

TOP 5 ISSUES  
for  
2014

CNBC TV18 Investor Camp  
Bhubaneswar  
18<sup>th</sup> January 2014

1.  
INVEST BEFORE OR AFTER THE  
ELECTIONS?

# INVEST BEFORE OR AFTER THE ELECTIONS?

- Anti-Congress sentiments were reflected in the state elections of December 2013.
- However, AAP (Aam Admi Party) has the potential to convert the General Elections of May '14 from a bipolar fight to a triangular contest
- The following 3 scenarios are likely:
  - BJP led NDA wins with a majority
  - Indian National Congress led UPA wins with majority
  - Hung Parliament or a 3<sup>rd</sup> Front forms the Government
- A decisive majority will be a positive for the markets
- There could be a lot of volatility leading up to and closely following the election verdict.

# What should you do?

- SCENARIO 1:
  - Market will fall sharply as a reaction to the exit polls or the actual results. And then recover quickly as it happened in 2004
  - ACTION:
  - Keep allocating systematically in equities from now.
  - Maintain your Debt/Equity Asset Allocation strictly
  - Nobody can predict the election outcome. Don't try to time the market. Mind you, every body is trying to do the same
- SCENARIO 2
  - Market will fall after the election and stay down for many months
  - ACTION:
  - Evaluate the macro economic situation. Unlikely that any new Government will adopt regressive policies
  - Continue your systematic allocation till you gain further confidence
  - Take advantage of weakness in equities to increase allocation within limits
  - It is unlikely that markets will remain weak for many months.

2.

INVEST IN DEBT OR EQUITY IN 2014?

# DEBT OR EQUITY?

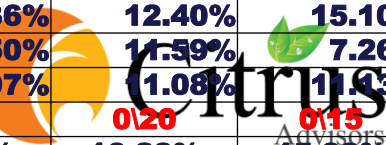
- We love assured returns
- We also love capital protection
- We have a strong appetite for high yielding debt
  - Even though we burn our fingers time and again
  - Risk and return trade off
- Domestic participation in Indian equities has been quite low
  - This is not unusual given the volatile nature of the asset class
  - Low level of awareness
  - Perception that it does not make money for the masses
- The choice is not either Debt or Equity
  - But how much of each

# How do you decide how much of debt or Equity should be in your portfolio?

- Decide based on the following simple factors:
  - Your risk profile
  - Time horizon of investment
  - Impact of inflation on your financial goals
  - Tax impact on your net returns
  - Liquidity needs
  - Risk/return tradeoff on individual products
- Don't put all your eggs in one basket

# Share Market In Long Run

No.	Year End	Sensex	Rolling 1Year	Rolling 3 Year	Rolling 5 Year	Rolling 7 Year	Rolling 10 Year	Rolling 15 Year	Rolling 20 Year
0	Mar-79	100							
1	Mar-80	129	28.60%						
2	Mar-81	173	34.90%						
3	Mar-82	218	25.50%	29.60%					
4	Mar-83	212	-2.80%	18.00%					
5	Mar-84	245	16.00%	12.20%	19.60%				
6	Mar-85	354	44.20%	17.60%	22.40%				
7	Mar-86	574	62.20%	39.50%	27.00%	28.30%			
8	Mar-87	510	-11.10%	27.70%	18.60%	21.80%			
9	Mar-88	398	-21.90%	4.00%	13.50%	12.60%			
10	Mar-89	714	79.10%	7.50%	23.80%	18.50%	21.70%		
11	Mar-90	781	9.50%	15.20%	17.10%	20.50%	19.80%		
12	Mar-91	1168	49.50%	43.10%	15.30%	25.00%	21.00%		
13	Mar-92	4285	266.90%	81.70%	53.00%	42.80%	34.70%		
14	Mar-93	2281	-46.80%	42.90%	41.70%	21.80%	26.80%		
15	Mar-94	3779	65.70%	47.90%	39.50%	33.10%	31.40%	27.40%	
16	Mar-95	3261	-13.70%	-8.70%	33.10%	35.00%	24.90%	24.00%	
17	Mar-96	3367	3.20%	13.90%	23.60%	24.80%	19.30%	21.80%	
18	Mar-97	3361	-0.20%	-3.80%	-4.70%	23.20%	20.70%	20.00%	
19	Mar-98	3893	15.80%	6.10%	11.30%	18.70%	25.60%	21.40%	
20	Mar-99	3740	-3.90%	3.60%	-0.20%	-1.90%	18.00%	19.90%	19.85%
21	Mar-00	5001	33.70%	14.20%	8.90%	11.90%	20.40%	19.30%	20.09%
22	Mar-01	3604	-27.90%	-2.50%	1.40%	-0.70%	11.90%	13.00%	16.38%
23	Mar-02	3469	-3.70%	-2.50%	0.60%	0.90%	-2.10%	13.60%	14.85%
24	Mar-03	3049	-12.10%	-15.20%	-4.80%	-1.40%	2.90%	14.50%	14.27%
25	Mar-04	5591	83.40%	15.80%	8.40%	7.50%	4.00%	14.70%	16.85%
26	Mar-05	6493	16.10%	23.20%	5.40%	7.60%	7.10%	15.20%	15.66%
27	Mar-06	11280	73.70%	54.70%	25.60%	17.10%	12.90%	16.30%	16.05%
28	Mar-07	13072	15.90%	33.70%	30.40%	14.70%	14.50%	7.70%	17.60%
29	Mar-08	15644	19.70%	35.80%	38.60%	23.30%	14.90%	13.70%	20.14%
30	Mar-09	9708	-37.94%	-4.88%	11.67%	14.71%	11.17%	15.16%	15.19%
31	Mar-10	17527	80.54%	10.27%	21.97%	28.38%	13.36%	11.86%	16.83%
32	Mar-11	19445	10.49%	7.52%	11.51%	19.49%	18.36%	12.40%	15.10%
33	Mar-12	17404	-11.72%	21.48%	5.89%	15.13%	17.50%	11.59%	7.26%
34	Mar-13	18835	8.22%	2.43%	3.78%	7.60%	19.97%	11.08%	11.43%
<b>Possibility of loss</b>			<b>12/34</b>	<b>6/32</b>	<b>3/30</b>	<b>3/28</b>	<b>1/25</b>	<b>0/20</b>	<b>0/15</b>
<b>Avg. Return</b>			<b>24.97%</b>	<b>18.50%</b>	<b>17.46%</b>	<b>17.51%</b>	<b>17.23%</b>	<b>16.23%</b>	<b>15.82%</b>





# Why Invest in Equity

Person Staying out of Equity Market DO	Companies Benefited by formers Action	We the Market Participants Benefited by investing in those scripts (Since Dec. 2008)
Put FD with Banks @ 9% and put money in Banks Savings Account @ 4%	HDFC BANK YES BANK INDUSIND BANK	Up by 3.5 times Up by 5.9 times Up by 11 times
Buy Gold & Gold Jewellery	Titan Industries (TANISHQ)	Up by 6.9 times (Gold up by 2.8 times)
Buy Real Estate by taking loan from HDFC Ltd, LIC Housing Finance	ACC Hindustan Sanitary ware	192% return Up by 3.5 times
Buy Insurance Products	Bajaj Finvest Max India	Up by 6 times Up by 2 times
Go to shopping in MALLs	Phoenix Mill	Up by 2.7 times
Upgrade your CARS	MARUTI BAJAJ AUTO	Up by 2.9 times Up by 10.9 times
Go to Movies in Multiplex	PVR Zee Telefilms	Up by 3 times Up by 3 times
Order PIZZA to DOMINOs	JUBILANT FOODWORK	Up by 5.4 times
Fall Sick	Apollo Hospital Dr. Reddy's Lab	Up by 3.8 times Up by 4 times

3.

INVEST IN LARGE CAPS OR MIDCAPS?

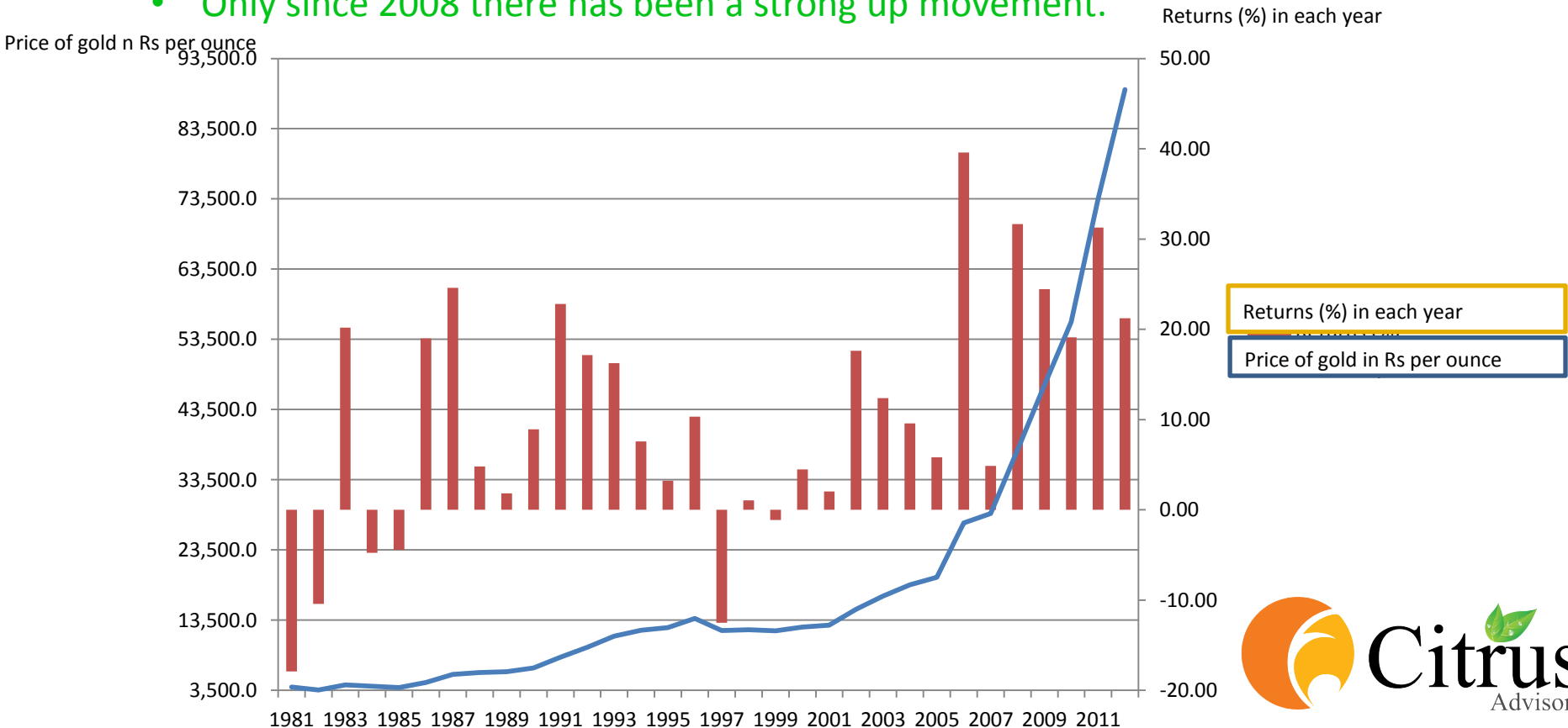
# LARGE CAP OR MID CAP?

- The calendar year 2013 saw large caps outperforming mid caps with Sensex giving 8.9% return and BSE Midcap yielding -5.7%
- However, the BSE Midcap performance can be broken down into 2 cycles :
  - Downward: From 1<sup>st</sup> January 2013 to 28<sup>th</sup> August 2013: - 27%
  - Upward: From 28<sup>th</sup> August 2013 to 31<sup>st</sup> December 2013: + 28%
- The reason for the underperformance in the downward phase are:
  - Lower retail investor participation in this segment.
  - FIIs, the main drivers of Indian stock markets also primarily invest in the large-cap stocks.
  - The earnings growth slowed down in the mid-cap space due to high interest rates and economic slowdown
- A survey of Indian fund managers revealed that 10 out of 16 of them plan to increase their allocation to mid-cap companies in the January-March quarter
- The valuation gap between large caps and mid caps is still big and midcaps will rally the most in case of an economic recovery

4.  
INVEST IN GOLD IN 2014?

## Gold as an asset class

- Between 1981 to 1985, gold as an investment gave positive returns only in 1983.
- Then there was a bull run and it gave decent positive returns from 1986 to 1996. During this period the precious metal gave less than 5 per cent in 3 years and between 5-10 percent in two years.
- From 1996 to 2002, the performance of gold was dismal at best.
- Only since 2008 there has been a strong up movement.



# GOLD OR REAL ESTATE?

- Lure for gold waning due to import restrictions
- And halt in the rally of prices
- Gold prices fell by 6% in 2013
- What about Real estate?
  - The analysis has to be very local
  - Unit of investment has to be high
  - Liquidity

5.

SHOULD YOU INVEST DIRECTLY OR  
THROUGH A PROFESSIONAL  
MANAGER?

# How do decide?

- Thumb rule:
  - Entrust 80% to a professional manager
  - Keep 20% for direct deployment
- Spend time in identifying a good manager
- Take the help of a financial advisor
- Keep reviewing the progress of your portfolio
  - Not daily or weekly
  - At quarterly intervals or
  - When there is a major cyclical move



# Disclaimer

This presentation is intended for internal use and may contain confidential information that belongs to the sender and/or legally privileged information that is protected by the attorney-client privilege. If you are not the intended recipient of this communication, you must not disseminate copy or take any reliance on it. If you have received this message in error please notify the sender immediately, to arrange the return of the document. This document is not for public distribution and has been furnished to you solely for your information and may not be reproduced or redistributed to any other person. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. No person associated with Citrus Advisors is obligated to call or initiate contact with you for the purposes of elaborating or following up on the information contained in this document. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon. Neither Citrus Advisors., nor any person connected with it, accepts any liability arising from the use of this document. The recipient of this material should rely on their own investigations and take their own professional advice. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. We and our affiliates, officers, directors, and employees world wide, including persons involved in the preparation or issuance of this material may; (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or may perform or seek to perform investment banking services for such company(ies) or act as advisor or lender / borrower to such company(ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The same persons may have acted upon the information contained here. No part of this material may be duplicated in any form and/or redistributed without Citrus Advisors' prior written consent. No part of this document may be distributed in India or abroad. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be Guaranteed.

THANK YOU

[www.citrusinteractive.in](http://www.citrusinteractive.in)

[www.citrusadvisors.com](http://www.citrusadvisors.com)