

Your asset allocation is a duty, not a forecast

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Maxim: *Follow your dharma of asset allocation.* — Nilesh Shah

A fund manager reached for an old word to answer a new question: are markets cheap or expensive? His answer was that it matters less than you think.

The right asset allocation is not the one that wins this year. It is the one you keep through every year.

In April 2026, Nilesh Shah, managing director of Kotak Mahindra Asset Management, was asked the question every investor asks after a long rally: are Indian markets cheap or expensive? He refused to give a forecast. "You follow your dharma of asset allocation," he said in an interview with ANI carried by [The Tribune](#). If you are overweight equity, he said, it is time to sell because markets are not cheap. If you are underweight, buy, because they are fairly valued. If you are at your target weight, you do not have to do anything.

That is an unusual answer from someone who runs money for a living. It moves the question away from the market, which nobody controls, to the investor's own plan, which the investor does.

The word was well chosen. In the Bhagavad Gita (3.35), Krishna tells Arjuna that it is better to follow one's own dharma imperfectly than another's perfectly. For an investor, your own dharma is the mix of equity, debt and gold that fits your goals, your time horizon and your nerves. Another person's dharma is whatever happens to be winning, and the temptation to follow it is strongest exactly when it is most dangerous.

What a crash does to a plan

The case for allocation is clearest in a bad year. During the global financial crisis, the Sensex fell about 60% from its January 2008 peak to March 2009, while short-duration debt funds returned around 8% over the same period, according to a [Morningstar India](#) study published in April 2020.

The same study tested an aggressive investor who put ₹10 lakh into a 70:30 mix of equity and fixed income at the end of 2004. In the 2008 crash, the equity market's worst fall was about 61%. The 70:30 portfolios that were rebalanced back to target fell about 45%. Over the following 15 years, the authors found, the allocation strategies, especially those with rebalancing, did about as well as equity with lower risk.

A 45% fall is still painful, and that is worth saying plainly. The personal finance site [freefincal](#) has warned that a blend with 65% in the Nifty will fall less than the index but will not protect you from a crash the way many investors expect. Allocation does not remove losses. It makes them survivable, so that you are still invested, and still have some money to buy with, when the market turns.

The hard part is selling what is working

Setting an allocation is easy. Keeping it means doing the opposite of what feels natural.

Consider 2025. Gold rose about 72% in rupee terms and silver about 122%, while the Nifty 500 gained about 7%, according to 1 Finance research reported by [5paisa](#). An investor who began that year with a modest slice in gold would have ended it with a noticeably bigger one, without buying a

gram. Dharma, in Shah's sense, says trim it back. Instinct says the opposite: gold is clearly the winner, so why sell?

The same instinct works in reverse after a long equity run, as in 2007, when debt looked dull. An investor who had let equity drift far above plan would have taken the full force of 2008. Each time, the asset that has grown past its share looks like proof of good judgment. Each time, rebalancing feels like punishing success.

This is why the word *duty* fits better than *strategy*. A strategy you abandon when it becomes uncomfortable was only ever a forecast.

Five questions that keep you on your path

1. **Is my allocation written down?** Put the target shares of equity, debt and gold on paper, based on your goals and how soon you need the money, not on what the market did last year.
2. **How far can it drift before I act?** Choose a band, such as five percentage points either side of target. The Morningstar study used a drift trigger of this kind. Inside the band, do nothing.
3. **When will I look?** Once a year is enough for most people, plus any time a big market move pushes you outside your band.
4. **Can new money do the work?** Directing fresh SIPs or bonuses to the underweight asset rebalances you without selling, which saves tax and exit loads.
5. **Has my life changed, or only the market?** A new child, a home loan or retirement coming closer are reasons to change the target. A rally or a crash is not.

The decision rule is Shah's own, and it fits in one breath. If you are above your target in an asset, trim it. If you are below, add to it. If you are on target, do nothing, however loud the market gets.

Doing your part, not chasing the result

Another line from the Gita (2.47) is often quoted to people who worry too much about outcomes: you have a right to your actions, never to their fruits. It sits well beside Shah's answer. You cannot control whether markets are cheap or expensive next year. You can control whether your portfolio still looks like the plan you made when you were calm.

That is the whole discipline. Not a prediction, but a promise to yourself, kept in good years and bad.

Sources

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- [Morningstar India: The difference that asset allocation and rebalancing makes \(23 April 2020\)](#)
- [freefincal: Will hybrid funds help during a market crash? \(March 2020, updated December 2021\)](#)
- [5paisa: Gold rallied 72% and silver 122% in 2025 while Nifty 500 rose 7% \(February 2026\)](#)
- Bhagavad Gita, chapters 2.47 and 3.35

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