

How balanced advantage funds can help you navigate a volatile market

Synopsis

The balanced advantage strategy runs on the principal of generating returns by efficiently adjusting investment from one asset class to another. Building the balanced advantage strategy may sound easier, but it is a complex procedure.



There are a number of options available to the investor when it comes to investing in these funds.

Money never settles at one place. It moves from one asset to another, thereby creating **valuation** cycles across asset classes. This is how the financial system works. Investor preference may vary based on one's **risk** appetite. No one fund can be a 'one size fit for all' option.

However, there are some **funds** that are built to capitalise on such money movement from one asset class to another. Balanced advantage fund is one such category.

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The balanced advantage strategy run on the principal of generating returns by efficiently adjusting investment from one asset class to another. Building the balanced advantage strategy may sound easier, but it is a complex procedure. Every asset class has different attributes and one needs to have a good understanding of various dynamics of different assets. Therefore, investors need to consult a financial adviser or look for **balanced advantage funds** offered by various mutual Funds.

	Fixed Deposit	Stocks	Mutual Fund	Gold	Real Estate
Returns	Low	High	Medium	Medium	Medium
Risk	Low	Very High	High	Medium	Medium
Liquidity	Medium	High	High	High	Low
Cost of Maintenance	Low	Medium	Medium	Medium	High
Knowledge requirement	Low	High	Medium	Low	BCCL



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Volatility is the essence of the market. There are many factors that trigger volatility such as RBI policy, high frequency economic indicators, government policy reforms, global macroeconomic developments, geopolitical events etc. Many a time, volatility triggers psychological pressure on investors and compel him/her to take uninformed/undue actions.

Investors tend to lose money in such times. This is the premise on which the balanced advantage strategy has been built to help remove the psychological barriers for the investor.

These funds follow an investment style that involves diversifying the exposure into more than one asset class and judiciously adjusting asset allocation. They aim to reduce the impact of market volatility on the portfolio. These funds may help remove psychological barriers of greed and fear from investors.

The strategy involves adjusting equity allocation based on valuations. This means as the valuations get expensive, these funds would reduce allocation to equity and move into debt. Likewise, when the valuations turn cheap, they would increase allocations back to equity.

One of the benefits of such funds is that there is no exit loads for shifting from one asset class to another within the scheme. There are a number of options available to the investor when it comes to investing in these funds.

Investors may take exposure as per their understanding of the underlying asset class. As multiple assets are involved in such type of investing and each asset class has its own dynamic, one should avoid managing it by themselves and may

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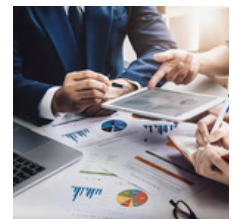
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