Tru Primer

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Asset Class Return Quilt: Leadership Rotates, Allocation Endures

The 10-year return quilt highlights that asset-class leadership is highly cyclical, with no single asset class delivering consistent outperformance across different market cycles. Strategic asset allocation, not return chasing, remains the primary driver of long-term portfolio outcomes.

Asset Class Return Quilt: Leadership Rotates, Allocation Endures

Over the last decade, leadership across asset classes has been highly cyclical. No single asset has delivered persistent outperformance across market cycles, with sharp rotations observed between equities, fixed income, real assets, and global exposures. Overall, the below table reinforces that long-term portfolio outcomes are driven by disciplined asset allocation and diversification, rather than tactical positioning or performance extrapolation.

Figure 1: The Decade of Diversification: 2016 – 2025 (INR Returns, CY Performance)

2016	Silver 19.6%	US Equities 14.9%	Debt 12.9%	EM Equities 11.4%	Gold 11.3%	MAAF 9.6%	World Equities 8.4%	Real Estate 7.7%	Mid-Cap Equities 6.5%	Large-Cap Equities 5.0%	Micro-Cap Equities 3.8%	Small-Cap Equities 1.4%	Crypto N/A
2017	Micro-Cap Equities 75.6%	Small-Cap Equities 58.5%	Mid-Cap Equities 55.7%	Large-Cap Equities 32.9%	EM Equities 26.2%	MAAF 15%	US Equities 14.4%	World Equities 14.2%	Gold 5.1%	Debt 4.7%	Real Estate 1.0%	Silver -2.8%	Crypto N/A
2018	Gold 7.9%	Real Estate 6.1%	Debt 5.9%	US Equities 4.4%	Large-Cap Equities 2.6%	MAAF 1.2%	Silver -0.2%	World Equities -3.1%	EM Equities -9.0%	Mid-Cap Equities -12.6%	Small-Cap Equities -26.1%	Micro-Cap Equities -27.1%	Crypto -79.4%
2019	US Equities 34.4%	World Equities 26.8%	Gold 23.8%	Silver 21.8%	EM Equities 18.0%	Large-Cap Equities 11.8%	Debt 10.7%	MAAF 10.2%	Crypto 9.4%	Real Estate 4.8%	Mid-Cap Equities 0.6%	Small-Cap Equities -7.3%	Micro-Cap Equities -23.5%
2020	Crypto 286.4%	Silver 44.4%	Micro-Cap Equities 38.4%	Gold 28.0%	Small-Cap Equities 26.5%	Mid-Cap Equities 25.6%	US Equities 21.4%	EM Equities 18.8%	World Equities 17.3%	MAAF 17.1%	Large-Cap Equities 16.1%	Debt 12.3%	Real Estate 1.8%
2021	Crypto 158.4%	Micro-Cap Equities 77.9%	Small-Cap Equities 63.3%	Mid-Cap Equities 48.2%	US Equities 31.2%	Large-Cap Equities 26.4%	MAAF 22.6%	World Equities 19.1%	Real Estate 4.5%	Debt 3.4%	EM Equities -2.7%	Gold -4.2%	Silver -8.2%
2022	Gold 13.9%	Silver 9.7%	Micro-Cap Equities 9.7%	Real Estate 7.1%	MAAF 6.4%	Large-Cap Equities 4.9%	Mid-Cap Equities 3.9%	Debt 2.5%	Small-Cap Equities -2.6%	US Equities -9.1%	World Equities -11.0%	EM Equities -13.8%	Crypto -66.9%
2023	Crypto 141.1%	Micro-Cap Equities 67.4%	Small-Cap Equities 49.1%	Mid-Cap Equities 44.6%	US Equities 27.1%	MAAF 24.7%	Large-Cap Equities 21.2%	World Equities 20.8%	Gold 15.4%	EM Equities 7.7%	Silver 7.7%	Debt 7.3%	Real Estate 4.7%
2024	Crypto 70.6%	Micro-Cap Equities 34.7%	US Equities 28.6%	Small-Cap Equities 27.2%	Mid-Cap Equities 24.5%	Gold 20.6%	World Equities 19.0%	Silver 17.6%	MAAF 16.9%	Large-Cap Equities 13.0%	Debt 8.9%	EM Equities 8.0%	Real Estate 7.2%
2025	Silver 167.3%	Gold 74.7%	EM Equities 37.2%	World Equities 26.7%	US Equities 23.9%	MAAF 19.2%	Large-Cap Equities 10.2%	Debt 6.8%	Mid-Cap Equities 6.0%	Real Estate 3.1%	Small-Cap Equities -5.5%	Micro-Cap Equities -9.5%	Crypto -14.8%

Source: Bloomberg, CRISIL, NHB, Ace MF, HDFC TRU.
Note: **(1)** Gold & Silver = MCX Spot Prices; **(2)** Debt = Crisil Composite Bond Index; **(3)** Crypto = Bloomberg Galaxy Crypto Index; **(4)** Real Estate = NHB Residex Index; **(5)** Large-Cap Equities = Nifty 100 TRI, Mid-Cap Equities = Nifty Midcap 150 TRI, Small-Cap Equities = Nifty Smallcap 250 TRI, Micro-Cap Equities = Nifty Micro-Cap 250 TRI, World Equities = MSCI ACWI Index, EM Equities = MSCI EM Index and US Equities = S&P 500 TR and **(6)** MAAF = Category Median Returns for Multi-Asset Mutual Funds (Direct Growth).

Key Takeaways:

- **Asset Class Leadership.** Market leadership is inherently cyclical. Sectors or asset classes that outperform in one economic environment, often underperform when macroeconomic conditions shift. History shows that "hot" streaks are temporary features of the market, not permanent bugs.
- **The Mean Reversion Trap (Last Year's Winner).** Today's top performer is frequently tomorrow's laggard. Investors who "chase returns" by piling into the previous year's best-performing asset often enter at peak valuations, leaving them vulnerable to the inevitable price correction as the market rotates toward undervalued sectors.
- **The Absence of a "Universal" Asset.** No single investment vehicle, whether it be Gold, Equities or Real Estate, dominates across all market cycles. Each asset class responds differently to inflation, deflation, growth, and recession; therefore, relying on one "hero" asset exposes a portfolio to idiosyncratic risk.
- **Volatility Mitigation (Diversification for Consistency).** Diversification acts as the only "free lunch" in investing. By spreading capital across non-correlated assets, you smooth out the highs and lows of the journey. While it may cap the absolute maximum return in a bull market, it significantly improves the reliability of long-term outcomes and prevents catastrophic drawdowns.
- **Architecture Over Agility (Strategic vs. Tactical).** Strategic Asset Allocation (the long-term blueprint) is a much more powerful driver of total returns than Tactical Timing (short-term bets). Success is determined by having a disciplined structure that aligns with an investor's risk tolerance, rather than trying to perfectly time the "entry" or "exit" of a volatile market.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

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