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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 twenty 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,

October turned out to be the worst month for the stock market in 2023. While the benchmark Sensex was down by almost three percent, the mid and small cap indices of the BSE were down 3.39 percent and 1.71 percent respectively. While the elevated US interest rates triggered persistent sales by foreign investors, a rise in oil prices due to the West Asia conflict also added to the selling pressure. The yield on 10-year US treasury bonds crossed the psychological barrier of 5 percent for the first time in 16 years.

FPIs offloaded Indian stocks worth over ₹25000 crore in October, the second highest selling in a month in 2023 so far. Going forward, the FPI flows will be driven by the outcome of US Federal Reserve's meeting and global economic developments. The Fed is widely expected to hold rates at its policy decision on Wednesday. However, Jerome Powell's commentary will be the key. While FPIs may remain cautious in the short term, India's strong economic growth prospects should maintain its appeal for them.

India's infrastructure sector closed the September quarter on a firm note as the festive demand lifted automobiles sales to yet another record in October. This clearly highlights that government's capital expenditure and high-end consumption is driving the economy. The index of eight core industries rose 8.1 percent in September from a year earlier.

The government's Goods and Services Tax (GST) collections climbed 13 percent year-on-year in October to ₹ 1.72 lakh crore, the second-highest revenue collection ever. At ₹ 1.72 lakh crore, the October GST collections is 5.71 percent higher than what was collected in September. This is the eighth month in a row that the monthly GST collection has come in above the ₹ 1.5-lakh-crore mark.

India's retail inflation eased from 6.83% in August to 5.02% in September, breaking a two-month streak over the tolerance threshold of the Reserve Bank of India (RBI), with the rise in food prices easing to 6.6% from almost 10%.

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During October 2023.

Indices	29th September 2023	31st October 2023	Change in (%)
Sensex	65,828.41	63,874.93	-2.97
MIDCAP	32,340.71	31,245.10	-3.39
SMLCAP	37,562.23	36,919.10	-1.71
BSE-100	20,123.30	19,558.03	-2.81
BSE-200	8,613.00	8,355.24	-2.99
BSE-500	27,407.75	26,605.19	-2.93

Fragile World: Threats To The Domestic Economy?

Global Economy

In 2020-21, the world was hit by a pandemic. In 2022, the Russia-Ukraine war added further strain. Now, in the shadow of a looming global recession, the globe is grappling with the Israel-Gaza crisis as of the beginning of CY 2023.

We find ourselves in a complex world, dealing with a myriad of complex issues, making it challenging to form any definitive views. However, complex problems do not necessarily demand complex solutions in a world of uncertainty. Den Levy's book, "Maxims for Thinking Analytically," emphasizes in its second maxim that when struggling with clarity of thought, turning to simpler cases can be immensely helpful.

Let's break down these issues into two parts: how they impact "growth" and "inflation" globally and within domestic economies. Why focus on growth and inflation? Because current stock prices are contingent on future expected cashflows, which are influenced by "growth". These future cashflows are then discounted by the required rate of return, which is largely influenced by inflationary expectations.

War vs. Withdrawal of Stimulus

The world is contending with two major issues: 1) Israel vs. Gaza and Ukraine vs. Russia wars, and 2) the withdrawal of stimulus by various developed economies. Which holds the greater significance?

For instance, at the outbreak of the Russia-Ukraine war, commodity prices surged due to supply constraints, leading to inflationary pressure worldwide. This resulted in corrections in equity markets across nations. However, the world quickly adapted by seeking alternative supply sources to alleviate the supply-side pressure, leading to a cooling off in oil prices.

Simultaneously, the monetary tightening by the US Federal Reserve, aimed at mitigating inflationary pressure, pushed US bond yields towards 5%, the highest in approximately 16 years since July 2007. The average interest rate on a typical 30-year fixed-rate home loan rose to 8% for the first time since 2000. In the face of elevated inflation and interest rates, a prudently leveraged company could become heavily leveraged, while individuals might find themselves financially squeezed due to higher mortgage rates, compounded by lower wage growth. This could potentially negatively impact demand. The resultant higher interest rates and lower growth could adversely affect asset prices. Moreover, higher bond yields might prompt Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs) to divert their investments from emerging market equities back to their home countries in pursuit of lower-risk bonds.

The US is employing tight monetary policies but loose fiscal policies, which is one of the reasons why inflationary pressures are not abating as expected. Consequently, the US economy expanded at an annualized rate of 4.9% in the third quarter of 2023. However, the federal budget deficit is projected to balloon to approximately $2 trillion for fiscal year 2023, roughly double the previous fiscal year. This surge is largely attributed to a sharp decline in tax revenues, coupled with an increase in mandatory spending on Social Security, Medicare, interest payments, and other areas. It follows a substantial drop in the budget shortfall in fiscal year 2022 after two years of enormous deficits amplified by record government spending on Covid-19 pandemic relief measures.

In summary, swollen government debt and inflationary pressure in developed economies are major sources of concern, outweighing wars or other geopolitical issues.

Domestic Economy

Growth: India's economy expanded by 7.8% in the April-June quarter, the highest in a year, slightly surpassing market expectations of a 7.7% expansion. The robust performance of the service sector drove GDP growth, accompanied by strong consumer demand and increased government capital expenditure. Private consumption, which accounts for nearly 60% of the economy, grew by about 6% (compared to 2.8% in Jan-Mar).

Inflation: India's retail price inflation dropped to 5.02% year-on-year in September 2023, down from 6.83% in the previous month, well below the market consensus of 5.5%. This rate fell within the central bank's 2-6% target range for the first time in three months, primarily due to a significant slowdown in food inflation. This may keep bond yields within their current range. However, the Indian bond yield shows a strong positive correlation with international crude prices.

In both growth and inflation parameters, the domestic economy is outperforming expectations, unlike the global economy. If the threat of a slowdown in the US and other developed economies persists, it may keep crude prices in check and hence control inflationary pressure in India. Therefore, while the fragile world situation might lead to a temporary correction in the Indian equities market due to FPI outflows, the expected lower crude prices due to the threat of slowdown may keep inflationary pressure in check and improve the outlook for the domestic economy. India, primarily being a domestically consumption-driven economy, may be less affected by the global situation, except for export-driven businesses. Even within exports, the pharmaceutical sector, with its defensive nature, is likely to be the least affected, further minimizing the overall impact on India's economy due to global concerns.

Moreover, India has become an oasis in the world. Major developed economies are facing challenging times, and even within emerging economies, China is not in great shape. Sanctions on Russia and the highly commodity-driven nature of Brazil limit the world's options for finding a safe haven to invest their surplus, if any. Hence, the biggest risk for the world may be to not invest in India. Any correction in the Indian market due to global issues can be viewed as a decade-long opportunity to invest in India.

Existing investors should maintain their asset allocation, and any correction due to global reasons would present a great opportunity to increase their asset allocation towards equities. Currently, in terms of Indian equities valuation, relatively large caps are priced attractively compared to small and midcaps. Investors should continue their Systematic Investment Plans (SIPs) / Systematic Transfer Plans (STPs) in small and mid-cap spaces, while also continuing to invest in categories like large caps, Flexicap, and large and midcap through lump-sum investments, in accordance with their respective strategic asset allocation.

The steep yield curve of the US Treasury, at higher levels, may keep interest rates elevated in the domestic market as well. One should consider investing in the very short to short end of the yield curve to take advantage of the situation. Further rises in medium to longer-dated bond yields may present opportunities to shift towards short to medium-duration funds.

The international gold price has remained almost flat since September 2012. The inflationary environment and conflicts in multiple parts of the world present a case for higher gold prices in the future. However, both gold and fixed income allocation are more tactical than structural, and it's tax-inefficient to hold them in isolation in the current tax regime. Hence it is advisable to have these assets allocation through multi-asset allocation funds, which have the flexibility to take significant exposure to all asset classes and use their negative correlation to deliver returns with lower volatility and better tax efficiency.

Chirag Patel, CFA
Associate Director - Co Head Product Strategy
WhiteOak Capital Mutual Fund

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 October 31, 2023. 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)
Aditya Birla Sun Life Frontline Equity Fund	Aug-02	10000	6	8.69	14.85	12	22.93	12.45
Aditya Birla Sun Life Flexi Cap Fund	Aug-98	10000	6	8.73	15.05	12	24.31	13.54
Bandhan Tax Advantage (ELSS) Fund	Dec-08	10000	6	10.12	21.08	12	28.19	16.30
Canara Robeco Emerging Equities Fund	Mar-05	10000	6	9.06	16.53	12	27.93	16.13
HDFC Focused 30 Fund	Sep-04	10000	6	10.23	21.54	12	25.64	14.54
HDFC Large and Mid Cap Fund	Feb-94	10000	6	10.40	22.21	12	-	-
HDFC Mid-Cap Opportunities Fund	Jun-07	10000	6	11.49	26.37	12	32.55	18.97
HDFC Small Cap Fund	Apr-08	10000	6	12.12	28.63	12	-	-
ICICI Prudential Bluechip Fund	May-08	10000	6	9.17	17.04	12	25.03	14.09
ICICI Prudential Large & Mid Cap Fund	Jul-98	10000	6	10.17	21.28	12	26.81	15.37
Kotak Emerging Equity Fund	Mar-07	10000	6	10.73	23.52	12	32.44	18.91
Kotak Equity Opportunities Fund	Sep-04	10000	6	9.60	18.93	12	27.22	15.65
Kotak Flexicap Fund	Sep-09	10000	6	8.61	14.45	12	24.35	13.58
Kotak ELSS Tax Saver Fund	Nov-05	10000	6	9.33	17.77	12	26.37	15.06
Mirae Asset Emerging Bluechip Fund	Jul-10	10000	6	9.50	18.48	12	31.55	18.39
Motilal Oswal Midcap Fund	Feb-14	10000	6	11.76	27.35	12	-	-
Nippon India Focused Equity Fund	Dec-06	10000	6	9.64	19.09	12	26.85	15.39
Nippon India Large Cap Fund	Aug-07	10000	6	9.67	19.20	12	26.20	14.94
Nippon India Multi Cap Fund	Mar-05	10000	6	11.04	24.69	12	28.75	16.67
Nippon India Small Cap Fund	Sep-10	10000	6	13.61	33.55	12	43.20	24.21
Parag Parikh Flexi Cap Fund	May-13	10000	6	10.20	21.44	12	31.12	18.15
SBI Focused Equity Fund	Oct-04	10000	6	8.85	15.59	12	26.01	14.81
SBI Contra Fund	Sep-09	10000	6	11.82	27.59	12	30.97	18.06
UTI Flexi Cap Fund	May-92	10000	6	8.23	12.63	12	23.24	12.70
UTI Mid Cap Fund	Apr-04	10000	6	10.30	21.80	12	28.29	16.37

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 October 27, 2023

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 Flexi Cap Fund	Aug-98	12.24	10.15	2.37	18.82	14.27	11.39	16.48	16.95
ABSL Frontline Equity Fund	Aug-02	10.17	9.40	3.60	19.35	13.88	11.18	13.89	16.86
Axis Focused 25 Fund	Jun-12	7.82	1.24	-7.93	9.89	10.61	10.66	13.04	-
Axis Growth Opportunities Fund	Oct-18	16.19	14.55	3.65	21.45	17.75	-	-	-
Bandhan Focused Equity Fund	Mar-06	10.86	10.85	2.60	13.52	11.81	11.13	11.31	13.10
Canara Robeco Flexi Cap Fund	Sep-03	8.66	8.03	1.88	17.27	16.01	13.64	14.26	17.66
HDFC Flexi Cap Fund	Jan-95	12.84	15.42	12.32	30.80	17.77	14.32	16.67	18.59
HDFC Large and Mid Cap Fund	Feb-94	18.09	19.35	10.53	29.55	18.47	14.45	13.42	15.22
HDFC Top 100 Fund	Sep-96	11.31	14.84	8.30	24.24	14.57	12.51	14.43	16.70
ICICI Prudential Bluechip Fund	May-08	11.99	12.55	6.88	21.94	15.33	13.35	14.71	18.49
ICICI Prudential Large & Mid Cap Fund	Jul-98	14.80	15.32	9.74	29.18	17.57	13.92	15.13	17.31
Invesco India Contra Fund	Apr-07	14.22	11.27	5.56	20.68	15.88	14.23	18.58	19.39
Kotak Bluechip Fund	Dec-98	8.56	9.12	2.90	17.77	15.50	12.11	13.91	15.04
Kotak Equity Opportunities Fund	Sep-04	13.79	14.85	9.73	22.56	18.41	14.03	16.64	17.88
Kotak Flexicap Fund	Sep-09	10.07	10.31	4.90	18.29	14.54	12.24	15.99	-
Kotak Multicap Fund	Sep-21	21.87	19.94	12.44	-	-	-	-	-
Mirae Asset Emerging Bluechip Fund	Jul-10	13.92	13.83	4.11	21.71	18.84	15.90	23.30	-
Motilal Oswal Large and Midcap Fund	Oct-19	19.17	22.81	10.58	26.84	-	-	-	-
Nippon India Large Cap Fund	Aug-07	13.96	16.79	10.70	27.31	15.96	13.90	16.45	17.21
Nippon India Multi Cap Fund	Mar-05	21.20	22.35	17.10	35.66	19.37	15.35	17.42	20.46
Parag Parikh Flexi Cap Fund	May-13	11.96	16.87	6.22	21.79	20.21	17.06	18.42	-
PGIM India Flexi Cap Fund	Mar-15	9.10	7.46	0.33	19.41	18.40	13.88	-	-
SBI Focused Equity Fund	Oct-04	12.96	10.15	1.96	19.92	16.35	13.58	17.48	21.43
SBI Large & Midcap Fund	Feb-93	10.82	9.51	9.06	25.55	17.67	13.92	17.31	18.02
UTI Flexi Cap Fund	May-92	10.60	4.39	-3.90	14.74	14.68	12.44	14.48	16.83

Midcap & Smallcap

Axis Midcap Fund	Feb-11	15.24	12.17	4.19	21.06	18.47	16.00	19.94	-
HDFC Mid-Cap Opportunities Fund	Jun-07	24.52	28.30	17.10	32.78	20.99	15.76	21.72	22.86
Kotak Emerging Equity Fund	Mar-07	18.22	18.28	11.97	28.92	21.58	15.66	22.76	20.75
Motilal Oswal Midcap Fund	Feb-14	21.86	19.03	19.12	35.42	22.62	14.71	-	-
PGIM India Midcap Opportunities Fund	Dec-13	12.07	5.76	4.59	27.27	23.42	15.81	-	-
UTI Mid Cap Fund	Apr-04	20.16	15.45	8.38	25.68	19.12	13.19	20.59	21.02
HDFC Small Cap Fund	Apr-08	24.82	33.69	17.32	39.01	20.67	18.53	20.50	21.41
Kotak Small Cap Fund	Feb-05	18.65	17.14	8.62	33.50	24.57	16.96	22.29	21.67
Nippon India Small Cap Fund	Sep-10	26.90	30.59	21.14	42.38	26.42	20.95	28.18	-
SBI Small Cap Fund	Sep-09	15.98	13.33	12.42	30.45	22.56	18.89	25.98	-

Sectoral / Thematic Fund & Tax Saving

UTI Flexi Cap Fund	May-92	10.60	4.39	-3.90	14.74	14.68	12.44	14.48	16.83
Nippon India Banking & Financial	May-03	13.23	15.17	9.08	29.41	14.43	12.32	16.45	18.68
ICICI Prudential Pharma Healthcare	Jul-18	21.61	19.74	6.74	13.79	18.92	-	-	-
Nippon India Pharma Fund	Jun-04	21.32	18.58	6.33	14.66	18.34	12.96	16.57	22.34
SBI Healthcare Opportunities Fund	Jul-99	20.51	20.74	9.40	14.76	18.36	9.65	14.25	19.65
Kotak Pioneer Fund	Oct-19	15.45	16.71	3.28	20.95	-	-	-	-
Axis Long Term Equity Fund	Dec-09	10.49	6.67	-4.07	12.85	12.61	11.18	16.15	-
Bandhan Tax Advantage (ELSS) Fund	Dec-08	14.70	14.71	7.79	28.35	18.20	15.38	17.43	-
Kotak Tax Saver	Nov-05	11.60	12.44	8.57	22.14	17.61	13.52	16.67	16.55
Mirae Asset Tax Saver Fund	Dec-15	11.34	12.06	3.89	20.44	17.63	15.85	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.98	3.71	7.22	5.35	4.72	4.90
ICICI Prudential Equity Arbitrage Fund	Dec-06	2.04	3.74	7.21	5.43	4.87	5.02
Kotak Equity Arbitrage Fund	Sep-05	2.11	3.90	7.49	5.71	5.09	5.20

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	9.88	8.74	2.26	15.43	10.73	8.61	12.56	15.15
Canara Robeco Equity Hybrid	Feb-93	7.98	8.08	3.68	14.37	13.83	11.39	14.24	16.18
DSP Equity & Bond Fund	May-99	12.19	13.60	3.93	15.96	14.58	10.79	14.32	14.63
ICICI Prudential Equity & Debt	Nov-99	13.91	16.11	11.53	29.90	17.88	14.68	16.92	18.00
Kotak Equity Hybrid Fund	Nov-99	9.18	10.33	6.52	18.69	15.99	11.58	12.85	13.85
SBI Equity Hybrid Fund	Dec-95	8.44	7.12	3.25	15.60	13.14	10.85	14.27	15.34
ABSL Bal. Advantage Fund	Apr-00	7.28	9.14	4.92	12.79	10.48	-	-	-
Bandhan Bal. Advantage Fund	Oct-14	8.09	7.67	3.23	9.12	9.63	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	7.73	9.70	7.68	14.01	12.08	-	-	-
Kotak Bal. Advantage Fund	Aug-18	6.39	9.44	5.58	10.80	11.19	-	-	-
Nippon India Bal. Advantage	Nov-04	8.06	8.30	5.47	13.10	10.44	-	-	-
Bandhan Equity Savings Fund	Jun-08	5.08	7.09	4.66	8.00	7.41	-	-	-
Kotak Equity Savings Fund	Oct-14	6.82	9.87	7.75	10.75	9.59	-	-	-

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	0.15	1.08	2.69	6.51	5.00	4.84	6.97
Axis Corporate Debt Fund	Jul-17	0.15	1.03	2.65	6.56	4.77	4.61	6.46
HDFC Corporate Bond Fund	Jun-10	0.18	1.29	3.17	7.14	4.81	4.78	7.45
Kotak Corporate Bond Fund	Sep-07	0.23	1.18	2.84	6.58	4.73	4.67	6.76
Kotak Banking and PSU Debt Fund	Dec-98	0.20	1.08	2.71	6.43	4.67	4.64	7.30
SBI Banking and PSU Fund	Oct-09	0.23	1.13	2.60	6.50	4.25	3.96	6.53
ICICI Prudential Savings Fund	Sep-02	0.41	1.70	3.78	7.45	5.52	5.35	6.72
Kotak Savings Fund	Aug-04	0.50	1.57	3.30	6.84	5.36	4.65	5.72

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

Dividends declared by equity and equity-oriented funds during the month of October 2023

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Balanced Advantage Fund - Monthly	06-10-2023	0.07
ICICI Prudential Equity & Debt Fund - Monthly	06-10-2023	0.16
Nippon India Balanced Advantage Fund	12-10-2023	0.17
ICICI Prudential Balanced Advantage Fund	16-10-2023	2.00
ICICI Prudential Bharat Consumption Fund	16-10-2023	1.40
Sundaram Aggressive Hybrid Fund - Monthly	17-10-2023	0.25
PGIM India Equity Savings Fund - Monthly	17-10-2023	0.07
Aditya Birla Sun Life Balanced Advantage Fund	20-10-2023	0.15
Aditya Birla Sun Life Frontline Equity Fund	20-10-2023	2.54
Sundaram Mid Cap Fund	20-10-2023	3.68
Sundaram Financial Services Opportunities Fund	20-10-2023	1.97
Franklin India Equity Savings Fund - Monthly	20-10-2023	0.03
HDFC Balanced Advantage Fund	25-10-2023	0.23
Edelweiss Aggressive Hybrid Fund	25-10-2023	0.17
Edelweiss Equity Savings Fund - Monthly	25-10-2023	0.08
Axis Equity Hybrid Fund - Monthly	26-10-2023	0.10
Axis Equity Saver Fund - Monthly	26-10-2023	0.09
DSP Dynamic Asset Allocation Fund	27-10-2023	0.05
Canara Robeco Flexi Cap Fund	27-10-2023	2.56
Sundaram Small Cap Fund	27-10-2023	2.16
Sundaram Large and Mid Cap Fund	27-10-2023	1.85
DSP Equity & Bond Fund	27-10-2023	0.20
DSP Equity Savings Fund - Monthly	27-10-2023	0.06
Canara Robeco Equity Hybrid Fund - Monthly	27-10-2023	0.65
Bandhan Equity Savings Fund - Monthly	30-10-2023	0.06

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.

Identify Your Risk Tolerance To Avoid Any Mishaps

Mutual funds have proved to be an effective investment vehicle for investors the world over. In our country too, mutual funds are gradually finding their rightful place in investment universe of investors with varying risk profile and time horizon. The ability of mutual funds to offer options to invest in line with your asset allocation to suit your varied goals makes them an ideal investment vehicle.

While there is no doubt that mutual funds are a simple investment vehicle, investing in them may not always be an easy task since there are hundreds of schemes to choose from. Investors often err by choosing funds that don't match their needs and by ignoring the need to balance risk and reward. That's why, identifying the right level of risk tolerance and choosing the right funds, should be the key focus areas while designing your portfolio.

Simply put, if you are looking to build an aggressive long-term portfolio, your portfolio composition should be different from someone who may have different time horizon and risk profile. Therefore, if you decide to invest in an aggressive fund, make sure that you have the risk appetite required to tackle the impact of volatility and that there is a place for such a fund in the portfolio. If you are not sure about the risk level in your portfolio, both in terms of allocation to equities and different market segments, it's time to have a close look at your portfolio. You mustn't hesitate to take steps to rebalance it, if required. If you are not confident of doing it yourself, take help of a professional who can guide you in every step of your investment process.

Remember, the temptation to increase exposure to aggressive categories of funds like those investing in small cap stocks, sector as well as thematic funds can derail your investment process. While some of these categories of funds, if chosen well, have the potential to enhance overall portfolio returns, a disproportionately higher exposure in them can create an imbalance in risk and reward.

As is evident, balancing risk and rewards holds the key to your investment success. One of the key factors that can help you achieve this is to have the right asset allocation for long-term goals as these require you to accumulate a large corpus. For example, asset allocation at pre-retirement period i.e. 8 to 10 year before retirement, is quite critical. That's because most investors can be expected to have taken care other important long-term goals like children's education and buying a house, by the time they reach this stage.

Moreover, these are usually the best years in terms of capacity to save and invest as compared to earlier years. Considering the time on hand before you need to start generating regular income, equities must be an integral part of the portfolio. Of course, the proportion of allocation to different asset classes holds the key from risk and reward point of view.

It's important to avoid taking a new loan at this stage as it can disrupt your investment process. There may not be enough time to repay and that can put pressure on your investment process for retirement. If you are already repaying an existing loan, the attempt should be to repay it as early as possible.

Last but not the least, you must continue with your investment process un-interruptedly irrespective of the market conditions. While it is natural to get affected by the euphoria in a rising market and the panic in a falling market, it shouldn't influence your long-term investment strategy. Remember, volatility in the stock market is a natural phenomenon and hence you must be prepared to tackle it at all times.

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

Make Your SIPs More Effective

It is heartening to see increasing number of Indian investors adopting a disciplined approach through SIP for investing in mutual funds. While a disciplined investment process can make a significant contribution to one's wealth creation process, it is important to plan investments well and avoid haphazard decisions during the defined time horizon. Here are a few aspects that need to be handled well to make your SIPs more effective.

Consider inflation while setting target for long-term goals

Long-term goals like retirement planning and children's education would require you to create a large corpus. Hence, you must set the target for each one of these after considering the impact of inflation and work out investment amount based on an assumed annualised rate of return expected from an asset mix ascertained for that goal.

For example, if the parents of a new born child start planning for higher education now, assuming education inflation at 11%, the current cost of ₹ 25 lakh would escalate to ₹ 1.64 crore after 18 years. To achieve this target, they will have to invest ₹ 22,000 pm through SIP in equity funds. As is evident, starting your long-term investment process, without considering inflation, can create a huge gap in what you may be able to accumulate vis-à-vis what would be required for that goal.

Increase SIP amount every year as your income rises

There are proven advantages of starting investments through SIP early as you benefit from power of compounding and get the best out of the true potential of an asset class like equity. However, it is important to understand that even your carefully planned target amount would need to be reset as your income rises over the years. Therefore, you must increase your SIP amount to maintain the discipline in your savings and investment process as well as achieve the revised target.

This discipline can make a huge difference to what you get to accumulate over the longer term. For example, if you invest ₹ 20,000 pm in equity funds, you can expect to build a corpus of around ₹ 2 crore after 20 years, at an assumed annualised return of 12%. However, if you increase your SIP amount by 10% every year, you can expect to build a corpus of around ₹ 4 crore after the same duration.

Avoid investing in too many funds

It is quite common to see investors investing small amounts in multiple funds, making their portfolios unwieldy. Needless to say, a situation like this does more harm to your portfolio than good as the portfolio can suffer from overlap and under-performance. If you choose your funds carefully for each of your goals, a few funds can do the job of providing adequate diversification in terms of sector and stocks allocation as well as segment wise allocation. Some of the categories like Flexi-cap, large & midcap and multi-cap funds can be quite effective for those who may not be in a position to decide allocation themselves and also find it difficult to realign the portfolio in a tax-efficient manner.

Don't interrupt your investment process when faced with market volatility

While equity as an asset class helps you earn positive real rate of return i.e. gross returns minus inflation minus taxes, the bouts of volatility can put your patience and perseverance to test. Having a clearly defined time horizon, appropriate asset allocation and keeping focus on your goals helps you tackle the turbulence in the stock market. In other words, if you begin your investment process without planning your investments, you would find it difficult to stay invested when faced with the market vagaries. Needless to say, abandoning your investment process and changing your asset allocation abruptly can expose you to the challenges that can jeopardise your financial future.

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Invest Judiciously For A Better Financial Future

Planning your investments goes a long way in improving the chances of achieving different investment goals over varied time horizons. Thankfully, there is a plethora of investment options that can help you accumulate the corpus required for these goals. However, the level of investment success that you may achieve over time would depend upon which ones you choose and in what proportion. Another important factor would be how disciplined you remain with your investment process. To get this process right, you need to follow certain investing principles. Here are a few that can enhance the chances of achieving your investment goals within your defined time horizon.

Be disciplined in your investment process

One of the key factors that ensure consistent investment success is to follow a disciplined investment process. First, you must avoid making random decisions at the start of your investment process as well as while exiting out of different asset classes. More often than not, this approach can make you miss out on opportunities in the market. Hence, you must create a roadmap before you begin investing. This would involve establishing your goals to be achieved over short, medium and long-term horizon, assigning a time horizon and determining how much to invest to achieve each one of them. Remember, a goal-based investment process ensures that you follow budgeting, give risk management its due and follow an asset allocation model that helps in creating the right balance between risk and reward.

Don't shift the goalposts

Your time horizon plays a key role in determining your asset allocation, which in turn determines the attendant risks and probable returns over a defined time horizon. Hence, once a time horizon is assigned to a goal, you must remain committed to it irrespective of how the market behaves and continue your investment process un-interruptedly. This approach not only helps in reducing the impact of volatility on your portfolio but also hasten the recovery process by bringing your average cost down.

Avoid frequent changes

While investment is an on-going process, there is no straight path to investment success. Therefore, your investment strategy and chosen investment options must have the flexibility so as to rebalance your portfolio in line with your changing circumstances as well as economic and political environment. Moreover, you must be prepared to tackle the bouts of volatility in the market and the resultant dip in the performance of equity investments in your portfolio.

While monitoring the performance holds the key to long-term investment success, it's important not to get tempted to make frequent changes just because you have the flexibility to do so. Also, you must refrain from discussing your portfolio with all and sundry as conflicting views on your portfolio composition can make you lose your focus and compel you to make investment decisions that may compromise your financial future.

Be open and collaborative

Last but not the least, you must always be open to absorb knowledge and use it in your investment process. Today, a lot of information is available on various investment options and strategies to invest in them through print as well as electronic media. If you find it overwhelming to analyse this information, don't hesitate to take professional help for better understanding and guidance. Once you start working with a professional, listen to him/her carefully as that can go a long way in allowing you to understand the complexities of investment world. Remember, the lack of participation in your investment process can make it difficult for you to adapt to the ever-changing investment environment.

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A Note To Our Esteemed Readers

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