

Fund Call Mirae Asset Hybrid Equity

Safety of large-caps, high-quality debt

The fund has performed well in the aggressive hybrid category

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Hybrid mutual fund schemes invest in a mix of equity and debt.

They can help investors follow a suitable asset allocation (between equity and debt) with the benefit of automatic rebalancing between the two asset classes.

Given the volatility of equity markets, investors may be tempted to counter-intuitively move in and out of equity. Hybrid funds, on the other hand, by modifying their equity allocation based on factors such as valuations, can take away the impulsiveness and make the decision more process-based.

Within the hybrid funds category come aggressive hybrid funds, those that invest their corpus aggressively in equity — 65-80 per cent in equity and the rest 20-35 per cent in debt. These funds are

suitable for those with some risk appetite and longer-term investment horizon of at least five years.

About the fund

Mirae Asset Hybrid Equity is a fund worth considering in the aggressive hybrid fund category.

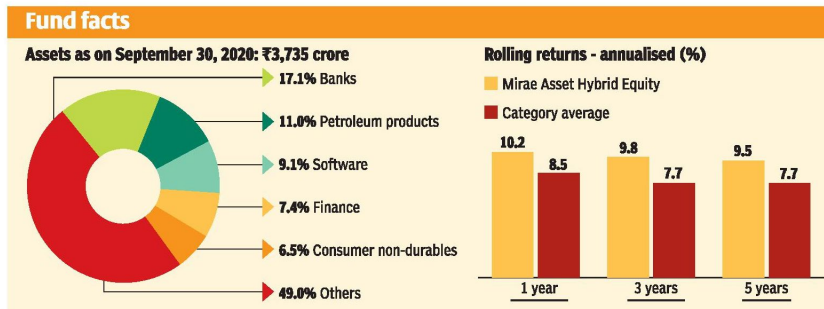
The scheme was launched in July 2015 and has performed well compared with peers. More importantly, the fund's high-quality debt portfolio, focussed largely on sovereign and AAA rated debt instruments, provides comfort.

Furthermore, the equity portion has a large-cap bias.

The fund mostly allocates 70-75 per cent of its corpus to equities.

Here, it follows a bottoms-up approach and selects growth businesses that are available at reasonable valuations.

As of end October 2020, it had



around 63 per cent of its corpus in large-cap stocks, 11 per cent in mid-caps and 0.5 per cent in small-caps. The core debt portfolio is managed using accrual strategy, though tactical duration calls to benefit from the changing interest-rate cycle are also taken.

Performing well

Mirae Asset Hybrid Equity has outperformed its peers over three- and five-year periods on a rolling-

return basis since its inception. Do note though that the fund has been around for less than six years.

The scheme has generated an average three-year return of 9.8 per cent and five-year return of 9.5 per cent. While this is only a tad higher than that of another well-performing fund, Canara Robeco Equity Hybrid, it is far better than the returns of some other funds in the category. Our analysis includes MF schemes with assets under

management of over ₹ 3,000 crore only.

It's also worth pointing out the high credit quality debt portfolio of the fund. Mirae Asset Hybrid Equity has the lowest proportion of below AAA rated papers (2 per cent as of October 2020) in its portfolio compared with the peers considered. The only exception is Canara Robeco Equity Hybrid, which has no investment in below AAA rated papers.



Fundas

- Outperforms peers
- High credit quality debt portfolio
- Large-cap focus in equity