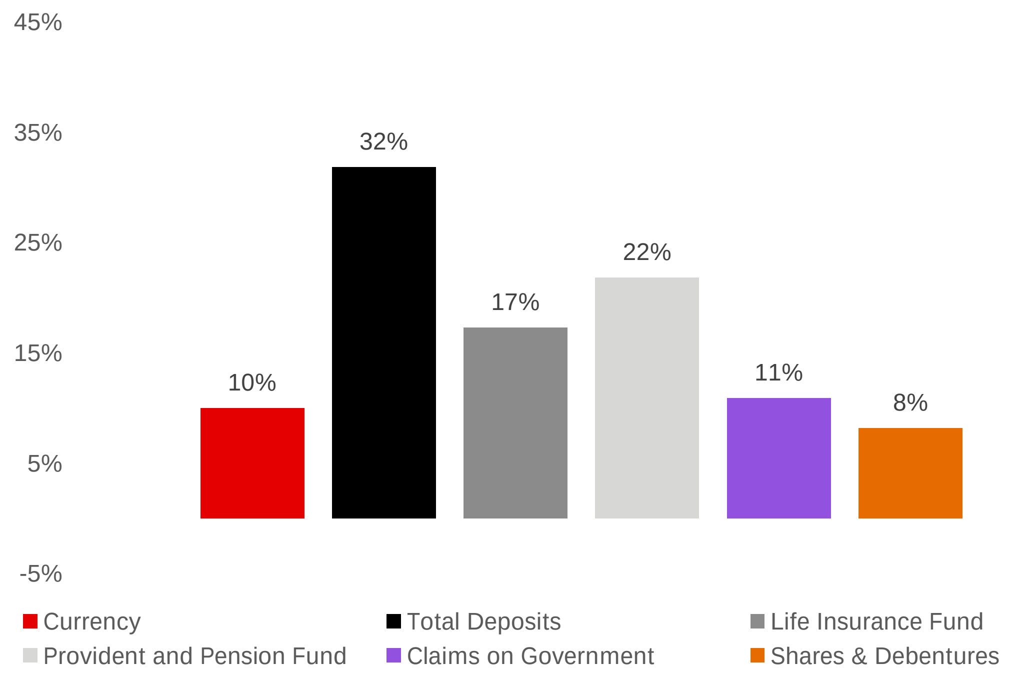
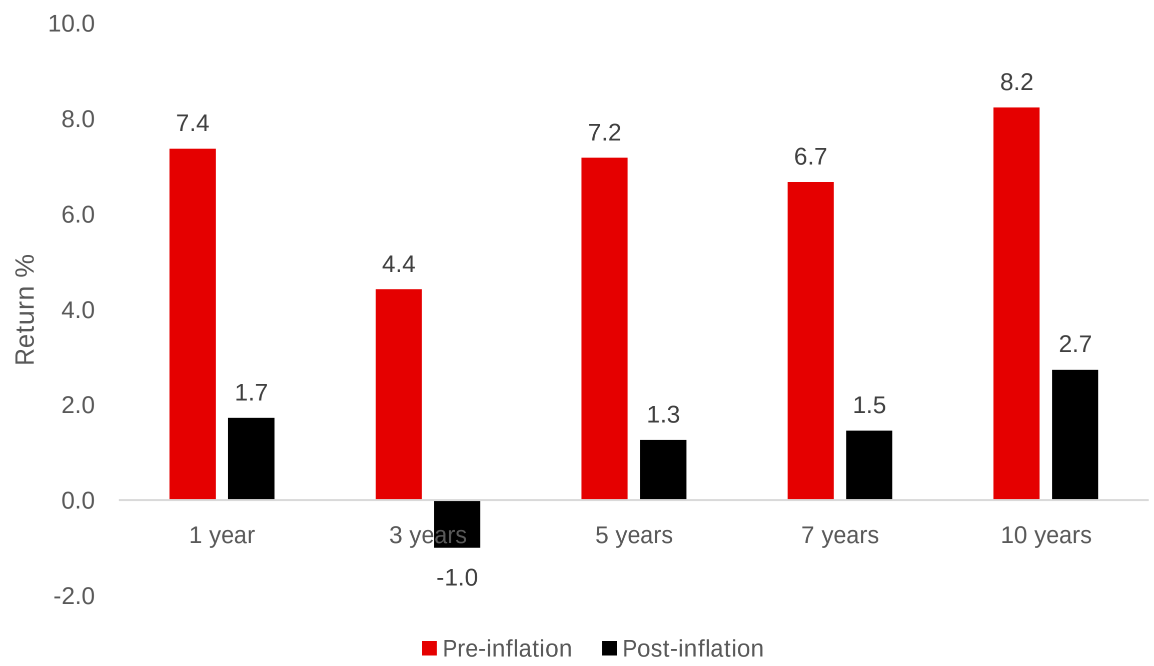
# Does debt offer adequate inflation-adjusted returns?

**India's investment allocation**




Debt performance




- Traditionally, Indians have favored traditional investment instruments, bank fixed deposits, as reflected in India's household savings data
- As seen from above chart, post inflation returns of Debt are relatively low

Only Debt or Only Equity may not be enough to achieve long-term goals

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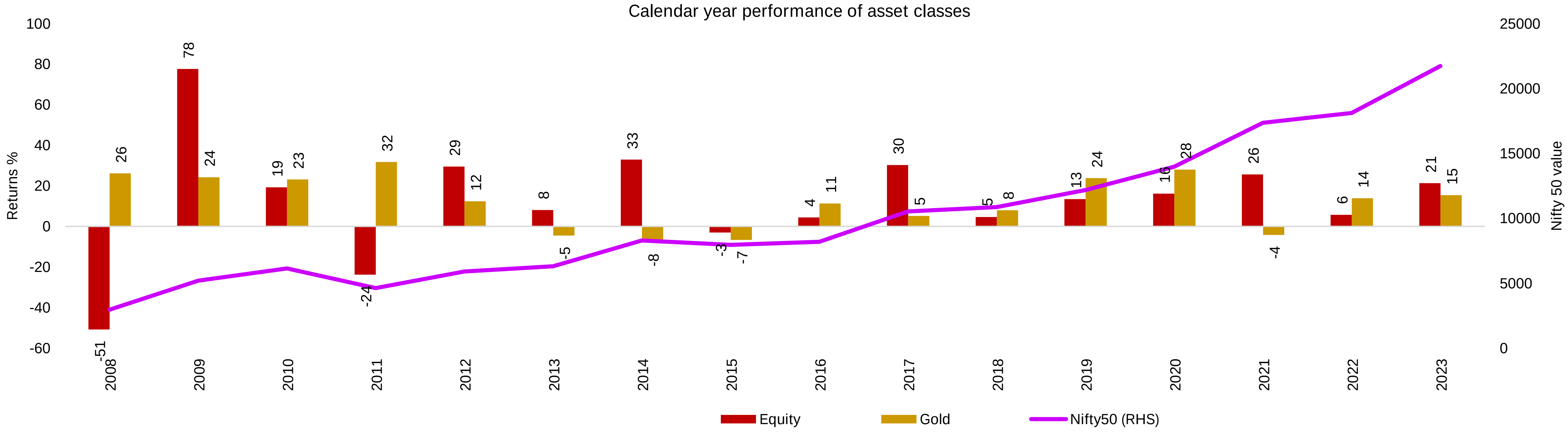
Source: HSBC Mutual Fund, CRISL, RBI, Labourbureau.nic.in, Chart 1 (LHS) Data as at FY23, Chart 2 (RHS) Data as on 31 Dec 2023
Debt represented by CRISIL Composite Bond Fund Index, Inflation by average of annual CPI-IW inflation
Past performance may or may not be sustained in the future and is not indicative of future results

# Fight negative market phases with Gold



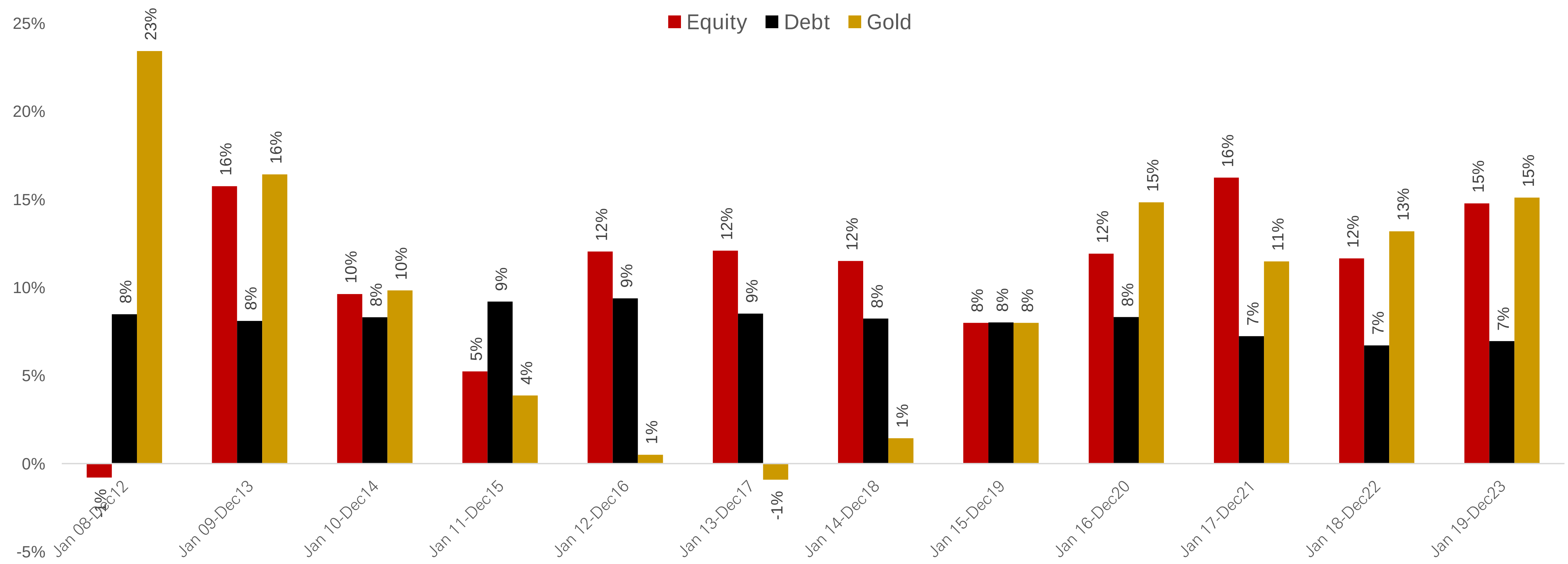

- Gold can help compensate short to medium term volatility of equities
- Extreme events such as Lockdown or Sub-prime crisis calls for strong defense and allocation to Gold can help in providing downside protection in such events

**Gold for better defense against short to medium term volatility**

Source: ICRA MFI, Data as on 31 Dec 2023, Equity represented by Nifty50 TRI, Prices of Gold, Nifty50 value.
Past performance may or may not be sustained in the future and is not indicative of future results

# Asset class performance over varied timeframes

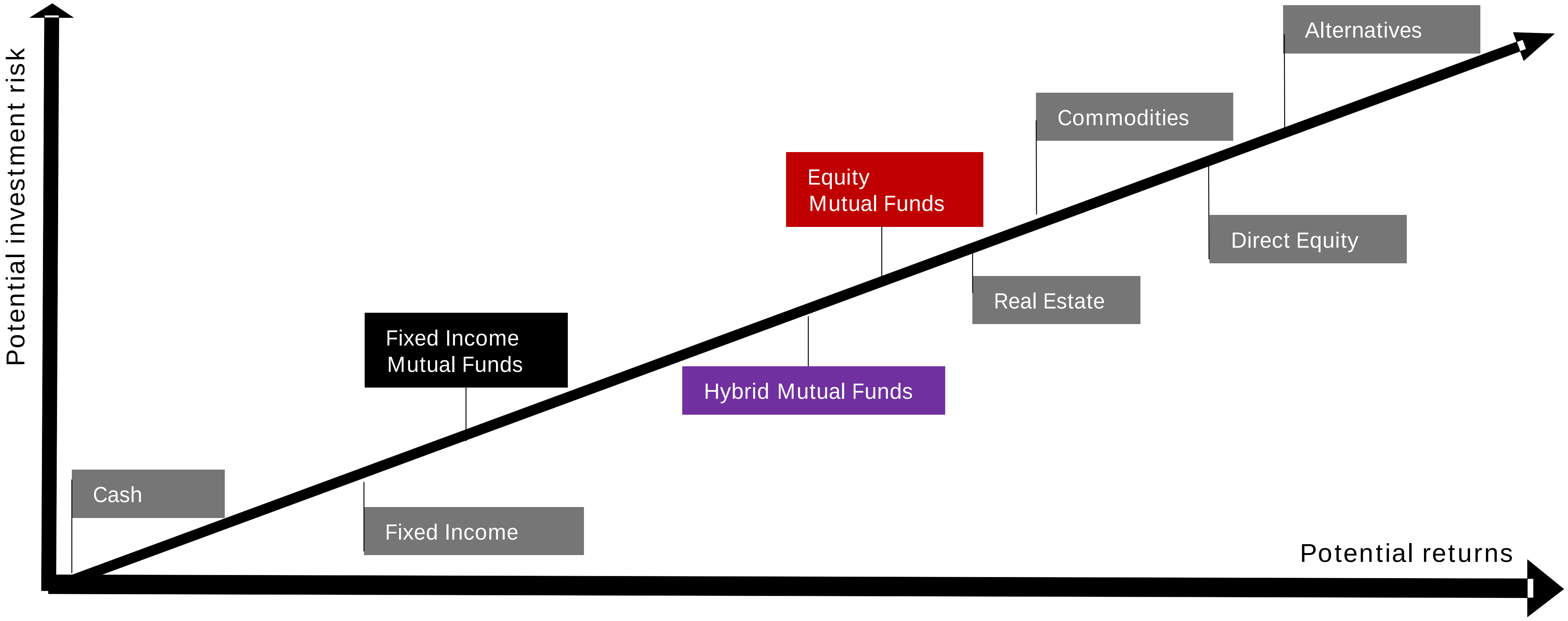
## Returns over 5-year period




**Different asset classes outperform each other across different timeframes**

Equity represented by NIFTY 50 TRI, Debt by NIFTY Short Duration Debt Index, and Gold by MCX spot gold prices (per 10 gram), 5 year CAGR
Source: MFI Explorer, ICRA, AMFI portal, MCX Website, Data as on 31 Dec 2023
Past performance may or may not be sustained in the future and is not indicative of future results

# Where would you like to invest?




Choose wisely considering Risk - Return profile of various asset classes

Source: HSBC Mutual Fund, For illustration purpose only.

# Asset class performance across calendar years

| Asset Class / Returns % | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Equity | -50.8 | 77.6 | 19.2 | -23.8 | 29.4 | 8.1 | 32.9 | -3.0 | 4.4 | 30.3 | 4.6 | 13.5 | 16.1 | 25.6 | 5.7 | 21.3 |
| Debt | 10.9 | 8.2 | 4.2 | 8.7 | 10.7 | 8.0 | 10.5 | 8.5 | 9.3 | 6.3 | 6.7 | 9.1 | 10.2 | 4.1 | 3.7 | 7.2 |
| Gold | 26.1 | 24.2 | 23.2 | 31.7 | 12.3 | -4.5 | -7.9 | -6.6 | 11.3 | 5.1 | 7.9 | 23.8 | 28.0 | -4.2 | 13.9 | 15.4 |
| Average | -4.6 | 36.7 | 15.5 | 5.5 | 17.5 | 3.9 | 11.8 | -0.4 | 8.3 | 13.9 | 6.4 | 15.5 | 18.1 | 8.5 | 7.8 | 14.6 |

Lowest Middle Highest

Asset classes show strength and potential weakness & behave differently depending on economic situations

- While equity investments can be risky in the short term, they can drive long-term wealth creation
- Active asset allocation within Equity, Gold and Debt can reduce volatility and aim to optimise returns

**Multi Asset Allocation can be one of the prudent solution to counter volatility and achieve return optimization in long run**

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Equity represented by NIFTY 50 TRI, Debt by NIFTY Short Duration Debt Index,, Price of Gold (per 10 gram)
Source: MFI Explorer, ICRA, Absolute returns for the period of 1 Jan to 31 Dec for respective Calendar Years, Data as on 31 Dec 2023
Past performance may or may not be sustained in the future and is not indicative of future results

# Multi Asset Allocation offers diversification, reduces volatility

Asset allocation versus solitary asset-class performance

| | Equity (100%) | Debt (100%) | Gold (100%) | Equity + Debt + Gold ^ |
|---|---|---|---|---|
| Returns | 11.78% | 7.42% | 12.00% | 10.87% |
| Volatility | 20.78% | 2.73% | 14.42% | 8.82% |
| Risk-adjusted returns | 0.28 | 0.52 | 0.42 | 0.55 |

Equity represented by Nifty 50, Debt by CRISIL Composite Bond Index, Gold by MCX/IBJA spot gold prices (PM) (per 10 gram), ^ Equity (40%) / Debt (40%) / Gold (20%), Volatility= Annualised Standard Deviation of daily weighted return, Source: NSE, CRISIL, Data as on 31 Dec 2023, For risk adjusted returns, risk free rate has been considered at 6% (average of 91-days T-Bill cutoff yields between Jan 2007- Dec 2023)

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- To test the benefit of asset allocation, we compared the returns, volatility and risk-adjusted returns under individual asset classes -- equity, debt and gold -- with those under asset allocation combination of the three classes (in a ratio of 40:40:20, respectively) since 2007
- The asset allocation combination fares well on all the parameters – returns, volatility and risk-adjusted returns

**Multi Asset Allocation offers reasonable growth with low volatility**

# Multi Asset Allocation can help to achieve specific goals

| | Short term | Medium term | Long term |
|---|---|---|---|
| Want | Goal – Buying a car<br>Investment objective – Stability<br>Asset allocation – Moderately conservative | Goals – Foreign vacation<br>Investment objective – Growth<br>Asset allocation – Aggressive | Goal – Buying a vacation home, estate planning<br>Investment objective – Stability and growth<br>Asset allocation – Moderately aggressive |
| Need | Goals – Child care, down-payment on home<br>Investment objective – Stability<br>Asset allocation – Conservative | Goals – Children's education, parent care in old-age<br>Investment objectives – Stability and growth<br>Asset allocation – Moderate | Goals – Retirement, children's marriage<br>Investment objective – Growth<br>Asset allocation – Moderately aggressive |

- A goal-based approach involves investing to achieve specific goals (small, medium and long-term) by allocating money to different asset classes in sync with one's risk capacity and time horizon

**Achieve goal planning with Multi Asset Allocation**

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For representation purpose only, The goal / financial planning may differ on a case-to-case basis.
The above is for illustration/ representation purpose only and it may not be necessary that goals will be achieved. Investors should consult their financial advisor for any investment decision

# Summary – Why Multi Asset Allocation

## Why Equity?

- Equities are subject to volatility in the short term but may have the ability to beat inflation by margin on an average over long term
- Probability of achieving returns can increase as the investment horizon increases
- Volatility can decrease with an increase in the investment horizon

## Why Debt?

- During crisis, Debt may compensate for negative equity performance
- Some debt instruments exhibit lower volatility

## Why Gold?

- During crisis, Gold has compensated for negative performance of equities, and it can work as a defender

## Arbitrage Opportunities

- Some Multi Asset Allocation funds can also use Arbitrage. Extreme events such as Covid Lockdown or Sub-prime calls for reasonable defense and Arbitrage can help in such events

- Multi Asset Allocation of Equity, Debt and Gold assets combination can fare well on all the three parameters – returns, volatility and risk-adjusted performance in long run
- Efficient asset allocation can help to reduce volatility and optimise returns in long term

**Multi Asset Allocation aims to reduce volatility and can offer long term growth**

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Source: Bloomberg, Data as on 31 Dec 2023

# Allrounder that grows through Ups and Downs

Multi Asset Allocation Funds

| Equity | Debt | Gold | Multi Asset Allocation Funds |
|---|---|---|---|
| While equity investments can be risky in the short term, they can drive long-term wealth creation. | Some debt instruments have potential to lower volatility | Gold can also help compensate volatility in when situation arises.<br><br>In case of extreme events Arbitrage can also help reduce volatility. | Efficient asset allocation aims to spread the risk, optimise performance and reduce risk to deliver risk adjusted growth in long run. |

Equity + Debt + Gold = Multi Asset Allocation Funds

Access multiple advantages with Multi Asset Allocation Fund

Source – HSBC Mutual Fund, For illustration purpose only.

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