



## Balanced Advantage Fund - Your friend in need

Imagine if you had an all-equity portfolio. Generally, when markets go up you would feel great about your equity investments and when they go down you would start worrying about them. This is when you start getting emotional about your equity investments and may end up making investment decisions that might not be in your best interest. On the other hand, imagine if you had an all-debt portfolio. When markets go up, you would feel bad about missing out on the upside but when they go down, you would feel happy that you escaped losses. However, what if you had the option to feel good during all market cycles? This means that you feel good about your investment decisions during market rallies and market falls. A balanced advantage fund can be an ideal solution for you.

### What is a Balanced Advantage Fund?

A Balanced Advantage fund is classified as a hybrid mutual fund, i.e., a fund that invests in a mix of equity and debt instruments. However, the best part about balanced advantage funds is that they dynamically manage their equity and debt investments. What this means is that based on certain investment criteria and in response to changing market conditions, they can dynamically move between equity and debt investments. Additionally, the equity investments can go up to 100% or down to 35%, depending on market conditions. Thus, when markets are positive and showing good growth potential, they can invest a higher amount in equities and take advantage of the growth opportunities that they offer. On the other hand, when markets are negative, these funds can dynamically reduce their equity investments and invest a higher proportion in the relative safety of debt instruments. This way, you can benefit from equity market up-moves without having to worry about the down-moves.

Things to know before you choose to invest in balanced advantage funds.

Making the right investment decision means that you need to be fully informed about the investment that you are making. Knowing the following factors about balanced advantage funds can help you make the right investment decisions.

- Equity investments can potentially generate good returns over the long-term. However, in the short-term, they can often witness sharp and negative price movements.

- Debt investments are considered relatively safer than equity investments. They generally do not witness sharp price movements.
- An ideal portfolio will not only strike a good balance between debt and equity investments but will also be able to dynamically rebalance in response to changing market conditions – this is what a balanced advantage fund can do for you.
- Through dynamic asset allocation it is well-positioned to change equity allocations in response to the changing market environment. It aims to grow money in upward trending markets and protect money in weak or downward trending markets.
- It takes away the need to time the markets since allocations are done dynamically based on pre-determined investment criteria.

### **Is a balanced advantage fund for you?**

Now that you know the specifics related to balanced advantage funds, the next step is to understand whether investment in such a fund can be to your advantage. Considering the dynamic way in which these funds are managed, they can be ideal for all types of investors who have various long-term goals.

This fund can be for you as well.

- If you are a beginner, then it can give you a balanced exposure to equity investments by actively managing risk.
- If you are a seasoned investor then it can give you a larger exposure to equities while limiting your downside through debt exposure.
- More importantly, due to its dynamic nature, it can help you take advantage of positive movements in the equity markets and protect you from negative movements.
- You can either invest a lumpsum amount in the fund or you can start a Systematic Investment Plan (SIP)
- It can help you achieve your long-term financial goals.
- It can help you overcome your behavioural biases while dealing with equity markets. It aims to ensure that you do not need to worry about equity market volatility.

A balanced advantage fund offers you a great opportunity to invest in equities without having to worry about the risk associated with equity investing. It creates a win-win situation for you where you can get both growth and safety.

An investor education initiative by Edelweiss Mutual Fund

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