Enrichmentors Wealth Builder Advisory

The application of concepts for building wealth

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

October 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 September in the last issue including what are the right asset classes to invest in September as on End August 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 September, the equity market rose again from 5300 to 5800 due to the decision of the US Federal Bank to continue the Quantitative Easing program as they saw the economic recovery in the world to be very fragile. This very responsible step by the US Federal Bank stimulated the confidence of investors across the globe specifically into the emerging markets including India. Unfortunately our own Reserve Bank Action was again very short sighted in nature with increase in interest rates by 0.5%.

The RBI actions lead to increase in Bond Yields again with the corresponding drop in the Bond Prices affecting the existing Debt market adversely.

Gold also dropped with the rise in investor confidence in the world economy with the largest and most powerful economy acting quite responsibly. It also helped the Indian Rupee recovered substantially with the increase in FIIs USD investment in the Indian Share market along with other favorable factors

With such a U turn in the rates of these asset classes

- Should you continue investing in Gold, on dips, other commodities and equity
- Exiting from Equities when NIFTY is above 6200 and Debt to invest in Gold and Equity
- 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 try and answer these questions again for you in this issue so that you can take the 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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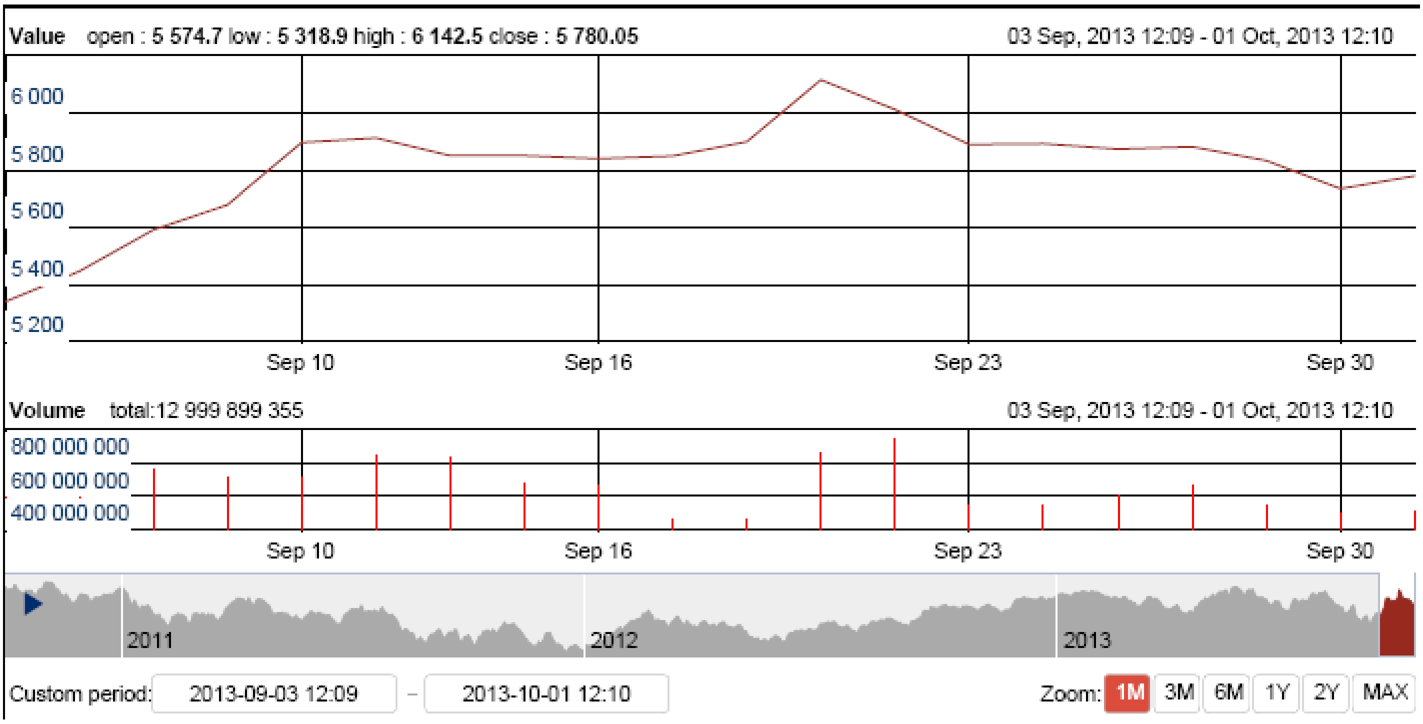
Which asset class to invest today? Which to exit? How?

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 bounced back from 5300 NIFTY to about 5800 in the month of October primarily driven by the US Federal Bank's decision to continue with the QE stimulus to the economy



On the contrary the RBI raised the interest rates against all the expectation of a reduction along with the reduction in the MSF etc. This lead to the equity market dropping after reaching a high of 6100 after the US Federal Bank announcement to continue the buying of Bonds till December 2103 as part of the QE program.

It is now expected that market will continue to hold at these levels till a change in the stance of the US Federal Bank and RBI. Pro economy measures by the RBI will take the market to higher level and vice versa.

So continue to be prepared for a roller coaster ride in the equity market and learn to enjoy and profit from it! In fact, if you play well, it may well prove to be good time to build wealth by timely switching from and to equity market but remember to have courage to invest when others fear and exit when you feel greedy to remain in it!!

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<u>What should be your strategy for building wealth today?</u>

Debt Market continued to drop with 10 year Govt of India Bond Yields increasing from 8.4% to about 8.7% due to hike in interest rates by 0.5%

Gold dropped from a high to recent lows closer to one year lows.

So Gold and Debt become attractive asset classes to invest back.

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<u>What should be your strategy for building wealth today?</u>

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 5500 and below **Gold at current prices of Rs 2600 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% Equity at 6200 NIFTY**	**Debt, Property, Insurance** **Equity between 5900 to 6200** **Gold till Rs 3100 per gm**

Equity is good place to hold at current levels of 5900 NIFTY till 6200 and then exit partially, say 50%. You can increase exposure to Equity if the Nifty drops to 5500.

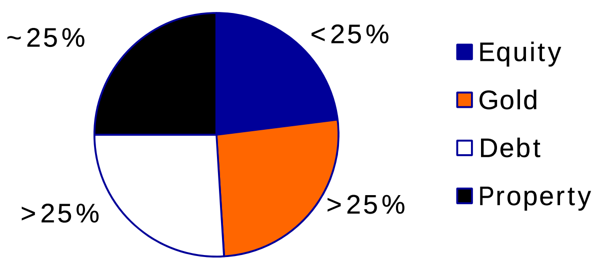
It is Good time to start investing in Gold at the current levels of Rs 2600 per gm in staggered manner. If the Gold appreciates during the month and touches the previous peak of Rs 3100 per gm, it may be good to exit partially, say 50%.

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.

As one of you wanted me to include advisory on recommended Asset allocation. I would suggest the following

% 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!