

## Hybrid Portfolios of Indian Corporate Debt and Government Securities: A Comparative Study

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*A Model is constructed to evaluate the performance of hybrid portfolios of G-Secs and Corporate Bonds. Historical data is utilized to compute the performance of three hybrid investment portfolios. These are six G-Secs (short, medium and long term) in combination with one Mutual Fund Corporate Bond Scheme, allocated with different weights into each of the three hybrid portfolios. The paper presents risk and return performance of the three portfolios in absolute terms and also against a single government security which may be regarded as a tentative benchmark. Such hybrid debt portfolios may be of interest to various categories of investors.*

### I Introduction and Review of Literature

Debt market in India has two broad segments, viz., government securities market and corporate debt market. In the latter, both public as well as private companies issue their corporate bonds. Corporate bond market is comparatively underdeveloped in India, despite several endeavours by the government to develop a vibrant bond market. On the other hand, government securities (G-sec) market is highly liquid owing to active participation of institutional investors such as banks, insurance companies, mutual funds, provident fund, etc., and the turnover volume is good. The annual traded volumes of G-sec and corporate bonds during 2017-2018 were 1,13,85,918 crores and 13,50,033 crores respectively.

In any economy, it may be expected that the underlying interest rate environment would undergo changes, and investment portfolios would accordingly be affected over time. In the present instance, the interest rate environment has been analysed in two scenarios, i.e., (a) rising rate (Jan 2008 to Dec 2012) and (b) falling rate (Jan 2013 to Dec 2018).

This study covering the period Jan 2008 to Dec 2018 suggests that hybrid portfolio comprising of government bonds and corporate bonds are suitable for

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