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## Balanced mutual funds with monthly dividend draw big money

By [Prashant Mahesh](#), THE ECONOMIC TIMES | Updated: Mar 22, 2017, 02.02 PM IST

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**CAUTION:** Experts say there's no surety of dividends if equity performance falls.

Balanced funds, which pay investors a monthly **dividend**, have seen their assets under management surge over the past couple of years. These funds have been able to dole out tax-free **yield** of 8-12 per cent, which is much higher than what **fixed deposits** (FDs) and debt products offer, making the former very attractive.

HDFC Prudence Fund has seen its corpus jump 106 per cent from 8,618 crore to 17,775 crore, while ICICI Pru Balanced Fund has seen its corpus rise 318 per cent from 1,773 crore to 7,413 crore and DSP BlackRock Balanced Fund has seen its assets rise 415 per cent from 611 crore to 3,152 crore.

Over the past year, these balanced funds have been giving a monthly dividend, which translates into a yield of 8-12 per cent for investors.

Balanced funds have anywhere between 65 per cent and 80 per cent invested in equities, with the balance in fixed income instruments. Since balanced funds invest more than 65 per cent in equities, they are treated as equity funds from the tax perspective and the dividend is tax-free for investors.



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"A lot of inflow into balanced funds is coming into the monthly dividend plans," says Anup Bhaiya, CEO, Money Honey Financial Services.

HDFC Prudence Fund introduced the monthly dividend option in January 2016, while ICICI Pru Balanced Advantage Fund has the option since 2013 and ICICI Pru Balanced Fund since June 2015.

"Rates on FDs and other debt products are on a downward trend since the past couple of years. Investors looking for those kind of returns, as monthly cash flows find these funds attractive," says Amol Joshi, founder, Plan Rupee [Investments](#).

Over the past couple of years, both equity and fixed income investments have done well."Since balanced funds have as much as 65-80 per cent in equities, if the environment for equities changes, it will diminish their ability to pay dividend," cautions Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Financial planners caution investors that there is no guarantee of these dividends being paid out on a continuous basis, as a fund will have to realise profits to book dividends.

"Investors looking for regular cash flows would be better off opting for a [systematic withdrawal plan](#), as there is surety of cash flow," says Vidya Bala, head of research, Fundsindia. com.

**Hot-Selling**  
Balanced Funds Paying Monthly Dividend

Scheme Name	Feb '15		Feb '17
	AUM (₹ Cr)	AUM (₹ Cr)	Rise (%)
DSPBR Balanced	611	3152	416
HDFC Prudence	8619	17776	106
ICICI Pru Balanced	1774	7413	318
Kotak Balance	521	933	79
L&T India Prudence	244	3520	1343
Tata Balanced	2344	6497	177

Source : Accord Fintech, Compiled by ETIG Database



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