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Invest in balanced funds to ride out volatility

By [Prashant Mahesh](#), ET Bureau | Updated: Mar 15, 2017, 10.07 AM IST

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The BJP's victory by a huge margin in the assembly elections is drawing many retail investors to the [markets](#) through mutual funds. Of these, many are first-time investors. "Valuations are high and corporate earnings are taking the time to catch up," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

He believes retail investors should not get carried away by the bull run and should not allocate all their money at once. Instead, he suggests, they use a staggered approach using balanced funds. This will ensure they weather the volatility in the markets over the next few months. For tax calculations, balanced funds are treated as equity funds, and gains through them are tax-free after one year.

DSP BLACKROCK BALANCED

AUM: Rs 3,152 cr

Fund Manager: Atul Bhole, Pankaj Sharma and Vikram Chopra

Top 3 Stocks: ICICI Bank, SBI, ITC

1/3/5 year return: 23.78 /20.22 /14.15

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The fund is recommended for moderate risk-taking investors. The equity component is split across large caps and midcaps with two-thirds

in former and the balance in midcap stocks. The fund has a longer tail as it takes a sectoral exposure, especially in midcaps. The debt portion is split between G-secs and [bonds](#), primarily AAA or AA-rated paper.

HDFC PRUDENCE FUND

AUM: Rs 16,469 cr

Fund Manager: Prashant Jain

Top 3 Stocks: SBI, L&T & ICICI Bank

1/3/5 year return: 29.68 /19.98 /15.33

It is one of the rare funds in the category with a 23-year track record with the same fund manager. Many financial planners recommend this as a starting fund for equity investors. A high risk taker, the fund managers bet on an economic recovery and long duration bonds in the debt component played out over the last one year enabling it to come up with a very strong performance beating peers.

HDFC BALANCED FUND

AUM: Rs 8,983 cr

Fund Manager: Chirag Setalvad

Top 3 Stocks: [HDFC Bank](#), Larsen & Toubro, ICICI Bank

1/3/5 year return: 24.24/20.45 /16.77

Consistency and long-term track record is drawing investors to this fund. The fund manager has maintained equity allocation at 67-72% and avoids both cash calls and changes in allocation. The tilt towards mid and small caps has helped overall performance though the fund manager has been reducing exposure to mid and small caps over the last couple of years. The fund has comfortably beaten its benchmark over 1, 3, 5 and 10-year periods.

ICICI PRU BALANCED FUND

AUM: Rs 7,413 cr

Fund Manager: Atul Patel, Manish Banthia and Sankaran Naren**Top 3 Stocks: ICICI Bank, [Bharti Airtel](#), Infosys****1/3/5 year return: 28.39/20.44 /18.14**

Steady performance has seen the funds' assets under management triple over the last one year. The equity portion predominantly invests in large caps with a small exposure to midcaps to boost overall fund returns. Contra calls like higher exposure to energy, underweight financials and overweight telecom have helped boost returns.

L&T INDIA PRUDENCE FUND**AUM: Rs 3,520 cr****Fund Manager: Karan Desai, Shriram Ramanathan and Soumendra Nath Lahiri****Top 3 Stocks: ICICI Bank, ITC, HDFC Bank****1/3/5 year return: 19.13 /20.3 / 17.54**

The equity portion has a higher number of stocks than peers with a longer tail. The fund has a mix of large and midcap stocks, with higher weightage to midcaps relative to peers. In the debt portion, the fund has high-quality paper and owns a mix of sovereign debt and treasury investments. The fund has maintained a higher mid- and small-cap tilt relative to the category in its equity [portfolio](#), which has aided returns in this bull market.

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