R.N.I. No.: MAHENG/2007/19802 • Postal Regd. No.: MH/MR/N/MBI/72/10-12 • Posted at Mumbai Patrika Channel Sorting Office, GPO, Mumbai on 9th & 10th of every month.

February, 2010

Price Rs. 2

Volume 4, Issue 2

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,

The month of January 2010 began well for the stock markets and the BSE Sensex touched the level of 17790 on January 6, 2010. However, over the next couple of weeks, it moved within a range. Thereafter, the benchmark indices witnessed a deep cut as a result of heavy offloading in the interest rate sensitive stocks. The fear over waning stimulus packages worldwide, China's bid to cool down economy and US President's decision to put restrictions on banks further hit the market sentiment. Another factor that weighed heavily on the minds of investors was the expectation of RBI taking a few tightening measures in its Credit Policy Review on January 29, 2010. The Sensex closed the month at 16,358 levels, losing 6.38% during the month. The BSE Mid-cap and Small Cap Indices lost 3.51% and 1.92% respectively.

While the RBI surprised the market by hiking the CRR (amount of funds that the banks have to keep with the RBI) by 75 bps to 5.75% from 5% against the expected 50 bps hike, it refrained from raising the key policy rates. The hike in the CRR will be implemented in two stages; 50 bps hike w.e.f. February 13 and 25 bps hike w.e.f. February 27, 2010. However, the Repo and Reverse Repo Rate have been kept unchanged. Considering that banks are sitting on a lot of liquidity, we don't expect a hike in the interest rates in immediate future.Inflation target for the current fiscal year has also been hiked to a substantially higher 8.5%, from 6.5% earlier.

As regards the market outlook, with the result season and RBI policy out of the way, the global cues and the FII inflows will determine the market movements. Besides, a few other factors that are going to influence the market moods will be what the Finance Minister has to offer in the Union Budget 2010 and the fate of slew of IPOs (Initial Public Offerings) and FPOs (Follow on Public Offerings) starting from NTPC's FPO. While there are a lot of expectations from the budget, some of the key areas to watch out for would be fiscal deficit, foreign investment reforms, Direct Tax Code and PSU disinvestments.

If you are an equity investor, these are testing times as your temperament and strategies will be put to test. The key to tackle these difficult times is to stick to your asset allocation and continue the investment process in a disciplined manner. Remember, for a long-term equity investor, it is futile to view the stock market from a short term perspective. At the same time, trying to take advantage of a falling market is a strategy that can backfire and leave you feeling bruised.

Warm regards,

HRustagi

Wiseinvest
With YOU, in meeting
FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during January 2010.

Indices	4th January 2010	29th January 2010	Change in (%)
Sensex	17473.45	16357.96	-6.38%
MIDCAP	6746.69	6509.8	-3.51%
SMLCAP	8393.77	8232.68	-1.92%
BSE-100	9212.74	8707.82	-5.48%
BSE-200	2178.01	2065.21	-5.18%
BSE-500	6839.38	6509.9	-4.82%

Kotak Opportunities

Investment objective

Kotak Opportunities Fund (KOF) is a diversified equity scheme that has a flexibility to invest across market capitalization and sectors. The fund is managed by Mr. Krishna Sanghvi and Mr. Pankaj Tibrewal.

Investment strategy

The investment strategy is to make strategic use of debt and money market securities, upto 35% with flexibility for large exposure in select sectors. As regards the sectoral allocation strategy, the fund is bullish on the software sector on account of brisk recovery expected in the US economy. The fund manager expects this to translate as higher volume growth opportunities for Indian IT companies; and possibly offset any incidental revenue loss incurred due to Rupee appreciation. Additionally, the scheme also is bullish on the pharma sector, with around 9% of the corpus invested in it.

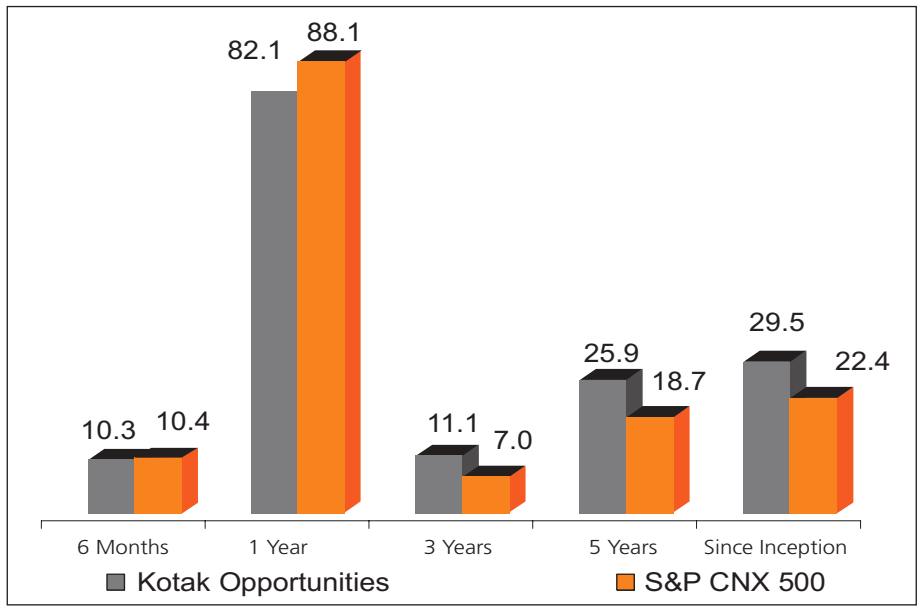
The fund believes that within 2 to 3 year timeframe, a sizeable portion of the international pharma products would go off patent, which may benefit the generic business model of the Indian pharma companies. On the other hand, the allocation to banking and pharma companies has been pruned. The allocation of private banks and nonbanking financial institutions has increased with the concurrent uptick in the credit offtake from these institutions. The allocation of the PSU banks has been reduced since the hardening yields in the rising interest-rate environment may hurt earning projections.

The fund currently has exposure to the tune of 56.6% to Large Cap stocks, 38.8% to Mid-Cap stocks and the balance 4.6% is invested in cash / others.

Sectoral Allocation as on January 29, 2010

Sector	Weightage in %
Software	12.25
Banks	10.60
Pharma	9.05
FMCG	8.94
Construction Project	5.64
Oil	5.12
Petroleum	4.86
Finance	4.43
Auto	4.26
Others	34.85

Performance as on January 29, 2010



Past performance may or may not be sustained in future.

Top 10 Holdings as on January 29, 2010

Scrips	Type	% of NAV
ICICI Bank Ltd.	Banks	3.92
ONGC	Oil	3.59
Reliance Industries	Petroleum	3.12
Lupin Ltd.	Pharma	2.33
GlaxoSmithkline Consumer HC	FMCG	2.30
Patel Engineering Ltd.	Construction	2.20
Infosys Technologies Ltd.	Software	2.14
Crompton Greaves Ltd.	Capital Goods	2.09
Tata Consultancy Services Ltd.	Software	2.09
Oracle Financial Services	Software	2.08

Our recommendation

Being an opportunity fund, KOF by nature is slightly aggressive as compared to a normal diversified fund. That's because in an opportunity fund, the focus is on generating superior returns rather than risk containment. Therefore, there can be time periods when an opportunity fund may witness higher volatility as compared to a plain vanilla diversified fund, However, KOF has done well in terms of diversification and sector allocation. The fund has outperformed its benchmark S & P CNX 500 over the longer time periods. We recommend investment in this fund by investors who already have an equity fund portfolio and wouldn't mind taking slightly higher risk to enhance the overall portfolio returns over the 3-5 years period.

To know more about this fund and/or to invest in this fund, please call any of our offices. The contact details have been provided on page 6.

Wiseinvest in the News

Article of our CEO published in Dalal Street Investment Journal - Feb 1 - 14, 2010

MANAGE RISKS & EXPECTATIONS WELL

HEMANT RUSTAGI
CEO, Wiseinvest Advisors

While investing in mutual funds, the focus should be on funds that are managed well and provide consistent returns. Also, the right mix of funds in the portfolio can go a long way in achieving the desired results.

For an equity fund investor to be successful, it is vital to not only make the right choices in terms of fund selection but also to have the right mindset. The stock market volatility challenges the patience and resolve of investors from time to time. It is quite common to see investors grappling with implications of market volatility on their portfolio as well as with the resultant indecision to invest fresh money into equity funds.

Besides, they often struggle with the positioning of the certain types of funds in their portfolio. Invariably, this results in over-exposure to certain fund categories that may not suit their requirements and in having unrealistic expectations in terms of returns. Both are not good for the health of the portfolio in the long run.

As regards managing risk and expectations, one needs to weigh the risks and potential rewards associated with an investment. All of us know about our risk tolerance and comfort level with the ups and downs in the market and the same should be considered with complete honesty at the time of allocating money to different types of funds. It is equally important to remember that while the stock market drops can be steep and fast, the rise can just be as quick. Therefore the key is to stay invested and benefit from the true potential of equity market.

During the selection process, the focus should be on funds that are managed well and provide consistent returns. Clearly, it is important not to depend entirely on the recent performance. The right mix of funds in the portfolio can go a long way in achieving the desired results.

Here are some of the funds in the diversified category that are still not understood well by investors:

Opportunity funds: Though opportunity funds are diversified by definition, they are aggressive by nature. In fact, they generally aim to perform better than diversified funds. In other words, the emphasis of an opportunity fund is on generating superior returns rather than risk containment. However, there is always a risk of fund manager's style becoming individualistic thus impacting the potential of the fund. There is also a danger of having over-exposure in a particular sector thereby increasing the risk. The key, therefore, is to keep an eye on the portfolio composition on a regular basis.

Thematic funds: These funds focus on structural as well as cyclical factors that play an important role in the economy. A thematic fund looks for trends that are likely to result in out-performance of certain sectors or companies. The key factors for such funds are those that can make a difference to business profitability and market values.

It is a well known fact that external factors have significant impact on the stock prices. The changes in the macro-economic environment have implications on various industries as well as stocks. Therefore, by incorporating macro environment in the investment process, a thematic fund adds value and aims to protect investments from adverse movements in the macro environment. On the negative side, the market may take more time to recognize views of the fund house with regards to a particular theme which forms the basis of launching a fund.

Dividend Yield funds: A dividend yield fund invests in shares of companies having high dividend yield. Dividend yield is defined as dividend per share divided by a stock's market price. Most of these funds invest in the stocks where the dividend yield is higher than the dividend yield of a particular index i.e. Sensex or Nifty.

The prices of dividend yield stocks are less volatile than the growth stocks. Besides, they also offer the potential to earn appreciation. High dividend payout means that there is enough cash generation in the business.

Dividend yield funds have medium risk proposition and are ideally suited to investors looking to diversify within equity segment and/or requiring regular dividends. However, it is important to note that dividend yield funds have not always proved resilient to corrective phases in the stock market.

If you have these funds in your portfolio, analyse their suitability to your profile and ensure that you own them in the right proportion to get the best results.

Performance of Select Funds

Data as on January 29, 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-2002	-3.97	5.44	14.84	89.79	3.98	13.52	27.03
Canara Robeco Equity Diversified	Sep-2003	-2.17	8.03	18.07	104.05	3.88	13.73	23.36
DSPBR Top 100 Equity Reg	Feb-2003	-4.75	3.04	11.49	71.91	3.52	13.63	26.97
DWS Alpha Equity Regular	Jan-2003	-5.08	2.22	10.49	62.49	-3.78	9.91	22.00
DWS Investment Opportunity Regular	Jan-2004	-4.26	4.28	13.92	76.75	-6.62	12.93	22.82
Fidelity India Special Situations	Apr-2006	-2.53	6.56	17.16	100.99	-2.36	5.41	—
Franklin India Prima Plus	Sep-1994	-2.64	7.29	15.08	78.28	-0.24	8.89	25.38
Franklin India Flexi Cap	Feb-2005	-3.95	6.18	15.19	94.49	0.16	8.26	—
HDFC Equity	Dec-1994	-3.69	5.53	20.40	115.39	7.30	13.33	28.68
HDFC Top 200	Sep-1996	-4.57	3.07	12.57	97.41	6.62	14.93	28.28
ICICI Prudential Focused Equity Retail	May-2008	-2.79	5.25	14.76	88.59	—	—	—
Kotak 30	Dec-1998	-5.05	1.86	11.01	65.77	-6.20	8.22	23.60
Kotak Opportunities	Aug-2004	-4.10	4.55	12.45	84.90	-8.15	10.86	26.27
Magnum Contra	Jul-1999	-3.81	6.51	13.14	90.73	0.12	10.65	30.09
Magnum Multiplier Plus	Feb-1993	-3.18	8.05	14.84	90.20	-2.97	9.02	28.51
Reliance Growth	Oct-1995	-2.26	9.67	19.61	107.28	1.55	14.28	30.13
Reliance Regular Savings Equity	May-2005	-1.72	10.82	20.57	116.72	0.44	18.99	—
Reliance Vision	Oct-1995	-4.79	6.41	15.78	86.65	-3.33	8.73	23.85
Sundaram BNP Paribas Select Focus	Jul-2002	-5.98	3.76	9.83	65.18	-5.36	8.61	23.93
Tata Equity PE	Jun-2004	-2.83	8.42	26.50	110.15	3.41	16.54	25.44
Tata Select Equity	Apr-2001	-1.23	13.35	21.97	113.82	-7.96	4.24	22.47

Sector, Specialty & Tax Saving

Canara Robeco Infrastructure	Nov-2005	-3.13	6.01	8.94	94.11	-5.82	10.81	—
DSPBR T.I.G.E.R. Reg	May-2004	-2.70	5.17	9.26	80.72	-9.18	7.34	25.76
ICICI Prudential Infrastructure	Aug-2005	-4.26	3.91	8.44	67.43	-5.10	12.39	—
DSPBR World Gold Reg	Aug-2007	-9.95	-5.35	7.09	30.94	-1.51	—	—
Reliance Banking Retail	May-2003	-2.38	2.78	20.40	98.27	6.25	23.41	25.11
Reliance Diversified Power Sectorl	Apr-2004	-3.37	2.75	12.65	94.24	0.33	26.36	43.50
Canara Robeco Equity Tax Saver	Mar-1993	-1.22	7.60	18.67	102.88	7.28	16.08	26.83
Magnum Taxgain	Mar-1993	-4.57	5.77	13.64	86.94	-5.00	5.86	29.28
Sundaram BNP Paribas Taxsaver	Nov-1999	-5.33	2.50	11.09	74.11	-0.08	11.40	24.76

Midcap & Smallcap

Birla Sun Life Mid Cap Plan A	Oct-2002	-3.22	8.28	25.42	132.95	0.61	14.38	27.00
Principal Emerging Bluechip	Oct-2008	-1.58	11.66	28.17	157.42	—	—	—
Sundaram BNP Paribas S.M.I.L.E. Reg	Jan-2005	-4.36	4.86	22.87	130.03	3.19	15.60	—

MIP & Select Debt Oriented Funds

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
HDFC MIP Long-term	Dec-2003	-0.3983	2.4516	6.8199	32.5783	10.7369	11.5042	13.3090
Reliance MIP	Dec-2003	-0.1559	3.2631	8.4355	26.1609	16.5167	12.6045	13.6943
Principal MIP Plus	Dec-2003	-0.3642	1.9278	4.3822	22.1782	7.4527	11.6325	10.8024
Birla Sun Life Dynamic Bond Ret	Sep-2004	0.5838	1.5329	2.8937	8.1008	10.7212	10.5227	8.5989
DWS Money Plus Advantage Reg	Nov-2007	0.37	1.00	1.86	7.18	8.92	—	—
Fortis Flexi Debt Reg	Sep-2004	0.6887	1.7721	1.2006	10.8839	12.6319	11.4078	9.3765
Templeton India Short-term Income Ret	Jan-2002	0.6770	2.3561	4.1797	11.4503	10.4549	—	—

Liquid Plus Funds

Fund	Launch	7-Day*	15-Day*	21-Day*	1-Month*	3-Month*	6-Month*	1-Year*
Birla Sun Life Savings Ret	Nov-2001	0.0795	0.1656	0.2324	0.3602	1.0351	2.1188	5.0555
DSPBR Money Manager Ret	Jul-2006	0.0614	0.1283	0.1806	0.2685	0.8006	1.5910	4.4283
Fortis Money Plus Reg	Oct-2005	0.0859	0.1845	0.2648	0.3963	1.1541	2.3720	5.8734
ICICI Prudential Flexible Income	Mar-2009	0.0746	0.1579	0.2207	0.3309	0.9868	2.0804	—
Kotak Floater LT	Aug-2004	0.0897	0.1928	0.2725	0.4106	1.2046	2.4524	5.6080

*Absolute ** Annualized.

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

Scheme name	Date	Dividend declared in Rs. Per unit
HDFC Long Term Equity Fund (D)	08/01/2010	1.25
Can Robeco Eqty TaxSaver (D)	08/01/2010	2.00
Birla SL India GenNext (D)	08/01/2010	1.00
Taurus Tax Shield (D)	11/01/2010	1.50
Tata Equity P/E Fund (TO-A 5%) (D)	15/01/2010	1.50
Franklin India Tax Shield (D)	15/01/2010	3.00
Sahara Bkg & Fin. Services (D)	19/01/2010	4.00
IDFC Tax Advantage (ELSS) (D)	20/01/2010	2.50
Fortis Equity Fund (D)	20/01/2010	1.00
Fortis Dividend Yield Fund (D)	20/01/2010	1.00
UTI Opportunities Fund (D)	22/01/2010	1.50
Tata Tax Saving Fund	22/01/2010	5.00
Kotak 30 (D)	22/01/2010	3.00
ICICI Pru Emerging S.T.A.R.(D)	22/01/2010	1.50
Franklin India Bluechip (D)	22/01/2010	3.50
JP Morgan Tax Advantage (D)	25/01/2010	1.40
Bharti AXA Tax Advtg -RP (D)	25/01/2010	3.00
Bharti AXA Tax Advtg -Eco (D)	25/01/2010	3.00
Sundaram Tax Saver (D)	29/01/2010	2.00
Religare Banking Fund -RP (D)	29/01/2010	2.50
Birla Sun Life Midcap Fund -A (D)	29/01/2010	2.50
Birla SL Frontline Equity -A (D)	29/01/2010	2.00

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.

How to get the best out of a Systematic Investment Plan?

One of the compelling reasons for investors to invest in equity is its ability, as an asset class, to provide positive real rate of returns i.e. returns minus inflation, over the longer term. The challenge, however, is that one requires skills both in terms of stock selection as well as monitoring the progress of the companies included in the portfolio. The stock prices move in anticipation of the future events as well as to reflect the current events. Therefore, considerable research has to be carried out trying to forecast the performance of the economy, industries and the companies. For someone who is not familiar, it can be quite a daunting task to do so.

This is where an investment vehicle like a mutual fund can make it easy for investors to benefit from the true potential of equity markets. The fund managers, who have access to in-depth research, are able to make rational decisions about which stock to include in the portfolio and which to sell. Besides, it is much easier for investors to monitor the performance as they have to track only one price i.e. NAV instead of several stock prices.

Mutual funds offer a wide range of equity funds starting 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 like sector, thematic, contrarian and exchange traded funds.

If you are looking to build wealth over time by investing in equity funds but are feeling restricted in terms of money available for investment, a Systematic Investment Plan (SIP) can help you in realizing your goal. What SIP really means is that you invest a fixed sum every month. Apart from helping you to build a corpus through smaller contributions in a disciplined manner, SIP also ensures that you resist the temptation to time the market. Moreover, you benefit from "averaging" too as the money is invested at different market levels.

While SIP can be the best option if you wish to invest fixed sums on a regular basis, a Systematic Transfer Plan (STP) would be an ideal option if you have the lump sum amount and still want to benefit from systematic investing. Under STP, you can invest in say a liquid plus fund and give instructions to transfer a fixed sum, at a fixed interval, to an equity scheme of the same mutual fund. Considering that a liquid plus fund has the potential to deliver higher post tax returns compared to a savings bank account, a STP offers dual benefits of systematic investing as well as improving overall returns.

There has been a marked change in the way retail investors look at equity funds today. Realising the potential of equity an asset class, more and more investors have started including equity funds in their portfolios. The fact that many of them are taking SIP route confirms that they believe in a disciplined approach to build wealth.

Here is what you need to do to get the best out of a SIP:

Decide the amount of SIP carefully

Many investors start investing through SIP aggressively without undergoing any kind of budgeting exercise. The resultant financial crisis compels them to stop the SIP midway. Therefore, decide the amount of SIP after providing enough for monthly expenses and having sufficient emergency cash. This will ensure that you commit only long term money for SIP which is the key to success for an equity investment.

Continue investing irrespective of the market condition

While SIP is a simple way to build wealth, it is imperative that you continue the process irrespective of the state of the market. Many investors get panicky whenever the market witnesses the downturn and discontinue the SIP. They do so inspite of the fact that a falling market, in the short term, benefits them as they get more units for the same amount. Therefore, it makes sense to continue investing by ignoring short term volatility. Remember that volatility in the marketplace is a natural phenomenon and the best way to deal with it is to keep the focus on the long term investment objectives.

Increase the amount of SIP as the income levels rise

Though it is necessary to be conservative at the start, it is equally important to increase the monthly contributions as your income level goes up. So, while on one hand, it will ensure that you avoid wasteful expenditure, on the other you will give yourself a chance to have a bigger corpus in the future. In case you increase the number of SIPs, make sure that these have different investment dates so as to benefit from the volatility during the month.

Opt for good quality diversified equity funds

If you select a good quality equity fund, your investments are likely to appreciate steadily over time, overcoming most temporary setbacks. Therefore, the focus should be on diversified funds as they are best suited for long-term investing. While selecting funds, the key deciding factors should be the long-term track record and the quality of the portfolio. Avoid investing in sector, thematic and "flavour of the month" kind of funds as they may not be able to deliver consistent performance. In other words, you need to look at equity funds, not with the rose-coloured spectacles but with the high-powered ones of analytical selection.

Go for "Growth" option

Choosing an option is as important as selecting a good fund. Therefore, consider various aspects relating to tax, rebalancing and time horizon before deciding one. Since the objective of investing thru SIP is to build wealth over time, the "growth" option improves the chances of success as it offers the compounding effect.

Remember, there will always be bull and bear markets and it will be nearly impossible to predict the movements of the stock market. The best you can do is to adopt a sensible approach by investing for the long term. So, go ahead and explore the world of stock market with the help a SIP.

This article written by our CEO was published in Foresight Magazine (Jan-March 2010)

R.N.I. No.: MAHENG/2007/19802 • Postal Regd. No.: MH/MR/N/MBI/72/10-12 • Posted at Mumbai Patrika Channel Sorting Office, GPO, Mumbai on 9th & 10th of every month.

Questions on MFs that you always wanted to ask

Mutual funds have surely come a long way in India. More and more investors are including them in their portfolio. Even the mutual fund industry has responded very well to the changing needs of investors as well as the need to segment the marketplace by offering a wide variety of products. Though there is a marked change in the quality of advice being given to investors, it is still a challenging task for investors to get the best from mutual funds. Investors need to have proper understanding and skill both in terms of selection of funds as well as monitoring their progress.

Let us discuss some of the situations that many investors face from time to time and also the right way to tackle them:

Negative returns from the funds

Many investors equate negative returns with the poor performance. However, the fact is that negative returns from a fund do not necessarily mean poor performance. Even the best of fund mangers are likely to give negative returns during periods where markets go down significantly. Besides, the time period considered also signifies the true level of performance. For example, short-term negative returns, in line with the market, from a fund that has been doing well for years means nothing and should be ignored.

Similarly, even a bad fund manager can give decent returns when the markets are doing well. Besides, a fund manager can enhance the returns of a fund in a good market by increasing the risk exposure. Therefore, one needs to go beyond the short-term performance numbers and analyze the performance of the peer group to judge the skill of a fund manager.

"Growth" or "Value" investing

Apart from offering variety of products, fund managers also follow different investment strategies. The most prominent ones are "Growth" and "Value" investing strategies. This often confuses investors and hence they end up investing in a fund whose strategy may not suit their requirements. The fund manager of a fund that follows "Growth" style focuses on the expected ability of a company to grow its earnings at an above average rate. In other words, key areas are strong earnings of the company, evidence of market leadership as well as the signs that the growth would not only continue but also accelerate over time.

A "Value" fund on the other hand, emphasizes companies below their perceived potential value. In other words, value fund manager invests in out of favour companies with the expectation that their stock prices will eventually rise to reflect the company's true value.

Why do fund managers keep cash in the portfolio?

Investors often wonder as to why fund managers keep cash in the portfolio. It is important to know that fund managers generally keep cash in hand to take care of redemptions. Besides, as the money comes in from new investors or dividends, it accumulates in cash before it can be invested. In other words, a fund manager keeps cash in hand not to benefit investors but to facilitate the management of fund.

While there is no hard and fast rule with regard to the level of cash as a percentage to the overall portfolio size, most funds, in normal circumstances keep it up to 5 percent. However, there can be occasions wherein the fund manager may keep cash at much higher level. This could be for various reasons such as cash generated by selling of securities to book profits, volatile markets may force the fund manager to wait for the market to settle before investing or huge inflows over a certain period of time.

If I need money, should I sell funds that are performing well or the ones that are not doing well?

This is a dilemma that investors face many a times. However, a common mistake that investors make is that while selling, they follow a different strategy from what they do at the time of making an investment. In other words, while selling they do not give due regard to past performance the way they do while investing. There is generally a tendency to hold on to non-performing funds and sell better performing schemes too soon. If a particular fund is not keeping pace with the rest of funds in the same category, it makes sense to exit from that. However, before making a decision to sell on the basis of poor performance, it is necessary to put performance in perspective. In other words, you need to consider relative performance and not absolute performance alone.

What is the significance of the market cap in scheme selection?

A common mistake made by investors is to follow a hodgepodge strategy while investing in mutual funds. In other words, proper attention is not paid to having the right exposure to different market caps. Market cap of a company signifies its market value, which is equal to the total number of shares outstanding multiplied by the current stock price. The market cap has a role to play in the kind of returns the stock might deliver and the riskiness or volatility that may have to encounter from the stock. For example, large companies are usually more stable during the turbulent periods and the mid cap and small cap companies are more vulnerable.

There cannot be a standard combination applicable to all kinds of investors. Each one of us has different risk profile, time horizon and investment objectives. Besides, while deciding on the allocation, one has to keep in mind the fact whether the allocation is being done for an existing investor or for a new investor. While for an existing investor, the allocation that already exists has to be considered, for a new investor the right way to begin is consider well diversified funds that invest predominantly in large cap stock and have small presence in mid and small cap stocks. Another important factor is the current state of the market as well as how the market is expected to behave in say next 6 to 12 months.

WISEINVEST ADVISORS PVT. LTD.

- **Corporate Office:**

  605, "D Wing", 6th Floor, Crystal Plaza, New Link Road, Andheri(W), Mumbai - 400 053. Tel : 6528 1507/09

  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- 400 023. Tel: 6524 5333/34, 2263 2329

  Fax: 2263 2330. E-mail : information3@wiseinvestadvisors.com

  Thane : Aishwarya Laxmi, Shop No. 3 & 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

Edited, Published and Printed by Mr. Hemant Rustagi, on behalf of **Wiseinvest Advisors Pvt. Ltd.** from D- 605, Crystal Plaza, New Link Road, Andheri (West), Mumbai 400 053 at **AdvantEdge Offset Printers,** K-7 Rizvi Park, S V Road , Santacruz (W), Mumbai 400 054**.** Design by **Mosaic Design.**