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WEALTHWISE

Inside **Pg No.**

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 markets continued to languish during the month of August 2011 with the benchmark BSE Sensex down by 8.94%. Besides, the BSE mid-cap and small cap indices were down to the tune of 9.26% and 13.91% respectively. On the international front, while the markets were still reeling under the impact of US rating downgrade, the talks of a France credit rating downgrade set off the downward spiral. Consequently, there has been an understandable flight of funds from equity markets to safer havens like gold. No wonder, the international gold prices eclipsed $1800 per ounce during the month, rising more than 26% during 2011.

Rising inflation and slowing economy have been the major fears for the Indian stock markets. The situation continues to be grim on this front. India's annual food inflation rose to 9.80% for the week ended August 13, 2011. Inflation has remained stubbornly high, almost near double digits, despite an aggressive monetary tightening policy adopted by the Reserve Bank of India. The RBI has hiked key policy rates 11 times since March 2010. In its latest monetary policy review last month, the RBI hiked key policy rates by 50 basis points. The headline inflation based on wholesale price index was recorded at 9.22% in July, marginally lower from 9.44 % in the previous month. It is quite evident that the central bank will opt for another rate hike of 25 basis points in its September 16 meet. However, we do not expect inflation to remain stubborn at these levels and hence we may see some kind of moderation going forward.

It is quite evident that we are in the midst of a market situation which is quite tricky and might take a few quarters to settle down. However, we strongly believe that inspite of the challenges facing the markets, these are times wherein serious and long-term investors must continue their investment process to reap benefits over the next couple of years. However, every equity investor must be prepared to handle bouts of extreme volatility from time to time to get the best results from their equity investments.

Warm regards,

H Rustagi

Hemant Rustagi
Chief Executive Officer

Wiseinvest
With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during August 2011.

Indices	1st August 2011	31st August 2011	Change in (%)
Sensex	18314.33	16676.75	-8.94%
MIDCAP	6913.85	6273.60	-9.26%
SMLCAP	8283.88	7131.48	-13.91%
BSE-100	9583.98	8727.88	-8.93%
BSE-200	2265.74	2061.08	-9.03%
BSE-500	7138.08	6487.22	-9.12%

Choose the Right Products

As we all know, investment is an on-going process. To be a successful investor, one must choose the right products and the right strategy to invest in them. Considering the wide range of investment options that are available to investors today, selecting the appropriate ones is a challenging task. Let us discuss some of these options and how you can select the most suitable:

Traditional instruments vs. MFs

There are investors who feel that it is much safer to invest in bank FDs, insurance or bonds, than in mutual funds. It is no wonder then that MFs do not find a place in their portfolios. The fact, however, is that the MF industry is a very well regulated one, and that should be a big comfort for investors. The regulations governing the industry are well defined, and SEBI is doing a great job of monitoring its working and ensuring that schemes are managed on a day-to-day basis in the interest of investors. Besides, MFs offer a variety of products to suit the risk profile and time horizon of investors. It's time for investors to opt for smart options like MFs to get the most out of their hard-earned money.

RD vs. SIP

For those risk-averse investors who invest regularly, a Recurring Deposit (RD) is one of the preferred options. The fact, however, is that to create wealth over a period of time one must invest in options that have the potential to provide a positive real rate of return i.e. rate of returns minus inflation. Traditional instruments such as bank RD may not be an appropriate choice, as they do not provide adequate safeguards against inflation. Besides, investing in RDs is not a tax efficient option either.

Here is where products like equity funds step in. There is no doubt that investing in equity funds can be risky if one invests in a haphazard manner and/ or invests to make a quick buck. Remember that “risk versus return” is an important factor in investing. To earn higher returns, one has to take calculated risks. This risk, however, gets substantially reduced if one invests regularly through a Systematic Investment Plan (SIP) over a period of time.

ULIP vs. Equity funds

Before we discuss the dilemma of investors regarding these options, let us understand what ULIP and equity funds have to offer. A ULIP, or unit-linked insurance plan, is a type of investment where the characteristics of insurance and mutual funds are combined. Accordingly, a part of the premium is utilized towards the premium and the administrative charges and the rest is invested as per the option selected by the investor. On the other hand, an equity mutual fund is a pure investment option that provides long-term growth through capital appreciation, although dividends are also source of revenue for investors.

There are a few factors that need to be considered before making a choice between an equity fund and ULIP. First, the focus should be on being adequately insured. While a ULIP can be a good option, it may not always provide adequate insurance cover.

Secondly, MFs not only provide a wide range of choices - from plain vanilla equity funds to sector as well as specialty funds- but also a high level of flexibility to realign the portfolio, both in terms of equity/debt exposure, as well as reducing/increasing exposure to different segments of the market. This allows investors to make a choice according to market conditions and their own circumstances. In this aspect, MFs are definitely a superior option than ULIPs.

Considering these factors, the choice between ULIP and equity funds would depend on one's need and ability to take decisions, with regard to various options offered by mutual funds and their suitability. For those who have the ability and access to proper advice to assess his insurance and investment needs, the best solution would be to go for separate options, rather than going for a product like ULIP. For someone who is looking for a product that can take care of his multiple needs, a ULIP may be a suitable choice.

(This article written by our CEO, Mr.Hemant Rustagi was published in Dalal Street Journal- Issue dated August 14, 2011).

Mistakes to avoid in a falling market

A falling stock market, like the one being witnessed, challenges the patience and resolve of even the most seasoned investors. Needles to say, a situation like this becomes even more challenging for new as well as not- so- experienced investors. The question that comes to the mind of most investors is whether this is a beginning of a bear market? Or, is it one of those phases that will last for a few months, without impacting the long-term prospects of the stock market.

As has been seen, time and again in a situation like this, the first instinct of non-serious as well as short term investors is to abandon the stock market. The steep falls in the value of their holdings afflicts their mindsets, as they do not have a clear time horizon for being in the market.

For a serious long-term investor, however, the situation is different. It is not that he remains unaffected. It is just that he has mentally prepared himself to brave these downturns, and, in addition, has time on his side.

It has been historically proven that a quality portfolio always recovers the lost ground. It is important, therefore, to put market meltdowns in a proper perspective. Equity investors need to understand that even though most company stock prices are impacted in such a scenario, this doesn't necessarily mean the companies themselves are faring poorly. Moreover, short term movements in the market do not take away the ability of equity to out-perform other asset classes in the long run.

Those who continue investing regularly during these turbulent times benefit the most when the market rebounds. While a haphazard approach may work when the market is on the way up, lasting success springs only from a strategic and deliberate approach. Remember, spur-of- the-moment investment decisions, based on the current market trends, can prove to be very costly. For example, moving money out of equity funds now can make an investor miss out on gains later, when the market rebounds.

Now, a word of caution to investors, who may get tempted to make a quick buck in a current market situation. They need to remember that even in times like these it is vital to follow the same investment principles that one would in a normal market condition i.e. focus on suitability of the scheme, invest for the long-term and go for a quality portfolio. Many investors get tempted by funds that invest in funds that witness the maximum fall, thinking these would gain the most once the market rebounds. This could prove suicidal, as those funds could be of poor quality or the ones that are aggressive such as mid- and- small cap funds, thematic as well as sector funds. Many of these funds would probably be among the last ones to get back to their original NAVs.

Another dilemma that equity investors face is whether it makes sense to switch to more conservative investments in a down market. The fall in the equity portfolio value, along with the negative news flow, adds to the anxiety. While moving money from equity funds into more conservative options like Fixed Maturity Plans (FMPs) and fixed deposits may seem like a sensible thing to do, the fact remains that selling in a down market can be a costly mistake. A haphazard or an extremely cautious approach can expose an investor to the risk of falling short of a long term financial goal.

The key, therefore, is to keep focus on the long-term investment goals and continue investing in an asset class like equity, irrespective of the market condition.

(This article written by our CEO, Mr. Hemant Rustagi was published in Business Standard - Issue dated August 30, 2011).

Performance of Select Funds

Data as on August 26, 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	-13.2	-10.22	-7.5	-12.38	5.07	10.48	12.86
Canara Robeco Equity Diversified	Sep-03	-9.62	-5.71	-1.62	-8.82	9.92	15.04	14.18
DSPBR Top 100 Equity Reg	Mar-03	-10.41	-7.9	-4.37	-7.82	6.61	9.88	13.64
DSPBR Equity	Apr-97	-11.41	-6.75	-2.69	-11.65	9.86	11.74	15.07
Fidelity Equity	May-05	-11.28	-8.39	-5.78	-10.45	10.79	12.02	13.13
Fidelity India Growth	Oct-07	-11.74	-8.51	-6.36	-10.07	10.01	11.99	—
Franklin India Flexi Cap	Mar-05	-13.38	-10.96	-6.07	-11.77	6.9	11.52	9.45
HDFC Equity	Jan-95	-14.65	-11.36	-7.81	-13.36	11.52	15.41	13.71
HDFC Top 200	Oct-96	-13.97	-10.73	-7.51	-12.62	6.98	12.5	13.91
ICICI Prudential Dynamic	Oct-02	-14.7	-12.12	-9.28	-9.61	9.2	9.27	11.83
ICICI Prudential Focused Bluechip	May-08	-13.35	-8.94	-5.36	-7.48	9.81	14.54	—
ICICI Prudential Discovery	Aug-04	-15.35	-12.94	-6.44	-12.7	11.91	18.26	10.93
Kotak 50	Dec-98	-11.76	-7.77	-5.02	-11.36	4.07	4.5	9.46
Kotak Opportunities Fund	Sep-04	-12.56	-9.05	-5.68	-16.85	3.62	5.05	10.31
Reliance Regular Savings Equity	Jun-05	-15.29	-11.09	-7.28	-17.79	4.78	8.93	14.63
Reliance Equity Opportunities	Mar-05	-13.39	-7.89	-1.71	-11.08	18.22	17.27	12.51
Tata Equity PE	Jun-04	-12.7	-9.76	-5.61	-12.3	6.07	9.98	14.24
Templeton India Equity Income	May-06	-13.5	-11.4	-10.27	-8.64	7.86	7.85	12.11

Sector, Specialty & Tax Saving

Reliance Banking Retail	May-03	-18.96	-13.02	-13.55	-17.04	15.96	19.76	22.55
Franklin FMCG	Mar-99	-3.44	4.96	17.34	10.41	28.1	24.63	15.8
Franklin Pharma	Mar-99	-7.74	-1.87	4.23	5.85	29.5	27.64	17.58
Reliance Pharma	Jun-04	-11.59	-4.34	4.7	0.93	27.96	29.53	22.91
Canara Robeco Equity Tax Saver	Mar-93	-9.55	-5.17	-1.22	-9.65	11.12	19.26	17.82
Fidelity Tax Advantage	Feb-06	-11.68	-8.36	-5.56	-10.71	11.56	12.7	13.25
HDFC Taxsaver	Mar-96	-12.54	-8.11	-5.24	-12.01	11.43	13.62	10.61

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	-8.66	-3.72	1.86	-7.98	16	21.95	15.35
DSPBR Small and Mid Cap Reg	Nov-06	-11.89	-3.39	2.82	-12.06	16.98	17.14	—
IDFC Premier Equity	Sep-05	-6.62	-0.58	6.91	-6.36	18.86	18.66	23.94
IDFC Small & Midcap Equity	Mar-08	-11.07	-4.76	1.71	-9.72	15.64	23.07	—
Sundaram Select Midcap Reg	Jul-02	-11.15	-2.77	5.49	-8.54	12.41	15.32	12.64
UTI Dividend Yield	May-05	-9.11	-5.37	-1.5	-6.27	14.48	16.38	16.35
UTI Master Value	Jun-98	-11.86	-6.28	-0.66	-9.82	17.23	14.74	12.47

Hybrid: Equity Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
DSPBR Balanced	May-99	-8.47	-4.51	-0.93	-7.36	8.81	10.55	12.81
HDFC Balanced	Sep-00	-8.31	-3.55	3.93	0.93	18.24	16.46	13.63
HDFC Prudence	Feb-94	-9.22	-4.49	-0.3	-4.87	15.74	18.52	15.54
Reliance Regular Savings Balanced	Jun-05	-12.13	-7.95	-5	-13.94	7.13	14.28	12.4

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	-1.1468	0.9735	3.236	4.5286	6.9342	10.8049	11.0948
HDFC MIP LTP	Dec-03	-2.4201	0.1501	2.5318	2.788	8.3905	12.8899	10.66
Reliance MIP	Dec-03	-1.7942	0.071	2.8293	2.7246	7.5832	14.1761	10.6954
FT India Dynamic PE Ratio FoF	Oct-03	-5.0469	-3.1068	-0.872	0.5059	6.8031	10.6511	11.6253

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	0.2706	0.9212	3.174	5.3243	7.8853	7.0191	8.9496
BNP Paribas Flexi Debt Reg	Sep-04	-0.07	0.7634	1.8611	3.8849	5.1978	4.617	9.2178
Templeton India Short-term Income Ret	Jan-02	0.2421	0.8398	2.6106	5.0305	7.4817	7.4041	9.4771
Templeton India Income Opportunities	Dec-09	0.2567	0.8578	2.6625	5.1227	7.4834	—	—
BNP Paribas Money Plus Reg	Oct-05	0.1819	0.7316	2.1866	4.4089	8.0851	6.4588	7.179
Kotak Floater LT	Aug-04	0.1965	0.7786	2.3152	4.5992	8.3434	6.6713	7.1093

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
UTI Master Value Fund (D)	04/08/2011	1.00
L&T Midcap Fund (D)	08/08/2011	2.50
ING Core Equity Fund (D)	25/08/2011	2.50
ICICI Pru Dynamic Plan (D)	30/08/2011	0.50

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.

Mutual Fund Queries

Q: What is the difference between Systematic Investment Plan (SIP) and Value Investment Plan (VIP)? Which is better in terms of Rupee Cost Averaging?

A: Though the objective of both of them is to allow investors to invest periodically and benefit from “averaging”, they differ in more than one ways. First, while SIP helps an investor build a corpus through regular contributions, VIP requires one to have a lump sum to be invested in a liquid or an ultra short term debt fund and then move this money periodically into a pre-selected equity fund through a STP. Second, while SIP allows an investor to invest a fixed sum at a pre-determined interval, under a VIP the amount invested may differ depending on the returns on the last month's contribution. Let us take an example of an investor who has opted to invest ₹ 5,000 pm through a VIP. Whilst the first instalment will be for ₹ 5,000, the second one would depend on the value of the first instalment. In case the value of the first instalment is at ₹ 5,500, the second instalment would be for ₹ 4,500 so as to make the value of the portfolio to ₹ 10,000. As is evident, the objective here is to invest less when the market is on its way up and invest more when the market is down.

While VIP is certainly a better option, it may not suit every investor's requirements. Besides, there are just a couple of fund houses that offer it today.

Q: What are FMPs and are these better than equity funds in the current scenario?

A: A fixed maturity plan (FMP) is essentially a debt fund that invests in securities maturing in line with the time profile of the respective plans. FMPs provide investors with an opportunity to invest for various fixed maturities. FMPs normally have a series of quarterly/half-yearly and yearly plans. FMPs aim to generate predictable returns and at the same time protect investors from the interest rate volatility. While structurally FMPs may be similar to fixed deposits, the tax efficiency of these schemes makes them a much better option.

As for their comparison with equity funds in the current scenario, the comparison is not fair. While FMP may provide better returns than equity funds during certain time periods, investing long-term money in them would amount to compromising your long-term goals. Therefore, the right way to proceed would be to invest short term or medium term money in FMPs (provided one is sure about one's time horizon) and continue to invest long-term money in equity funds as the current market levels provide an excellent opportunity.

Q: What is CAGR and how it is calculated?

A: Compounded Annual Growth Rate (CAGR) is a growth rate annualized over a period of time. This does not represent the actual growth but it shows an annualized growth rate if the same investment had grown at a steady rate. The formulae to calculate CAGR is:

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\#\text{ of years}}\right)} - 1$$

Let us understand this by way of an example. Suppose you invested ₹ 10,000 in a fund on Jan 1, 2008. Let's say by Jan 1, 2009, your portfolio had grown to ₹ 13,000, then ₹ 14,000 by 2010, and finally ended up at ₹ 19,500 by 2011.

Your CAGR would be the ratio of your ending value to beginning value (₹ 19,500 / ₹ 10,000 = 1.95) raised to the power of 1/3 (since 1/# of years = 1/3), then subtracting 1 from the resulting number:

1.95 raised to 1/3 power = 1.2493. (This could be written as 1.95^0.3333).
1.2493 - 1 = 0.2493

Another way of writing 0.2493 is 24.93%. Thus, the CAGR in this case would be 24.93%.

Q: How are investments made through SIP taxed? Also explain about applicability of LTCG on investments made through SIP?

A: For tax purposes, MF schemes are divided into two categories i.e. equity and debt. All those schemes that have an average exposure of 65% or more in domestic equities are treated as equity funds and the rest are treated as debt and debt oriented funds. Any long-term capital gains on equity funds i.e. gains

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Investment Success requires...

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made on amounts redeemed after 12 months or more are tax free whereas in the case of debt funds the long-term capital gains is taxed @ 10% (without indexation) and 20% (with indexation).

As for the applicability of LTCG, every instalment has to complete 12 months period to be eligible for tax free long-term capital gains.

Q. I have been investing in mutual funds for quite some time and come across advisors who do not give proper advice. How can one ascertain whether justice is being done to one's hard eared money?

A: Once you start working with an advisor, it is very important to periodically evaluate what type of advice and service you're getting and whether it is helping you achieve your financial goals. Here's what you should look for:

- It is important that your advisor determines your risk level before suggesting the schemes. Remember, it is the level of risk that provides the guidance about the kind of return you can expect as well as the level of volatility, while achieving it.
- Ensure that your advisor provides you with a comprehensive, well thought-out plan for your money. Also ensure that the plan has the required flexibility to take care of changes that might take place in your needs.
- Ensure that your portfolio is a well diversified one. Diversification means spreading your investments over a range of different options such as equity schemes, balanced and debt-oriented schemes.
- While reviewing your investments, if you notice that your investments are consistently losing money, make sure your advisor has the right answer for it. If he recommends sticking with an investment that's on the decline, ask why?
- Make sure you know the reasons for investing or redeeming any MF investment. Also, you should know how a recommended scheme fits into your personal financial plan.

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