



## Select an Ideal Mix of Schemes

Never depend upon single or too many mutual fund schemes to deliver returns whether investing in equity or a debt. Mutual Funds are long term investments and it is advisable to consider investing in a combination or right mix of schemes to achieve your special goals.

After deciding the asset allocation which depends upon the investor's goal, risk appetite, income, etc the next step is to select the investment schemes.

According to us, a portfolio should have maximum 5-7 mutual fund schemes. This helps the adviser and the investor to handle and monitor the investments properly. Having more schemes always results in overlapping. You will end up having 3-4 schemes of the same category. It is advisable to choose one or maximum two schemes of the same category. For example, a part of the portfolio may consist of two large cap funds. This largely depends upon the asset allocation of the investor.

Asset Allocation in mutual funds is very important. Sometimes, one or two schemes out of five schemes may not perform in a particular period even though the stock market is doing well due to some calls based on fund manager's conviction or due to some other fundamental reasons. But, rest of the schemes may perform resulting in offsetting notional losses created by others. As a result, the overall portfolio returns does not suffer. 5-7 mutual fund schemes including a mix of Equity, Debt and Gold are sufficient enough to provide good balance and diversification to the portfolio.

While investing in mutual funds, it is very important to compare the returns of the schemes within the same category. But returns itself is not the sole criteria of selection. Other factors like goals, risk appetite, income, etc of an individual or family are also taken into consideration.

**For Example:** You want to invest Rs 15,000 per month for 20 years for your daughter's wedding. You can split the investment in three mutual fund schemes to get the benefit of diversification:

S. No.	Scheme Name	Investment Mode	Category	Invested Amount	Asset Allocation
1.	Franklin India Blue Chip Fund	Monthly SIP	Large Cap	Rs 6000	100% Equity
2.	HDFC Prudence Fund	Monthly SIP	Balanced	Rs 6000	65% Equity: 35% Debt
3.	SBI Gold Fund	Monthly SIP	Gold Fund	Rs 3000	100% Gold

**Note:** The above asset allocation may differ from individual to individual. We advise our clients to go through the process of Financial Planning, if not yet done. This will help in identifying Future Financial Goals such as Children Education and Marriage, Retirement, etc. After the analysis, we will help you out with right selection of investment schemes.