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WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

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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,

The outcome of general elections came as a negative surprise. The nation delivered a fractured mandate and the dynamics of coalition government could constrain BJP led government. The expectations had sky-rocketed after the very optimistic forecast by exit polls. The results disappointed the stock market and it reacted sharply and may continue to remain volatile till some more clarity emerges on the formation of the government.

We expect economic policies of the government to continue, capex to remain high and Make in India, infrastructure as well as PLI to remain the priority. Of course, it will require all the political acumen of Prime Minister Modi and deft handling of coalition government related issues to ensure smooth functioning of the government and to be able to continue the reform agenda. No doubt, there is likely to be some adjustments towards more social and populist measure.

While a strong mandate and political stability would have meant policies focused mainly on reforms, the strong macroeconomic fundamentals remain a positive for the markets. India's gross domestic product (GDP) for the January-March quarter of fiscal 2023-24 (Q4FY24) came in at 7.8 per cent, driven by strong growth in the manufacturing sector. The Indian economy beat D-Street estimates and grew by 8.2 per cent for the full year (FY24).

Goods & Services Tax (GST) collections during the month of May 2024 came in at ₹ 1.73 lakh crore, recording a growth of 10 per cent on-year. For the previous month, GST collection had breached the ₹ 2 lakh crore milestone. Corporate India's performance in the March 2024 quarter was on expected lines with Y-O-Y double digit growth in aggregate net profit and a single digit increase in revenue.

We expect SIP flows to remain strong as equities remains the best bet to out-perform other asset classes in medium to long-term. Once the government is formed, and the union budget is presented, FIIs will have more clarity and could start investing again.

We don't see any reason for investors, who have a long-term view and have a well-diversified portfolio, to disrupt their investment process. For disciplined investors, these bouts of volatility, can work well as the medium and long-term trajectory of the market and the economy remains positive.

Warm regards,

Hemant Rustagi
Editor

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The Stock Market Performance During May 2024.

Indices	30th April 2024	31st May 2024	Change in (%)
Sensex	74,482.78	73,961.31	-0.70
MIDCAP	42,121.40	42,852.69	1.74
SMLCAP	47,315.93	47,263.66	-0.11
BSE-100	23,759.67	23,771.04	0.05
BSE-200	10,368.95	10,432.24	0.61
BSE-500	33,142.57	33,344.28	0.61

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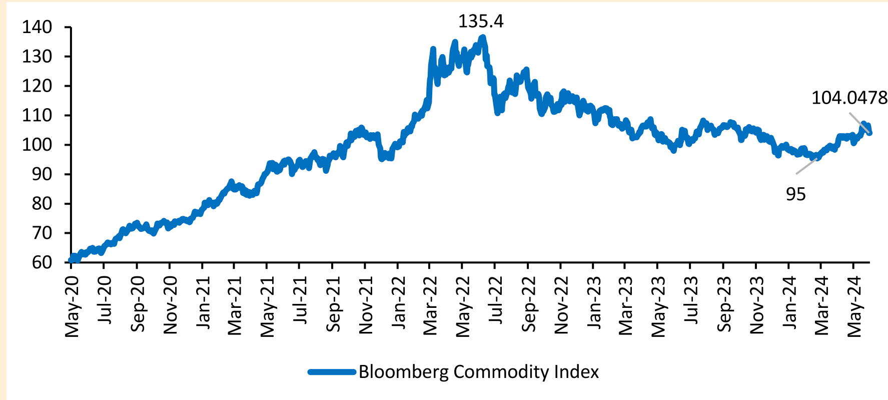
Market Outlook - SBI Mutual Fund

Financial markets have been focused on the path of policy interest rates with frequent repricing of expectations bringing in recurring episodes of volatility. At the same time, unexpected electoral outcomes have had a material near term impact on markets. Recent non consensus outcomes in both India and Mexico have resulted in financial market volatility. The prospect of "Trump 2.0" as the US votes towards the year end could be another non-financial event that could have a lasting market impact. In the near term while there is likely to be monetary policy divergence across jurisdictions, the path of commodity prices needs to be watched.

Chart 1

On a YTD basis, metal prices have moved up pulling up the commodity index



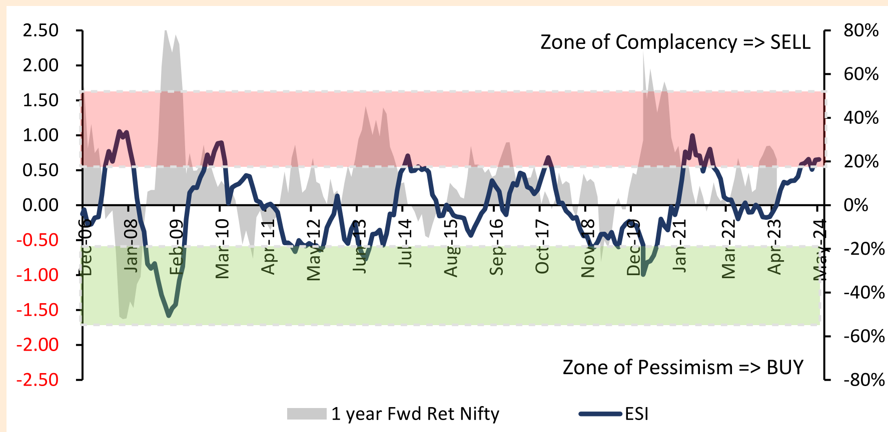
Source: Bloomberg, SBIFM Research

EQUITY

The outcome of 2024 General Elections was a surprise for markets. While the NDA is still expected to form the government, BJP is clearly short of the half-way mark thus entailing reliance on coalition partners. While it is too early to gauge how this will impact the direction of policy making, this may just be the trigger for a cool off in the overheated market sentiment. We have been highlighting that market sentiment, as measured by our proprietary index, has stayed stretched, suggesting a high degree of complacency going into this event. With the eventual outcome turning out to be worse than expected, there is reason to expect moderation in sentiment which could weigh on markets in the near term.

Chart 2

Equity sentiment readings reflected high complacency going into the event

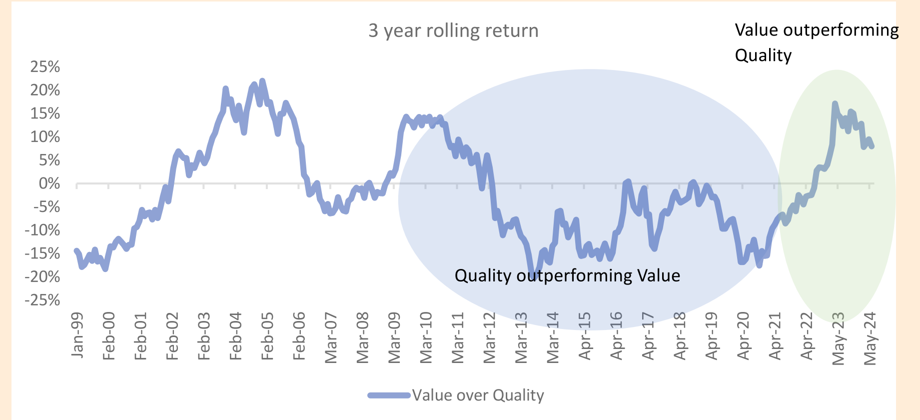


Source: Bloomberg, FactSet, SBIFM Research;
Note: ESI stands for Equity Sentiment Index

More importantly, a related change should be a change in market preference towards quality. For over three years now, ever since 2021, quality stocks have been underperforming. With political uncertainty returning and speculative action likely to subside, we believe focus should move back to bottom-up fundamentals. Quality of management, strength of balance sheets and sustainability of growth should become important again.

Chart 3

Stage set for the comeback of Quality



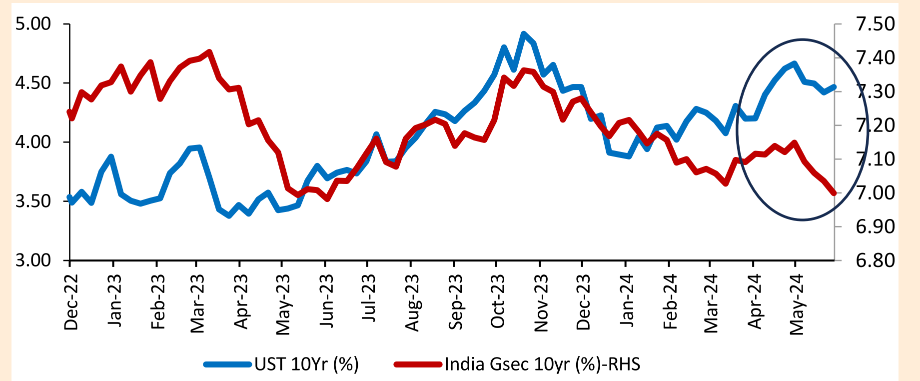
Source: FactSet, SBIFM Research

Fixed Income

Softening of US treasury yields and resumption of FPI debt flows led the initial softening of yields in the previous month. Even as treasury yields moved up over the second half of the month, larger than anticipated dividend transfer by the RBI to the government enabled domestic yields to be delinked from treasuries.

Chart 4

Sovereign yields remain directionally linked to UST



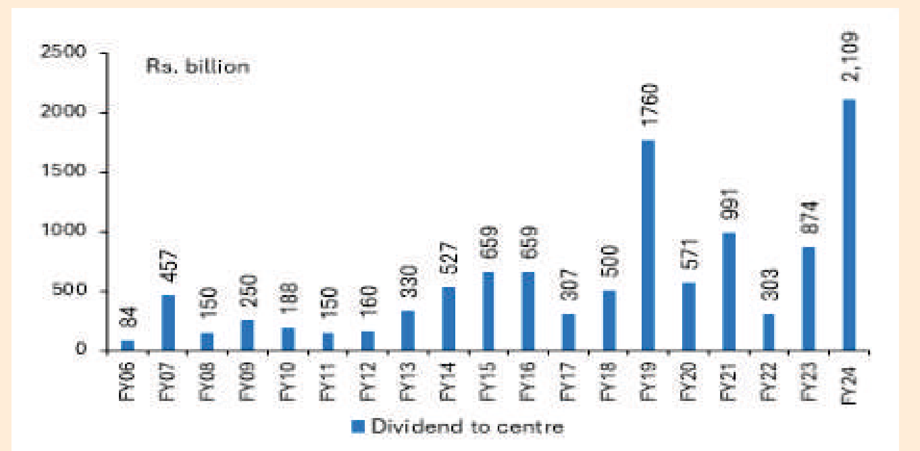
Source: Bloomberg, SBIFM Research

Fiscal Dynamics

Fiscal consolidation and good demand- supply balance have been the key factor supporting a softer bias in government security yields. The larger than anticipated dividend transfer had raised hopes about a further cut in market borrowings. This sentiment was further supported by exit polls showing a comfortable parliamentary majority for the BJP led NDA. With election outcomes being contrary to expectations, the recent uptick in bond yields have been driven by fears of fiscal loosening at the margin driven by potential compulsions of a coalition government.

Chart 5

Record dividend transfer from RBI- supports government revenue



Source: Bloomberg, SBIFM Research

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Market Outlook - SBI Mutual Fund...

...Cont. from page 2

RBI dividend transfer to the government at ₹ 2.10 trillion must be seen in the context of the budgeted dividend from RBI and other PSU's amounting to ₹ 1.02 trillion, with the central bank estimated to transfer around ₹ 850 Bn to ₹ 1 trillion. The extra revenue to the government reinforces the overall buoyant revenue picture and the positive demand- supply scenario for sovereign borrowings. It must be reiterated that overall tax revenues have been growing at a healthy pace for the financial year till date. Compulsions of electoral and coalition dynamics may potentially lead to additional revenue spending. However, in the context of buoyant revenue picture (including RBI dividend) the government could still have enough leeway to budget additional spending without disrupting the borrowing numbers.

Given that the revised FY24 fiscal deficit stands at 5.60%, the announced consolidation towards 4.5% over the coming 2 years can be expected to continue. A moderate reduction from the announced 5.10% can still be possible while providing for any additional spending. In this context, considering the long election schedule, government departments including state government's being able to spend the budgeted allocations over the remaining 9 months is a challenge. India's improving growth and fiscal outlook has recently been validated by the rating outlook change by S&P. Given that fiscal discipline has been the hallmark of budget announcements in the recent years, unwinding of the same is unlikely given the overall macro ramifications.

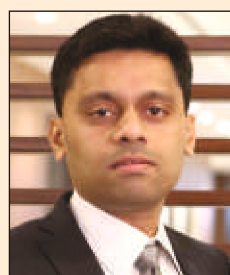
Monetary Policy

Not much is expected to change with respect to monetary policy in the near term as the RBI has clearly aligned it with progress towards the inflation target of 4%. While there has been steady progress towards bringing headline within the range and core remaining softer, there remains ground to cover with respect to aligning CPI to the midpoint target of 4% on a durable basis. Q4 FY24 GDP growth came in at 7.8% y-o-y vs 8.6% in Q3 (revised up from 8.4%). The outcome was significantly higher than street expectations of 6.5%. Real GDP growth for the full year FY24 came in at 8.2% y-o-y and GVA growth came in at 7.2% y-o-y. With FY25 GDP growth estimates being around 7%, the central bank has sufficient leeway to sequence policy actions to sustainably meet the inflation mandate.

Liquidity

A widely anticipated slowdown in government spending and continued buoyancy in taxes has led to a buildup in government cash balances as well as fluctuations in overnight rate settings. The "Just in time" release of central funds to implementing agencies that has reduced the float in the banking system remains a structural factor that would lead to swings in overnight rates. Buyback of government securities (maturing in this FY) and reduction in Treasury Bill auctions by ₹ 600Bn for the period May 24th- June 27th, 2024, should be seen as prudent cash management exercise by the Govt/RBI. At the same time, this addresses the frictional liquidity tightness on account of election related slowdown in government spending. To an extent, signalling if any could be with respect to aligning overnight rate settings closer to the repo rate of 6.5%. While buybacks auctions have had less impact with less acceptance, the impact of reduced treasury bill auction should be more direct in terms of impact on liquidity and short end rates over the coming month. With the end of the election process, one should expect improved government spending over the coming weeks. The more direct market benefit of extra dividend would be an improvement in liquidity as government spending picks up pace. To the extent of income from foreign sources, the transfer also represents addition to core liquidity. With the pick in government spending, seasonal reduction in CIC and anticipated inflows on account of index flows over coming months, the outlook on liquidity dynamics improves materially.

With visibility emerging on the liquidity dynamics, the elevated levels at the front end of the curve should settle lower over the coming months. This should enable better risk- reward equation for incremental investments at the shorter segment (up to 5y) of the curve.



Rajeev Radhakrishnan
CIO, Fixed Income

Gaurav Mehta
CIO, Alternatives Equity

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

Aditya Birla Sun Life Mutual Fund

MUTUAL FUNDS

Aditya Birla Sun Life
Quant Fund

An open-ended equity scheme following Quant based investment theme

NFO Period: 10th - 24th June, 2024

Scheme:	This product is suitable for investors who are seeking*:	Scheme Riskometer	Benchmark Riskometer NIFTY 200 TRI
Aditya Birla Sun Life Quant Fund (An open ended equity scheme following Quant based investment theme.)	• Long Term Capital Appreciation • Investment in equity and equity related instruments selected based on quant model *Investors should consult their financial advisors, if in doubt about whether the product is suitable for them.	RISKOMETER: Investors understand that their principal will be at **Very High** risk	RISKOMETER: Investors understand that their principal will be at **Very High** risk

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The product labelling assigned during the NFO is based on internal assessment of the Scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Performance Of Select Funds

Data as on May 31, 2024

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	15.36	28.55	20.34	15.97	15.18	12.82	13.61	14.28
HDFC Top 100 Fund	Sep-96	16.27	33.42	24.66	19.27	15.27	13.97	13.62	14.40
ICICI Prudential Bluechip Fund	May-08	18.00	36.76	24.52	19.64	17.70	15.39	15.16	15.86
Kotak Bluechip Fund	Dec-98	16.30	28.83	20.23	15.34	16.26	13.80	14.40	13.43
Nippon India Large Cap Fund	Aug-07	20.40	37.15	28.88	22.95	17.32	15.78	16.02	15.09
ABSL Flexi Cap Fund	Aug-98	15.70	32.05	21.39	15.04	15.94	13.20	15.03	14.78
Bandhan Focused Equity Fund	Mar-06	14.05	28.42	20.78	14.13	13.93	11.69	11.93	10.94
HDFC Flexi Cap Fund	Jan-95	20.94	41.55	30.23	24.55	19.42	16.72	15.77	16.55
Kotak Flexicap Fund	Sep-09	21.42	35.07	24.13	17.18	15.74	13.99	16.28	-
Motilal Oswal Flexi Cap Fund	Apr-14	21.17	45.77	27.30	15.59	13.42	11.18	16.53	-
Parag Parikh Flexi Cap Fund	May-13	15.57	32.24	24.19	19.88	23.45	19.76	18.27	-
Quant Flexi Cap Fund	Oct-08	33.49	59.00	35.58	27.06	31.00	22.05	21.13	13.66
SBI Focused Equity Fund	Oct-04	12.85	28.04	19.26	14.94	15.91	15.91	16.45	18.19
Axis Growth Opportunities Fund	Oct-18	17.93	34.51	24.24	18.81	21.57	-	-	-
Bandhan Core Equity Fund	Aug-05	24.77	53.67	34.46	24.05	20.72	16.09	16.37	14.03
HDFC Large and Mid Cap Fund	Feb-94	19.12	45.60	30.63	24.42	21.37	16.50	14.77	13.35
ICICI Prudential Large & Mid Cap Fund	Jul-98	20.26	42.73	28.77	25.24	21.16	16.44	15.68	15.50
Kotak Equity Opportunities Fund	Sep-04	24.75	43.68	29.86	22.22	20.63	16.54	17.76	15.98
Motilal Oswal Large and Midcap Fund	Oct-19	21.12	48.95	35.31	24.75	-	-	-	-
SBI Large & Midcap Fund	Feb-93	15.46	30.36	24.61	19.29	19.11	15.95	16.76	15.96
Invesco India Contra Fund	Apr-07	22.38	42.77	27.09	19.82	19.10	16.77	17.81	17.23
Kotak Multicap Fund	Sep-21	23.68	53.87	36.27	-	-	-	-	-
Nippon India Multi Cap Fund	Mar-05	23.94	49.92	36.90	30.59	21.42	18.27	16.90	18.88

Midcap & Smallcap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
HDFC Mid-Cap Opportunities Fund	Jun-07	20.69	51.92	38.33	28.08	24.78	18.46	20.26	21.78
HSBC Midcap Fund	Aug-04	23.66	58.26	33.40	22.89	20.61	15.23	19.20	18.77
Kotak Emerging Equity Fund	Mar-07	20.79	44.48	29.81	23.48	24.15	18.13	21.37	19.85
Motilal Oswal Midcap Fund	Feb-14	22.96	49.12	37.97	34.51	27.06	18.89	21.01	-
Nippon India Growth Fund	Oct-95	19.77	54.04	36.00	28.54	25.62	19.82	19.24	17.29
UTI Mid Cap Fund	Apr-04	14.19	36.77	25.63	20.13	21.87	15.48	18.12	19.27
Bandhan Small Cap Fund	Feb-20	23.52	66.72	37.64	27.11	-	-	-	-
HDFC Small Cap Fund	Apr-08	11.11	38.28	35.21	26.49	22.77	19.19	20.05	18.75
Kotak Small Cap Fund	Feb-05	15.55	40.22	25.26	21.76	27.20	18.77	21.08	19.69
Nippon India Small Cap Fund	Sep-10	19.18	52.89	39.21	32.32	30.62	23.07	25.22	-
Quant Small Cap Fund	Nov-96	27.81	64.64	43.76	33.16	39.81	26.08	20.76	18.87
SBI Small Cap Fund	Sep-09	16.05	37.41	27.03	22.24	25.19	21.05	24.94	-

Sectoral / Thematic Fund & Tax Saving

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ICICI Prudential Banking and Financial	Aug-08	7.94	16.58	17.84	11.09	9.71	10.09	14.28	16.28
ICICI Prudential Pharma Healthcare	Jul-18	18.23	53.02	28.73	15.51	25.51	-	-	-
Nippon India Banking & Financial	May-03	8.84	22.43	23.71	16.95	11.78	11.64	13.76	15.31
Nippon India Pharma Fund	Jun-04	14.40	49.18	27.10	13.90	24.55	19.86	17.30	20.81
Nippon India Power & Infra Fund	May-04	37.91	79.51	52.73	38.11	27.11	19.33	17.08	12.02
SBI Healthcare Opportunities Fund	Jul-99	15.52	43.27	28.45	14.90	24.69	15.99	15.63	18.84
ABSL PSU Equity Fund	Dec-19	46.52	95.61	55.23	40.29	-	-	-	-
Bandhan Transportation and Logistics	Oct-22	26.95	55.18	-	-	-	-	-	-
Kotak Pioneer Fund	Oct-19	20.46	39.35	26.26	18.35	-	-	-	-
Bandhan ELSS Tax Saver Fund	Dec-08	14.17	31.39	23.16	18.97	19.50	16.08	17.21	16.57
Kotak ELSS Tax Saver	Nov-05	22.78	39.05	27.07	20.50	19.12	15.81	17.26	14.82
Nippon India ELSS Tax Saver Fund	Sep-05	20.97	42.24	26.46	20.63	15.45	10.75	13.00	15.15

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.87	3.91	7.57	6.53	5.50	4.99
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.89	3.90	7.61	6.57	5.60	5.15
Kotak Equity Arbitrage Fund	Sep-05	1.95	4.12	7.98	6.83	5.86	5.35

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	13.60	25.64	16.43	12.53	12.38	10.10	12.09	12.93
Canara Robeco Equity Hybrid	Feb-93	12.74	24.09	17.49	13.19	14.61	12.98	13.92	13.90
DSP Equity & Bond Fund	May-99	10.98	25.13	18.61	12.55	14.41	12.06	13.94	13.12
ICICI Prudential Equity & Debt	Nov-99	17.32	36.74	24.50	23.12	20.26	16.52	16.84	16.88
Kotak Equity Hybrid Fund	Nov-99	15.27	27.72	19.40	15.43	16.52	13.20	13.33	12.67
SBI Equity Hybrid Fund	Dec-95	12.64	22.90	15.13	12.62	13.39	12.78	13.73	13.16
ABSL Bal. Advantage Fund	Apr-00	11.10	19.48	14.97	10.97	11.80	-	-	-
Bandhan Bal. Advantage Fund	Oct-14	9.41	17.59	13.44	9.44	10.26	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	9.59	19.75	14.84	12.45	12.53	-	-	-
Kotak Bal. Advantage Fund	Aug-18	9.36	17.14	13.76	10.60	11.47	-	-	-
Nippon India Bal. Advantage	Nov-04	12.39	22.76	16.03	12.09	11.62	-	-	-
Bandhan Equity Savings Fund	Jun-08	5.06	10.00	8.21	6.90	7.08	-	-	-
Kotak Equity Savings Fund	Oct-14	9.56	18.48	13.88	11.76	10.78	-	-	-

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	0.84	1.79	3.96	6.73	6.73	5.54	6.73
Axis Corporate Debt Fund	Jul-17	0.87	1.79	3.98	6.73	6.68	5.29	6.09
HDFC Corporate Bond Fund	Jun-10	0.85	2.00	4.20	7.31	7.18	5.53	7.00
Kotak Banking and PSU Debt Fund	Dec-98	0.88	1.78	3.92	6.77	6.76	5.47	6.78
Kotak Corporate Bond Fund	Sep-07	0.87	1.89	4.06	6.97	6.70	5.46	6.49
SBI Banking and PSU Fund	Oct-09	0.76	1.64	3.73	6.28	6.26	4.75	6.19
ICICI Prudential Savings Fund	Sep-02	0.57	2.05	3.93	7.77	7.30	5.98	6.55
Kotak Savings Fund	Aug-04	0.58	1.87	3.61	6.96	6.51	5.42	5.53

*Absolute ** Annualised. Past performance may or may not be sustained in future.
Source: Value Research

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.

A Note To Our Esteemed Readers

Wealthwise is being sent to some of you on a Complimentary basis as a part of our humble effort to ensure that more and more investors get the best from their investments. We sincerely hope that you would like the contents of Wealthwise and in some way benefit from it. However, if you do not wish to receive "Wealthwise" on a regular basis, please let us know by sending us a mail on information@wiseinvest.co.in. You can also write to us at our Corporate Office address mentioned on page number 6.

Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

Here's How To Analyse Mutual Fund Performance

It is heartening to see how investors are making mutual funds an integral part of their investment plan. Obviously, the objective is to earn higher returns than traditional investment options and create wealth over time. One of the key aspects of achieving consistent investment success is to monitor the progress of the portfolio and ensure that it remains on track to achieve these objectives.

Ironically, not many investors evaluate the performance in the right way and often make hasty decisions based on their analysis. If you have been investing in mutual funds, it's important for you to put performance in proper perspective and understand what can be termed as good performance as well as the right way to evaluate the performance of a fund.

Ideally, to analyse the performance, you should consider returns as well as the risk taken to achieve those returns. Besides, consistency in terms of performance as well as portfolio selection should also play an important part in this process. Simply put, while evaluating the performance of a fund, you must consider the risk-adjusted returns by considering both the returns generated and the level of risk taken.

Another important aspect is to consider long-term performance rather than short term performance. It is important because long-term performance track record moderates the effects which unusually good or bad short term performance can have on a fund's track record. Besides, longer term performance compensates for the effects of a fund manager's particular investment style. Also, evaluate the performance vis-à-vis the peer group. While measuring performance against the benchmark is important, the comparison with the peer group provides the right measure of a fund's performance.

Discipline in the investment approach is an important factor as the pressure to perform can make a fund manager susceptible to have an urge to change tracks in terms of stock selection as well as investment strategy. Therefore, you must analyse the performance in a manner that helps you differentiate investment skill of the fund manager from luck and get an indication of the likelihood of future success.

Quite often, negative return from a fund is equated with poor performance. In reality, even the best of fund managers are likely to give negative returns during the periods when markets go down significantly. Besides, the time period considered also signifies the true level of performance. For example, short term negative returns, in line with the market, from a fund that has been doing well over the longer term means nothing and should be ignored.

Investors often face the dilemma of whether to allow the portfolio to ride on or not, especially when the market is in a bull phase. In times like these, the key is to keep your focus on the original mix of equity and debt and be prepared to rebalance the portfolio, if required. While equity market requires a long term commitment to benefit from it, keeping the asset allocation closer to the original levels helps you balance risk and reward.

While rebalancing the portfolio, you must consider factors such as the level of drift from your desired asset allocation and tax implications due to realignment in the asset mix. It is equally important to follow the right strategy while rebalancing the portfolio. For example, you must first exit from funds that may not be performing well and allow better performing ones to remain in the portfolio. Also, keep a close watch on the performance of sector, thematic as well as specialty funds, if any in the portfolio, as these are usually cyclical in nature.

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

Keep Your Portfolio On Track To Achieve Your Goals

It's a proven fact that a goal-based investment process is the key to achieve investment success for investors. While a time horizon assigned to each of the goals helps in ascertaining an appropriate asset allocation, it also ensures that investment process kickstarts on the right note. Having a well-defined time horizon and asset allocation also makes it easier for investors to tackle the market volatility and stay focused on the goals during the periods of turbulence in the stock market.

However, despite having a clear roadmap, some internal and external factors can create challenges for investors from time to time. The level of investment success an investor can achieve will also depend upon how these challenges are tackled and whether basic investing principles are followed or not. Therefore, you must stick to your asset allocation and make rational investment decisions during your defined time horizon. Here are some of the factors that can derail your investment portfolio, if not tackled well.

Lack of diversification and/or over diversification:

While diversification is the key to curb volatility in the portfolio, lack of diversification and/or over-diversification in the portfolio can expose you to higher risk. Remember, a concentrated portfolio has the potential to generate higher returns, but the losses could be higher too. Similarly, over-diversification in the portfolio allows non-performing investment options to remain in the portfolio and that can make a dent in your portfolio return. Therefore, you must avoid over-diversification and monitor the progress of the portfolio regularly to weed out non-performers from the portfolio.

Investing in "flavour of the month" funds

Investing in aggressive funds like small caps, sector and thematic funds, topping the chart during certain market phases, can result in much higher volatility and losses in the portfolio. While it is true that these funds have the potential to deliver higher returns during certain market phases, there is no guarantee that it will happen. In fact, if the timing of entry and exit is not right, the losses can be detrimental to your investment process.

Relying on recent performance

Relying on short-term performance for fund selection can either make your portfolio very aggressive or very conservative based on what's working out at that point of time. While higher allocation to equity based on short term performance in a rising market can take you beyond your risk-taking capacity, a conservative portfolio can bring your real rate of return down.

Disregarding your time commitment

Remaining committed to your time horizon can help you manage losses. Since equities do well over the long-term, losses should be treated as drop in portfolio valuation rather converting them into real losses. Over time, equity portfolio can deliver positive real rate of return. Therefore, once time horizon is decided, stay committed to it to benefit from the true potential of equities and enhance the chances of achieving your long-term goals.

Ignoring opportunity losses

Opportunity loss is the value or potential gains that an investor forgoes by choosing a specific type of asset, investment option or strategy. Frequent instances of opportunity losses can make a significant impact on what you get to accumulate over time. Therefore, monitor your portfolio regularly and be aware of opportunities that can help you improve your portfolio returns. Of course, making frequent changes can become counter-productive.

Investing conservatively can backfire

There can be a temptation to invest in less risky investments like bonds, FDs, small saving schemes to avoid losses in the portfolio. However, ignoring the risk of inflation and staying away from market linked products can result in a heavy loss in terms of negative real return. Therefore, including equity and equity related funds should be a priority for long-term investments.

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

Analyse Your Portfolio At Pre-retirement Stage

Retirement planning is one of the most important goals for every investor and hence should be given its due in investment process. However, not everyone plans for this important goal properly and adequately. While some err by either not planning for retirement or by delaying the process of building a retirement portfolio, there are others who plan but rely mainly on traditional investment options such as FDs, small savings schemes and EPF. This often results in a shortfall during the retirement phase.

Needless to say, it is vital to have a plan in place and build a portfolio that has the potential to keep you ahead of inflation. It is equally important not to withdraw amounts during the corpus building process. While at times it may be necessary to do so, making it a habit can negatively affect your post-retirement life.

While investing early, having the right asset allocation and following a disciplined approach are important, it is equally important to analyse the approach to investing and reassess the portfolio at pre-retirement stage i.e. 8 to 10 years before retirement. That's because most investors can be expected to have taken care of 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.

One thing that must be avoided during this stage is to take a new loan as it can disrupt your investment process. There may not be enough time to repay the loan and that can disrupt your investment process for retirement. If you are already repaying an existing loan, try to repay it as early as possible. Of course, the ability to do so will depend upon the quantum of loan and surplus available.

To get the best out of investments at this stage, the key is to have the right asset allocation. Considering the time on hand before one needs to start generating regular income, equities must still 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.

Asset allocation and the options chosen to invest in these asset classes determines the level of liquidity, income generation and tax efficiency of returns. Many investors have a tendency to invest heavily in real estate with an objective to generate regular income post-retirement. There are pit-falls of this strategy as it can make you compromise in terms of liquidity, quantum of income due to low rental yields as well as post-tax returns. Besides, managing regulatory and operational affairs relating to real estate can be quite cumbersome, especially if the property owned is not in the city of your residence.

On the other hand, financial assets in the right mix, have the potential to do better than real estate on all these counts. Considering that you may require money at different stages of post- retirement period and need to generate higher regular income, investing in financial assets like equity and debt thru an efficient investment vehicle like mutual funds can be a much better option. Mutual funds provide a number of options that allow you to generate tax-efficient regular income and make your money grow at a healthy rate. Systematic Withdrawal Plan (SWP) can be a smart strategy to achieve both these objectives.

Remember, tax efficiency of returns can make a huge difference to what you get to keep and hence it should be an integral part of your investment strategy.

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