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A Monthly Publication from Wiseinvest Advisors Private Limited

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 eight 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,

With indices and rupee falling like ninepins, these are certainly testing times for investors. In fact, equity markets have been testing the patience and resolve of even the most hardcore investors. Needless to say, not-so-experienced investors are finding it extremely difficult to tackle these bouts of extreme volatilities in the stock market. However, it is important to remember that any abrupt decision at this stage can have a serious negative impact on the prospects of your long-term portfolio and jeopardize your financial future. If you are wondering about what to do with your equity investments, you need to recall the reasons for which you have been investing in equity funds.

No doubt, the scenario continues to be grim as economic growth has halved in two years to 5 percent in the last fiscal year. The business confidence is shaky on account of factors such as rapid rupee depreciation, rising costs, sharply tightening financial conditions and policy confusion. There is a widespread panic in emerging markets, as investors are readjusting their portfolios and moving money out, in anticipation of higher US interest rates.

India's high current and fiscal deficit has seen the rupee sink faster than most currencies. The rupee has lost around 15 percent to the dollar, hitting record lows almost daily, since the US Federal Reserve hinted in May that it would soon begin paring back its massive economic stimulus programme. With inflation moving back above 5 percent, the upper limit of the central bank's perceived comfort zone, the options before the RBI are limited.

However, the silver lining is that a good monsoon is likely to boost rural income and perk up flagging consumer demand. Besides, Raghuram Rajan, a widely acclaimed economist, is set to take over as Governor of the Reserve Bank of India. While his immediate focus is likely to be on the rupee, stabilizing inflation and supporting growth will also be his priority. He is also expected to improve the RBI's communication with the markets.

Meanwhile, FMPs remain an attractive option for all those investors who are looking to invest for a fixed period in a debt option. FMPs are closed ended funds that have a fixed maturity date and at the end of that period they mature like a fixed deposit. The key here is that the fund manager invests in those instruments that will mature around the time of maturity of the plan. This strategy eliminates the volatility risk.

Warm regards,

Hemant Rustagi
Editor

Address to be affixed here

The Stock Market performance during August 2013.

Indices	1st August 2013	30th August 2013	Change in (%)
Sensex	19,317.19	18,619.72	-3.61%
MIDCAP	5,450.60	5,300.40	-2.76%
SMLCAP	5,247.08	5,191.25	-1.06%
BSE-100	5,678.86	5,447.15	-4.08%
BSE-200	2,257.12	2,167.96	-3.95%
BSE-500	6,940.93	6,673.96	-3.85%

All you wanted to know about debt funds

Q: What are debt funds and what do they offer to investors?

Debt funds invest in debt securities like corporate and PSU bonds, money market instruments and government securities. Therefore, thru a single investment, investors can have a diversified portfolio of debt securities with different risk and returns potential. If the right fund is chosen, based on one's time horizon and risk appetite, debt funds have the potential to provide better returns than traditional options like fixed deposits, bonds and debentures.

However, investors may have to face volatility from time to time. The extent of volatility would depend upon the type of fund one is invested in. For example, a medium term income fund is likely to be more volatile than a short term income fund.

Debt funds also offer options such as dividend payout, dividend reinvestment and growth to allow investors to get the returns in different form. Since debt funds invest in interest bearing securities, they are able to have a fixed frequency for dividend payout like daily, monthly, quarterly and half-yearly. Investors must choose the option carefully as this can have a significant impact on the taxes as well as the corpus that they can expect to build over time. All those investors who want to invest for the longer term should opt for "growth option".

Another major advantage of investing in debt funds is their tax efficiency as compared to traditional options like FDs and bonds. For example, for a debt fund investor, long-term capital gains i.e. any gains on investment redeemed after 12 months are taxed at a concessional rate of 10 percent and at 20 percent, if indexation is claimed.

Under dividend option, while the fund has to pay a dividend distribution tax of 28.3250% for individual investors, it is tax free in the hands of investors. Short term capital gains i.e. any gains on investments redeemed before 12 months is taxed at investor's applicable tax rate.

Q: You explain different types of debt funds on offer and their suitability to investors with different risk profile and time horizon?

MFs offer a variety of debt funds. This allows investors to build a portfolio of debt funds to suit their risk profile and time horizon. Here is a synopsis of different types of debt funds and who should invest in them. Besides, there are funds available in a category with different strategies.

- **Liquid Funds**

Liquid funds invest in securities with a residual maturity of not more than 91 days. Investments are mostly made in debt and money market instruments.
Suitable for investors who intend to park money for a short period i.e. from a few days to a few months and hope to earn returns better than savings bank account.

- **Ultra short term income funds**

These funds seek to provide a high degree of liquidity along with generation of reasonable returns by investing in a portfolio consisting of short term debt and money market instruments. Ultra short term income funds are positioned between a liquid fund and a short term income fund. The average maturity of these funds is longer than a liquid fund and shorter than a short term income fund.
Suitable for investors who want to invest for a period of around 3-6 months and wish to earn higher returns than liquid funds while maintaining high level of liquidity.

- **Short term income funds**

Short term income funds primarily invest in various debt instruments like government and corporate bonds, securitized debt, money market instruments and normally maintain the maturity of the portfolio between 1-2 years.
Suitable for investors with short to medium term investment horizon of 6 – 12 months and have medium appetite for risk.

- **Income funds**

Income funds invest in various debt instruments like government and corporate bonds, securitized debt and money market instruments. However, these funds usually have a portfolio maturity duration that is much longer than short term income funds.
Suitable for investors who intend to invest with a time horizon of atleast 12 months and have the appetite to face higher volatility.

- **In income fund category there are different variants like duration funds, dynamic funds and accrual funds. It is important for investors to understand the distinction between these categories so that they can invest in the right fund as per their risk profile and time horizon.**

Duration funds

As there is an inverse relationship between interest rates and bond prices, these funds typically keep their portfolio maturity duration at around 6-7 years so as to benefit from the falling interest rates. Hence, these funds do very well during a softening interest regime. However, duration funds also tend to be quite volatile and therefore investors must be prepared to face bouts of volatility from time to time to give themselves a chance to benefit from their true potential. It is equally important for investors to keep an eye on the emerging interest rate scenario so as to work their exit strategy.

Dynamic bond funds

These funds aim to generate income and long-term gains by investing in a range of debt and money market instruments of various maturities. The fund manager of a dynamic bond fund has the flexibility to manage the duration of the portfolio to optimize the risk return proportion.

Dynamic bond funds can be expected to be less volatile than funds following a duration strategy and hence are suited for investors who wish to benefit from a softening interest rate regime without exposing themselves to very high risk.

Cont. on page 3...

All you wanted to know...

...Cont. from page 2

Accrual funds

Accrual funds also invest in a range of debt and money market instruments like dynamic and duration funds. However, as a strategy, these funds aim to take advantage of investment opportunities at the shorter end of the yield curve. While these funds have the potential to offer steady returns as compared to duration and dynamic bond funds, they can give positive surprises to investors in case of a steep fall in the yields.

- **Fixed maturity Plans (FMPs)**

FMPs are closed ended funds that have a fixed maturity date and at the end of that period they mature like a fixed deposit. Under an FMP, the fund manager invests in fixed income instruments like bonds, government securities and money market instruments. The key here is that the fund manager invests in those instruments that will mature around the time of maturity of the plan. This strategy eliminates the volatility risk.

These are ideal products in a higher interest rate scenario as the fund manager can lock-in investments at higher yields thereby providing higher returns to investors.

- **Gilt funds**

Gilt funds invest their entire portfolio in sovereign bonds. These are interest bearing instruments issued by the government as a part of their borrowing programme.

Gilt funds are ideally suited for those who are looking for safety as government securities carry zero default risk and are highly liquid. However, the downside is that the prices of government securities fluctuate sharply due to higher sensitivity towards interest rate movement. As a result, gilt funds can be very volatile in the short term.

Q: Over the last one year or so, retail investors have been investing money in debt funds to benefit from falling interest rates. However, after the RBI tightened the liquidity to stem the fall in the rupee, the scenario has changed. As a result, investors are really worried and wondering what to do. How should investors deal with the current situation?

It is true that softening interest resulted in quite impressive performance from income funds over the last one year or so. As there is an inverse relationship between the bond prices and yields, a variety of funds like ultra short term, short term income funds, dynamic bond funds and medium term income funds performed well.

However, the debt market turned volatile when despite a fall in WPI inflation, the RBI didn't cut rate in its June credit policy. The RBI decided to keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4 percent. The policy repo rate and reverse repo rate were kept unchanged at 7.25 percent and 6.25 percent respectively. The US Fed's decision to roll back its $85 billion bond purchases created panic in the debt markets across the globe.

No wonder, the last couple of months have been difficult for debt fund investors as all categories of income funds including liquid as well as ultra short term income funds posted negative returns after a fantastic run for over a year. The situation become even more shaky as the Rupee touched an all time low vis-a-vis US dollar. The RBI swung into action and fixed the borrowing limit of banks to 1 percent of the system's net demand and time liability or bank's total deposit base w.e.f July 17, 2013. Besides, the Marginal Standing Facility rate (MSF) and the bank rate were raised by 200 basis points to 10.25 percent. The central bank also announced a sale of ₹12,000 crore government bonds to suck out liquidity.

These steps had an immediate and serious impact on the debt markets. The yield on 10-year benchmark government security rose to 9.48 percent from the previous levels of 7.14 percent. Consequently, the NAVs of all types of debt funds were negatively impacted. Since the major differentiator between different types of bond funds is their portfolio maturity duration, the impact was different for different funds. For example, the fall in the NAV of medium-term income as well as dynamic bond funds was much more than short term and ultra-short term income funds.

Needless to say, the RBI's action and its reaction on their debt investment created a panic amongst investors. The most impacted were investors who invested in income funds a couple of quarters ago with a hope that debt market rally will continue.

No doubt, a situation like this can unnerve even the most seasoned investors. However, it is important for investors not to panic and avoid taking any hasty decision. Those who have a time horizon of 12-18 months from here on must stay invested. Of course, they will do well to tone down their expectations in terms of returns and be prepared to face the bouts of volatility from time to time.

We believe that that RBI's monetary policy will revert to supporting growth at some stage. While it is difficult to specify the period for reversal in RBI's action, from the past instances when the RBI took similar measures, it may take a couple of months for the normalcy to be restored.

Q: Given the current scenario, is it still a good idea to invest in debt funds?

The current situation provides a great opportunity to investors to lock-in money for a fixed period at higher rates through FMPs. However, considering that liquidity provided through listing on the exchanges is not really effective, one must be sure about one's time horizon. For those investors, who may not like to lock-in money, short term and accrual funds can be a good option. Considering that yield to maturity (YTM) for these categories of funds is very high currently, investors can expect healthy returns. Investors with some risk appetite can also consider investing around 20 percent of fresh allocation to a dynamic bond fund.

Performance of Select Funds

Data as on July 30, 2013

EQUITY FUNDS

Diversified

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Axis Equity	Jan-10	-4.60	-9.76	-1.00	10.66	8.81	2.36	—
Birla Sun Life Frontline Equity	Aug-02	-3.31	-9.32	-3.52	7.66	7.49	2.09	9.99
Canara Robeco Equity Diversified	Sep-03	-3.59	-8.50	-3.19	3.03	5.08	1.62	11.40
DSPBR Top 100 Equity Reg	Mar-03	-4.00	-9.60	-4.62	0.70	3.20	0.67	7.70
Franklin India Flexi Cap	Mar-05	-3.93	-9.86	-8.92	0.56	2.57	-1.07	8.44
HDFC Equity	Jan-95	-4.36	-15.39	-11.53	-2.91	-1.22	-4.06	8.79
HDFC Top 200	Oct-96	-3.86	-14.14	-9.55	-1.33	0.93	-2.19	8.27
ICICI Prudential Dynamic Reg	Oct-02	3.08	-0.77	-0.60	6.84	7.74	3.29	9.45
ICICI Prudential Focused Bluechip Reg	May-08	-1.13	-6.95	-1.68	7.27	7.69	4.40	12.55
Kotak 50	Dec-98	-5.36	-13.64	-8.38	-1.11	1.70	-1.15	4.12
Kotak Opportunities	Sep-04	-3.35	-8.00	-2.58	3.64	4.71	-1.27	5.74
L&T Equity	May-05	-4.21	-9.90	-4.29	-1.06	1.86	-0.78	8.50
Reliance Equity Opportunities	Mar-05	-1.54	-11.09	-9.79	-1.40	5.37	1.33	13.24
Reliance Regular Savings Equity	Jun-05	-5.97	-14.98	-12.38	-4.92	-0.37	-5.14	5.72
Tata Equity PE Plan A	Jun-04	-2.51	-13.01	-12.84	-7.80	-2.10	-4.32	5.48
UTI Opportunities	Jul-05	-5.26	-8.84	-2.78	3.09	5.87	3.94	12.94

Sector, Specialty & Tax Saving

Canara Robeco F.O.R.C.E Regular	Sep-09	-8.02	-17.53	-8.88	3.26	3.67	-0.10	—
ICICI Prudential FMCG Reg	Mar-99	-10.03	-9.65	5.17	8.04	17.81	18.75	20.95
Reliance Banking	May-03	-12.06	-29.99	-24.93	-11.84	-3.94	-6.36	10.26
Reliance Pharma	Jun-04	1.67	-0.62	11.45	11.90	14.81	11.13	23.75
Axis Long Term Equity	Dec-09	-4.49	-9.83	-0.16	6.30	7.66	5.76	—
Canara Robeco Equity Tax Saver	Mar-93	-3.45	-9.35	-4.78	2.08	4.07	0.77	13.40
HDFC Taxsaver	Mar-96	-3.30	-11.19	-9.63	-3.31	-1.61	-3.85	7.69
Reliance Tax Saver	Sep-05	-2.81	-16.56	-12.17	-7.78	0.80	-3.07	8.46

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	-3.70	-13.62	-12.90	-7.22	-3.00	-3.54	11.71
HDFC Mid-Cap Opportunities	Jun-07	-4.66	-12.56	-9.15	-3.59	1.15	1.17	11.80
ICICI Prudential Discovery Reg	Aug-04	-0.16	-10.44	-9.12	-1.24	5.90	0.82	13.99
IDFC Premier Equity Regular	Sep-05	-5.26	-11.96	-8.16	1.11	2.88	0.84	12.48
IDFC Sterling Equity Regular	Mar-08	-2.22	-10.13	-9.20	-3.99	2.22	-0.49	15.65
UTI Dividend Yield	May-05	-4.85	-12.14	-9.05	-4.09	-1.12	-1.81	9.45

GOLD

Fund of Funds

Kotak Gold	Mar-11	9.95	14.78	3.90	-1.37	5.34	—	—
Reliance Gold Savings	Mar-11	10.65	15.95	5.12	0.32	5.91	—	—

HYBRID

Equity, Debt Oriented & Multi Asset Class

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Birla Sun Life 95	Feb-95	-2.39	-8.05	-3.75	4.01	4.20	1.62	10.88
Canara Robeco Balance Regular	Feb-93	-2.95	-8.00	-4.61	0.22	3.95	2.12	10.02
HDFC Balanced	Sep-00	-2.39	-8.28	-5.81	-0.64	2.17	2.83	10.96
HDFC Prudence	Feb-94	-3.63	-14.13	-10.63	-3.77	-0.91	-1.20	10.60
ICICI Prudential Balanced Reg	Nov-99	-2.77	-7.50	-3.62	6.82	7.24	6.51	9.10
IDFC Monthly Income Plan Regular	Feb-10	-2.43	-5.67	-1.45	6.95	8.16	6.57	—
Kotak Balance	Nov-99	-1.40	-8.09	-3.37	5.62	6.81	2.44	6.94
Reliance Regular Savings Balanced	Jun-05	-3.58	-10.23	-7.91	-1.30	4.71	-0.45	11.04
Canara Robeco MIP Regular	Apr-01	0.74	-0.84	1.78	4.42	6.43	6.06	9.13
HDFC MIP Long-term	Dec-03	-2.48	-8.49	-4.70	1.11	3.82	3.82	9.23
L&T MIP	Jul-03	-0.88	-4.34	-1.18	2.93	5.24	4.81	5.65
Reliance MIP	Dec-03	-1.54	-6.95	-2.03	3.03	6.26	5.28	10.91
Axis Triple Advantage	Aug-10	0.34	-2.90	-1.46	1.42	5.55	6.43	—
Canara Robeco InDiGo Regular	Jul-10	2.35	2.74	1.25	1.48	5.32	8.76	—
FT India Dynamic PE Ratio FoF	Oct-03	-3.26	-9.30	-5.80	0.93	3.65	3.30	8.11

DEBT

Ultra Short Term, Short Term & Income Funds

Funds	Launch	1 Week*	1 Month*	3 Months*	6 Months*	1 Year*	2 year**	3 Year**
Birla Sun Life Short Term Opportunities	Jun-08	-0.26	-0.08	0.17	3.67	8.50	9.63	9.32
Birla Sun Life Dynamic Bond Ret	Sep-04	-0.37	-0.88	-3.04	1.31	6.18	8.07	7.99
ICICI Prudential Dynamic Bond Reg	Jun-09	-1.70	-0.96	-5.21	-0.44	4.70	6.95	7.17
IDFC Dynamic Bond Plan A	Jun-02	-2.11	-2.19	-4.72	-0.23	6.69	8.86	8.61
Kotak Bond Plan A	Nov-99	-1.57	-1.71	-7.12	-1.98	3.53	7.86	7.34
Kotak Income Opportunities	May-10	-0.42	-0.21	-2.05	1.38	5.94	7.68	7.50
Religare Invesco Short term	Mar-07	-0.08	0.05	-1.35	1.79	5.90	8.48	7.98
Reliance Dynamic Bond	Nov-04	-1.30	-1.04	-5.90	-0.45	5.71	8.24	8.03
Reliance Regular Savings Debt	Jun-05	-0.20	-0.14	-0.67	2.37	7.09	8.10	7.62
SBI Magnum Income	Nov-98	-1.73	-1.58	-5.56	-0.02	6.66	8.90	8.25
L&T Income Opportunities Ret	Oct-09	-0.14	-0.18	-2.14	0.02	3.57	6.48	7.04
BNP Paribas Flexi Debt	Sep-04	-1.05	0.52	-2.73	2.65	8.58	8.63	7.42
BNP Paribas Money Plus	Oct-05	0.16	0.78	1.46	3.92	8.35	9.24	8.95
L&T Ultra Short Term Reg	Mar-02	0.17	0.79	1.39	3.73	7.64	8.64	8.47
Kotak Floater LT	Aug-04	0.04	0.50	0.86	3.49	7.89	8.78	8.65
UTI Short-term Income Regular	Jun-03	-0.01	0.18	-1.10	2.36	7.74	8.84	8.79

*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 2013

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Balanced Fund (MD)	05/08/2013	0.35
SBI IT Fund (D)	08/08/2013	4.50
SBI Magnum Midcap Fund (D)	08/08/2013	5.00
Birla SL Pure Value Fund (D)	23/08/2013	1.00
Franklin High Growth Cos (D)	23/08/2013	0.60
BNP Paribas Dividend Yield (D)	30/08/2013	0.08
Can Robeco Infrastructure (D)	30/08/2013	0.85
Can Robeco Nifty Index (D)	30/08/2013	0.95

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.

Debt funds are a great tool for systematic investing too

One of the hallmarks of the mutual fund industry in India has been its ability to introduce innovative products. No wonder, the current product mix offered by mutual funds allows investors with different risk profile, time horizon and investment goals to design a portfolio to suit their needs. Besides, for those who intend to build a corpus over time by investing in a disciplined manner, SIP has emerged as one of the most efficient ways to do so.

However, most investors adopt this amazing investment approach only for investing in equity and equity-oriented hybrid funds. That's because they feel that SIP is suitable only for these funds as it helps them to benefit from "averaging". The truth, however, is that by following systematic investing in a limited manner, investors miss out on the real benefits of this disciplined investment approach.

While there is no doubt that a disciplined approach is the best way for investing in an asset class like equity to achieve long-term goals like children's education and marriage as well as retirement planning, there is a need for investors to look for an efficient investment option i.e. both in terms of potential to earn higher returns and the tax efficiency of returns to achieve their short and medium term goals. Today, mutual funds offer a variety of debt funds that have the potential to do the needful. There are liquid, ultra-short term, short term as well as medium term debt funds. These funds invest in money market instruments, PSU Bonds, Corporate Debentures & Government Securities. The tax benefits of investing in debt funds are as below:

Tax rates specific to Mutual Funds for Debt Schemes for 2013-14 (For individuals)	
Dividend	Tax free in the hands of the investor
Dividend Distribution Tax*	28.325%
Long Term Capital Gains	10% without indexation, 20% with indexation
Short Term Capital Gains	As per individual's Tax Slab

***paid by the mutual fund.**

Considering that asset allocation i.e. allocating money into different asset classes such as equity, debt and gold is the key to investment success and that debt funds are much more tax efficient than traditional investment options like FDs, RDs, bonds and debentures, it's time to replace good old RDs with short term debt funds and income funds that follow the accrual strategy. While the major attraction in traditional options is guaranteed returns, a proper selection of debt funds and their superiority in terms of tax efficiency can enhance the overall portfolio returns. Of course, one has to be prepared to face some amount of volatility at times. But then, as in the case of equity funds, investing thru SIP can turn it to your advantage.

The table below provides a glimpse of the kind of returns one could have earned by investing from the select debt funds thru SIP.

Debt Fund SIP Performance Chart

Data as on 17-Aug-2013

Scheme Name	2 Year*	3 Year*	5 Year*
Birla Sun Life Dynamic Bond	7.90%	8.37%	8.22%
Reliance Regular Savings Debt	8.09%	8.35%	7.81%
Templeton India Income Opportunities	8.09%	8.56%	--
Templeton India Short-term Income	8.30%	8.67%	8.57%
Birla Sun Life Short Term Opportunities	9.99%	10.04%	9.26%

***Annualized**
Past Performance may or may not be sustained in future.

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 get the best from their investments. 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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Invest in funds that suit your needs

Many mutual fund investors make the mistake of not investing in funds that suit their needs and hence end up compromising their chances of success in the beginning itself. As we all know, a good start is half the job done! Therefore, one must select the funds carefully rather than following a haphazard approach. The key factors in this process are the time horizon, that is, the period for which one intends to invest, risk profile, investment objectives and the type of investment strategy one follows. Some of us are naturally risk averse and invest too conservatively, which impacts our ability to grow our savings and investments. The difference between a conservative and an aggressive investment approach relates to the proportions of the various instruments that one has in the portfolio.

A genuinely risk averse investor generally has a heavy bias towards traditional fixed return instruments. However, to improve post tax returns, it is necessary to consider various debt and debt related schemes which are more tax efficient and liquid.

Then there are balanced investors, who are willing to take some risk on their investment to improve their returns. Depending on the level of risk they are willing to take, mutual funds offer debt as well as equity oriented hybrid schemes like Monthly Income Plans, Fund of Funds and Balanced Funds.

For an aggressive investor, there are many options available from mutual funds. Apart from diversified equity funds, there are specialty and sector funds. It is generally perceived that only young people and those who have very few commitments should invest in equities. But the fact is that investing in equity funds in a disciplined way for the long-term not only improves overall returns but also ease the savings burden in terms of amount that one needs to save over a period of time.

To ensure you are selecting the funds that are appropriate for your needs, consider following:

- Clearly determine what your financial goals are.
- Consider your time frame. Do you need money in six months time or six years? The longer your time horizon, the more risk you may be able to take.
- How do you feel about risk? Are you in a position to tolerate the ups and downs of the stock market for the possibility of higher returns? It is necessary to know your own risk tolerance. It can be a guide for choosing the right schemes. Remember, regardless of the potential returns, if you are not comfortable with a particular asset class, you should consider other options.

All these factors will have a direct impact on the fund you choose as well as achievements of your goals. The most important thing that you need to keep in mind is that your desire to take risk should not exceed your capacity to take risk. While it is true that in the long run, equities have the potential to outperform all the asset classes, it is important to have the right level of exposure in equity funds based on one's risk profile and time horizon. 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.

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