

# 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



Lower Volatility

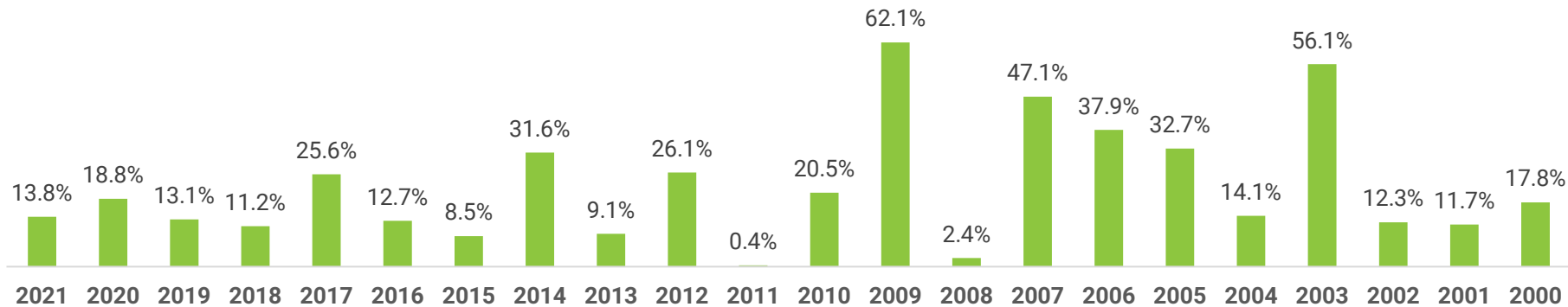
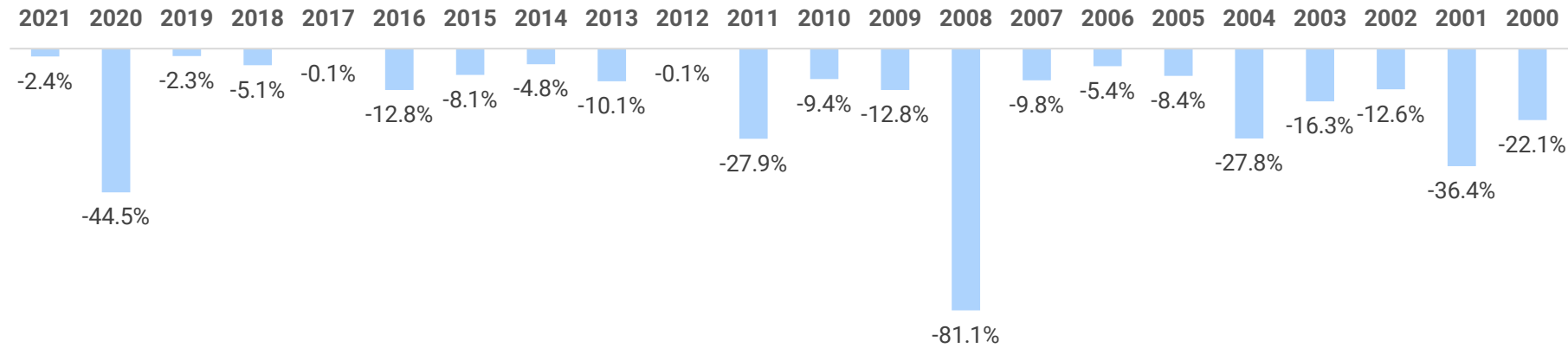


Tax efficient returns

# Dual Advantage in Volatile Markets



Markets are inherently volatile...there are times you gain by protecting downside and there are times you gain by participating in upside. Edelweiss Balanced Advantage Fund does both.



# 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



# 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 3 Year Range



### Credit Quality

Relatively higher quality  
corporate bonds  
(AAA Only)

# 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



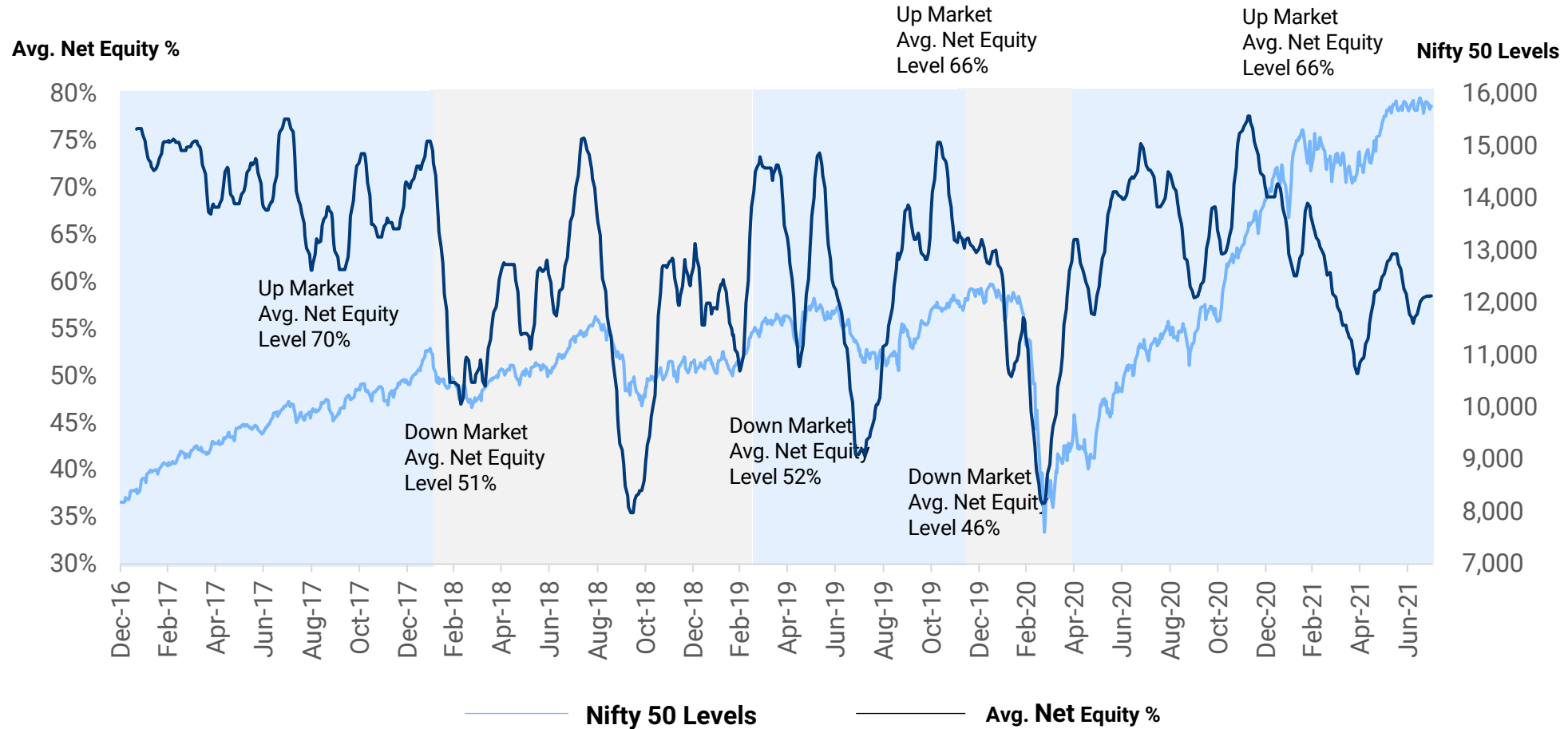
# Edelweiss Procyclical Model Outperforms..



**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	2020
<b>Nifty 50</b>	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%	14.90%
<b>Procyclical</b>	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%	17.00%
<b>Counter Cyclical</b>	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%	11.70%
<b>Pro Cyclical Net Equity Level</b>	68%	68%	69%	54%	65%	65%	54%	64%	60%	67%	57%	62%	71%	55%	61%	62.9%

# EEHI Model – Net Equity Level vs Nifty 50



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



# Swift Equity Allocation



	Nifty Return	Average Net Equity	Min Net Equity	Max Net Equity
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%
Oct-20	3.51%	66%	53%	70%
Nov-20	11.39%	72%	53%	80%
Dec-20	7.80%	72%	63%	80%
Jan-21	-2.48%	65%	51%	70%
Feb-21	6.56%	66%	51%	70%
Mar-21	1.11%	60%	51%	65%
Apr-21	-0.41%	52%	42%	61%
May-21	6.50%	60%	55%	63%
Jun-21	0.89%	59%	55%	63%
Jul-21	0.26%	58%	55%	60%

Swift change in equity levels during bear market cycles

Low equity levels during weak markets

High equity levels during healthy markets

# Portfolio Snapshot



## Top Stocks (in %)

ICICI Bank Ltd.	4.83%
HDFC Bank Ltd.	3.87%
Infosys Ltd.	3.83%
Reliance Industries Ltd.	3.78%
Kotak Mahindra Bank Ltd.	2.03%
Bharti Airtel Ltd.	1.92%
State Bank of India	1.74%
Hindustan Unilever Ltd.	1.61%
Axis Bank Ltd.	1.37%
HCL Technologies Ltd.	1.20%

## Fixed Income Quantitative Indicators

YTM	3.74%
Modified Duration	0.72 yrs.
Average Maturity	0.87 yrs.

## Equity Quantitative Indicators

Net Equity	59.81%
Top 10 (%)	26.18%
Active Bet	29.49%

## Market Cap Allocation

Large cap	83%
Midcap	11%
Small cap	6%

## Ratios

	E-BAF	Nifty 50
Sales Growth	-1.7	-2.6
EBITDA Growth	21.2	17.0
PAT Growth	36.9	26.4
ROE	15.8	14.3
PE	26.3	27.5

Sector	% Over wt.	Sector	% Under wt.
BFSI	5.00%	Transportation	-0.53%
Consumer	2.17%	Power	-0.23%
Technology	1.90%	Leisure Services	-0.18%

# Outlook



- \* Rising commodity prices, especially crude oil, can lead to higher inflation and force global central banks to revisit their current accommodative monetary policy
- \* The US Fed's decision on tapering of stimulus could impact investor flows across asset classes, especially into emerging markets
- \* In India, fear of a third wave and pace of vaccination are added risks to the nascent economic recovery post the brutal second wave
- \* As a result, we may continue to see earnings upgrades that could lend support to the ongoing market rally. However, it is highly likely that markets could remain volatile in the near term owing to the uncertain environment.
- \* Therefore, a dynamic asset allocation fund will deliver better risk adjusted returns in such market scenario.
- \* Our core equity portfolio in EBAF continues to focus on companies which have shown high visibility of earnings and strong balance sheet. Consequently, we are OW on Technology, Consumer and Pharma which have demonstrated stable earnings along with an OW stance on BFSI due to early signs of better recovery trends in asset quality. We are currently UW on cyclicals sectors such as Autos, construction & Infra and will revisit them as and when we get more visibility on the recovery trends.
- \* We continue to remain conservative on debt portfolio and will actively seek ideas on open offer/buybacks/delisting/IPO listings to enhance our non-equity linked returns.

# Know Your Fund

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# What is unique about the Fund?



## **Captures bigger trends and limits downside**

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 fund 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

# How the Fund has performed recently?



- \* Last one year have been most volatile in the recent past and in these times of uncertainty Edelweiss BAF has not only protected downside for investors but also created wealth in the up market.
- \* 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.
- \* Since April 2020, Nifty is up by close to 58% and in that same period Edelweiss has given return of ~40% with lower risk.

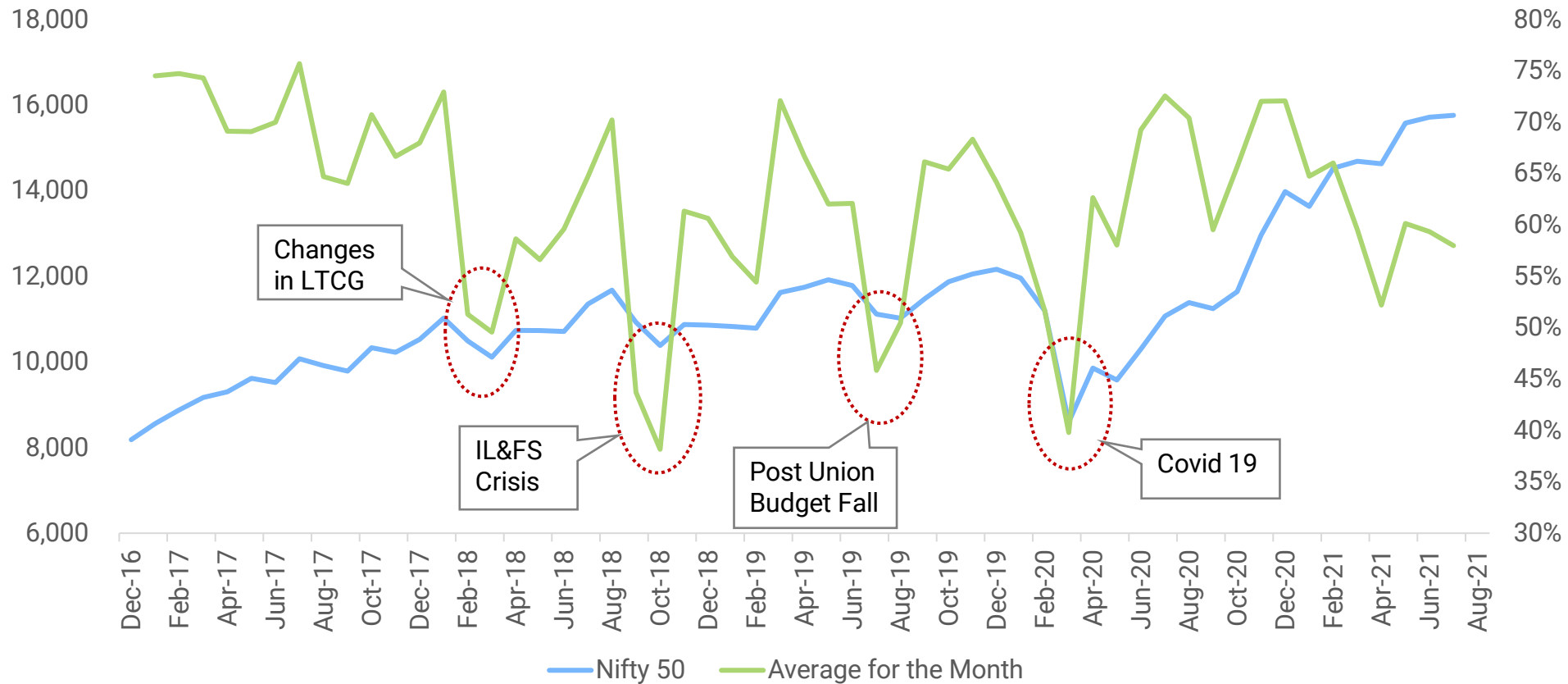
Period	Jan 2020 to March 2020	April 2020 to June 2021
Nifty 50 Return*	-29.3%	57.7%
Average Net Equity Level	51%	64%

\* Returns <1 year are in absolute terms and returns >1 year are in CAGR terms

# 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

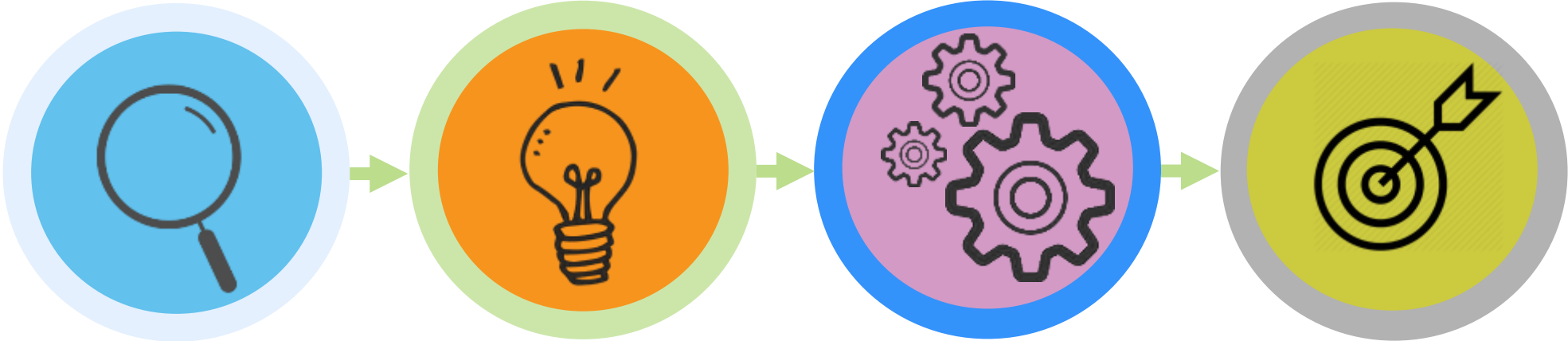




# What is the stock selection process?



## 4 Pillar Investment Strategy



**Universe Selection**

Business Quality  
Management Quality

**Stock Selection**

Consistency  
Growth Arbitrage  
Value Arbitrage

**Portfolio Construction**

Bucketing based on Market cap  
Building pre-risk adjusted portfolio

**Risk Management**

Benchmark Sensitive approach  
Diversified portfolio

# True-to-Label approach



## Un-Biased Dynamic Asset Allocation

Asset Allocation Strategy is based on model and intervention of Fund manager is mainly for stock selection

**Conservative Approach**  
Multicap Portfolio with Largecap bias



**Well Diversified**

83 Stocks  
Low sector biases with a conservative approach

**High Quality Investment**

No allocation to bonds below 'AAA' Credit

# How the Fund has performed over long term?



- \* The Fund has never given negative return on 3 year and 5 year Rolling basis
- \* On 3 Year and 5 Year Rolling basis the fund has given average return of 9.84% and 10.32% respectively.

	Minimum	Maximum	Mean
3 Year Rolling Return	2.21	17.90	9.83
5 Year Rolling Return	2.65	14.00	9.77

% times in Return Range	3 Year Rolling Return	5 year Rolling Return
Less than 0 %	0%	0%
0 to 7%	23%	12%
7 to 15%	68%	88%
Above 15%	9%	0%
Total Observations	2207	1715

# Lower volatility, higher returns



- \* Comparable returns in the longer term with much lower volatility than the broader market.

## Trailing Returns

## Annualized Standard Deviation

Scheme Name	Edelweiss Balanced Advantage Fund	Nifty 50 - TR	Scheme Name	Edelweiss Balanced Advantage Fund	Nifty 50 - TR
1Y	31.60%	43.79%	1Y	7.56	17.54
3Y	12.92%	13.01%	3Y	11.63	12.36
5Y	12.22%	14.18%	5Y	10.16	22.14
10Y	11.54%	12.50%	10Y	9.35	18.27

Note: Past performance may or may not be sustained in the future. The data is for Reg plan – Growth option as of 31<sup>st</sup> July 2021 for the scheme; Annualized SD is based on monthly rolling returns for the respective periods.

# Performance



Period	Scheme		Benchmark (CRISIL Hybrid 50+50 Moderate Index)		Additional Benchmark Nifty 50 TR Index	
	Return	Value of Rs. 10000 Invested	Return	Value of Rs. 10000 Invested	Return	Value of Rs. 10000 Invested
1 Year	31.25%	13,115	25.17%	12,509	44.30%	14,416
3 Year	12.79%	14,348	12.44%	14,216	12.90%	14,391
5 Year	12.22%	17,812	11.87%	17,535	14.18%	19,419
Since Inception	10.79%	34,020	11.09%	35,163	12.51%	40,896

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

- Returns for 1 year and less are on absolute terms and for more than 1 year are on CAGR terms.
- Different plans shall have different expense structures. 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 31<sup>st</sup> July 2021 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>	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: <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> Redemption of units would be done on First in First out Basis (FIFO).
<b>Plans &amp; Options</b>	Plan: Regular & Direct Options: Quarterly Dividend (Payout and Reinvestment) & Growth Monthly Dividend (Payout, Reinvestment & Sweep)
<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.



Sept 2021

Investors understand that their principal will be at high risk

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



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