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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 seven 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 did well in the month June 2012 on EU hopes as well as expectations of policy reforms after the Prime Minister assumed charge of the finance ministry. Besides, clarifications by the government on the GAAR also boosted the market sentiments. While the BSE benchmark Sensex was up by 9.18 %, the mid-cap and small indices were up by 5.70% and 5.64 % respectively.

Global rating agencies Fitch and S & P have cut their credit outlook for India to negative from stable, citing a slowing economy, policy inaction and worsening fiscal and current account deficits. India's economic growth slowed to a nine year low of 5.3% in March 2012 quarter, sharply lower than the near double digit growth seen before the global crisis in 2008. The Prime Minister has asked the officials of the finance ministry to formulate a plan to revive the "animal spirit" of India's economic growth. It is quite evident that the government needs to do a lot to revive India's growth story. There is certainly a hope as the Prime Minister is trying to address the specifics rather than broad based issues.

India's inflation rose marginally to 7.55% on an annual basis in May 2012 despite slowing economic growth. Even though inflation has come down from the double digit levels seen last year, it has remained above RBI's comfort level. At the retail level, the consumer price index (CPI) inflation for May was at 10.36%. No wonder, the RBI kept the indicative short term policy rate (repo rate) and Cash Reserve Ratio (CRR) unchanged. The RBI ignored the widespread demand and expectations of a rate cut to revive economic growth as it fears that easing monetary policy could worsen inflationary pressures.

The stock market is expected to do well going forward as the government appears to be committed to revive growth momentum and boost inflow of foreign funds. If you are an equity fund investor, you need to continue your investment process in a disciplined manner as well as ensure that your portfolio is geared to benefit from the next up move in the market. You must weed out non-performing funds and consolidate your portfolio to make it more manageable as well as improve your returns. With our expertise in managing mutual fund investments, we can help you in this process. All you need to do is to call any of our offices and our experienced advisors will do the rest.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market performance during June 2012.

Indices	1st June 2012	29th June 2012	Change in (%)
Sensex	15965.16	17429.98	9.18%
MIDCAP	5821.63	6153.72	5.70%
SMLCAP	6194.44	6543.75	5.64%
BSE-100	4856.04	5279.22	8.71%
BSE-200	1969.54	2138.10	8.56%
BSE-500	6177.22	6682.47	8.18%

Designing a Goal-Directed Portfolio

Many investors aspire to earn supernormal returns. While aiming to earn higher returns is not strange, the problem arises when investors wish to earn these returns without even taking normal risks associated with investments that have the potential to provide higher returns over the longer term. As a result, their actions often belie their aspirations.

It is quite common to see a complete mismatch between how investors design their portfolio and what they intend to achieve through it. The resultant desperation often makes them take abrupt investment decisions. If you are among those investors who often face this situation, you need to wake to the fact that the key to investment success lies in striking the right balance between risk and reward.

While it is true that if you don't take enough risk on your portfolio, higher returns would remain a distant dream, at the same time taking too much risk may turn your dreams into your worst nightmares. This is where an asset allocation strategy has a role to play. Asset allocation is the process of combining various asset classes such as equity, debt, real estate and commodities into a portfolio. This strategy helps if one asset class is losing money, the other may bring you good returns.

On the other hand, if a substantial part of your portfolio consists of securities belonging to a risky asset class like equity, the end result can deviate substantially from your expectations over the short to medium term. Considering that asset allocation is the most important factor in determining the kind of returns you can get from your investments over time, it must be the mainstay of your portfolio.

Asset allocation is a form of diversification that reduces your portfolio risk more than it compromises returns. When you invest in two different asset classes that tend to go in opposite directions in different market conditions, the combination is likely to have a stabilizing effect on your portfolio. For example, the stock market does well during an economic boom, and loses ground during recessionary times. The bond market, however, has the opposite trajectory- while recessionary conditions are good for the bond market, a booming economy is not so good for it.

It is equally important to ensure proper diversification within an asset class. When you diversify your investments, you reduce the chances of your portfolio suffering from the risks associated with having concentrated holdings. In other words, diversification helps in minimizing the impact of any negative performance in either a sector/ industry or an investing style.

For your asset allocation strategy to be successful, it must be flexible enough to accommodate changes in your financial circumstances as well as the changes in the economic cycle. It is important because the economic environment has a direct impact on the behaviour of the financial markets.

It is vital to keep certain key points in mind while deciding your asset allocation and practicing it over a period of time. The key ingredients should be your time horizon, investment goals as well as your risk tolerance. As different asset classes behave differently over time, a carefully designed portfolio can help in managing the market risk efficiently. As your investment time frame and goals change, so should your asset allocation. Therefore, be prepared to re-evaluate your asset allocation periodically.

It is equally important to adopt the right strategy for investment in line with your asset allocation. Once your asset allocation is in place, the focus should be on selecting the most appropriate investment options. For example, for a small investor who doesn't have the wherewithal to invest directly into the stock market, mutual funds can be an ideal option. The key considerations while selecting investment instruments must be their flexibility, transparency, tax efficiency and liquidity.

Don't forget, the most important factor is to get started. Remember, it is never too late to start as well as to revamp your asset allocation plan.

(This article written by our CEO, Hemant Rustagi was published in Dalal Street Investment Journal - Issue dated July 01, 2012).

The right investment path holds the key to success

All of us have dreams for ourselves as well as for our near and dear ones. Needless to say, to fulfill most of these, money plays an important part. Therefore, it is absolutely necessary to invest prudently to ensure a healthy growth over the years. While most of us work hard to earn, we do not show the same intensity and seriousness at the time of investing it.

Though investing is a very simple process, a haphazard approach to investing can be suicidal. Remember, investing money requires planning, perseverance and time commitment. Here's what you should do to ensure success on a consistent basis:

Take the right first step

Don't begin investing unless you have determined your investment objectives i.e. both long-term as well as short term ones, the right asset allocation as well as the investment vehicle to achieve each of these. Simply put, there are three steps that can help determine an action plan. Firstly, begin by making a list of personal and financial goals during short, medium and long-term horizon. For example, in the short term, you may want to buy a car; in the medium term you may like to provide for children's education; and in the long run, retirement funding could be an objective.

Secondly, you need to assess your current position in the financial life cycle.

Thirdly, you must decide as to how much risk you are willing to take to earn your targeted returns. This is critical as different financial objectives require different investments.

Always try to balance risks and rewards

Many of us make a mistake of underestimating risk and/or overestimating reward from an investment. One needs to be careful about this aspect of investing. By estimating the risks associated with each of the investment options, you can improve your chances of building a greater wealth.

Go for an appropriate investment option

In an ever changing financial environment, it pays to invest in smart options like mutual funds. Though investment risks and economic uncertainties can never be eliminated, professionals managing your money in mutual funds can help you tackle them more efficiently. However, to benefit from their expertise to the fullest, it is necessary to invest in the right type of fund i.e. the one whose objective matches with yours.

Make tax planning an integral part of your investment strategy

Many of us have the habit of investing in a haphazard manner to save taxes. That's because, we consider tax savings investments a burden rather than a tool to get the best in terms of saving taxes as well as making our money grow. There is a need to integrate these investments into your overall investment program. Besides, you need to adopt a disciplined way of investing rather than investing at the fag end of the year. By doing so, you can not invest in the right options but also achieve your goal of investing on a regular basis.

After determining your overall exposure to equities, you can invest a part of it in Equity Linked Savings Schemes (ELSS) of mutual funds. Being equity oriented funds; these have the potential to provide better returns than most of the options under Section 80 C. Another notable feature is the tax efficiency in terms of returns earned through them.

Don't lose focus on your asset allocation

It is quite common to see investors showing complete disregard to their asset allocation in a bull market. Obviously, in their quest to maximize the returns, the risks associated with the portfolio imbalance are totally ignored. While equity market requires a long term commitment, it is equally important to maintain the proper asset allocation. In other words, re-balancing, either up or down, is a necessary ingredient for the long term success. Portfolio rebalancing is a process of bringing the different asset classes back into proper relationship following a significant move in one or more.

Another important ingredient for success is not to lose sight of your long-term objectives. Many a times, we shift the focus on short-term goals at the cost of our long-term goals. While at times it might become necessary to do so, you will do well to explore other possibilities rather than abandoning your long-term investment plan in a hurry.

Performance of Select Funds

Data as on June 29, 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	6.00	3.25	14.79	-4.76	1.00	9.42	8.18
Canara Robeco Equity Diversified	Sep-03	5.64	3.53	15.77	0.63	3.74	14.07	10.57
DSPBR Top 100 Equity Reg	Mar-03	3.99	0.53	14.15	-3.07	2.31	9.70	8.47
DSPBR Equity	Apr-97	1.88	-1.14	14.52	-6.65	-0.25	11.00	8.07
Fidelity Equity	May-05	4.79	0.54	11.76	-5.24	1.04	11.96	6.85
Fidelity India Growth	Oct-07	4.82	0.43	11.19	-5.33	1.10	11.98	—
Franklin India Flexi Cap	Mar-05	4.04	-0.60	11.42	-8.02	0.88	9.46	5.59
HDFC Equity	Jan-95	5.09	1.03	17.50	-8.08	1.17	13.41	9.28
HDFC Top 200	Oct-96	5.74	1.61	16.58	-5.52	1.62	10.84	10.63
ICICI Prudential Dynamic	Oct-02	4.10	1.09	18.43	-2.33	3.06	14.26	8.26
ICICI Prudential Focused Bluechip	May-08	5.72	2.01	11.75	-2.05	5.52	14.00	—
Kotak 50	Dec-98	5.69	1.54	8.12	-6.05	-0.46	7.60	5.20
Kotak Opportunities Fund	Sep-04	5.85	1.90	12.29	-4.22	-0.77	7.88	6.15
Reliance Regular Savings Equity	Jun-05	4.30	2.22	19.20	-7.86	-2.89	8.02	9.76
Reliance Equity Opportunities	Mar-05	3.47	4.67	23.79	1.84	6.91	21.88	9.73
Tata Equity PE	Jun-04	3.73	-3.23	13.58	-5.89	-1.68	11.84	7.66

Sector, Specialty & Tax Saving

ICICI Prudential FMCG	Mar-99	6.82	11.09	23.46	27.15	24.76	35.10	17.04
Reliance Banking Retail	May-03	6.70	4.22	28.35	-5.85	5.32	16.08	15.93
Reliance Pharma	Jun-04	3.31	6.55	13.97	0.44	4.81	30.93	18.15
Canara Robeco Equity Tax Saver	Mar-93	5.85	3.42	15.49	0.32	3.68	14.72	11.70
Fidelity Tax Advantage	Feb-06	4.23	0.67	12.58	-5.14	1.02	12.94	7.76
HDFC Taxsaver	Mar-96	4.32	-0.73	12.57	-7.75	-0.02	13.15	6.70

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	5.13	-0.06	15.57	-1.61	2.73	17.11	12.23
DSPBR Small and Mid Cap Reg	Nov-06	0.43	-1.00	18.11	-6.38	-0.52	16.44	7.21
HDFC Mid-Cap Opportunities	Jun-07	3.78	0.39	21.36	-0.16	6.53	21.05	—
ICICI Prudential Discovery	Aug-04	2.64	2.98	24.44	0.29	3.58	20.45	10.98
IDFC Premier Equity	Sep-05	2.14	2.59	16.21	3.49	5.85	18.88	13.70
IDFC Sterling Equity	Mar-08	3.28	4.20	24.26	1.45	3.27	18.68	—
Sundaram Select Midcap Reg	Jul-02	4.18	-0.21	14.85	-6.43	0.57	12.42	7.45
UTI Dividend Yield	May-05	6.35	0.90	10.91	-2.73	2.79	14.59	11.77
UTI Master Value	Jul-98	2.72	-1.06	14.26	-7.84	-0.79	17.82	8.77

Gold: Fund of Funds

Kotak Gold	Mar-11	2.0485	5.0235	7.6807	30.7501	—	—	—
Reliance Gold Savings	Mar-11	1.6581	4.3422	8.0619	30.9248	—	—	—

Hybrid: Equity Oriented

Canara Robeco Balanced	Feb-93	4.67	4.14	14.11	4.50	5.62	12.81	10.13
HDFC Balanced	Sep-00	3.06	1.36	15.29	1.40	7.31	16.93	12.48
HDFC Prudence	Feb-94	2.85	1.18	15.43	-1.23	4.67	15.87	11.37
Reliance Regular Savings Balanced	Jun-05	4.68	4.50	18.52	1.61	3.29	11.44	13.01

Hybrid: Debt Oriented

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Canara Robeco MIP	Apr-01	1.4168	2.3552	6.3879	7.3316	6.9802	7.8249	9.1310
HDFC MIP LTP	Dec-03	1.6581	1.9633	7.7462	5.1225	6.3142	9.1027	9.6871
L&T MIP	Jul-03	1.6549	2.4251	5.9544	6.492	5.656	6.1310	9.6524
Reliance MIP	Dec-03	0.9087	2.3574	8.9007	7.6422	6.7615	9.5299	11.4360
FT India Dynamic PE Ratio FoF	Oct-03	3.6472	1.3067	9.2965	2.5905	5.2158	8.1978	9.6268

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	0.1419	0.8755	2.5962	4.9989	10.1478	8.2076	7.7746
BNP Paribas Flexi Debt Reg	Sep-04	0.1634	1.1990	2.8249	5.4403	8.2697	6.2995	5.8807
L&T Select Income-Flexi Debt Ret	Oct-09	0.1834	0.7961	2.4235	4.7589	9.5620	8.4826	—
L&T Ultra Short Term	Mar-02	0.1853	0.8032	2.4738	4.8883	9.6831	8.4752	7.1357
Templeton India Short-term Income Ret	Jan-02	0.2258	0.9873	2.6773	4.7471	9.4394	7.9578	8.2011
Templeton India Income Opportunities	Dec-09	0.2110	0.9911	2.6722	4.6625	9.5073	8.0254	—
BNP Paribas Money Plus Reg	Oct-05	0.1814	0.8047	2.4457	4.8585	9.3976	8.4570	7.2367
Kotak Floater LT	Aug-04	0.1807	0.8168	2.5453	4.7910	9.6186	8.6237	7.4073

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Balanced Fund (MD)	08/06/2012	0.30
DSP-BR Opportunities - RP (D)	15/06/2012	2.50
IDFC Arbitrage Plus-A (D)	18/06/2012	0.08
IDFC Arbitrage Plus-B (D)	18/06/2012	0.08
IDFC Arbitrage Fund (D)	18/06/2012	0.09
Franklin India Prima Fund (D)	22/06/2012	4.00
Birla Sun Life Top 100 (D)	22/06/2012	1.00
Birla Sun Life Midcap Fund -A (D)	22/06/2012	1.50
Birla Sun Life India GenNext (D)	22/06/2012	1.00
Kotak Equity Arbitrage (D)	25/06/2012	0.07
HDFC Arbitrage Fund - WP (QD)	25/06/2012	0.27
HDFC Arbitrage Fund - RP (QD)	25/06/2012	0.27
HDFC Arbitrage Fund - RP (MD)	25/06/2012	0.15
UTI Dividend Yield Fund (D)	26/06/2012	0.40

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.

Select the right option while investing in equity funds

Mutual funds have emerged as a very useful and tax effective vehicle for investors with different risk profile and time horizon. The added advantages are the variety of options, flexibility and the simplicity with which one can invest in them. It is, however, imperative that a proper care is taken at the time of making an investment.

If one follows certain basic principles of mutual fund investing, the chances of success improve considerably. Besides, having the right allocation in equity and debt funds helps in achieving different investment objectives over varying time periods.

It is heartening to see marked improvement in the quality of decision making process thanks to the initiatives taken by the mutual fund industry and emergence of new breed of quality advisors. Besides, at least a section of investing public has started taking responsibility by participating in the decision making process. However, one still comes across certain situations where wrong choices result in disappointments in the form of failed investment objectives.

Over the years, the principles and techniques of investing in equity funds have undergone a sea change. One of the key decisions that investors are required to make is to select the right option in a scheme. There are three options for those who invest in equity funds; dividend payout, dividend reinvestment and growth option. Knowing which is which and knowing what you should go for is important.

First let us understand the "growth option". Under growth option, the fund does not declare dividend and the NAV is allowed to grow. The tax incidence under this option depends on the period for which the money remains invested. As per current tax laws, short term gains i.e. gains made on investments redeemed within 12 months, are taxed at a flat rate of 15 percent. Long term capital gains i.e. gains on investments redeemed after 12 months are not taxed. While tax laws are clear, most investors are unclear about what is the right time to exit. There have been occasions when investors have exited from a scheme only to see NAV touching new heights and also occasions when NAV of the fund has spiraled down, thereby taking away majority of the gains. While the growth option can be described as the best option as it offers compounding benefits, in reality investors have suffered as and when the markets have taken a beating. However, for a small investor who wants to build a capital over time thru systematic investing, growth options remains a better choice as the fall in the value can be offset to an extent by investments made at lower levels.

Dividend payout is an option under which the fund declares dividend as and when it has surplus. As per current tax laws, dividend declared by equity and equity oriented funds is tax free in the hands of investors. An important highlight of this option is that any dividend declared by the fund within 12 months of investments made, converts a part of short- term capital gains into tax free income.

Equity investing requires investors to follow a disciplined approach as well as rebalance the portfolio periodically to bring the current asset allocation closer to the original level. However, for a mutual fund investor, who may not be aware of the nuances of stock market investing, it may be a bit difficult to ascertain the right time to do so. Therefore, the right way is to go for dividend payout option wherein the fund manager distributes a part of the gains as a tax free dividend. This in a way ensures that you, as an investor, get dividend from time to time as well as book profits without having to worry about the right or wrong time for doing so.

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Select the right option...

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Besides, for an investor who has a large equity fund portfolio, the dividend amount can also provide an opportunity to invest in newer themes or sectors and that can enhance the overall portfolio returns.

Now let's understand about the dividend reinvestment. While the first part i.e. dividend payment is exactly on the lines of dividend payout, the end result completely differs as instead of paying the dividend amount to investor, it is reinvested in the same fund. While this option has the combined features of dividend as well as growth option, it negates certain advantages. For example, while the profit is booked by way of dividend payment, the same is reinvested in the fund at the same market level thereby defeating the main purpose. Besides, one has to keep the dividend amount invested at least for a year to make it tax free. On the other hand, if one opts for growth option, any withdrawals after one year are exempted from capital gains tax. Therefore, one can plan redemptions for various purposes without having to worry about the capital gains tax.

In other words, the toss up has to be between dividend or growth option. Remember, 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.

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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