

Balanced Advantage Funds

Which Asset Class to Choose?

Each asset class has its own set of advantages which play out depending on market conditions

Equity– Capital Appreciation

Debt & Arbitrage—Regular Income

Hedged equity—Protection from downside

Why Dynamic Asset Allocation?

Dynamic asset allocation allows to switch between asset classes depending on market conditions. Highly volatile & expensive markets increase attraction of debt investments while lower valuation markets are ideal for equity investments.

Why Tata Balanced Advantage Fund?

Tata Balanced Advantage Fund seeks capital appreciation opportunities and income distribution through investments in a mix of Equity, Arbitrage and Debt portfolios. Dynamic asset allocation allows investments as per prevailing market conditions and make money work harder.

How does the model work?

On the basis of forward and trailing PE valuations the equity allocations are arrived at. These allocations are then subject to $\pm 10\%$ variation depending on model output:

- Correlation with select global markets
- Market Momentum using price-based indicators to avoid early entry/exits in a directional market
- Volatility implied by volumes indicating extreme situations of fear vs complacency

Fund Snapshot

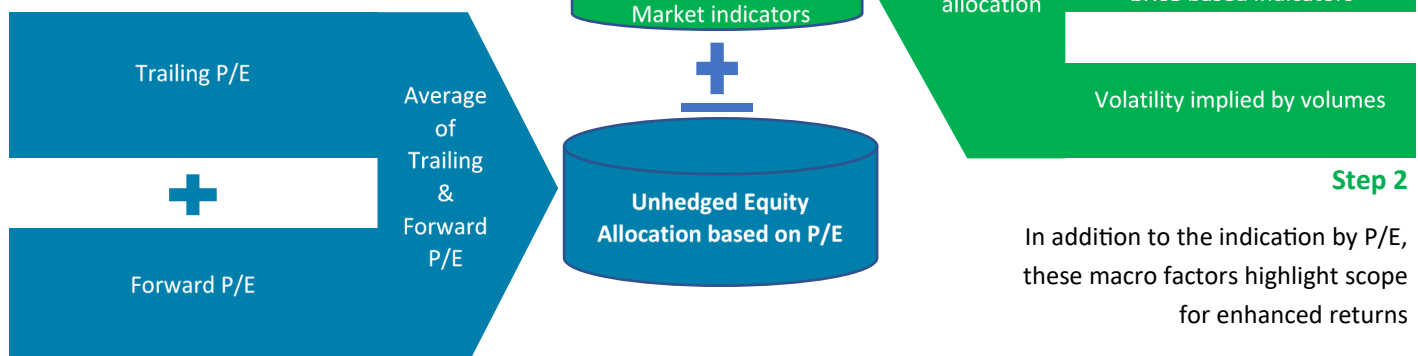
Type of Fund	An open ended dynamic asset allocation fund
Benchmark*	CRISIL Hybrid 35-65 - Aggressive Index
AUM	Rs. 3991.50 Crores
Inception Date	January 28, 2019
Expense Ratio	Direct- 0.29 Regular– 2.10
Fund Manager (Managing Since 28-Jan-19)	Rahul Singh, Sailesh Jain, & Akhil Mittal
Options	IDCW & Growth
Objective of the Fund	To provide capital appreciation and income distribution to the investors by using equity derivatives strategies, arbitrage opportunities and pure equity investments

Statistic	Fund	Benchmark
Std. Dev	11.28	14.12
Sharpe Ratio	0.26	0.28
Portfolio Beta	0.79	1.00
R Squared	0.95	1.00
Treynor	1.06	1.13
Jenson	-0.05	NA

Arriving at Equity Allocations

Step 1

Price to Earnings Ratio enables selection of stocks with the maximum earnings potential and lower on the price spectrum



Step 2

In addition to the indication by P/E, these macro factors highlight scope for enhanced returns

*As a consequence of SEBI circular on Uniformity of Benchmarks, effective 1st Dec 2021—The scheme's benchmark has been revised to CRISIL Hybrid 50+50 - Moderate Index

THE TIMELINE

Mar-20

Apr-20

May-20

Nov-21

Forward PE was slow in increasing equity allocations while the

Overlaying of Technical/Momentum factors was slow in bringing down equity exposures while the markets are rising

- Markets correcting
- Trailing & Forward PE corrected
- Decline in Forward PE was limited as estimates for earnings also fell
- Hence, the increase in equity allocation, based on average of the two, was gradual

- Equity allocation touched peak (~70%) with Equity Model suggesting 60% and macro overlay suggesting +10%
- The continued rally in May, resulted in reduced Equity allocation of ~60% by May end

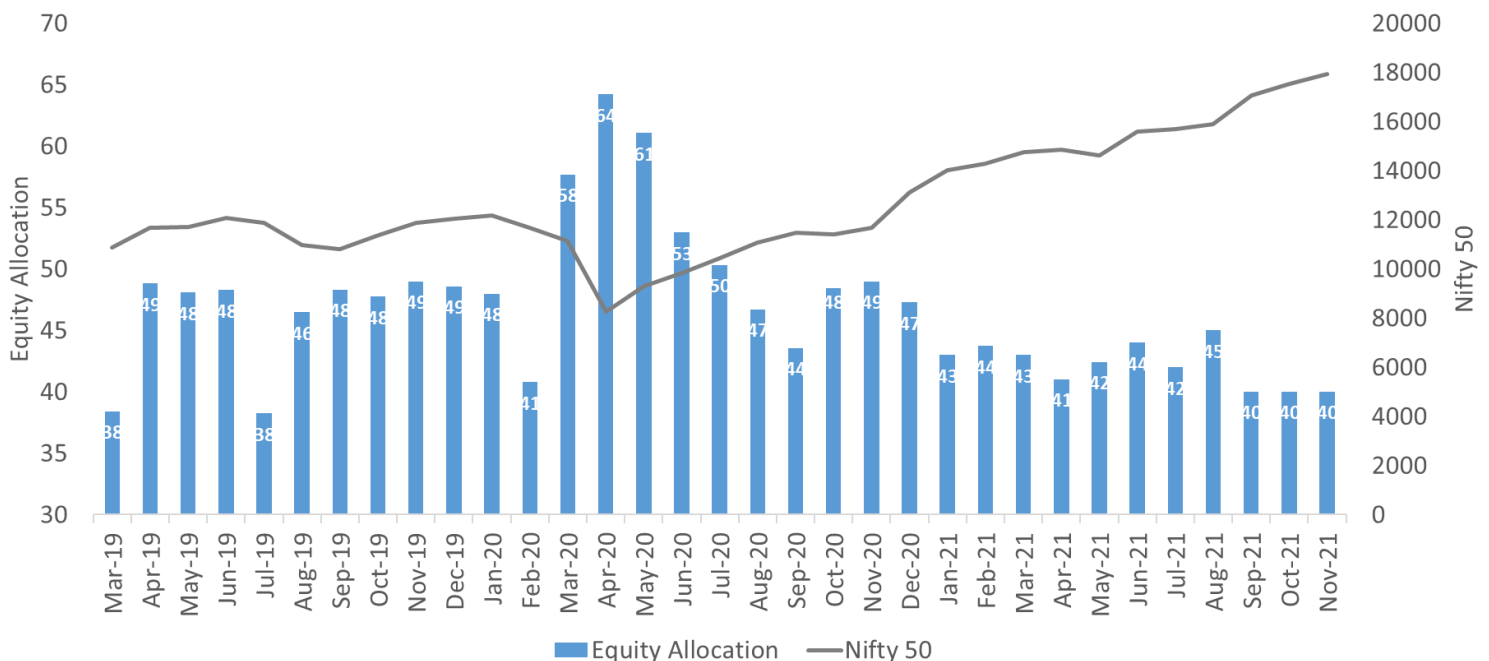
- Month of Nov-
 - Post the 8% correction but steady corporate profit growth, the avg PER is now indicating 50% equity vs. 40% for last 9-12 months
 - However, momentum and technical indicators have turned negative due high volatility and weak global markets
 - As a result, overall recommended equity allocation is 45% vs. 40% at present. We will therefore be using dips to gradually add equity exposure.

November Update: Net Equity allocation at 40%
PER model at 40% + Momentum/technical indicators inconclusive



FOCUS ON: Maintaining balance between **Defence** (stability of the portfolio in current times) and **Offence** (beta of the portfolio in case the pace of the recovery surprises positively).

MARKET SCENARIOS AND CHANGE IN EQUITY ALLOCATIONS



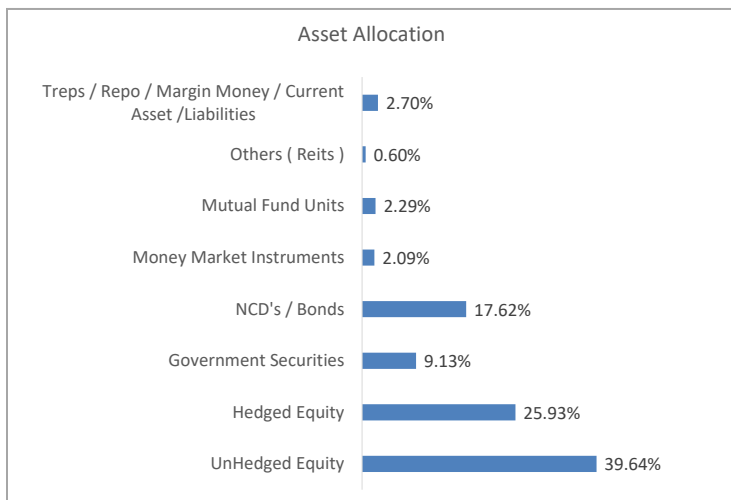
*Data as on 30th Nov 2021

Sector Views

- **Financial Services:** Uncertainties on growth and NPA cycle post moratorium have reduced significantly leading us to reduce the extent of Underweight on the sector. In addition, the recovery potential can provide greater upside in the larger NBFCs and mid-sized banks
- **Information Technology:** We have reduced IT services to slight Underweight (from Equal weight before). Though the current environment and eventual increase in IT spending will favour the sector, mid cap IT valuations are at a significant premium to large cap which led to some profit booking in those holdings.
- **Energy:** We favour Oil & Gas and power utilities given the stability of earnings as well as tailwinds available for higher natural gas consumption due to differential vs. crude based liquid fuels. Certain power utilities are also becoming more ESG compliant and could gain from monetisation of their renewables business.
- **Pharma:** Overweight stance is driven by portfolio of generics and API companies as the sector benefits from steady generic prices, improved balance sheets and pipeline of specialty formulations. Pharma sector's valuation premium to NIFTY has reduced making the risk-reward attractive again.
- **Consumer Products:** Volume growth has recovered sequentially across categories. In addition, cost cuts have protected margins across companies. However, rural growth still is slow to recover and expensive valuations keeps us Underweight. Our exposure therefore is more selective and bottom-up and includes companies in packaged foods, low-ticket discretionary and electronic manufacturing.
- **Industrial/Cap goods/Cement:** Overweight on the sector as economy is fast transitioning to investment cycle recovery not only in government capex but also private investment cycle and real estate.

**Current view and subject to change*

Portfolio



Market Cap	Allocation
Large Cap	78.66%
Mid Cap	14.06%
Smallcap	7.28%

Portfolio Macauley Duration	1.58 Years
Modified Duration	1.52 Years
Average Maturity	1.73 Years
Gross Yield to Maturity (For Debt Component)	4.94%

Top 10 Holding—Equities & Futures	
ICICI Bank Ltd.	2.53
Reliance Industries Ltd.	2.38
Infosys Ltd.	2.02
State Bank Of India	1.69
Bharti Airtel Ltd.	1.66
HDFC Bank Ltd.	1.58
Larsen & Toubro Ltd.	1.40
Tata Consultancy Services Ltd.	1.17
Housing Development Finance Corporation Ltd.	1.03
Bank Nifty December 2021 Future	1.03

Top 10 Sectors—Equities	
Financial Services	12.57
Consumer Goods	8.61
IT	7.43
Cement & Cement Products	5.59
Pharma	5.36
Automobile	4.56
Oil & Gas	4.45
Power	3.95
Metals	3.86
Construction	2.54

Performance

Tata Balanced Advantage Fund			CRISIL Hybrid 35+65 - Aggressive Index*		S&P BSE Sensex TRI [#]	
Period	Return %	Rs.	Return %	Rs.	Return %	Rs.
1 Year	19.68%	11,986	24.14%	12,436	30.28%	13,056
3 Year	NA	NA	NA	NA	NA	NA
5 Year	NA	NA	NA	NA	NA	NA
Since Inception	13.60%	14,367	17.28%	15,727	19.38%	16,541

Fund Managers: Rahul Singh, Sailesh Jain, & Akhil Mittal, Managing Since 28-Jan-19. For performance of other schemes managed by same fund managers refer to page number 4

Market capitalization as per SEBI circular: A) Large Cap: 1st-100th company in terms of full market capitalization. B) Mid Cap: 101st -250th company in terms of full market capitalization. C) Small Cap: 251st company onwards in terms of full market capitalization.

LumpSum Performance of schemes managed by Rahul Singh				
	1 Year	3 Year	5 Year	
Tata Focused Equity Fund	39.70	NA	NA	
S&P BSE 200 TRI	35.95	NA	NA	
Tata Multi Asset Opportunities Fund	28.27	NA	NA	
65% S&P BSE 200 TRI + 15% CRISIL Short Term Bond Fund Index + 20% iCOMDEX Composite Index	27.14	NA	NA	
LumpSum Performance of schemes managed by Sailesh Jain				
Tata Arbitrage Fund	3.95	NA	NA	
Nifty 50 Arbitrage Index*	4.14	NA	NA	
Tata Equity Savings Fund	12.45	8.62	6.81	
NIFTY Equity Savings Index*	13.73	10.73	10.23	
Tata Nifty Exchange Traded Fund	32.04	NA	NA	
Nifty 50 TRI*	32.19	NA	NA	
Tata Nifty Private Bank Exchange Traded Fund	11.26	NA	NA	
Nifty Private Bank TRI*	10.79	NA	NA	
Tata Multi Asset Opportunities Fund	28.27	NA	NA	
65% S&P BSE 200 TRI + 15% CRISIL Short Term Bond Fund Index + 20% iCOMDEX Composite Index	27.14	NA	NA	
Tata Quant Fund	19.72	NA	NA	
S&P BSE 200 TRI	35.95	NA	NA	
LumpSum Performance of schemes managed by Akhil Mittal				
Tata Dynamic Bond Fund	4.14	7.02	5.26	
CRISIL Composite Bond Fund Index*	4.03	9.39	7.13	
Tata Income Fund	2.48	7.95	5.53	
Crisil Medium to Long Term Debt Index*	4.69	9.89	7.44	
Tata Treasury Advantage Fund	3.59	4.58	5.50	
Crisil Low Duration Debt Index*	4.18	6.91	6.93	
Tata Treasury Advantage Fund (Segregated Portfolio 1)	146.75	NA	NA	
CRISIL Low Duration Debt Index*	4.18	NA	NA	
Tata Ultra Short Term Fund	3.03	NA	NA	
Crisil Ultra Short Term Debt Index*	4.12	NA	NA	
Tata FMP - Series 56 - Scheme F	3.59	8.38	NA	
Crisil Medium Term Debt Index*	4.68	NA	NA	
Lumpsum Performance of recently launched scheme managed by Sailesh Jain				
	6 Months	1 Year	3 Year	5 Year
Tata Dividend Yield Fund	16.81	NA	NA	NA
Nifty Dividend Opportunities 50 TRI	24.71	NA	NA	NA

*Data as on 30th Nov 2021

DISCLAIMER

- 1) Scheme returns in terms of CAGR are provided for past 1 year, 3 years, 5 years and since inception.
- 2) Point-to-point returns on a standard investment of Rs. 10,000/- are in addition to CAGR for the schemes.
- 3) Different plans shall have a different expense structure. The performance details provided herein are of regular plan growth option except for TATA Equity Savings Fund where performance details given is for regular plan dividend option.
- 4) NA stands for schemes in existence for more than 1 year but less than 3 years or 5 years, or instances where benchmark data for corresponding period not available.
- 5) Period for which schemes performance has been provided is computed basis last day of the month - ended preceding the date of advisement.
- 6) Past performance may or may not be sustained in future. For computation of since inception returns the allotment NAV has been taken as Rs. 10.00 (Except for Tata Treasury Advantage Fund where NAV is taken as Rs. 1,000)
- 7) No. of schemes managed by the fund managers : Rahul Singh-4, Sailesh Jain -8, Akhil Mittal-10. (Akhil Mittal is fund manager for Tata Floating Rate Fund, the fund has not completed 6 months)
- 8) Tata Treasury Advantage Fund has one segregated portfolio and the creation of Segregated Portfolio 1 in the scheme has impacted the NAV of the scheme to the extent of (-1.66%) of NAV

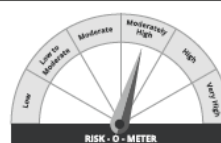
Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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.

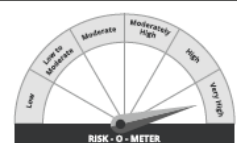
*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Tata Balanced Advantage Fund



Investors understand that their principal will be at Moderately High Risk

CRISIL Hybrid 35+65 - Aggressive Index



Investors understand that their principal will be at Very High Risk