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CEO CORNER

Dear Friends,



The past month continued to be marred by high volatility, with Nifty swaying around 410 points between its high and low. The performance of the key indices, SENSEX and Nifty, stood at around -1.33% and -1.15% respectively during the period.

Despite the decline, the Indian market's performance in the last month was relatively commendable vis-à-vis the international market. The average monthly performance of 18 prominent indices globally was around -7.43%; with India being the 2nd best performer in the lot.

The fresh slowdown in the US consumer spending and the high rates of unemployment has already been a cause of concern for the global economy. However, it is the rising complexity and the quantum of the sovereign debt crisis ailing the PIIGS nations, and the onset of the severe austerity cuts needed to resolve that issue, which has placed significant doubts on the momentum of the global economy. Consequently, we may be witnessing a contraction in the global risk appetite leading to a broad decline in major asset classes.

That notwithstanding, the besetting slowdown in the US, Europe, and China may help alleviate the international crude oil prices in the coming months. Also, a visibly good monsoon season has raised hopes of increased crop output, and an associated decline in the agri-commodity prices. The preliminary estimates indicate that the food-grains output in the current Kharif season may grow by around 3% yoy to around 123 mn tonnes. The compounded effect of these two phenomenons may alleviate the inflation concerns considerably in the coming months. This may in-turn establish the necessary condition for the interest rates to ameliorate and create a more amenable growth atmosphere.

For now, the trading sentiments in the equities market remain sensitive to the global market volatility, and would continue to follow the unfolding events in Europe closely. In this context, we may expect the key indices to trade in a broad range over the few weeks.

From the debt market point of view, the excess government borrowing scheduled in the H2-FY12 was largely anticipated. Although the Rs 56,000 cr quantum of the borrowing did surprise the market. However, the underlying sentiment in the debt market continues to remain positive due to a relatively benign interest rate outlook.

On the mutual funds side, the mutual funds industry AUM registered a growth of around 3 % yoy in the July-Sept 2011 quarter. During the similar period, the Kotak Mutual Fund AUM grew by 16.71% yoy. We remain firm in our belief that expanding investor awareness may increasingly highlight the cost-competitive value advantage which mutual funds provide in the long run, and thus provide further growth impetus.

Regards

Sandesh Kirkire
CEO

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Expert Speak

Q & A with Lakshmi Iyer - Head Fixed Income and Products

Q) What are the various options under debt schemes that a retail investor can look at while designing his portfolio?

A: An investor can look at various debt schemes ranging from bond schemes, liquid schemes, gilt schemes, Fixed Maturity Plans (FMPs) depending on amount invested, investment horizon, risk appetite and objective in mind. As an advisor, caution should be exercised while designing a client's portfolio so that returns can be in line with the expected returns.



Q) Where are interest rates headed (next 3-6 months)?

A: Frankly, there are signs that interest rates may be approaching their peak (if they have not already).

The present spate of inflation is expected to moderate by the end of current financial year on account of high base-effect and improving supply outlook. With the global economy and demand in a precarious position, the crude oil prices are expected to decline further from their present levels. Other than that, our growing monetary policy divergence with the other central bankers, and the slackening economic growth, both are potent reasons to elicit a more benign policy response from the RBI.

More so, the monsoon season has been good this year, and the resultant kharif harvest too can be expected to follow that trend. This may provide a significant supply fillip in the foods prices segment.

Q) RBI has recently hiked the repo rates. How does this change the market outlook?

A Investors may choose to position themselves in the short duration bond schemes to address the potential volatility concerns; while also gain from the high-carry yield available in the said segment. Moreover, the expected softening in the rates too may assist the potential performance of the marked to market components of such portfolios. Investors with the investment horizon of '1-yr and more' can also look at long duration funds to ride the interest rate cycle.

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CLASSROOM

Mistakes investors should avoid now... and always.

Events of the last few months in the capital markets, both in India and abroad, have caused anxiety and concern among investors since the previous crisis is yet to fade away from their memory. What course of action should I take with my investments?; "Why are the markets failing?" are questions that are bothering them. In such times, as an advisor, it is important that you provide them comfort, confidence and prudent objective advice.

Some common investor mistakes:

During such uncertain times, investors are prone to potential mistakes which could cause them more harm than good in the long run. Here's a look at some such likely mistakes that they need to stay clear from:

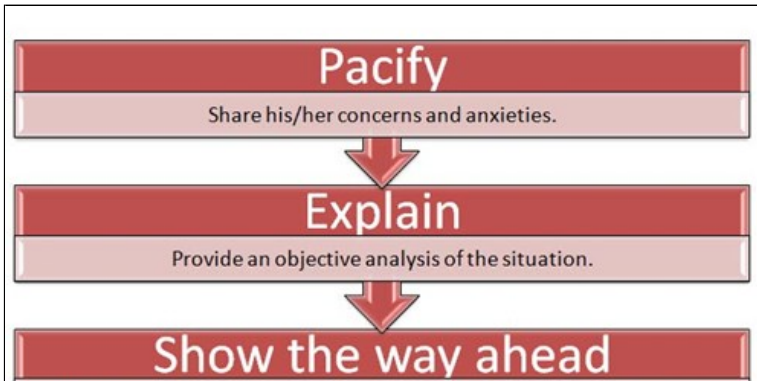
- **Impulsive decisions:** When investors hear "Crisis", "Buy", "Sell", etc. from the media and other sources, it is quite natural that they become anxious and want to protect their investments from any losses. In such a mood, it is quite possible that they may take impulsive decisions (at the spur of the moment) without adequate research or thought. They would do well to step back and take a dispassionate view before deciding.
- **Following market panic and euphoria:** When the herd is heading in one direction, it is practically very difficult for the investor to go against it. They do get the feeling that so many people cannot be wrong at the same time. After all, isn't there comfort in numbers? However, investors would do well to make an objective analysis of the situation and make an informed decision depending on their individual circumstances.
- **Disregarding long term financial plans:** There is a tendency for investors to dump their long term goals and plans while dealing with near term concerns. But, such an approach may cause permanent damage to their financial plan and future financial health. A wiser approach may be to make tactical short term adjustments to manage the prevailing conditions within the overall framework of their strategic asset allocation based on their financial plan.



Handling investor apprehensions

This is precisely the time when an investor looks for support and reassurance from his/her advisor. They need your moral support to face the difficult circumstances. You would do well to keep in regular touch with your clients, even if it means just reiterating information that they already know. Your concern and care would provide a lot of reassurance and comfort and help to cement a stronger long term relationship with them.

You should first look at calming his/her nerves by sharing his/her concerns and anxiety. Then provide him/her with a rational and objective analysis of the events unfolding and how or why it is impacting his/her investments. Next, tell him/her about how you expect the immediate future to unfold and how the investor should position himself/herself to ride out this difficult phase.



Rational analysis of current situation

The current situation has both a global and also a local angle to it

- **The global angle:** High level of debt among some developed countries coupled with sluggish economic activity there has made global investors wary. The recent downgrading of U.S. credit rating and default fears about some European countries has further fuelled the fire. Risk aversion, as expected, has been the hallmark of investor reaction.
- **The local angle:** High inflation leading to higher interest rates resulting in a moderation of growth in the Indian economy is adding the Indian flavour to the current situation. Lower profit reported by some Indian companies in their first quarter results has also unnerved them. Pertinently, no serious damage seems to have been caused to the fundamentally strong Indian economy by these recent events and India is expected to clock decent GDP growth in the near future.
- **Equity:** The stock market has faced the brunt of the current uncertainty and the Indian markets have declined from their peak. They are expected to remain stable in the near future till investors, especially FIIs, regain confidence and return. Though a certain amount of caution is warranted, this may also be a good time for long term investors to build their portfolios.
- **Debt:** Interest rates may have almost peaked as any further steep increase could drastically impact our GDP growth prospects, estimates of which has already been lowered recently. Investment products that match the investors' time horizon should form the investment strategy.
- **Gold:** This yellow metal has had a dream run in the last few years. The uncertainty in the global economy suggests that this performance may continue though short term volatility can be expected.
- **Need for a balanced view and investment portfolio:** It is important that investors hold their nerve and take a studied view of the situation at hand. Though the global problems seem serious, India may just escape with a relatively limited impact due to the inherent strength and composition of our economy. The need for investors to stick to their plans and asset allocation strategy has to be emphasized to avoid wholesale changes to their portfolio and approach.

How are various asset classes placed now?



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HELLO I AM



Anuja Agrawal

Executive Director, InvestAscent Wealth
Advisors Pvt Ltd, Bangalore

My likes	:	Travelling and reading
My hobbies	:	Craft and creative work
My favourite past time	:	Spending time with my kids
I am very fond of	:	My office and exploring different places
Ideal holiday destination	:	South Africa and Europe
Most memorable moment(s)	:	My trip to Bangkok along with my friends
Wildest / craziest thing I have ever done	:	Being late in Kruger National Park and got stuck in front of an elephant
My prized possession	:	My two little kids
3 things I cant leave home without	:	My mobile, handbag and watch
My favourite perfume	:	Armani
My favourite book	:	The Secret
If I was 18 again	:	I would have re enjoyed my college days
My idol	:	Mr Narayan Murthy
I would like to be reborn as	:	Myself
If I was not in this profession then	:	I would have been either an artist or an event manager
The last meal of my life will be	:	Rajma Chawal
3 wishes from a genie	:	<ul style="list-style-type: none"> ● Make me a genie for my kids and my family ● Make my company InvestAscent among the top 5 wealth management firms ● Make this life as the most successful, wonderful and enjoyable experiencewishes

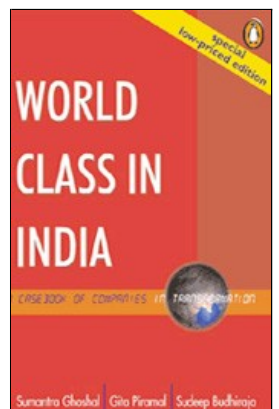
BOOK REVIEW

World Class in India - A casebook of companies in transformation, by Sumantra Ghosal, Gita Piramal and Sudeep Budhiraja

While the world around us transforms and changes, there is an effective need for managers and entrepreneurs to be able to stay on top and be able to handle the stresses and strains that change inevitably brings. 'World Class in India - A casebook of companies in transformation' does to a large extent help in understanding change management. It is a compilation of twenty true stories about Indian companies that have done well in their areas, especially, while coping with change. The book is particularly exciting for entrepreneurs because it deals with a whole array of companies – small family owned enterprises, government owned companies and multinational corporations. The case studies used are presented in a manner that allows the reader to draw his or her own conclusions.

The authors have striven hard to bring to life the notion that achieving world class success in an Indian management environment is possible. The companies studied are those that have already achieved success in being able to compete with the best that the world has to offer. Readers who are already in business or who are thinking about starting their own venture will appreciate this book for the effective insight it gives about energising people, especially, in organisations that are either dynamic in nature or are likely to experience changes.

Managing change is important not only because of the transformation of the Indian economy in the recent years, but, also because change is a never-ending phenomenon. The only thing constant about change is change itself! The authors have made every effort to interview managers across a range of companies to know how they handle and manage change. Readers can use the valuable insights shared by those who have thousands of hours of experience in the Indian industry which has been evolving as the years go by.



WHAT'S UP ON YOU & I?

We, at Kotak Mutual Fund strive to build lasting relationships with our existing and potential channel partners like you. We recognize you as a valuable partner and when You & I work together we will reach greater success and create value for each other. We have launched an exclusive online platform called www.kotakyouandi.com exclusively for our existing and potential distribution partners. www.kotakyouandi.com provides you with a host of sections like key market statistics, news on the financial sector, informs you on the latest happenings in Kotak Mutual Fund, Interactive calculators, stimulated AMFI Tests and presentation skills which will surely add value to you. This site seeks to empower you with key financial lessons which may assist you to deal with your clients better. Also modules like MS Office Shortcuts will help you in your work and Skill Building Series will hone your soft skills. Catch a glimpse of all this and more only on www.kotakyouandi.com.

In case you have still not registered then do so now. As a new user you will have to first register and then login using your username and password



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Contest Form

To participate in the "MatchBox" contest, all you need to do is fill up the form online.

Full Name (in blocks)	:	<input type="text"/>
		First Name Middle Name Last Name
ARN Code	:	<input type="text"/>
Sub-Advisor Code	:	<input type="text"/>
Name of Organisation	:	<input type="text"/>
Date of Birth	:	<input type="text"/>
		dd/mm/yyyy
Anniversary	:	<input type="text"/>
		dd/mm/yyyy
Office Address	:	<input type="text"/>
City	:	<input type="text"/>
Pin	:	<input type="text"/>
Phone (Office)	:	<input type="text"/>
Phone (Mobile)	:	<input type="text"/>
Fax	:	<input type="text"/>
E-mail Address:	:	<input type="text"/>

***Terms and Conditions :**

- a Only AMFI registered individuals can participate, with only one entry per individual.
- b You are requested to submit the form by 10th December 2011.
- c All fields in the form are compulsory. Forms that are incomplete or have been incorrectly filled will be invalid.
- d In case of a tie, the winner will be decided on by drawing of lots.
- e KMAMC's decision will be final and binding.
- f In case of multiple entries by an individual, all entries will be considered invalid.

In the previous issue of the newsletter we had carried the "Finance Syllacrostic" contest. A lucky draw of all the entries was done and 3 lucky winners were short listed.

Sr. No	Name	ARN No	Location
1	Ruchi Anirudha A Hatwalne	76174	Aurangabad
2	Raman Sood	31926	New Delhi
3	Indrajit Ghosh Dastidar	20703	Kolkata

Congratulations to all the lucky winners!!

To participate in the "MatchBox" Contest you have to match column1 with it's correct pair in column 2

Column 1		Column 2	
1	Passive	A	An approach to stock selection which evaluates the prospects of the first economy, then the prospects of the industry and then finally the prospects of a particular company to take an investment decision.
2	Rating	B	A fund that invests primarily in equities and has capital appreciation as its investment objective.
3	Bottom-up investing	C	Strategy of selecting the company first and then cross checking it by evaluating factors pertaining to the industry and economy. It is the opposite of top-down approach to investing.
4	Top-down investing	D	The original issue price of one unit of a scheme
5	Growth fund	E	An advance installment of the dividend finally declared
6	Gilt-edged security	F	Standard against which a scheme's performance can be compared
7	Interim dividend	G	An investment that makes no periodic interest payment
8	Zero coupon bond	H	This kind of portfolio management style is the reverse of active portfolio management
9	Face value	I	Government securities and bonds usually with a low interest rate
10	Benchmark	J	Evaluation of credit risk in fixed income securities.

1

Passive



2

Rating



3

Bottom-up investing



4

Top-down investing



5

Growth fund



6

Gilt-edged security

7

Interim dividend

8

Zero coupon bond

9

Face value

10

Benchmark

Submit

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Risk Factors :

Kotak Gold ETF is an open-ended Gold Exchange Traded Fund. Investment Objective: The investment objective of the scheme is to generate returns that are in line with the returns on investment in physical gold, subject to tracking error.

Kotak Gold Fund: An open ended Fund of Funds Scheme. Investment Objective: The investment objective of the scheme is to generate returns by investing in units of Kotak Gold Exchange Traded Fund. **Load Structure: Entry Load: NIL; Exit Load: 2%**, if redeemed/switch- out within 6 months from date of allotment; 1%, if redeemed/switch- out after 6 months and before 1 year from the date of allotment; Nil, if redeemed/switch-out after 1 year from the date of allotment. **Scheme Specific Risk Factors:** The investors of the Scheme will bear dual recurring expenses and possibly dual loads, viz, those of the Scheme and those of the underlying Scheme.

General Risks: - Mutual Funds and securities investments are subject to market risks. There is no assurance that the Scheme's objective will be achieved. NAV of the Scheme's Units can go up / down depending on factors and forces affecting securities markets. Past performance of Sponsor / AMC / Fund does not indicate the scheme's future performance. **Kotak Gold ETF and Kotak Gold Fund are only the name of the schemes and do not in any manner indicate either the quality of the schemes, future prospects or returns. Statutory details:** Kotak Mahindra Mutual Fund is a Trust (Indian Trust act, 1882);

Investment Manager: Kotak Mahindra Asset Management Company Ltd.;

Sponsor: Kotak Mahindra Bank Ltd. (Liability Rs. Nil);

Trustee: Kotak Mahindra Trustee Company Ltd.

Please read the Scheme Information Document (SID) and Statement of Additional Information (SAI) carefully before investing. SID and SAI are available on mutualfund.kotak.com