



THE MARKET
MIGHT BE
TOPSY-TURVY.
YOUR PORTFOLIO
NEED NOT BE.

TATA

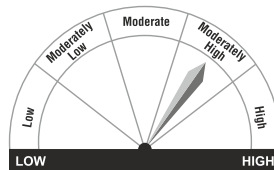
BALANCED ADVANTAGE FUND

(An Open Ended Dynamic Asset Allocation Fund)

This product is suitable for investors who are seeking*:

- Capital Appreciation along with generation of income over medium to long term period.
- Predominant investment in equity and equity related instruments as well as in debt and money market instruments.

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



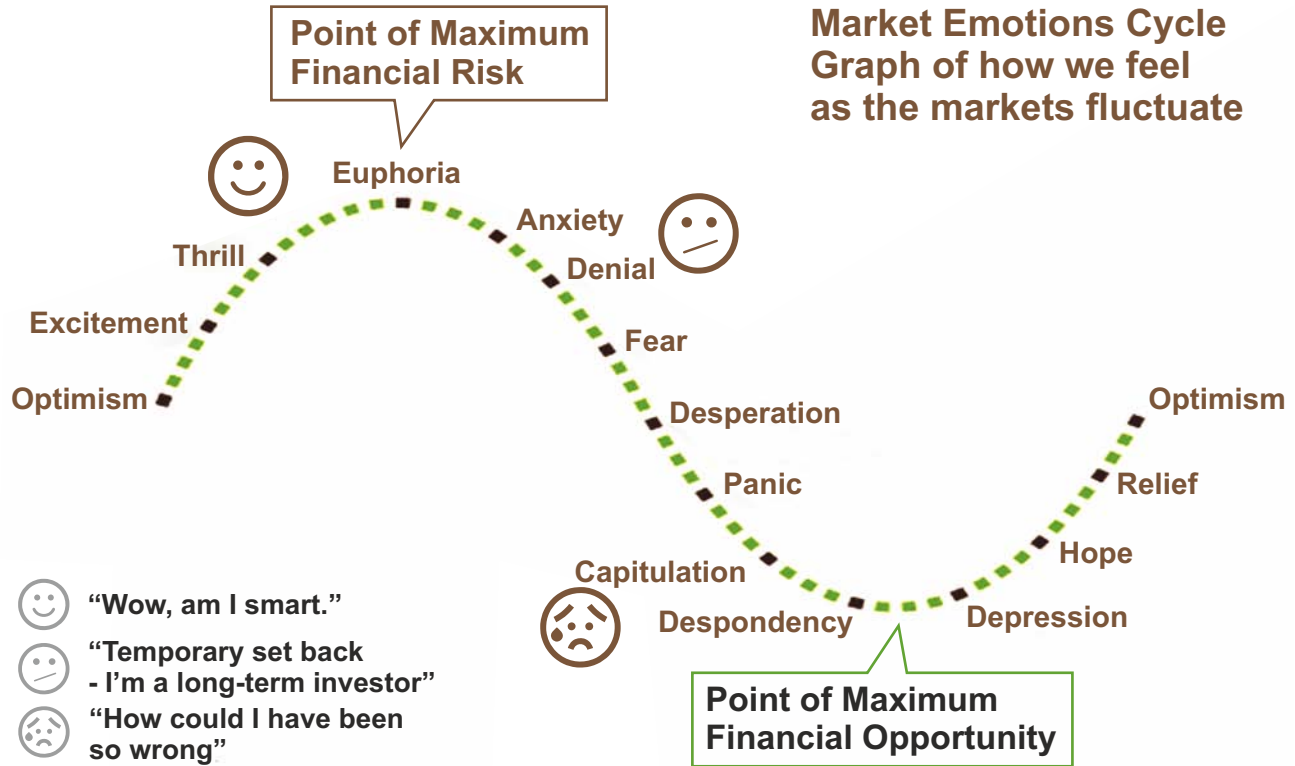
Investors understand that their principal will be at Moderately High risk

NFO OPENS : 9th JANUARY, 2019

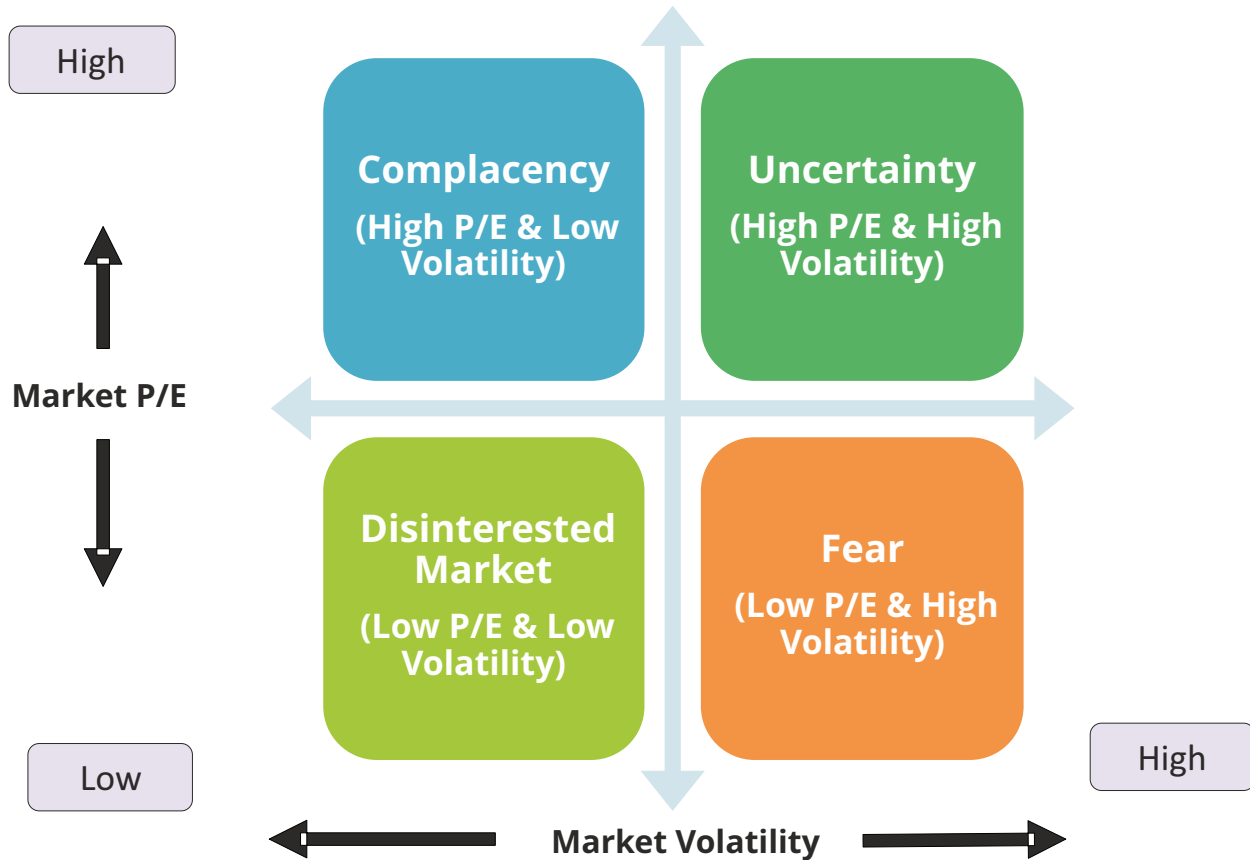
NFO CLOSSES : 23rd JANUARY, 2019

INVESTOR BEHAVIOUR

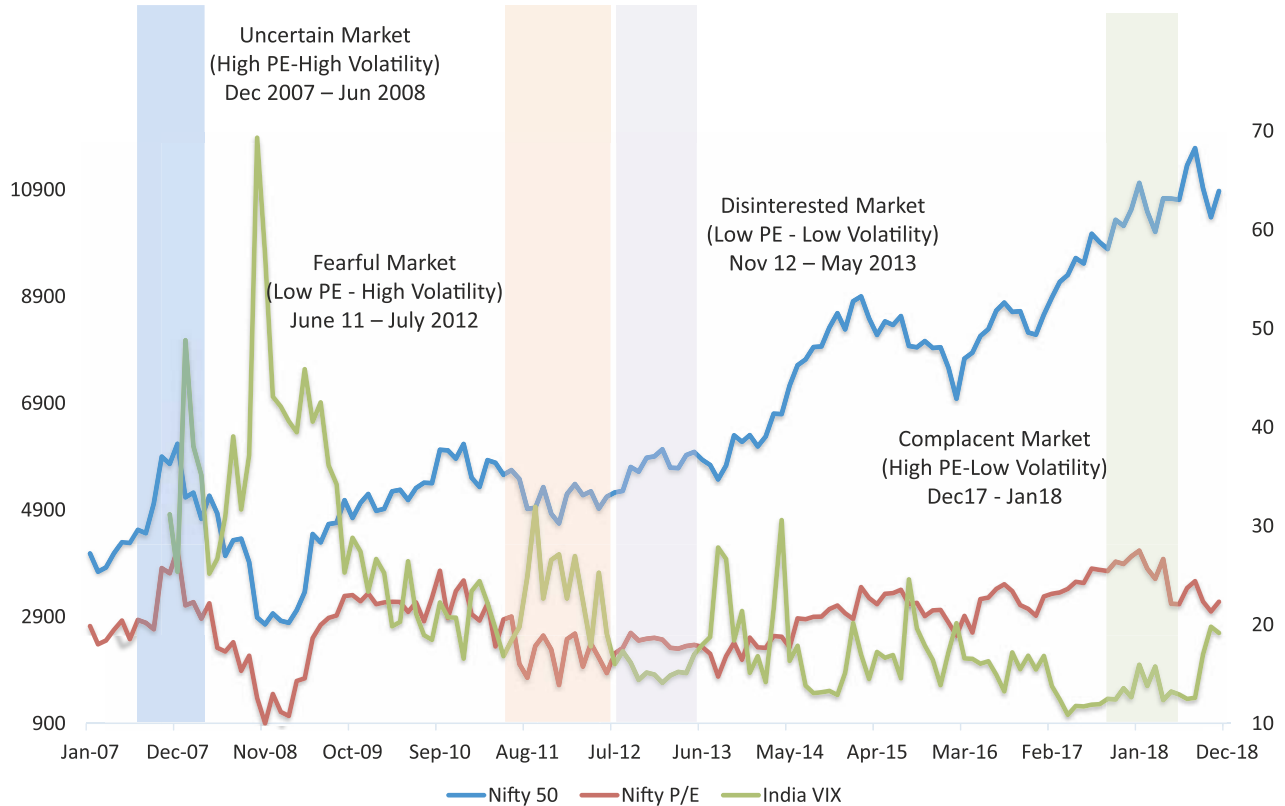
Market Emotions Cycle
Graph of how we feel as the markets fluctuate



THE MARKET PSYCHOLOGY MATRIX



THE MARKET PSYCHOLOGY MATRIX AT PLAY



DYNAMIC ASSET ALLOCATION MATTERS

Year	Nifty 50 TRI	CRISIL Liquid Fund Index *	CRISIL Composite Bond Fund Index	Top Performer
2008	-51.3%	8.4%	9.1%	Debt
2009	77.6%	4.9%	3.5%	Equity
2010	19.2%	5.1%	5.0%	Equity
2011	-23.8%	8.1%	6.9%	Liquid
2012	29.4%	8.5%	9.4%	Equity
2013	8.1%	9.0%	3.8%	Liquid
2014	32.9%	9.2%	14.3%	Equity
2015	-3.0%	8.2%	8.6%	Debt
2016	4.4%	7.5%	12.9%	Debt
2017	30.3%	6.7%	4.7%	Equity

Higher Equity Allocation creates wealth

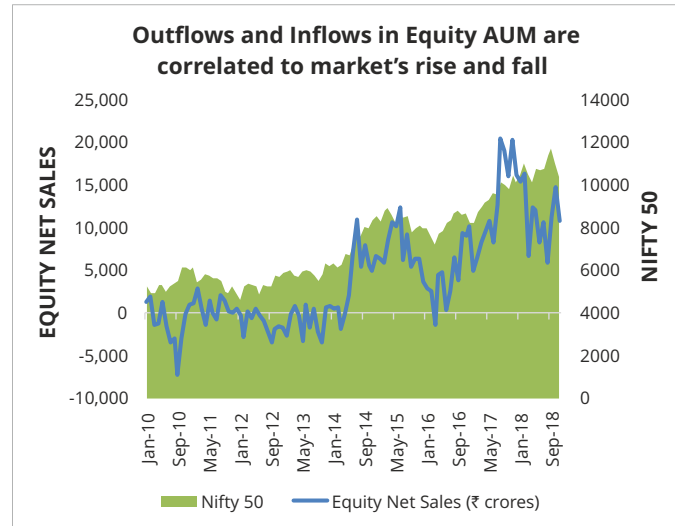
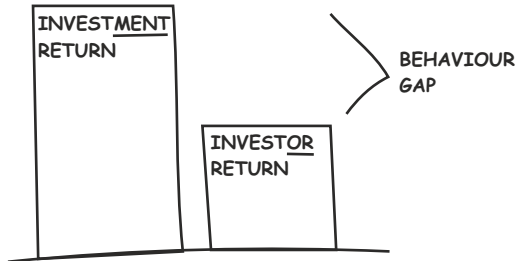
Shift to Liquid Protects wealth

Higher Debt Allocation saves the day

Source: Bloomberg

* Crisil Liquid Fund Index taken as representative of arbitrage returns due to non-availability of arbitrage index through the period of analysis

NEED FOR DISCIPLINE



Ideal investment scenario is to buy low and sell high, however in reality investors have struggled to make that happen. Further, investors often observe that their investment returns have been much lower than fund returns as they get swayed by emotions!

Hence a need for investment in a fund with managed equity allocation!

Source: Bloomberg and AMFI.

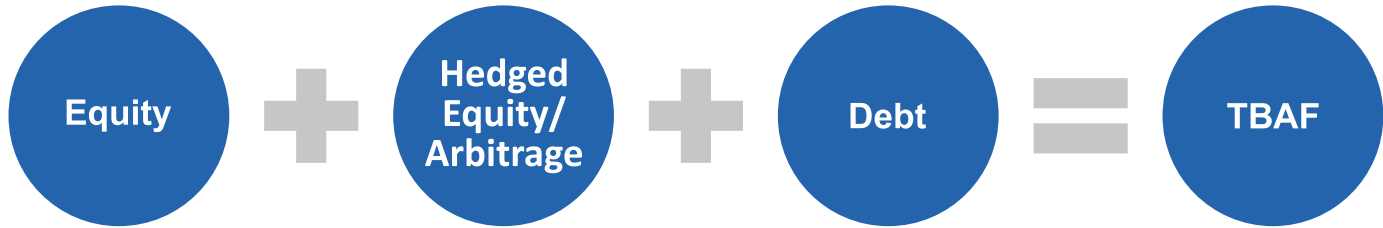
Behavior Gap depiction is from the book *The Behavior Gap* by Carl Richards



INTRODUCING

**TATA BALANCED ADVANTAGE
FUND (TBAF)**

TATA BALANCED ADVANTAGE FUND



Enjoy the ride, whichever direction it may be going:

- Equity & Debt Allocation will change according to market scenario
- Investors don't have to time the market
- Overcoming emotional biases

ASSET ALLOCATION STRATEGIES

- Combination of PE and PB
- Use of both ratios to gauge intrinsic value of stock

PE + PB Model



- Price Earnings (PE) based framework
- Mix of forward and trailing valuations

PE based Model



- Factors in other market dynamics other than intrinsic value
- In house P/E based model with 10% variation to the basic equity allocation

PE Plus Model



Further, other parameters that can be considered are:

- Volatility Trend analysis
- Macro factors
- Market Outlook

PE + PB BASED APPROACH



PE Ratio:

- A valuation ratio of a company's current share price compared to its earnings per share. Also sometimes known as "price multiple" or earnings multiple."
- It tells us how much investor is willing to pay per rupee of earnings.

P/B Ratio:

- Price-to-book value ratio (P/BV) is calculated by dividing the stock price to its book value per share.
- A stock is termed as undervalued if it has a lower P/B ratio. A low P/B ratio may also mean a company has some problems with its fundamentals.

Combination of these two ratios are used to gauge the allocation towards equity component of the portfolio.

PE BASED APPROACH

Mix of “FORWARD” and “TRAILING” valuation of Nifty

- Price Earnings (PE) based framework
- Model based solely on trailing PE, miss out on the market reaction to changes in forward earnings outlook
- PE based approach, hence, uses average of trailing + forward PE, to ensure that the equity component adequately reflects the forecasted earnings

INDICATIVE ALLOCATION TO UNHEDGED EQUITY

PE Band (12 months Avg. of Trailing and Forward Nifty PE)		Allocation to Net Long (Unhedged) Equity
From PE	To PE	
8	15	80
15	17	70
17	19	60
19	21	50
21	30	40

Above table is for illustration purpose only and may change depending on market scenario.

TATA BALANCED ADVANTAGE FUND - ASSET ALLOCATION PHILOSOPHY



Sometimes PE model does not capture other dynamics in the market viz.

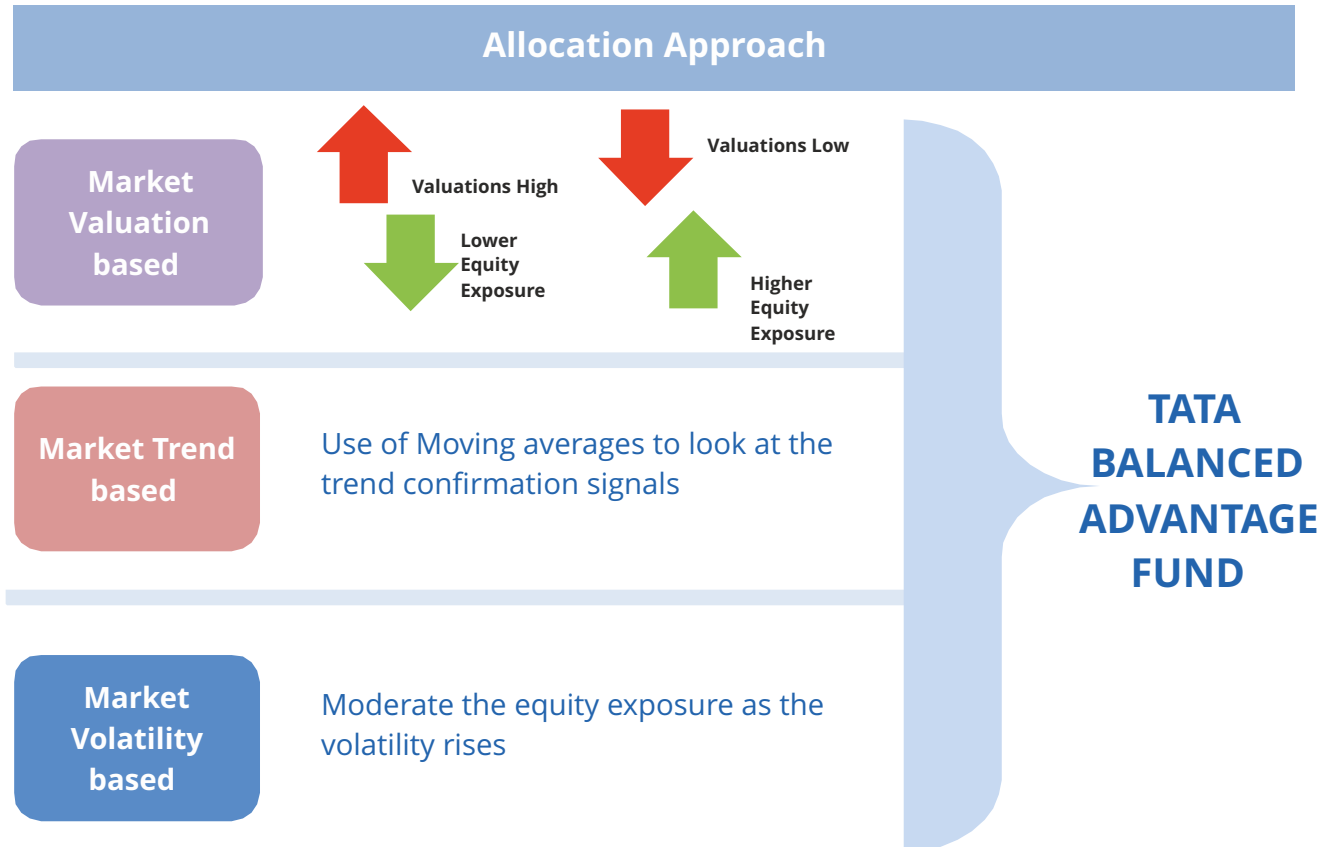
- Correlation with the global markets (40-60%)
- Market Momentum, and
- Volatility

Tata Mutual Fund Model - model allowing 10% variation to the basic PE based equity allocation; driven by:

- Correlation to select global markets (relevant to Indian equities)
- Implied volumes (to identify extremes – fear vs. complacency)
- Momentum indicators (price based indicators to avoid early entry/exits in a directional market)

Tata Balanced Advantage Fund would make use of various alternative models depending upon Macro, Fundamental factors and Fund Manager outlook to determine the unhedged equity allocation

APPROACH TO ASSET ALLOCATION



TATA BALANCED ADVANTAGE FUND VALUATION MODEL – CALENDAR YEAR RETURNS



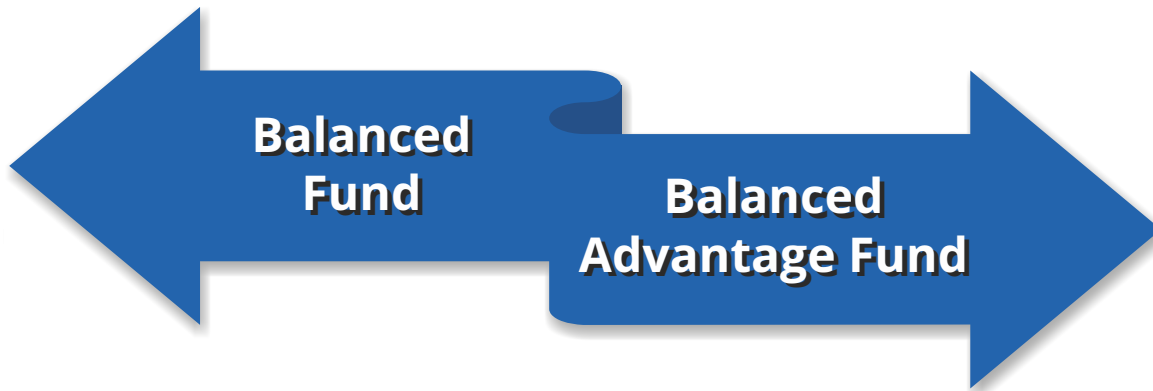
CALENDAR Y-O-Y PERFORMANCE WITH MODELS BACK TESTED

Year	Nifty	PE Model		Tata MF Model	
		Returns	Unhedged Equity Component [#]	Returns	Unhedged Equity Component [#]
2018	1.17%	3.79%	46%	4.88%	52%
2017	28.99%	15.57%	45%	17.13%	52%
2016	2.80%	4.30%	55%	6.68%	58%
2015	-5.15%	-1.12%	55%	0.41%	58%
2014	35.17%	23.69%	65%	27.82%	71%
2013	3.24%	3.76%	73%	4.75%	78%
2012	30.10%	23.34%	75%	25.17%	78%
2011	-24.62%	-17.42%	71%	-16.15%	72%
2010	17.95%	11.35%	53%	15.92%	59%
2009	70.71%	45.00%	61%	50.01%	65%
2008	-51.44%	-37.85%	70%	-33.24%	70%
2007	57.51%	28.71%	60%	35.27%	68%
2006	28.86%	17.59%	65%	20.01%	71%
CAGR*	10.46%	7.47%		10.53%	

Source: Bloomberg and Internal Research. Tata Balanced Advantage Fund would make use of various alternative models depending upon Macro, Fundamental factors and Fund Manager outlook to determine the unhedged equity allocation. For calculation of returns for equity portion returns of Nifty 50 are considered and non-equity portion returns have been assumed at annualized 6%. Past performance may or may not be sustained in future. Above table is for illustration purpose only and may change depending on market scenario.

#The allocation to equity is average of weekly allocation for the year. *Return period from 04/06/2006 to 18/11/2018.

BALANCED FUND VS BALANCED ADVANTAGE FUND



- Fixed allocation of minimum 65% to equity investments
- Consistent higher equity allocation may hurt performance during volatile times in equity markets

- Managed equity allocation
- Can have equity allocation below 65%, however exposure to hedged equity/arbitrage to ensure equity tax status of fund
- Flexibility to reduce direct equity exposure in case of a volatile or a falling market

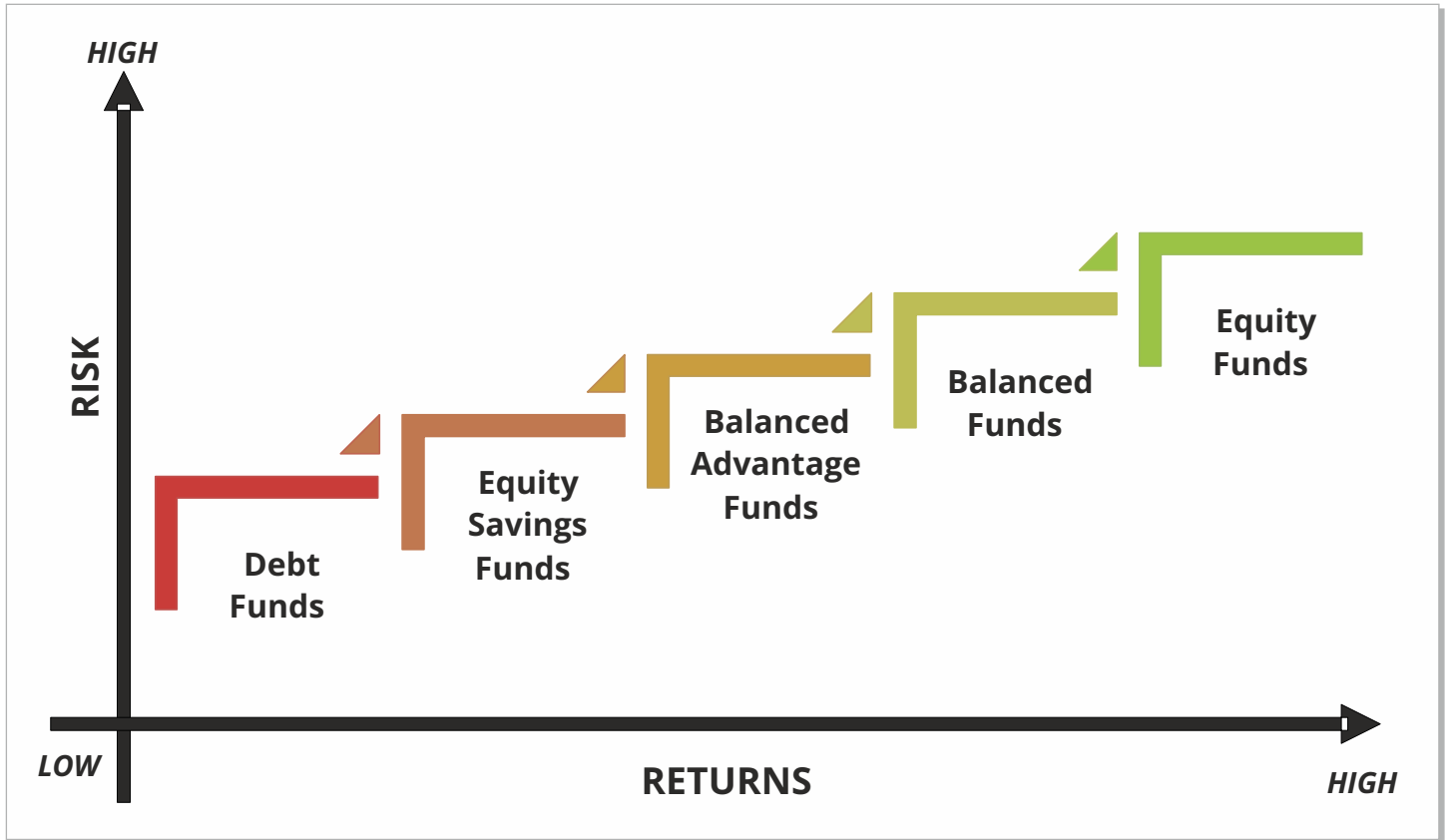
EQUITY SAVINGS FUND VS BALANCED ADVANTAGE FUND



- Asset allocation across equity, arbitrage and debt investments
- Generally have lower unhedged equity exposure compared to balanced advantage funds
- Static equity allocation bands

- Asset allocation across equity, hedged equity/ arbitrage and debt investments
- Flexibility to invest up to 80% in unhedged equities
- Managed equity allocation based on valuation and other parameters

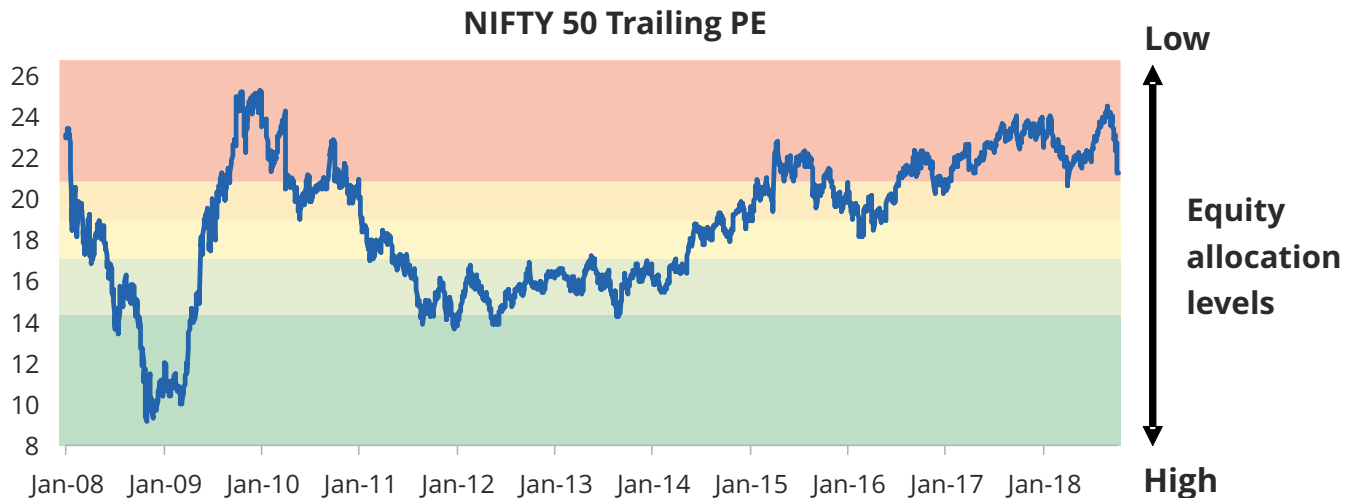
RISK-RETURN MATRIX



WHY TATA BALANCED ADVANTAGE FUND?

INVESTMENT WITH DISCIPLINE

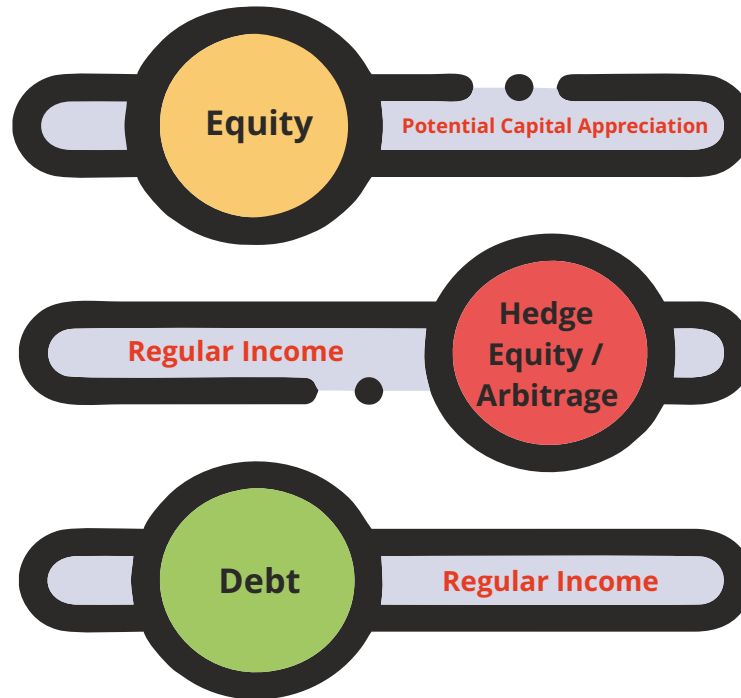
The basic goal of the strategy is to be able to maneuver the investment allocation as per prevailing market conditions to make money work harder. Discipline to overcome emotional market reaction.



PE ratio being one of the basic parameters, fund manager shall consider other factors to shift asset allocation of the fund

Above table is for illustration purpose only and may change depending on market scenario.

EFFICIENT ALLOCATION BETWEEN ASSETS



More than 65% allocation to Equity and Equity related instruments, hence benefit of equity taxation.

WHY TATA BALANCED ADVANTAGE FUND?



Actively managed Equity Allocation

- Closely monitors the market behaviour and shifts the allocation between Equity and Debt
- Active allocation to equity & equity related instruments, Minimum 65%-100% including hedged equity/arbitrage and debt allocation between 0%-35%.

Ideal for investors seeking a valuation-aware equity oriented scheme

- Investments in a mix of equity, hedged equity/arbitrage and debt portfolios.
- The scheme will endeavour to capture market trends and manage judicious mix of debt & equity, making sure the fund always has equity taxation benefit.

Diligent Risk Management

- Diversification across stocks/sectors
- Liquidity of stocks/fixed income instruments play an important role in risk management
- Regular monitoring of exposure limits

FUND FACTS



Scheme Name	TATA BALANCED ADVANTAGE FUND
NFO Dates	9th January 2019 to 23rd January 2019
Investment Objective	The investment objective of the scheme is to provide capital appreciation and income distribution to the investors by using equity derivatives strategies, arbitrage opportunities and pure equity investments.
Type Of Scheme	An open ended dynamic asset allocation fund
Category of Scheme	Balanced Advantage
Fund Manager	Equity - Rahul Singh & Sonam Udasi Hedged Equity/Arbitrage - Sailesh Jain Debt - Akhil Mittal
Benchmark	CRISIL Hybrid 35+65 - Aggressive Index
Min. Investment Amount	Rs. 5,000/- and in multiple of Re.1/- thereafter
Load Structure	Entry Load: N.A.; Exit Load: 1% of the applicable NAV, if redeemed on or before expiry of 365 days from the date of allotment.
Plans & Options	Regular & Direct Plans with Growth & Dividend Options

RISK FACTOR



Mutual Fund Investments are subject to market risks,
read all scheme related documents carefully

Presentation as on 18th December, 2018



Thank You

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