

Understanding Wealth Creation

Why Value Averaging is one of the best tool to Create wealth for all Investors.

Systematic Investment Plan Returns		
Returns generated on a monthly investment of ₹10,000		
Scheme Name	Return CAGR (%)	Value (₹)
Birla Sun Life Advantage Fund - Gr	16.54	70,48,896
Birla Sun Life Tax Relief 96 Fund - Div	21.11	1,05,39,858
DSP BlackRock Equity Fund - Reg. Plan - Div	22.12	1,15,26,279
Franklin India Bluechip Fund - Div	23.08	1,25,50,736
Franklin India Prima Fund - Gr	24.74	1,45,44,210
Franklin India Prima Plus - Div	23.16	1,26,40,161
HDFC Capital Builder Fund - Gr	20.63	1,00,64,134
HDFC Equity Fund - Gr	26.01	1,62,13,201
HDFC Tax saver - Gr	26.53	1,69,81,179
HDFC Top 200 Fund - Gr	23.72	1,32,27,232
JM Equity Fund - Gr	10.84	43,11,789
Morgan Stanley Growth Fund - Gr	15.70	65,50,643
Principal Personal Tax Saver	18.99	87,40,161
Reliance Growth Fund - Gr	27.81	1,91,05,968
Reliance Vision Fund - Gr	23.71	1,32,72,638
SBI Magnum Multiplier Plus 93 - Div	19.55	91,82,510
SBI Magnum Tax Gain Fund - Div	22.06	1,14,65,139
Sundaram Growth Fund - Gr	17.96	79,57,451
Tata Ethical Fund - Gr	20.15	96,82,036
Tata Tax Saving Fund - Div	19.81	93,95,644
Templeton India Growth Fund - Gr	20.56	1,00,39,314
Average of All Funds	21.18	1,11,92,342

*Total investment value ₹18,00,000

The Investment of monthly SIP (systematic investment plan) of Rs 10000/- on 10th of every month (adjusted dates if 10th of the month falls on a Holiday) starting from Jan 1998 to Dec 2012 has given the above return. The Total investment of Rs 18 lakhs in 15 years i.e (Rs 10000 * 180 months) has given a corpus return in the worst performing Mutual fund of Rs. 43 lakhs and the best fund giving 1 crore 91 lakhs , If you see on an average most of the funds have created 1 Crore plus of corpus to the investor which is amazing and Tax free.

This is what we call wealth creation and we are doing this to our clients for the past many years through a Goal Based Financial Plan which has creates Discipline in investment and allows you to stay invested till the goal timeline.

The following chart gives you .The Return and the reduction in Risk(STD deviation) by staying more than 7 years

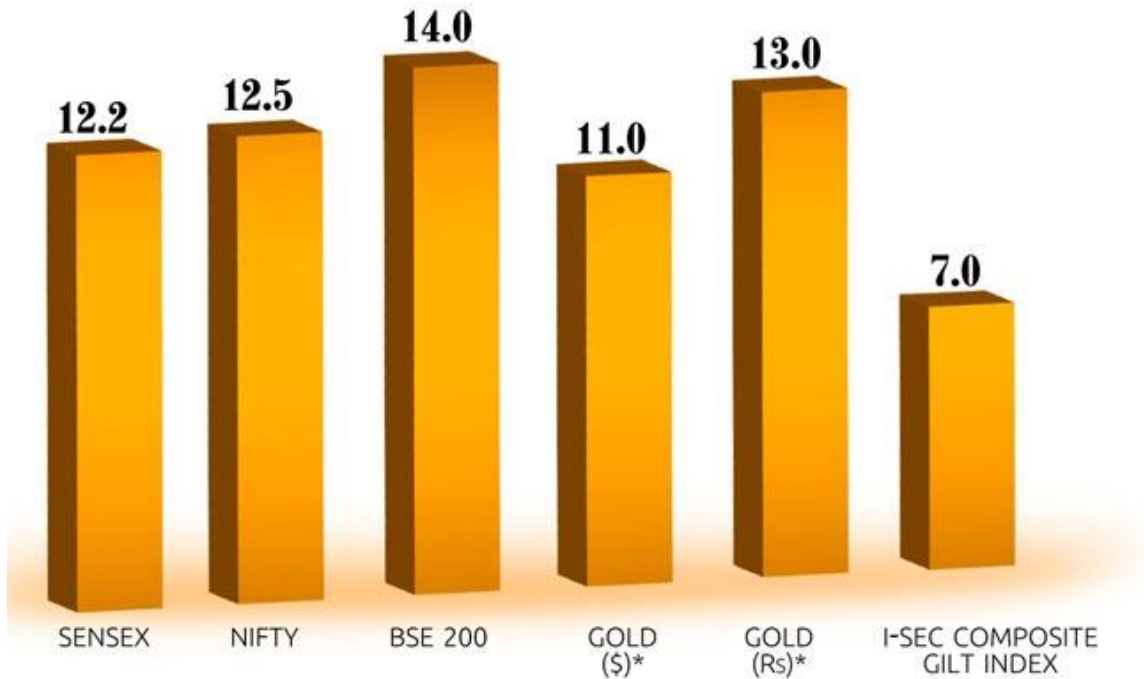
	Time Period							
	1 Year	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years	
Yearly Rolling Return Observations		15	13	11	9	6	4	1
Negative Return Observations		5	1	0	0	0	0	0
Loss Probability (%)		33	8	NIL	NIL	NIL	NIL	NIL
Median Return (%)		19	7	16	17	15	15	14
Average Return (%)		20	14	16	17	16	15	14
Max Return (%)		66	44	42	26	19	17	14
Minimum Return (%)		-47	-11	0	6	13	10	14
Standard Deviation (%)		35	17	12	6	2	3	0

The following chart gives you the Return on BSe Sensex and justifying our Process of wealth creation through value averaging and staying Invested .

Date	SENSEX	1 Year	3 Years	5 Years	7 Years	10 Years	12 Years	15 Years
18 Dec 1998	2876							
17 Dec 1999	4676	62.60						
18 Dec 2000	4169	-10.83						
18 Dec 2001	3336	-19.99	5.07					
18 Dec 2002	3333	-0.08	-10.67					
18 Dec 2003	5455	63.65	9.37	13.66				
17 Dec 2004	6346	16.34	23.91	6.30				
16 Dec 2005	9284	46.29	40.70	17.36	18.23			
18 Dec 2006	13731	47.89	36.03	32.71	16.64			
18 Dec 2007	19080	38.95	44.33	41.76	24.27			
18 Dec 2008	10076	-47.19	2.77	13.06	17.11	13.36		
18 Dec 2009	16720	65.93	6.78	21.38	25.91	13.59		
16 Dec 2010	19865	18.81	1.35	16.43	20.28	16.90	17.48	
16 Dec 2011	15491	-22.02	15.41	2.44	13.60	16.60	10.50	
18 Dec 2012	19365	25.00	5.02	0.30	11.07	19.24	13.65	
18 Dec 2013	20860	7.72	1.64	15.66	6.16	14.35	16.50	14.12
Yearly Rolling Returns		15	13	11	9	6	4	1
Negative Returns		5	1	0	0	0	0	

How They Stack Up

Equity has been the best performer over the last 15 yrs



*All figures in %; Returns as on 6 December 2012; *Returns up to 2011
Source: Accord Fintech, World Gold Council & RBI*

The Power of Review & Rebalancing Asset allocation

Money is made through understanding rather than having more information so let us understand some concepts.

Asset allocation is about setting minimum and maximum tradeoff to ensure sufficient representation, but not over concentration of various kinds of investments in a single asset class , it's about diversification among asset classes like Real Estate, Equity ,Debt, Alternative assets directly and indirectly (Through Mutual fund ,PMS, PE Funds Route). Generally it helps us to provide higher returns with lower Risk over a sufficiently long time frame.

As investors we generally have an initial asset allocation and then leave the asset allocation without looking at "Rebalancing "the Asset allocation periodically during our Review. Rebalancing is the process of selling a portion of assets and with the proceeds buying other assets usually to align the overall portfolio mix with specified asset allocation policy or targeted asset allocation weightings.

This helps us in Risk control and achieves our long term goals. Its helps the flow of funds from an outperformed asset class to another asset classes , in short it helps us to book profit at higher levels and with the proceeds buy assets which have underperformed or assets which are alternative investments.

Below table shows basic Rebalancing and the difference between the returns* in the 2 portfolio's of Roshan (Does Rebalancing) and Raghav (does not do Rebalancing) so that an investor can understand the concept how Risk and Return can be controlled through rebalancing and the difference (additional Alpha) it would make to one's Portfolio in long term.

The same Rebalancing can be done amongst many asset classes with statically tools.

Initial PORTFOLIO VALUE	Roshan				Raghav
	10,00,000		Portfolio value of Roshan for Rebalancing		10,00,000
		Interest 10%			INT 10%
INITIAL ASSET ALLOCATION	50% EQUITY	50% DEBT		50% EQUITY	50% DEBT
	5,00,000	5,00,000		5,00,000	5,00,000
Market falls (Portfolio) 50% in 1 year	2,50,000	5,50,000	8,00,000	250000	5,50,000
Present asset allocation	31.25% equity	68.75% Debt		31.25% equity	68.75% Debt
Review & Rebalancing (R&R)	50% equity	50% Debt		Not done (R& R)	
Asset allocation After (R&R)	4,00,000	4,00,000		2,50,000	5,50,000
Market gains(Portfolio) 50% in year 2	6,00,000	4,40,000	10,40,000	3,75,000	6,05,000
Asset allocation After (R&R)	50% equity	50% Debt		Not done (R&R)	
	5,20,000	5,20,000		3,75,000	6,05,000
Market gains(Portfolio) 50% more in year 3.	7,80,000	5,72,000		5,62,500	6,65,500
Value of portfolio after 3 rd year	13,52,000			12,28,000	
Rate of Return on investment CAGR	11%			7%	
Inflation @ 8%					
Net Return over Inflation *	3%			-1%	
*Value of Portfolio after 17 years	79,70,165			38,79,025	
	@ 11% P.A			@ 7% P.A	
*Excess earned due to R & R in 17 years		40,91,140			
	Approx	41.91 lakhs			

***Disclaimer**

These above calculations in the Tables are just an indicative in nature given to understand the concept of value averaging & rebalancing and it should in no way be taken as an advice on Return and Risk. Please consult your financial advisor before taking an action.

Finally every investor while investing wishes to maximize his return while minimizing his downward risk or loss. Asset allocation and Better scheme selection time and again has given good return. But, time and again investors find it difficult to manage asset allocation and select superior schemes and finally even after doing the above they do not Review and Rebalance as it is operationally tough and difficult to execute.

We finally have a solution which is called Mutual Fund Automated Portfolio Review and Rebalancing system which is process driven and operationally smooth.

The reason investors fail to create wealth or Reach their Goals because they Do not have a

“COMPREHENSIVE FINANCIAL PLAN “in place. This is the starting point for all the above Wealth Creation study.

By joining us as a Client We provide Comprehensive financial Plan along with online Automated Portfolio Review and Rebalancing, which has done wonders and have shown amazing results. To know more or to Discuss with us.

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