

Balanced advantage funds gain traction as volatility spikes

Demand rises as bond yields harden, uncertainty looms over equities

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Investors are increasingly putting money in balanced advantage funds amid a spike in volatility over concerns of rising inflation. Experts said the rise in bond yields and uncertain equity markets, following a sharp run-up, are adding to the appeal of such funds.

These funds dynamically change asset allocation between equity and debt depending on market conditions.

Data from Association of Mutual Funds in India (Amfi) shows that since the beginning of the current financial year, balanced advantage funds have seen net inflows of over ₹29,300 crore.

In August alone the category saw inflows of ₹16,571 crore, though this spike was largely because of the SBI Balanced Advantage Fund's new fund offer (NFO), which collected ₹14,551 crore.

Last month, the category saw inflows of ₹5,234 crore, which was higher than the preceding month if NFO inflows are subtracted.

As a result, other asset management firms too are now looking to tap this growing interest of investors.

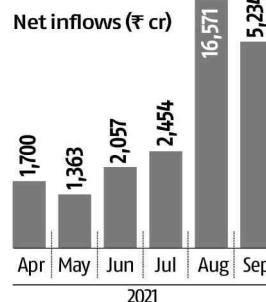
LIC Mutual Fund (MF) plans to launch its balanced advantage fund on October 20. Recently, Axis Mutual Fund (MF) renamed and repositioned its existing Axis Dynamic Equity Fund to Axis Balanced Advantage Fund. The scheme's asset allocation will be guided by an in-house proprietary methodology, which allows it to manage equity exposure in response to changes in underlying market conditions.

Chandresh Nigam, managing director and chief executive officer of Axis AMC, said: "As investors, we all want to invest with the confidence that our investments will not fall prey to the vagaries of market



BALANCING ACT

Inflows into balanced advantage funds are gaining currency



Source: Amfi

volatility. Balanced advantage funds allow investors to mitigate equity risk through a structured process that manages equity exposure dynamically. We believe that balanced advantage funds will transform investing experience for investors and allow them to benefit from the long-term growth potential of equity while managing its risk."

The benchmark Sensex has turned volatile after hitting the 60,000-mark in September because of a mix of domestic as well as global concerns. The 10-year bond yield, on the other hand, has spiked over this period.

Jaikrishnan G, partner and leader, Financial Services Consulting, Grant Thornton Bharat, says the growth in balanced advantage funds has been triggered by three main factors — high liquidity, increased addition of first-time investors, and an apprehension of market volatility.

"As we see growth in first-time retail investors, who now prefer

mutual funds over low-yielding traditional investments, there also exists a sense of caution given with perception of a potential market correction," added Jaikrishnan.

The data from Value Research shows that dynamic asset allocation funds have given returns of 26.62 per cent in the last one year.

Even for the longer duration, they have managed to generate double-digit returns. Over a 10-year period, dynamic asset allocation funds have given returns of 11.70 per cent.

Dinesh Pangtey, whole-time director and CEO of LIC MF, said: "Equity markets are at an all-time high and we believe this is

the best time for investors to look at balanced advantage funds. Here, fund managers can move from equity to debt or vice-versa depending on the market conditions. Over the longer time frame, dynamic asset allocation funds manage to give risk-adjusted returns."

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