



Executive summary

- The past decade has seen the concept of wealth creation come out of boardrooms and into living rooms.
- The basic steps for creating wealth revolve around the concepts of asset allocation, systematic investments and taking a long-term approach to equity investments.
- With the exceptional returns provided by equity over the long term, no true wealth creator can afford to ignore this asset class if s/he has to meet their objectives.
- Favorites of retail investors and professional fund managers alike companies like Reliance, Infosys and Ranbaxy have succeeded in creating long term wealth for their investors.
- Because it provides higher returns than other asset classes such as debt or gold, globally equity has commanded a risk premium of about 5.90%.
- The key factor in obtaining higher returns from equity investment is staying invested for the long term, typically more than 5 years. This is because the probability of perfectly timing the markets for an average investor is close to zero.
- A preferred route for investing in equity is mutual funds, which provide a safer way of being exposed to equity or debt for that matter.
- In India, the benchmark for wealth creation is a 'crore' but it is not that difficult to reach that mark. Small amounts invested regularly will get you there due to the magic of compounding.



Introduction

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or decades the Indian middle class had an ideological bias against having too much wealth. Money was seen only as a means for meeting basic needs. Moreover, needs and aspirations themselves were simple and limited. Concepts like wealth creation, financial and estate planning remained alien to a large proportion of our populace unlike the west where such concepts started gaining currency in the late sixties and wealthy families increasingly started entrusting the task of managing their wealth for a fee to professional managers.

However, all this changed with the reform initiatives taken in 1991. Incomes increased and aspirations soared aligning themselves with global norms. The success of a company like Infosys made its Chairman N R Narayana Murthy an icon for the Indian middle class. Suddenly wealth creation and not its unequal distribution became the focus. The objective of the average Indian changed from 'finding a good job' to become a crorepati. The entrepreneurial spirits were unleashed and several Indians, particularly in the IT sector became wealthy during the 1990s.

Once an individual is convinced that the creation of wealth should be a preferred objective, the next question is how does one go about creating wealth. The answer lies in a disciplined and systematic approach to investments and an awareness of the various instruments one can use to achieve this objective.



Asset Classes

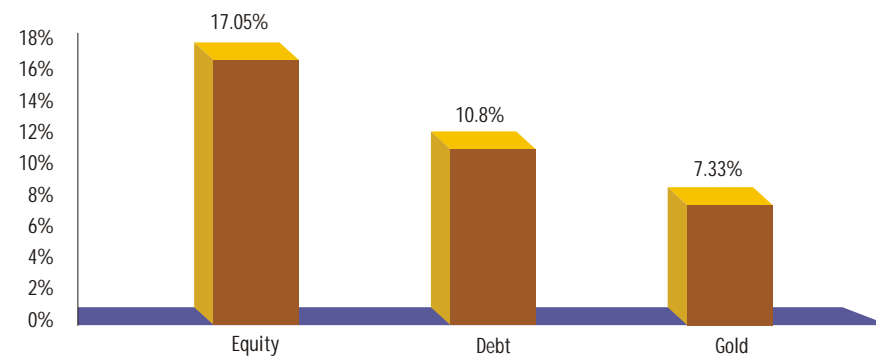
There are three basic asset categories that an individual can invest in to accumulate wealth. These are Cash, Debt and Equity. There are also some other asset categories, which investors have used for centuries to amass riches - like Gold and Real Estate. Within the three basic categories, it has been seen that equity as an asset class over the long term tends to outperform the returns in other asset categories.

For a developed market like the US for which 100-year return data is available, the Dow Jones has given a compound annual growth rate (CAGR return) of 5.39% since 1903, which is quite appreciable in terms of consistency over a century. This means that if one had invested \$ 10,000 in 1903 in the stocks comprising the DJIA, it would have grown to over \$ 1.91 million in 2003.

For a maturing market like Indian equity markets, data is available for a little over 24 years and market barometer, the BSE Sensex has given a compounded annualized return of 17.05% since its launch in April 1979. Thus, if one had invested Rs.1 lac in Sensex stocks in April 1979, the amount would have grown to over Rs.47 lac in 2003! (See Section on Why Timing Does not Work? on Page 13)

The following graph provides a comparison of how different asset classes performed

Returns from various Asset Classes



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if one had invested Rs.1 lac in Sensex stocks in April 1979, the amount would have grown to over Rs.47 lac in 2003!



over a 24-year period in India.

Equity has provided the highest returns of 17.05% CAGR from 1979 to 2003 while Gold has provided the lowest returns.

Globally, equity commands a significant premium known as the equity risk premium, which is on account of holding a riskier asset like equity over holding a risk free asset like a government bond. One can get an idea of global equity risk premia from Table 1

The Equity risk premia (as measured by arithmetic mean relative to bills) ranges between a low of 3.2% for Denmark to a high of 10.6% for Italy. The global average is 5.9% while for the US; the premium has historically been 7.5%. Typically, in India, equity

EQUITY RISK PREMIA AROUND THE WORLD Table 1

Equity risk premia (% per year) Relative to Bills\$		
1900-2001	Country	Arithmetic Mean
	Australia	8.50
	Belgium	5.00
	Canada	5.70
	Denmark	3.20
	France	9.50
	Germany*	10.00
	Ireland	5.30
	Italy	10.60
	Japan	9.60
	The Netherlands	6.80
	South Africa	8.20
	Spain	5.20
	Sweden	7.40
	Switzerland*	5.80
	United Kingdom	6.20
	United States	7.50
	World	5.90

*Germany excludes 1922-23. Switzerland commences in 1911
Source: Dimson, Marsh and Staunton, Triumph of Optimists, Princeton University Press, 2002
\$What are BillsPlease refer Glossary on Page 36



Typically, in India, equity commands a premium of 7-8% over risk free returns. If now risk free return is taken as 5.34% (Yield on 10-year Benchmark Government of India security), equity should continue to provide 13-14% returns going forward.

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If we take the risk premium for non-government debt securities as 2% over risk free rate, for cash as -1% to risk free rate and if inflation is assumed to average 4%, it is possible to project indicative nominal returns* and real (net of inflation) returns* one may get going forward from different portfolio combinations of equity, debt and cash corresponding to different risk profiles. The different portfolios are given on the opposite page:

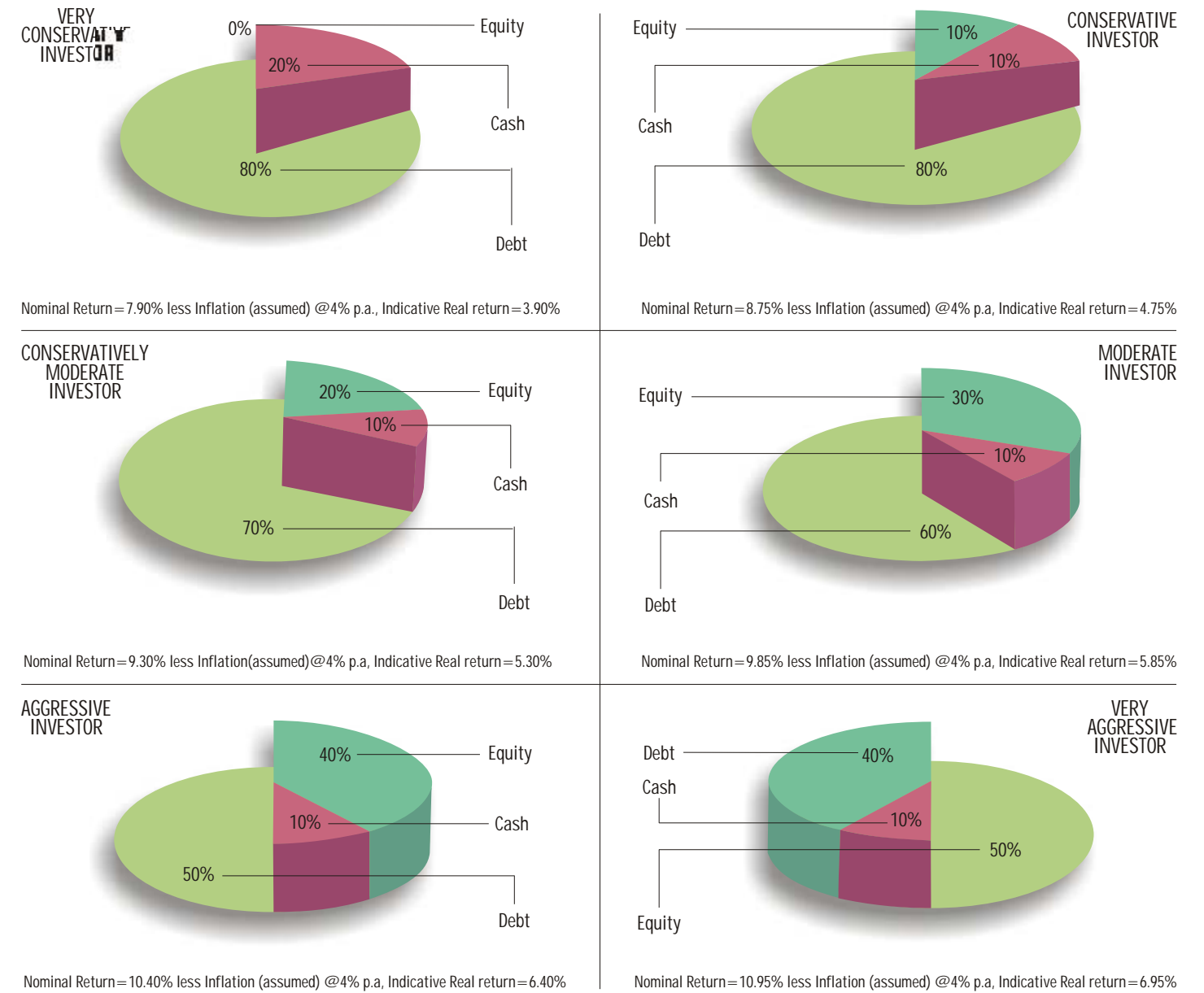
What is nominal return? What is real return? -Please refer Glossary on Page 36

We have seen that over the long term equity has given the highest returns (Also see section on Why Timing does not work? Page 13). In the short term equity is a high-risk investment. Of the other two asset classes, debt offers moderate risk while cash is a low-risk investment. However, even the proposed government legislation on pension funds has made a case for inclusion of equity as an investment option for pension funds. This is because over the long term only a portfolio comprising an equity component can provide the kind of returns that would make the pension fund system attractive enough for would be contributors.

Why does equity provide superior returns?

This is because when we buy equity we buy the growth prospects of wealth creating companies i.e. entities where rate of profit growth exceeds their cost of capital. Mutual Fund managers for long have been known to accumulate those companies, which have strong growth prospects and are known wealth creators. Which are some of these companies that are the favorites of fund managers? According to a popularity index created by CRISIL, the top 10 holdings across equity-diversified mutual funds in July 2003 were as in Table 2 on Page 8:

We can understand why the fund managers picked these companies if we take a brief look at the profiles of some of these 'Wealth Creating' companies:



Risk factors:

1. If any of the above factors like inflation, risk-free rate or investor preferences for different assets change, the projected real returns would change.
2. The above portfolios and returns are for illustrative purposes only to facilitate notional portfolio construction and should not be construed as actual returns possible from any specific scheme or instrument.



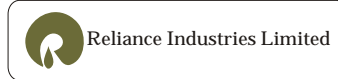
CRISIL POPULARITY INDEX - JULY 2003

Table-2

	Company	Index
1	State Bank Of India	100.00
2	Hindustan Petroleum Corporation Ltd.	72.81
3	Reliance Industries Ltd.	68.83
4	Infosys Technologies Ltd.	64.77
5	ITC Limited	61.88
6	Tata Iron & Steel Co. Ltd.	45.92
7	Tata Motors	44.14
8	Bharat Heavy Electricals Ltd.	36.61
9	Grasim Industries Limited	31.80
10	Larsen & Toubro Ltd.	28.74

.....when we buy equity we buy the growth prospects of wealth creating companies....

1. Reliance Industries - the original wealth creating company even before Infosys happened with the



largest number of shareholders amongst any company. At present one in every four investors is said to be a Reliance shareholder with the total number being over 27 lacs! An investment of Rs. 1,000 at inception in January 1978 would have become about Rs. 173,000 in 25 years or a CAGR of about 22.89%. A completely integrated (from well-head to wall socket) textile, petrochemical, refining and telecom major, Reliance is the only Indian private sector company to feature in the Fortune 500 list.

2. Infosys - The company first came out with a public issue in 1993 at Rs. 80. At the height of the tech boom in 2000, the share touched a lifetime high of nearly Rs. 17,000. Its



Chairman Narayan Murthy became instantaneously associated with the concept of wealth creation. The company is an industry leader in IT solutions and services space with significant presence in international markets. The CAGR since initial listing works out to a mind-boggling 83.93%. Rs. 1,000 invested with the company would today be worth about Rs. 4.43 lacs.



3. Tata Motors - India's first company to launch a wholly indigenous passenger car is from the stable of the Tata



Group - one of the first few business houses which started the process of wealth creation during the early phases of economic growth in the country. Its initial issue of equity was as early as in 1945 and since then the company has gone from strength to strength from manufacturing diesel vehicles for commercial use and excavators to now C-category passenger cars and multi-utility vehicles. This is a stock which is a must have for any investor wanting an exposure to the Auto sector. The share has returned a steady CAGR since initial listing of about 4.81% over 58 years! (inclusive of bonuses, dividend incomes).

Some other companies, although not among the top 10 picks, which also find favor with fund managers and have created wealth are the following:

4. Ranbaxy - One of India's very own "multinational" company with significant international presence, the



company has spawned wealth for its shareholders from pharmaceuticals. The company went public in 1973 and a Rs. 10 share is now quoted at over Rs.1,000. Had the company not announced a 3:5 bonus in 2002, the price would have been nearer Rs.2,000! The company is among the first Indian companies to significantly step up R&D expenditure is likely to be the biggest gainer from easier USFDA rules for introduction of cheaper generic drugs in the US. The share has returned a CAGR of about 29.34% since initial listing (inclusive of bonuses, dividend incomes).

5. Hero Honda - What started out as a Joint Venture between Hero Group, the world's largest bicycle manufacturers and the Honda Motor Company of Japan, has today become





the World's single largest two-wheeler company. Coming into existence on January 19, 1984, Hero Honda Motors Ltd gave India nothing less than a revolution on two-wheels. Driven by the trust of over 5 million customers, the Hero Honda product range today commands a market share of 48% making it a veritable giant in the industry. Technological excellence (cutting-edge Honda technology), an expansive dealer network and Hero group's dynamism have made it one of the leading wealth creating companies in India. The stock reached Rs.300 mark in just 17 years of existence. The share has returned a CAGR since initial listing of about 27.09% (inclusive of bonuses, dividend incomes).

So if equity provides the highest returns, should one invest only in this asset class? The answer is no. While equity is the cornerstone of any wealth creating strategy, no investor can afford to ignore other asset categories. This is because equity is the best performing category only over the long term. In the short term equities can be very volatile and having a portfolio comprising only equities can be very risky, particularly in the short term. For example, if an investor entered equity in February 2000 when the Sensex was at a peak of about 6000, he would today have earned negative returns of nearly -30% while he would still have ended up with positive returns had he invested in a corporate fixed deposit over these 3 years.

The solution is to have an asset allocation approach to portfolio building where one diversifies one's risks over several different asset categories.

What is Asset Allocation?

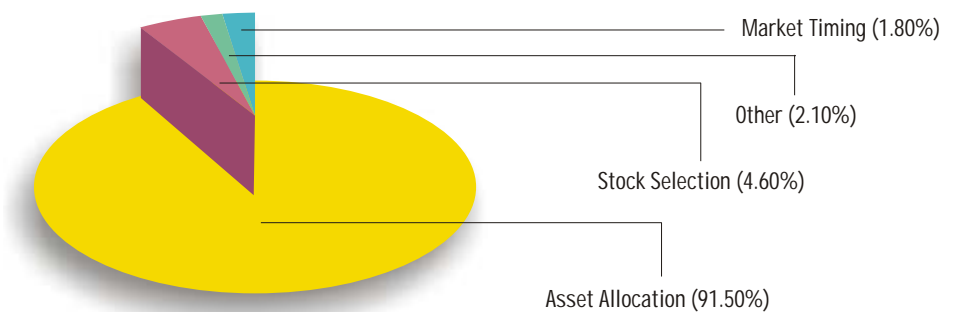
It is the proportion in which you divide your capital for investment between various asset categories like Cash, Equity and Bonds-and within these asset categories among different investment instruments.



Why is Asset Allocation the Key for a Wealth Creation Strategy?

The proportion in which you allocate assets is a more important factor than past performance, which security you select and when you enter or exit the market, in deciding long-term portfolio returns.

Long-term Determinants of Investment Results



Source: Brinson, Singer and Beebower (1991)

.....asset allocation is the most important determinant of portfolio return.....

As a 1991 study by Brinson, Singer and Beebower found that asset allocation is the most important determinant of portfolio return more than individual stock/investment scheme selection and market timing. Many investors try to identify particular stocks betting on a possible appreciation in their price. However, one can only be successful at this if one did this full time like a professional fund manager. Even then, the study suggests, that this will determine only 4.60% of the return outcome. Also, one need not search for the best time to invest in markets simply because no one knows what the best time to invest in equity markets is (See section on Why Timing does not work? Page 13). Even if one could



time markets well, this would determine only 1.80% of the actual return with the major part of the return outcome being determined by the proportion in which assets are allocated.

What are the Benefits of Asset Allocation?

Asset allocation helps you reduce your risk exposure by diversifying your investments. For example, in a year when equity markets are falling, you could still end up with portfolio gains on account of coupon income from investments in company fixed deposits and dividend income from investments in Debt Mutual Funds. By having several different assets in your portfolio, you will be able to minimize the volatility inherent in individual assets returns.

For details on different asset allocation plans please refer the Bajaj Capital Investment Planning Guide.

Asset allocation helps you reduce your risk exposure by diversifying your investments.

Nilesh Shah, Head of Fixed Income at Franklin Templeton on asset allocation to equities-I would go by the thumb rule of making an equity allocation to 100 minus your age. So if you are 30 years of age, I would say put in 70 per cent in equity. Then, depending upon your risk profile - whether you want to be aggressive or conservative, you can reduce your risk cover may be to 60:40. Clearly as you move up the maturity profile or age profile, your ability to take risk will come down and then you will have to increase your allocation to debt”.

Source: Business Standard, July 2003



Why Timing does not work?

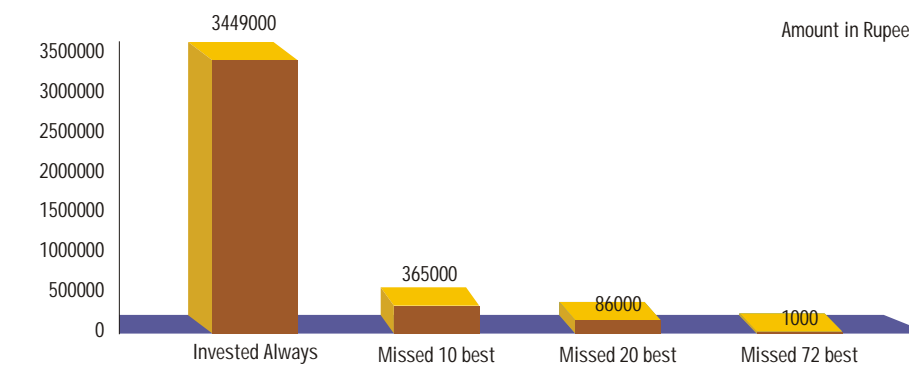
According to Bajaj Capital's investment philosophy an investor should not try to time the markets but instead should follow a long-term approach towards investing in equities (preferably via the mutual fund route) and should invest small amounts regularly, month after month, rather than at one go (Also see section on Systematic Investment Plans on Page 27). This is because one can create wealth through the equity markets only if one has a long-term horizon. A study undertaken by leading business daily 'Business Standard' supports this view.

According to the study, two-thirds of the equity market's gains came in just 10 months over the last 24 years. The chances of correctly identifying these 10 months for an average investor are pretty remote. Therefore, the best option for an investor is to stay invested at all times.

The following chart shows what Rs. 1 lac invested in September 1979 would have become, had one stayed invested at all times and compared to the situations if an investor had missed investing during the 10 best months, 20 best months and 72 best months:

The gains are the highest if one stays invested for full 24 years where the amount grows

Growth of Rs. 1lac invested in BSE Sensex over 24 years Chart-1



Source: Business Standard

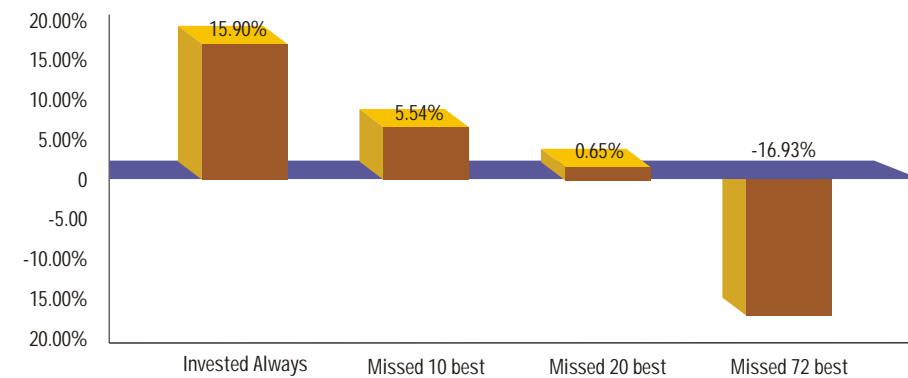
....the best option for an investor is to stay invested at all times.



to Rs. 34.49 lacs. If one missed out even only the 10 best months to invest in, the amount would grow to only Rs. 3.65 lacs. And if one missed the 72 best performing months, the amount would decrease to Rs. 1,000 after 24 years!

The annual return chart more dramatically illustrates the drop in returns from having missed out on the best performing months.

Annual Return for investors on Rs. 1 lac invested in Sensex over last 24 years



Source: Business Standard

The annual return over 24 years, had one stayed invested throughout, is a healthy 15.90%. Even if one missed out only the 10 best months, returns fall by nearly a third to 5.54%. And if one missed out on the 72 best months to invest in, returns would fall by over 100% to -16.93%.

A perfect timer of the markets - who did not invest in any month which provided negative returns and who did not miss any of the best months - would see his investment of Rs. 100 grow to Rs. 96.40 lacs during the 24 years or an annualized return of 61.31%! Had he not invested in the 10 worst months, his annualized return - at 23.79% -- would still be higher than had he stayed invested at all times.

The annual return over 24 years, had one stayed invested throughout in equity, is a healthy 15.90%

Therefore, the only realistic way toward achieving wealth in the equities market is to stay invested over the long-term. The ideal investment strategy should also include automatic profit booking based on realistic triggers

However, the probability of perfectly timing the markets with a strike rate of 50%, according to the Business Standard study, is 0.50 raised to the power 288 (the number of months in 24 years), which is almost zero. Those long hours spent by some investors before the business news channel and business newspapers are probably not worth it at least from a market-timing point of view. One should use these activities only to keep abreast of broad market trends.

Therefore, the only realistic way toward achieving wealth in the equities market is to stay invested over the long-term. The ideal investment strategy should also include automatic profit booking based on realistic triggers (for e.g. one could fix a return target of 25%- the moment it is achieved one could book profits, irrespective of market forecasts) and re-investment of part or whole of the profits booked with a 10% stop-loss. Any portfolio based on per centage allocations to different assets should be re-balanced at pre-determined intervals.

What is Portfolio Rebalancing? What is Stop Loss? What is Profit Booking? What are triggers? Please refer Glossary on Page 36

Sundaram SKORe study

A proprietary study by Sundaram Mutual Fund also shows how staying invested over the longer term reduces volatility of returns not just in equity but also the two other asset classes debt and cash. For equities, the study called the 'The New SKORe' (Sundaram Keys to Optimum Returns), took 1-year rolling returns for the Sensex from April 1979 to March 2001 at intervals of 1 month each. Of the 252 1-year returns so generated, it ignored the top 5% and bottom 5% of returns, as these were "relatively rare occurrences". Over a 1-year holding period, the best return was 90% while the worst was 26%. Then it calculated 5-year rolling returns (at intervals of 1-month each) and after ignoring the extreme results, the best return was 44% while the worst return was 1%. Here, we can see



that when the period is longer, while the maximum return is lower, so is the worst return and the variation in returns is also narrower. This reduced variation narrows further when we take 10-year rolling returns where the best return becomes 32% and the worst return is also a positive 12%. Thus, as the holding period lengthens, the worst returns actually get better and the variation between the best and worst return reduces. The results were similar for bonds and cash, using 7-years of bond market data beginning August 1994 and ending December 2001 and 5 years of money market data between April 1996 and December 2001. For the bond market data, 3-year rolling returns were adjusted downwards to reflect the fact that the period for which data was available was not long enough to contain a full bear phase.

These results are graphically indicated below:



	Stocks	Bonds	Money Markets
	+12% to +32% (10 years)	+8% to +13% (3 years)	+6% to +12% (3 Months)
	-26% to +90% (1 year)	+3% to +25% (1 year)	0% to +18% (1 week)

*Adjusted estimates: Insufficient history. Past performance may or not be sustained in future.
 Note: Percentages are on annualised basis. Source: Stocks-BSE Sensex; Bonds-IBEX; Money Market-JP Morgan TBEX
 Source: Sundaram Mutual Fund



What is the ideal Time Horizon for equity investors?

Since an investor must stay invested for the long-term to achieve superior returns, the next question is what the ideal time horizon is. There is no single answer to this question, as the length of time would vary according to the objectives of the investor and target return. In the US for instance, a study by Jeremy Siegel, a Wharton professor, showed that the period could be as long as 30 years before equity would beat return from any other asset class regardless of the day of investment. On the other hand, mutual funds like Templeton indicate an investment horizon of about 5 years as ideal for some of their schemes - as actively managed mutual fund schemes tend to outperform the market (See section on Mutual Funds on page). And then again, a study undertaken by Business World covering Sensex movements from April 1979 till February 2002 concluded that 12 years was the ideal time horizon for holding equities which would beat returns from risk-free instruments like RBI Relief Bonds. While this can be taken as a suitable benchmark, in essence the period should be long enough to ensure that the investor has broken even with the cost of acquisition, reached his target profit level and any needs like children's education or vacation overseas have been met out of the investment.

It takes equities 12 years to better the returns from government bonds

Type of return	5 years	7 years	10 years	11 years	12 years
Average Return	19.24%	19.61%	21.65%	21.70%	20.88%
Maximum return	56.24%	42.43%	34.98%	33.46%	32.93%
Minimum Return	-5.03%	-7.36%	3.55%	5.29%	10.70%
Probability that Capital appreciation plus dividend yield is less than RBI Relief Bond yield	28.50%	19.50%	4.90%	2.00%	0%

Returns have been calculated for investments made in the Sensex on any day after 3rd April 1979 and held for different time periods all the way up to 1st February 2002. The average annual dividend yield in the last decade was about 1.3% (range: 0.68%-1.83%). This has been added to the figures for capital appreciation
 Source: Business World

Ideal Time Horizon-No single answer to this question, but definitely longer than 5 years...



Dilip Madgavkar, CIO, Prudential ICICI Mutual Fund on ideal Time Horizon - "The longer the better. Equity is an asset class where your odds only increase as the time horizon becomes longer. But there is no guarantee that you will actually make indicative or expected returns. But one thing has to happen over really long periods of time: the returns from an index or a share have to be nearly equal to the profit growth rates, otherwise the PE multiples will become unreasonably low or unreasonably high. The longer the profits keep on growing and longer the index does not perform, more are the chances that equities will perform.

... Today at a price-earning multiple of 6-8 times, the economy continues to grow, profit growth is reasonably secure. So, I would say that the chances of one making reasonable money in equities over the next 3-5 years is very high".

Source: Business Standard, July 2003

Mutual Funds - The Sensible way to building wealth

Assuming that as an investor one agrees to invest across different asset classes rather than in one asset category. But the question arises that within a particular asset category such as equity, should an investor invest directly in shares? And what are the options available under the debt category? According to the Bajaj Capital's Investment philosophy, an investor should not invest in stock markets directly but should take the mutual fund route to investments. Why? The logic is simple-many experienced investors may have the skills to conquer the markets, but do not have the time. Invest in stock markets directly only if it is your full time job (like mutual fund fund managers). Therefore, the answer to both questions is that an investor should preferably invest in both equity and debt through the mutual fund route. Mutual funds offer the best way to build wealth providing the benefits of



\$ 100,000
invested in the
Templeton Growth
Fund in the US in
1954 would have
grown to \$ 55
million in 1999!

professional research-based management of funds, diversification of risks across companies and sectors, market-related returns and anytime liquidity.

One may agree that in the early years of the Indian mutual fund industry (late 1980s to early 1990s), performance left much to be desired but do not deny yourself the opportunity of using mutual funds as a vehicle to achieve wealth over long term. In the US, where mutual funds have a much longer history than in India, where they have been around for only around 17 years, mutual funds have proved themselves as prolific wealth creators. For example, \$ 100,000 invested in the Templeton Growth Fund in the US in 1954 would have grown to \$ 55 million in 1999! So one can imagine the wealth creating potential of mutual funds in India over the next 30 years. Take a look at mutual fund performance over the last 10 years (1993 onwards) in India (pages 20-22) and you will realize that they deserve a second chance.

Types of Mutual Funds

Diversified Equity Mutual Fund Scheme- A mutual fund scheme that achieves the benefits of diversification by investing in the stocks of companies across a large number of sectors. As a result, it minimizes the risk of exposure to a single company or sector. Examples- Franklin India Bluechip, HDFC Equity Fund, Birla Advantage Fund, Reliance Vision, Sundaram Select Focus etc. The returns over various time periods compared to the benchmark are given on page 20 :

Sectoral Equity Mutual Fund Scheme- A mutual fund scheme which focuses on investments in the equity of companies across a limited number of sectors -- usually one to three. Examples - Alliance Basic Industries, DSPML Opportunities Fund, Prudential-ICICI FMCG, Franklin Pharma, Tata Life Sciences & Technology. The returns over various time periods compared to the benchmark are given on page 20:

Equity Diversified Schemes Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
SUN F&C Resurgent India Equity Fund - Growth	135.02	72.08	39.10	N.A	33.78	30-Jun-00	2.59
Alliance Basic Industries Fund - Growth	125.08	76.28	41.93	N.A	29.09	15-Jan-00	2.25
Reliance Vision Fund - Growth	116.31	101.54	40.71	39.87	22.81	25-Sep-95	5.18
Franklin India Prima Fund - Growth	112.59	95.23	41.06	38.39	19.31	1-Dec-93	5.70
Prudential ICICI Power - Growth	112.24	56.61	21.39	27.85	10.25	28-Aug-94	2.41
BENCHMARK CRISIL Fund~eX	79.18	43.42	9.82	21.50	17.09	1-Apr-97	2.80

As on October 10, 2003 Funds sorted by 1 year Return

Equity Sectoral Funds Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
JM Basic Fund	89.37	73.56	45.12	52.78	35.37	25-Mar-97	1.66
Tata Select Sector Fund - Growth	78.01	43.68	10.27	11.64	4.82	24-May-96	1.18
Birla India Opportunities Fund -60.82	70.78	5.07	N.A	-6.81		21-Jan-95	1.81
Plan B - Growth Franklin Internet Opportunities Fund	57.69	40.52	0.10	N.A	-9.45	21-Feb-00	0.69
Prudential ICICI Technology Fund - Growth	57.61	40.94	-5.78	N.A	-20.27	5-Feb-00	0.43
BENCHMARK BSE IT	16.67	29.66	N.A	N.A.	10.99	2-Feb-99	1.59

As on October 10, 2003 Funds sorted by 1 year Return

Equity Index Funds Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
JFT India Index Fund - NSE Nifty Index Plan - Growth	63.21	32.04	N.A	N.A	22.24	27-Aug-01	1.53
HDFC Index Fund - Sensex Plus Plan	62.75	N.A	N.A	N.A	41.18	3-Jul-02	4.95
IL&FS Index Fund - Nifty Plan	61.30	N.A	N.A	N.A	17.95	11-Feb-02	1.34
IL&FS Index Fund - BSE Sensex Plan	60.73	N.A	N.A	N.A	17.43	11-Feb-02	1.34
Prudential ICICI Index Fund - Nifty Plan - Growth	60.70	N.A	N.A	N.A	18.67	15-Feb-02	1.31
BENCHMARK BSE Sensex	60.60	28.31	6.52	10.32	17.05	1-Apr-79	47.68
BENCHMARK S&P CNX Nifty	58.91	27.20	7.13	12.38	5.44	3-Nov-95	1.52

As on October 10, 2003 Funds sorted by 1 year Return

Tax Saving Equity Schemes Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
JBirla Equity Plan	124.28	63.70	15.52	N.A	25.52	13-Feb-99	2.42
Prudential ICICI Tax Plan - Growth	108.71	62.15	25.29	N.A	19.51	10-Aug-99	2.41
HDFC Tax Plan - Growth	92.82	65.87	N.A	N.A	37.28	2-Jan-01	2.40
Tata Tax Saving Fund	89.78	47.38	18.46	31.46	24.72	1-Apr-96	1.90
HDFC Tax Saver Fund - Growth	87.37	49.65	24.81	N.A	20.73	31-Mar-96	3.25
BENCHMARK BSE Sensex	60.60	28.31	6.52	10.32	17.05	1-Apr-79	47.68

As on October 10, 2003 Funds sorted by 1 year Return

MIPs Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
Alliance Monthly Income - Growth	19.58	16.79	13.92	N.A	15.81	25-Jun-99	1.88
FT India Monthly Income Plan - Growth	18.93	14.34	N.A	N.A	14.37	11-Sep-00	1.49
Templeton Monthly Income Plan - Growth	17.48	14.78	12.98	N.A	11.81	7-Feb-00	1.50
Birla Monthly Income Plan C - Growth	16.87	15.52	N.A	N.A	14.47	10-Oct-00	1.47
Principal MIP - Growth Accumulation Plan	15.68	N.A	N.A	N.A	15.74	23-May-02	1.22
BENCHMARK Average	17.71	15.36	13.45	N.A	14.44		

As on October 10, 2003 Funds sorted by 1 year Return

Debt Funds Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
Sundaram Select Debt Dynamic Asset Plan - Growth	17.81	N.A	N.A	N.A	17.66	26-Aug-02	1.19
Templeton India Income Builder Account - NSTITUTIONAL Plan	16.56	N.A	N.A	N.A	16.91	23-Sep-02	1.17
SUN F&C FIS Fund - Long Term Plan - Plan C - Growth	16.14	N.A	N.A	N.A	14.57	7-Jun-02	1.20
Grindlays Dynamic Bond Fund - Growth	16.11	N.A	N.A	N.A	14.90	25-Jun-02	1.19
HDFC Income Fund - Growth	14.98	15.18	15.24	N.A	15.17	20-Jul-00	1.55
BECNHMARK CRISIL Fund~dX	13.69	13.92	14.34	13.25	13.24	1-Apr-97	2.25

As on October 10, 2003 Funds sorted by 1 year Return



Gilt Funds Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
FT India Gilt Fund - Investment Plan - Growth	27.87	N.A	N.A	N.A	22.00	7-Dec-01	1.44
IL&FS Gilt Fund - Long Term Plan - Growth	27.81	N.A	N.A	N.A	20.38	14-Jan-02	1.37
Tata Gilt Securities Fund - Appreciation	25.51	25.69	24.00	N.A	21.31	30-Aug-98	2.20
Templeton India G-Sec Fund - Growth	24.80	23.59	23.86	N.A	20.57	21-Jun-99	2.23
DSP Merrill Lynch Govt Sec Fund (Plan A) - Growth	24.58	23.42	23.61	N.A	20.54	1-Oct-99	2.12
BENCHMARK Crisil MF – Gilt Index	21.74	19.85	N.A		18.64	31-Mar-00	1.82

As on October 10, 2003 Funds sorted by 1 year Return

Balanced Funds Past Performance may or may not be sustained in the future

Scheme/Index Name	1 Years Absolute	2 Years Annualized	3 Years Annualized	5 Years Annualized	INCEPTION DATE	INCEPTION DATE	Rs. 1 lac at inception grows to (Rs. Lacs approx.)
HDFC Prudence Fund - Growth	82.43	52.97	28.69	30.37	26.31	1-Jan-94	3.91
DSP Merrill Lynch Balanced Fund - Growth	64.85	36.09	13.84	N.A	9.96	31-May-99	1.51
Birla Balance Fund - Growth	60.86	30.15	6.61	N.A	7.00	4-Oct-99	1.31
Prudential ICICI Balance Fund - Growth	59.86	33.60	14.76	N.A	9.88	8-Oct-99	1.41
Franklin India Balanced Fund - Growth	57.16	38.13	17.50	N.A	13.71	17-Jul-00	1.51
BENCHMARK CRISIL Fund – bX	55.94	29.94	9.57	18.21	18.74	1-Apr-97	3.06

As on October 10, 2003 Funds sorted by 1 year Return

Risk Factors:

All investments in mutual funds are subject to market risks and NAVs of the schemes of mutual funds may go up or down depending upon the factors and forces affecting the securities market. Please read the offer document before investing. Information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments. Past performance may or may not be sustained in the future.



Index Funds - These funds invest in the stocks of companies, which comprise major indices such as the BSE Sensex or the S&P CNX Nifty in the same weightage as the respective indice. Examples-Franklin India Index Fund, HDFC Index Fund-Nifty Plan, IL&FS -BSE Plan, Principal Index Fund. The returns over various time periods compared to the benchmark are given on page 20 :

Tax Saving Equity Schemes - Schemes investing predominantly in equity which offer tax rebates to investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues. e.g. Equity Linked Savings Schemes (ELSS). Examples -Birla Equity, Escorts Tax, HDFC Tax Saver, Prudential ICICI Tax, Franklin India Taxshield, Alliance Capital Tax Relief 96. The returns over various time periods compared to the benchmark are given page 21

Monthly Income Plan Scheme - A mutual fund scheme which aims at providing regular income (not necessarily monthly, don't get misled by the name) to the unitholder, usually by way of dividend, with investments predominantly in debt securities (upto 95%) of corporates and the government, to ensure regularity of returns, and having a smaller component of equity investments (5% to 15%)to ensure higher return. Examples-Alliance MIP, Birla MIP, Prudential ICICI MIP, Templeton MIP. The returns over various time periods compared to the benchmark are given on page 21

Income schemes - Debt oriented schemes investing in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Examples -Deutsche Premier Bond Fund (RP), Chola Triple Ace, Sundaram Bond Saver, UTI Bond Fund, JM Income etc. The returns over various time periods compared to the benchmark are given on page 21

Gilt Funds - These funds invest exclusively in government securities. Examples -Kotak Mahindra K Gilt Investment, Principal G Sec-Investment, SBI Magnum Gilt -LTP, ING Gilt



Portfolio etc. The returns over various time periods compared to the benchmark are given on page 22

Balanced Funds - The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. They generally invest 40-60% in equity and debt instruments. Example -GIC Balanced, PNB Balanced, Sun F&C Balanced, Tata Balanced, Birla Balanced etc. The returns over various time periods compared to the benchmark are given on page 22

You should check with your financial advisor who manages your relationship on which type/s of fund/s is/are best suited for your financial needs.

Rajiv Anand, Head-Investments, Standard Chartered Mutual Fund on Debt Funds -- "...relative to other fixed deposit products such as bank fixed deposits - liquid funds will outperform the savings account any day; a short-term fund will outperform the 90-day fixed deposit any day; and the long-term debt funds will outperform one-year fixed deposit".

Source: Business Standard, July 2003

For Equity Fund Investors - Patience is a Virtue

Our philosophy that one should stay invested for the long term in equity markets to gain better returns also holds true for investing in mutual funds. Investing over the longer term in mutual funds helps the investor ride out the various short and medium term cycles and adjustments that the markets undergo periodically. An example by Franklin Templeton mutual fund based on their diversified equity Prima Plus fund illustrates the point.

According to Franklin Templeton, while equity markets display cyclical movements,



► Performance of Franklin India Prima Plus - The Five Phases

Phase I: The Initial decline

Prima plus, an open end diversified equity scheme, was launched on September 29, 1994, when stock markets were close to their cyclical peak, and investors subscribed to the units of the scheme at Rs. 10. Over the next 2 years, the NAV declined with the markets, and reached its lowest point Rs. 5.88 in December 1996.

	Prima Plus	S&P CNX 500
29.9.1994	Rs. 10	1088.21
4.12.1996	RS. 5.88	530.42
% Change	-41.2%	-51.3%
Rs. 10,000 invested		
at inception	Rs. 5,880	Rs. 4,874

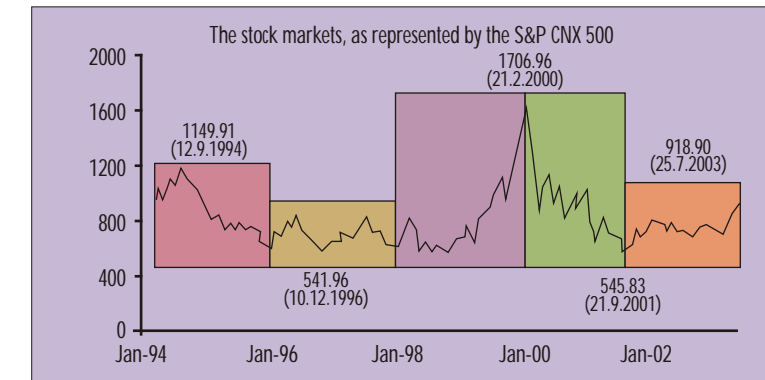
Past performance may or may not be sustained
For illustrative purposes only

Phase II: The climb back to its issue price

However, in less than a year and half, the rebound in the market and the focused efforts of the fund manager saw the NAV of Franklin India Prima Plus climb back to its issue price of Rs. 10 by April 1998

	Prima Plus	S&P CNX 500
4.12.1996	Rs. 5.88	530.42
21.4.1998	RS. 10.20	815.62
% Change	73.5%	53.8%
Rs. 10,000 invested		
at inception	Rs. 10,200	Rs. 7,495

Past performance may or may not be sustained
For illustrative purposes only



Phase III: The bull markets... rewarding patient investors handsomely

In the next 22 months after recouping the initial losses, the net asset value of Prima Plus appreciated by almost 257% and touched its peak value of Rs. 36.40 on February 22, 2000, while its benchmark index appreciated by 104.4%. Investors who had remained patient during the first two phases were well rewarded.

	Prima Plus	S&P CNX 500
21.4.1998	Rs. 10.20	815.62
22.2.2000	RS. 36.40	1667.20
% Change	256.9%	104.4%
Rs. 10,000 invested		
at inception	Rs. 36,400	Rs. 15,321

Past performance may or may not be sustained
For illustrative purposes only

Phase IV: The bear markets... preserving value

From peak in February 2000, the markets lost over 57% in the next 19 months. While prima Plus NAV did fall during this period, it was less compared to the market.

	Prima Plus	S&P CNX 500
22.2.2000	Rs. 36.40	1667.20
21.9.2001	RS. 15.34	545.83
% Change	-57.9%	-67.3%
Rs. 10,000 invested		
at inception	Rs.15,340	Rs. 5,016

Past performance may or may not be sustained
For illustrative purposes only

Phase V or Phase II?: The recovery... is this a starting point for another bull phase

In the backdrop of improving economy and sound corporate fundamentals, the markets have started recovering. Prima Plus too had done well in this period, with its current NAV almost 100% higher compared to the 9/11 lows.

	Prima Plus	S&P CNX 500
21.9.2001	Rs. 15.34	545.83
25.7.2003	RS. 30.64	918.90
% Change	99.7%	68.3%
Rs. 10,000 invested		
at inception	Rs.30,640	Rs. 8,444

Past performance may or may not be sustained
For illustrative purposes only

The similarities between Phase II and Phase V are significant. However, while it is not possible to predict whether history will repeat itself and we will see periods similar to the third phase going forward, one learning that clearly emerges from the above is that patience through market cycles can be truly rewarding.



actively and well-managed schemes are able to outperform the markets - whether in a downturn or an upturn - and are therefore able to create wealth for investors. They divide the period from September 1994 to July 2003 in five phases and compare the performance of their Prima Plus fund to the benchmark S&P CNX 500 index. In each of the phases, the fund manages to beat the benchmark index - for example, when the CNX 500 fell 51.3% in phase 1, the fund fell by less (-41.20%). In phase 3 when the index appreciated 104.4%, Prima Plus appreciated by even more (256.90%). .

Prodigious 'Investment' Wealth Creator- Warren Buffett

While everybody knows that Bill Gates, the founder of Microsoft is the richest man in the world worth an estimated \$ 46 billion (about Rs. 200,000 crore), fewer people know that the number two spot is occupied not by a computer geek but by a legendary investor who has made his wealth solely through investments. The 'Oracle of Omaha' who still lives in a house he bought for less than Rs. 15 lacs and has hamburgers for lunch is worth at least \$ 36 billion (Rs. 165,000 crore) according to a Forbes survey - and that after starting out with only \$ 100,000 (less than Rs. 50 lac). Berkshire Hathaway, the company Warren Buffett took over in 1965, has interests in insurance and investments. \$ 10,000 invested in Berkshire Hathaway Inc. in 1965 would now be worth an astounding \$ 51 million (compared to \$ 500,000 if invested in stocks comprising the Standard and Poor's 500 index)! This is a return of over 25% CAGR over 38 years! His approach is simple and has even been called quaint. He identifies undervalued companies with low overheads, potential for high growth, good market share and low P-E multiples, 'and then waits for the rest of the world to catch up' a style called 'value investing' pioneered by another legend Benjamin Graham. Buffett was one of the few investors to stay largely away from IT and Internet companies even at the height of the tech boom as he felt that their revenue models were difficult to predict. As an investor he would like to be described as a contrarian.

Investing over the longer term in mutual funds helps the investor ride out the various short and medium term cycles and adjustments that the markets undergo periodically.

\$ 10,000 invested in Berkshire Hathaway Inc. in 1965 would now be worth an astounding \$ 51 million (compared to \$ 500,000 if invested in stocks comprising the Standard and Poor's 500 index)! This is a return of over 25% CAGR over 38 years!



Systematic Investment Plans - The effective strategy for long term wealth creation

Having agreed that mutual funds offer a more sensible way to invest in equity and debt markets and may even provide superior returns, the question arises that should one invest in a particular fund at one go and hence at what time. We have already seen that it is extremely difficult for even an expert investor to try and time the markets and in any case it is not a major determinant of overall portfolio return. Smart investors put in small amounts regularly rather than invest in a lump sum and benefit from rupee-cost averaging.

As can be seen below, even if the investor invested Rs. 18,000/-, at one-time, at the average NAV during a 9-month period, (in the case NAV is falling), the cost would be higher (8.26) than if he invested Rs. 2,000 per month (average cost 8.13). The results are the same when the NAV is rising. Average acquisition cost of a one-time investment is 12.09 during a 9-month period, compared to 11.84 when systematic investments are made. A SIP may not always provide better results in terms of returns especially in continuously

Smart investors put in small amounts regularly rather than invest in a lump sum and benefit from rupee-cost averaging.

BENEFITS OF RUPEE COST-AVERAGING

Falling NAV				RisingNAV			
Month	NAV (Rs.)	Investment (Rs.)	No. of units	Month	NAV (Rs.)	Investment (Rs.)	No. of units
Jan-02	10.00	2,000	200.00	Jan-01	10.00	2,000	200.00
Feb-02	9.82	2,000	203.67	Feb-01	10.25	2,000	195.12
Mar-02	8.33	2,000	240.10	Mar-01	11.28	2,000	177.30
Apr-02	8.13	2,000	246.00	Apr-01	10.03	2,000	199.40
May-02	8.39	2,000	238.38	May-01	11.95	2,000	167.36
Jun-02	7.99	2,000	250.31	Jun-01	12.49	2,000	160.13
Jul-02	7.69	2,000	260.08	Jul-01	13.70	2,000	145.99
Aug-02	7.50	2,000	266.67	Aug-01	14.77	2,000	135.41
Sep-02	6.50	2,000	307.69	Sep-01	14.37	2,000	139.18
Total		18,000	2,212.89	Total		18,000	1,519.89
Average	8.26		8.13	Average	12.09		11.84



rising markets. But it usually works out in favor of investors as markets by nature fluctuate and does offer a superior and easier way of investing in mutual funds.

The investor would also benefit for example in a falling market if he does SIP rather than invest a lump sum amount. An investor who made a lump sum investment of Rs. 46,000 in September 2000 in Franklin India Bluechip (Sensex level 4602.43) and held it for 3 years till September 2003 (Sensex level 4299.41) is compared to an investor who invests Rs. 10,000 initially and then Rs. 1000 a month for 36 months.

Franklin India Bluechip SIP v/s Lump Sum	
SIP Investment	
Total Amount Invested	46,000
Market value as on 25-Sep-2003	72,357.51
Profit / Loss (%)	57.29
Lump Sum Investment	
Total Amount Invested	46,000
Market value as on 25-Sep-2003	66,654.23
Profit / Loss (%)	44.90

Therefore, the profit from SIP investment is nearly 28% more than that from lump sum investment.

Corporate Fixed Deposit Programs - Another option to create wealth

Company fixed deposits are a superior alternative to bank fixed deposits. Our research shows that investing in high quality (AAA rated or equivalent) corporate fixed deposit programs yields higher returns than investing in bank fixed deposit programs - and that too at a comparable level of risk. So another step towards wealth creation (for conservative investors) is to move away from lower yield bank deposits and move them to corporate fixed deposits (and debt-oriented mutual funds).

Person A invests Rs. 10,000 every month with a leading bank in their 1-yr. fixed deposit program. After 10 years, her savings have grown to just over Rs. 20 lacs. Person B on the

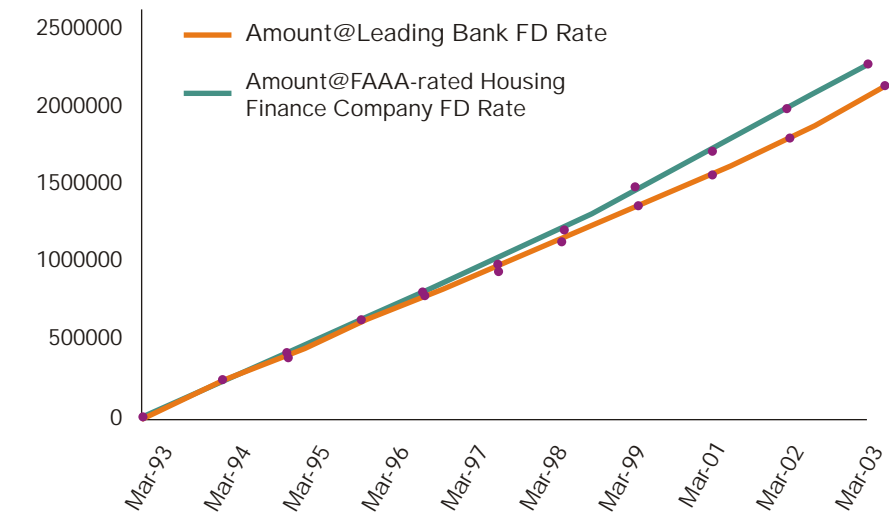


other hand chooses an AAA (Highest safety)-rated 1-yr. fixed deposit program of a leading housing finance company. He also invests Rs. 10,000 per month for 10 years. His savings grow to over Rs. 23 lacs!

Corporate FD V/S Bank FD

Rupees

	Amount @ Leading Bank FD Rate	Amount @ FAAA-rated Housing Finance Company FD Rate
Mar-93	10000	10000
Apr-93	126014	128795
Apr-94	263849	275368
Apr-95	421777	445993
Apr-96	597981	636349
Apr-97	780089	849055
Apr-98	970165	1069673
Apr-99	1164947	1302193
Apr-00	1373810	1550362
Apr-01	1597772	1826195
Apr-02	1824685	2101066
Apr-03	2051247	2355771





Of course, if one invests in lower rated paper, the risk from investing in corporate fixed deposit programmes is relatively higher than that from investing in a bank fixed deposit. However, even if one factors in a 10% non-performing asset (default) level for corporate fixed deposits, even then you would be a winner overall. In our example, using a AAA corporate fixed deposit, the relative gain over bank fixed deposit is about Rs. 3 lacs. If one invested in a AA-rated corporate fixed deposit, the relative gain would be even higher. Please also refer to Bajaj Capital Investment Philosophy on Page 33 .

Get on the road to wealth creation

We have already discussed the benefits of systematic investment plan. It is not only a great idea to save regularly in investment markets, by buying month-on-month, it turn out to be an extremely effective investment strategy for long-term wealth creation. From an Indian perspective, the yardstick of becoming a wealthy person is to become a 'Crorepati'. Surprisingly, the road to Rs.1 cr is not as difficult as it may seem. The answer lies in a planned and disciplined approach towards savings and investment. An investment as low as Rs.4,331, if invested monthly at a return of 8% per annum, can get you there in 35 years. The secret lies in the 'power of compounding' where interest on re-invested interest ensures that your savings grow at a geometric rate rather than at an arithmetic rate. The other thing at work for you is the magic of systematic investments. Rs.100 invested monthly would grow to an amount larger than a one-time Rs.1,200 investment at the end of the year simply because of the interest earned on Rs.100 every month. Here, Rs.100 would grow to Rs.1,253 at year-end at a return of 8% per annum.

The table on the next page shows the amounts one would have to save to make Rs.1 cr given different rates of return and age profiles. The earlier you start investing, the lower the amount that is needed for investment. For example, an individual starting at age 25, having 35 years till retirement, would need to save only Rs.4,331 per month (at a return of 8%) as compared to an individual who starts saving at age 35, having only 25 years to retirement.

.....the road to Rs.1 cr is not as difficult as it may seem.

An investment as low as Rs.4,331, if invested monthly at a return of 8% per annum, can get you there in 35 years. The secret lies in the 'power of compounding' where interest on re-invested interest ensures that your savings grow at a geometric rate rather than at an arithmetic rate.



Table 3 Do-it-Yourself Calculation Chart

Target Age = 60 years		How much you need to Invest to Make A Crore											
		Amount (Rs.) to be Invested Monthly at Rate of Return (% per annum)											
		Conservative				Moderate				Aggressive			
Current Age (Years)	No. of Years Left	Very Conservative Investor	Conservative Investor	Conservatively Moderate Investor	Moderate Investor	Aggressive Investor	Very Aggressive Investor						
		6%	6.5%	7%	7.5%	8%	8.5%	9%	9.5%	10%	10.5%	11%	11.5%
25	35	6,985	6,216	5,521	4,894	4,331	3,826	3,374	2,971	2,613	2,294	2,011	1,761
30	30	9,906	8,992	8,150	7,376	6,666	6,016	5,422	4,881	4,388	3,940	3,534	3,166
35	25	14,359	13,283	12,273	11,329	10,446	9,622	8,854	8,139	7,475	6,859	6,288	5,759
40	20	21,536	20,281	19,086	17,948	16,865	15,837	14,862	13,937	13,060	12,231	11,448	10,708
45	15	34,215	32,767	31,367	30,014	28,708	27,447	26,230	25,058	23,928	22,841	21,794	20,787
50	10	60,717	59,062	57,441	55,853	54,299	52,779	51,292	49,837	48,414	47,024	45,665	44,338
55	5	142,615	140,733	138,869	137,024	135,196	133,388	131,597	129,825	128,070	126,334	124,616	122,915

In our example, the 35 year old would have to invest Rs.10,446 per month to reach Rs.1 cr. Various options for investments can be considered to realize the various rates of return assumed depending upon the risk profile of the investor. For details about individual risk-return profile, and for more examples of power of compounding, please refer to Bajaj Capital Investment Planning Guide.

Risk factors:

1. The above returns are indicative only and may vary from individual to individual depending upon their personal financial circumstances, inflation and tax situation. Inflation and taxes have not been taking into account while calculating the amounts required for investment. The returns would also vary from investor to investor depending upon their asset allocation and portfolio composition
2. The above calculations are based on different assumed portfolios, depending upon risk category, comprising bank savings account, liquid funds, income funds, gilt funds,



MIPs, Small savings instruments such as POMIS, PPF, RBI Relief Bonds etc., equity diversified funds, index funds and equity tax savings schemes.

3. The returns are not assured returns and are not returns from any specific scheme or investment instrument. Usually, the indicative return for a portfolio with higher risk would exceed that for a portfolio with a lower risk profile.

Conclusion

While the past performance may provide an indicator of future wealth creating possibilities of a particular investment option/portfolio/scheme, to judge consistency of its performance and its future outlook one would have to assess the economic and investment climate in the ensuing months/years. Investors who are conservative and content with a moderate lifestyle can choose lower risk investments with little or no equity. However, such investors would remain wealth preservers rather than wealth creators. Investors with ambitious lifestyle goals (Bigger Bungalow, Foreign Holidays every year) would be willing to take higher risks and would choose a portfolio with a higher equity component. Typically such investors become prodigious wealth creators. Whether the spurs are need-induced or ambition-based, no investor can afford not to tread on the path to wealth creation. The only choices which have to be made are risk levels and appropriate strategy.

So Let Bajaj Capital be your 'Wealth Creation' guide. Visit us now! And gain from the wisdom compiled over 40 years from our successful investment experience with more than a million investors who have availed our services.



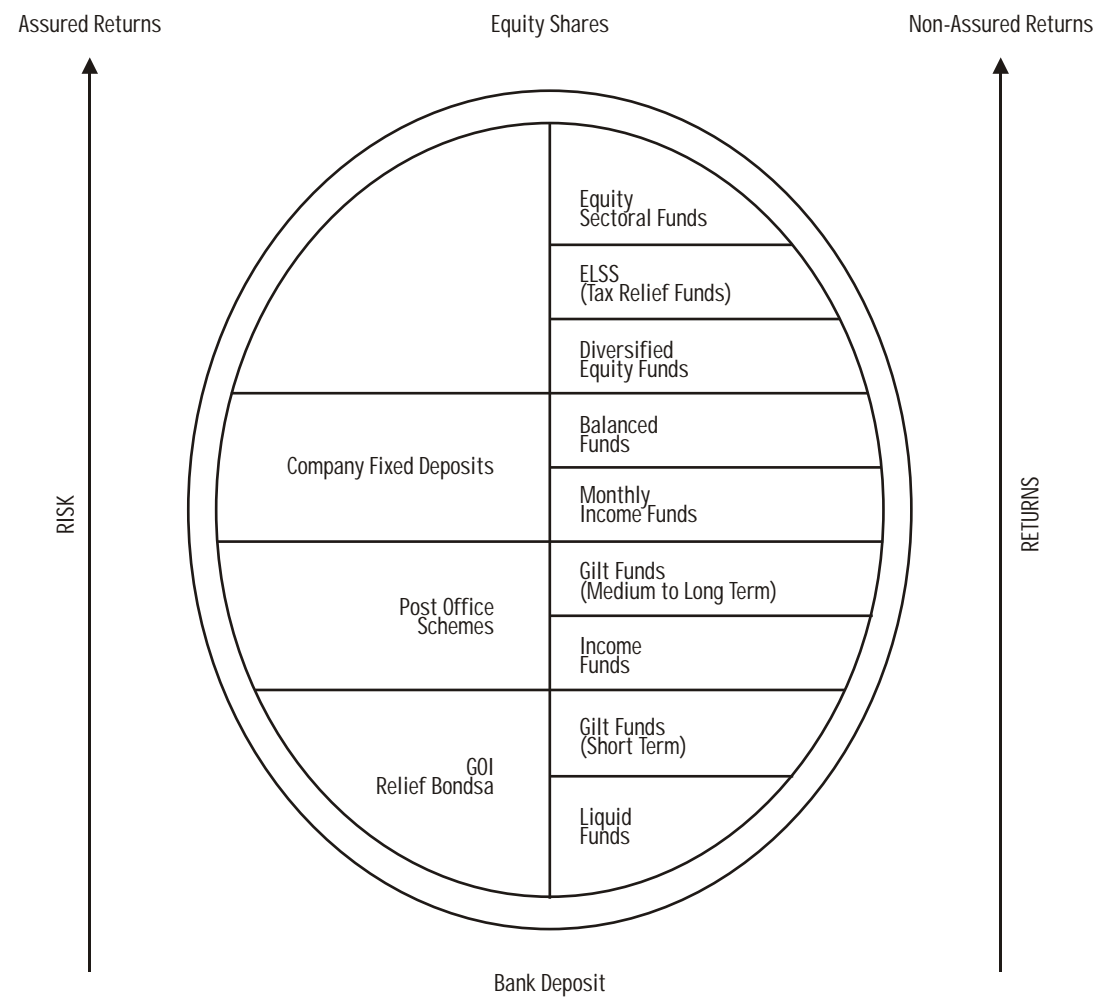
How to achieve "Lifetime of Investment success"? Follow Bajaj Capital's time tested Investment Philosophy

- A) Do not invest directly in the stock market. Take the Mutual Funds route.
- B) Safety of principal should be of prime importance. We believe in a controlled (risk) approach to investments.
- C) Do not let inflation eat up your money in a savings bank account. Go for superior and stable returns.
- D) Have a look at your financial objectives. Your investments should depend upon them.
- E) Take the long-term approach to equity investments.
- F) Diversify your investments. Do not put all your eggs in one basket.
- G) Keep a reasonable amount of liquid cash to meet your emergency needs.
- H) Take a balanced approach to investing. Avoid risky investments as well as an overly cautious approach to Investing.
- I) Monitor your investments once a month and take corrective action, if required, immediately.
- J) Do not try to time the entry and exit of your investments.
- k) Every time is a good time to invest if you have a long-term outlook and keep investing regularly.
- L) Put no more than 10% of your total investments in one company.



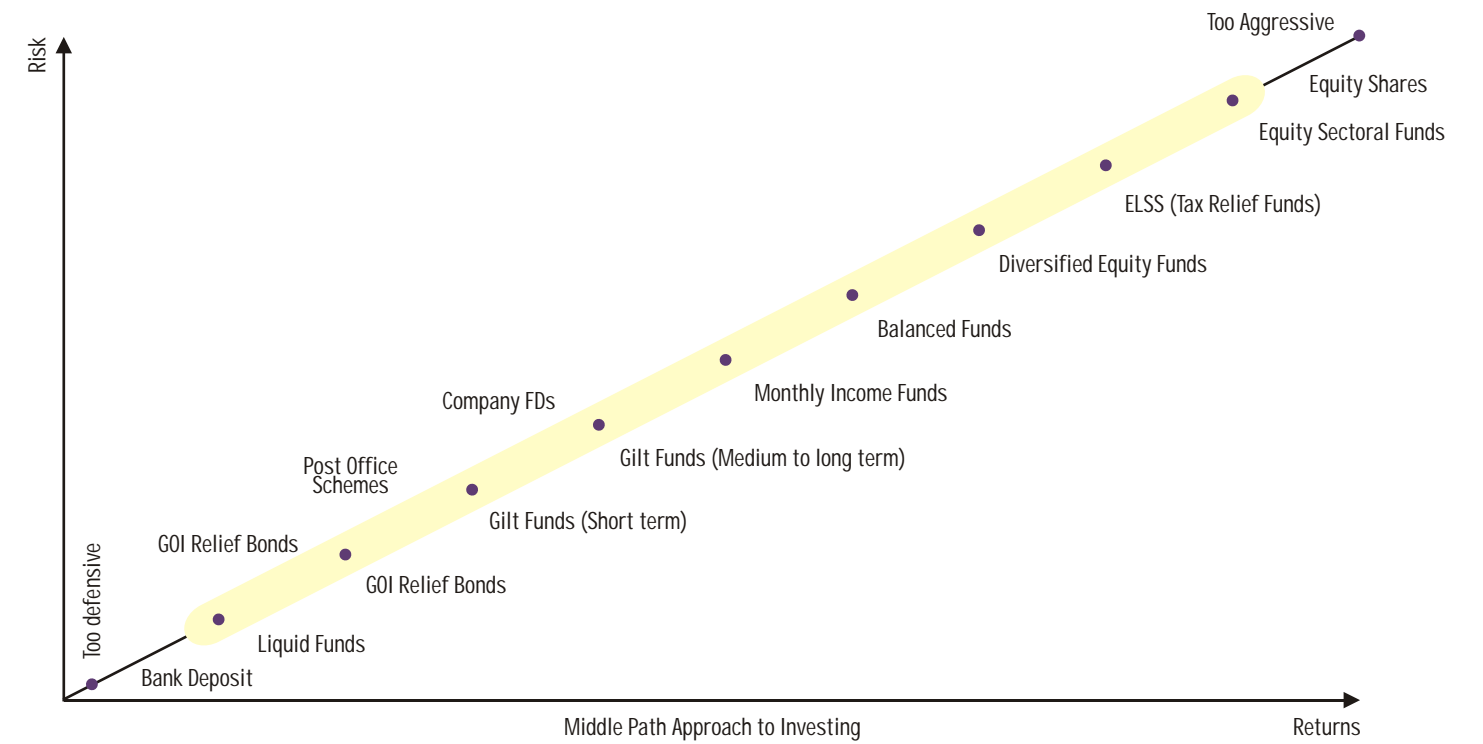
Create an ideal portfolio by achieving perfect balance between Risk and returns.

Risk and return are two inseparable parts of an investment strategy. They have a direct Higher the risks higher are the returns and vice versa. The very basic consideration of an investor while investing his money are how to maximize one's returns will he get and what are the risks involved in investing in a particular investment



Take the 'MIDDLE PATH APPROACH' to investments

Bank Deposits are too defensive, offering very low, real (post tax & inflation) returns. On the other hand, investing in equity shares is too risky. Always take the middle path approach by investing in a wide array of instruments to have an optimum risk trade off.





Glossary

Standard deviation - A measure of the dispersion of a set of data from its mean. The more spread apart the data is, the higher the deviation

Bills-A security like a Treasury Bill issued by the Central Bank which usually have a maturity less than the year and yield on these securities can be an approximation for the risk free rate

Nominal Return-Return of a portfolio/security unadjusted for inflation

Real return - Nominal Return on a security/portfolio less the actual/projected inflation rate

Stop Loss - An order placed with a broker to buy or sell when a certain price is reached. It is designed to limit an investor's loss (or lock in profit) on a security position. This is sometimes called a stop market order

Profit Booking - If on an investment of Rs. 100, Rs. 25 profit has been gained, selling of security in value upto the amount of the profit i.e. Rs. 25 is called profit booking

Triggers - A certain milestone or event that must happen before an trading action consequent upon it can be taken such as reaching 10% profit, stock touching a specified price etc.

Portfolio Rebalancing - The process of realigning the proportion of one's portfolio of assets.



Investment Style Check

RISK AND RETURNS ALWAYS GO HAND IN HAND. HIGHER THE RISK, GREATER THE RETURN AND VICE VERSA. TO EVALUATE YOUR RISK BEARING CAPACITY, ANSWER THE FOLLOWING SIMPLE QUESTIONS:

1. My Age is (a) Above 50 (b) Between 30-50 (c) Between 24-30	8. Imagine that the stock market drops immediately after you invest in it (a) I would withdraw my money (b) I would wait and watch (c) I would invest more in it	14. How easily could you replace the loss suffered on an investment with future income (a) Impossible (b) Not easy but possible (c) Very easily
2. I have following dependents (a) More than 2 dependents (b) 1-2 dependents (c) None	9. How long have you been investing? (a) for the last 1-5 yrs (b) for the last 5-10 yrs (c) for over 10 yrs and above	15. Which statement best describes your investment objective (a) I just need regular income (b) I need regular income but would like some growth as well (c) I need only growth in my investments
3. My job is (a) Secured (b) Not secured (c) Does not affect me whether it secured or not	10. What percentage of your income do you invest? (a) Upto 5% (b) 5% - 10% (c) More than 10%	16. How often do you monitor your investments (a) Daily (b) Monthly (c) Occasionally
4. My approach in making an investment (a) I take educated view of the investment (b) I take friendly advice and make decisions (c) I rely on my guess	11. My knowledge about various investment schemes is (a) Nil (b) Average (c) Good	17. What kind of return would you like on your investments (a) You may gain a return up to 25% but there is a chance of losing 10% of your principal (b) You may gain a return up to 10% with little chance losing your principal. (c) You are assured to gain 5% return without any chance of losing your principal
5. While investing in my funds, I am most concerned about: (a) Safety of my principal (b) Earning returns above the inflation rate (c) Earning high returns	12. How has your portfolio allocation changed over time. (a) My portfolio allocation has remained consistent over long time. (b) My portfolio allocation has changed somewhat over time (c) My portfolio allocation has changed significantly over time	
6. My current portfolio includes majority of: (a) Govt. Securities and Bonds (b) Mutual Funds and Company FDs (c) Equity Share	13. Which of the following statements truly describe you (a) I am very much concerned with short-term volatility (b) I am concerned if my investment does not give me return which is higher than inflation (c) I am very much concerned with long-term volatility	
7. I would like my investment to grow (a) Steadily (b) At an average rate (c) Fast		

Evaluate yourself

Give 10 points for answer 'a', | 20 points for answer 'b' | 30 points for answer 'c'

Between 170-238 | Very Conservative Investor Between 307-374 | Moderate Investor
 Between 239-306 | Conservative Investor Between 375-442 | Aggressive Investor Between 443-510 | Very Aggressive Investor

PLEASE TICK what type of investor you are

SCORE