impact
www.impactmeasurement.co.in

Date : 31-Jan-2012 Edition : Delhi Page No.: 19 Page Name: n.a. Size: 217.92 sq. cm

Sector: Banking and Finance Circulation: 1144950 AVE: INR 470697.90 Frequency: Daily

News monitored for: Kotak Mutual Fund

THE TIMES OF INDIA

Best Time To Enter Equities?

Brace for another choppy ride given the uncertainties in global economy, but long-term players can look to invest in equities and equity MFs at current low valuations


Illustration: Ram

Partha Sinha | TNN

It's been more than a year now that the markets — stocks, bonds and commodities, the three main investment avenues for most investors — have shown extraordinary volatility, making it a tough job to decide where to put one's money. The reasons for this volatility are global as well as local factors. So far 2012 has been a good market for both stocks and government bonds. However, given the experience of the last one year, and with so many local and international issues still hanging in the balance, the question remains if this early good run will continue for the rest of the year.

Just to be safe, it is better you keep yourself ready for another choppy ride. It's like heeding to the saying 'hope for the best and prepare for the worst'. With these thoughts in mind, we venture out to suggest you some investment solutions that would give you some peace of mind.

At the outset, if you are here for the long haul, say 10-15-20 years, then you have time on your side. In that case this is probably the best time to tank up your long-term investments, financial advisors say. You can look for pure equity funds, sectoral funds, midcap or even small-cap funds if you have the capacity to take risks. Of these, bluechip equity funds have a lower level of risks associated with them, while the small-cap and sectoral funds have much higher levels of risk. This idea is actually completely opposite of what people with long-term goals usually do: Enter investments with fixed returns to see the turbulent phase through. But ask your financial advisor, and in all probability, depending upon your risk taking capacity and the investment horizon, he would suggest you to get into equities now. So you can decide to get into equities either directly (higher risk) or through the mutual fund route (relatively less risky).

Within equities, one of the interesting and attractive (from the axation point of view) is investing in the stocks of companies that have a history of paying good dividends. If you enter such stocks at current low valuations, then there is a probability that some high dividend would accrue when the year ends, and that too tax free. This is because when dividend is distributed by the companies, it is taxed at the company level but not after it is distributed to the shareholders. With the quarterly results season currently on, some companies have even announced interim dividends.

If you are the type who can take some amount of risk and are tilted more towards risk aversion, balanced funds are the instruments you can consider. These funds usually invest a large chunk of the corpus in debt funds while a smaller part is put in equities, on expectations that the latter could generate some extra income if equities perform better.

If you are the risk averse type, and have a corpus with which you cannot afford to take much risks, probably you should check out fixed maturity plans (FMPs) or bank fixed deposits (FDs). At a time when interest rates are peaking out, you may choose to lock-in your funds in these instruments and continue to enjoy higher rates even if rates fall over the next few years.

Given the rise of gold and silver prices over the last few years, a discussion on where to invest is never complete without considering these two asset classes. In India, gold, after rising to an all-time peak at over Rs 29,000 per 10 gram, is now trading around Rs 27,500 level. Although investments in this precious metal is definitely a long-term option, there are every indication that it may not bring in much gains over the next two-three years. The same is the case for silver, precious metal industry watchers said.

NEXT WEEK

A recent World Bank study pointed out that the proportion of working population to India's total population will continue to rise till 2040, clearly indicating how young the country is. We can enjoy rich dividends from this demographic advantage if we can channelize higher savings that can accrue to the younger workforce towards better investment options. Next week we will deal with how the youth can plan their investments to achieve their financial goals.