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WEALTHWISE

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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 stock market started the month with a negative bias on the back of weak global cues. Concerns over eurozone debt crisis and weakness in the US manufacturing sector signalled worries for the markets. On the domestic front, high interest rates and weak rupee dented the July-September earnings of Indian corporate sector.

However, as the month progressed, the eurozone bailout deal, better than expected US economic numbers and a hint of interest rates peaking off helped the markets gain some momentum. As a result, the BSE Sensex appreciated 9.62 % and outperformed mid-cap and small cap indices during the month. The BSE mid-cap and small cap indices were up by 4.73 % and 2.88 % respectively. However, towards the end of the month, Greek Prime Minister George Papandreou's decision to hold referendum on the Greek bailout package rattled the global markets.

On the inflation front, India's food price index rose 11.43 % and the fuel price index climbed 14.70 % in the year to October 15, 2011. The primary articles price index was up 11.75 %, compared with an annual rise of 11.18 % a week earlier.

The Reserve Bank of India (RBI) raised short term lending and borrowing rates by 25 basis points to tame inflation. This was the 13th, and possibly the last one, in a tightening cycle that began in early 2010. The RBI also revised down its target forecast for the current fiscal year to 7.7 %, from 8 % with a downward bias earlier.The Central bank, however, kept its WPI inflation forecast unchanged at 7 %.

In the current interest rate scenario, FMPs provide a great opportunity to lock-in money at the peak rates. Besides, it is also a good time to consider investing in income funds with a minimum time horizon of 18 months. No doubt, income fund would suit you only if you don't mind taking some risk to get higher returns.

Warm regards,

Hemant Rustagi
Chief Executive Officer

Wiseinvest
With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during October 2011.

Indices	3rd October 2011	31st October 2011	Change in (%)
Sensex	16151.45	17705.01	9.62%
MIDCAP	6013.42	6297.99	4.73%
SMLCAP	6779.16	6974.61	2.88%
BSE-100	8463.18	9196.79	8.67%
BSE-200	1992.40	2155.58	8.19%
BSE-500	6274.53	6763.26	7.79%

ELSS - A smart option to save taxes

Come April 2012 and equity linked savings schemes (ELSS) will disappear from the investment universe of investors. The Direct Tax Code (DTC) provisions will not only take away the flexibility that investors enjoy currently while investing to save taxes but also one of the most efficient and perhaps potentially the best investment option in terms of returns. Currently, ELSS and ULIPs are the only two options through which investors can save taxes and have exposure to equities.

Under ELSS, one can invest up to ₹ 1 lac and save taxes under Section 80C of the Income Tax Act. Over the years, ELSS has emerged as an ideal option to save taxes for those who believe in equity as an asset class to build wealth over time. The tax savings combined with the mandatory lock-in period allows investors to take a long-term view and in turn reap the benefits of this approach. That is why ELSS is considered as the best example of an investment option that provides investors a simple way to invest in the stock market and save taxes while doing so.

Another notable feature of the ELSS is the tax efficiency in terms of returns earned from them. As per the current tax laws, an equity fund investor is entitled to earn tax free dividend and long-term capital gains i.e. capital gains made out of an investment held for 12 months or more.

ELSS is governed by the guidelines issued by the Government of India. These guidelines have specified the minimum investment amount to be ₹ 500 and thereafter-in multiples of ₹ 500. Being open-ended funds, ELSS also allow investors to invest in a disciplined manner through SIP. A disciplined approach goes a long way in not only allowing an investor to turn the market volatility to his advantage by benefiting from "averaging" but also in avoiding making investment in a haphazard manner towards the fag-end of the financial year.

As regards the investment pattern, a fund manager managing an ELSS has to invest at least 80 % of the corpus in equity and equity related instruments. The fund manager has the flexibility to either invest the balance 20 % in the debt instruments or go for enhanced exposure to equities.

Each fund house managing an ELSS also has the flexibility of following its own investment strategy. For example, most of the ELSS are managed as multi-cap funds with varying degree of exposure to different segments of the stock market. Few ELSS are managed as an index fund too. This allows investors to select a fund considering the portfolio composition rather than looking at the past performance alone. No wonder, many investors have made ELSS an integral part of their equity fund portfolio.

As a product category, ELSS has given handsome returns over the years. While the past performance alone cannot be the sole criteria for investing in an investment option, the fact remains that equity as an asset class has the potential to perform better than other asset classes over time. Needless to say, being an equity oriented product, there are attendant risks too. However, a lock-in period of 3 years ensures that one of the major risks i.e. volatility over the short and medium term, is handled efficiently.

Nevertheless, once the DTC is implemented all this will change. With ULIPs coming under exempt-exempt-tax (EET) and ELSS making exit, investors will have to rework their strategies in terms of both selecting another option for saving taxes as well as maintaining the desired level of exposure to equities. Given the proposed structure of the DTC, it would be difficult for investors to achieve both with the same amount of investment that is being made now. While they will have an option of investing in the New Pension Scheme (NPS), the restriction in terms of a maximum exposure to equities to the tune of 50% can be a dampener. Besides, NPS and ELSS are two different investment options with different features and suitability.

It is truly hard to understand the logic for excluding an option like ELSS out of the list of eligible investments to save taxes. While on the one hand efforts are being made to spread the equity culture through the length and breadth of the country, on the other hand an investment option that provides an ideal platform to do so is being withdrawn by the government.

One can only wish and hope for a re-think on the part of the government to reinstate ELSS as one of the options to save taxes under the DTC. In the mean time, investors will do well to continue investing in these schemes during the current financial year and benefit from the same. Do not give up on the ELSS even before the DTC draws curtains on them.

How to invest effectively?

As an investor, you must have faced the dilemma of how to invest effectively. Adding to this, the anxieties arising out of uncertainties surrounding the financial markets might have affected your decision making process.

The fact, however, is that investing is a simple process that requires planning, perseverance and time. By following a disciplined approach to investing, you can not only achieve your investment goals but also keep emotions out of the process. Here's what you need to do to ensure your investments remain on track:

Have an investment plan

Many of us delay investing, either for the fear of choosing a wrong investment option or thinking we do not have enough money. Since investing is a continuous process, you can begin even if you don't have a lumpsum amount to start with. However, you must have an investment plan in place. It would help keep you on track, disciplined and focused on your investment goals. A carefully designed asset allocation strategy, and the process of rebalancing it, from time to time, will ensure you remain invested in originally selected asset classes at all times. It will also help you in tackling bull and bear markets without letting the "greed and fear" factors affect your mindset.

Don't underestimate risk and/or overestimate returns

While making investment decisions, a balance must be maintained between risk and reward. To ensure this, the key is not to underestimate risk and/or overestimate returns. Therefore, you must understand the potential and the risks associated with different asset classes in your portfolio. This helps in avoiding disappointments, and the consequent panic reactions that may derail your investment process.

Don't compromise your long-term goals

Many of us often lose sight of our long-term goals when we spot an opportunity to earn some short term gains. For example, in a current market-like situation, it can be tempting to pull the money out of equity markets and invest it in debt instruments. However, if you do so, you would be compromising the long-term prospects of your portfolio. Similarly, a depressed stock market may tempt you to invest even short-term money in it to make a quick buck. This could result in you either losing a part of your investments or earning low returns. Remember that timing the market is a strategy that even experts find difficult to implement successfully.

Have a tax-efficient portfolio

While paying taxes when necessary is understandable, paying more taxes than necessary is not! Therefore, ensuring your portfolio has the utmost tax efficiency is one key factor that can help improve your portfolio returns. While it is true that tax efficiency of the instruments alone cannot guarantee success, a tax-aware investment strategy can make a substantial difference to your portfolio's ultimate size.

Tax efficiency is important for both short-term as well as long-term investing. While we primarily focus on debt instruments, while investing for the short term, tax-efficient options such as a debt mutual fund can help you in earning higher post-tax returns. It becomes even more important when you plan for your medium and/or long-term investment goals such as children's education, buying a house and retirement planning. To achieve these very important goals of your lives, it is essential to invest in options that have the potential to provide higher as well as tax-efficient returns. This factor is very important, especially considering the escalating costs. That's why equity has an important role to play while designing a portfolio for long-term goals. Remember, investing to beat inflation generally involves steering clear of tax-inefficient instruments.

(This article written by our CEO Mr. Hemant Rustagi was published in Business Standard on October 5, 2011).

Performance of Select Funds

Data as on October 28, 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	5.91	-3.95	-7.55	-11.15	6.87	31.31	12.16
Canara Robeco Equity Diversified	Sep-03	4.13	-3.57	-3.92	-7.06	11.38	36.48	13.65
DSPBR Top 100 Equity Reg	Mar-03	5.66	-2.45	-6.06	-8.40	6.90	27.59	13.02
DSPBR Equity	Apr-97	3.40	-5.89	-7.90	-13.87	8.55	30.41	13.70
Fidelity Equity	May-05	5.35	-2.34	-5.24	-9.07	11.83	32.89	12.50
Fidelity India Growth	Oct-07	5.54	-2.16	-4.83	-8.54	11.76	34.11	—
Franklin India Flexi Cap	Mar-05	6.29	-3.46	-7.57	-10.96	9.52	32.90	9.46
HDFC Equity	Jan-95	3.79	-7.73	-11.27	-14.87	10.22	36.49	12.93
HDFC Top 200	Oct-96	5.18	-4.96	-8.66	-12.10	8.58	33.49	13.63
ICICI Prudential Dynamic	Oct-02	5.91	-4.68	-7.59	-6.91	10.73	32.87	11.56
ICICI Prudential Focused Bluechip	May-08	6.79	-1.64	-4.59	-5.59	13.08	38.79	—
Kotak 50	Dec-98	5.06	-3.37	-5.45	-10.61	5.25	24.88	9.05
Kotak Opportunities Fund	Sep-04	4.91	-4.40	-7.47	-16.20	5.21	28.85	10.42
Reliance Regular Savings Equity	Jun-05	4.13	-8.54	-11.88	-19.54	5.49	30.82	13.60
Reliance Equity Opportunities	Mar-05	4.63	-4.62	-4.34	-9.32	18.18	41.07	12.14
Tata Equity PE	Jun-04	5.31	-5.44	-9.65	-13.51	6.70	33.20	13.16

Sector, Specialty & Tax Saving

ICICI Prudential FMCG	Mar-99	1.77	-0.47	14.65	17.72	25.26	40.13	15.20
Reliance Banking Retail	May-03	2.57	-9.84	-16.27	-23.12	12.31	37.89	20.34
Reliance Pharma	Jun-04	2.40	-6.55	-0.70	-0.93	24.45	49.61	23.01
Canara Robeco Equity Tax Saver	Mar-93	3.33	-4.68	-4.48	-8.93	12.02	39.17	15.71
Fidelity Tax Advantage	Feb-06	5.21	-2.94	-5.41	-9.58	12.48	33.68	13.13
HDFC Taxsaver	Mar-96	3.25	-7.50	-8.91	-14.00	10.01	33.56	9.01

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	2.78	-3.75	-4.81	-11.67	13.28	37.49	14.69
DSPBR Small and Mid Cap Reg	Nov-06	2.36	-7.11	-6.12	-15.39	14.87	39.34	—
HDFC Mid-Cap Opportunities	Jun-07	0.64	-7.71	-3.88	-9.00	17.56	37.84	—
ICICI Prudential Discovery	Aug-04	4.32	-8.81	-10.78	-12.87	11.84	46.27	10.89
IDFC Premier Equity	Sep-05	3.56	-1.47	1.01	-7.12	18.12	40.20	23.04
IDFC Sterling Equity	Mar-08	-0.07	-7.69	-6.22	-11.81	13.57	34.47	—
Sundaram Select Midcap Reg	Jul-02	0.99	-9.94	-6.00	-16.26	9.45	35.52	10.70
UTI Dividend Yield	May-05	4.10	-2.10	-4.62	-7.08	13.37	33.24	15.81
UTI Master Value	Jun-98	2.34	-5.87	-7.88	-12.69	16.12	37.73	11.75

Gold: Fund of Funds

Kotak Gold	Mar-11	4.0110	17.0572	22.2065	—	—	—	—
Reliance Gold Savings	Mar-11	2.7573	17.8939	22.2862	—	—	—	—

Hybrid: Equity Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco Balanced	Feb-93	2.78	-2.82	-1.92	-3.88	10.80	28.93	10.24
HDFC Balanced	Sep-00	2.01	-3.40	-1.00	-1.91	16.38	32.56	12.32
HDFC Prudence	Feb-94	2.07	-4.68	-4.61	-6.69	13.63	34.38	14.20
Reliance Regular Savings Balanced	Jun-05	3.30	-4.91	-6.26	-12.67	8.83	31.40	13.34

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	1.3892	0.7816	2.6418	4.6398	7.7634	15.0554	10.5452
HDFC MIP LTP	Dec-03	0.7324	-0.6799	0.3396	1.9188	7.6351	17.3267	10.1063
Reliance MIP	Dec-03	0.1968	-0.5115	0.3279	1.6080	6.6105	15.2715	10.2242
FT India Dynamic PE Ratio FoF	Oct-03	3.7916	0.8408	0.2157	2.3697	8.4893	23.6266	11.3108

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	0.2727	0.4922	1.8740	4.5314	8.0590	6.8821	8.6807
BNP Paribas Flexi Debt Reg	Sep-04	0.3465	-1.0885	0.0113	1.3017	3.9055	4.1986	8.4046
Templeton India Short-term Income Ret	Jan-02	0.1863	0.7222	2.2513	4.6334	8.1460	7.4163	9.4247
Templeton India Income Opportunities	Dec-09	0.2035	0.7346	2.3088	4.6738	7.9814	—	—
BNP Paribas Money Plus Reg	Oct-05	0.1584	0.6900	2.1451	4.3198	8.5200	6.7983	7.0681
Kotak Floater LT	Aug-04	0.1715	0.7228	2.2843	4.5893	8.8814	7.0442	7.0374

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
UTI Wealth Builder Sr-2 RP (D)	03/10/2011	1.10
ING Dividend Yield (D)	13/10/2011	2.00
SBI Magnum Contra Fund (D)	14/10/2011	3.50
Can Robeco Equity Divers (D)	14/10/2011	1.00
Franklin Infotech Fund (D)	21/10/2011	1.50
Franklin India Oppor. (D)	21/10/2011	0.70
Edelweiss Absolute Return Fund (D)	28/10/2011	0.18
UTI Mastershare (D)	31/10/2011	2.20

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, 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.

Don't lose faith in equities during market downturns

If you compare the current valuations of your equity fund portfolio with that of November 2010, it would project a completely different picture. With the stock markets down by more than 24 percent since then, most of your investments made in the last few years, either a as lumpsum or through a Systematic Investment Plan (SIP), would be showing negative returns. Moreover, if you have not been careful in terms of selection of funds, the picture could be even gloomier.

A situation like this can shake the confidence of even the most seasoned investors. However, having witnessed situations like this many a times in the past, experienced investors have the mindset to wait, knowing that better days would follow. However, for not-so-experienced investors, the challenge is to resist making impulsive decisions. Continuation of the investment process, through these turbulent times, requires an unflinching commitment to this asset class.

Alas, not all the investors behave rationally during the market downturns! Many of them abandon a carefully designed investment strategy and lose out big time in the process. If you are one of those investors who may be facing a dilemma of what to do in the current scenario, you must look beyond the short term performance before taking any action. You need to consider factors such as ability of equities to out-perform other asset classes over the long-term, portfolio quality of the funds, and their long-term performance track record.

Simply put, for an asset class that requires you to have time commitment, patience and perseverance, it could be suicidal to act in haste. Here are a few typical reactions of equity investors during rising and falling markets and why you need to avoid them:

Abandon equities during the market downturn

It is quite common to see investors pulling all stops to their equity investments whenever the stock market turns volatile. Remember, if you do that, it would cost you dearly in the long run. Let us understand this by way of an example:

Let's say, you invested ₹1,00,000 in an equity fund and over the next couple of years made a gain of 40%. Then, the plunging stock market makes the fund value fall by 30%. You will now be faced with a completely different scenario. As against a profit of 40 %, you now have a loss of 2 % as the current value of your holdings in the fund would be down to ₹ 98,000. The noticeable thing here is that even though in percentage terms your gain was bigger than your loss, it still puts you below from where you started.

The most challenging part would be to get back to the valuations prior to the fall i.e. ₹ 1,40,000. To do so, you would have to make a gain of 43 %. By succumbing to the panic and moving your money to the safer heavens of debt instruments, you would either forfeit your chances of recovering the losses or inordinately delay the recovery process.

However, if you continue to invest at lower levels, your recovery process would become easier and faster. After investing at higher NAVs during a rising market, a falling market provides you an opportunity to invest at lower NAVs. This not only helps you in bringing your average cost down but also enhance your chances of being amongst the first ones to benefit from the upward trend in the market, as and when it happens.

When I book profits, the market continues to go up and when I don't, it falls

Investors face a situation like this on a number of occasions. Actually, this happens when you try to time the market. As we know, even the most seasoned investors find it difficult to time the market successfully. Therefore, when a common investor tries to do so, he invariably finds the market moving in the opposite direction.

While equities are meant to be a long term investment option, different investors may have different reasons to sell. Whatever the reason, it is necessary to have a proper strategy to avoid taking decisions that are dictated by the emotions rather than any logic. One such strategy could be to rebalance the portfolio periodically. Rebalancing is a method by which the allocation to debt and equity are brought back to the original level. Rebalancing becomes necessary because we make investments to achieve our goals at an acceptable level of risk. By allowing the portfolio to ride, we violate this premise and get exposed to unacceptable level of risk.

Having made decent profits, it's time to book profits

A common mistake made by investors is that they follow a different strategy for selling from what they do at the time of investing. For example, many a times they redeem their holdings in a better performing fund as they get

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Don't Lose Faith...

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tempted to book profits. More often than not, this money is re-invested in funds that have lower NAVs with a belief that they can extra profits.

It is completely illogical to think that funds with low NAVs have more potential then funds that have high NAVs. Besides, by exiting from better performing funds, every now and then, we allow non-performing funds to remain in the portfolio. By doing so, we compromise the long-term prospects of our portfolio.

Of course, if a fund is not keeping pace with its peer group, it makes sense to exit from it. Here too, one needs to consider relative performance and not absolute performance alone.

Monitoring the performance of equity funds on a daily basis

While it is absolutely necessary to monitor your portfolio, doing so on a daily basis doesn't serve any purpose. Since equities have a tendency to be volatile over the short term, there is no point in tracking the daily movements. Constantly monitoring your portfolio can create panic in your minds, and hence you might get tempted to take illogical decisions.

It'll be a good idea to begin reviewing your portfolio on a quarterly basis. Besides, you need to review your portfolio in greater detail when your investments goals or financial circumstances change. While reviewing the portfolio, you must 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 10 % growth in your fund may look great, but not if the average returns given by other funds in the same category is 15 %. However, too much emphasis shouldn't be put on the short term performance.

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