
Investing and You



by Rajiv Satija

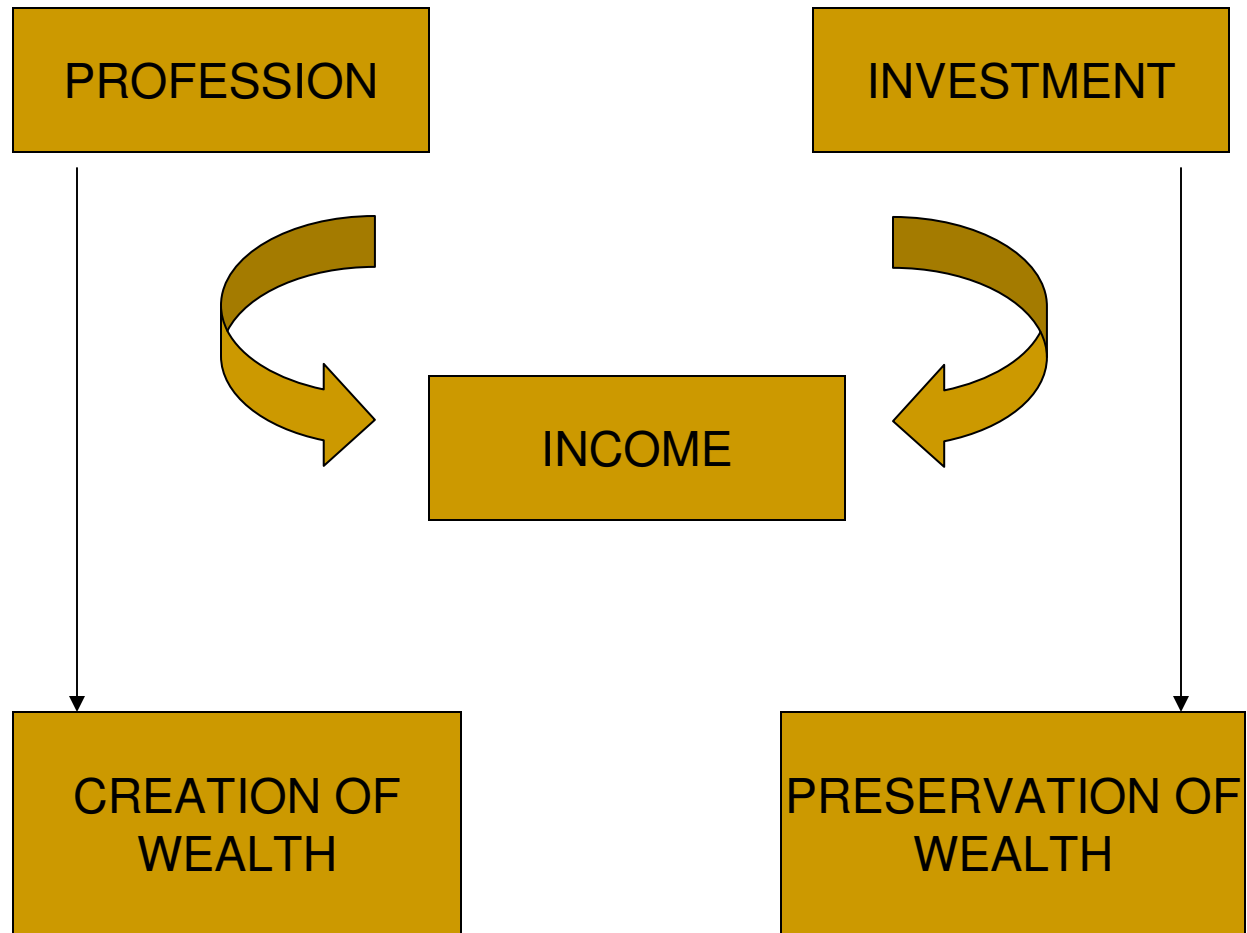
UpMarket Financial Advisory Services

Money Making Rules

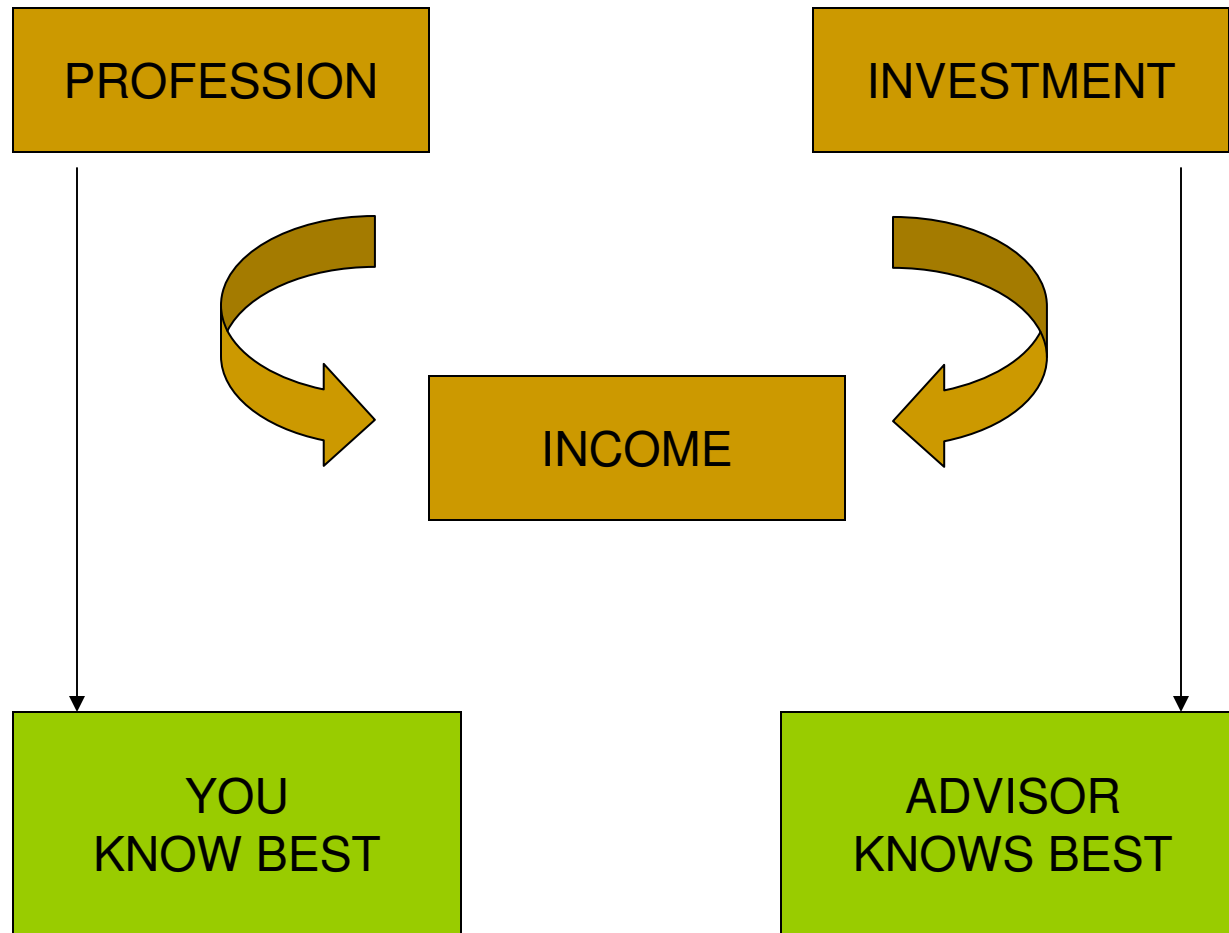
- Rule No. 1: Never Lose Money
- Rule No. 2: Never forget rule no. 1

...Warren Buffet

Context of Investing



Profession vs. Wealth

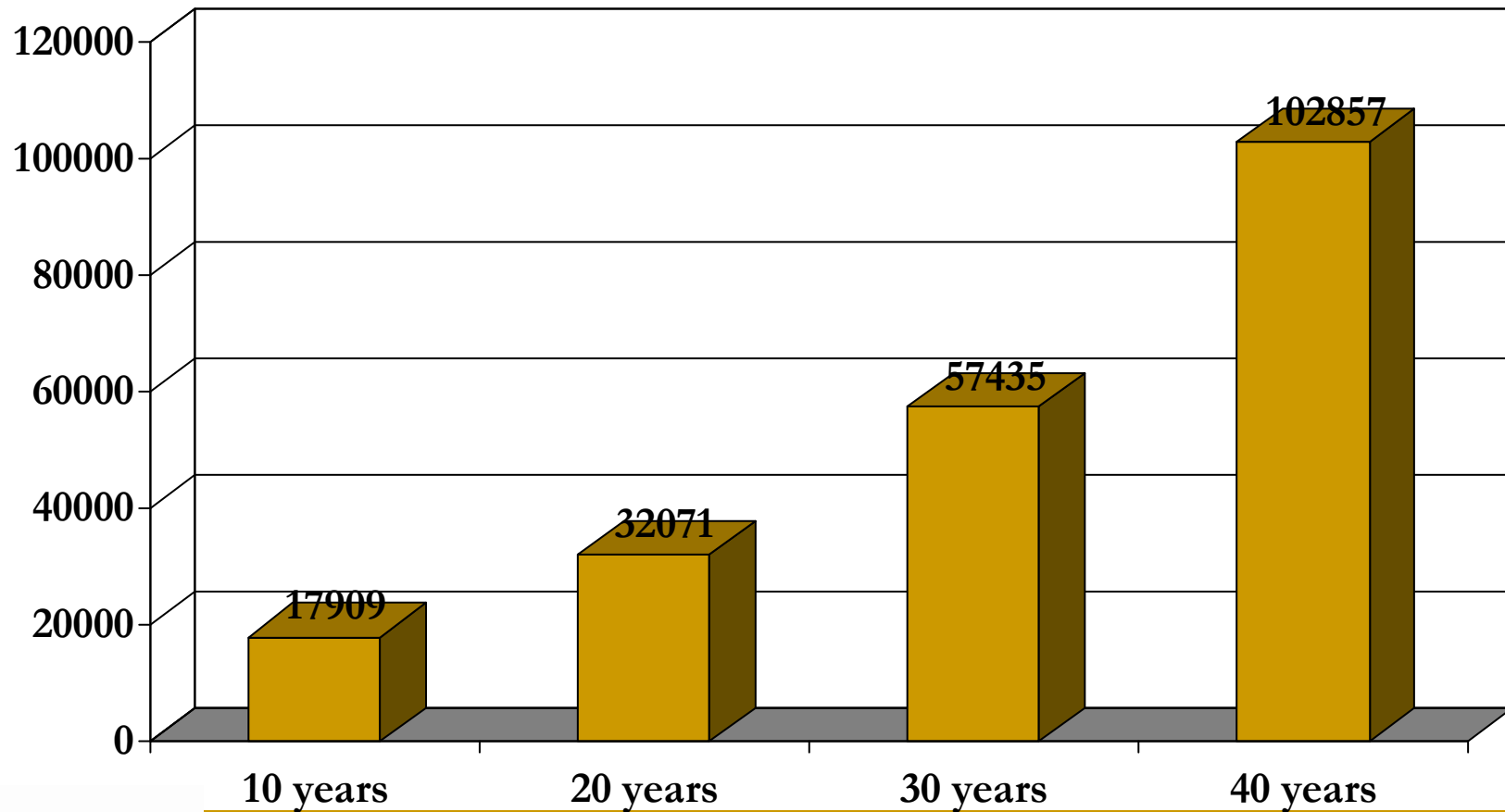


The need to invest


Inflation lowers your purchasing power

 **Rs. 10,000 today**

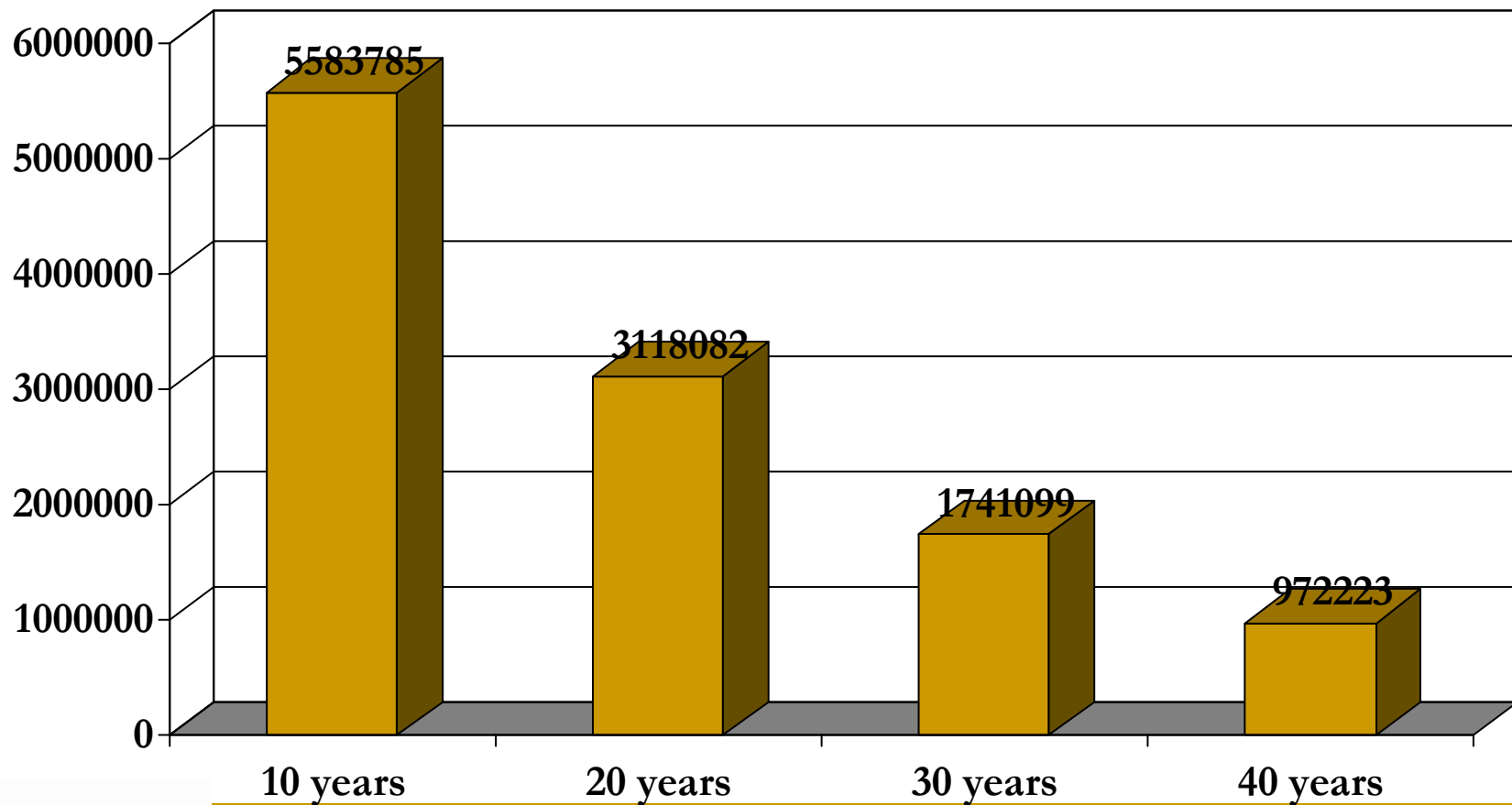
Inflation assumed @ 6% p.a



Inflation Robs your Wealth

 **Rs. 1 Crore today**

Inflation assumed @ 6% p.a

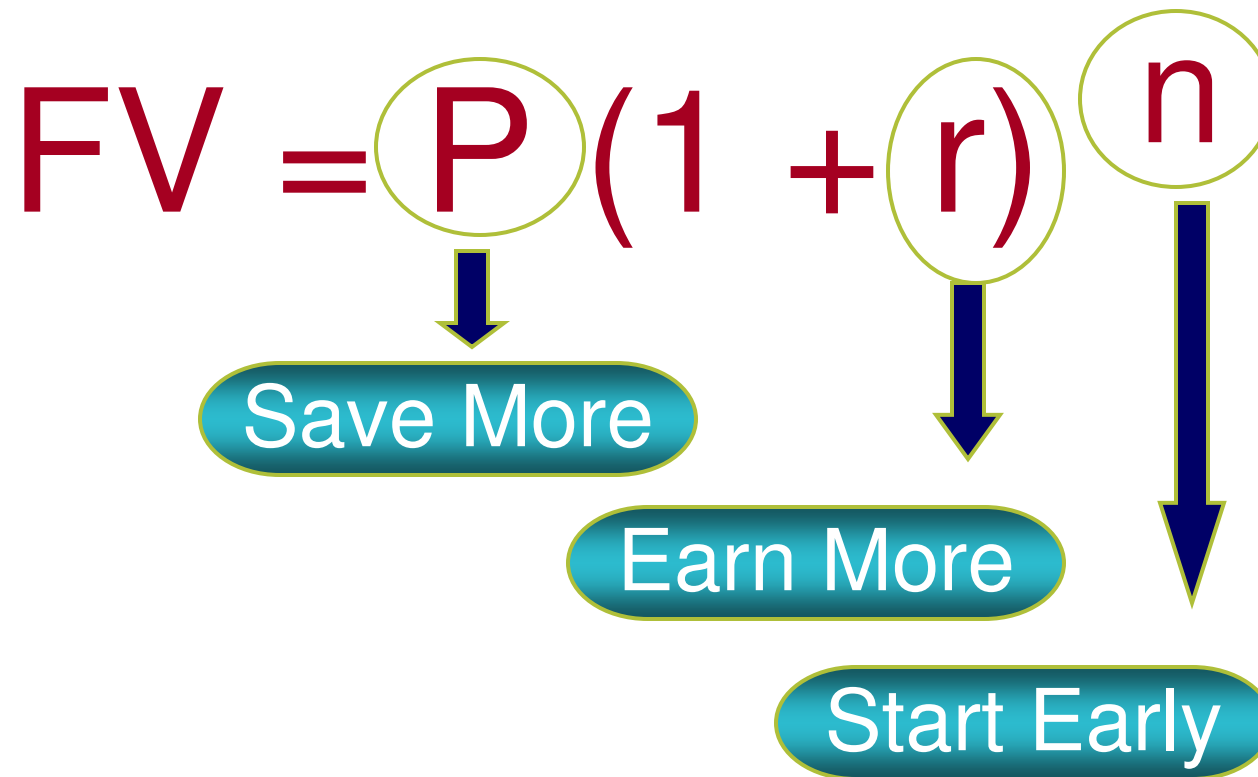


Inflation – Your No. 1 Enemy

Instrument	Return (Pre-tax)	Return (Post-tax)	Inflation	Real Return
Bank FD	9.0%	5.94%	6.0%	-0.06%
PPF	8.0%	8.0%	6.0%	2.00%

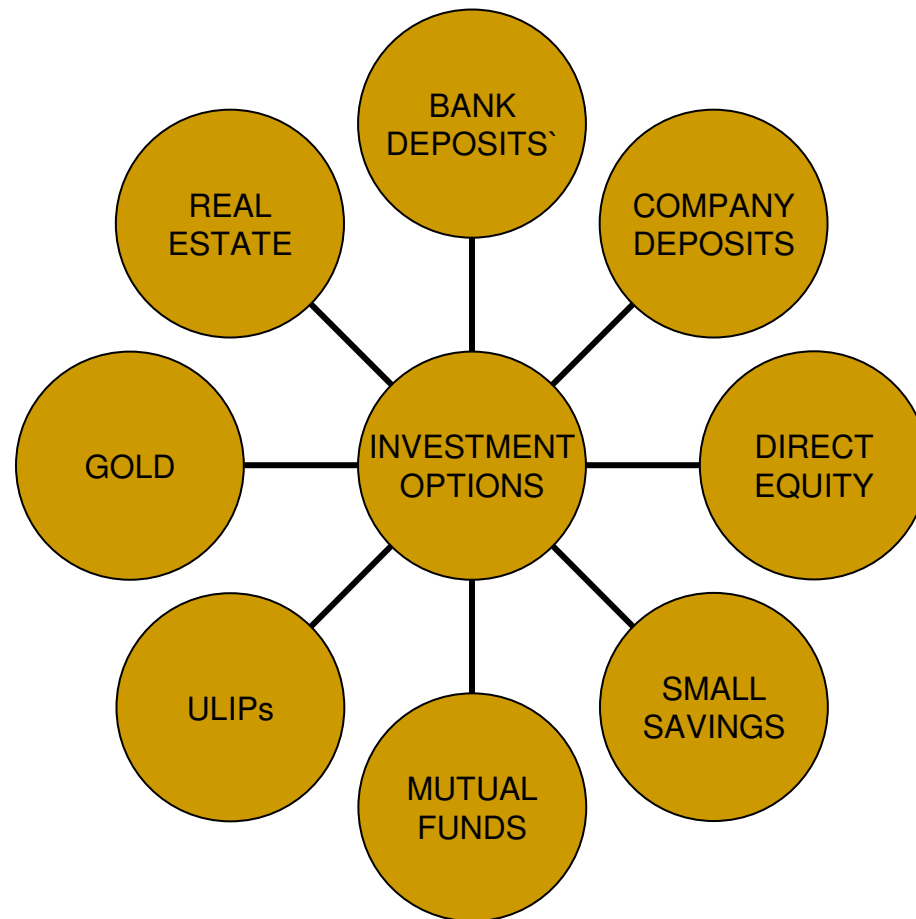
Tax rate has been assumed as 33.99%

Wealth Creation formula



How to earn more?

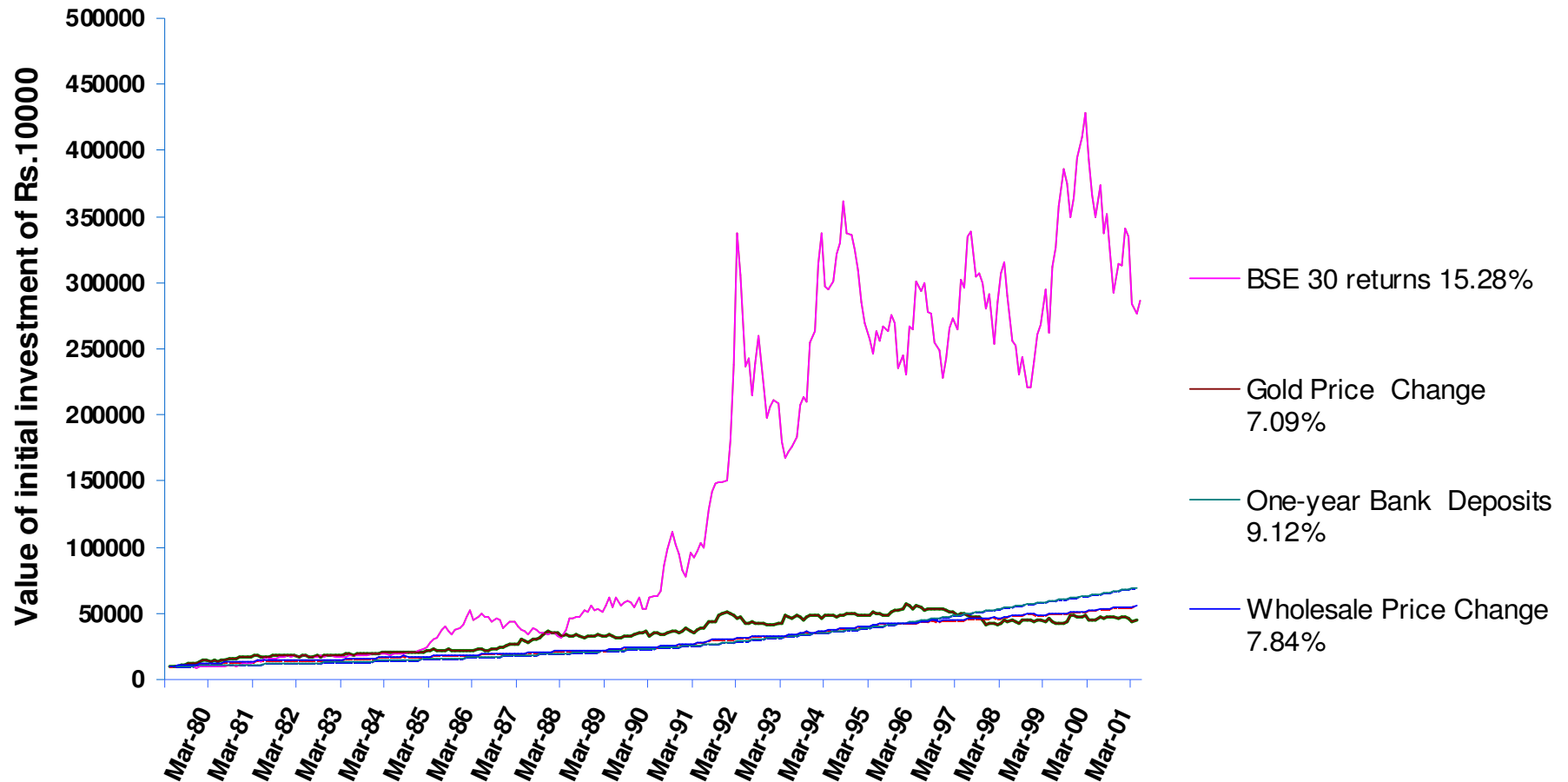
Investment Options



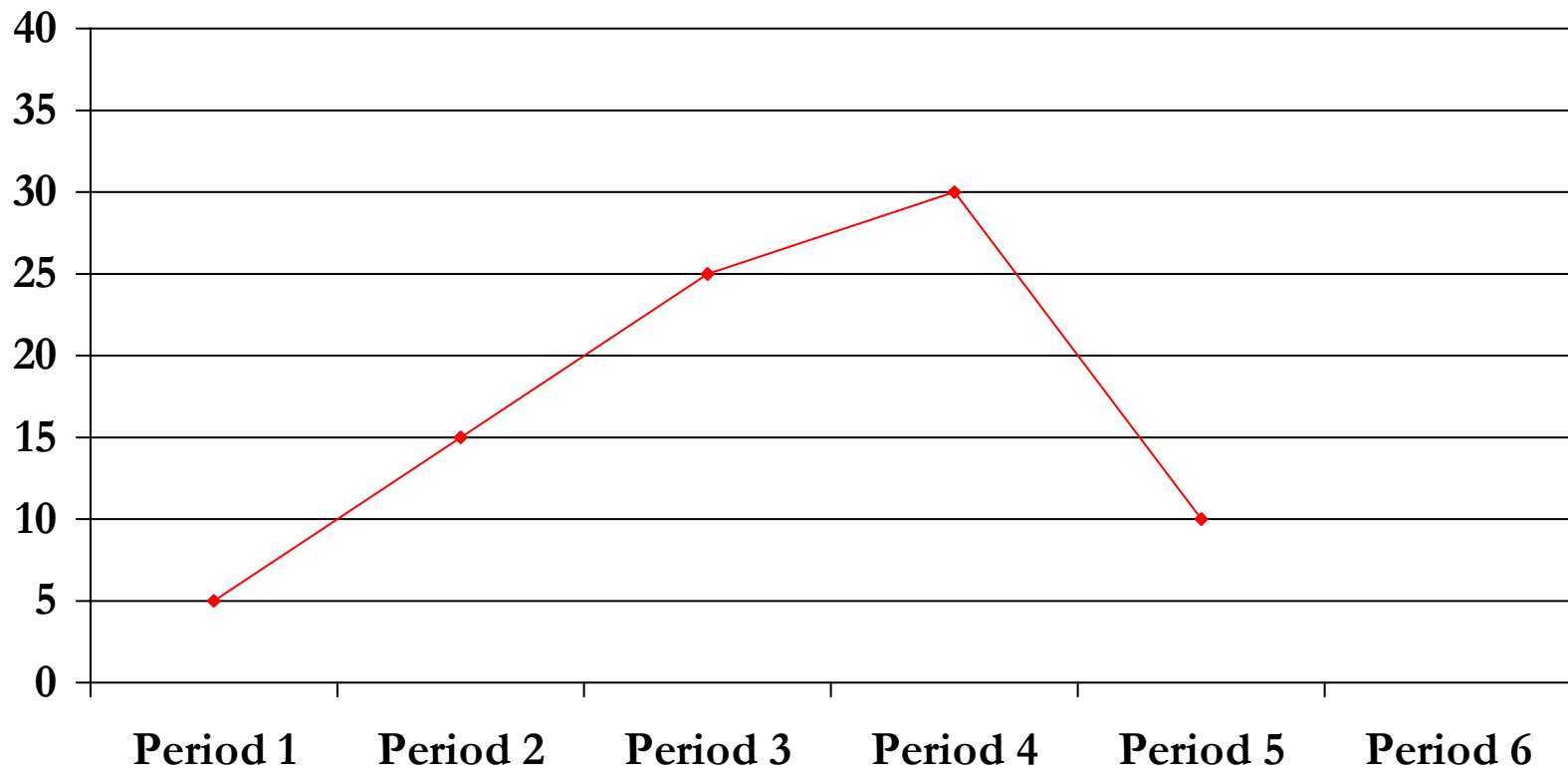
Risk & Return Associated with each investment option

Investment Avenue	Return	Risk
Direct Equity	Market-Linked	Very high
Bank Deposits	Fixed	Low
Small Savings	Fixed	Zero
ULIPs	Market-linked	Low to Very High
Mutual Funds	Market-linked	Low to Very High
Gold	Market-linked	High
Property	Market-linked	High

Equities Are The Best Long Term Bet



But Equities are risky



Are they?



We all view risks in our own way



Long-term investing in Equity

Average Performance of Actively managed MFs in India since 1996

Period	Chance of Gain	Chance of Loss
1 year	67.0%	33.0%
3 years	84.7%	15.3%
5 years	100%	0%

Source: Fidelity. 1/1/96 to 1/1/06. Rolling averages are based on the combined average of 15 largest open-ended diversified equity funds having a track record of over 10 years. Past performance may or may not be sustained in future.

Risk Personality

- Risk Capacity

- Age
- Financial Literacy
- Accumulated Wealth
- Annual Savings

- Risk Tolerance

- Attitude towards investment decisions
- Ability to cope with losses

Risk of being Safe

- **Amitabh** – Invests his entire savings of **Rs 100** in **Bank FD @ 10%** p.a. for 25 years.
- 25 years hence Amitabh gets Rs 1,083/-
- Amitabh has to pay tax of Rs 328 and has **Rs 755** balance in his pocket.
- **Shahrukh** – Invests **Rs 25** in **Equity Mutual Funds** which earns him **15% p.a.** for 25 years.
- Shahrukh gets Rs 823/- after 25 years.
- Shahrukh pays no tax and has **Rs 823** in his pocket.

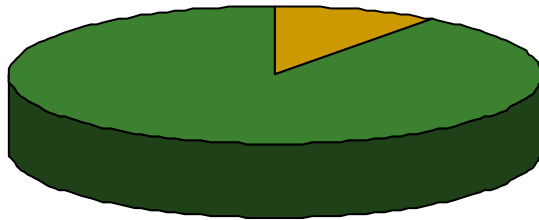
Risk

- The bigger risk is the risk of being too safe!!!
- There are no free lunches.
- I haven't as yet discovered a low-risk, high-return instrument which is what all of us want.
- The alternative then is to accept a degree of risk in your portfolio for the quest of higher return, over time.

...Peter Lynch

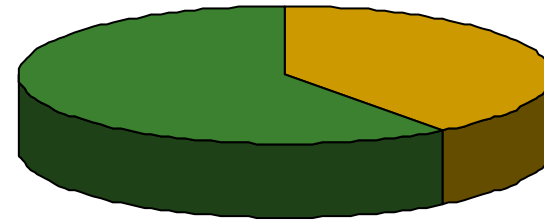
Common Model portfolios

Conservative



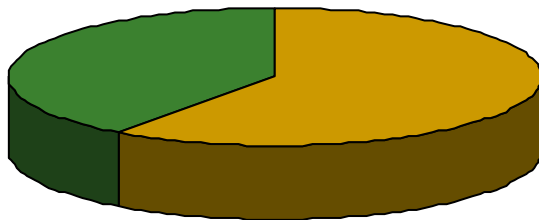
■ Equity ■ Debt

Balanced



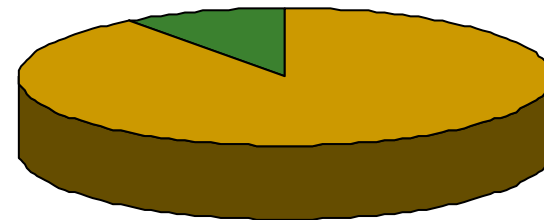
■ Equity ■ Debt

Aggressive



■ Equity ■ Debt

Very Aggressive



■ Equity ■ Debt

Investment Options

Equity Mutual Funds

- Could form the Core 'RISK' portfolio for any investor
- Convenient to invest – as Lumpsum or through a Systematic Investment Plan (SIP)
- Tax efficient - Dividends are tax-free and Long Term Capital Gains is tax-exempt
- Highly Liquid – Redemption in 3 business days.

Returns of Some Equity Schemes with performance track of > 10 years

Scheme Name	Launch Date	Returns for last 5 years	Return since Launch	Value of Rs 1 lac invested at Launch
Birla Advantage Fund	Feb 1995	40.70%	23.26%	15.67 lacs
DSP ML Equity	Apr 1997	53.87%	27.49%	14.46 lacs
Franklin India Prima	Nov 1993	47.54%	23.47%	21.26 lacs
HDFC Equity	Dec 1994	48.15%	23.58%	16.81 lacs

Portfolio Management Services

- For the aggressive investor who wants to take exposure to direct stocks
- Different types of portfolios are available – Largecap/Midcap/Smallcap
- Liquidity varies
- Tax Liability is with the investor and different from an Equity Mutual Fund
- Examples
 - Franklin Templeton PROWESS
 - HSBC Signature.

Fixed Maturity Plans

- For your fixed income portfolio
- Similar to a fixed deposit as it has a fixed tenure and an indicative return
- Tax-efficient as it is treated as a capital asset
- Examples
 - LICMF FMP 14 Months - Open till 21Apr08
 - Indicative Yield 9.50% Pre-tax and 8.32% Post-tax
 - This is equivalent to 12.46% Fixed Deposit.

Structured Products

- Capital Guaranteed Products – Mathematical models which build a component of equity and debt to provide safety of Principal Invested
- Examples
 - FT Fixed Tenure Fund with 70% debt and 30% equity. Debt ensures capital safety on maturity
 - HSBC Capital Guard a PMS. Capital Guarantee by HSBC Plc.

Real Estate Products

- They invest in Real Estate projects and provide you with an opportunity to participate in developer's returns.
- Closed –ended with very low Liquidity
- Returns are not tax-free
- Example – HDFC Real Estate PMS.

Art Funds

- Have been offered in the past
- Now not available as SEBI has to formulate guidelines
- May be available through offshore route
- Examples
 - Osian's Art Fund - Contemporary I
 - Yatra Art Fund
 - Crayon Capital Art Fund.

Role of UpMarket

- Identification of the right investment option and the right mix for you
- Maintaining & tracking of your portfolio and providing you with regular updates on the same
- Updates on new investment options available depending on their suitability
- A relationship for a lifetime and not for a job tenure.

In Conclusion

- You need to invest
 - As inflation puts a leak to your savings and traditional investment options are no longer attractive enough
 - As you should create an alternate source of income beyond your business
- Asset Allocation is the key
- There are a variety of investment instruments to meet diverse investment objectives

Thank you

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