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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 24 years in this field. 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,

The Indian stock market drifted lower in the month of November 2011. The market was dragged down by rampant inflation, falling Rupee and the gloomy global economic conditions. While the BSE Sensex fell by 7.76%, the BSE Mid-cap and small cap indices were down by 10% and 12.10% respectively.

On the earning front, India's corporate sector did fairly well. While 26% of companies beat estimates, 38% had results in line with estimates, and around 35% of companies missed estimates. However, India's economy grew last quarter at the slowest pace over the last two years. The GDP grew at 6.9% in three month through September which is the weakest expansion since the second quarter of 2009. The weakness in the second quarter was broad-based, with manufacturing growing at only 2.7% and mining contracting 2.9%, and reinforcing the view that the RBI will have to stop its tightening policy.

The Rupee has fallen around 14% against the dollar this year making it Asia's worst performing currency. On the inflation front, the wholesale price index for food articles eased at 9.01% in mid November. However, India's headline inflation remained above 9% for 11 successive months to October 2011. It is quite evident that an inefficient supply chain has been adding to inflation woes. In its efforts to unclog supply bottlenecks and ease inflation overtime, the government allowed 51% FDI in multi-brand retail, paving the way for global retail chains to make a foray into $450 billion Indian retail market. The cabinet also gave approval for raising FDI in single brand retail from 51% to 100%. As expected, it drew strong protests from the opposition parties.

No doubt, these extraordinary times are playing havoc in the minds of equity investors. The best way to handle these times is by keeping focus on the long-term goals. There can be temptations to opt for attractive debt and debt oriented options, however, the key is to maintain the asset allocation required to achieve one's long-term goals.

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 2011.

Indices	1st November 2011	30th November 2011	Change in (%)
Sensex	17480.83	16123.46	-7.76%
MIDCAP	6252.75	5627.69	-10.00%
SMLCAP	6936.47	6097.26	-12.10%
BSE-100	9095.42	8330.57	-8.41%
BSE-200	2132.49	1953.03	-8.42%
BSE-500	6695.18	6117.00	-8.64%

Stick to diversified investment vehicles like mutual funds

The current economic crisis is perhaps among the most difficult times that any investor could face in his life time. No wonder, these extraordinary times have played havoc in the minds of investors including the most experienced and the seasoned ones. Needless to say, retail investors are the worst hit by this downturn both in terms of capital loss as well as loss of confidence in their investment strategy and options chosen by them.

In difficult times, like the ones that we have been witnessing over the last few years, investors often question their preference for mutual funds over traditional ones like banks, insurance or bonds. That's mainly because MFs are equated with stock markets as well as the fact that steep fall in the NAVs of equity funds gets highlighted everywhere. The fact, however, is even during this turbulent period, products like FMPs and ultra short term debt funds have been giving higher and more tax efficient returns as compared to many of the traditional products. Investors will get the correct picture only if they compare products with the similar features and in the same asset class. The right way to compare the performance of their equity funds portfolio would be to compare it with their stock portfolio, if they have any or with the performance of broader market indices.

It is important to remember that options one chooses will decide the kind of risks one is likely to take and the returns one can expect from one's portfolio over time. Besides, it is also a well known fact that different asset classes perform differently over different time periods. This is precisely the reason as to why one needs to put a lot emphasis on the asset allocation as the starting point depending on one's investment objectives, time horizon and risk profile. Remember, a diversified portfolio ensures that at any point in time, at least a part of the portfolio performs and process of capital building continues.

While all of us know that equities have the potential to out-perform other asset classes over a longer time period, it is also a fact that one has to face turbulence time and again to achieve the desired results. Remember, while the stock market drops can be steep and fast, the rise can be just as quick. Therefore the key is to stay invested and benefit from the true potential of the equity market.

Another important aspect of equity investing is that a disciplined approach, wherein one invests on a regular basis, goes a long way in reducing the impact of volatility on the portfolio. In fact, it allows investors to turn volatility to their advantage by investing at lower levels. Considering the volatility factor, it is necessary that one invests only that part of the portfolio in equities that is not required to be touched for at least 5 years or so.

Even here, it is essential to understand that if one is investing for a particular objective to be achieved after a certain time period, one needs to gradually start moving money to safer asset classes around a year before the designated period is about to end. This will ensure that one is not hit by sudden volatility and the gains made in the past remain protected.

Every market situation will have different investors reacting differently. There are investors who get tempted to invest directly in stocks especially after the markets witness a steep fall. The logic is to expedite the recovery of losses by taking exposure in a few stocks rather than a diversified vehicle like mutual fund. While the logic may be correct, the fact remains that that investing in stocks requires skills both in terms of selection as well as monitoring the progress of the companies included in the portfolio. The stock prices move to anticipate events as well as reflect current events. Therefore, considerable research has to be carried out trying to forecast the performance of the economy, an industry and a particular company. For someone who is not familiar, it can be quite overwhelming to do all this.

That's why a fund manager, who has access to research, is able to make rational decisions about which stock to include in the portfolio and which to sell. Besides, investing in a mutual fund rather than directly in stocks has many other advantages. Apart from being an easy method of investing, it is much easier to track performance as one has to track only one price i.e. NAV, instead of several stock prices.

Besides, mutual funds offer a wide variety of equity funds ranging from diversified to specialty funds enabling investors with different risk profiles to choose the right ones and achieve their investment objectives. Even for aggressive and knowledgeable investors, there are plenty of options. For example, a sector fund can not only be a perfect substitute for buying a few stocks from a sector that one likes but also takes some of the risk out of owning a particular stock.

Another major benefit of investing in mutual funds is the wealth of information that they provide to existing as well as prospective investors. Taken together, the various reports provide investors with vital information regarding the financial status and the manner in which the fund is managed. In fact, MF prospectus, annual reports and performance statistics are key sources of information most investors can use for selection and monitoring process. To a new investor, all this information may seem overwhelming. However, regulations governing the industry have standardized the reports. Once one knows where to look for information, the location will hold true for all the funds.

Obsession with past performance can blind your decisions

If you are one of those investors who rely too much on past performance for making an investment decision, you need to rethink strategy. Although this is an important aspect in decision-making, relying too much on it can backfire. Even while considering it, the focus has to be on long-term performance.

Mutual funds offer a variety of equity funds, i.e. multi-cap, large-cap and mid-cap, sector, thematic and those which follow an aggressive investment strategy such as opportunity and value funds. As we know, different segments of the stock markets behave differently over different periods of time.

Therefore, at times, you might find some aggressive funds like mid-cap, sector or thematic dominating the list of the top-performing. Investing in these, at that time, would make your portfolio too aggressive. As a result, you could end up taking more risk than you are financially and/or psychologically capable of.

Similarly, a performance analysis of equity and equity-oriented funds during the periods of market downturns would project a disappointing picture. We have been witnessing a similar situation over the last couple of years. If you were to consider the performance during these years, you would find it difficult to make any significant allocation to equities now. Hence, you must look beyond short-term performance to make a rational choice.

Considering factors like the need to maintain your asset allocation, the potential of equities to beat inflation as well as to out-perform other asset classes in the long run would help you make a sound investment decision.

While one cannot say with certainty that stock markets won't fall from here, waiting to invest at the bottom can be a futile exercise. The key is to follow a strategy that combines the benefits of investing a lump sum with the systematic profits from averaging.

Another factor that requires attention is time diversification i.e. remaining invested over different market cycles. It helps in mitigating the risks you might encounter while entering or exiting a particular investment or category at a bad time in the economic cycle. Remember, longer time periods smooth these fluctuations.

In fact, time diversification is also important for the debt portfolio. You need to have a personal yardstick, which you may better with investment in a debt or debt-oriented fund. This may, for example, be the returns you have been getting from some of the traditional investment options like deposits, bonds and small savings schemes. To achieve this, the key is to manage credit and duration risk.

While investing in ultra short-term and short-term debt funds and fixed maturity plans is fairly straight forward, investing in income funds, especially those that follow an active duration management strategy, can be tricky. That's because interest rates and bond prices have an inverse relationship i.e. when one goes up, the other goes down.

Considering the yields have risen beyond 8.80 per cent, and as we approach the end of the rate increase cycle, income funds would benefit when rates begin to ease. Hence, it may be a good idea to invest in these with a time horizon of one to two years.

No doubt, a strategy like this would suit you only if you don't mind taking some risk to get higher returns. Here, too, if you consider the last one year performance of income funds, it may not sound like a great idea.

As is evident, looking ahead can make a success of long-term investment decisions.

(This article written by our CEO, Mr.Hemant Rustagi, was published in Business Standard on November 15, 2011).

Performance of Select Funds

Data as on November 25, 2011

EQUITY FUNDS

Diversified

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Birla Sun Life Frontline Equity	Aug-02	-7.63	-3.15	-10.81	-17.35	-1.66	26.08	8.71
Canara Robeco Equity Diversified	Sep-03	-5.85	-3.39	-6.88	-10.80	3.98	30.84	10.32
DSPBR Top 100 Equity Reg	Mar-03	-7.32	-4.30	-9.78	-13.66	-1.30	22.05	9.29
DSPBR Equity	Apr-97	-7.29	-6.38	-10.55	-16.63	0.24	25.51	10.35
Fidelity Equity	May-05	-7.48	-3.12	-8.97	-15.28	2.63	28.28	8.60
Fidelity India Growth	Oct-07	-7.73	-2.69	-8.74	-15.15	2.51	29.46	—
Franklin India Flexi Cap	Mar-05	-7.47	-2.79	-11.30	-17.49	0.69	27.68	6.20
HDFC Equity	Jan-95	-8.06	-6.14	-14.69	-21.67	0.35	32.48	9.53
HDFC Top 200	Oct-96	-8.27	-4.52	-12.40	-19.33	-0.75	28.26	10.00
ICICI Prudential Dynamic	Oct-02	-6.66	-1.67	-11.09	-13.77	2.83	27.55	8.41
ICICI Prudential Focused Bluechip	May-08	-6.82	-0.07	-6.29	-10.28	4.72	31.34	—
Kotak 50	Dec-98	-7.27	-3.09	-8.77	-16.11	-2.38	19.58	5.82
Kotak Opportunities Fund	Sep-04	-6.62	-2.81	-9.58	-19.09	-2.31	22.72	7.25
Reliance Regular Savings Equity	Jun-05	-7.37	-5.82	-14.34	-22.65	-3.66	27.07	9.95
Reliance Equity Opportunities	Mar-05	-7.14	-3.34	-8.91	-14.61	7.92	35.93	8.95
Tata Equity PE	Jun-04	-6.34	-4.24	-11.38	-17.11	-1.97	29.22	10.28

Sector, Specialty & Tax Saving

ICICI Prudential FMCG	Mar-99	-3.20	-2.83	10.08	16.35	18.63	35.62	13.20
Reliance Banking Retail	May-03	-7.57	-6.20	-15.72	-27.12	2.19	31.78	16.48
Reliance Pharma	Jun-04	-4.41	-2.59	-5.15	-6.57	15.73	44.21	21.03
Canara Robeco Equity Tax Saver	Mar-93	-5.59	-4.43	-7.30	-12.86	5.21	33.12	12.53
Fidelity Tax Advantage	Feb-06	-7.84	-3.82	-9.49	-16.11	3.19	28.74	9.58
HDFC Taxsaver	Mar-96	-5.94	-5.13	-10.9	-17.98	1.58	30.76	6.51

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	-5.69	-4.27	-6.28	-13.59	6.20	31.45	12.81
DSPBR Small and Mid Cap Reg	Nov-06	-8.08	-7.47	-8.63	-17.96	5.53	35.56	8.05
HDFC Mid-Cap Opportunities	Jun-07	-4.07	-6.10	-6.52	-11.75	10.37	35.71	—
ICICI Prudential Discovery	Aug-04	-4.55	-3.00	-12.98	-16.50	4.90	41.62	9.09
IDFC Premier Equity	Sep-05	-7.47	-5.98	-4.92	-11.78	9.39	37.35	18.97
IDFC Sterling Equity	Mar-08	-7.48	-6.58	-9.15	-15.85	5.66	33.63	—
Sundaram Select Midcap Reg	Jul-02	-4.88	-7.42	-7.62	-16.46	2.16	33.12	8.26
UTI Dividend Yield	May-05	-6.96	-3.80	-7.20	-12.62	4.02	27.97	13.02
UTI Master Value	Jun-98	-7.42	-6.02	-9.67	-17.09	5.77	34.74	9.07

Gold: Fund of Funds

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Kotak Gold	Mar-11	5.9661	9.6294	24.8114	—	—	—	—
Reliance Gold Savings	Mar-11	5.5899	9.0345	25.9793	—	—	—	—

Hybrid: Equity Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco Balanced	Feb-93	-4.70	-3.41	-4.44	-6.80	5.30	24.50	8.85
HDFC Balanced	Sep-00	-4.56	-3.32	-5.02	-5.37	10.17	30.14	10.35
HDFC Prudence	Feb-94	-6.04	-5.16	-7.74	-11.41	5.70	31.00	11.67
Reliance Regular Savings Balanced	Jun-05	-4.39	-0.91	-6.96	-14.87	2.74	27.51	11.65

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	-0.6402	0.6089	2.0104	3.8319	6.6076	14.0646	9.6432
HDFC MIP LTP	Dec-03	-1.4494	-1.0321	-0.2651	0.2362	5.0951	16.1808	9.4411
Reliance MIP	Dec-03	-1.6973	-1.1858	-0.6359	0.2142	4.1984	14.0464	9.4841
FT India Dynamic PE Ratio FoF	Oct-03	-3.9894	-0.7754	-2.7601	-2.6352	3.6822	21.7956	9.4517

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Week*	1 Month*	3 Months*	6 Months*	1 Year*	2 year**	3 Year**
Birla Sun Life Dynamic Bond Ret	Sep-04	0.2001	0.7092	1.5641	4.8767	8.3904	6.8288	8.6557
BNP Paribas Flexi Debt Reg	Sep-04	0.2366	0.6966	-0.2314	1.8333	4.1524	4.1444	7.7791
Templeton India Short-term Income Ret	Jan-02	0.1324	0.7173	2.1046	4.8070	8.4307	7.1816	9.6423
Templeton India Income Opportunities	Dec-09	0.1299	0.6710	2.0761	4.8239	8.2415	—	—
BNP Paribas Money Plus Reg	Oct-05	0.1606	0.7098	2.1244	4.3558	8.6522	6.9531	6.9726
Kotak Floater LT	Aug-04	0.1703	0.7535	2.2597	4.6265	9.0446	7.2057	6.9807

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

Dividends declared by equity and equity-oriented funds during the month of November 2011

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Equity P/E Fund (D) (TO-A 5%)	08/11/2011	1.25
Kotak Opportunities Fund (D)	11/11/2011	0.50
UTI Dividend Yield Fund (D)	30/11/2011	0.40

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, 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.

MF Queries

Q: I have been investing in mutual funds for the last couple of years. I need help on the following issues:

- **How frequently do I need to review my portfolio and what is the right way to do so?**
- **I have certain funds in my portfolio that have not been doing well. Should I switch to another scheme of the same fund or invest in other MFs?**
- **What is portfolio rebalancing?**

A: Most equity investors face these issues from time to time. Reviewing portfolio on an on-going basis is an important ingredient to ensure success over the longer-term. You can begin by reviewing your portfolio on a quarterly basis. Besides, you may need to review your portfolio in greater detail when your investments goals or financial circumstances change. While reviewing the portfolio, it is important to consider the following:

- How is your portfolio performing from the view point of your personal goals? Are you comfortable with the price fluctuations that may have occurred keeping in view your short term, medium term and long term goals?

- How are your investments performing compared with others in the same category? It is important as for example, a 15% growth in your fund may look great, but not if the average returns given by other funds in the same category is 25%. However, too much emphasis shouldn't be put on the short term performance. If a fund is not keeping pace with its peer group, it makes sense to exit from it and move the money to another fund that deserves a look from long-term point of view. By doing so and re-investing the money in schemes that have better quality portfolio and track record, one can enhance one's chances of improving the returns over time. It is important to know that getting emotional about non-performing investments or waiting endlessly in the hope of recovering losses can be a fruitless exercise.

As regards the strategy to deal with the non-performing schemes, one should consider the possibility of switching to another scheme of the same fund only if the fund has a scheme that is performing well and fits into the portfolio without disturbing the original allocation. For example, if you are invested in say a mid-cap fund, a sector fund or a specialty fund and wish to re-invest in the same category, the same mutual fund may not provide you this opportunity.

Portfolio rebalancing is a process of bringing the different asset classes back into proper relationship following a significant move in one or more asset classes. In other words, re-balancing, either up or down, is an important exercise for the long term success of the portfolio.

Q: I am an engineer earning a salary of ₹ 40,000 p.m. Most of my investments are in RBI Bonds, FDs and Small Savings schemes. I have never invested in mutual funds as I don't understand how a mutual fund works and hence have stayed away. Can you help me understand mutual funds better?

A: It is quite common to see investors feeling safe while investing in banks, insurance or bonds than in mutual funds. It is mainly because a section of investing public is still unaware of what mutual funds are and what they have to offer. In fact, many investors still equate investing in mutual funds with investing in the stock market and hence consider them risky. The fact, however, is that mutual funds offer a variety of products that could suit the requirements of investors ranging from "conservative' to "most aggressive".

It is a well known fact that MFs provide the best in terms of variety, flexibility, diversification, liquidity as well as tax benefits. Besides, through MFs investors can gain access to investment opportunities that would otherwise be unavailable to them due to limited knowledge and resources. Another important point is that MFs themselves are accessible to investors of varying income levels. One can begin an investment programme with as little as ₹ 50 or ₹ 100 in certain cases.

Besides, the mutual fund industry is a very well regulated one and that is a major positive for investors. The regulations governing the industry are well defined and also SEBI is doing a great job of monitoring and ensuring that

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MF Queries

...Cont. from page 5

schemes are managed on a day-to-day basis in the interest of investors. The trustees have the responsibility of safeguarding mutual funds assets on behalf of the unitholders. They are also responsible for ensuring that the trust is managed within the terms of the trust deed. In fact, the trust deed clearly spells out the duties and the responsibilities of the trustees.

Another major benefit of investing in mutual funds is the wealth of information that they provide to existing as well as prospective investors. These reports provide investors with vital information regarding the financial status and the manner in which the fund is managed. In fact, MF prospectus, annual reports and performance statistics are key sources of information most investors can use for selection and monitoring process. To a new investor, all this information may seem overwhelming. However, regulations governing the industry have standardized the reports. Once one knows where to look for information, the location will hold true for all the funds. Remember, banks and insurance companies can go bankrupt, but by definition, mutual funds cannot.

Q: Could you explain dividend payout, dividend reinvestment and growth options offered by mutual funds?

A: First, let us understand the "growth" option. Under this option, no dividend is declared and the net asset value (NAV) moves up and down depending on the market movement. The tax incidence occurs only when you redeem your units and the rate of tax depends on the period for which the money remains invested. Dividend payout is an option under which the fund declares dividend as and when it has surplus. As per current tax laws, dividend declared by equity and equity oriented funds is tax free in the hands of investors. Under dividend reinvestment, the fund declares dividend, which as per current tax laws is tax free, and reinvests the dividend amount into the fund.

Remember, choosing an option is as important as selecting a good fund. Therefore, consider various aspects relating to tax, rebalancing, investment objective and time horizon before deciding one.

WISEINVEST ADVISORS PVT. LTD.

- **Corporate Office:**
  202, Shalimar Morya Park, New Link Road, Andheri West, Mumbai 400053. Tel : 65281507 / 09
  Fax : 2673 2671. E-mail : information@wiseinvestadvisors.com
- **Branches**:
  Fort : 107, Vikas Building, Above Jimmy Boy Restaurant, 11, N.G.N. Vaidya Marg, Fort, Mumbai - 400 001. Tel: 6524 5333 / 34, 2263 2329
  Fax: 2263 2330. E-mail : information3@wiseinvestadvisors.com
  Thane : Aishwarya Laxmi, Shop No. 4, Opp. Namdeo Wadi Hall, Maharshi Karve Road, Thane (W) - 400 602. Tel : 6592 7051 / 52
  Fax : 2539 1306. E-mail : information1@wiseinvestadvisors.com

www.wiseinvestadvisors.com

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