

<p>Benchmarks ></p> <p>Nifty CLOSED</p> <p>11,962.10 -73.70</p>	<p>Stock Screener ></p> <p>Top Growth Stocks</p>	<p>Search, Select & Invest in Top Stocks</p> <p>Stocks with Regular Payout</p>	<p>Mid-Cap Growth Stocks</p>	<p>FEATURED FUNDS</p> <p>HDFC Mid-Cap Opportunities Direct Plan-Growth</p> <p>★★★★★</p>	<p>5Y RETURN 9.67%</p> <p>INVEST NOW</p>	<p>Stock Analysis, IPO, Mutual Funds, Bonds & More</p> <p>Market Watch</p>
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Suit the debt MF to your risk appetite

BY PRASHANT MAHESH, ET BUREAU | UPDATED: JAN 21, 2020, 09.56 AM IST

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The markdown in papers of [Vodafone Idea](#) by Franklin Templeton, which has led to mark-to-market losses of 4-6 per cent for [investors](#) in schemes that held the paper, has revived worries about the safety of debt [mutual fund](#) products. In the last two years, there have been mark to market losses in various debt schemes due to schemes holding paper of IL&FS, DHFL and some ADAG companies. Investors have been hit across categories of [mutual funds](#) — be it ultra short term, duration or credit. This has perturbed [debt mutual fund](#) investors who are increasingly wary of putting money into these schemes.

Small investors, who do not have the skills to research mutual funds themselves or find it unviable to hire financial advisors, would be better off sticking to traditional fixed income products such as bank deposits, PPF and post office deposits. “Retail investors who do not understand the nuances of debt mutual funds would be better off sticking to plan vanilla bank deposits till the environment improves,” said Ashish Shanker, head (wealth advisory), Motilal Oswal Wealth Management.

But investors with a higher tax outgo should invest more of their fixed income corpus in debt mutual funds, said advisors. The investments, however, should be done on the basis of [risk appetite](#).

“When investing in debt follow the principle of safety first followed by liquidity and capital appreciation..,” said Anup Bhaiya, MD, Money Honey Financial services. Debt funds have a portfolio of securities which lowers risk compared to holding a single company security. Investors in the higher tax bracket have preferred debt mutual funds in recent years because of the better tax treatment.

“For investors who are in the high tax bracket, debt funds are a substitute for fixed deposits with tax [arbitrage](#),” said Vishal Dhawan, chief financial planner, Plan Ahead Wealth Managers. If investors hold debt mutual fund schemes for three years, they get the benefit of long-term capital gains with indexation benefits, lowering the tax outgo significantly. ET has compiled debt mutual fund plans for conservative, moderate and high risk investors based on inputs from financial advisor.



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The Ideal Debt Portfolio

Type of Investor	Category	Allocation (%)	Funds Recommended by Advisors	Expected return over 3 years (%)
Conservative	Banking and PSU Debt Fund	33	Axis Banking & PSU, IDFC Banking & PSU, Aditya Birla SL Banking & PSU	6-7.5
	Short-term debt Fund	33	ICICI Pru Short Term, HDFC ST, SBI Short Term	6-7
	Low Duration Fund	34	SBI Low Duration, Kotak Low Duration	7-8
Moderate Risk	Banking and PSU Debt Fund	20	Axis Banking & PSU, IDFC Banking & PSU, Aditya Birla SL Banking & PSU	6-7.5
	Short Term debt Fund	20	ICICI Pru Short Term, HDFC ST, SBI Short Term	6-7
	Low Duration Fund	20	SBI Low Duration, Kotak Low Duration	7-8
	Long Duration	15	Bharat Bond ETF, Nippon India Nivesh Lakshya	8-9
	Dynamic Bond	25	IDFC Dynamic, SBI Dynamic	8-9
Aggressive	Liquid / Overnight	20	HDFC Liquid, SBI Liquid	4.5-5
	Credit Risk	25	ICICI Credit Risk, IDFC Credit Risk	9-10
	Long Duration	25	Bharat Bond ETF, Nippon India Nivesh Lakshya	8-9
	Banking and PSU Debt Fund	30	Axis Banking & PSU, IDFC Banking & PSU, Aditya Birla SL Banking & PSU	6-7.5

Source: Industry