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Fund Call **Reliance Regular Savings Fund - Balanced**

If you wanna play it safe

This fund is for investors seeking equity participation with downside protection

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The stock market has been scaling new highs. The sharp run-up in valuations can hurt investors if markets turn volatile. Within equities, large-cap stocks can help tide over choppy markets better.

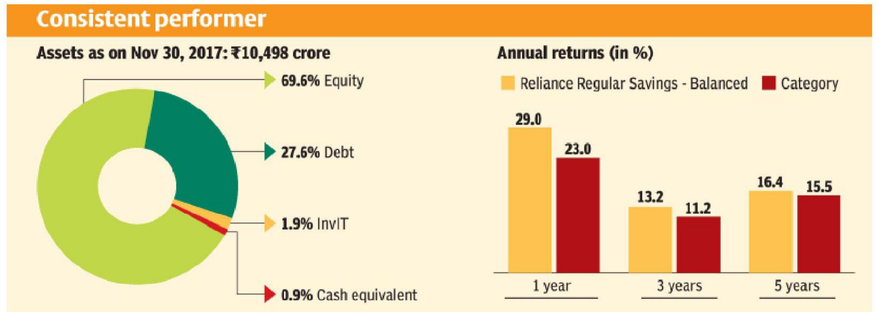
On the fixed income side, after the 25 bps rate cut in the repo rate in August 2017, the RBI has settled in for a long pause, citing upside risks to inflation. Betting on debt mutual funds, which can weather interest rate risk better, would be prudent. Hence, investors with medium risk profile can allocate or shift part of their assets from relatively risky assets to balanced mutual funds that invest mainly in large-cap equity stocks and follow an accrual strategy in their debt portfolio.

Reliance Regular Savings Fund-Balanced is one such fund, falling under the hybrid-equity oriented category, it allocates at least 65 per cent to equity and the rest to debt.

Given its large-cap bias, the fund is well-placed to tide over sudden volatility in the market. Other top-performing funds within the category, such as HDFC Prudence Fund, Principal Balanced Fund and UTI Balanced Fund, have higher exposure to mid- and small-cap stocks.

Portfolio, performance

Reliance Regular Savings Fund had lost favour with investors during 2013 and 2016, as it failed to cash in on the mid-cap rally, given its higher allocation to large-caps. However, the fund has made a comeback in 2017 and ranks among the top three, thanks to its higher allocation to banking stocks. It has delivered 12 per cent compounded annualised returns in the last 10 year.



The fund primarily focuses on capital preservation and risk mitigation. The fund has held an average of 72 per cent in equities over the last five years. Currently, it holds 70 per cent in equities of which 83 per cent is in large-caps and 17 per cent in mid- and small-cap stocks. The fund has also allocated around 2 per cent to InvITs.

The fund appears to bet on economic revival and the consumption theme. Its top sectors include banks, finance, auto and cement. Its top three stocks include HDFC Bank (8.1 per cent), Grasim Industries (5.1 per cent) and ICICI Bank (4.3 per cent).

While the higher exposure to banking stocks has paid off, it has also pegged up the fund's risk. On the debt side, the fund follows an accrual-focussed moderate duration strategy.

Given the uncertainty over RBI's rate action, the cautious approach mitigates the interest rate risk. The fund has gradually pruned exposure to government securities while increasing exposure to NCDs. In recent times, the fund has upped its allocation to AA and below rated papers (17 per cent of the portfolio as of November 2017). The average maturity of the debt portfolio is at 4.6 years and the yield-to-maturity (YTM) stands at 8.5 per cent.

Fundas

- Suits investors with low to medium risk profile
- Large-cap equity orientation
- Accrual-focussed moderate duration strategy