Enrichmentors Wealth Builder Advisory

The application of concepts for building wealth

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

January 2014

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 December in the last issue including what are the right asset classes to invest in December as on End November 2013.

During the month of December, the equity market remained in the range of 6400 and 6100 NIFTY after touching a new life time high of 6415. While the trend in the equity market is on the rise and the uncertainties about it remaining at these levels have reduced with the formation of performing governments in 4 states , the fundamentals of the economy are still too weak with no clear measures in sight that gives confidence of a recovery.

The Debt Market Yields also firmed with the continued drop in the bond prices due to continued high inflation in spite of no adverse changes in the RBI policies. The bond prices will remain low in the short term with rise expected in the long term after a favorable change in the interest rate.

Gold dropped further from Rs 2500 per gram to Rs 2400 per gram during the month and remained at Rs 2400 per gram making it attractive for investment

With these changes in the prices of these asset classes

- Should you continue investing in Gold at Rs 2500 per gram and Equity at NIFTY lower than 5700?
- Exiting from Equities partially when NIFTY is above 6500 to invest in Gold & Debt
- Holding your investments in Property, Debt, Insurance and Equity when NIFTY is between 5700 and 6200?

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

I will answer these questions again for you in this issue so that you can take right decisions.

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 !

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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?

Equity market continued to move up by creating the new life time high of 6415 NIFTY in December buoyed up by the assembly election results in 4 states on December 8 and expected better governance. It finally closed at 6304 NIFTY on December 31 in spite of QE tapering in US!

The equity market is expected to stay at these levels in next few months with possible strengthening with likely favorable steps by the RBI and Governments in States and Center and gradual tapering of the QE in US. With the formation of AAP Government in Delhi, it looks as if the mood in the country is to bring the parties and people who will perform in next 5 years at least. The uncertainty does remain in the timing of these positive events.

While there is more hope for equity markets at the beginning of 2014 than a month back, the hard facts of the economic recovery are still gloomy.

The time for investors like you still is to stay cautious and make further investment only on significant drops. If the FIIs buying or favorable RBI Policies further pushes the equity market, it will be good time to take profits partially again like done at 6200 NIFTY

So the roller coaster ride of equity market is at a high end and you need to have the patience to invest back into it!

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What should be your strategy for building wealth today?

Debt Market Yields also firmed up during the month moving from 8.73% to 8.92 as the Bond prices continued to drop. While the RBI did not make any changes in its monetary policies this month, the high inflation continues to worry the bond investors and led to the drop in bond prices.

Gold continued its drop and reached its two year low at Rs 2400 per gram with the world outlook improving in general.

So Gold and Debt continue to remain attractive asset classes to invest back for long term.

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What should be your strategy for building wealth today?

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

- What should to invest into
- What should you exit and
- What should you hold

Invest	Exit	Hold
Equity in staggered manner at NIFTY levels of 5800 and below **Gold at current prices of Rs 2400 per gm and lower in staggered manner** **Surplus Cash in Debt**	**50% of Gold at Rs 3100 per gm** **Debt for investment in Equity and Gold** **50% of Balance Equity at 6500 NIFTY**	**Debt, Property, Insurance** **Equity till 6500 NIFTY** **Gold till Rs 3100 per gm**

Equity markets are at a point of requiring holding till 6500 NIFTY if you have done the 50% profit taking at 6200 NIFTY. At 6500 you can again take profits from the 50% of the Balance holdings. You should think about investing back in equity only when it drops to 5800 NIFTY.

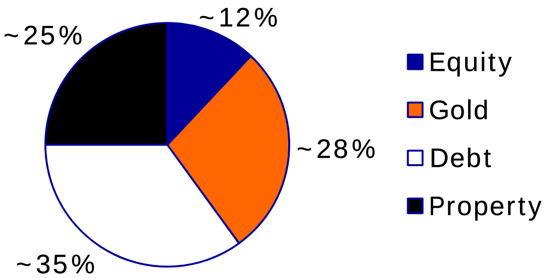
Gold continues to be good for building your holdings at Rs 2400 per gram. Continue buying at every 5% drop from here on. Sell 50% of your Gold Holdings when it touches Rs 3100 per gram again

Debt funds are also good to invest with the bond prices at a low and expected to rise with the reduction in interest rates within a year.

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

I would recommend the following Asset Allocation at the current levels of Equity, Debt and Gold prices

% Asset Allocation



So the overall strategy will be to switch from Equity to Gold and Debt at current levels if the equity market moves up further. Pls email me if you have any specific queries, Happy you help!