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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,

The month of September turned out to be a mixed bag for the stock market. While the benchmark BSE Sensex and BSE Mid-cap index were down 2.14 and 0.84 percent respectively, the BSE Small cap index was up 3.15 percent. The stock market witnessed selling pressure towards the end of the month as the global cues turned negative. While the volatility is expected to continue due to surge in Covid cases, US election and India-China tensions, the initial signs of green shoots of economic revival are likely to keep the market positive.

The activity in manufacturing sector rose at its fastest pace in more than eight months as the economy opened for business after a strict lockdown. The PMI increased from 52 in August to 56.8 in September. The latest data on digital payments indicate a gradual economic recovery. UPI saw double-digits growth of more than 12 percent over August to 1.8 billion. Similarly, IMPS transactions also grew over 13 percent to nearly 280 million in September, reaching a record.

FasTag, which indicates vehicle movements across the country, has matched pre-Covid numbers with 110 million transactions in September. Another indicator of the economic recovery is increase of 15.3 percent in freight loading by the Railways in September compared to the corresponding period last year. Some green shoots are also visible in the auto industry, partly led by the excitement around the new models and also because of the festive discounts and offers which are expected to get deeper in the coming weeks. Besides, 9 percent above average rainfall resulted in an increase of 4.51 percent in the crop planting compared to the last year setting the stage for a record food grain production.

The GST collections during the month rose to a post-pandemic high of ₹ 95,480 crore, also 4 percent higher than ₹ 91,916 crore in the same month last year. As many as 29 million workers sought work under MGNREGA, the lowest since the curbs began to be eased in May 20 suggesting that more people are finding jobs in the cities.

Although the timing of Coronavirus vaccine and the extent of pent-up demand will determine the pace of economic recovery from hereon, it is evident that the worst is behind us. Therefore, remaining committed to your defined time horizon and continuing with your disciplined approach of investing in equity funds is likely to yield healthy returns over the next couple of years.

Warm regards,

Hemant Rustagi
Editor

Address to be affixed here

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The Stock Market Performance During September 2020.

Indices	1st September 2020	30th September 2020	Change in (%)
Sensex	38,900.80	38,067.93	-2.14
MIDCAP	14,832.01	14,705.17	-0.86
SMLCAP	14,413.32	14,867.36	3.15
BSE-100	11,576.19	11,391.75	-1.59
BSE-200	4,845.27	4,781.63	-1.31
BSE-500	15,006.09	14,851.00	-1.03

Equity Market Overview

Seasoned equity investors very well know that at various points of time equity market may lead or lag the economic reality rather than fairly representing it. The current scenario is also one such phase in the market, where the equity market seem to be well discounting the expected economic recovery in post-covid phase. There seem to be more focus on likely earnings recovery in FY22 and beyond rather than the decline expected in immediate term.

The data releases for India indicate that the economic momentum is improving on the back of the lifting of the lockdown, fiscal stimulus, RBI's liquidity infusion and recovery in global trade. GST collection for Sep'20 was up 4% YoY, recovering sharply from steep contractions in Apr-May'20. Following the rising trend in global PMIs with several countries in the expansion zone, India, which was the worst-performing in Apr-May'20, reported a historical high Manufacturing PMI of 56.8 in Sep'20. Other indicators such as power generation and consumption, road & railway freights have recovered substantially. Likewise, banking sector data shows robust expansion in bank deposit and currency holding with the public, though credit growth is significantly lagging. Reflecting a fairly comfortable financial condition, RBI's forex reserve expanded by US$ 75bn to US$ 545bn, which is the sharpest-ever during a crisis. Hence, just as the Global Economic Surprise index rose to an all-time high, India too should demonstrate a quicker-than-expected rebound. However, the traces of friction are reflecting in supply bottlenecks, which can exert an upside bias to inflation in the near-term, and partly in the elevated levels of core inflation, a modest rise in input and labour costs. This might taper the incremental gains at the peak levels of PMI. These developments limit the scope of a rate cut by the RBI in the near-term. Overall, the sequential revival path is in-line with our projections. The confluence of continued global excess liquidity and gaining economic momentum should be positive for the equity markets.

Given this backdrop, we continue with our disciplined approach to investing and follow our investment philosophy of Growth at a Reasonable Price (GARP). We are focusing on companies with (a) low leverage (b) strong balance sheets and cash position (c) low/ flexible fixed cost structures and (d) good quality management and governance. With the current disruption, it is also likely that the pace of consolidation across industries picks up pace and we would see strong market share shifts towards a few companies. Our focus has been to invest in companies that not only survive this downturn, but also emerge stronger in revival later on.

While the large cap indices have bounced back sharply to almost earlier peaks, the midcap index is at 2016 levels and the small cap index is at 2014 levels. So clearly, the valuation comfort is more in mid and small cap segments. However, in the current scenario, where economic activities are disrupted the large companies may fare better. If the investors are able to withstand any interim volatility, the mid and small cap exposure can provide relatively better returns once the economic recovery is visible across the board.

We witnessed nearly 31% year-on-year decline in profits for Nifty basket of stocks during Apr-Jun quarter of current financial year. With recovery still being slow and gradual, we expect FY21 earnings to be significantly impacted. However, this will be an aberration and most likely FY22 will be a normal year of earnings. Therefore, equity market could remain volatile or in consolidation phase in the short term, which itself presents many attractive investment opportunities for those focused on the longer term.

Volatility is inherent to equity markets, and is unpredictable in the short term. However, long term investors, across markets and market cycles have generally made better returns. A regular and disciplined investing overcomes the ill-effects of market volatility. Prudent asset allocation, long term focus and regular investments are three important tenets of sustainable wealth creation.

Harsha Upadhyaya
President & CIO – Equity
Kotak Mahindra Asset Management Company

Disclaimer

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

Market Outlook

Return of volatility characterised global financial markets in the month of September as the near vertical uptrend off March lows got tested. This was in line with our view that while things had materially improved, we were not quite as much in the clear as financial markets had appeared to suggest. Especially risks around global politics, geopolitics and the enduring impacts of the Covid-19 crisis were being ignored. With a sharp intra-month upmove off lows, Indian equities fared better amidst this volatility. The most significant domestic development was the continued intent to use the crisis to push through structural reform as the legislature passed farm bills and labour codes.

On Covid, cases in India are now stabilizing albeit at a high base. People appear to be adapting to the new normal of the virus staying with us for the foreseeable future. The economy continues to reopen and this along with pent-up demand has led to continued revival in the goods sector. On the services side of the economy, progress has been understandably slower but incrementally services are reopening too. Even if there indeed is a 'V' shaped recovery for a large part of the economy, there has been a massive output loss already, the second-round impacts of which will continue to play out. And finally, consumer and businesses will tread with caution and sentiment will only gradually revive.

Against this backdrop, the government will have to do a lot more to support the recovery. We think there are three planks to the government support specifically: one- ensuring capital availability through the crisis, two- pushing through structural reform, and three- stimulating aggregate demand. With monetary policy having done the heavy lifting on supporting the economy so far, the government on its part has complemented RBI's efforts through moves such as credit guarantees for MSMEs. Sectors impacted severely by the current crisis will have to be supported. This ensures a multiplier effect to RBI actions with liquidity getting transmitted to those in need of capital. The second plank is to use the crisis as an opportunity to push through structural reform. On this front, the government has done a commendable job so far. The government has spent good amount of political capital in pushing through important supply side reforms with the passage of farm bills and labour reforms. However, to extract the maximum benefit execution will be key. This will also be a test of India's cooperative federalism as states will have to play an important role in ensuring the success of these reforms.

Similarly, the recent moves on production linked incentives (PLI) along with a very competitive tax rate should help provide boost to local manufacturing and can be expanded to other sectors. The next piece that needs to be prioritized in our view is financial sector reforms. Here, we lack a grand design that matches our aspiration of a US$ 5 trillion economy. With the lowest proportion of wealth in financial assets amongst major economies, we need to address the scarcity of risk capital by incentivizing domestic savings into capital markets. Institutional capacity needs to be strengthened. Instead of stepwise tinkering, we need to holistically think through the financial sector policy and infrastructure. At a time when we are fiscally limited, we must make it up through decisive reforms.

The third plank of government support is to revive aggregate demand and for that a direct stimulus is the need of the hour. While India's debt to GDP is higher than many emerging market peers and high versus our own history, the path towards debt sustainability is more nuanced than resorting to outright austerity. Sustainably improving the denominator of the ratio, i.e. a credible roadmap towards higher growth should automatically take care of the debt burden. Once we get growth back, tax buoyancy will ensure a more comfortable fiscal position. The government's privatization and asset monetization efforts themselves will get a fillip from improving growth prospects. Fiscal policy must be counter-cyclical and at times like these it needs to be expansionary to avoid turning the ongoing P&L recession into a Balance Sheet one.

We must also not underestimate our ability to fund a judicious fiscal expansion through a mix of private sector savings and foreign capital. While our government debt is high, private sector debt is modest. However, with consumer and business sentiment adversely hit and with capacity utilization staying low, reviving aggregate demand is critical to crowd in the private sector. Similarly, at a time when global financial system is flush with liquidity with opportunity cost of that capital is nearing zero, a credible growth plan along with conducive policy environment should help attract this capital to fund our growth.

The RBI on its part should continue lending a helping hand even as things have gotten a little complicated recently. A combination of high inflation prints, appreciating rupee, and capital inflows amidst a balance of payments surplus has made the task of keeping yields low more challenging. However, to the extent that the rise in inflation is supply side driven while demand and employment stay weak and till the extent it does not become more generalised, it should not pose much challenge. In the long run, supply side reforms should help lower inflation trajectory. Agriculture, for example, has large contribution to CPI and there is room for innovation and improvement there. The RBI has and should continue to strongly signal its discomfort with higher yields. With measures such as higher HTM for banks, operation twists, and shifting some government borrowing to the short end temporarily, borrowings can go through without pressurizing yields.

There is therefore room for the government to stimulate, primarily through shovel-ready infrastructure spends as also through NREGA to boost consumption. Policy support for reviving real estate demand can be opportune given the negative real rates on one side and builders unable to hold inventories responding with price cuts on the other.

Preserving medium term growth potential of 7% plus is not just important but perhaps the only solution to our macro challenges and the best response to geopolitical tensions too. In a country where a large part of the population including many northern states and large parts of rural areas have a per capita GDP of less than US$ 1000, we should not fall for the '5% is the new normal' narrative. Else, not only will macro problems get exacerbated, we will invite serious challenges with regards to social tensions as well.

Globally, a potential reflation could provide an important tailwind. The current crisis will entail a more expansionary fiscal policy by the US and other major economies, which should help an economic reflation. This should be positive for global growth and EMs like India. At a time when China is losing trust, the global geopolitical re-alignment should work in India's favour. Our favourable demographics, large local market, strong democratic institutions, trust, and continued focus on structural reform augur well. But above all, our ambition for high growth and a credible roadmap towards it will be very critical to act as the magnet to keep the world interested in us.

Trend towards digitalization is coming at the opportune juncture for India. We missed the bus on manufacturing, but we may have natural advantages on digital owing to a large and diverse population which serves as source for rich data and allows scale benefit. Technology is also opening frontiers on public services, education, healthcare etc that may allow us to harvest our demographics better. In areas like social welfare, we have already seen the benefits including speedy direct benefit transfers during the Covid crisis. And now Health Stack opens up newer possibilities amongst many others. Separately, the recent California Fires and erratic weather events have once again brought the Climate Change issue to the fore. With significant infrastructure yet to be created, we can leapfrog into creating it in a climate-efficient manner without having to undo anything which several other countries would need to.

Eventually our success in the global economy will depend on creating absorption capacity through focus on scale, smart infrastructure, improving ease of doing business, ensuring contract sanctity, reforming factors of production and fostering innovation. Technology can help accelerate our transformation. The reforms undertaken so far have been encouraging and we need to keep at it and supplement them with judicious fiscal boost and speedy execution. This should help us break the pattern of capital flow driven booms and busts in favour of a sustained expansion. Equities have underperformed government bonds for over a decade now and yet valuations are expensive, thanks to the ever-dwindling corporate profitability which is at multi decade lows now. A sustained expansion on the back of right ambition and execution is critical for turning the tide in equities' favour over the next decade. We must re-iterate, even with return of high structural growth, the winners will still be very different, just as they were post the reforms of early 1990s, with resilience and innovation even more vital now!

Navneet Munot
CIO,
SBI Funds Management Private Limited

Mutual funds' investments are subject to market risks, read all scheme related documents carefully.

Performance Of Select Funds

Data as on September 25, 2020

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	32.73	-4.65	-1.32	0.21	5.97	11.47	8.42	13.78
ABSL Equity Fund	Aug-98	32.55	-2.16	0.14	0.58	7.97	15.38	9.03	13.07
Axis Bluechip Fund	Jan-10	18.77	-2.27	5.87	8.32	10.10	13.25	9.62	—
Axis Focused 25 Fund	Jun-12	23.30	-2.33	2.11	5.56	10.42	13.96	—	—
Canara Robeco Equity Diversified Fund	Sep-03	30.04	5.69	5.98	6.83	8.92	12.87	9.20	13.21
Canara Robeco Emerging Equities	Mar-05	34.56	7.65	3.85	3.86	10.26	22.93	15.02	14.98
HDFC Equity Fund	Jan-95	27.91	-13.92	-5.95	-1.72	4.52	11.30	6.41	13.03
HDFC Top 100 Fund	Oct-96	27.96	-12.34	-5.16	-0.85	5.29	10.51	6.36	13.01
ICICI Prudential Bluechip Fund	May-08	31.32	-3.87	-1.31	2.49	7.43	11.56	9.11	—
IDFC Core Equity Fund - Regular Plan	Aug-05	36.71	-3.64	-2.20	0.03	7.26	10.33	6.33	9.55
Kotak Bluechip Fund - Regular Plan	Dec-98	34.38	0.99	2.93	4.20	7.01	12.23	7.98	12.18
Kotak Equity Opportunities Fund	Sep-04	34.13	2.86	4.60	3.53	8.71	14.31	9.19	13.99
Kotak Standard Multicap Fund Regular	Sep-09	31.58	-3.91	1.45	2.78	8.45	15.12	10.28	—
Mirae Asset Emerging Bluechip Fund	Jul-10	40.23	5.97	7.26	6.63	13.44	24.14	17.45	—
Mirae Asset Focused Fund - Regular	May-19	43.04	6.15	—	—	—	—	—	—
Mirae Asset Large Cap Fund - Regular	Apr-08	35.32	-0.43	2.31	4.52	9.73	15.93	11.45	—
Motilal Oswal Multicap 35 Fund	Apr-14	29.93	-5.62	-0.64	-1.17	7.28	—	—	—
Nippon India Large Cap Fund	Aug-07	26.26	-12.13	-5.88	-0.79	4.94	12.01	7.71	—
Invesco India Contra Fund	Apr-07	35.36	3.68	1.73	5.56	9.85	18.28	10.79	—
SBI Bluechip Fund	Feb-06	31.09	-4.60	0.50	1.55	6.45	12.78	9.00	—
SBI Focused Equity Fund	Oct-04	21.22	-2.36	3.59	5.49	9.35	16.01	12.47	13.29

Midcap & Smallcap

Axis Midcap Fund	Feb-11	30.25	8.95	8.25	10.46	9.87	19.74	—	—
DSP Midcap Fund - Regular Plan	Nov-06	39.48	11.21	7.47	5.11	11.26	20.69	12.12	—
HDFC Mid-Cap Opportunities Fund	Jun-07	40.02	1.55	-0.56	-0.10	7.29	17.78	12.50	—
Kotak Emerging Equity Fund Regular	Mar-07	39.76	4.55	4.56	2.69	9.16	20.80	11.55	—
L&T India Value Fund	Jan-10	40.90	-0.63	-1.79	-0.98	6.84	16.66	10.79	—
Motilal Oswal Midcap 30 Fund	Feb-14	28.22	-7.06	-1.24	-1.54	3.73	—	—	—

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	22.19	-23.74	-7.08	-6.17	5.98	14.48	9.18	—
Nippon India Banking Fund	May-03	17.15	-29.18	-13.14	-9.41	2.24	11.27	5.49	12.71
ICICI Prudential Pharma Healthcare	Jul-18	73.32	65.13	21.40	—	—	—	—	—
Nippon India Pharma Fund	Jun-04	63.60	57.14	17.15	19.57	7.63	17.33	15.29	19.63
SBI Healthcare Opportunities Fund	Jul-99	60.83	56.28	15.77	11.86	2.86	14.06	15.27	13.33
Axis Long Term Equity Fund	Dec-09	21.20	-3.39	2.82	5.24	8.12	17.19	13.39	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	44.76	-2.16	-2.35	-0.21	6.71	13.56	9.59	—
Kotak Tax Saver Regular Plan	Nov-05	33.58	0.13	3.54	3.56	7.78	14.58	8.08	—
Mirae Asset Tax Saver Fund - Regular	Dec-15	42.03	4.70	5.64	6.95	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.46	0.77	2.44	4.84	5.54	5.67
IDFC Arbitrage Fund - Regular Plan	Dec-06	0.38	0.73	2.19	4.35	5.47	5.63
Kotak Equity Arbitrage Fund Regular	Sep-05	0.44	0.83	2.39	4.92	5.66	5.80

HYBRID

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Equity Hybrid '95 Fund	Feb-95	26.55	-4.70	-1.62	-0.99	5.12	11.19	8.21	12.22
Canara Robeco Equity Hybrid	Feb-93	23.20	6.94	6.96	6.66	9.13	14.16	10.33	13.99
DSP Equity & Bond Fund	May-99	21.53	0.28	5.63	4.32	8.25	13.58	8.62	12.83
DSP Dynamic Asset Allocation	Feb-14	2.63	17.98	4.20	6.63	5.24	7.08	—	—
ICICI Prudential Bal. Advantage	Dec-06	5.63	25.47	2.75	5.38	5.44	7.76	—	—
ICICI Prudential Equity & Debt	Nov-99	22.39	-4.45	-1.88	1.20	6.75	12.17	10.38	11.51
IDFC Dynamic Equity Fund	Oct-14	5.87	27.13	7.42	6.37	6.35	6.91	—	—
Kotak Balanced Advantage	Aug-18	7.60	30.33	8.01	8.34	—	—	19	13
Kotak Equity Hybrid Fund	Nov-99	30.94	1.49	4.50	3.61	7.25	10.04	7.56	10.63
SBI Equity Hybrid Fund	Dec-95	19.33	-1.18	4.37	5.11	7.83	13.70	9.79	12.33
IDFC Equity Savings Fund	Jun-08	3.13	17.43	4.56	4.12	4.04	4.85	—	—
Kotak Equity Savings Fund	Oct-14	4.03	16.52	5.45	5.33	5.73	7.08	—	—

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	0.20	1.44	3.50	9.83	10.06	10.08	7.98
Invesco India Short Term Fund	Mar-07	0.09	0.17	1.07	7.74	9.29	9.68	7.44
Axis Corporate Debt Fund - Regular	Jul-17	0.15	0.63	2.39	9.54	11.41	9.02	8.04
HDFC Corporate Bond Fund	Jun-10	0.08	0.63	1.67	8.68	10.92	11.27	8.67
Kotak Corporate Bond Fund	Sep-07	0.22	0.46	1.79	7.29	9.47	9.89	8.48
Kotak Banking and PSU Debt Fund	Dec-98	0.10	0.62	1.67	8.06	10.53	10.99	8.63
SBI Banking and PSU Fund	Oct-09	0.15	0.50	1.14	8.07	10.10	10.11	8.65
ICICI Prudential Savings Fund	Sep-02	0.19	0.48	1.84	6.48	8.58	8.80	7.91
Kotak Savings Fund Regular Plan	Aug-04	0.16	0.31	1.09	4.44	6.61	7.52	7.14
L&T Ultra Short Term Fund	Apr-03	0.12	0.25	0.88	4.37	6.28	7.30	7.00

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

Dividends declared by equity and equity-oriented funds during the month of September 2020

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Equity & Debt Fund	01/09/2020	0.16
Sundaram Equity Hybrid Fund	01/09/2020	0.12
Tata Hybrid Equity Fund	03/09/2020	0.23
ICICI Prudential FMCG Fund	08/09/2020	6.50
ICICI Prudential Long Term Equity Fund (Tax Saving)	10/09/2020	0.50
PGIM India Hybrid Equity Fund	17/09/2020	0.11
L&T Large and Midcap Fund	23/09/2020	0.14
Edelweiss Large Cap Fund	23/09/2020	0.70
Edelweiss Aggressive Hybrid Fund	23/09/2020	0.17
Edelweiss Long Term Equity Fund (Tax Savings)	23/09/2020	0.30
Edelweiss Large and Mid Cap Fund	23/09/2020	0.60
Kotak Standard Multicap Fund	25/09/2020	0.88
Kotak Equity Hybrid	25/09/2020	0.08
HDFC Hybrid Equity Fund	25/09/2020	0.25
PGIM India Midcap Opportunities Fund	25/09/2020	0.26
PGIM India Diversified Equity Fund	25/09/2020	0.24
PGIM India Hybrid Equity Fund	25/09/2020	0.22
Baroda Hybrid Equity Fund - Plan A	25/09/2020	0.30
DSP Equity & Bond Fund	28/09/2020	0.15
BOI AXA Tax Advantage Fund	28/09/2020	0.52
BOI AXA Small Cap Fund	28/09/2020	0.54
Aditya Birla Sun Life Dividend Yield Fund	30/09/2020	0.20
Aditya Birla Sun Life Pharma & Healthcare Fund	30/09/2020	1.28
LIC MF Equity Hybrid Fund - Plan A	30/09/2020	0.10
LIC MF Tax Plan	30/09/2020	0.25

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.

Why Adopting Balanced Approach For Your Portfolio Is A Must?

If you do not take enough risk on your portfolio, higher returns would remain a distant dream for you. At the same time, taking too much risk may turn your dreams into your worst nightmares.

The ever expanding investment universe provides numerous investment opportunities to investors for investing their money based on their investment objectives, risk profile and time horizon. However, having too many options also makes it tricky for them to choose the right combination of investment options for their portfolios.

The level of success that investors can achieve depends on how they tackle the dilemmas that often cloud their investment decisions as well as how they face the challenges of making proper selection and monitoring the progress of their portfolios.

While on one hand, the challenge could be to decide where to invest money, on the other hand it is equally important to follow the right investment strategy. Only those investors, who keep their focus on investment goals and continue their investment process un-interruptedly, achieve investment success on a consistent basis.

It has often been observed that even those investors, who initiate their investment process through a well designed investment plan, make irrational decisions when faced with difficult market conditions. One of the reasons responsible for this kind of reaction from investors is the gap between the perceived risk and unrealistic expectations in terms of rewards.

Most investors aim to get the highest possible returns. Although there is nothing wrong with it, the lack of understanding about the potential return as well as the attendant risks often creates a gap between what their portfolios are designed to achieve and what they wish to achieve. The resultant desperation often compels them to make abrupt investment decisions. The truth is that if you do not take enough risk on your portfolio, higher returns would remain a distant dream for you. At the same time, taking too much risk may turn your dreams into your worst nightmares.

Therefore, if you are looking to plan for your financial security, you must find a balancing point that can help you achieve your investment goals in line with your risk taking capacity. This is where an asset allocation strategy has a role to play. Asset allocation is the process of combining various asset classes such as equity, debt, real estate and commodities into a portfolio. It helps because if one asset class is losing money, the other asset class may be earning for you.

Remember, investing pre-dominantly in one asset classes has its pros and cons. For example, if a substantial part of your portfolio consists of securities belonging to a risky asset class like equity, the end result can deviate substantially from your expectations over the short to medium term. Considering that asset allocation is the most important factor in determining the kind of returns you can get on your investments over time, it must be the mainstay of your portfolio.

There is a myth surrounding asset allocation that it makes investors compromise on returns. In reality, asset allocation is a form of diversification that reduces your portfolio risk more than it compromises returns. Remember, when you invest in two different asset classes that tend to go in opposite directions in different market conditions, the combination is likely to have a stabilizing effect on your portfolio.

For example, the stock market does well during an economic boom, and loses ground during recessionary times. Bond market, however, goes in the opposite direction. While the recessionary conditions are good for the bond markets, a booming economy is not so good for it.

It is important to know that your portfolio must have adequate diversification both in terms of asset classes as well as within an asset class. A well diversified portfolio reduces the chances of your portfolio suffering from risks that are usually associated with having concentrated holdings. Remember, diversification helps in minimizing the impact of any negative performance either in a sector/ industry or an investing style.

Having flexibility in your asset allocation strategy allows you to accommodate the changes in your financial circumstances as well as the changes in the economic cycle. Considering that economic environment has a direct impact on the behavior of the financial markets, the level of flexibility in your portfolio holds the key to how you can handle both positive and negative impacts, especially during short and medium term.

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

It is equally important to select the most appropriate investment options. The key considerations while selecting the instruments should be suitability, flexibility, transparency, tax efficiency and liquidity.

Make Your Bucket List - An Inspiration To Do Well

There are a few things that all of us would love to do, see or achieve during our life time. However, “when” and “how” to do these things can be quite a challenge for most of us. Hence, it is always a great idea to prepare a bucket list as that helps in prioritizing and living life to the fullest.

A bucket list helps you look beyond your To-do-list. To-do-list usually consists of those things that you do as a part of your routine life. For example, investment goals like creating a corpus for child's education, marriage, buying a house and planning for retirement form a part of it.

A bucket list usually has two types of goals, that is, those that are self-indulgent like holidaying at an exotic location or buying a latest gadget and those that are more purposeful like further studies. Since it may not be possible for you to focus on all of them, the key is to prioritize them and make the list achievable. Remember, making your bucket list achievable doesn't mean compromising on your dreams. In fact, it helps you avoid including impossible indulgences in the list. This is crucial as unachievable bucket list can be counter-productive. Simply put, instead of being an inspiration, it can make you feel depressed and compromised.

Similarly, “when” is as important as “what”. For example, in a situation where you have to decide between buying a car or going for a desired trip, you may have to prioritize one over the other. In fact, even if you prefer to buy a car, you may still like to opt for the trip if it is for an adventurous sport as you may find it difficult to do that at a later stage.

As is evident, a bucket list is important as it involves goals that inspire you to do well in your life. It's not to say that things you do for your loved ones are not motivating enough for you to do well in life. The difference being that bucket list goals help you recharge your batteries and inspire you to excel in life.

To ensure that your bucket list is not vague, you must list out everything that you would like to be a part of it. To simplify this process, make your bucket list goals a part of your overall investment plan and provide for them like any other goal.

Therefore, the next step should be to ascertain how much money you will need for the goals in your bucket list and assign a time horizon and a target to each one of them. It is important to ensure that target for each of the goals in the bucket list is worked out in a manner that there are no shortfalls.

For example, if one of the goals is to travel to a specific place after a defined period, inflation has to be considered while working out the cost of travel as well as other related expenses. It is equally important to execute the plan in a cost-effective manner. For example, planning for the trip well in advance can reduce the cost considerably as you can get attractive rates for airline tickets and hotel bookings.

While planning creates a road map, it is equally important to choose the right investment options. Mutual funds can be an ideal investment vehicle as they offer variety, flexibility, potential of higher returns and tax efficient returns which can help you design a suitable portfolio to achieve the goals in your bucket list.

Stocks Or Equity Funds: Which One Is Better For You?

Equity, as an asset class, has proved its potential as a wealth creator for investors. However, considering the attendant risk of volatility, one must choose the right option to get the best out of equity investments. No wonder, investors often face the dilemma of whether to invest directly into the stocks or take mutual fund route.

In the last few months, the number of investors investing directly into the stocks has increased significantly. The question being asked is whether they are finding investing directly into the stock market more productive than a proven efficient investment vehicle like mutual funds. While it is good to see increased participation from investors in the stock market, it will be premature to conclude that stocks can be more beneficial for investors in the long run.

Every investor must remember that investing in equities is one thing and getting the best out of them is another. While direct investment into stocks can be potentially better as one can take concentrated bets, the level of success will depend upon one's ability to select the right stocks and knowing when to enter and exit out of a stock. As the stock prices move in anticipation of the future events as well as to reflect the current events, a considerable research has to be carried out trying to forecast the performance of the economy, industries and the companies. If one is not familiar with this, it can be quite a daunting task to do so.

On the other hand, mutual funds can be an ideal way of investing in equities especially for those who don't have the wherewithal and expertise to invest directly. Apart from getting a diversified portfolio, an equity fund investor also benefits from the expertise of professional fund managers who invest money as per the mandate given to them. Simply put, mutual funds help investors create the right balance between risk and reward.

Moreover, mutual funds also improve the tax efficiency of returns despite the tax rules being the same irrespective of the medium of investment. For example, if you decide to sell a stock within a year, short-term capital gains will be taxed @15 percent. However, when a fund manager sells a stock within a year, there is no tax liability for the fund as well as for you as tax incidence applies only when you decide to redeem your holdings in a fund. Simply put, if you decide to redeem units after a year, long-term capital gains will be taxed @ 10 percent.

Similarly, any dividend from a company and a mutual fund scheme is taxable in the hands of investors at their applicable tax rates. However, when a mutual fund scheme receives dividend, there is no tax liability for the fund. Therefore, if you opt for growth option, this dividend gets passed on to you as capital gains and that improves your post-tax returns, if you are liable to pay tax at a higher rate.

While there are pros and cons of investing through both these mediums, mutual funds have an edge especially for not-so-experienced investors. Of course, a combination of stocks and equity funds can be ideal once an investor gains experience and starts understanding the nuances of equity investing.

The stock portfolio allows investors to benefit from the growth potential of select companies while mutual funds can supplement it by allowing diversification within a sector, segment and investment philosophies like contra and value investing. Similarly, a sector fund can not only be a perfect substitute for buying a few stocks from a sector that one likes but also takes some of the risk arising out of a concentrated portfolio.

A Note To Our Esteemed Readers

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