PRIVATE WEALTH · HNI DIVISION · AUG 2025

# HNI Portfolio Review — Strategic Asset Allocation

A model multi-asset allocation, implementation plan and rebalancing recommendation for a representative high-net-worth client, with a current house view and downside framing.

STANCE
**RISK-ON, HEDGED**

| | |
|---|---|
| CORPUS | ₹5.0 Cr |
| PROFILE | Mod-Aggr |
| HORIZON | 7–10 yr |

| | | | |
|---|---|---|---|
| INVESTABLE CORPUS<br>₹5.0 Cr | RISK PROFILE<br>Moderate-Aggr. | HORIZON<br>7–10 yr | TARGET RETURN<br>11–12% |
| EQUITY (TARGET)<br>55% | ASSET CLASSES<br>5 | TAX BRACKET<br>30%+ | REVIEW<br>Quarterly |

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Aug 2025 ALLOCATION REVIEW

## I Client profile & objective

A representative resident HNI: **₹5.0 Cr investable**, moderate-aggressive appetite, a 7–10 year horizon, and growth as the primary objective with a modest income tilt.

Constraints that shape the recommendation: a top (30%+) tax bracket, so post-tax efficiency matters; low near-term liquidity needs (an emergency corpus sits outside this portfolio); and no large planned outflow inside the horizon. The portfolio has drifted **equity-heavy** after a strong market run — the review trims that drift back to target while adding ballast and diversification, staying constructive on equities but better hedged.

## II House view — August 2025

The recommendation is set against a clear macro stance, not made in a vacuum:

01 **Equities — constructive, but full.** Indian equities have run hard (Nifty up double-digits over the prior months) and valuations are no longer cheap. Stay invested for the compounding, but trim froth, especially in richly-valued mid/small-caps.

02 **Rates — peak-ish, easing bias.** With the rate cycle near its top and a bias toward easing, quality fixed income offers attractive locked-in accrual with limited further upside risk to yields — a good moment to add duration-light debt.

03 **Gold — structurally supported.** Central-bank buying and its role as a genuine hedge argue for a higher-than-token gold weight as portfolio insurance.

04 **Currency — diversify.** A modest international sleeve adds USD and geographic diversification against home-country concentration.

## III Recommended allocation

RECOMMENDED ALLOCATION

| ASSET CLASS | CURRENT | TARGET | ACTION | ROLE |
|---|---|---|---|---|
| Indian equity | 62% | 55% | Trim | Core growth engine |
| Fixed income | 18% | 22% | Add | Stability + accrual |
| Gold | 5% | 8% | Add | Hedge / diversifier |
| International equity | 8% | 10% | Add | Geo + USD diversification |
| Alternatives (REIT/InvIT) | 7% | 5% | Trim | Yield, low correlation |
| **Total** | **100%** | **100%** | **–** | **–** |

**TARGET ALLOCATION** Model portfolio, Aug 2025

| | |
|---|---|
| **Indian equity** large 35 · mid/small 12 · thematic 8 | **55%** |
| **Fixed income** g-sec, AAA accrual, short duration | **22%** |
| **International equity** US/DM index | **10%** |
| **Gold** ETF / sovereign gold bonds | **8%** |
| **Alternatives** REIT / InvIT | **5%** |

**Net effect:** equity stays the growth core, but the book gains ~7 points of ballast and diversification — materially lower drawdown risk without sacrificing the long-term compounding engine.

## IV Rationale by sleeve

01 **Equity (55%).** The return engine over a 7–10 yr horizon; trimmed from 62% to bank gains and cut single-market concentration. Composition tilts to quality large-cap (35), measured mid/small (12), and a small thematic sleeve (8) for asymmetric upside.

02 **Fixed income (22%).** Raised for stability and predictable accrual; kept short-to-medium duration to limit mark-to-market risk while locking attractive yields near the top of the rate cycle.

03 **Gold (8%).** A true diversifier and tail hedge against equity and currency stress; sized up from a token weight to do real work in a drawdown.

04 **International (10%).** Currency and geographic diversification; structurally reduces home-country concentration risk.

05 **Alternatives (5%).** Listed REITs/InvITs for income and low correlation; trimmed to keep the overall book liquid.

## V Implementation plan

IMPLEMENTATION — INSTRUMENTS & SEQUENCING

| SLEEVE | VEHICLES | SEQUENCING |
|---|---|---|
| Indian equity | Index core + flexi/large-cap funds + select direct quality | Trim mid/small first; deploy on dips |
| Fixed income | Short-duration + target-maturity + g-sec | Ladder maturities; deploy now |
| Gold | Sovereign Gold Bonds + gold ETF | Two tranches over the quarter |
| International | US/DM index fund-of-funds | Staggered, currency-cost-averaged |
| Alternatives | Listed REITs / InvITs | Trim to 5%, hold income |

Use **direct plans** throughout to save recurring expense; deploy the additions over **two quarters** rather than in one tranche to average entry; and execute equity trims tax-lot aware (below). The point is to move the book to target without trying to time a single perfect entry.

## VI Tax efficiency

01 **Harvest the LTCG exemption.** Realise long-term equity gains up to the annual exempt threshold each year; hold equity positions >12 months so gains qualify for the lower LTCG rate rather than STCG.

02 **Mind asset location.** Keep higher-churn, interest-bearing exposure in the most tax-efficient wrapper available; avoid unnecessary short-term realisations on the equity trim.

03 **Stagger the trim across financial years.** Spreading the 62%→55% reduction across year-ends manages the realised-gains tax bill rather than concentrating it.

## VII Downside framing

Position sizing should be judged by how the book behaves when it's wrong, not only when it's right. In an illustrative **~20% equity correction**, a 55% equity weight contributes roughly **−11%** at the portfolio level — but the 8% gold and 22% short-duration debt typically hold or gain, cushioning the blended drawdown to roughly **–9% to –10%**. That ~2-point cushion, and the lower volatility that comes with it, is precisely what the hedged allocation is buying. The trade-off is a modest cap on upside in a runaway bull market — an acceptable price for this client's profile.

## VIII Rebalancing & monitoring

- **A1** **Execute the moves.** Trim equity 62→55, add fixed income 18→22, gold 5→8, international 8→10, trim alternatives 7→5.
- **A2** **Rebalance on drift, not the calendar.** Act on ±5-point band breaches rather than a fixed date; review quarterly.
- **A3** **Watch the triggers.** Re-underwrite on a sharp valuation re-rate, a decisive rate-cycle turn, or a currency move that changes the international case.

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