

SEO Optimization

URL	https://aliceblueonline.com/conservative-hybrid-fund
Meta Title	Conservative Hybrid Fund - Benefits, Tax & Top Funds to Invest!
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SERP Preview Link	

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Conservative Hybrid Fund

Conservative hybrid funds are hybrid mutual funds that invest largely in debt and related instruments along with a small percentage of their assets into equity instruments. This mutual fund invests in a mix of equity and debt instruments while providing the low risk of debt instruments and also bringing some opportunities to earn market-based returns from equity instruments.

Conservative Hybrid Fund Meaning

Conservative hybrid funds are mandated by the Securities and Exchange Board of India (SEBI) to allocate at least 75% of their total corpus, up to a maximum of 90%, to debt and related instruments. Conversely, the allocation towards equity and related instruments must be no less than 10% and not exceed 25%. These allocation boundaries are set by SEBI to regulate each type of hybrid mutual fund's investment strategies.

The underlying debt instruments are debentures, non-convertible debentures, GOI securities, bonds, NCDs (Non-certificate deposits), commercial paper, cash and call money, etc. The underlying equity instruments spread across different stock sizes from small-cap to large-cap and sectors such as financial services, energy, IT, construction, communication, automobiles, chemicals, etc.

Like all mutual funds, conservative hybrid funds proportionately allocate fund units to investors based on their investment share. Investors acquire these units at the prevailing NAV. Investment methods include the SIP route, offering regular, smaller investments, or the lump sum approach, for a one-time investment.

Benefits Of Conservative Hybrid Fund

The main benefit is conservative hybrid funds offer safety and higher returns by investing mostly in debt, with some equity. They often outperform pure debt funds and manage equity risks over time.

Some other benefits of the conservative hybrid funds are:

1. **Less volatile:** The conservative hybrid funds are less volatile than the equity mutual funds because they invest very little of their AUM (Assets Under Management) into the equity securities. The volatility of the equity stocks will get a safety cushion from the high credit quality debt instruments.

2. **Good level of diversification:** The portfolio invested by these funds provides diversification benefits to the investors with a small amount invested in equity stocks. Therefore, investors don't have to look for different types of mutual funds to diversify their portfolios.
3. **Ideal for risk-averse investors:** These types of mutual funds are ideal for investors looking to invest in pure debt instruments or fixed-income instruments such as FDs or bank deposits. However, they still carry some risk from equities, but this will fade out or get reduced in the longer duration.
4. **Good for medium-term investment horizon:** These mutual funds are best for investors who want to invest their money in a mixed scheme for two to three years. But it is very important to know your personal investment goals and determine if they match the particular scheme's investment and returns goals.
5. **Invest with SIP:** These types of mutual funds are simply invested through the SIP (Systematic Investment Plan) method, wherein you can invest in them with just ₹100 if you don't have much money to invest. The SIP can be made weekly, monthly, quarterly, or semi-annually. From this, you will get the benefits of the rupee cost averaging with the lower total cost paid to the fund with the fluctuating NAVs.

Conservative Hybrid Fund Returns

Conservative hybrid funds have provided an average return of more than 11% in the last three years. In the last five to ten years, it has provided an average return of more than 7% and 9%, respectively. The returns are generally very stable in this type of hybrid mutual fund because of low volatility of the underlying debt instruments.

Each type of conservative hybrid fund has different returns generating capacities because of the difference in the underlying instruments, credit quality, and equity exposure.

Best Conservative Hybrid Fund

Here are the 10 best conservative hybrid funds to invest in 2023:

S. No.	Fund Name	NAV (in ₹)	AUM (in ₹ crores)	Expense Ratio	SIP Minimum Amount (in ₹)	Lump sum Minimum Amount (in ₹)
1.	Kotak Debt Hybrid Fund	₹ 50.86	₹ 1,766 crores	0.44%	₹ 1,000	₹ 5,000

2.	ICICI Prudential Regular Savings Fund	₹ 63.52	₹ 3,214 crores	0.99%	₹ 100	₹ 5,000
3.	SBI Conservative Hybrid Fund	₹ 61.48	₹ 7,357 crores	0.57%	₹ 500	₹ 5,000
4.	Canara Robeco Conservative Hybrid Fund	₹ 87.39	₹ 1,086 crores	0.59%	₹ 1,000	₹ 5,000
5.	HDFC Hybrid Debt Fund	₹ 67.48	₹ 2,729 crores	1.32%	₹ 100	₹ 100
6.	Aditya Birla Sun Life Regular Savings Fund	₹ 58.35	₹ 1,533 crores	0.92%	₹ 1,000	₹ 500
7.	UTI Regular Savings Fund	₹ 57.74	₹ 1,539 crores	1.22%	₹ 500	₹ 5,000
8.	HSBC Conservative Hybrid Fund	₹ 52.10	₹ 115 crores	1.34%	₹ 1,000	₹ 5,000
9.	Axis Regular Saver Fund	₹ 28.17	₹ 425 crores	0.86%	₹ 100	₹ 500
10.	Baroda BNP Paribas Conservative Hybrid Fund	₹ 42.50	₹ 503 crores	0.78%	₹ 500	₹ 1,000

Note: Data as of 25th April 2023

Conservative Hybrid Fund Taxation

Conservative hybrid funds are taxed according to the taxation rules of debt-oriented mutual funds. From 1st April 2023, the LTCG earnings from these types of funds, which hold less than 35% of their assets into the equity instruments, will be taxed according to the investor's income tax slab, and the indexation benefits are not provided. The LTCG is earned if you hold the fund for over 36 months.

Suppose you have invested in the conservative hybrid funds on or before the 31st of March 2023. In that case, the earlier LTCG taxation rules will be applicable, and it is taxed at a rate of 20% with the indexation benefits or at a rate of 10% without the indexation benefits.

If you hold the fund for less than 36 months, it will be short-term capital gains (STCG), which are taxed according to the investor's income tax slab.

The dividend earnings are taxed based on your income tax slabs in which your total income is falling. A dividend income of more than ₹5,000 in a financial year will attract a TDS (Tax Deducted at Source) of 10%.

Conservative Hybrid Fund - Quick Summary

- Conservative hybrid funds invest in a mix of equity and debt instruments with a maximum investment only in debt instruments.
- Conservative hybrid funds invest at least 75% of their assets into debt instruments and a maximum of 25% into equity instruments.
- The primary benefit of conservative hybrid funds is that they provide a good amount of safety with major investment into the debt and related instruments and higher returns.
- Conservative hybrid funds have provided an average return of more than 11% in the last three years, with Aditya Birla Sun Life Regular Savings Fund providing the highest returns.
- Some of the best conservative hybrid funds are Kotak Debt Hybrid Fund, ICICI Prudential Regular Savings Fund, SBI Conservative Hybrid Fund, etc.
- Conservative hybrid funds' earnings are taxed according to the investor's income tax slabs.

Frequently Asked Questions

What is a conservative hybrid mutual fund?

Conservative hybrid mutual funds are the type of hybrid fund that invests at least 75% of its corpus into debt and related instruments and 10% into equity instruments.

What are the returns from a conservative hybrid mutual fund?

The returns from conservative hybrid mutual funds are generally very stable, and the best ones have been providing an average annual return of more than 11% in the last three years.

Are conservative hybrid mutual funds better than debt funds?

Yes, conservative hybrid mutual funds can be better than debt funds because they provide a higher return than debt funds as they are exposed to some equity instruments which provide market-linked returns.

How safe are conservative hybrid funds?

The conservative hybrid funds are moderately safe because of the maximum exposure to fixed-income instruments and debt instruments with a slight level of risk from equity instruments.

Is SBI conservative hybrid fund good?

Yes, SBI conservative hybrid fund is good, as it has provided an average return of more than 13% per annum in the last three years. The credit quality of the underlying debt instruments is very good, so it can provide stable returns.

Conservative Hybrid Fund

Conservative hybrid funds are the type of hybrid mutual funds that invests largely in debt and related instruments along with a small percentage of their assets into equity instruments. This is a mutual fund that invests in a mix of equity and debt instruments while providing the low risk of debt instruments and also bringing some opportunities to earn market-based returns from equity instruments.

In this article, let's get into detail in these topics:

- Conservative Hybrid Fund Meaning
- Benefits Of Conservative Hybrid Fund
- Conservative Hybrid Fund Returns
- Best Conservative Hybrid Fund
- Conservative Hybrid Fund Taxation



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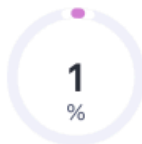


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