#WiseWithEdelweiss

An Investor Education Initiative
Edelweiss MUTUAL FUND
Ideas create, values protect

Insights

# Market ke saath saath chalo

The markets are usually trending either upwards or downwards due to a number of reasons including changes in the broader economy, business cycles or seasonal or other factors. To benefit from these changes, you must rebalance your portfolio. For example, if shares are doing well, you can invest a larger percentage of your portfolio in equity. Conversely if equity is not doing well, you can allocate a higher percentage to debt to reduce exposure to volatility. Making these changes in your asset allocation is called 'dynamic' asset allocation.

## About dynamic asset allocation

Dynamic asset allocation involves changing your asset allocation to increase exposure to stocks or debt depending on which is in favour. The benefits are:

- **Eliminates timing the market** - If you follow dynamic asset allocation, you can increase or reduce investments in a particular asset without being guided by your feelings alone.
- **Create and preserve wealth** - Ability to create wealth during stock market bull runs and preserve it during bear markets.

## Using dynamic asset allocation

Carrying out dynamic asset allocation may sound simple, but it requires a watchful eye on the markets, and creating and testing various investment strategies. You must seek the services of professional fund managers to profit from making your asset allocation dynamic. You can make the process automatic by investing in a dynamic asset allocation fund or balanced advantage fund.

## Benefits of Dynamic Asset Allocation Funds

1) **A Diversified Portfolio:** A dynamic asset allocation fund creates a portfolio which is a combination of stocks and debt; this provides diversification and reduces risks.

2) **Riding the trend:** These funds increase exposure to asset classes that are on the rise; on the other hand, they reduce exposure to asset classes that are not moving/or not doing well. Volatility is also reduced due to debt in the portfolio.

3) **No need to time the market:** Investors often find it difficult to sell investments that are not performing due to emotional reasons. As against this, a dynamic asset allocation fund has a strict process-driven investment approach which helps the fund manager decide when to increase/reduce investment in equity or debt.

4) **Taxed like equity funds:** Dynamic asset allocation funds are treated as equity funds for income tax purposes (if their holding of stocks is at least 65%). As per tax laws, long term capital gains on equity funds are taxed at 10% while short term capital gains attract tax at a lower rate of 15%. Additionally, as of 2018, long term capital gains up to Rs.1 lakh are tax-free.

## Dynamic Asset Allocation Funds – pros and cons


*The above is only for illustration purpose.*

*Please note that distribution of dividend is subject to availability of distributable surplus and at the discretion of Trustee.

Make the smart decision to change your asset allocation depending on market trends. Using the dynamic asset allocation strategy will not only aims to help you profit from a rising market, but also reduce possible losses/fall in profits by exiting a loss making asset.

TOLL FREE 1800 425 0090 | NON TOLL FREE +91-40-23001181 | SMS IQ to 5757590 | WEBSITE www.edelweissmf.com | EMAIL: EMFHelp@edelweissfin.com

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.