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A Monthly Publication from Wiseinvest Advisors Private Limited

WEALTHWISE

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest Advisors. Wiseinvest Advisors is a quality investment advisory firm that specializes in mutual funds. Though mutual funds are a simple way to invest money, you can get the best only if you get professional advice. Our CEO, Mr. Hemant Rustagi, is a well known mutual fund expert. He brings with him an experience of more than 16 years in the mutual fund industry. He regularly writes articles for major national dailies and business magazines as well as appears as a mutual fund expert on many investments related TV shows. Besides, our team of advisors has professionals who have spent years in the mutual fund industry. In the last five years, thousands of our clients have benefitted from our quality advice and have made mutual funds as the mainstay of their portfolio. You can benefit too from our expertise for your existing as well as new investments in mutual funds. All you need to do is to just call up any of the branches or email your requirements at **information@wiseinvestadvisors.com** and our professional advisors will do the rest.

Dear Investor,

Indian stock markets witnessed a sharp correction during the month of November 2010. While the Sensex was down by 4.10%, the mid-cap and small cap indices of the BSE were down by 8.04% and 9.15% respectively. Several international as well as domestic factors contributed to the increased volatility in the markets. On the international front, some of the factors that put a cloud over the Indian markets were Ireland debt crisis, heightened tensions on the Korean peninsula, China's measures to fight inflation and the fragility of the US economic recovery. On the domestic front, a multi-crore fake housing loan scandal resulted in heavy sell-off in banking and realty stocks. However, FIIs remained a net buyer to the tune of around ₹19,000 crore during the month.

India's economy grew a robust 8.9% in the quarter ending September 2010. A strong expansion in services and a monsoon driven jump in the farm output helped in achieving these growth numbers. The farm sector grew at its fastest rate in 11 quarters at 4.4% while services expanded 9.8%, highest in the last year. This would give the government room for some fiscal tightening and the RBI more ammunition to target inflation.

Another positive development was that the index of six key infrastructure industries i.e. crude oil, petroleum, refining, cement, electricity and finished steel rose 7% in October 2010 from a year ago indicating that the industry could revert to high growth rates after two disappointing months. These six core industries have a combined weight of around 27% in the IIP and are considered an advance indicator of industrial activity. On the fiscal deficit front too, there has been a positive development. The centre's fiscal deficit narrowed by around 34% year-on-year to ₹ 1.62 lakh crores in April-October 2010 on the back of better than expected revenue from the sale of spectrum and robust tax collections.

As the fundamentals of the Indian economy continue to be strong, equity fund investors will do well to take the current volatility in their stride. With the long-term prospects of the Indian markets still intact, investors need to continue their investment process and take advantage of this volatility by following a disciplined investment strategy.

Warm regards,

Hemant Rustagi
Chief Executive Officer

Wiseinvest
With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during November 2010.

Indices	1st November 2010	30th November 2010	Change in (%)
Sensex	20355.63	19521.25	-4.10%
MIDCAP	8443.14	7764.02	-8.04%
SMLCAP	10726.12	9744.71	-9.15%
BSE-100	10810.73	10280.81	-4.90%
BSE-200	2583.69	2451.45	-5.12%
BSE-500	8164.86	7722.05	-5.42%

Canara Robeco Indigo Fund

Investment Objective

Canara Robeco InDiGo Fund is an open-end debt scheme that primarily seeks to generate returns from a portfolio constituted of debt &money market securities along with investments in Gold ETFs. The fund is managed by Mr. Ritesh Jain. The fund has a corpus of ₹372.25 crores as on November 26 , 2010.

Investment Strategy

Since gold as an asset class does not suffer from credit risk, the scheme focuses on investing a limited part of the portfolio in gold to generate enhanced yield on a low duration debt portfolio. The fund manager aims to generate alpha by effectively capturing the seasonal pattern in gold. It is a well known fact that gold has displayed seasonality in its price movements. Besides, the fund will also benefit from the fact that gold's investment demand has been consistently rising at a fast pace due to the increase in monetary base globally.

On the debt side of the portfolio, the fund manager focuses on creating a blend of steady flow of income in the form of coupons coming from the fixed income securities. Overall, the fund aims to generate income from a portfolio constituted of debt and money market instruments and capital appreciation coming in from Gold ETF investment.

Performance as on 26 November, 2010

Fund	1 Week*	1 Month*	3 Month*
Canara Robeco Indigo Fund	0.4771	1.6829	2.6824
Sector Average	-0.3966	0.0128	1.6819

*Absolute. Past performance may or may not be sustained in future.

Full holdings as on October 30,2010

Name of the Holding	Instrument	% of Corpus
JM Financial Products	Commercial Paper	7.00
Religare Finvest	Commercial Paper	7.60
Indian Hotels	Certificate of Deposit	6.75
L I C Housing Finance	Debenture	6.73
Tata Motors	Commercial Paper	6.68
IDBI Bank	Certificate of Deposit	6.54
State Bank of Hyderabad	Certificate of Deposit	6.54
HDFC	Commercial Paper	6.53
IDFC	Debenture	6.07
India Infoline Investment Services	Commercial Paper	4.10
Sundaram Finance	Commercial Paper	2.61
Aircel	Commercial Paper	2.11
Bank Of India	Certificate of Deposit	1.33
L I C Housing Finance.	Certificate of Deposit	1.29
Others	Mutual Funds-Debt	28.03
Others	CBLO	0.09
Total		**100.00**

Our recommendation

Since the scheme provides a unique combination of debt and gold, it can be a good investment option for investors looking to enhance return without exposing themselves to undue risk. Gold has retained its role as a "store of value" and hence considered as a safe haven for investment at the time of crisis. Even on the debt side, the fund is a good option as its accrual strategy makes it an ideal option in the current market scenario.

To know more about this fund and/or to invest in this fund, please call any of our offices.

Mutual Funds: Distribution Key to Growth

Mutual fund industry, which has the potential of becoming the largest repository of the nation's wealth, has had its ups and downs. This erratic growth has been on account of issues like mismatch between reality and expectations, wrong positioning, lack of awareness and absence of an efficient and knowledgeable distribution network.

Distributors, who are a link between investors and mutual funds, have an important role to play in ensuring that not only investors take a long-term view but also more and more investors come into the industry's fold. However, in a country as big as India, geographically dispersed, culturally diversified and densely populated, there is a need to have a network of distributors that is sufficiently large and has the potential to tap investments from all segments and corners.

Over the years, the marketing scenario for mutual funds in India has undergone a sea change. For 22 long years i.e. from 1964 to 1986, when UTI was the only mutual fund in the country, individual agents dominated the scene. This scenario continued for another 6 years i.e. from 1987 to 1993 when other public sector funds too relied on them for promoting their products.

Investors' apathy during this phase was extremely high, with many of them keeping the same advisor for years together. In other words, the personal relationship was given more importance rather than the ability of the agent to deliver. No wonder, these agents enjoyed a rather enviable position in the marketplace. However, emergence of private sector mutual fund players in 1993-94 brought an end to this rather cosy situation.

New Entrants

Private sector players had to do something different - and that too in a hurry- as most of them did not have a pan-India presence. Since quite a few promoters were having the background in merchant banking, they were more familiar with IPO brokers and hence relied on them to tap investors across the country. While this strategy worked for them in the beginning, it created a perception issue for the industry as MFs were perceived and projected as IPOs rather than a long-term investment vehicle.

The rapid development of press and electronic media increased investors' awareness about mutual funds. As a result, investors started becoming more and more demanding and expected their advisors to provide them quality advice and satisfactory after sales service. A large section of agents' network was found wanting on both these counts and thus started feeling the heat. This happened because, as the mutual fund industry proliferated, every so-called expert started offering advice.

Most of these agents did not provide any service or value addition in terms of advice to investors. Since the mainstay of their strategy was to push incentive driven selling, no attempts were made to enhance product knowledge as well as the ability to interpret the impact of various domestic and global events on investment environment in the country. In the emerging scenario, it became evident that only those distributors who will take care of all those factors that have a greater influence over the decision making process will have the best chance to achieve success.

Suddenly, the MF industry was faced with a few critical issues such as whether it required new distribution channels or does the solution lie in training the existing channels; Or is a two pronged approach, addressing both the issues, the answer? It became evident that the industry needed to pull its socks and make a beginning in sharpening the skills of distributors as also find new methods of harnessing people's savings. A need was felt to manage mutual fund selling like balancing the "business see-saw" by cost effectively managing investors' hard earned money so that they can match and satisfy their important criterion like convenience of purchase, personal attention, reliability and expectations.

Enters Regulator

Realizing the gravity of the situation, the Securities and Exchange Board of India (SEBI) swung into the action and made registration of all intermediaries compulsory in 2002. Consequently, the Association of Mutual funds of India's (AMFI) certification became the sole criteria for allotting the Registration Number (ARN) to the distributors. Besides, to curtail the incentive driven selling, paying commission back to the clients in any form was prohibited. Though this provision did help in improving the situation to an extent, it could not stop this menace completely.

In the emerging distribution scenario, some of the foreign banks sensed a great opportunity for themselves. Armed with an extensive experience of third party distribution in other countries behind them, coupled with a captive domestic client base, they were quick to make inroads and made their presence felt. On the other hand, most Indian banks fearing cannibalization of their deposit base stayed away from the arena for some time. However, realizing that they have no other option, they too joined the fray later.

India Post too had started distributing mutual funds in 2001. It was expected that state owned India Post would help the industry reach out to investors in rural and semi-urban areas. However, inspite of having a tremendous reach, India Post failed to emerge as a significant player.

The increased competition and emergence of powerful distribution network such as banks compelled large distributors i.e. both national and regional to tighten their belts. They began to operate as mutual fund "supermarket" that offered investors a variety of schemes managed by various mutual funds , tailor made asset allocation service bundled up with other services such as tax advice and a wide range of research services. With the turnaround in the stock market beginning mid-2003, all these distribution channels started mobilizing huge sums of monies for mutual funds. Needless to say, the stock market performance over the next 5 years or so made their task easier. As usually happens during the bull runs, this time around too a lot of new investors got attracted to equity and equity oriented funds.

However, the scenario changed dramatically as the stock market began spiraling down from mid-2008. The steep and sudden fall in the stock market left investors shell-shocked and all the carefully planned strategies were thrown out of the window. Most of the distributors didn't know how to handle this situation. The result was a minimal contact with their clients and that resulted in investors taking illogical decisions such as redemption of their existing equity holdings and stopping SIPs mid-way through. With earlier than expected turnaround in the stock market beginning April-May 2009, everyone heaved a sigh of relief and the portfolio valuations began to look better and better.

Despite the changing methods by which mutual fund products were being distributed, the industry still had to cater to two distinct kinds of investors; those who want their hand held i.e. small investors, and those who are capable of taking independent decisions. Volatility and the potential to make losses are the unpleasant realities of the marketplace that deter the small investor. It is

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Mutual Funds: Distribution...

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here a good advisor can provide service by spreading risk and providing professional expertise. It is this service that will help mutual fund industry in bringing in more and more small investors, who are the lifeline of the industry.

Changing MF Landscape

The last couple of years have changed the landscape of mutual fund distribution in the country. It all began with SEBI allowing investors to invest directly in mutual funds without paying any entry load w.e.f. January 1, 2009. Quite expectedly, this move opened a pandora's box and questions were raised about the logic of such a move by the regulator. While there was nothing wrong with the move as such, many experts questioned the ability of investors to make an independent decision for investing in mutual funds. In fact they feared that investors might end up making wrong decisions in the absence of any expert advice and in turn risk their hard earned money. Though, number of investors investing directly has definitely increased after this move, the shift has not been very significant. Most of the investors continued to invest through their advisors.

However, the next move whereby SEBI abolished entry load w.e.f August 1, 2009 did have a serious impact on the distribution scenario. As a result, the upfront commission for distributors dropped from 2-2.25 percent to 0.50-0.75 percent. On its part, SEBI claimed that the move was an attempt to empower investors in deciding the commission paid to the distributors in accordance with the level of service received, to bring about more transparency in payment of commissions and to incentivize long-term investing. Though this move has the potential to improve the quality of advice in the long run, SEBI should have implemented it in a phased manner. A sudden change, however effective, can create an imbalance in the system.

No wonder, consequent to this move, many distributors found the going tough as commissions income dropped dramatically. Besides, those distributors who did not give quality advice to their clients in the past realized that they will not be able to charge them a fee. Even those advisors who were doing a good job did not know how to go about pricing the investment advice. From investors point of view, especially those who were new to mutual funds, this issue was a tricky one as they were not too familiar with this investment vehicle as well its potential to deliver the desired results. This prompted many mutual fund distributors to start focusing on other products such as Insurance and other traditional products. As these distributors moved away from the scene, many investors were left abandoned. In the absence of any advice and due to their past unpleasant experiences, many of these investors started cashing out their equity funds holdings.

While the mutual fund industry and distributors were still grappling with the changed scenario, in yet another move, SEBI allowed registered stock brokers to transact mutual fund units on behalf of their clients through the stock exchange mechanism from September 2009. Though these brokers were required to be AMFI certified, SEBI's contention was that existing stock market infrastructure available in 1500 cities and towns through 2 lacs terminals would facilitate mutual fund transactions. Consequently, the National Stock Exchange (NSE) started its online trading platform for mutual funds (MFs) on November 30, 2009 and the Bombay Stock Exchange (BSE) launched its BSE StAR MF platform on December 4, 2009.

Inspite of having a wide network, trading volumes have failed to take off on the exchanges. This happened mainly because the key issue facing the MF industry was investors' discomfort with the erratic stock markets as well as lack of clarity about the role of equities in their wealth building process. Though the stock markets have the potential to provide an excellent platform for the MF industry to grow, the desired results can be achieved only after investors' comfort with this asset class improves.

This is where distributors have a decisive role to play. Thankfully, a section of distributors has begun to focus on enhancing the product knowledge and methods to find out suitability of the products. Realizing that selling mutual fund requires competence in identifying and matching clients' needs; the focus has shifted on clients achieving their investment goals.

Though, it is a step in the right direction, much more needs to be done to improve the scenario. Distributors will do well to realize that they have a role to play throughout the investment's time horizon and not just during the initial investment. It is important for them to understand that as clients' goals and needs change, they should help them to make changes in the portfolios as well. It is a part of an advisor's business to educate investors so that they can add value that goes beyond the brokerage and/or advisory fee. An advisor can add significant value to the portfolio selection and review process including tax consequences of buying and selling mutual fund units as also develop strategies to minimize the tax liability.

The cornerstone of this approach would be client segmentation. The target group may comprise of people with varying profiles –age, occupation, income and lifestyles. In recognition of these differences lie the key to client group and segmentation, assessment of their needs and ambitions as also maintaining long-term client satisfaction. Besides, distributors need to work on referral circles to expand the mutual fund base. Referrals can work as introduction channels to new prospects. This will save valuable prospecting time and also ease the distributive strains. In addition, referrals will allow distributors to have a closer tie with their clients, which can be of significant value in building relationships. Of course, to achieve effective referrals, distributors will have to develop satisfied clients.

One of the major factors that can ensure success in mutual fund distribution is to remember that investors want to buy a package comprising of the products and the attendant services, put together jointly between the product provider and the service provider. However, in a market where products proliferate, the 'core' loses its identity and client receptiveness is influenced more by the 'service' features and characteristics. It is, therefore, important to focus on client satisfaction. Client satisfaction arises from the ability of the products and services to solve or avoid their problems and to help them to achieve their various ambitions at different stages.

It is quite obvious that the MF industry needs to adopt two fold agenda; train the existing channels and develop new channels to attain wider reach as also to expand the base. Simultaneously, the industry needs to focus on making products and services accessible to investors and targeted prospects in cost-effective basis. Many of the banks, mutual funds and distributors allow investors to invest on-line. As awareness about mutual funds will improve, more and more investors are likely to adopt this route for investing.

The internet has sparked an investment revolution by emerging as enormous research resource. The information and tools that used to be in the hands of professionals are now in everyone's hand. Information is literally at investor's fingertips, and they have started using it to assess and analyze the performance of mutual fund schemes as well as of their advisors. Today, an investor with Internet access can scroll through the latest reports, chat with fund managers and share opinions. The web gives prospective investors the ability to download offer documents, fact sheets and much more.

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Performance of Select Funds

Data as on November 26, 2010

EQUITY FUNDS

Diversified

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Birla Sun Life Frontline Equity Plan A	Aug-02	-5.10	3.59	17.57	17.80	53.10	6.77	22.90
Canara Robeco Equity Diversified	Sep-03	-5.33	-0.38	13.18	21.93	56.28	6.19	19.74
DSPBR Top 100 Equity Reg	Feb-03	-5.76	3.44	15.59	14.48	43.53	5.27	22.65
DWS Alpha Equity Regular	Jan-03	-6.22	1.69	17.31	16.23	41.66	1.07	20.39
DWS Investment Opportunity Regular	Jan-04	-7.62	-0.10	14.68	16.76	45.39	0.03	22.04
Fidelity India Special Situations	Apr-06	-5.82	2.83	17.93	23.01	53.32	4.19	—
Franklin India Prima Plus	Sep-94	-5.69	1.93	17.95	20.42	46.61	4.26	20.93
HDFC Equity	Dec-94	-4.14	4.98	24.37	29.23	69.42	12.28	24.28
HDFC Top 200	Sep-96	-4.46	4.77	21.77	23.37	59.40	11.38	24.28
ICICI Prudential Focused Bluechip	May-08	-5.78	4.28	20.46	23.28	55.68	—	—
ICICI Prudential Discovery	Jul-04	-5.11	2.45	15.90	31.78	81.77	15.45	20.50
Kotak 30	Dec-98	-5.27	3.07	17.19	14.41	40.47	0.48	18.95
Kotak Opportunities Fund	Aug-04	-6.95	0.66	17.88	18.90	49.06	1.05	21.29
Reliance Growth	Oct-95	-9.70	-0.06	12.69	19.87	55.70	5.16	22.73
Reliance Regular Savings Equity	May-05	-8.66	0.61	16.33	20.32	60.67	10.21	25.85
Reliance Vision	Oct-95	-8.56	0.90	14.74	16.73	46.87	1.80	18.87
Religare Contra	Mar-07	-7.50	0.86	12.86	16.88	59.38	9.06	—
SBI Magnum Sector Umbrella - Contra	Jul-99	-9.02	-0.82	11.71	10.36	47.20	1.59	19.55
SBI Magnum Multiplier Plus 93	Feb-93	-6.34	1.74	16.55	21.36	53.44	2.01	20.42
Sundaram Select Focus	Jul-02	-7.32	2.65	16.98	12.56	36.97	-1.84	19.81
Tata Equity PE Fund	Jun-04	-7.46	1.77	12.35	14.86	58.92	5.90	20.88
Tata Select Equity Fund	Apr-01	-5.57	1.11	14.82	23.54	61.17	-2.19	17.53

Sector, Specialty & Tax Saving

Canara Robeco Infrastructure	Nov-05	-8.38	-3.90	7.33	14.70	51.11	-3.34	—
DSPBR T.I.G.E.R. Fund	May-04	-7.43	-1.14	13.95	15.27	46.69	-3.10	19.91
ICICI Prudential Infrastructure Fund	Aug-05	-6.96	-0.13	10.30	9.38	40.95	-2.50	22.94
DSPBR World Gold Fund	Aug-07	6.55	14.93	21.72	15.27	48.46	11.58	—
Reliance Banking	May-03	-7.06	9.92	37.32	46.68	74.89	22.37	29.21
Reliance Diversified Power Sector	Apr-04	-9.79	-5.75	4.70	5.28	46.04	1.76	30.43
Canara Robeco Equity Tax Saver	Mar-93	-5.19	-0.28	14.67	27.34	62.15	10.21	22.45
SBI Magnum Taxgain Scheme 93	Mar-93	-5.32	2.96	14.36	13.76	48.38	-0.13	16.90
Sundaram Taxsaver	Nov-99	-6.60	3.01	17.95	13.12	43.23	3.13	20.09

Midcap & Smallcap

Birla Sun Life Mid Cap Plan A	Oct-02	-5.49	1.74	17.89	18.39	64.67	5.97	22.00
DSPBR Small and Mid Cap Reg	Oct-06	-9.04	-0.48	19.19	34.74	72.65	9.04	—
IDFC Premier Equity Plan A	Sep-05	-6.13	0.41	25.06	35.20	70.74	13.00	28.72
Principal Emerging Bluechip Fund	Oct-08	-6.34	1.32	17.81	24.93	81.22	—	—
Sundaram Select Midcap	Jul-02	-8.63	2.18	21.69	24.49	67.06	7.29	25.06
Sundaram S.M.I.L.E.	Jan-05	-10.08	-1.50	15.23	12.78	63.55	4.74	20.65

MIP

Canara Robeco MIP	Apr-01	-0.5924	1.4717	4.5293	9.5389	19.1699	7.6943	12.765
HDFC MIP LTP	Dec-03	-0.7597	1.7618	6.6389	10.2413	24.8139	10.7486	12.2786
Reliance MIP	Dec-03	-0.9109	1.5122	5.3683	8.3446	21.3553	13.9992	12.569
Principal MIP Plus	Dec-03	-0.7697	1.1096	3.7105	4.7484	15.1824	7.0608	9.798

Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

Dividends declared by equity and equity-oriented funds during the month of November 2010

Scheme name	Date	Dividend declared in Rs. Per unit
Sahara Growth Fund (D)	01/11/2010	7.50
SBI Blue Chip Fund (D)	04/11/2010	1.50
Morgan Stanley Growth (D)	04/11/2010	1.50
Morgan Stanley A.C.E. (D)	04/11/2010	1.00
Sundaram Select Midcap -RP (G)	12/11/2010	2.00
Sundaram Select Midcap -IP (G)	12/11/2010	2.00
UTI Mastershare (D)	15/11/2010	3.00
Sundaram Select Small Cap (D)	19/11/2010	1.00
HSBC Midcap Equity Fund (D)	19/11/2010	2.00
HSBC Small cap Fund	19/11/2010	1.00
HSBC India Opportunities (D)	19/11/2010	1.00
HSBC Equity Fund (D)	19/11/2010	2.00
Religare PSU Equity Fund (D)	26/11/2010	1.20

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest Advisors can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or any of the branches to avail of this free service.

Mutual Funds: Distribution...

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Never in the history of the Indian mutual fund industry has the information flowed as freely as it does today over the Internet. The distributors who are not technology savvy are finding it difficult to stay afloat. Not only are they trying to get over the fear of technology but also are empowering themselves with the growing power of Internet. This will surely go a long way in increasing their mobility and also separating them from the old fashioned distributors that crowd the marketplace.

Moreover, distributors will require a lot of patience and enthusiasm on their part to make investors aware about mutual funds. It is definitely a hard job wherein motivation- self imposed or external, will play an important role in inspiring the distributors apart from their knowledge and sales techniques. Only a motivated distributor can take this profession in a missionary zeal and can ultimately succeed in achieving excellence.

Therefore, there is a degree of scope for serious and experienced advisors to make a beginning and enhance the package by adding professional advice to reflect the ever changing and broadening needs of particular clients and client groups. While this would increase the added value of this wonderful investment vehicle, it would require imagination, resourcefulness and hard work to achieve this.

(This article written by our CEO was published in Business and Management Chronicle -December 2010)

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Buying A Dream Home? Check If You Can Afford It

All of us dream of buying a house one day. In fact, buying a house is invariably one of the most important goals in every one's life. No wonder, buying a dream home remains one of the biggest investments during ones lifetime. While easy availability of home loans has smoothened the task of buying a house to an extent, the actual decision of when to buy one remains tricky .

Irrespective of the state of the real estate market, the main issue that needs to be tackled by anyone who is planning to buy a house is: Can I afford to buy one? Needless to say, it is easier for someone who has been managing his finances carefully to find an answer to this question.

On the property prices front, it is important to understand that all real estate markets are local. Therefore, one has to do some serious due diligence on the outlook for the local market before making a decision. Broadly speaking, the prices have been moving northwards across the country. The prices of both commercial and residential properties have gone up significantly and they are close to highs of 2007-08. However, in many of the micro markets, the prices continue to be below the peak levels. While there are visible signs of recovery in the realty sector, there are conflicting views on whether the market is able to absorb the price rise or not.

Developers have been pushing up property prices to cash in on the improving economy. Some of other factors that have contributed to the price escalation are rising prices of land, increasing cost of construction material and labour. And on the other hand, with banks raising their base rates, all kinds of loans including housing loans are set to become costlier. Therefore, prospective buyers have to deal with the dual challenge of price rise as well as rising interest rates.

So, is this the right time to buy a house? There is no straight answer to this question. There is no right time to buy a house, especially if one is looking to buy the first house. The most important factor to consider is one's personal circumstances. Though buying the first house has a sentimental value, it shouldn't be allowed to cloud the decision making. It is equally important to take care of what and where one buys. If one has built a corpus that is sufficient to buy a house with or without a home loan as the case may be, it would make sense to go ahead and buy.

Secondly, though the current scenario is most likely to tempt the prospective buyers to be on the "wait a bit longer" side of the argument, one can't be sure about the timing of the impending correction in the property prices, if at all. Though, there could be some price realignment in certain markets on account of inventory risks, the much awaited deeper price correction may not happen in a hurry. Considering that there are positive signals from the economy and the fact that the stock market is likely to do well, there could be a further hardening of the prices.

For those who are concerned about the current price levels, buying a house in a new project can be an option. Though it will mean waiting for a couple of years, one can buy at a lower price as compared to the prevalent price. However, before investing in an under-construction project, one must do necessary due diligence on builder's track record about the completion of projects on time as well as the quality of work.

(This article written by our CEO was published in The Economic Times-Personal Finance Column on 29th October 2010).

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