

*Market kam ho ya zyada, Advantage  
rakhne ka ek balanced irada!*

## **EDELWEISS BALANCED ADVANTAGE FUND**

*(An open ended dynamic asset allocation fund)*





# Edelweiss Balanced Advantage Fund



- \* Dynamic asset allocation fund which aims to generate low volatile equity linked returns
- \* Invests in Equity & Fixed Income and varies allocation between these asset classes based on a predefined Asset Allocation Model.
- \* Aims to capture the upside during the bull market and protect downside in bear markets based on PROCYCLICAL EEHI Model

## The Fund aims to fulfill following investor expectations



Equity Linked Returns



High Liquidity



Tax efficient returns



Lower Volatility



# Investment Strategy



## EQUITY

- \* 30% to 80% Net Equity
- \* Multi-Cap
- \* Growth oriented



## DEBT

- \* Active Duration Management
- \* Focus on Accrual



## ARBITRAGE

- \* Hedging
- \* Capture Spreads
- \* Corporate Actions



**Dynamic Equity Allocation**





# Investment Strategy



## \* EQUITY



### Quality

Quality Management  
High Free Cash Flow  
Consistency



### Growth

Strong Earnings Growth  
Sector Growth  
Competitive Advantage



### Value

Attractive Valuations  
Margin of Safety

## \* FIXED INCOME



### Objective

Generate Accrual  
Income Provide Stability  
Exposure 0-35%



### Duration

Active Duration Management  
1 to 5 Year Range



### Credit Quality

Relatively higher quality  
corporate bonds  
AA and above rating



# A deep dive into EEHI Model

- \* EEHI (Edelweiss Equity Health Index) is a Pro-cyclical asset allocation model which is based on quantitative factors coupled with fundamentals.
- \* It aims to have higher equity exposure during the bull market and lower in the bear market

Following are the factors considered by EEHI





# Edelweiss Procyclical Model Outperforms...



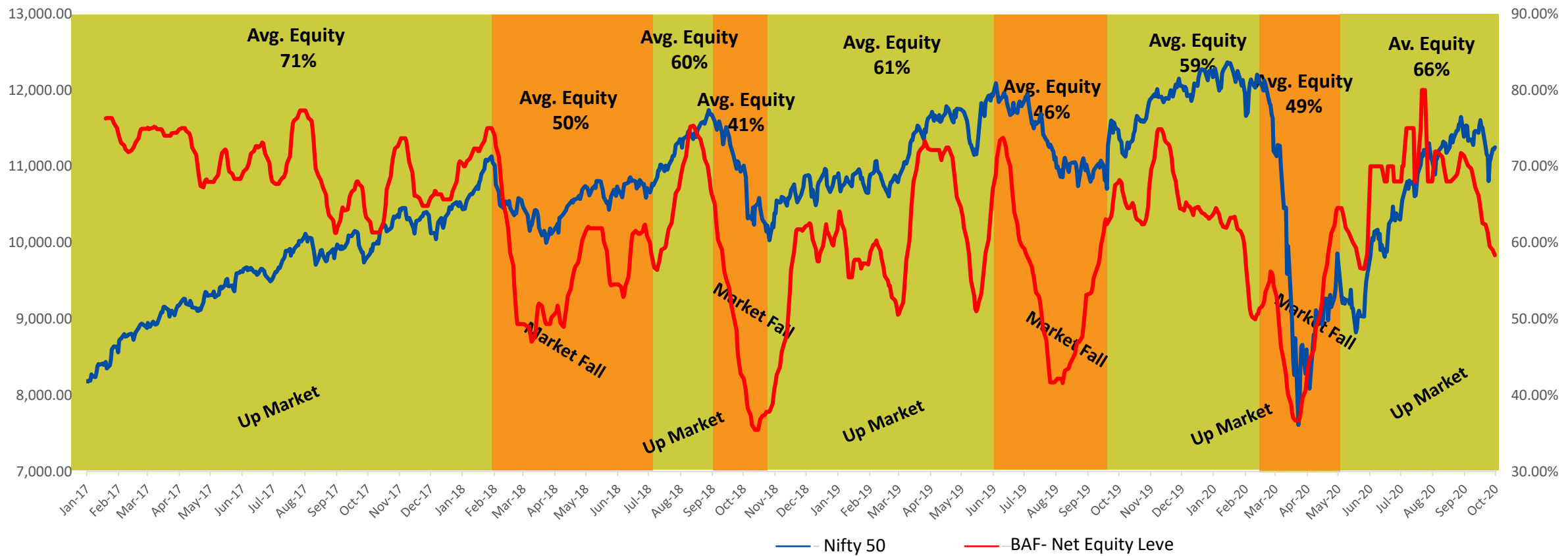
In 13 out of 16 years, Procyclical Model has outperformed Countercyclical

Calendar year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020	Total
Nifty 50	36.3%	39.8%	54.8%	-51.8%	75.8%	17.9%	-24.6%	27.7%	6.8%	31.4%	-4.1%	3.0%	28.6%	3.2%	12.0%	-6.4%	11.50%
Procyclical	27.5%	34.9%	37.2%	-21.3%	47.8%	12.4%	-9.5%	17.3%	6.0%	20.1%	-1.2%	2.7%	18.7%	4.0%	4.6%	2.1%	11.60%
Counter Cyclical	20.4%	21.1%	20.5%	-26.5%	48.6%	9.0%	-13.8%	19.3%	5.6%	18.3%	-1.5%	1.9%	14.6%	2.1%	6.7%	0.8%	8.10%
Pro Cyclical Net Equity Level	68%	68%	69%	54%	65%	65%	54%	64%	60%	67%	57%	62%	71%	55%	61%	61%	-



# EEHI Model – Net Equity Level vs Nifty 50

Average equity levels have been high during the bull market and low during bear market phase



Actual equity levels since Jan 2017.



# Swift Equity Allocation



	Nifty Return	Average Net Equity	Min Net Equity	Max Net Equity
Mar-19	7.70%	72%	60%	75%
Apr-19	1.07%	67%	50%	75%
May-19	1.49%	62%	45%	75%
June-19	-1.00%	62%	50%	75%
Jul-19	-5.7%	46%	40%	63%
Aug-19	-4.4%	50%	42%	64%
Sep-19	-4.2%	62%	50%	71%
Oct-19	3.70%	64%	54%	78%
Nov-19	2.29%	61%	51%	70%
Dec-19	0.93%	64%	60%	68%
Jan-20	-1.70%	59%	43%	70%
Feb-20	-6.36%	52%	31%	60%
Mar-20	-23.23%	40%	30%	52%
Apr-20	14.68%	63%	50%	65%
May-20	-2.84%	59%	55%	65%
June-20	7.53%	69%	68%	70%
July-20	7.48%	73%	68%	80%
Aug-20	2.84%	70%	63%	80%
Sep-20	-1.20%	60%	50%	65%

Swift change in equity levels during bear market cycles

High equity levels during healthy markets

Low equity levels during weak markets





# Portfolio Snapshot



Top Stocks (in %)	
Reliance Industries Ltd.	5.57
Infosys Ltd.	4.15
ICICI Bank Ltd.	3.80
HCL Technologies	2.98
Bharti Airtel Ltd.	2.63
TCS Ltd.	2.19
HDFC	1.81
Maruti Suzuki India	1.56
Hindustan Unilever Ltd.	1.52
Nestle India Ltd.	1.51

Fixed Income Quantitative Indicators	
YTM	3.45%
Modified Duration	0.61 Yrs
Average Maturity	0.86 Yrs

Equity Quantitative Indicators	
Net Equity	56.58%
Top 10 Holding (%)	27.72%
Total Active Bets	40.60%

Market Cap Allocation	
Large Cap	82.99%
Mid Cap	12.55%
Small Cap	4.45%

Ratios	Edelweiss Balanced Advantage Fund	Nifty 50
Sales Growth	0.8	-4.20
EBITDA Growth	11.5	2.50
PAT Growth	18.40	-2.50
ROE	14.20	11.90
PE	24.19	27.67
PEG	1.32	-11.29



- \* We expect a heightened volatility over next couple of quarters driven by fear of elongated slowdown and optimism of rally on the announcement of further stimulus.
- \* Fiscal and monetary bridge financing will help to tide some of the difficult period of lockdown to recovery path. However, this journey will be elongated and tough.
- \* In current market conditions, it is difficult to assess the earnings impact; both at macro level and micro level. Consequently, valuations cannot be sole criteria for any investment or asset allocation decision.
- \* Larger companies having balance sheet strength, market share, economics of scale and efficacy to deliver goods and services will be able to recover quickly.
- \* Our portfolio continues to remain conservative with an overweight stance on defensives and companies with strong balance sheet having sufficient cash to tide over the current uncertain times. Hence, we prefer Pharma, FMCG and high quality financials and remain UW on Pvt Banks, Consumer Discretionary, Oil & Gas
- \* This along with a pro-cyclical model offers a balanced approach in current environment.





# Know Your Fund





# What is unique about the Fund?



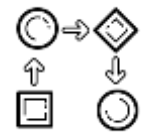
## **Captures bigger trends and limits drawdown**

Edelweiss BAF follows a unique Pro-cyclical model which aims to maximize the benefits of trending markets, both upside and downside.



## **Superior risk adjusted returns**

Model based asset allocation approach smoothens the ride in a volatile equity market, thus enhancing risk adjusted returns for an investor



## **Systematic process driven approach**

Discretionary decisions based on 'gut feeling' or news generally fail over a longer time period. It also has poor hit ratio and rarely replicable. Recent events such as Brexit, Demonetisation, US elections etc. have manifested out to an unexpected outcome for the equity markets.



## **Avoids timing of market reversal**

Market reversals are more difficult to predict as reversals take longer than anticipated, resulting in portfolios suffering large drawdown. Timing the reversals looking at historical valuation ratios have typical drawback of having hindsight syndrome.



# What are the risks associated with the Fund?

## Performance Risk

- Fund may have mixed performance during range bound markets. However, in the long history of markets there have been very few years where markets have not displayed any trends.
- The Fund is suitable for long term investor with horizon of 5 years or a complete market cycle
- The not is not suitable for Aggressive investors looking for pure Equity returns

## Liquidity Risk\*

- The Fund predominantly invest in large market cap stocks which are mostly in liquid stocks and redemption requests does not face difficulty
- While sizing individual bets in our portfolio, we pay close attention to this aspect. We believe it is important to balance performance with liquidity in the long-term interests of all our investors

## Fund Manager Risk

- The Fund follow a consistent 4 pillar investment process driven approach which includes Universe Selection, Stock Selection, Portfolio Construction & Risk Management
- These processes are true to label and are religiously followed by our fund management team even if the members or the fund managers change over time

\*Liquidity is the ability of an investment manager to meet redemptions in an orderly manner without compromising interests of investors who are not redeeming





# Why the fund has outperformed during recent fall?



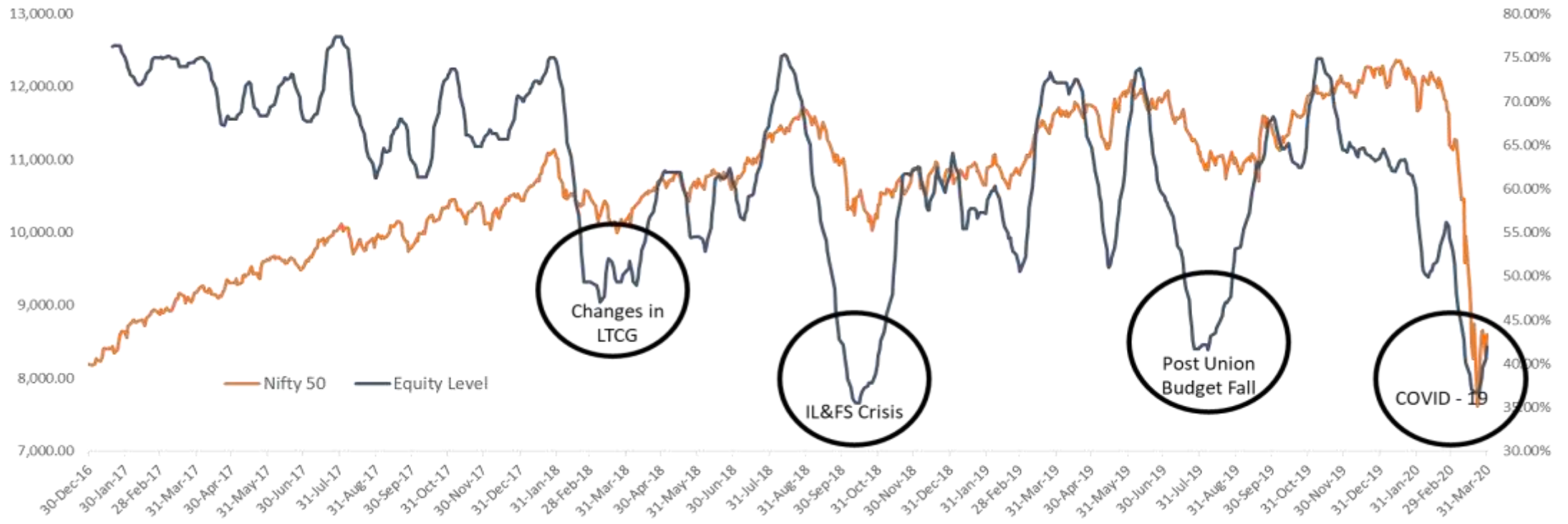
- \* Last three months have been most volatile in recent past and in these times of uncertainty, protecting downside is priority for investors.
- \* In first quarter of 2020, Nifty 50 index has fallen by -29.34%, while Edelweiss BAF NAV has fallen only -10.19%. A downside protection of 19.15% over Nifty 50.
- \* This significant outperformance of 19.15% by Edelweiss BAF is due to its lower equity levels in the month of March – Around 40% when markets fell by 23.20%

Period	Jan 2020	Feb 2020	March 2020	Jan to March
Nifty 50 Return (Absolute)	-1.81%	-6.36%	-23.20%	-29.34%
Average Net Equity Levels	59%	51%	40%	51%



# Why Edelweiss BAF has outperformed?

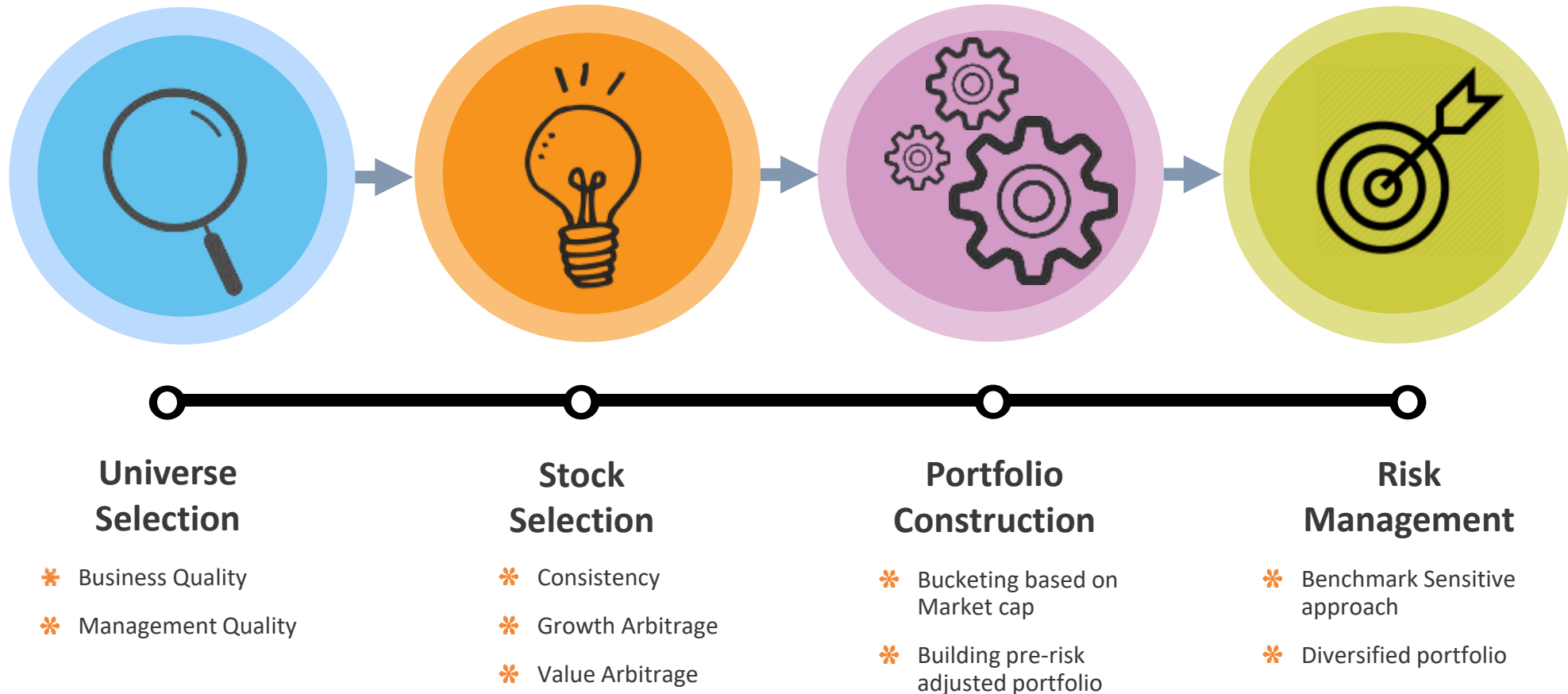
Following a unique Pro-cyclical model, The Model was efficient enough to swiftly change the equity level along with the market which helps in outperformance





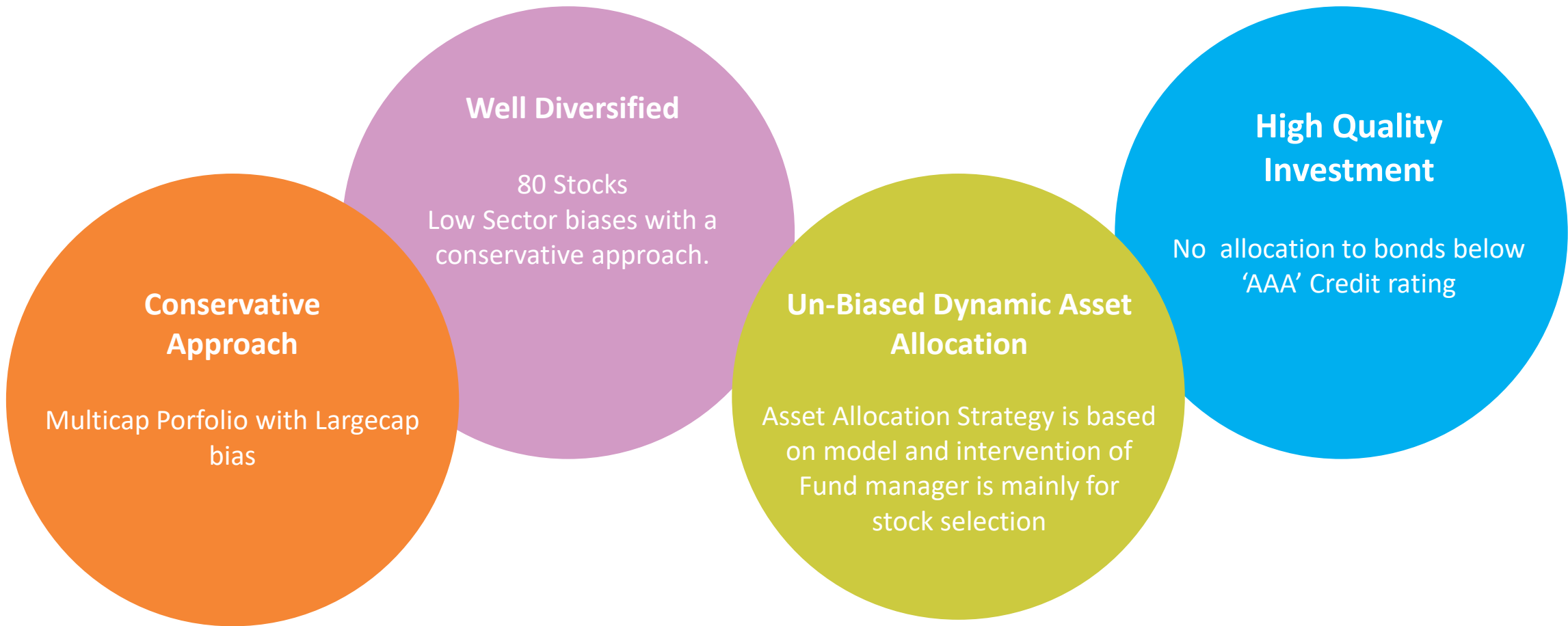
# What is the stock selection Process?

## 4 Pillar - Investment Process





# True-to-Label approach





# How has the fund performed over long term?



	Minimum	Maximum	Mean	STD Dev
3 Year Rolling Return	2.20	17.90	9.71	3.58
5 Year Rolling Return	2.65	14.00	10.29	2.20

% times in Return Range	3 Year Rolling Return	5 year Rolling Return
Less than 0 %	0%	0%
0 to 7%	25%	13%
7 to 15%	64%	87%
Above 15%	10%	0%
Total Observations	1951	1459





Period	Scheme		Benchmark (CRISIL Hybrid 50+50 Moderate Index)		Additional Benchmark Nifty 50 TR Index	
	Returns*	Value of Rs. 10000 Invested	Returns*	Value of Rs. 10000 Invested	Returns*	Value of Rs. 10000 Invested
1 Year	10.47%	11,050	7.87%	10,789	-0.97%	9,903
3 Year	7.37%	12,382	7.47%	12,419	6.02%	11,921
5 Year	7.27%	14,207	9.38%	15,667	8.53%	15,064
Since Inception	9.13%	26,410	9.87%	28,478	10.00%	28,861

Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments.

\* CAGR Return.

- Different plans shall have different expense structure. The performance details provided herein are of Regular Plan of Edelweiss Balanced Advantage Fund. Returns are for Growth Option only. Since Inception returns are calculated on Rs. 10/- invested at inception of the scheme. In case the start/end date is non business day, the NAV of previous day is used for computation.

- The scheme is currently managed by Mr. Bhavesh Jain (Managing this fund from August 7, 2013), Mr. Bharat Lahoti (Managing this fund from September 18, 2017) and Gautam Kaul (managing this fund from December 11, 2017).

Data Source: Ace MF, Data as on 30<sup>th</sup> Sep 2020 In case the start/end date is non business day, the NAV of previous day is used for computation. Please click on <http://edelweissmf.com/Download/factsheet.aspx> for performance of other funds managed by fund manager.



# Fund Features



<b>Scheme Type</b>	An open ended dynamic asset allocation fund
<b>Exit Load</b>	<p>10% of the units allotted shall be redeemed without any Exit Load on or before completion of 365 days from the date of allotment of units. Any redemption in excess of such limit within 365 days from the date of allotment shall be subject to the following Exit Load:</p> <ul style="list-style-type: none"> <li>• If redeemed or switched out on or before completion of 365 days from the date of allotment of units – 1.00%</li> <li>• If redeemed or switched out after completion of 365 days from the date of allotment of units – NIL</li> </ul> <p>Redemption of units would be done on First in First out Basis (FIFO).</p>
<b>Plans &amp; Options</b>	<p>Plan: Regular &amp; Direct</p> <p>Options: Quarterly Dividend (Payout and Reinvestment) &amp; Growth</p> <p>Monthly Dividend (Payout, Reinvestment &amp; Sweep)</p>
<b>Minimum Investment Amount</b>	Rs. 5000/- per application & in multiples of Re. 1/- thereafter
<b>Additional investment amount</b>	Rs. 500/- per application & in multiples of Re. 1/- thereafter
<b>Fund Manager</b>	Mr. Bhavesh Jain, Mr. Bharat Lahoti for Equity portion & Mr. Gautam Kaul for Debt portion

# Disclaimer



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**This product is suitable for investors who are seeking\* :**

- \* To create wealth over long term and prevent capital erosion in medium term
- \* Investment predominantly in equity and equity related securities including through arbitrage opportunities with balance exposure to debt and money market securities

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Investors understand that their principal will be at moderately high risk

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**





Thank you