

Enrichmentors Wealth Builder Advisory



The application of concepts for building wealth
Which asset class to invest today? Which to exit? How?

July 2013

What is in this Issue

From The Editor's Desk

Arun Singhal is the Founder and Principal Mentor & Managing Partner of Enrichmentors India. He founded Enrichmentors in 2007 to help individual investors build their wealth successfully in addition to providing business consultancy to Small and Medium Enterprises. He learned about building wealth successfully from his personal experiences in debt and equity markets in India over these years and now offers advisory services to individual investors about how to build their wealth by investing right in Debt and Equity markets in India now. He received his AMFI certification in 2011 and is an authorized mutual fund distributor for all the mutual funds. He also teaches Wealth Management at IIPM. He operates out of his office in Mumbai and can be contacted at arunsinghal@hotmail.com.



Dear Reader,

We talked about the investment strategies during June in the last issue including what are the right asset classes to invest in June as on End May 2013. We also talked about the most suitable methods and schemes to invest as well asset classes to hold and exit.

During the month of June, the equity market dropped by about 10% from its recent highs driven by the fears generated on account of reduction in the economic stimulus package of the US Government. We also saw a sharp depreciation in the value of Rupee vs the dollar with Rupee falling to unthinkable levels of Rs 60 per dollar. The FIIs pulled significant money out of the Indian Debt Markets along with these changes. Gold also attained a new low at the price of about Rs 2300 per gram.

Given these significant changes in the valuation of these asset classes you may have the following questions in your mind. Should you continue

- Investing in Gold and other commodities?
- Exiting from Equities?
- Holding your investments in Property, Debt and Insurance

Or should you change these overall strategies? Which ones should you change ? Which ones should you continue?

I will try and answer these questions for you in this July 2013 issue so that you can take the right decisions. I will also provide some directions on what should you do differently if the market behaves differently during the month of July from what it is today at the beginning of July

Hope you will find this advisory useful in building your wealth! Please do contact me any time if you have any question during the month. Happy to help you build your wealth!

Building Businesses, People, Health & Wealth successfully over 30 years

The application of concepts for building wealth

Which asset class to invest today? Which to exit? How?

This wealth builder advisory attempts to answer the following questions.

- *What should be your strategy today for building wealth?*
- *What asset classes should you invest now? Why? How?*
- *What assets classes should you exit? Why? How?*
- *What asset classes should you hold? Why? How?*

What should be your strategy for building wealth today?

As at end of June 2013, the Gold has further dropped to Rs 2300 per gram after a short rally while Equity market, which had reached its previous highs at May end, also dropped by 10%. The Debt market continued to be poised for increase in bond prices as the interest rates fall is expected on account of reduction in inflation and current account deficit. Property market is still sluggish though the rates have not dropped in general. While Indian economy is poised to recover with the Finance Minister working seriously on cutting the current account deficit the world market is worried on account of reduction in the stimulus package by the US Government. The FII pull out from the Indian Debt market has led to sharp depreciation of Rupee.

Given the above situation today what should be your overall Wealth Building Strategy

	Invest	Exit	Hold
<ul style="list-style-type: none"> ➤ What should to invest into ➤ What should you exit and ➤ What should you hold 	Gold, Commodities Equity when NIFTY is around 5500	Equity when the NIFTY above 6200 Debt to invest into Equity or Gold	Debt, Property, Insurance Equity between 5500-6200

Gold continues to be good place to invest your money and build your Gold Holding in long term. With prices as low as Rs 2300 per gram, it is worth investing into Gold in staggered manner. The prices of Gold could fall further in the short term and your should be further ready to invest in gold. The appreciation in the Gold Investment should be expected only after 3 years.

Commodities financing continues to be good area for investment as it was during the last month.

You can consider investment in equity market if the NIFTY drops from the current levels of 5842 to 5500-5600. At the that level of investments made in the equity market, you can expect a 10% gain within a year.

If the Equities market increases and NIFTY reached 6200, it would be prudent to exit from 50% of your profitable equity investments. You may need to exit from your Debt holdings to the extent required to invest into equity or Gold

You can continue to hold your investments in Property, Insurance and Debt after making the required exits for investments into Gold and Equity

So the overall strategy will be to switch from Debt to Equity and Gold as required

With this overall wealth building strategy, let us now look at how best to execute this strategy.

How to best invest in Gold, Commodities and Equity now?

I continue to prefer to invest in Gold Funds for the investment purpose due to following reasons and as mentioned in the June 2013 EWBA

- ✓ Does not attract wealth tax as Physical and Demat Gold will
- ✓ No risk of theft or quality like Physical Gold
- ✓ No need to keep track of the price of Gold Units like Gold ETF for taking profits

I continue to recommend investing in commodities through Spot Buying for general investors like you. This method can provide a pre tax return of 11-14% with practically no risk. You buy a lot of any suitable commodity available on National Spot Exchange with an forward contract to sale at an agreed rate. This way you are really financing the commodity deal with surety of sales while buying itself.

So most suitable means for you as general investor continue to be to invest in Gold through Gold Funds and in commodities through NSEL.

Let me now spend some time on how best to invest in equity.

If you are a full time financial investor with the knowledge of the shares, you can directly buy the fairly priced company shares with valuations up to Price Earnings Ratio of 15. The buying needs to be very selective and you should be ready to further invest into these shares if the prices fall.

If you, either, are not a full time financial investor, or do not have adequate knowledge of the share market, it would be best for you to invest into Diversified Equity Fund of a large Mutual fund like HDFC, Birla Sun Life etc.

I prefer investing into HDFC Equity Fund which has performed well over a long period of time. This fund reduces your risk of investing into equity market with its diversified portfolio and large investment base.

Given below the comparative performance of the top 8 diversified equity mutual funds over a 10 year period.

June 29, 2013		Invested over the length of time											
Fund Name	Risk Rating	Performance Figures based on Prices as at	Minimum Initial Investment	Sharpe Ratio	1-wk (%)	1-mth (%)	3-mth (%)	6-mth (%)	1-yr (%)	2-yr (%)	3-yr (%)	5-yr (%)	10-yr (%)
Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort	Sort
HDFC EQUITY FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.11	0.93	-6.74	-1	-8.36	6.43	-1.89	1.98	13	24.71
BSL EQUITY FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.27	1.63	-5.82	0.22	-7.89	10.66	0.47	-0.65	6.62	23.38
DSP BLACKROCK OPPORTUNITIES FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.16	1.86	-3.64	3.21	-4.21	16.38	0.87	1.96	9.56	23.22
TATA EQUITY OPPORTUNITIES FUND PLAN B- GROWTH	6	June 28, 2013	Rs. 5,000	-0.12	1.49	-3.34	2.67	-1.57	12.69	5.21	2.75	6.49	23.18
HDFC GROWTH FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.15	1.76	-4.98	-2.3	-8.34	4.05	-0.71	1.82	9.42	23.17
PRINCIPAL GROWTH FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.17	0.97	-5.15	1.03	-7.57	13.94	4.1	1	3.15	16.6
JM EQUITY FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.27	3.1	-3.93	4.28	-2.36	13.2	0.21	-1.36	0.67	15.1
BSL INDIA OPPORTUNITIES FUND- GROWTH	6	June 28, 2013	Rs. 5,000	-0.33	1.82	1.56	-1.4	-4.19	5.37	-0.6	-1.03	4.62	14.34

How to best exit from Equity above NIFTY 6200 and Debt Funds to invest?

As mentioned earlier, when NIFTY reaches 6200, it is time to partially exit from Equity whether held in the form of shares or Mutual Funds, through the modus operandi of exit will differ.

If you are holding equity in the forms of shares of many companies, you need to keep exiting these company shares in full one by one as and when they peak as detailed in the June 2013 EBWA

If you are holding many Mutual Funds, you can exit the mutual funds that are giving you good returns but are inherently either risky or of "not so good" quality as also elaborated in the June 2013 issue

Let me talk now about how to best exit from the debt fund if you need funds to invest in equity or gold funds.

Each of the debt funds you would have invested will have an exit charge if you exit before a certain period. The only exception is the liquid funds which have no exit charges. These charges range from 0.25% to about 1% of the invested funds.

When you want to exit from your debt funds, you should first look to exit from the Liquid Debt Funds which have no exit charges and provide you also lower return. Once you have completed your exit from such Debt Funds, you should look at exiting from those debt funds where you will not pay any exit charges on account of holding them for a period longer than the minimum period.

Such an exit plan will help you minimize your exit charges as well as keep with you the higher yielding debt funds with you.

Another important thing to remember when exiting from debt funds for investing into Gold or Equity Funds is to use "Switching" options instead of "Redemption". Switching enables you to directly convert your debt funds into the Gold or Equity funds instead of getting the money into your bank and then making the payment for the Gold or Equity Funds.

Since there is a lot of volatility in the Equity and Gold Funds prices, the switching also allows you get the "day you want to buy" prices of gold and equity funds.

How to hold Debt, Property and Insurance?

Most of what said in the June 2013 issue of the EBWA will work for hold your investments in Debt, Property and Insurance. Just remember that these are your long term investments and unless there is better option you just let them lie with you.

Let me summarize here now the investment strategies for July 2013

- **Hold your investments in Debt, Property and Insurance in general**
- **Keep watching the Gold prices and NIFTY during the month.**
- **If the Gold prices further drop from Rs 2300 per gram, continue switching from debt funds to Gold Funds for every 5% drop in Gold price, till your Gold Holdings as % of Total investment is about 20-25%. If Gold prices go up, hold your Gold investments at least till the previous high of Rs 3200 per gram is reached.**
- **If the NIFTY drops to 5500 or below, switch from Debt Funds to Equity in staggered manner. If it reached 6200, Switch 50% of equity into Debt!**