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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,

Indian equities started off well in the current year with the bench mark indices rallying over double digits in the month of January 2012. While the BSE sensex gained 10.80%, the mid-cap and small cap indices were up 14.42% and 16.32% respectively. The stock market gained momentum on the back of strong inflows from FIIs. FIIs have been net buyers to the tune of $1.80 billion since the beginning of the year largely due to falling inflation and a clear signal from the RBI that the interest rates will be cut.

India's food inflation declined to -1.03% for the week ended January 14, 2012 and hence stayed in negative territory for the fourth straight week. Overall inflation, on the basis of wholesale price index (WPI) was down to a two year low of 7.47% in December 2011.

In presumably the first step toward reduction of rates, the RBI announced a 0.5% points cut in the cash reserve ratio to 5.5%. This move is likely to inject ₹ 32,000 crore into the system. The RBI also lowered its growth projection for 2011-12 to 7% from 7.6% in view of the global slowdown and domestic policy constraints. It may be recalled that RBI had increased key policy rates 13 times since March, 2010, before taking a pause in its mid-quarterly review last month. The dovish stance of the RBI and a clear indication that further policy reviews would concentrate on driving growth has also helped investor confidence.

If you are looking to take the plunge into the stock market based on the recent good show, it would be prudent to invest only that part of the long-term money which can be allocated to equities based on your asset allocation. Here too, you must follow up lump sum investment by regular investments as the market volatility is likely to continue going forward.

Warm regards,

HRustagi

Hemant Rustagi
Editor

Wiseinvest
With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during January 2012.

Indices	2nd January 2012	31st January 2012	Change in (%)
Sensex	15517.92	17193.55	10.80%
MIDCAP	5131.6	5871.70	14.42%
SMLCAP	5556.48	6463.30	16.32%
BSE-100	7942.77	8970.08	12.93%
BSE-200	1853.46	2097.94	13.19%
BSE-500	5785.83	6549.31	13.20%

Asset Allocation - Key to Achieving Goals

It is quite common to see investors putting in money without determining their investment goals and deciding the right asset allocation. As they focus mainly on performance, other important aspects of portfolio building such as diversification and asset allocation do not get due attention. However, the fact is that asset allocation not only reduces risk but also helps in optimising returns on a risk-adjusted basis.

If you want to be a successful investor, you must first decide the asset allocation and only then select investment options. Asset allocation is an investment strategy that allows an investor to choose among various asset classes such as equities, debt, real estate and commodities. Simply put, asset allocation as a method of investing is an integral part of an investor's financial planning process. The asset allocation strategy that can work the best for you would largely depend upon your risk tolerance and time horizon.

Risk tolerance is your ability and willingness to take risks in order to achieve higher potential returns. Therefore, if you have high risk tolerance, you will have the capacity to take market volatility in your stride to enhance your chances of earning higher returns. On the other hand, if you are a conservative investor, you would prefer investment options that will preserve your capital.

Time horizon is the expected number of years you are likely to remain invested to achieve an investment objective. If you intend to invest for a longer time horizon, you would generally have the capacity to invest in riskier or more volatile asset classes, as you can wait out the inevitable ups and downs of the markets. On the other hand, if you intend to invest to achieve a short-term goal, you are likely to have lesser appetite for risk-taking.

Besides these considerations, you also need to be aware of the different risks associated with investments. Some of these are:

- **Market Risk** - Market risk is the risk of the portfolio value falling due to fluctuations in the prices of securities. Diversification helps in managing risk in the portfolio. There are different ways to diversify a portfolio, such as investing across different asset classes, sectors, market capitalisations and geographies. Another important strategy for managing risk is to rebalance the portfolio periodically. This helps an investor in buying low and selling high in a disciplined manner.
- **Inflation Risk** - Inflation risk is the risk of losses resulting from erosion of income or the value of assets due to the rising costs of goods and services. It is among the major risks for those who mainly invest in debt and debt-related securities.
- **Longevity Risk** - Investors may outlive their assets. Hence, it is absolutely necessary to design a portfolio that has the potential to provide a positive real rate of return over time.
- **Behavioural Risk** - It is a well-known fact that uncertainty is a natural part of investing. However, many investors do not act in their own best interests when faced with uncertainty. This has a substantial impact on their investment results in the long run. Therefore, the key is to stick to one's investment plan, irrespective of the market conditions.
- **Sequence Risk** - Although having a financial plan and following it in a disciplined manner helps, one may still have the misfortune of experiencing a market downturn just around the completion of one's time horizon. Therefore, it pays to start protecting gains by scheduling the asset allocation for long-term goals in a phased manner, say around 12-18 months before the target date.

Finally, remember that a successful asset allocation strategy requires the commitment to keep a designated percentage of assets invested in their respective classes, regardless of the current performance of those classes.

(This article written by our CEO, Mr. Hemant Rustagi was published in Dalal Street Journal-Issue dated January 25, 2012).

Mutual Funds - Effective selection for investment success

One of the hallmarks of the growth of the mutual fund industry in India has been its ability to offer a variety of funds to suit the needs of investors with varied risk profiles and investment goals. However, to get the best out of MFs, investors must focus on making the right selection keeping in mind their risk profile, investment goals, time horizon and the suitability of the product.

Unfortunately, many investors follow a haphazard approach for investing in mutual funds, which either results in disappointment or drags them beyond their risk-taking capacity. As a result, their portfolios often under-perform the benchmark as well as the peer group. Remember, that it is portfolio composition of the scheme i.e. the quality of the portfolio as well as its exposure to different market segments, viz. Large-Cap, Mid-Cap and Small-Cap, that influences the levels of rise and fall in the NAV. Also, it is equally important to understand the likely impact on the portfolio's performance in case the markets turn bearish or volatile.

As is evident, the selection of a fund has a role to play in the kind of returns it might deliver and the riskiness or volatility that one may have to encounter while achieving those returns. Different types of funds react differently in a rising as well as in a falling market, because different segments of markets react in various ways. For example, a Mid-Cap fund generally suffers more than a Large-Cap fund in a falling market. Thus, investors who do not follow a proper strategy may suffer greater losses than those who develop a well-balanced portfolio. The exposure to different market caps should be in line with one's risk profile.

Needless to say, there cannot be a standard combination applicable to all kinds of investors. While deciding on the allocation, one has to keep in mind the composition of the entire portfolio. For a new investor, the right way to begin is by considering funds that invest predominantly in Large-Cap stocks. The exposure to mid and small caps can be enhanced over a period of time. It is always advisable to take professional help to decide the allocation as well as to select the appropriate funds. However, taking help from professionals doesn't undermine the role that investors themselves need to play in this process.

All Award-Winning Funds May Not Suit All Investors

Many investors feel that a simple way to invest in mutual funds is to just keep investing in award-winning funds. First of all, it is important to understand that rather than the awards, the methodology of choosing winners is more relevant. A rating firm generally elaborates on the criteria for deciding the winners, i.e. consistent performance, risk-adjusted returns, total returns and protection of capital. Each of these factors is very important and has its significance for different fund categories.

Besides, each of these factors has a varying degree of significance for different kinds of investors. For example, consistent returns really focus on risk. If an investor is afraid of negative returns, consistency will be a more important measure than the total returns, i.e. NAV growth and dividend received. A fund may have impressive total returns over time, but can be extremely volatile and tough in the interim for a risk-averse investor.

Therefore, not all award-winning funds in the various categories are suitable for all investors. Typically, the first step when selecting funds should be to consider personal goals and objectives. Investors need to decide which element they value the most, and prioritize the other criteria after that. Once investors know what they are looking for, they should go about selecting the funds according to the asset allocation. Most investors need just a few funds that are carefully picked, watched and managed over a period of time.

Performance of Select Funds

Data as on January 27, 2012

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	8.75	-0.47	-7.58	-7.39	3.45	26.95	9.10
Canara Robeco Equity Diversified	Sep-03	7.07	-0.17	-6.06	-2.90	7.07	32.78	10.80
DSPBR Top 100 Equity Reg	Mar-03	10.86	2.95	-2.94	-2.16	6.55	24.93	10.39
DSPBR Equity	Apr-97	11.76	-0.28	-8.86	-6.67	4.55	27.29	10.32
Fidelity Equity	May-05	8.61	-0.93	-6.20	-5.20	8.10	29.83	8.68
Fidelity India Growth	Oct-07	8.76	-0.96	-6.10	-5.23	8.02	30.48	—
Franklin India Flexi Cap	Mar-05	10.42	0.04	-6.95	-5.60	5.43	29.67	6.92
HDFC Equity	Jan-95	12.70	0.56	-10.58	-9.52	7.39	35.65	10.40
HDFC Top 200	Oct-96	12.13	1.34	-7.26	-6.26	7.28	31.92	11.31
ICICI Prudential Dynamic	Oct-02	12.70	2.57	-5.71	-3.83	6.37	28.70	8.19
ICICI Prudential Focused Bluechip	May-08	7.36	0.44	-4.04	-1.36	10.30	32.34	—
Kotak 50	Dec-98	5.47	-0.39	-6.60	-4.90	3.92	21.81	6.24
Kotak Opportunities Fund	Sep-04	7.58	0.67	-6.74	-6.84	2.95	25.52	7.42
Reliance Regular Savings Equity	Jun-05	12.11	-1.33	-12.80	-13.87	-0.95	28.94	10.16
Reliance Equity Opportunities	Mar-05	11.69	0.50	-7.88	-2.81	10.74	39.39	8.95
Tata Equity PE	Jun-04	11.13	0.91	-7.65	-8.12	2.08	30.23	10.39

Sector, Specialty & Tax Saving

ICICI Prudential FMCG	Mar-99	0.41	-1.10	-2.76	22.79	21.90	35.20	12.80
Reliance Banking Retail	May-03	19.04	4.00	-11.18	-8.90	13.62	36.07	18.29
Reliance Pharma	Jun-04	6.72	0.51	-8.17	-0.03	14.24	46.14	21.41
Canara Robeco Equity Tax Saver	Mar-93	6.76	0.17	-6.96	-3.41	8.03	33.21	12.46
Fidelity Tax Advantage	Feb-06	8.60	-1.58	-7.44	-6.30	8.29	30.26	9.39
HDFC Taxsaver	Mar-96	9.48	0.64	-9.71	-8.06	6.05	32.64	7.31

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	8.11	-2.50	-8.25	-4.35	9.21	31.21	12.62
DSPBR Small and Mid Cap Reg	Nov-06	11.26	-5.79	-14.72	-9.51	4.25	35.98	7.81
HDFC Mid-Cap Opportunities	Jun-07	11.77	0.11	-10.70	-1.36	11.54	37.53	—
ICICI Prudential Discovery	Aug-04	14.27	3.27	-9.17	-6.33	5.36	41.57	10.28
IDFC Premier Equity	Sep-05	8.48	-3.14	-6.58	-0.63	9.83	37.36	17.71
IDFC Sterling Equity	Mar-08	10.33	-4.71	-13.09	-6.83	5.95	33.81	—
Sundaram Select Midcap Reg	Jul-02	9.33	-2.34	-14.02	-7.20	3.30	36.06	7.58
UTI Dividend Yield	May-05	7.00	-1.48	-6.28	-4.82	8.41	28.66	13.41
UTI Master Value	Jun-98	10.54	-4.20	-12.51	-8.30	5.55	36.24	9.30

Gold: Fund of Funds

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Kotak Gold	Mar-11	1.1500	4.4333	19.1550	—	—	—	—
Reliance Gold Savings	Mar-11	1.1660	3.9490	19.5253	—	—	—	—

Hybrid: Equity Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco Balanced	Feb-93	4.70	-0.52	-5.27	-0.44	6.99	24.94	9.09
HDFC Balanced	Sep-00	8.42	0.02	-5.71	3.17	11.50	30.15	11.32
HDFC Prudence	Feb-94	9.87	0.60	-6.38	-1.75	10.20	33.41	11.78
Reliance Regular Savings Balanced	Jun-05	8.37	0.48	-7.13	-6.38	5.75	27.20	12.22

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	1.6358	1.5388	1.8331	6.1053	7.3868	10.9930	9.5285
HDFC MIP LTP	Dec-03	3.5666	2.1745	0.6604	4.6004	7.2815	15.2217	9.7328
Reliance MIP	Dec-03	4.1629	3.5005	2.6605	6.1916	6.6996	12.7923	10.1845
FT India Dynamic PE Ratio FoF	Oct-03	6.1757	1.3371	0.2823	3.5154	6.6042	22.3611	10.0536

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	0.1237	1.1307	3.0507	4.9840	10.0287	7.6558	7.7658
BNP Paribas Flexi Debt Reg	Sep-04	-0.3519	0.6165	3.2267	3.2812	6.8362	4.9788	7.1864
Templeton India Short-term Income Ret	Jan-02	0.1491	0.6947	2.1980	4.4628	9.2825	7.2828	8.6545
Templeton India Income Opportunities	Dec-09	0.1388	0.7501	2.3138	4.6298	9.4685	7.8862	—
BNP Paribas Money Plus Reg	Oct-05	0.1735	0.7733	2.2643	4.4137	8.9371	7.3538	6.8671
Kotak Floater LT	Aug-04	0.1760	0.7840	2.3508	4.6377	9.3284	7.6152	6.9484

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

Dividends declared by equity and equity-oriented funds during the month of January 2012

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Balanced Fund (MD)	13/01/2012	0.30
Tata Equity P/E Fund (D) (TO-A 5%)	20/01/2012	1.00
IDFC Imperial Equity - A (D)	25/01/2012	1.20
IDFC Imperial Equity - B (D)	25/01/2012	0.60
Franklin India Bluechip (D)	27/01/2012	3.00

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.

Think rationally during irrational times

While volatility in the stock market is a natural phenomenon, different investors react differently when faced with it. Despite knowing that dealing with economic cycles is a part and parcel of equity investing, many investors resort to panic selling and look for alternative assets when markets turn negative. Needless to say, such a haphazard approach often jeopardizes long-term prospects of their equity portfolio. Here are some of the doubts that often creep into the minds of investors during uncertain times and how to handle them:

Have I been investing the right way?

As the valuation of their portfolio falls, many investors start questioning their investment strategy and the quality of their portfolio. The fact, however, is that if the fall is in line with the market as well as the peer group, there is no reason to panic. Therefore, one has to take a hard look at funds in the portfolio that under-perform the peer group on a consistent basis. Another issue that requires attention is whether your allocation to different asset classes is in line with your risk profile or not. If your asset mix takes you beyond your acceptable risk level, you may not be able to take volatility in your stride.

Therefore, to ensure that you continue with your investment process un-interruptedly, determine your risk level before investing. 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.

Also ensure that you have a comprehensive, well thought-out plan for achieving your goals. It helps if the plan has the required flexibility to take care of changes that might take place in your needs overtime.

Does my portfolio need a review?

While the term "Volatility" may evoke fear and concern, it is not advisable to start questioning the presence of equity in the portfolio during market downturns. One way to tackle market volatility is to invest with a clear idea about one's time horizon and knowing what to expect both in terms of returns and risk. For example, if you invest in equity funds with an unflinching commitment to continue this process for the next 10-15 years, it would be much easier to handle intermittent periods of volatility.

Needless to say, it pays to review your portfolio on an on-going basis. To do so, 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 percent. However, too much emphasis shouldn't be put on the short term performance.

While reviewing the portfolio it is important to ensure that your investments remain on track, it is equally important to make right selections. Although it can be tempting to go for the top performing fund at the time of making investment, the key is to remember that the desire to take risk should not exceed your capacity to take risk. Remember, a long term approach helps in reaping the benefits from the expertise of the professional fund managers as your investments are likely to appreciate steadily over time, overcoming most temporary setbacks.

SIP or lump sum investment?

It is heartening to see an increasing number of investors following a goal based investing strategy. No wonder, Systematic Investment Plan (SIP) has emerged

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Think rationally during...

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as a popular mechanism for investing in equity funds. Although SIP is an efficient method of turning volatility to one's advantage, one can't undermine the importance of investing long-term lump sum money in equity funds periodically. A combination of these two investment strategies can get the best results over the long-term. The key, however, remains the commitment to stay invested for a pre-decided time horizon.

Unfortunately, many investors, in spite of showing a great deal of enthusiasm in the beginning, fail to look beyond a couple of years. In fact, there are investors who sign up for SIP only for one year at a time. This kind of tentative approach towards this volatile but potentially the best asset class makes it difficult for them to accept not-so-encouraging results in a current market like situation. That's why; a tentative approach compels them to analyze the situation a fresh every year. Invariably, one would end up taking decisions that are driven by emotions and the current market moods rather than any logic. It's time to have a re-think on this and start following "buy and hold" strategy to get the best from equities.

(This article written by our CEO Mr. Hemant Rustagi was published in money control.com on January 19, 2012).

A Note to our esteemed readers

Wealthwise is being sent to some of 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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