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WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest, an AMFI-registered Mutual Fund Distributor. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 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. Providing quality service is our top priority. In keeping with that, we constantly take steps to provide up-to-date information to our clients. In the last seventeen years, thousands of our clients have made mutual funds the mainstay of their portfolios. You can benefit too from our service support 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@wiseinvest.co.in.**

Dear Investor,

Indian stock markets have recovered smartly from the lows of March and became the second-best performing index in the world after the NASDAQ. For the month, both the Sensex and Nifty 50 indexes clocked an over 11% gain, their second best monthly performance this year, boosted by record inflows from foreign institutional investors, progress on COVID-19 vaccines and hopes of quicker economic recovery next year. While the benchmark BSE SENSEX was up 11.05 percent, the mid and small cap indices of the BSE were up 13.08 and 14.16 percent respectively. The market's biggest drivers so far have ben technology, pharma, industrials, metals with banking playing catch up after September quarter results.

India's economy shrank 7.5 per cent in the fiscal second quarter, after seeing a record contraction of 23.9 per cent in Q1. As is evident, the economy substantially narrowed contraction to a single digit in Q2. The manufacturing and construction sectors made a jump in the July-September quarter. While the fall in construction sector narrowed from 50.3 per cent in Q1 to 8.6 per cent in Q2, the manufacturing sector registered a 0.6 per cent growth in Q2, against a contraction of 39.3 per cent in Q1. The mining sector also improved by reducing the contraction of 23.3 per cent in Q1 to 9.1 per cent in Q2. On the other hand, the agriculture sector once again registered a growth of 3.4 per cent in Q2.

Nifty companies overcame the challenges posed by Covid-19 to deliver the highest net profit in the September as they cut cost and margins expanded. These companies recorded a net profit of ₹ 1.08 lakh crore surpassing the record ₹ 1.06 lakh crore set in March 2019. The performance was broad-based with companies in IT, financials, consumer, auto, healthcare and cement sector reporting improved numbers. The better-than-expected rural demand, increased exports, a second consecutive year of above-normal monsoon rainfall helped India Inc post better results.

Coming back to the stock market performance, mid and small-cap segments, too, have seen a good run over the past few months. Despite a sharp rally, mid- and small-caps are expected to outperform large-caps in 2021. Though there can be intermittent correction, stock selection will be key. In other words, portfolio returns are more likely to be driven by bottom-up stock-picking rather than top-down macro forces. Therefore, it would be advisable to build a portfolio having the right mix of market segments in line with one's risk profile.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market Performance During November 2020.

Indices	2nd November 2020	27th November 2020	Change in (%)
Sensex	39,757.58	44,149.72	11.05
MIDCAP	14,958.71	16,914.65	13.08
SMLCAP	14,781.89	16,875.15	14.16
BSE-100	11,749.97	13,050.61	11.07
BSE-200	4,922.06	5,480.58	11.35
BSE-500	15,236.96	16,995.01	11.54

Equity Market Outlook

A decisive Presidential election verdict in the US and positive news flows with respect to Covid vaccine development led to global risk assets rallying over the past month. Even as the US elections failed to resolve the legislative gridlock and the prospect of a large stimulus rollout receded, fears of a contested outcome didn't materialize removing a large source of potential uncertainty. Positive data with respect to vaccine development remained the key trigger as markets started to price in an earlier resumption of normal economic activity. Global equities, high yield credit and commodities rallied sharply even as safe haven assets such as USD and Gold weakened.

The Nifty and the Sensex rose over 11% each, helped by record FPI inflows of around USD 8 bn during the month even as local institutions were heavy sellers. Breadth improved materially as Midcaps and Smallcaps outperformed Largecaps. Financials, Industrials & Consumer Discretionary were the best-performing sectors, while Energy, IT & Healthcare were the worst. Indian stocks were also aided by better than expected corporate earnings as margin expansion resulted in double digit profit growth, comfortably offsetting the decline in revenues. Also providing support were earnings upgrades that continue at an unprecedented pace as activity continues to normalize.

Q2 FY21 GDP growth came at -7.5% YoY (v/s -24% in Q1), broadly in line with expectations of ~8% decline. A relatively lower YoY contraction was seen in private consumption expenditure (-11.3% vs. -26.7% in Q1FY21) and gross capital formation (-8.9% YoY vs. -47.5% in Q1). Contribution from net trade remained positive with a sharper contraction in imports compared to exports. Overall, Q2 highlighted industrial recovery being much better than services, agriculture being favourable, government spending being a drag on the quarter, and inventory build-up being seen. With the gradual normalisation of economic activity, the Government announced another set of measures to boost the growth momentum. Policy focus continues to remain on long-term supply side measures. The set of reforms undertaken across agriculture sector, labour issues, education policy, defence, incentivizing manufacturing, FDI and housing sector are well intentioned, and more thorough in its layout. Effective execution will be key to revive the virtuous consumption-investment cycle. This should help India break the pattern on capital flow driven booms and busts in favour of a sustained expansion.

The challenges arising out of the "Impossible trinity "have been evident with respect to the RBI actions in the debt and FX markets as well as the impact on the yield curve. With a relatively Open Capital account , a broadly managed exchange rate and independent Monetary Policy setting, the RBI finds itself constrained in seamlessly implementing its explicit commitment to ensure "an orderly evolution of yield curve " in alignment with the comfortable liquidity conditions & the policy stance. The excess capital flows and resultant FX intervention continues to keep liquidity conditions extremely surplus. A soft patch in the trade account dynamics and the still lacklustre demand for bank credit continues to provide additional tailwinds to the external account surplus & banking liquidity, respectively. At the same time, elevated headline inflation numbers may also constrain additional liquidity injections.

In this context, the RBI has been intervening in the bond markets since September through a combination of tools such as secondary purchases on NDS, Operation Twist and outright OMO's. At the same time, uncertainty with respect to the sequencing and pace of market intervention operations continue as evident from the narrow range where the 10 y benchmark has been trading. This has also been reinforced by the recent preference for Operation Twist as the RBI continues to grapple with excess liquidity conditions. Overall, the sovereign curve continues to remain steep with the trend getting reinforced over the last few weeks.

Excessive liquidity conditions have ensured that the short end money market rates have fallen below the reverse repo rate and credit spreads have tightened across the spectrum with AAA short term spreads remaining richly valued. While the broader liquidity conditions may remain easy and may be warranted given the overall economic trends, it may be opportune to modulate it to remain consistent or in alignment with the 'effective policy operating rate' at least. This is more pertinent given that the dynamics of the evolving macro recovery may warrant continued intervention in both Fx and Bond markets. While managing with 'corner solutions 'with respect to the Impossible Trinity, the central bank may need to revisit tools such as MSS or even the Standing Deposit Facility to potentially sterilize these interventions. The upcoming Monetary Policy may hopefully provide some guidance on the same even as the stance is likely to stay accommodative with policy rates on hold. While the sovereign rates continue to provide relative value, investors in debt products would need to potentially moderate return expectations given the existing lower absolute yields as well as relative spreads. We remain constructive on sovereign rates exposure while remaining alert towards potential turn in the cycle or a change in the RBI stance.

On equities, after the strong bounce back from March 2020 lows, it will likely take a strong growth and earnings cycle beyond the reopening led normalization for further upsides. That said, broader markets continue to appear much better placed relative to large caps, thanks to the still extreme polarization. We continue to remain bottom-up in our approach by focusing on resilient businesses that should emerge stronger on the other side of the current uncertainty.

Rajeev Radhakrishnan
CIO for Debt
SBI Funds Management Private Limited

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

Is Your Portfolio Valuation Growing In Real Terms?

Investing is a process that requires you to choose the right mix of assets and investment options as well as ensuring that investments remain on track to achieve your investment goals. Despite planning well, you may be faced with many challenges through your investment time horizon. Therefore, the level of success you achieve would depend upon how efficiently you tackle these challenges. Fortunately, most the challenges like volatility in returns and impact of economic and geopolitical factors on the portfolio can be tackled to a varying degree depending on how disciplined you remain during periods of market upheaval and how carefully you monitor your portfolio.

However, one factor that impacts the performance of the portfolio at all times but is seldom given its due is "Real rate of return" i.e. gross returns minus inflation, taxes and costs. Usually investors focus on "gross returns" and make that the basis of their investment decisions. No wonder, traditional instruments like fixed deposits, small savings schemes and bonds/debentures continue to be the mainstay of portfolios of a large section of investing public in our country. Although these instruments provide guaranteed returns, their returns are low and tax inefficient. Needless to say, the real rate of returns is either bare minimum or negative at times.

As is evident, apart from choosing the right investment options, it is absolutely necessary to consider factors such as inflation, taxes and costs to improve real rate of return. Remember, when your investments fail to beat inflation, your money grows only in numbers and not in value.

Let us analyze how these factors impact your returns and how you can minimize their impact on your portfolio.

Inflation

Inflation reduces the value of your investment returns over time. While inflation affects all aspects of our lives, the most challenging aspect is to keep up with the rate of inflation in order to protect the value of your investment as well as returns earned on it. Of course, the impact of inflation on your portfolio would depend upon its composition.

One of the asset classes that have the potential to beat inflation over the longer term is equity. However, investing in equities would mean taking higher risk as compared to some of the instruments that give pre-determined or stable returns. Thankfully, there are strategies like "systematic investing" and remaining committed to your defined time horizon that can not only minimize the impact of volatility to a large extent but also improve your returns through averaging.

Tax efficiency of returns

Tax efficiency of returns on your investment portfolio plays a crucial role in improving the real rate of return in the long run. The tax efficiency becomes even more important when you invest to achieve medium to long-term investment objectives like children's education, buying a house and retirement planning.

Investment options like mutual funds provide tax efficient returns. For example, returns from an investment held for 12 months or more in an equity fund are taxed at a flat rate of 10% (without indexation). For investors in higher tax bracket, it can make a significant difference to what they get to keep at the end of their investment process for a particular long-term goal. Therefore, following a "tax aware" investment strategy can contribute significantly to earning positive real rate of return.

Costs

While costs are the most ignored aspect of investing, focusing too much on them can either make you compromise on returns or expose you to higher risks taking you beyond your risk-taking capacity. For example, investing in traditional investment options alone or investing directly into equity funds can reduce your cost but expose to higher risk if you are not confident about making the right choices. Remember, since equities provide higher returns over time, the impact of costs may not be much on your portfolio, if an investment is held for the longer term.

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 November 30, 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	8.57	14.34	12	29.09	16.92
HDFC Taxsaver Fund	Mar-96	10000	6	6.72	4.53	12	18.54	8.46
HSBC Tax Saver Equity Fund	Jan-07	10000	6	7.35	8.13	12	21.55	11.31
IDFC Tax Advantage (ELSS) Fund	Dec-08	10000	6	7.69	9.95	12	23.51	12.95
Aditya Birla Sun Life Equity Fund	Aug-98	10000	6	7.90	11.06	12	25.06	14.14
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	7.54	9.16	12	21.97	11.67
Axis Bluechip Fund	Jan-10	10000	6	8.78	15.36	12	25.39	14.39
Axis Focused 25 Fund	Jun-12	10000	6	8.80	15.42	12	-	-
ICICI Prudential Bluechip Fund	May-08	10000	6	7.78	10.45	12	22.37	12.01
Invesco India Contra Fund	Apr-07	10000	6	8.29	13.00	12	26.73	15.35
Kotak Standard Multicap Fund Regular Plan	Sep-09	10000	6	7.93	11.19	12	25.21	14.26
L&T Equity Fund	May-05	10000	6	7.33	8.03	12	20.66	10.51

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.

Performance Of Select Funds

Data as on November 27, 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	33.71	6.28	7.13	4.63	9.20	12.94	10.34	14.61
ABSL Equity Fund	Aug-98	37.43	9.33	8.78	5.46	11.82	16.59	11.33	13.76
Axis Bluechip Fund	Jan-10	30.79	12.05	14.89	13.13	13.34	14.99	12.01	—
Axis Focused 25 Fund	Jun-12	37.90	13.08	14.15	10.71	14.79	16.20	—	—
Canara Robeco Equity Diversified Fund	Sep-03	32.26	16.24	13.92	10.39	11.69	14.29	11.27	14.04
Canara Robeco Emerging Equities	Mar-05	38.86	19.07	13.64	6.61	12.63	23.36	17.20	15.78
HDFC Equity Fund	Jan-95	30.68	-2.96	2.90	0.92	7.51	12.21	8.25	13.39
HDFC Top 100 Fund	Oct-96	29.70	-2.30	3.52	2.52	8.19	11.58	8.26	13.43
ICICI Prudential Bluechip Fund	May-08	29.87	6.05	7.99	5.63	10.17	12.95	10.81	—
IDFC Core Equity Fund - Regular Plan	Aug-05	38.87	7.64	6.06	2.83	9.86	11.77	8.25	10.27
Kotak Bluechip Fund - Regular Plan	Dec-98	35.16	9.72	11.91	7.83	9.91	13.53	9.84	12.84
Kotak Equity Opportunities Fund	Sep-04	33.84	12.64	13.06	7.01	11.94	15.88	11.27	14.52
Kotak Standard Multicap Fund Regular	Sep-09	31.77	6.10	9.42	6.50	11.53	16.50	12.32	—
Mirae Asset Emerging Bluechip Fund	Jul-10	40.71	16.22	15.93	9.27	16.22	24.69	19.64	—
Mirae Asset Focused Fund - Regular	May-19	43.71	15.43	—	—	—	—	—	—
Mirae Asset Large Cap Fund - Regular	Apr-08	34.51	6.80	9.52	7.22	12.41	16.66	13.04	—
Motilal Oswal Multicap 35 Fund	Apr-14	32.46	5.47	6.12	2.50	10.14	—	—	—
Nippon India Large Cap Fund	Aug-07	31.71	-3.09	2.20	1.92	7.75	13.38	9.89	—
Invesco India Contra Fund	Apr-07	33.32	13.66	9.97	6.96	12.51	18.44	12.72	—
SBI Bluechip Fund	Feb-06	35.26	9.11	10.24	6.13	9.82	14.65	11.30	—
SBI Focused Equity Fund	Oct-04	31.63	9.10	13.86	8.08	12.63	17.43	14.96	14.31

Midcap & Smallcap

Axis Midcap Fund	Feb-11	34.55	20.11	17.57	12.82	13.74	19.93	—	—
DSP Midcap Fund - Regular Plan	Nov-06	37.33	22.23	15.81	7.10	13.10	20.25	14.01	—
HDFC Mid-Cap Opportunities Fund	Jun-07	44.30	16.20	9.22	2.57	10.49	18.24	14.31	—
Kotak Emerging Equity Fund Regular	Mar-07	44.55	17.45	14.36	5.22	12.33	21.13	13.82	—
L&T India Value Fund	Jan-10	37.75	8.76	6.23	1.40	9.01	17.79	12.64	—
Motilal Oswal Midcap 30 Fund	Feb-14	40.59	5.87	9.19	1.61	6.96	—	—	—

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	48.97	-10.90	2.91	0.89	11.65	16.51	12.11	—
Nippon India Banking Fund	May-03	53.17	-15.45	-1.27	-1.58	7.72	13.56	8.12	15.00
ICICI Prudential Pharma Healthcare	Jul-18	33.17	58.19	27.78	—	—	—	—	—
Nippon India Pharma Fund	Jun-04	27.63	56.62	24.81	20.34	10.24	17.13	15.55	19.61
SBI Healthcare Opportunities Fund	Jul-99	30.46	54.82	22.92	13.31	4.85	14.24	15.02	13.25
Kotak Pioneer Fund - Regular Plan	Oct-19	45.10	24.98	—	—	—	—	—	—
Axis Long Term Equity Fund	Dec-09	34.36	13.78	14.06	11.24	12.95	18.64	15.98	—
IDFC Tax Advantage (ELSS) Fund	Dec-08	43.08	10.02	6.34	1.94	9.63	14.07	11.23	—
Kotak Tax Saver Regular Plan	Nov-05	33.90	9.69	11.17	6.47	10.98	15.83	9.98	11.37
Mirae Asset Tax Saver Fund	Dec-15	42.85	14.80	14.48	9.84	—	—	—	—

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
ICICI Prudential Equity Arbitrage Fund	Dec-06	0.89	0.81	4.18	5.08	5.51	5.81
IDFC Arbitrage Fund - Regular Plan	Dec-06	0.84	0.83	3.73	4.99	5.45	5.69
Kotak Equity Arbitrage Fund Regular	Sep-05	0.84	0.88	4.20	5.17	5.61	5.89

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	31.44	6.50	5.80	2.43	7.79	12.50	9.87	12.92
Canara Robeco Equity Hybrid	Feb-93	24.50	15.12	13.16	9.66	10.77	15.08	12.06	14.04
DSP Equity & Bond Fund	May-99	27.39	12.30	13.07	7.47	10.76	14.84	10.46	13.43
DSP Dynamic Asset Allocation	Feb-14	17.9981	10.7911	9.9483	7.7778	8.5345	—	—	—
ICICI Prudential Bal. Advantage	Dec-06	22.4380	8.3267	9.8951	7.4135	9.2726	—	—	—
ICICI Prudential Equity & Debt	Nov-99	19.07	1.54	5.58	3.25	8.88	13.04	11.66	12.06
IDFC Dynamic Equity Fund	Oct-14	18.0492	9.7857	9.2233	6.7494	7.8711	—	—	—
Kotak Bal. Advantage Fund	Aug-18	22.1761	10.6012	11.3947	—	—	—	—	—
Kotak Equity Hybrid Fund	Nov-99	32.74	11.06	12.60	6.49	9.96	11.53	9.23	11.35
SBI Equity Hybrid Fund	Dec-95	24.31	7.42	11.23	7.40	10.08	14.40	11.38	12.78
IDFC Equity Savings Fund	Jun-08	12.0305	7.6585	6.4313	5.3336	5.6586	—	—	—
Kotak Equity Savings Fund	Oct-14	13.3497	8.2083	8.1328	7.0102	8.1615	—	—	—

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	0.73	3.40	7.17	10.32	10.11	8.49	8.61
Invesco India Short Term Fund	Mar-07	0.81	2.22	4.46	9.26	9.71	7.93	7.73
Axis Corporate Debt Fund - Regular	Jul-17	0.77	2.70	6.39	11.35	9.19	8.47	—
HDFC Corporate Bond Fund	Jun-10	0.80	2.85	5.61	11.35	11.32	9.27	9.13
Kotak Corporate Bond Fund	Sep-07	0.85	2.42	5.25	9.56	9.95	8.88	8.61
Kotak Banking and PSU Debt Fund	Dec-98	0.75	2.67	5.15	10.27	11.07	9.22	8.86
SBI Banking and PSU Fund	Oct-09	0.93	2.87	4.90	10.18	10.42	9.18	8.50
ICICI Prudential Savings Fund	Sep-02	0.72	1.88	4.45	8.35	8.77	8.09	8.15
Kotak Savings Fund Regular Plan	Aug-04	0.35	1.09	2.57	5.97	7.12	7.07	7.25
L&T Ultra Short Term Fund	Apr-03	0.30	0.92	2.06	5.67	6.86	6.87	7.21

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

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

Scheme name	Date	Dividend declared in ₹ Per unit
Franklin India Opportunities Fund - D	02/11/2020	1.00
Sundaram Equity Hybrid Fund - D	02/11/2020	0.12
Tata Hybrid Equity Fund - DM	03/11/2020	0.23
DSP Tax Saver Fund - D	05/11/2020	0.30
ICICI Prudential MidCap Fund - D	12/11/2020	1.70
ICICI Prudential Equity & Debt Fund - DM	17/11/2020	0.16
PGIM India Hybrid Equity Fund - DM	17/11/2020	0.11
ICICI Prudential Smallcap Fund - D	24/11/2020	1.40
Kotak Equity Opportunities Fund - D	24/11/2020	0.49
Aditya Birla Sun Life Tax Relief 96 - D	25/11/2020	8.22
Aditya Birla Sun Life Tax Plan - D	25/11/2020	4.81
Aditya Birla Sun Life Equity Fund - D	25/11/2020	5.63
L&T Large and Midcap Fund - D	25/11/2020	0.15
Edelweiss Aggressive Hybrid Fund - D	25/11/2020	0.17
L&T Hybrid Equity Fund - D	25/11/2020	0.10
LIC MF Equity Hybrid Fund - Plan A - D	26/11/2020	0.10
Axis Equity Hybrid Fund - DM	26/11/2020	0.08
DSP Equity & Bond Fund - D	27/11/2020	0.15
Canara Robeco Equity Hybrid Fund - DM	27/11/2020	0.68
Canara Robeco Equity Tax Saver - D	27/11/2020	1.10
Canara Robeco Emerging Equities - D	27/11/2020	2.90
Canara Robeco Bluechip Equity Fund - D	27/11/2020	1.50

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 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.

Key Focus Areas In Your Investment Process

Investing is a process that requires you to have a plan in place as well as a strategy to implement it. Unfortunately, the ever-changing financial landscape and the resultant uncertainties often bring emotions and biases of investors to the fore compelling them to abandon their investment process. Tax efficiency of returns is also an area that often gets ignored as investors keep their focus on products offering guaranteed returns thereby missing an opportunity to earn positive real rate of returns, that is, returns minus inflation and taxes. Hence, it is crucial to follow a tax-aware investment strategy and stick to investment plan during the entire defined time horizon.

If you want to ensure that neither you nor those who are financially dependent on you get exposed to unwarranted risks and that there are enough financial resources at different stages of your life, here's what you need to do.

- **Make risk management your top priority-** Although insurance plays a crucial role in protecting us from the implications of setbacks due to sudden risk to life and health, many of us either don't think it is necessary to have an adequate insurance coverage or do not buy the right product. Ignoring this important aspect can expose your family members to the risk of facing uncertain financial future. Hence, risk management must be your top-most priority and that too at the start of your investment process.

  If for some reason you fail to do so, it is never too late to get started with this process. It is equally important to buy the right insurance product. For example, a term insurance plan is a much better option than buying an investment-cum-insurance product both in terms of costs as well as having an adequate risk cover.

  Besides, don't ignore the need to create an emergency reserve equivalent to at least six months expenses. This will allow your investment process to continue un-interruptedly even if you are faced any financial emergency.

- **Invest to earn positive real rate of return**- Inflation is known as a silent killer as it erodes the value of your money over time. Unfortunately, not many of us realize that inflation is the biggest risk to our investments, especially while investing for long-term goals like children's education and retirement planning.

  While a number of investors err by investing mainly in traditional options like FDs and small savings schemes for their long-term goals, there are also those who have the requisite exposure to potentially better market-linked products offered by mutual funds but still struggle as they fail to consider impact of inflation on the corpus required for these important long-term goals. No wonder, they often fail to accumulate the required corpus and end up compromising on some of their dreams as well as of their loved ones.

- **Focus on post-tax returns-** While asset allocation helps you choose the right asset classes in line with your time horizon and risk profile, tax-efficiency of returns must also be an integral part of your investment strategy. After all, what you get to keep after paying taxes will matter the most in the long run. The issue with traditional options is that returns are low and at the same time for most of these instruments, the returns are taxed at your nominal tax rate. Investing in tax efficient options like mutual funds allow you to improve your gross as well as post-tax returns, albeit with volatility in returns from time to time.

- **Focus on quality rather than ease of investing-** The advent of Robo advisors and digital platforms has made mutual fund investing simple at low/no cost. However, investing in mutual funds is a process that begins when you make an investment and ends when your defined time horizon gets completed. Therefore, you must be quite sure about your ability to select suitable funds, monitor their progress and analyze the impact of national and international events on your portfolio from time to time. If you are not sure, it would be appropriate to seek help of an advisor who will not only handhold you during challenging times but also ensure that your investments remain on track.

Here's How To Create A Superior Portfolio

One of the factors that plays a crucial role in achieving investment succes is how your money is invested across different asset classes like equity, debt, gold, real-estate etc. This process is called asset allocation and it helps in determining the kind of risk you would be taking and the commensurate returns you can expect from your portfolio. Remember, majority of your portfolio returns would come from the asset allocation. If you choose the right investment options, you can get the best that each of the asset classes has to offer.

While getting the right mix of assets is crucial, your portfolio must be flexible enough to accommodate the changes in your financial circumstances as well as the changes in the economic cycle. It is important because economic environment has a direct impact on the behaviour of the financial markets.

Also, don't confuse asset allocation with simple diversification. For example, if your portfolio has five equity funds either with similar investment strategies/ philosophies or investing in stocks belonging to same market cap like large, mid and small caps, it won't do much to control the risk in your portfolio. In case of an adverse reaction, all these funds will react in a similar way. On the other hand, different asset classes will react differently in any given situation.

If you are one of those investors who find it overwhelming to decide an appropriate asset allocation for yourself, there are two ways it can be done. You can either follow a thumb rule that says take your age and subtract it from the number 100 in order to find out how much should be invested in equities and the rest can be invested in debt or consider your time horizon and risk profile to determine your asset allocation.

While the thumb rule allows investors to invest more in equity when they are young and reduce it post-retirement, it ignores one's personal financial situation. It is possible that a youngster may not be able to take risk in case there is a responsibility to contribute to family's finances. Similarly, someone post- retirement may be able to invest more in equity if all important long-term goals have been achieved. Another issue with this approach is that one doesn't get to create a separate portfolio for different goals to be achieved over different time horizon and that can also create imbalance in the asset allocation and make investors over-commit for some of the goals.

That's why the other approach of considering the combination of time horizon and risk profile is a better option. A goal-based investment strategy where in you define your investment goals i.e. short, medium and long-term, assign a time horizon to each one of them and that allow you to determine where the risks can be taken and where the safety of capital has to be the focus. Hence, for long-term goals the money goes into equity and equity related instruments, hybrid portfolios are preferred for medium term and debt and conservative hybrid products for short term. This approach takes care of all the flaws in thumb rule approach and allows you the flexibility to make changes, as and when required.

Once you determine your asset allocation, the key is to choose investment options that have the potential to get you the best that these asset classes have to offer. Broadly speaking, mutual funds are the most appropriate vehicle to practice asset allocation successfully. They not only provide diversification but also offer a "family of funds" to suit investment objectives of investors in different age groups with varied time horizons and occupations but also provide opportunities to re-balance the portfolio, which may be required as a result of changes in the circumstances.

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