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# WEALTHWISE®

Wiseinvest®
With YOU, in meeting
FINANCIAL CHALLENGES

## Inside



## Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest Advisors, which is a quality investment advisory firm that specializes in mutual funds. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 25 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance 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 ten 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. 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 month of April 2014 turned out to be a mixed bag for the equity market. While the BSE's benchmark Sensex was down by -0.13 percent, the mid-cap and small cap indices were up by 3.35 percent and 5.39 percent respectively. There was some nervousness among investors over the last few days of the month. As a result, the stock market pared some of its gains. The BSE Sensex touched an all time high of 22939 on April 25, 2014 before closing the month at 22417.

In the absence of any likelihood of major news coming out of the domestic market over the next couple of weeks, international events like Ukraine and FOMC meet could play an important role in giving direction to the market. Thereafter, the outcome of the on-going general elections would provide direction to the market. Although NDA is expected to get to near majority, the market sentiment will get a boost if BJP manages to win a significant number of seats. If that happens, off-shore investors can be expected to increase their allocation to India. Moreover, the US Fed is likely to continue tapering until the end of the year and bring it to level zero. This will be positive for the emerging markets in the long run. In that pack, a country like India that has sorted out some of its problems is likely to be at the top of the list.

On the economic growth front, the World Bank has projected an acceleration in the growth rate of India in FY 2014 to 4.8 percent and further to 5.7 percent in 2015 on the back of a more competitive exchange rate and many large investments going forward. IMF also expects Indian economy to recover from 4.4 percent growth in 2013 to 5.4 percent in 2014. The Asian Development Bank also has forecast a growth rate of 5.5 percent for India in the current fiscal year.

On the inflation front, expansive fruits and vegetables pushed the wholesale and retail inflation rate in March 2014. While wholesale inflation in March rose to a three month high of 5.7 percent, retail inflation inched up to 8.31 percent after softening for three straight months since December 2013.

A current market like scenario evokes a mixed feeling of excitement and fear in the minds of investors. Although retail investors have been conspicuous by their absence in the stock market, they are likely to take the plunge at some stage. If you are one of those investors who may like to either begin investing in equities or enhance your exposure to this asset class, the key would be to follow your asset allocation rather than investing randomly to benefit from the momentum in the stock market.

Warm regards,

**Hemant Rustagi**
**Editor**

Address to be affixed here

## The Stock Market Performance During April 2014.

| Indices | 1st April 2014 | 30th April 2014 | Change in (%) |
|---|---|---|---|
| Sensex | 22,446.44 | 22,417.80 | -0.13% |
| MIDCAP | 7,086.00 | 7,323.46 | 3.35% |
| SMLCAP | 7,106.72 | 7,489.87 | 5.39% |
| BSE-100 | 6,719.82 | 6,715.36 | -0.07% |
| BSE-200 | 2,685.60 | 2,688.05 | 0.09% |
| BSE-500 | 8,309.18 | 8,342.15 | 0.40% |

# Here's Why Long-Term Investors Must Stay Disciplined

It is a well known fact that equity has an important role to play in the portfolios of long-term investors. In fact, equity has long been recognized as potentially one of the best classes that can help them stay ahead of inflation and achieve their long-term investment goals. However, to benefit from the true potential of this wonderful asset class, investors must follow a disciplined approach, own a diversified portfolio and invest with a long-term view. That's why mutual funds are considered to be an ideal way for retail investors to invest in equities. Unfortunately, only a small section of equity fund investors plan their investments and stay committed to their investment process for their defined time horizon.

No wonder, despite being potentially the best asset class, the retail participation in equities, either directly or through mutual funds, has remained very low. The mistake investors make is that they shun equities totally when the markets are down but invest aggressively in the hope of generating quick returns when the markets are doing well. While staying away from equities during stock market downturns results in investors missing out on potentially great investment opportunities, investing aggressively during the rising market scenario exposes them to higher risk. As a result, investors get disillusioned and stay away from equities.

This trend is quite evident from the fact that mutual funds have been net buyers in equities only for two months during the period starting from January 2012 till date. The incessant redemption pressure from investors has resulted in mutual funds turning net sellers.

It is true that the stock market has been testing the patience and resolve of investors for more than five years. However, even the prolonged bouts of volatilities do not justify the haphazard investment approach. A disciplined approach would have allowed investors to keep faith in equities even during the market downturns. Investors can stay disciplined if they align their equity investments to their investment goals with a clearly defined time horizon.

It is important for every investor to know that volatility in the stock market is a natural phenomenon and hence he must be prepared to face it. Moreover, the volatility during short or medium term doesn't take away the potential of equities to out-perform other asset classes in the long run.

The performance of equity funds over the last six months has proved that all those investors who stay disciplined by ignoring volatility get rewarded handsomely when the stock market turns upwards. The tables below highlight how returns improved dramatically over the last six months for those investors who have been investing through SIP:

### SIP returns as on September 23, 2013

| Scheme Name | Launch | 3 Year** | 5 year** | 8 Year* | 10 Year** |
|---|---|---|---|---|---|
| Birla SL Frontline Equity - A (G) | Aug-02 | 4.31 | 9.55 | 10.34 | 14.51 |
| Canara Robeco Equity Diversified (G) | Sep-03 | 2.7 | 10.12 | 10.26 | 13.56 |
| DSP BR Top 100 Equity Fund (G) | Mar-03 | -0.34 | 5.97 | 8.32 | 13.22 |
| HDFC Top 200 Fund (G) | Oct-96 | -2.79 | 5.99 | 8.58 | 13.69 |
| ICICI Pru Dynamic Plan (G) | Oct-02 | 4.9 | 10.58 | 10.47 | 15.64 |
| Reliance Equity Opportunities. (G) | Mar-05 | 1.03 | 12.08 | 11.05 | --- |
| UTI Opportunities (G) | Jul-05 | 3.15 | 10.06 | 10.93 | --- |

### SIP returns as on April 21, 2014

| Scheme Name | Launch | 3 Year** | 5 Year** | 8 Year** | 10 Year** |
|---|---|---|---|---|---|
| Birla SL Frontline Equity - A (G) | Aug-02 | 17.58 | 12.7 | 13.29 | 16.12 |
| Canara Robeco Equity Diversified (G) | Sep-03 | 13.35 | 11.23 | 12.84 | 14.72 |
| DSP BR Top 100 Equity Fund (G) | Mar-03 | 9.96 | 8.07 | 10.09 | 13.86 |
| HDFC Top 200 Fund (G) | Oct-96 | 14.41 | 10.72 | 12.68 | 15.91 |
| ICICI Prudential Dynamic Plan (G) | Oct-02 | 18.91 | 14.33 | 13.85 | 17.34 |
| Reliance Equity Opportunity fund. (G) | Mar-05 | 17.48 | 15.5 | 15.49 | --- |
| UTI Opportunities (G) | Jul-05 | 13.91 | 12.08 | 13.8 | --- |

** Annualized return
(Past performance may or may not be sustained in future)

As is evident, there has been a marked improvement in the performance of these select funds over the last six months or so. For example, for a fund like HDFC Top 200 which was giving a negative annualized return of 2.79 percent over a three year period in September 2013, the annualized return for the same duration improved to 14.41 percent as on April 21, 2014. Similarly, for Reliance Equity Opportunity Fund, the annualized return for three year period improved from 1.03 percent to 17.48 percent.

It is important to note that even in the month of September 2013, the performance of most of the funds over 5, 8 and 10 years period was quite impressive. It indicates how despite facing volatility for prolonged periods, a regular and disciplined approach can help investors in generating healthy returns.

Therefore, if you are looking to start investing in equity funds, make sure you have a definite long-term time horizon and a commitment to follow the disciplined approach. This alone will go a long way in achieving your investment goals.

# Untangle Dilemmas To Achieve Investment Success

It is always a good idea to invest in funds that have done well over the longer period. The long-term consistent performance track record of a fund confirms its ability to perform well over different market cycles. However, a fund with a long-term track record usually grows too large in size. Unfortunately, the size of the fund often creates a dilemma in the minds of investors about its future prospects. Therefore, the question that needs to be addressed is whether the size of a fund should stop investors from investing in it.

While a fund can become unwieldy to manage efficiently if it grows too large, it may not be a disadvantage for all types of funds. The impact of the size of a fund on its performance would depend upon the asset class it invests in as well as its investment strategy/philosophy.

For example, in case of a pure large cap fund or a multi-cap fund that invests pre-dominantly in large cap stocks, the size of the fund may not matter much. That's because these stocks are quite liquid and hence buying and selling them in any quantity is not a problem for a fund manager. Similarly, the large fund size also may not have any impact on debt funds like liquid fund, ultra short term, short term and even income funds.

However, a fund's performance can suffer in case it either outgrows its investment style. For example, a mid-cap fund where the success depends on how effectively the fund manager does the stock picking, the large size of the fund may force him to make certain compromises in terms of quality of the stocks and liquidity. As we know, this segment of the market remains under-researched and hence there aren't too many opportunities here. However, considering the potential of mid-cap companies to do well, these funds do attract large sums of monies when the markets do well. In a way, at times, these funds become victim of their own success. Similarly, if a sector fund becomes too large, the fund manger may struggle to invest the money in the sector efficiently.

From investors' point of view, they can ignore the fund size while investing in large cap or large cap oriented multi-cap funds and just focus on fund's investment strategy, quality of portfolio and long-term performance track record. In fact, investors benefit from lower expense ratio when they invest in large funds. However, the fund size can be an important consideration while investing in mid-cap, value or sector funds.

Another dilemma for investors is to find a balancing point that can ensure that their portfolio risk remains within their risk taking capacity. The right way to do so is to follow an asset allocation strategy as it combines various asset classes such as equity, debt, real estate and commodities into a portfolio.

Retail investors generally find the process of asset allocation a little cumbersome and hence often look for easier solutions. That's why, many retail investors believe that a capital protection plan provides answers to their needs such as asset allocation and balancing the risk and reward.

A Capital Protection Plan is a fund that aims to protect the capital by investing pre-dominantly in fixed income instruments and generate capital appreciation by investing the balance in equity and equity oriented instruments. For example, a three year capital protection plan would typically invest say ₹80 in debt instruments out of every ₹100 collected and the balance ₹20 in equities. At the end of the life of the scheme, the debt portfolio would in all probabilities grow to ₹100 or little more, thereby protecting the capital.

Although a capital protection fund allows investors to diversify between debt and equity, there are a couple of drawbacks too. First, these are closed end funds and hence an investor would require a lump sum to invest. Second, in the absence of a continuous investment process, an investor neither gets an opportunity to investment regularly nor benefit from “averaging”, which is the key for the equity portion of the portfolio.

It is quite evident that as an investment option, a capital protection plan has a limited utility. Therefore, retail investors must focus on asset allocation strategy to maintain the right balance between risk and reward and invest in a combination of investment options that allows them to benefit from higher transparency, flexibility, variety and tax efficiency of returns.

# Performance Of Select Funds

**Data as on April 25, 2014**

## EQUITY FUNDS

### Diversified

| Fund | Launch | 1-Month* | 3-Month* | 6-Month* | 1-Year* | 2-Year** | 3-Year** | 5-Year** |
|---|---|---|---|---|---|---|---|---|
| Axis Equity Fund | Jan-10 | 4.03 | 9.20 | 11.85 | 15.63 | 19.66 | 9.33 | — |
| Birla Sun Life Frontline Equity Fund | Aug-02 | 4.22 | 10.58 | 13.86 | 19.36 | 19.94 | 9.09 | 19.90 |
| BNP Paribas Equity Fund | Sep-04 | 3.13 | 7.56 | 8.05 | 16.57 | 15.98 | 9.06 | 15.67 |
| Canara Robeco Equity Diversified | Sep-03 | 3.64 | 8.76 | 11.55 | 16.01 | 13.80 | 8.27 | 19.95 |
| Franklin India Prima Plus Fund | Sep-94 | 3.79 | 10.93 | 16.71 | 20.52 | 16.74 | 8.76 | 18.60 |
| HDFC Equity Fund | Jan-95 | 7.17 | 16.28 | 24.37 | 22.31 | 15.74 | 6.03 | 22.14 |
| HDFC Top 200 Fund | Sep-96 | 6.23 | 13.58 | 19.06 | 18.36 | 14.87 | 6.09 | 19.52 |
| ICICI Prudential Dynamic Fund | Oct-02 | 4.12 | 9.33 | 16.91 | 30.75 | 19.22 | 9.76 | 20.74 |
| ICICI Prudential Focused Bluechip | May-08 | 2.97 | 9.08 | 11.70 | 20.16 | 16.88 | 8.37 | 20.67 |
| Kotak 50 | Dec-98 | 3.23 | 8.27 | 10.44 | 11.17 | 14.19 | 5.78 | 15.04 |
| Kotak Opportunities | Sep-04 | 3.09 | 8.57 | 10.22 | 16.53 | 14.36 | 6.12 | 17.18 |
| L&T Equity Fund | May-05 | 4.41 | 10.33 | 14.27 | 19.51 | 13.86 | 5.92 | 18.88 |
| Reliance Top 200 Fund - Retail Plan | Aug-07 | 3.98 | 11.40 | 19.04 | 17.73 | 15.81 | 7.10 | 16.06 |
| SBI Bluechip Fund | Feb-06 | 3.24 | 8.54 | 13.34 | 16.42 | 19.07 | 9.32 | 17.17 |
| UTI Opportunities Fund | Jul-05 | 2.43 | 7.86 | 9.91 | 15.72 | 13.91 | 9.02 | 20.06 |

### Sector, Specialty & Tax Saving

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Canara Robeco F.O.R.C.E Fund | Sep-09 | 2.29 | 9.47 | 10.83 | 7.67 | 13.41 | 6.79 | — |
| ICICI Prudential FMCG Fund | Mar-99 | -0.53 | 5.89 | 4.23 | 14.27 | 15.99 | 21.48 | 29.88 |
| Reliance Banking Fund | May-03 | 8.49 | 18.27 | 23.56 | 6.91 | 14.89 | 3.33 | 22.81 |
| Reliance Pharma Fund | Jun-04 | 2.06 | 5.39 | 20.74 | 28.61 | 23.06 | 16.90 | 33.94 |
| Axis Long Term Equity Fund | Dec-09 | 2.53 | 13.73 | 23.22 | 31.93 | 23.79 | 15.18 | — |
| HDFC Long Term Advantage Fund | Jan-01 | 5.44 | 12.89 | 19.73 | 25.40 | 17.38 | 8.70 | 21.83 |
| IDFC Tax Advantage (ELSS) Fund | Dec-08 | 3.63 | 7.43 | 14.16 | 21.49 | 19.79 | 9.07 | 18.65 |
| Reliance Tax Saver Fund | Sep-05 | 5.00 | 19.55 | 30.90 | 26.45 | 16.29 | 10.14 | 21.24 |

### Midcap & Smallcap

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| HDFC Mid-Cap Opportunities Fund | Jun-07 | 8.28 | 17.56 | 32.24 | 34.77 | 20.23 | 14.41 | 28.29 |
| ICICI Prudential Value Discovery Fund | Aug-04 | 8.22 | 18.92 | 28.31 | 30.43 | 21.01 | 12.61 | 28.86 |
| IDFC Premier Equity Fund - Regular | Sep-05 | 2.51 | 11.54 | 23.13 | 25.49 | 18.71 | 12.55 | 25.21 |
| IDFC Sterling Equity Fund - Regular | Mar-08 | 5.46 | 9.85 | 14.35 | 17.04 | 11.91 | 7.78 | 23.11 |
| Reliance Equity Opportunities Fund | Mar-05 | 3.85 | 10.80 | 23.59 | 19.03 | 17.14 | 11.30 | 26.86 |

## HYBRID

### Equity, Debt Oriented & Multi Asset Class

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Birla Sun Life 95 Fund | Feb-95 | 3.63 | 9.75 | 13.57 | 15.79 | 14.96 | 7.82 | 17.43 |
| Canara Robeco Balance Fund | Feb-93 | 3.49 | 8.21 | 11.62 | 14.89 | 12.25 | 8.46 | 16.79 |
| HDFC Balanced Fund | Sep-00 | 6.11 | 11.43 | 20.85 | 25.22 | 14.99 | 10.82 | 21.44 |
| HDFC Prudence Fund | Feb-94 | 7.01 | 13.89 | 23.11 | 20.56 | 13.39 | 8.20 | 21.38 |
| ICICI Prudential Balanced Fund | Nov-99 | 3.37 | 9.16 | 15.51 | 21.22 | 17.25 | 12.33 | 18.50 |
| IDFC Monthly Income Plan | Feb-10 | 1.66 | 3.32 | 4.90 | 5.75 | 9.60 | 8.69 | — |
| Kotak Balance | Nov-99 | 4.27 | 6.81 | 9.92 | 12.00 | 12.45 | 7.39 | 14.30 |
| Reliance Regular Savings Fund | Jun-05 | 3.69 | 9.51 | 16.35 | 15.84 | 14.73 | 8.07 | 17.87 |
| Canara Robeco Monthly Income | Apr-01 | 1.95 | 4.88 | 7.35 | 11.84 | 9.40 | 8.62 | 9.74 |
| HDFC MF Monthly Income Plan | Dec-03 | 3.00 | 6.00 | 9.85 | 8.72 | 9.23 | 7.65 | 10.97 |
| Reliance Monthly Income Plan | Dec-03 | 1.78 | 4.00 | 6.92 | 6.46 | 8.39 | 7.89 | 9.56 |
| Axis Triple Advantage Fund | Aug-10 | 1.75 | 3.74 | 3.40 | 8.71 | 7.87 | 7.77 | — |
| Canara Robeco InDiGo Regular | Jul-10 | 1.34 | 1.51 | 1.03 | 6.62 | 4.21 | 7.48 | — |
| FT India Dynamic PE Ratio Fund | Oct-03 | 2.06 | 5.46 | 7.68 | 9.09 | 10.29 | 6.84 | 13.05 |

## International Funds

| Fund | Launch | 1-Month* | 3-Month* | 6-Month* | 1-Year* | 2-Year** | 3-Year** | 5-Year** |
|---|---|---|---|---|---|---|---|---|
| FT India Feeder Franklin US Opp. | Feb-12 | -4.26 | -5.45 | -0.91 | 31.38 | 20.42 | — | — |
| ICICI Prudential US Bluechip Equity | Jul-12 | 3.78 | 4.92 | 7.36 | 38.94 | — | — | — |

## GOLD

### Fund of Funds

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Kotak Gold Fund | Mar-11 | 2.52 | 0.18 | -5.63 | 10.56 | 0.08 | 8.67 | — |
| Reliance Gold Savings Fund | Mar-11 | 3.30 | 0.75 | -6.44 | 10.27 | 0.56 | 8.85 | — |

## DEBT

### Income, Short Term & Ultra Short Term Funds

| Funds | Launch | 1 Week* | 1 Month* | 3 Months* | 6 Months* | 1 Year* | 2 year** | 3 Year** |
|---|---|---|---|---|---|---|---|---|
| Birla Sun Life Short Term Opp. | Jun-08 | 0.45 | 0.89 | 2.56 | 5.03 | 9.81 | 10.80 | 10.35 |
| Birla Sun Life Dynamic Bond Fund | Sep-04 | 0.28 | 0.87 | 2.24 | 4.47 | 6.08 | 8.55 | 9.07 |
| Kotak Income Opportunities Fund | May-10 | 0.39 | 0.84 | 2.44 | 4.29 | 7.41 | 8.75 | 8.92 |
| Religare Invesco Short Term Fund | Mar-07 | 0.26 | 0.72 | 1.98 | 3.66 | 6.23 | 7.88 | 9.13 |
| Religare Invesco Bank Debt Fund | Dec-12 | 0.22 | 0.58 | 2.07 | 3.86 | 6.49 | — | — |
| Reliance Regular Savings Fund | Jun-05 | 0.35 | 0.82 | 2.45 | 4.43 | 7.94 | 9.04 | 8.98 |
| SBI Magnum Income Fund | Nov-98 | 0.33 | 0.53 | 1.49 | 1.92 | 1.49 | 7.71 | 8.35 |
| L&T Income Opportunities Fund | Oct-09 | 0.34 | 0.85 | 2.46 | 4.61 | 6.45 | 7.43 | 8.10 |
| BNP Paribas Flexi Debt Fund | Sep-04 | 0.13 | 0.64 | 1.75 | 3.18 | 5.92 | 8.60 | 8.36 |
| BNP Paribas Money Plus Fund | Oct-05 | 0.16 | 0.73 | 2.07 | 4.15 | 8.27 | 8.50 | 8.75 |
| L&T Ultra Short Term Fund | Mar-02 | 0.17 | 0.74 | 2.25 | 4.36 | 8.68 | 8.72 | 8.98 |
| Kotak Floater Long Term | Aug-04 | 0.18 | 0.82 | 2.39 | 4.71 | 8.94 | 9.27 | 9.33 |
| UTI Short Term Income Fund | Jun-03 | 0.20 | 0.80 | 2.26 | 4.09 | 7.84 | 9.56 | 9.81 |
| Kotak Banking and PSU Debt Fund | Dec-98 | 0.20 | 0.86 | 2.47 | 4.97 | 10.04 | 9.03 | 8.87 |

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

### Dividends declared by equity and equity-oriented funds during the month of April 2014

| Scheme name | Date | Dividend declared in ₹ Per unit |
|---|---|---|
| Tata Balanced Fund (MD) | 03/04/2014 | 0.25 |
| Tata Equity P/E Fund (D) (TO-A 5%) | 09/04/2014 | 0.35 |
| Tata Equity P/E Fund (D) (TO-B 10%) | 09/04/2014 | 0.75 |
| Birla SL Frontline Equity (D) | 17/04/2014 | 1.20 |
| Birla Sun Life MNC Fund (D) | 17/04/2014 | 4.75 |
| ICICI Pru Top 100 Fund (D) | 17/04/2014 | 1.50 |
| UTI Opportunities Fund (D) | 22/04/2014 | 1.25 |
| BNP Paribas Dividend Yield (D) | 25/04/2014 | 0.08 |
| ICICI Pru Blended Plan - A (D) | 25/04/2014 | 0.07 |
| ICICI Pru Equity-Arbitrage- RP (D) | 25/04/2014 | 0.07 |
| Sundaram Fin-Serv. Opp.-RP (D) | 25/04/2014 | 1.50 |
| Sundaram Growth Fund - RP (D) | 25/04/2014 | 1.50 |
| Sundaram Select Micro Cap-Sr 1-RP-D | 28/04/2014 | 0.50 |
| Sundaram Select Micro Cap-Sr 2-RP-D | 28/04/2014 | 0.50 |
| IDFC Sterling Equity Fund - D | 29/04/2014 | 1.40 |

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.

# A Few Tips For Your MF Portfolio

One of the key factors that makes investors vary of investing in equity market is its volatile nature. In fact, volatility in the stock market tests even the most seasoned equity investors. For mutual fund investors, tackling volatility can be even more challenging as many of them take time to understand the nuances of equity investing.

Although volatility is the most feared factor for investors, it is possible to minimize its impact on the portfolio by investing for the long-term and following a disciplined approach to investing. While most investors focus on tackling market volatility, there are few other factors that can impact the final outcome of their investment process. Fortunately, like volatility, these factors too can be tackled by following the right investment strategy. However, if these are ignored, they can make a dent in the portfolio returns over time. Here are some these factors and how one can tackle them:

## Types of funds in the portfolio

While the level of exposure to equity as an asset class is important on risk-reward matrix, it is equally important to keep an eye on exposure to different market caps. Market capitalization of a company signifies its market value, which is equal to the total number of shares outstanding multiplied by the current stock price. The market cap has a role to play in the kind of returns the stock might deliver and the riskiness or volatility that one may have to encounter from it. For example, large companies are usually more stable during the turbulent periods and the mid cap and small cap companies are more vulnerable.

As each one of us have a different risk profile, time horizon and investment objectives, our portfolio mix should reflect it. If you cannot decide the right mix, the right way to begin would be to consider those multi-cap funds that invest predominantly in large cap stock and have small presence in mid and small cap stocks.

If you are an experienced investor, you may have some aggressive funds like sector, mid-cap, opportunity or a thematic fund in your portfolio. Although by selecting the right sector and holding these funds in the right proportion can enhance your portfolio returns, at some stage they may not suit your requirements. For example, if you need to pare your exposure to equity funds for reasons such as completion of your time horizon and rebalancing your portfolio, you must reduce your exposure to aggressive funds which in turn can reduce the volatility in your portfolio.

While making changes in the portfolio, when required, can benefit you in more than ways, making any selling decision on some immediate urge can backfire. Equally important is to remember that as an investor you have the cushion of your fund manager weeding out the over-priced stocks and laggards out of the portfolio. So, don't be in a hurry to exit from funds that may under-perform for some time.

## Size of the fund

It is commonly believed that a fund can become victim of its own success. In other words, it can become too unwieldy to manage efficiently. However, it is important to look at the fund size in the context of its nature and investment style. A fund's performance can suffer in case it outgrows its investment style.

For example, a mid-cap fund where the success depends on how effectively the fund manager does the stock picking, the large size of the fund may force him to make certain compromises in terms of the investment approach.

However, the fund size does not matter for some of the fund types. For example, it is much easier for a debt fund manger to manage a large fund compared to an equity fund. Considering that the size of the debt market is much bigger than the equity market, there are plenty of options available for the fund manager. Therefore, if you get worried about the size of the fund, don't be in a hurry to exit from it. Make sure you exit from it only if its performance is likely to be affected by its size.

## The urge to book profit every now and then

Even those investors who invest with a defined time horizon get tempted to book profits every now and then. In fact, this is one the reasons for investors not benefiting from the true potential of this wonderful asset class.

Most investors follow this strategy mainly with the hope that they will exit at higher levels and re-enter at lower levels. This urge gets further compounded during the periods when the markets turn volatile. This is nothing but an attempt to time the market.

You need to know that even the most experienced fund managers can't time the market perfectly on a consistent basis. Hence this strategy of booking profits say every now and then can ruin your chances of achieving long-term investment goals. Remember, an equity fund with an established long-term performance track record is likely to give you better returns on a consistent basis.

## Over-diversification in your portfolio

If you are one of those investors who believe that having a large number of funds in the portfolio can reduce risk, think again. Mutual funds themselves are a diversified vehicle and hence there is no need to have too many funds in the portfolio. In fact, there are chances that you may end up having similar funds in the portfolio that may behave exactly the same way when the markets go up and down. In other words, they neither allow you to benefit from up trends nor provide any additional protection during downturns. Moreover, it becomes cumbersome to track the portfolio and as a result a number of non-performing funds continue to be a part of the portfolio. Needless to say, it affects the long-term performance of the portfolio. Therefore, avoid having too many funds but make sure that different segments and strategies are appropriately represented in your portfolio.

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# It's Time To Embrace Financial Planning

Financial planning is the process of making informed money management decisions to secure your future. Financial planning helps to achieve financial goals and meet personal priorities, taking into consideration available resources, responsibilities, risk appetite and lifestyle. A financial plan lays down the allocation of savings across various asset classes to achieve an appropriate risk-reward balance.

## Do you need a financial plan?

All individuals and families regardless of age or income need a financial plan so that they know that they are saving enough for retirement, education funds or a new home. A financial plan gives you the discipline necessary to save money. A qualified and experienced financial planner can help you plan your investments so that you get the best returns for your risk level by spreading your investments into the different asset classes as well as investment options.

Wiseinvest Advisors is a SEBI registered Investment Adviser (Registration No.INA000000664). To maintain an arm's length distance between our Advisory and Execution services, we have set up a separate department named Investment Adviser Department (IAD).

We can help you achieve your goals by providing comprehensive fee based financial planning and making recommendations of financial products that suit your requirements the most. Our mission is to help you overcome uncertainty and take control of your finances and move confidently towards achieving your goals. The basis of fee calculation is the complexity of the engagement.

Remember, financial planning doesn't have to be an intimidating process. We have qualified and experienced advisers who can make financial planning a simple and fruitful process for you.

## Our process:

**Step 1:** The first meeting provides an opportunity for you and us to get to know each other. You also get an opportunity to decide whether we have the capability to fulfill all your requirements.

**Step 2:** Establish a clear understanding of your goals and objectives as well as analyze your current situation. We have a discussion to determine what you want to achieve with your wealth.

**Step 3:** Determine your risk profile through discussion and a psychometric test. This enable us to find out how much risk you would like to and need to take to achieve your goals.

**Step 4:** Develop your unique financial plan. This will also include the recommended asset allocation and various investment options that suit your needs. While doing this, we also analyze your current investments. We present a final version of your customized financial plan so that you're positioned to move forward.

**Step 5:** Implement the investment plan. There would be no obligation on you to choose Wiseinvest Advisors to implement the recommendations made in the financial plan.

**Step 6:** We'll meet regularly to proactively address changes in your circumstances, as well as those in the markets, economy and taxes.

If you are keen to start the process of financial planning, you can get in touch with Investment Advisers either at our Andheri or Fort office.



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