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KOTAK BALANCED ADVANTAGE FUND

A open-ended dynamic
asset allocation fund



NEW FUND OFFER OPENS ON	July 13, 2018
NEW FUND OFFER CLOSES ON	July 27, 2018
TYPE OF SCHEME	Open-ended Dynamic Asset Allocation Fund
INVESTMENT OPTIONS	Growth Option / Dividend Option (Payout and Reinvestment)
SPECIAL FACILITIES AVAILABLE DURING THE NFO	Switching and Systematic Investment Plan are available during the NFO.
EXIT LOAD	<ul style="list-style-type: none"> ➤ For redemption/switch out of upto 10% of the initial investment amount (limit) purchased or switched in within 1 year from the date of allotment: Nil. ➤ If units redeemed or switched out are in excess of the limit within 1 year from the date of allotment: 1%. ➤ If units are redeemed or switched out on or after 1 year from the date of allotment: Nil.

INVESTMENT OBJECTIVE OF THE SCHEME

The investment objective of Kotak Balanced Advantage Fund is to generate capital appreciation by investing in a dynamically balanced portfolio of equity & equity related securities and debt & money market securities.

INVESTMENT ALLOCATION & STRATEGY

Under normal circumstances, Kotak Balanced Advantage Fund will maintain a minimum exposure of 65% to equity. The maximum exposure to equity derivatives will be capped at 45%. The fund will invest up to 35% to Debt Securities and Money Market Instruments. Kotak Balanced Advantage may also invest up to 10% in REITs and InvITS.

The investment strategy will broadly adopt the below guidelines -

- The fund will dynamically manage the equity and debt exposure across market cycles to minimize the risk and optimise the returns for a long term investor
- Equity exposure will be based using a 2-factor model. Primarily, the Nifty 50 trailing P/E will be used to decide the weightage to equity. A P/E above 20 will lead to a reduced equity allocation and vice-versa. The fund will also keep a watch on trend and sentiment data
- Further, the fund manager's view on the overall economic environment, global events and market valuation will also be used to perfect the equity exposure
- Stocks will be picked through a bottom-up approach, using a Business, Management, and Valuation (BMV) model. The Fund Manager will evaluate the Business environment that a company operates in, the capability of the Management to execute and scale up the business and Valuation of the company based on fundamentals like discounted cash flows and PE ratios, etc.
- Analysis of quantitative factors such as Price to Earnings (PE), Price to Book Value (P/B), Earnings Yield etc. of the broader market, momentum factors, interest rate factors such as 10 year gilt yield, 1-year Treasury bill yields etc, will be further used to streamline the portfolio

The performance of the scheme will be benchmarked to the Nifty 50 Hybrid Composite Debt 50:50 Index.

ABOUT THE FUND MANAGERS

The fund will be managed by a highly experienced fund management team.

Mr Deepak Gupta & Mr Harish Krishnan will be the Fund Manager for investments in equity and equity related instruments.

Mr Abhishek Bisen will be the Fund Manager for investments in debt and money market instruments.

Mr Arjun Khanna will be the Dedicated Fund Manager for investments in foreign securities.

Mr Deepak Gupta has 13 years of experience in the mutual fund industry and 11 years of experience in fund management related areas. He had joined the Equity Fund Management team as a research analyst and is now an Equity Fund Manager & manages Kotak Multi Asset Allocation Fund among other schemes. Mr Gupta is a graduate in Commerce from Mumbai University. He is a qualified Chartered Accountant, a Cost Accountant and has cleared the AIMR CFA Level 3.

Mr Harish Krishnan has over a decade of experience spread over Equity Research and Fund Management. Prior to joining Kotak Mahindra Mutual Fund, he was based out of Singapore and Dubai, managing Kotak's offshore funds. He also manages Kotak Infrastructure & Economic Reform Fund, Kotak Bluechip Fund and Kotak India Growth Fund - Series 5. Mr Krishnan is a B.Tech from Government Engineering College, Trichur, a PGPM from IIM, Kozhikode and a CFA from the CFA Institute, US.

Mr Abhishek Bisen has 14 years of experience in fixed income products. He has been associated with Kotak Mutual Fund since October 2006. Mr Bisen currently manages Kotak Bond Fund, Kotak Debt Hybrid Fund among others. He has been awarded twice as among the Highly Commended Investors in Indian Rupees Bonds from the Asset Magazine, Hong Kong. Mr Bisen is B.A (Management) and MBA (Finance).

IS THIS FUND SUITABLE FOR YOU?

- Kotak Balanced Advantage Fund, a dynamically managed fund, is suitable for moderate-risk investors who are seeking long-term wealth creation, while managing risk through active asset allocation.
- Balanced Advantage Funds benefit from both the equity and debt component due to the tactical allocation. About 65%-70% of the assets are invested in equity, with the balance is invested in debt or hedging strategies using equity derivatives.
- A combination of these asset classes offers a high level of diversification, hence, lowering the risk as compared to a pure equity fund. The tactical asset allocation will also help mitigate market volatility. When market valuations are high, the equity exposure will be reduced, thus, protecting the returns of the fund from a downside.
- Given the current market environment, the outlook of the fund will depend on the fund manager's ability to dynamically allocate its assets with the changing market condition. However, 65% of its net assets will be exposed to equity at all times, including the arbitrage component. The goal of the fund would be to generate higher returns on a risk-adjusted basis.
- Based on an internal research by Kotak Mutual Fund on the investment strategy, the model generated an average return of 15.02% across 5-year rolling periods from September 2009 to March 2018. The minimum return, gross of expenses, was 7.54%, while the maximum return generated was 25.45%.
- Kotak Balanced Advantage Fund ensures better volatility management and tax efficiency by leveraging arbitrage opportunities.
- Hence, investors who are seeking a fund that is equipped to deal with market volatility may consider investing in this scheme. Do consult your financial advisor for further details.