Outlook
MONEY
FEBRUARY 2026 | NO.1 PERSONAL FINANCE MAGAZINE | WWW.OUTLOOKMONEY.COM

MULTI ASSET ALLOCATION FUND

Why Choose One Asset When You Can Have Many?



Presented By

Invesco Mutual Fund

An Outlook Brand Solution Initiative

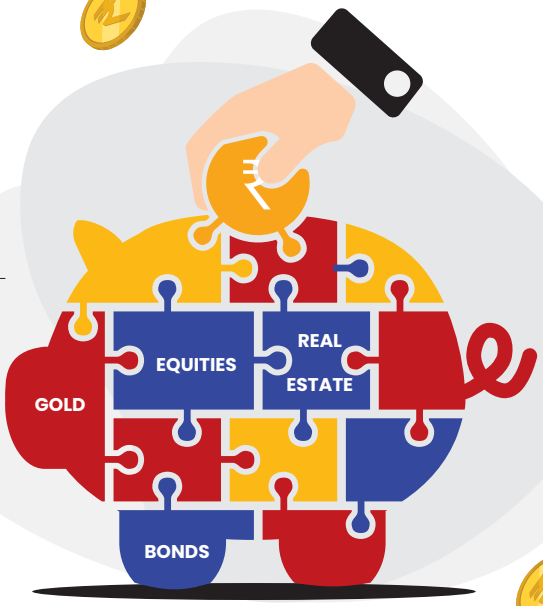
Disclaimer

As part of its Investor Education and Awareness Initiative, Invesco Mutual Fund has sponsored this booklet. The contents of this booklet, views, opinions, and recommendations are of the publication and do not necessarily state or reflect views of Invesco Mutual Fund. The illustrations/ simulations given in this booklet are for the purpose of explaining the concept of Multi Asset Allocation Funds offered by Mutual Funds and should not be construed as an investment advice to any party. The actual results, performance may differ from those expressed or implied in such illustrations/ simulations. Invesco Mutual Fund does not accept any liability arising out of the use of this information.

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

Copyright Notice
© 2026 Outlook Money. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, transmitted, or distributed in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise), in whole or in part, without prior written permission of the publisher, except for brief quotations used with appropriate attribution.

When Markets Rotate, Allocation Protects



Markets are dynamic and inherently unpredictable; making it difficult to anticipate which asset class will lead at any given time. There are phases when equities take the spotlight, delivering strong performance, and other periods when they may retreat sharply in the face of uncertainty. During such volatile spells, debt or other assets step in to cushion the downside. There are times when gold shines as a safe haven asset, and other times when real estate or foreign equities take the lead.

The simple truth is that no single asset class can outperform across every market cycle. Performance of asset classes keep rotating due to various factors, such as economic cycles, interest rate movements, geo-political events, and changing investor sentiment. That's why it makes sense to spread your investments across different asset classes, so that when one asset class underperforms, the others can make up for it.

In short, asset allocation helps you optimise returns by investing across different asset classes and capitalising on their unique risk, reward, and liquidity characteristics. How you distribute your investments among these assets can make a big difference to your overall portfolio returns.

Why Asset Allocation Matters?



It is a well-known proverb: "Don't put all your eggs in one basket." The same wisdom applies to investing, too. Investors should diversify their portfolios across asset classes, such as equities, fixed income, gold and other assets to achieve optimised returns with reduced volatility.

It is equally important to include assets with low correlation to one another. This ensures that when one asset class underperforms, others can help offset the impact. For instance, a downturn in equities can be cushioned by the presence of less-correlated assets, such as debt, gold, silver, or real estate, which may perform better. Asset allocation, therefore, remains one the most effective ways for managing volatility and building a resilient portfolio.



Winners keep changing

Every market cycle crowns a new winner and dethrones the old one

Asset Class Performance (%)

Year	Domestic Equity*	Overseas Equity**	Debt***	Gold#	Silver##
2025	9.57	24.01	6.37	74.20	168.07
2024	14.63	28.63	9.57	20.07	14.04
2023	24.73	27.03	7.82	15.40	7.94
2022	4.93	-8.86	0.46	13.90	9.70
2021	28.88	30.94	1.35	-4.20	-8.20
2020	16.78	21.20	9.26	27.90	44.30
2019	10.03	34.43	10.46	23.80	21.80
2018	0.31	4.59	6.03	7.90	-0.20
2017	35.31	14.57	-0.05	5.10	-2.80
2016	5.08	14.86	14.97	11.30	19.60
2015	-0.75	6.26	7.39	-6.60	-9.70
2014	37.31	16.00	14.14	-7.90	-15.90
2013	5.90	49.50	-0.68	-4.50	-23.50
2012	33.43	19.60	10.67	12.30	13.40
2011	-26.14	21.30	1.91	31.70	8.60

*Nifty 200 - TRI | ** S&P 500 TRI | *** CRISIL 10 year Gilt index | #Gold-MCX spot gold prices | ##Silver-MCX spot silver prices | Source: Accord Fintech, MFI



The Solution: Multi Asset Allocation Fund

From the earlier example, you saw that every asset class has its own good and bad phases across market cycles. This brings us to the big question: Is it really that easy to pick the right mix of assets in constantly changing market conditions? The short answer is no—unless you are an expert.

That is why a smarter approach is to invest in Multi Asset Allocation Funds (MAAFs). They invest across equity, debt, gold/silver exchange-traded funds (ETFs) and in some cases, even international equities, in order to navigate different market environments with ease.

Instead of juggling market trends, economic indicators, and asset correlations on your own, you benefit from an expert (fund manager) who actively analyses market conditions and adjusts allocations across equity, debt, and gold/silver ETFs. The fund manager's role is to identify opportunities, manage risks, and ensure the portfolio stays aligned with changing market dynamics. This hands-on expertise allows you to enjoy a well-balanced, optimised investment strategy without the stress of constant tracking or the need for deep market knowledge.

Where do they invest?

MAAFs represent a fusion of various asset classes, such as equities, debt, commodities (gold/silver ETFs), overseas equity and even Real Estate Investment Trusts (REITs) into a single investment vehicle.

This amalgamation allows investors to capitalise on the strengths of each asset class while mitigating the risks associated with individual market fluctuations.

Why Multi Asset Allocation Fund?

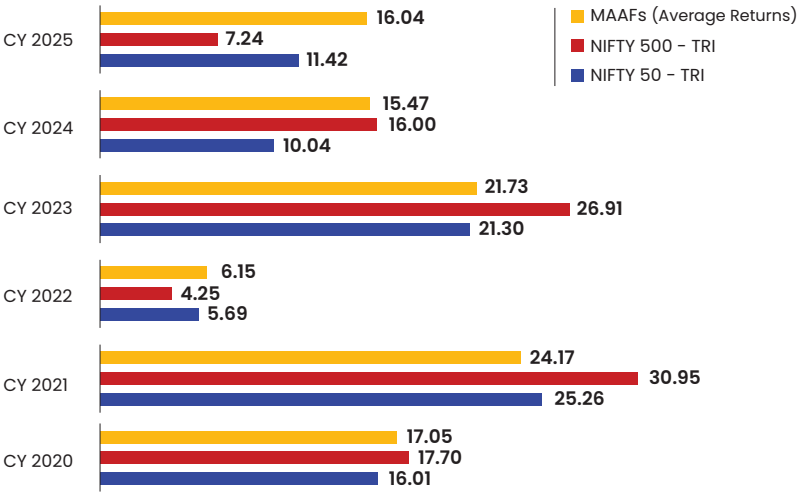
Multi Asset Allocation Funds invest across a diversified mix of asset classes within a single portfolio. This diversification aims to help manage risk across different market conditions. Unlike single-asset funds—such as pure equity or pure debt funds—whose performance is largely driven by the fortunes of one asset class, MAAFs draw strength from diversification. They invest across equities, debt, commodities like gold and silver ETFs, and sometimes real estate (through REITs) or global assets. This allows them to adapt to different market conditions swiftly.

Each asset class behaves differently across economic cycles. When equities perform well, they drive growth; when markets turn volatile or uncertain, relatively stable assets, such as debt or gold can help cushion the downside. In an MAAF, if one asset class underperforms, another may step in to compensate, helping reduce portfolio volatility.

For instance, in 2025, a look at calendar-year returns shows this advantage. Over the last four calendar years, the average



Relative Performance Leaders



Past performance may or may not be sustained in future

Source: Accord Fintech

returns of MAAFs have consistently outpaced broader market indices, such as the Nifty 50 TRI on a year-on-year (y-o-y) basis. The relative outperformance has been more pronounced during periods when equity markets were weak or flat. This highlights the benefits of diversification and dynamic asset allocation, where fund managers adjust exposure based on market conditions rather than relying on a single asset class.

This built-in balance makes MAAFs suitable for investors seeking smoother returns across market cycles. By spreading risk and capturing opportunities across asset classes, these funds aim to deliver more consistent returns. This makes MAAFs a dependable choice in both favourable and challenging market environments.

Unlike other hybrid funds that predominantly rely on two major asset classes—equity (including equity-related instruments and arbitrage) and debt—MAAF invests across a wider spectrum. It can allocate to equity and equity-related securities, debt and money market instruments, gold/silver ETFs and exchange-traded commodity derivatives, and even real estate through REITs.

MAAFs invests at least 10 per cent each in a minimum of three asset classes such as equity, debt, commodities (gold and silver ETFs), and units issued by REITs or Infrastructure Investment Trusts (InvITs). They have the flexibility to tap into asset classes with higher return potential during a bull run, and protect the downside by shifting to less volatile assets during market headwinds.



How Multi Asset Allocation Funds Work?

Fund houses use their own proprietary models for asset rebalancing, but one thing is common, most of them follow a dynamic or static asset allocation strategy.

Dynamic asset allocation is a strategy where the fund manager changes the allocation between asset classes based on market conditions, rather than sticking to a fixed mix. The goal is to capture opportunities during favourable markets and mitigate risk during periods of volatility.

Static v/s Dynamic Asset Allocation

Static asset allocation follows a fixed mix of asset classes that remains largely unchanged over time, regardless of market conditions. For example, an investor may decide on a 60 per cent equity and 40 per cent debt portfolio and stick to this allocation year after year. Even if equity markets become overvalued or enter a downturn, the allocation does not change materially, except for periodic rebalancing to maintain the original ratio. This approach works best for investors who prefer simplicity and long-term discipline.

Dynamic asset allocation, on the other hand, is flexible and responsive to market conditions. Here, the allocation across asset classes is actively adjusted based on factors such as valuations, interest rates, economic cycles, and market volatility.

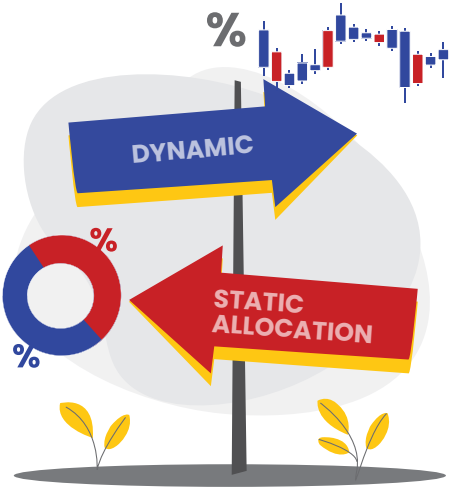
Example:
Let us consider two funds, **A** and **B.** Fund A follows a static asset allocation strategy, while Fund B follows a dynamic allocation strategy.



Fund A: Static Asset Allocation
Fund A follows a fixed **65** per cent equity and **25** per cent debt and **10** per cent gold/silver ETF allocation. This mix is decided at launch and remains unchanged, irrespective of market conditions.

- During a bull market, the equity portion performs well and lifts overall returns.
- However, when markets turn volatile or expensive, Fund A continues to hold **65** per cent in equities, even if risks rise.
- Rebalancing is done only to restore the original 65:25:10 ratio, not to respond to market signals.
- This approach offers simplicity and predictability but limited flexibility.

Fund B: Dynamic Asset Allocation
Fund B follows a dynamic allocation strategy, adjusting its equity–debt mix based on valuations, interest rates, and market trends. During market corrections, when valuations are attractive, the fund may increase equity exposure to around 70 per cent to capture potential upside. Conversely, when markets appear expensive or uncertain, it may reduce equity exposure to **45–50** per cent, increase debt to **35–40** per cent, and raise gold/silver ETFs to **10–15** per cent to cushion downside risk.



Outcome
Over a full market cycle, Fund B aims to limit downside during weak phases and participate effectively during upswings, while Fund A remains exposed to market swings. This adaptability is what distinguishes dynamic asset allocation from static allocation.

In a dynamic strategy, a fund may increase equity exposure to 70 per cent during a market correction when valuations are attractive. Conversely, if markets become expensive or volatile, it may reduce equity to 40 per cent and shift more into debt or gold/silver ETFs to protect against the downside.

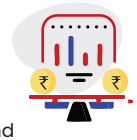
The above example is for illustration purpose only.

How Dynamic Asset Allocation Works?



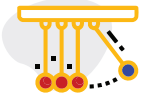
A dynamic asset allocation strategy typically tracks key market signals, such as valuations, volatility, liquidity conditions, and broader macroeconomic trends. These indicators help the fund manager determine when to increase or reduce exposure to different asset classes. The strategy operates within predefined allocation ranges for equity, debt, commodities (gold/silver ETFs), and other assets. When market conditions shift, the model adjusts the portfolio in real time—adding risk during favourable periods and reducing it when uncertainty rises.

Dynamic allocation mechanisms typically follow three models:



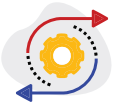
1. Valuation-Based Rebalancing

- The core idea is add when assets are cheap and reduce when they are expensive.
- When an asset class, like equity gets overvalued, exposure is reduced.
- The money is then shifted to relatively cheaper or more stable assets like debt or gold/silver ETFs.
- When valuations turn attractive or below long-term averages, exposure to that asset is increased.



2. Momentum or Trend Models

- Allocates more to asset classes showing positive price momentum.
- Reduces allocation when momentum turns negative.



3. Hybrid Multi-Factor Models

- Combines valuation, trend, macro, and volatility signals.
- Adjustments can be monthly, quarterly, or triggered by thresholds.

Role of a fund manager

Fund managers play a critical role in active asset balancing by interpreting market data, validating model signals, and making allocation decisions. While quantitative models provide ranges and triggers, fund managers apply judgement to assess macro trends, earnings outlook, liquidity, and geopolitical risks. They rebalance the portfolio by adjusting exposure to equities, debt, gold/silver ETFs, or cash to maintain the desired risk-return profile. They also evaluate sector and security-level opportunities, and make tactical calls during periods of heightened volatility. Their expertise helps translate asset allocation frameworks into disciplined, real-world portfolio actions.

Benefits Of Investing In Multi Asset Allocation Funds



Diversified asset allocation
By investing in MAAFs, you gain exposure to multiple asset classes through a single fund. These funds simplify diversification and rebalance portfolios as market conditions change.

Keeps you away from timing the market
The main benefit of MAAFs and the risk return framework that the category provides is that investors need not try and time the market, which is in any case a very difficult task. MAAFs bring in some objectivity to the asset allocation process on a dynamic basis. Fund managers do the asset allocation on your behalf in accordance with the market conditions. This way, your downside is limited and there is an opportunity of growth as well.

Cost effective asset allocation
If asset allocation is done individually, switching between asset classes would require investors to monitor the trends of each asset class, rebalance the portfolio, and be liable for charges etc., when moving between asset classes. This is not the case when the fund manager rebalances the portfolio in such funds.

Tax-efficient asset allocation
Tax-efficient asset allocation becomes challenging when you try to rebalance your portfolio on your own. Every time you redeem or switch from one asset class to another—say from equity to debt or vice versa—the transaction may trigger Short-Term Capital Gains (STCG) tax or Long-Term Capital Gains (LTCG) tax depending on the holding period. This not only reduces your post-tax returns, but also discourages frequent rebalancing.

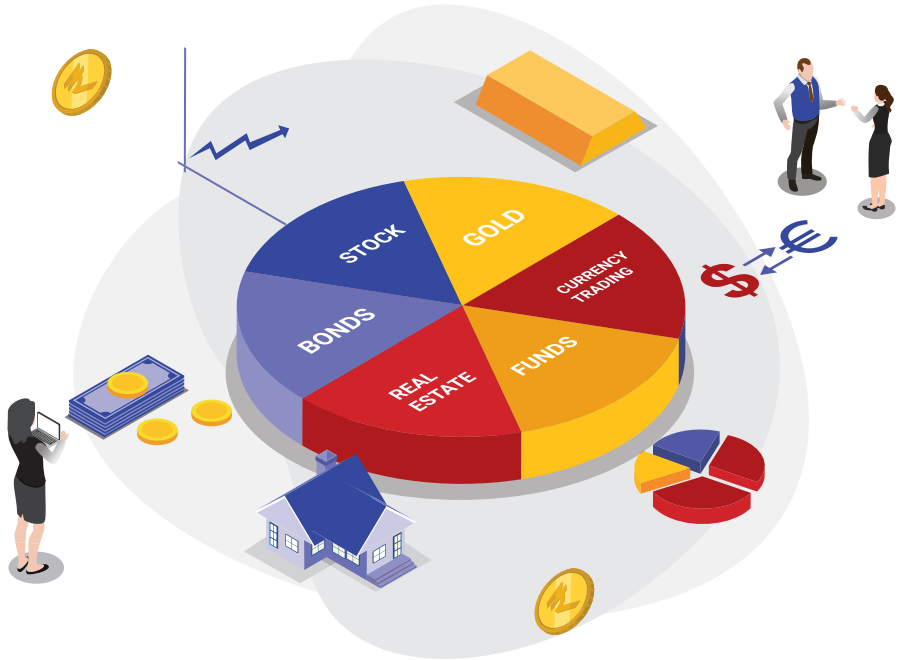
In contrast, MAAFs rebalance allocation within the fund, thereby allowing investors to benefit from disciplined allocation adjustments without incurring individual tax.

Who Should Invest In Multi Asset Allocation Funds?

MAAFs could be ideal for investors seeking a balanced, all-in-one solution that blends growth, stability, and diversification. They may suit individuals who want exposure to equities, debt, gold/silver, and global assets without investing in each asset classes separately.

These funds could be useful for new or time-constrained investors who prefer professional asset allocation and rebalancing.

They may also work well for conservative investors aiming to reduce volatility, as well as for long-term investors looking for returns across market cycles. Anyone who values disciplined portfolio management and tax-efficient rebalancing can benefit from investing in MAAFs.



How Are They Taxed?



Taxation of Multi Asset Allocation Funds varies because not all schemes follow the same asset allocation pattern. Different fund houses use different strategies—some maintain a predominantly equity-oriented allocation, while others lean more towards debt. For tax purposes, an MAAF is classified as an equity fund only if it invests at least 65 per cent in domestic equities on average. Such funds enjoy equity taxation. If the equity allocation falls between 35 per cent and below 65 per cent, the scheme is treated as a hybrid fund for tax purposes. Hybrid funds are taxed based on the holding period. If held for more than 24 months, the gains are treated as LTCG and taxed at 12.50 per cent. If the investment is held for 24 months or less, the gains are considered short-term and taxed according to the investor's applicable income tax slab. Please refer to the table for details.



Taxation on Mutual Funds

Type of Fund	Holding Period Category	Holding Period Definition	Tax Rate
Equity-Oriented MFs (Indian Equity ≥ **65%**)	Long-Term	> 12 months	**12.50%**
Equity-Oriented MFs (Indian Equity ≥ **65%**)	Short-Term	≤ 12 months	**20%**
Debt-Oriented MFs	Irrespective of holding period	NA	Taxed as per investor's income tax slab
Hybrid MFs (Indian Equity > **35%** and < **65%**)	Long-Term	>24 months	**12.50%**
Hybrid MFs (Indian Equity > **35%** and < **65%**)	Short-Term	≤ 24 months	Taxed as per investor's income tax slab

Notes: The above rates excludes surcharge and cess. Long-term capital gains exemption of ₹1 lakh on transfer of listed equity shares, equity oriented MFs u/s 112A has been increased to ₹1.25 lakh.

Source: Finance (No. 2) Act, 2024

An investor education and awareness initiative.

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on www.invescomutualfund.com. Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/ Market Infrastructure Institutions" on https://www.sebi.gov.in/index.html. For any grievance/complaint, please call us on 1800-209-0007 or write to us at mfservices@invescoindia.com. Alternatively, complaints can be registered on the SEBI SCORES Portal at https://scores.sebi.gov.in.

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

Invesco Mutual Fund

The journey to your goals begins with SIP.



A **Systematic Investment Plan (SIP)** is the first step in the right direction to get to your goals. By investing as little as Rs.100 monthly in mutual funds, you can start building wealth with discipline. No worrying about market volatility and you can benefit from the power of compounding.

Get on the SIP route today to reach your financial destination.

invescomutualfund.com

Follow us on

An investor education and awareness initiative.

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on www.invescomutualfund.com. Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/Market Infrastructure Institutions" on https://www.sebi.gov.in/index.html. For any grievance / complaint, please call us on 1800-209-0007 or write to us at mfservices@invescoindia.com. Alternatively, complaints can be registered on the SEBI SCORES Portal at https://scores.sebi.gov.in

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