



# How Do Balanced Advantage Fund Manages Your Money?

Balanced Advantage Funds are exactly what they sound like. They offer a 'balanced' exposure to both debt and equity by dynamically investing in both asset classes. These funds live up to their name by offering 'advantages'—when combined with disciplined investing through Systematic Investment Plans (SIPs), they let you benefit from rupee cost averaging and the power of compounding. And they are hybrid 'funds' that help you keep a moderate risk appetite. Let's find out how these funds manage your money in more detail.

## What is a Balanced Advantage Fund?

A Balanced Advantage Fund is a type of hybrid mutual fund that invests in both equity and debt instruments. There are no asset allocation limits for balanced advantage fund, e.g. the un-hedged equity exposure of a balanced fund may be lower than 65%, These funds can invest 50% in equity and equity-related instruments, and 50% in debt instruments, depending on market conditions generally in leading moment exposure in equity to debt proportion can be in 80:20 ratio, while during market correction it can bought back to 40:60 ration but there is no specific asset allocation limit is prescribed. Based on market condition fund house invests in a proportion to equity / debt that is managed dynamically, so that exposure in the fund can remain balanced and they can provide higher flexibility.

The asset allocation in equity / debt funds is dynamically managed and changes based on market trends. That is why these funds are also known as Dynamic Asset Allocation Funds, as they follow a dynamic investment strategy to balance risk and return.

## How do Balanced Advantage Funds decide equity vs debt allocation?

Balanced Advantage Funds spread your money across equity and debt, depending on how the market is doing.

When markets are on the rise, these funds may lean towards equities to help you make the most of the growth opportunities. But when the market goes bearish, turns volatile, or enters a downturn, the fund begins to move your investments into debt instruments for stability.

These switches are managed by the fund manager. These fund managers may rely on a set of financial indicators to make these calls. Here are a few commonly used ones:

- **Price-to-Earnings (P/E) Ratio:** This ratio measures a company's stock price relative to its Earnings Per Share (EPS). It tells you whether the stock is undervalued or not.
- **Price-to-Book (P/B) Ratio:** This compares a company's market value to its book value. The book value is the company's value after subtracting its liabilities from its assets. It helps managers decide if a stock is trading above or below what it is actually worth.

- **Earnings Yield:** This is the opposite of the P/E ratio. It shows how much a company has earned over the last twelve months compared to its current stock price.

## Who should consider investing in Balanced Advantage Funds?

Balanced Advantage Funds can be a good fit for a range of investors, including the following:

- **Investors with a moderate risk appetite:** If you are not too aggressive but not entirely risk-averse either, these funds can offer a mix of equity and debt that can offer a balanced investment opportunity.
- **First-time investors:** If you are just getting started with mutual funds, Balanced Advantage Funds can be a good option. They can offer exposure to both asset classes - equity for growth and debt for stability.
- **Anyone looking for diversification without the hassle of doing it themselves:** If you want a well-balanced portfolio but do not have the time, expertise, or interest to actively manage it, Balanced Advantage Funds can do the job for you. The fund manager adjusts the asset mix based on market conditions for you.

## Conclusion

Balanced Advantage Funds can be a good option if you have a moderate risk appetite and are looking for a mix of growth and stability. These funds use a range of market metrics to adjust your equity and debt allocation dynamically through different market cycles.

Now that you have a clearer understanding of how they work and how they manage your money, you are in a better place to decide whether they deserve a spot in your portfolio. Past performance of the fund may or may not sustain in future.

An investor education initiative by Edelweiss Mutual Fund

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