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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 remained volatile through the month of September 2011. In fact, July - September quarter registered the biggest fall in the benchmark indices since 2008. The euro zone's debt crisis, worries on US earnings and weakness in China have fueled investors' concern and that is reflecting in the behaviour of the stock markets around the world. In India, inflation continues to plague the markets. During the month of September 2011, all the major indices ended in a negative territory. While the BSE Sensex was down by 2.19 per cent, the BSE Mid-cap and Small cap indices were down by 3.08 and 3.54 per cent respectively.

On September 16, 2011, the RBI hiked its overnight lending (repo) and borrowing rates (reverse repo) by a quarter percentage point (25 basis points) each with an immediate effect. The apex bank raised its repo rate to 8.25 per cent from 8 per cent and reverse repo rate to 7.25 per cent from 7 per cent, while the Cash reserve ratio (CRR) has been left unchanged at 6 per cent. With the latest round of 25 bps hike, the RBI has increased its short term rates 12 times since March 2010 to battle high inflation. The RBI also maintained that inflation may remain high for the next few months as negative developments remain a matter of serious concern. So, we might see another rate hike before the RBI takes a pause.

On the inflation front, the headline inflation inched closer to the double digit mark in August 2011 rising to 9.78 per cent on the back of soaring prices of food and manufactured products. India's food price index rose 9.13 percent in the year to September 17, 2011. The latest petrol price hike of ₹ 3.12 per litre, effected by the oil marketing companies on account of a falling rupee, will marginally add to upward pressures on headline inflation.

As the September quarter results are not likely to be exciting, there is no major domestic trigger to push the markets upwards. At the same time, we don't expect the market to witness any major correction from the present levels. Hence, as an equity fund investor, you must continue the process of investing. Considering that these are good levels to invest, investments made now can boost your overall portfolio returns over the next 2-3 years or so.

Warm regards,

Hemant Rustagi
Chief Executive Officer

Wiseinvest
With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during September 2011.

Indices	2nd September 2011	30th September 2011	Change in (%)
Sensex	16821.46	16453.76	-2.19%
MIDCAP	6324.61	6129.59	-3.08%
SMLCAP	7133.74	6881.08	-3.54%
BSE-100	8799.43	8613.22	-2.12%
BSE-200	2077.79	2028.27	-2.38%
BSE-500	6538.08	6385.76	-2.33%

Birla Sun Life Dynamic Bond Fund

Scheme objective

Birla Sun Life Dynamic Bond fund (BSDBF) is an open-ended income fund. It's objective is to generate optimal returns with high liquidity through active management of the portfolio by investing in High Quality Debt and Money Market Instruments.

The fund is managed by Mr.Maneesh Dangi. The corpus of the fund is ₹ 1872.18 crores as on September 29, 2011.

Investment strategy

As the investment objective of this fund is to optimise returns for investors, the portfolio is designed so as to dynamically track interest rate movements in the short term by reducing duration in a rising interest rate environment while increasing duration in a falling interest rate environment. The investment strategy revolves around structuring the portfolio so as to capture the positive price movements and minimise the impact of adverse price movements.

In order to maximise returns, the fund manager looks at curve spreads, both on the gilt as well as on the bond markets to gain maximum value out of any security/s.

Performance as on September 29, 2011

Fund	3 Month*	6 Month*	1 Year*	2 Year**
Birla Sun Life Dynamic Bond	9.59	9.52	7.63	6.90
Crisil Composite Bond Fund	7.31	6.16	5.58	5.52

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

Allocation as on August 31, 2011

Instrument	Percentage (%)
Corporate Debt	57.14%
Government Bond	17.89%
Floating Rate Instruments	10.88%
PSU/PFI Bonds/Banks	05.55%
Securitised Debt	02.98%
Money Market Instruments	00.28%
Cash & Current Assets	05.28%
Total	**100.00%**

Top holdings as on August 31, 2011

Corporate Debt	% to Net Assets	Rating
Reliance Utilities & Power Private Ltd.**	11.93%	AAA (SO)
LIC Housing Finance Ltd.**	9.08%	AAA
Rural Electrification Corporation Ltd.**	6.96%	AAA
HDFC Ltd.**	6.15%	AAA
Reliance Ports & Terminals Ltd.**	5.01%	AAA
Government Bond		
8.08% GOI 02Aug 2022	10.23%	Sovereign
7.80% GOI 11 Apr 2021	6.31%	Sovereign
Floating Rate Instruments		
Power Finance Corporation Ltd.**	10.49%	AAA
Union Bank of India**	0.20%	AAA
PSU/PFI Bonds/Banks		
Power Finance Corporation Ltd.**	2.05%	AAA
Rural Electrification Corporation Ltd.**	1.98%	AAA
Securitised Debt		
North Delhi Power Ltd.**	2.34%	LAA-CARE
Tata Capital Ltd.**	0.64%	AA+
Cash & Current Assets	5.28%	

**Represents thinly traded/non traded securities and illiquid securities.
Total Percentage of thinly/non traded securities is 76.83%.

Our recommendation

Since active debt management strategies require an in depth knowledge of and ability to accurately track interest rate movements taking into account various micro and macro factors, it is difficult for individual investors to follow such strategy. On the other hand, BSDBF (Birla Sun Life Dynamic Bond fund) through its research and process driven investment strategy, would endeavour to capitalise on the available opportunities in a timely manner. Investors with a time horizon of more than one year can invest in this fund. Considering that we are almost at the end of rate hike cycle, a fund like BSDBF should able be able to deliver healthy returns to investors who invest with a time horizon of at least 12-15 month from now.

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.

Mutual Fund Portfolio Drivers

Mutual funds have the potential to fulfill a wide variety of investor needs, risk preferences and different objectives. However, it is important that selections are made after ascertaining the kind of asset allocation would suit one's requirements and time horizon. While this entire process can be a little tricky, considering that one must know how different asset classes co-relate with one another, as well as how to select the suitable schemes out of the options on offer in different categories, the right combination of schemes in a portfolio can do wonders for achieving the desired results. Apart from the suitability, it is equally important to opt for funds that have been consistent, in terms of following their investment strategy as well as their performance. Therefore, it pays to spend time putting together an effective portfolio.

As is evident, the selection process plays an important role in the level of success one can achieve from one's mutual fund portfolio. However, inspite of taking all the precautions, one may still have to face situations wherein even the most consistently performing funds may become erratic during certain time periods. While at times, this may happen due to an error of judgment on the fund manager's part, investors must know that such a situation may arise because of the market behaviour. Hence, it may not be appropriate to abandon the fund in a hurry.

Remember that if a fund loses ground in a falling market and falls in line with its benchmark index, it should not be much cause for concern. On the other hand, if a fund goes down when its peers are giving positive returns, this should be taken as a warning signal. This is why the key to measure performance is to compare a fund with its peer group. For example, while analyzing the consistency of a fund that invests in a particular segment of the market, i.e. a mid-cap fund, one needs to consider the level of volatility that the segment itself may be witnessing. However, the skill of the fund manager and the fund's investment philosophy can ensure that the fund is less volatile.

Once investments are made, monitoring the performance on an on-going basis becomes essential to ensure success. At the same time, having made a decision based on thorough research, one needs to give enough time for the fund to perform. However, once it is proven that the fund is slipping in performance, one should not hesitate to get rid of it. By doing so and re-investing the money in schemes that have better quality portfolio and track record, one can enhance the chances of improving the returns over time. Don't forget, getting emotional about non-performing investments or waiting endlessly in the hope of recovering losses can be a fruitless exercise.

An appropriate level of diversification in the portfolio is another aspect that requires attention. Diversification does not always mean owning 10 schemes or so. To determine the right level of diversification, one has to consider factors like risk profile, size of the portfolio, type of funds and allocation to different asset classes. It is critical to pay attention to the level of risk one is willing to take to meet one's expectations of returns.

Risk tolerance should also be addressed from two perspectives: financial risk tolerance and emotional risk tolerance. Investment professionals often define risk as volatility; in other words, how much one's investments will rise or fall in a given period. Individuals usually define risk as the potential to lose money or not meet their goals. Every equity fund investor must know how comfortable he/she will be if the portfolio goes down by 5 per cent, 10 per cent or 20 percent for a certain time period. It is equally important to know as to how long can one hold on to fallen investments–three months, one year or three years.

Long-term investors can handle volatility in a much better manner as they have time on their side- time to let aberrations in the market work themselves out. Similarly, each time the stock market is in short term disarray, long-term investors can benefit from the buying opportunities it presents.

Performance of Select Funds

Data as on September 29, 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	1.24	-9.83	-10.33	-14.94	3.69	16.08	12.1
Canara Robeco Equity Diversified	Sep-03	0.5	-6.65	-4.11	-11.06	8.46	20.02	13.79
DSPBR Top 100 Equity Reg	Mar-03	0.47	-8.41	-7.77	-12.78	4.07	14.1	12.79
DSPBR Equity	Apr-97	0.26	-7.61	-6.81	-14.75	6.6	16.72	14.27
Fidelity Equity	May-05	1.78	-7.14	-7.85	-12.16	9.04	17.86	12.42
Fidelity India Growth	Oct-07	2.3	-6.65	-7.78	-11.18	9.06	18.47	—
Franklin India Flexi Cap	Mar-05	1.89	-9.85	-9.4	-15.35	5.89	17.01	9.07
HDFC Equity	Jan-95	1.27	-11.36	-10.69	-16.2	9.01	20.46	13.18
HDFC Top 200	Oct-96	2.02	-9.9	-10.11	-15.2	5.94	17.91	13.54
ICICI Prudential Dynamic	Oct-02	1.74	-10.15	-10.26	-10.91	7.87	15.7	11.64
ICICI Prudential Focused Bluechip	May-08	2.61	-7.65	-8.09	-8.75	9.52	21.11	—
Kotak 50	Dec-98	1.15	-8.19	-7.28	-13.72	2.85	9.96	9.13
Kotak Opportunities Fund	Sep-04	1.24	-8.55	-8.21	-18.34	2.36	12.39	10.22
Reliance Regular Savings Equity	Jun-05	0.04	-11.03	-10.88	-20.21	2.5	14.8	13.39
Reliance Equity Opportunities	Mar-05	1.59	-8.14	-3.68	-13.13	14.52	24.43	12.39
Tata Equity PE	Jun-04	0.25	-9.12	-9.41	-16.2	3.83	16.49	13.36

Sector, Specialty & Tax Saving

ICICI Prudential FMCG	Mar-99	1.67	6.45	23.46	15.28	28.87	27.46	14.86
Reliance Banking Retail	May-03	2.5	-12.45	-16.83	-20.24	12.28	25.39	20.57
Reliance Pharma	Jun-04	2	-6.6	3.25	1.32	23.51	34.95	22.85
Canara Robeco Equity Tax Saver	Mar-93	0	-6.76	-4.01	-11.8	9.36	24.57	16.9
Fidelity Tax Advantage	Feb-06	1.67	-6.99	-7.65	-12.59	9.85	18.66	12.9
HDFC Taxsaver	Mar-96	-0.25	-10.4	-8.41	-16.07	7.9	17.42	9.82

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	0.41	-5	-1.84	-10.71	12.54	25.69	14.54
DSPBR Small and Mid Cap Reg	Nov-06	0.42	-5.13	-1.74	-13.31	13.66	24.26	—
HDFC Mid-Cap Opportunities	Jun-07	-0.3	-5.84	2.56	-6.8	17.62	23.03	—
ICICI Prudential Discovery	Aug-04	0.05	-11.04	-8.4	-15.15	8.32	25.9	10.42
IDFC Premier Equity	Sep-05	-0.17	-0.56	3.54	-8.75	16.14	24.24	23.01
IDFC Small & Midcap Equity	Mar-08	2.22	-3.01	0.96	-9.93	14.58	27.89	—
Sundaram Select Midcap Reg	Jul-02	-1.98	-6.94	-1.63	-13.71	8.41	21.23	11.34
UTI Dividend Yield	May-05	1.82	-4.32	-4.2	-9.28	11.4	21.41	15.32
UTI Master Value	Jun-98	1.91	-5.17	-3.42	-10.53	14.5	21.77	12.21

Gold: Fund of Funds

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Kotak Gold	Mar-11	-9.3043	-6.4249	-4.5822	15.7442	—	—	—
Reliance Gold Savings	Mar-11	-8.1052	-5.0821	-3.5347	17.745	25.0703	—	—

Hybrid: Equity Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco Balanced	Feb-93	-0.07	-3.7	-0.72	-6.79	8.24	17.35	10.24
HDFC Balanced	Sep-00	0.77	-4.07	1.67	-0.86	15.7	20.51	12.87
HDFC Prudence	Feb-94	0.75	-5.62	-3.06	-6.97	13.13	22.15	14.64
Reliance Regular Savings Balanced	Jun-05	1.88	-7.32	-5.31	-14.3	6.94	19.45	12.95

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	0.3785	0.3859	2.5624	3.717	6.6643	12.0066	10.6177
HDFC MIP LTP	Dec-03	0.3301	-0.8408	1.1119	1.6926	7.5204	13.9491	10.2821
Reliance MIP	Dec-03	0.5916	-0.0561	1.4985	1.4275	7.1667	15.0504	10.5529
FT India Dynamic PE Ratio FoF	Oct-03	1.1768	-2.5421	-1.6552	-0.7639	6.8208	13.6523	11.1801

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	0.0578	0.4645	2.416	4.8008	7.633	6.9026	8.7711
BNP Paribas Flexi Debt Reg	Sep-04	-0.4105	0.0106	0.6603	2.5577	4.2392	4.5722	8.6899
Templeton India Short-term Income Ret	Jan-02	0.1855	0.7262	2.2611	4.8659	7.6404	7.3333	9.3069
Templeton India Income Opportunities	Dec-09	0.1717	0.7459	2.3443	4.9505	7.4703	—	—
BNP Paribas Money Plus Reg	Oct-05	0.1798	0.7218	2.1507	4.428	8.3365	6.6429	7.135
Kotak Floater LT	Aug-04	0.1727	0.7671	2.3166	4.6497	8.6773	6.8779	7.0833

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
Templeton (I) Equity Income	16/09/2011	0.70
ING Midcap fund	29/09/2011	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.

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.

Too young to start Retirement Planning?

There is nothing like it. Many of us often get overwhelmed by the very thought of retirement. It makes us wonder: How to go about building a retirement corpus? This dilemma often deters us from planning for it.

True wisdom, however, is in planning as ahead as possible. Considering that building a retirement corpus is not an easy and a short term task, it is vital to have a strategy in place. Remember, creating a retirement plan not only goes a long way in helping you identify what you need to do in the present (so that you can lead a particular lifestyle in retirement) , but helps in avoiding unanticipated pitfalls during retirement. You must take into account when you plan to retire and the number of years you have to grow your corpus. Overall, the focus should be on saving as much as possible, so that you can retire when you want and also ensure that you never run out of money.

If you happen to belong to that class of investors who never envisaged retirement planning, you must make amends now. Start, on a monthly basis, by setting aside whatever you can from your income. However, make sure that once you start the process, it remains a priority above all other goals.

The problem is that the young people don't usually consider retirement, either mentally or financially. The fact, however, remains that starting early makes a huge difference. For every 10 years you delay, you will need to save three times as much each month to catch up.

Therefore, if you are young, don't hesitate. Start investing small sums. Remember, smaller contributions made regularly, over a period of time, to a high potential asset class like equity can produce fantastic results. Needless to say, the longer you stay invested, the more you tend to benefit from the power of compounding. Of course, to get the best results, you will have to stick to the plan. This way, ups and downs would even out over the years.

Selecting appropriate investment options holds the key to success for retirement planning. Investing too conservatively can seriously devoid your corpus. From a long-term perspective, your portfolio must have a significant portion invested in equity and equity oriented options. The presence of tax efficient options like mutual funds in the portfolio can help you a great deal in improving the post- tax returns.

It is equally important to understand the impact of inflation on your retirement nest egg. Many investors make the mistake of not factoring in inflation while planning. For the sake of understanding, let us take an example of someone 30 years away from retirement. The question arises, what will be his annual expenditure then, given the increased cost of living. If we assume a 5 per cent inflation rate for 30 years, ₹ 100,000 annual expenditure will increase to over ₹ 435,000 by the time he retires. Therefore, if he plans for ₹ 100,000 per annum for his retirement, because that is how much he needs today, he would be having less than 25 per cent of what he would really require.

Then, there are investors who make the mistake of withdrawing amounts during building of the corpus. While at times it might become necessary to do so, making it a habit can negatively affect retirement.

(This article written by our CEO Mr. Hemant Rustagi was published in Business Standard).

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Mutual Fund Queries

Q: What are your views on the active as well as passive funds? Which one do you think is a better investment option over the longer term and Why?

- Sanjay M.

A: Passive funds i.e. Index funds differ from an actively managed diversified funds, as trading is done not in an effort to sell non-performing stocks and buy the better performing ones, but to mimic a changing index and to deal with fresh inflows and outflows on account of redemptions. Though Index funds provide an inherent advantage to investors, as they charge lower expenses compared to actively managed funds, not many are able to enjoy this benefit as the holding period of Index fund investors is generally much shorter than that of investors in actively managed funds. Besides, the problem with an Index fund is that the fund manager has nowhere to hide in a falling market. He has to be fully invested with his weightings matching those of the target index. In other words, index funds have to sell stocks when the prices are depressed and buy when the prices are inflated. Besides, an index fund has to contend with a "tracking error" and that also impacts the performance of an index fund.

On the other hand, the flexibility to move in and move out gives an active fund manager a great advantage over a passively managed fund. Considering that index funds are effectively run by computers and the fact that price sensitive information keeps appearing regularly, the actively managed funds have to be the mainstay of a long term investor's portfolio. Never mind the little extra that one has to pay to an active fund manager. One needs to give one's investments a chance to out-perform the market and the portfolios of good quality funds can achieve that over the longer term.

Wealthwise is being sent to you on a Complimentary basis as a part of our humble effort to ensure that more and more investors benefit from the potential of mutual funds. We sincerely hope that you would like the contents of Wealthwise and in some way benefit from it. However, if you do not wish to receive "Wealthwise" on a regular basis, please let us know either by sending us a mail on information@wiseinvestadvisors.com or by calling us on (022) 65281507/09. You can also write to us at our Corporate Office address mentioned below.

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