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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 around 30 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 fifteen 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 offices or email your requirements at **information@wiseinvestadvisors.com** and our professional advisors will do the rest.

Dear Investor,

At the outset, I would like to wish you and your loved ones a very Happy and Prosperous 2020 on behalf of Team Wiseinvest Advisors. The year 2019 turned out to be a challenging one for the stock market as it remained polarized for most part of the year. Although benchmark indices Nifty 50 and Sensex touched new all-time highs, mid and small cap segments of the market under-performed their large cap counterparts. The extreme polarization in the market resulted in a wide variance in performance of funds depending upon the level of exposure to different market caps, different investment philosophies and strategies. The encouraging part was that investors following disciplined approach of investing through SIP continued their process despite not-so-encouraging returns from some of the funds in their portfolios.

CY 20 is likely to be a year of consolidation and transition from a narrow rally to a broader market participation. This could result in a healthy performance from the stock market. Of course, for this to happen, the economy has to grow faster and the government will have to take steps that have the potential to revive corporate performance as well as valuations. Apart from these, the market will also keep an eye on the trend of foreign inflows.

In the near term, Union budget 2020 will be crucial in setting the tone for the next leg of economic development. Some of the expectations from the budget are rationalisation of income tax slabs, steps to boost exports and a further push for rural infrastructure. It is also expected that government might compromise a little on fiscal prudence in order to fuel growth in the economy.

The RBI kept its repo rate unchanged at 5.15 per cent in December 5, 2019 meeting, while maintaining an "accommodative stance". This was the first bi-monthly monetary meeting in 2019 wherein the repo rate was kept unchanged. The RBI reduced the repo rate five times in 2019 by a total of 135 basis points on concerns of growth momentum slowing down and to boost liquidity in the economy. However, RBI conducted Operation Twist-simultaneously buying long-tenor bonds and selling short-tenor government bonds-to bring longer term yields lower to expedite transmission of rate cuts already announced by it.

In terms of portfolio composition, if you have continued investing in quality mid and small cap funds in the right proportion and in a disciplined manner with a longer-term horizon, it will help in improving your overall portfolio returns over the next couple of years. Investing in multi-cap funds, that are true to label, will be a good strategy to benefit from a broader market going forward.

Warm regards,

Hemant Rustagi
Editor

Address to be affixed here

If undelivered, please return to:

Wiseinvest Advisors Pvt. Ltd.
602, 6th Floor, Sri Krishna Complex,
Opposite Laxmi Industrial Estate,
New Link Road, Andheri (W),
Mumbai 400 053.
Tel : 2673 2671 / 2673 2676

The Stock Market Performance During December 2019.

Indices	2nd December 2019	31st December 2019	Change in (%)
Sensex	40,802.17	41,253.74	1.11
MIDCAP	14,968.21	14,967.83	0.00
SMLCAP	13,508.22	13,699.37	1.42
BSE-100	12,133.19	12,236.19	0.85
BSE-200	5,041.07	5,078.44	0.74
BSE-500	15,545.31	15,667.44	0.79

Equity Market Outlook

House under Renovation!

The biggest question investors have today is where we are in the economic cycle. Before I try to answer that let us go back into short term history to have a better clarity on the same. We all know the strengths of India in terms of demographic dividend we talk of by virtue of half the population being less than 27 years of age hence providing a long runway for growth. This has led to Indian equity markets being the darling of foreign investors who now own 21% of the listed universe in India. But this demographics doesn't make India immune to the cyclical downturns any economic goes through. And when things look bad everyone starts doubting the growth potential of India but the maximum wealth is made at those junctures only. Only difference is optimists see the glass half full and the pessimists see the glass half empty and it is for an individual to decide which side of the table he wants to be.

Let me be more objective now. Till start of 2018 everything seemed good as the economy was doing fine and markets were rocking. But then we saw the Brent crude oil price move up from USD 60/barrel to USD 85/barrel and as you all know India imports 85% of its oil requirement and hence whenever price moves up it impacts India's macro adversely. Roughly every one USD per barrel of oil is a higher import bill of USD 1 bln. So with this uptick one saw the INR depreciate from 62 to 74 per dollar and in order to meet the USD demand for higher imports, RBI had to infuse around USD 25 bln into the system and when it does that it has to pull out similar amount of INR from the system. And this was the start of the liquidity problem we all talk of today. But the bigger problem was when IL&FS default happened in September, 2018 and thereafter the series of corporate defaults have continued. And this has led to an atmosphere of risk aversion where people are scared giving money to everyone. Hence money is chasing only the top rated NBFC, corporates, etc. Free flow of liquidity in the economy is akin to the free flow of blood in our body. So just like free flow of blood is essential to the performance of every organ in our body, free flow of liquidity in the economy is essential to the different parts of the economy doing well and hence the economy in aggregate doing well. So we have seen the real estate sector, MSME sector, weaker NBFC, weaker corporates being in problem where no one wants to lend to them. And this liquidity problem is turning into an insolvency event for some corporates. And hence there is fear in the system to lend to these people. Overall the weak macro over the last 18 months is leading to slowdown one is seeing in the micro data points over the last 6 months as there is always a lead and lag in terms of macro impact on micro data points.

That was the backdrop so what next? As I write this I know sentiment has been weak last 6 months but if we think objectively there have been some improvements in the macro data points which will lead to improvement in the micro data points with a lag (maybe in 6 months). We have seen global growth decelerate with 2019 global GDP growth forecasted to grow by around 2.9% versus 3.6% in CY18. Infact 2018 was the best year for global GDP growth since 2008-09. And when this happens you see commodity prices especially crude oil price come down. Hence one has seen Brent crude oil correct back to around USD 60 per barrel and most of the metal prices also correct by 15-20%. So what led to the start of macro deterioration is turning to be the driver for macro improvement also. So we have seen our currency be one of the best performing currency, our forex reserves have again gone up, Current Account Deficit fears have come down, etc. Plus we have also seen the monsoons be very good this year which will lead to some uptick in the rural part of our economy which has been under some stress. Plus we have seen the RBI cut repo rates by around 1.35% since February 2019 but the lending rates have been cut by around 0.35-0.40% only as deposits re-price with a lag hence one could see around 1% lending rate cuts by the banking system over the next 12 months. More importantly investors had started doubting the urgency on part of the Government to revive the economy. But the recent corporate tax rate cut along with the other measures they have announced is a clear signal to different stake holders of the new found clear sense of urgency within the Government quarters and the pro- growth stance. And equity markets like growth and hence we are seeing some improvement in the sentiment across. We are in the last stage of the corporate India cleanup which will set the base for the next upcycle in the economy. So the combination of these factors is leading to macro improvement which will feed into micro improvement in maybe a couple of quarters. There are obvious challenges too but in case one goes into history one will see there have been challenges at most times and I said at the start it is for one to decide whether he wants to be an optimist or a pessimist. Yes one needs to see the risk appetite improve but that will happen with time as it is like no bad news is good news. So I am sure over the next 3-6 months one will see things normalize as data points show some improvement. Also data suffers from a year on year (YoY) phenomena and because things have been weak for the last 12 months we will start seeing improvement in YoY numbers due to favourable base effect and investors will read it as sequential improvement which will then feed into next level of growth. So, for example we might see auto monthly numbers not look as bad going ahead. Some of the challenges we should be cognizant of are the limited fiscal space of the Government to revive the economy, real estate sector revival, private sector leverage, risk aversion, etc. So yes timing the market is difficult and there could be volatility but over the next couple of quarters one will see gradual improvement in the economy which will set the base for equity markets performance. So Indian equity markets is at an interesting inflexion point and should create wealth in the years to come. And one should not get fooled by seeing the Nifty index levels that they have missed the bus as bigger wealth will get created when economy improves and the markets become broad based as opposed to the polarisation we are seeing now with most investors chasing the same pockets of growth now. The BSE Midcap index is still down around 20% from the top and the BSE Small Index is down around 35% from the top. And within the Nifty too, very few stocks have contributed to the upsurge. So I feel it's an interesting time for the investors to put on the seat belts and ride the cycle over the next 3-4 years.

Aditya Khemani
Fund Manager
Motilal Oswal Asset Management Company Ltd.

Make Your Mutual Fund Portfolio Ready For 2020

The year 2019 turned out to be a mixed bag for mutual fund investors. Although the benchmark indices like Nifty and Sensex touched new all-time highs, mid and small cap segments of the market under-performed their large cap counterparts. The extreme polarization in the market resulted in a wide variance in performance of funds depending upon the level of exposure to different market caps, different investment philosophies and strategies. The encouraging part was that investors following disciplined approach of investing through SIP continued their process despite not-so-encouraging returns from some of the funds in their portfolios.

Clearly, these are challenging times for investors. Considering that equity as an asset class has a tendency of testing patience and perseverance of investors from time to time, the level of success one can achieve depends upon how he or she handles such difficult periods. The right way to ensure success in the long run is to keep focus on investment goals and continue the investment process through defined time horizons.

The start of a new year can be a good time to take stock of your mutual fund portfolio as that helps in reaffirming faith in one's investment strategy and philosophy. Here is what you need to do to keep your investments on track in 2020.

- Keep your faith in equity as an asset class. If polarization in the market made some of your quality funds under-perform in 2019, you should continue to remain invested as the market is likely to be more broad-based in 2020 than it was in 2019. However, it is always a good idea to have a mix of well diversified and focussed funds in the portfolio.
- During the first 8-9 months of 2019, ETFs out-performed actively managed funds and that made investors wonder whether it makes sense to invest in actively managed funds. However, as the market became broad-based in the last 3 months, actively managed funds started performing better. In a market like ours, there is an ample scope for fund managers to generate alpha for you by picking quality stocks outside the major indices. Hence, actively managed funds should remain the core of your portfolio in 2020.
- Although the performance of mid and small cap funds disappointed investors in 2019, it is important not to reduce exposure to both these segments haphazardly as they have the potential to improve overall portfolio returns in the long run. Of course, the exposure to these segments should be in line with your risk profile and time horizon. If you have continued investing in these funds through the challenging times in 2019, you would benefit once the market stabilizes and becomes broad-based.
- Managing allocation to three segments of the market, that is, large, mid and small caps can be quite tricky for investors. If you are faced with this challenge, investing in multi-cap funds can be a good strategy. There are a number of funds in this category that are true to the label and manage allocation to different segments of the market quite effectively.
- Continuing investment in a disciplined manner thru difficult periods helps you in turning volatility to your advantage. If you have been investing in equity and equity-oriented funds through SIP without a defined time horizon, you must do so now as that will not only allow you to tackle volatility more efficiently but also help you benefit from the true potential of this wonderful asset class.
- ELSS, as a category, proved its worth as an effective option to save taxes under Section 80 C even in a challenging year like 2019. If you haven't included ELSS in your tax saving portfolio, it must be done in 2020. Remember, ELSS can be the best option if you intend to begin investing in equity funds. In fact, aligning investment into ELSS to your long-term goals can contribute significantly to your wealth creation process over the longer term.
- International funds, especially those investing in the US, Asian and emerging markets performed quite well in 2019 and made a case for some global diversification in the portfolio. Those investors who are experienced and have built a reasonably large portfolio should consider investing 5-10 percent in international funds.

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 by sending us a mail on information@wiseinvestadvisors.com. You can also write to us at our Corporate Office address mentioned on page 6.

Performance Of Select Funds

Data as on December 27, 2019

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Frontline Equity Fund	Aug-02	2.59	9.30	2.66	11.85	8.62	13.14	11.40	16.54
ABSL Equity Fund	Aug-98	4.70	10.26	2.44	12.50	10.96	15.86	11.81	16.15
Axis Bluechip Fund	Jan-10	7.70	20.47	13.12	21.44	11.11	15.14	—	—
Axis Focused 25 Fund	Jun-12	8.47	16.59	8.49	20.22	13.25	15.34	—	—
Franklin India Equity Fund	Sep-94	0.18	4.24	-0.38	9.63	7.56	13.07	11.94	16.32
HDFC Equity Fund	Jan-95	-3.80	8.43	1.90	12.81	7.84	12.77	11.37	16.92
HDFC Top 100 Fund	Oct-96	-3.03	9.23	4.17	13.23	8.06	12.20	10.79	16.54
HSBC Large Cap Equity Fund	Dec-02	5.86	17.26	6.29	14.40	9.34	11.61	9.22	13.00
ICICI Prudential Bluechip Fund	May-08	3.40	11.57	4.78	14.07	9.58	13.61	12.62	—
IDFC Core Equity Fund - Regular Plan	Aug-05	0.75	5.11	-0.58	11.27	9.22	10.69	8.86	—
Kotak Bluechip Fund - Regular Plan	Dec-98	6.69	15.86	6.14	14.09	9.55	12.80	10.43	15.00
Kotak Standard Multicap Fund Regular	Sep-09	3.07	13.68	5.77	15.40	11.48	16.20	13.43	—
L&T Equity Fund	May-05	0.92	6.29	0.40	11.29	7.26	12.17	10.91	—
Mirae Asset Large Cap Fund - Regular	Apr-08	4.04	14.08	6.30	16.61	12.19	16.69	14.48	—
Mirae Asset Emerging Bluechip Fund	Jul-10	5.86	15.87	4.43	18.26	16.12	22.70	—	—
Motilal Oswal Multicap 35 Fund	Apr-14	2.59	9.24	-0.05	13.73	12.57	—	—	—
Nippon India Large Cap Fund	Aug-07	-0.39	8.87	3.67	14.85	9.29	14.00	11.89	—
Nippon India Multi Cap Fund	Mar-05	-2.56	3.45	0.18	12.84	6.16	12.16	12.95	—
Invesco India Contra Fund	Apr-07	1.57	7.02	1.61	15.34	11.01	16.22	12.77	—
SBI Bluechip Fund	Feb-06	2.84	13.13	3.76	12.61	10.02	14.18	11.54	—
SBI Focused Equity Fund	Oct-04	5.87	17.33	5.72	18.10	11.99	14.59	16.99	18.03
Principal Emerging Bluechip Fund	Nov-08	3.75	7.98	-2.18	13.28	11.29	18.18	14.57	—

Midcap & Smallcap

Axis Midcap Fund	Feb-11	8.31	13.35	7.92	19.09	10.43	16.83	—	—
DSP Midcap Fund - Regular Plan	Nov-06	5.02	10.25	-0.67	11.94	10.77	16.26	14.73	—
HDFC Mid-Cap Opportunities Fund	Jun-07	-1.54	1.63	-5.49	8.80	8.71	16.39	15.89	—
Kotak Emerging Equity Fund Regular	Mar-07	3.24	9.39	-1.90	11.76	10.87	16.66	14.36	—
Franklin India Smaller Companies Fund	Jan-06	-6.73	-4.85	-11.61	4.55	6.79	16.48	14.60	—
HSBC Small Cap Equity Fund	May-05	-9.93	-9.81	-18.17	3.12	4.13	11.46	7.28	—
L&T India Value Fund	Jan-10	-0.30	5.88	-3.37	10.34	10.32	16.94	—	—
SBI Magnum Global Fund	Sep-94	6.72	6.88	-2.30	11.11	7.75	14.88	13.89	17.68

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	2.49	17.19	7.15	19.65	13.58	17.50	17.06	—
Nippon India Banking Fund	May-03	-0.94	12.69	5.25	17.32	10.99	13.80	14.62	18.38
Nippon India Pharma Fund	Jun-04	6.80	3.13	2.45	4.89	4.27	11.80	13.39	17.64
Canara Robeco Consumer Trends	Sep-09	7.80	14.75	7.65	18.66	11.82	14.90	14.87	—
SBI Consumption Opportunities Fund	Jul-99	5.59	1.08	-0.58	15.78	10.41	12.91	18.99	17.91
Tata India Consumer Fund - Regular	Dec-15	3.35	-1.46	-1.75	19.42	—	—	—	—
Axis Long Term Equity Fund	Dec-09	8.06	16.77	9.33	18.61	11.99	18.92	—	—
HDFC Taxsaver Fund	Mar-96	-2.92	4.80	-3.76	9.14	5.57	11.50	10.20	15.35
HSBC Tax Saver Equity Fund	Jan-07	2.56	9.80	-1.61	12.05	8.12	12.64	11.08	—
IDFC Tax Advantage (ELSS) Fund -	Dec-08	-3.40	3.22	-3.62	13.21	9.25	13.96	12.44	—
Mirae Asset Tax Saver Fund - Regular	Dec-15	5.34	15.41	6.03	18.93	—	—	—	—

HYBRID

ABSL Equity Hybrid '95 Fund	Feb-95	1.01	5.69	-0.17	8.35	7.42	12.19	11.12	14.41
Canara Robeco Equity Hybrid Fund	Feb-93	4.20	12.65	6.49	12.90	9.67	13.17	12.24	15.66
HDFC Hybrid Equity Fund	Sep-00	0.74	8.79	2.55	10.67	8.99	14.03	13.60	—
ICICI Prudential Balanced Advantage	Dec-06	5.68	11.64	6.68	11.19	9.37	—	—	—
ICICI Prudential Equity & Debt Fund	Nov-99	1.94	10.10	3.52	10.72	9.51	14.14	13.36	14.24
Invesco India Dynamic Equity Fund	Oct-07	3.10	9.94	2.15	11.59	8.28	—	—	—
Kotak Equity Hybrid Fund - Regular	Nov-99	3.95	13.98	3.12	10.04	8.33	10.65	9.34	12.93
L&T Hybrid Equity Fund	Feb-11	2.26	7.64	1.55	10.13	8.87	13.29	—	—
Nippon India Equity Hybrid Fund	Jun-05	-0.61	3.87	-0.87	8.89	7.79	11.48	10.91	—
SBI Equity Hybrid Fund	Dec-95	5.81	14.55	6.67	13.79	10.46	14.69	11.90	15.04
IDFC Equity Savings Fund - Regular	Jun-08	0.74	5.55	4.17	4.39	5.44	—	—	—
Kotak Equity Savings Fund - Regular	Oct-14	4.13	8.44	6.12	8.96	7.85	—	—	—
Nippon India Equity Savings Fund	May-15	-7.54	-5.81	-3.59	3.34	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.28	2.77	5.87	6.08	5.94	6.41
IDFC Arbitrage Fund	Dec-06	1.20	2.80	6.09	6.23	6.03	6.34
Kotak Equity Arbitrage Fund Regular	Sep-05	1.29	2.83	6.04	6.21	6.11	6.49

DEBT

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Mth*	3 Mth*	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**
ABSL Short Term Fund	May-03	-0.18	1.60	4.25	8.55	7.50	6.97	8.08
ABSL Medium Term Plan	Mar-09	0.34	-7.68	-5.23	-4.43	0.46	2.72	5.60
HDFC Credit Risk Debt Fund - Regular	Mar-14	0.13	2.34	4.62	8.62	6.98	6.94	8.13
Kotak Credit Risk Fund Regular Plan	May-10	0.25	2.50	5.01	8.92	7.57	7.29	8.24
Invesco India Short Term Fund	Mar-07	0.07	1.98	4.66	9.30	7.29	6.56	7.28
Nippon India Credit Risk Fund	Jun-05	0.06	0.42	1.20	2.00	4.00	5.07	6.77
SBI Magnum Income Fund	Nov-98	1.59	3.77	6.36	11.58	8.06	7.42	8.40
L&T Credit Risk Fund	Oct-09	0.49	2.02	1.38	2.30	3.93	5.05	6.90
Kotak Savings Fund Regular Plan	Aug-04	0.38	1.71	3.67	7.90	7.62	7.31	7.75
L&T Ultra Short Term Fund	Apr-03	0.36	1.57	3.55	7.63	7.48	7.23	7.73
Kotak Banking and PSU Debt Fund	Dec-98	0.27	2.59	5.27	10.80	8.74	8.02	8.44

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

Dividends declared by equity and equity-oriented funds during the month of December 2019

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund- Monthly Dividend	02/12/2019	0.20
Nippon India Large Cap Fund	02/12/2019	0.09
Tata Hybrid Equity Fund - Monthly Dividend	04/12/2019	0.35
Taurus Starshare (Multi Cap) Fund	05/12/2019	0.50
Sundaram Diversified Equity	06/12/2019	0.27
Franklin Asian Equity Fund	09/12/2019	0.90
ICICI Prudential Long Term Equity Fund (Tax Saving)	09/12/2019	0.62
Sundaram Rural and Consumption Fund	12/12/2019	0.27
ICICI Prudential Multicap Fund	16/12/2019	1.99
Mirae Asset Great Consumer Fund	16/12/2019	1.33
Mirae Asset Hybrid Equity Fund	16/12/2019	0.71
PGIM India Hybrid Equity Fund - Monthly Dividend	17/12/2019	0.12
Sundaram Select Focus Fund	17/12/2019	0.21
Invesco India Tax Plan	20/12/2019	1.68
L&T India Large Cap Fund	23/12/2019	1.15
UTI Hybrid Equity Fund	23/12/2019	0.15
UTI Dividend Yield Fund	23/12/2019	0.62
L&T Large and Midcap Fund - Dividend	23/12/2019	0.15
Kotak Bluechip Fund	24/12/2019	2.56
Sundaram Equity Hybrid Fund	24/12/2019	0.11
Baroda Hybrid Equity Fund - Plan A	24/12/2019	0.29
HDFC Hybrid Equity Fund	26/12/2019	0.32
HSBC Large Cap Equity Fund	26/12/2019	1.99
PGIM India Long Term Equity Fund	26/12/2019	0.16
PGIM India Large Cap Fund	26/12/2019	0.35
PGIM India Hybrid Equity Fund	26/12/2019	0.24
Sundaram Mid Cap Fund	26/12/2019	0.16
Canara Robeco Equity Hybrid Fund - Monthly Dividend	27/12/2019	0.60
DSP Equity & Bond Fund	27/12/2019	0.21
Axis Equity Saver Fund - Monthly Dividend	27/12/2019	0.06
Axis Equity Saver Fund - Quarterly Dividend	27/12/2019	0.17
DSP Equity & Bond Fund	30/12/2019	0.21
LIC MF Equity Hybrid Fund - Plan A	31/12/2019	0.10
LIC MF Tax Plan 1997	31/12/2019	0.22
Aditya Birla Sun Life Dividend Yield Fund	31/12/2019	0.21

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 our branch to avail of this free service.

Learn How To Tackle Market Volatility From Successful Investors

Last couple of years have been quite challenging for investors in equity and equity-oriented hybrid funds. Even those who have been investing through SIP are seeing negative returns in their portfolios. While handling the current market like situation can be quite tricky for investors, they must avoid making abrupt decisions to protect their financial future. Needless to say, investors need hand-holding during these turbulent times to keep their investments on track to achieve their defined investment goals.

One of the ways for investors to tackle the impact of challenging market conditions on their portfolios is to follow the advice of some of the successful investors of all time. Although the pieces of advice from these successful investors are obvious, these are often forgotten by investors. Here are some simple, yet effective, pieces of advice that can guide investors to investment success.

Be Patient- Warren Buffet

Warren Buffet puts lot of emphasis on the value of patience in achieving investment success. To resist the temptation to make abrupt investment decisions, Buffett suggests that investors should be patient both when investing and while holding.

Considering that there is a slowdown in the economy and the market could take another couple of quarters to recover the lost ground, investors must be patient with their investments and continue with their investment process un-interruptedly. The right way to do that is to keep focus on time horizon remaining to achieve long-term investment goals and avoid getting influenced by short term performance of funds.

Similarly, making changes in allocation to different segments of the markets during the downturns can backfire. For example, exiting from mid and small cap funds-especially if allocation to these funds is in line with your risk profile- and reinvesting that money in large cap funds can create an imbalance in the portfolio and compel you to compromise on portfolio return in the long run.

Invest in Value- Benjamin Graham

Graham believed in buying high-quality but undervalued stocks that most of the market was avoiding. Many investors invested in value funds as they were doing very well until a couple of years ago. However, the performance of these funds has taken a beating during the current market downturn and many of these investors are facing the dilemma of whether to continue with them or to exit.

Considering that value strategy has the potential to deliver higher return than the market over the longer term, it would be advisable for experienced investors to continue with them provided the allocation is not very high. For those who invested in these funds purely on the basis of performance without realizing the attendant risks, it would be advisable to pare exposure in a phased manner.

Invest, when the going is tough- Sir John Templeton

Sir John Templeton believed that most investors have the tendency of investing when the stock prices are high, whereas they stay away and feel pessimistic when the prices are down. Low/negative returns from equity funds is making investors wonder whether they did the right thing by including equity funds in their portfolios. The fact, however, is that investing during these tough times will result in higher than average returns over time. Therefore, those investing thru SIP must continue their process as it will help in bringing the average cost down. Those who have a lumpsum to invest for long-term can also invest in a phased manner over the next 3-6 months. In simple terms, investors get more units for the same amount when the markets are down as compared to the periods when the markets are doing well. Therefore, the recovery in the portfolio from low/negative returns is faster.

Power of SIP

It is a well known fact that regular investment through SIP in equity funds can produce amazing results. Of course, the key is to continue this process uninterruptedly for the defined time horizon. The table below highlights, how an investment of ₹ 10000 per month in different funds has grown over 5 & 10 Years. Data as on January 1, 2020. SIP - 10th of every Month.

			5 Years			10 Years		
Scheme Name	Date of Launch	Investment Amount Per Month (₹)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)	Total Investment (₹ in lacs)	Current Value (₹ in Lacs)	Return % (XIRR)
Axis Long Term Equity Fund	Dec-09	10000	6	8.22	12.65	12	29.47	17.18
HDFC Taxsaver Fund	Mar-96	10000	6	6.99	6.15	12	20.15	10.04
HSBC Tax Saver Equity Fund	Jan-07	10000	6	7.27	7.73	12	22.01	11.71
IDFC Tax Advantage (ELSS) Fund - Regular Plan	Dec-08	10000	6	7.15	7.03	12	22.83	12.40
Aditya Birla Sun Life Equity Fund	Aug-98	10000	6	7.71	10.06	12	24.72	13.89
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	7.39	8.36	12	22.31	11.97
Axis Bluechip Fund	Jan-10	10000	6	8.55	14.28	12	24.89	14.02
Axis Focused 25 Fund	Jun-12	10000	6	8.50	14.02	12	-	-
Franklin India Equity Fund	Sep-94	10000	6	6.99	6.13	12	22.03	11.73
ICICI Prudential Bluechip Fund	May-08	10000	6	7.77	10.37	12	23.07	12.60
Invesco India Contra Fund	Apr-07	10000	6	7.82	10.64	12	25.51	14.48
Kotak Standard Multicap Fund Regular Plan	Sep-09	10000	6	7.99	11.51	12	25.98	14.83
L&T Equity Fund	May-05	10000	6	7.11	6.83	12	20.83	10.67
Mirae Asset Emerging Bluechip Fund - Regular Plan	Jul-10	10000	6	8.70	14.98	12	-	-

Past Performance may or may not be sustained in future.
As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

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Here's How To Prepare For Market Volatility

An increasing number of investors have been adopting a goal-based investment process over the last few years. The fact that they follow a disciplined investment approach through Systematic Investment Plan (SIP) to achieve those goals makes the entire process even more effective. A goal-based investment process allows an investor to direct his investments in a manner that he has sufficient money at every stage of his life. Besides, an asset allocation strategy propagated by this goal-based approach allows him to build a diversified portfolio across different asset classes based on time horizon for each of the goals.

However, the last one year or so has been quite challenging for equity investors. The market volatility has been testing their patience and perseverance. Although volatility is a natural phenomenon in the market, the intensity, length and frequency of the declines makes things challenging for investors. It's times like these that tend to test the nerves of even the most seasoned equity investors. No wonder, things become even more difficult for those who are new to equity investing. As the market place consists of investors with different temperaments, even the reactions vary significantly.

Investors who began investing in equity and/or equity-oriented equity funds over the last couple of years are a worried lot. Poor/negative returns are worrying them as they are wondering whether they will be able to achieve their investment goals if the current volatility persists for a longer period. Although it is quite natural for investors to get panicked during a current market like situation, it is possible to be preapred for such periods and reduce the chances of making haphazard decisions, if not eliminate it altogether.

Investors need to just do a few things right at the start of their investment process as well as during the defined time horizon. If you are one of those investors who are worried about the fate of their equity fund portfolio, here is what you need to do:

Estimate the target amount correctly

This is important for long-term goals like children's education, marriage and retirement planning. You must consider inflation as well as keep a cushion either by increasing the target or by considering conservative probable returns from the portfolio. This will ensure higher investment amount over the defined time horizon. For example, if the time horizon is 10 years or more, estimated return should not be more than 12 percent, even though historically the returns have been higher for this kind of time horizon. Another option is to have a cushion of a year or more in time horizon. For example, if the time horizon is 10 years, you should assign a time horizon of 9 years for the goal to have time on hand required for the recovery in the portfolio valuation during volatile periods.

Rebalance your portfolio

Considering the possibility of the stock market remaining volatile for longer periods, it is important to start rebalancing the portfolio in terms of asset allocation around 18-24 months before the completion of defined time horizon to protect the gains accumulated over the years. For example, a retirement portfolio should be realigned from growth-oriented to income generating one closer to the retirement age. Rebalancing will allow you to reduce the exposure in equity and increase allocation to debt to make it conservative. It also ensures that you remain invested in different asset class and hence don't miss out on gaining from positive market movements from time to time.

Follow an asset allocation model

Asset allocation allows you to control the risk based on your time horizon and risk profile. Longer the time horizon, higher the exposure to equity and vice-versa for a shorter time horizon. Simply put, it will ensure that you don't have very high exposure to equity for medium term goals and very low exposure, if at all, for short term goals. This strategy also allows you to avoid a situation where you may feel compelled to make some haphazard investment decisions.

WISEINVEST ADVISORS PVT. LTD.
(CIN No.: U74140MH2003PTC142921)

Corporate Office
Andheri : 602, 6th Floor, Sri Krishna Complex, Opposite Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai 400 053.
Tel : 2673 2671 / 2673 2676. E-mail : information@wiseinvestadvisors.com

Branch
Thane : 502, 5th Floor, Pratibha Premises, Near Teen Petrol Pump, Panchpakhadi, Thane West - 400 602.
Tel : 2537 1567 / 2539 1306. E-mail : information1@wiseinvestadvisors.com

www.wiseinvestadvisors.com

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