01 January 2009

Today's Tabbloid

PERSONAL NEWS FOR *ranjanvarma@gmail.com*

MUTUAL FUNDS

ELSS Tax Saving Funds V/s Open ended Funds

DEC 29, 2008 9:32AM

The steep fall in the market in 2008 has taken its toll on the diversified and ELSS (equity linked saving scheme) mutual fund schemes. Average one-year declines for both categories were above 50 per cent. However, ELSS schemes have tended to show lower divergence in returns than plain vanilla open-end funds.

Within open-end funds, the best fund lost 30 per cent in value, against the 78 per cent registered by the worst performer.

In the ELSS category, the divergence is relatively low. That's because the top-performing fund itself didn't fare too well, and lagged open-end funds by 13 percentage points.

The ELSS category has 30 schemes in all, of which 14 have a track record of over five years. While the category delivered a five-year annualised return of 12.6 per cent, more than 50 per cent of the schemes bettered than this average.

Of the entire lot, two schemes — Baroda Pioneer ELSS 96 and LIC Tax Plan — turned in a single-digit annualised return over the same period. Most ELSS funds outpaced the broader benchmark S&P CNX 500 and BSE-200 by a few percentage points.

In general, ELSS funds, being lock-in products, tend to invest with a long-term view of the market. They have a higher exposure to mid- and small-cap stocks to achieve higher returns. This could partially explain the sober one- and three-year performances of ELSS funds. But since the start of this year, ELSS funds changed tack and moved to large-cap stocks to protect the downside.

Sector selection, however, did influence returns. Funds that had a higher exposure to capital goods, power and construction suffered more than those with exposures to defensive sectors such as consumer non-durables and pharma during this period.

In recent months, funds such as Sundaram BNP Paribas Tax Saver and Reliance Tax Saver moved to higher cash levels and contained losses over the past six months.

In some cases, ELSS funds move to higher cash levels to declare dividends close to the financial year end.

However, funds such as HDFC Tax Saver, Franklin Tax Shield and HDFC Long-Term Advantage Fund, despite being fully invested, managed to moderate their losses.

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MUTUAL FUNDS

Mutual Funds Target Retail Investors

DEC 26, 2008 10:30AM

Capital market regulator Securities and Exchange Board of India (Sebi) has asked the mutual fund (MF) industry to aggressively market debt schemes to retail investors.

In addition, fund houses have also been advised to focus on rural markets, as the penetration is low. Of the 44.4 million investors, 87 per cent are from urban centres, according to the data compiled by Sebi.

The issues were discussed during a recent meeting of Sebi's advisory committee on mutual funds and the regulator asked the mutual fund industry to focus on retail investors as the thrust was so far limited to high net worth investors (HNIs) and corporate India.

According to the latest data available with Sebi, the corporate sector accounted for 56.55 per cent of the mutual fund industry's assets under management (AUM) by the end of March 2008. The share of retail investors was only 6 per cent, with the remaining accounted for by HNIs and other institutional investors.

Sources said that the committee expressed concern over the fact that fund houses are opting for an easier option by marketing debt schemes mostly to companies and HNIs resulting in a slow growth of the market. The retail investors have an appetite for debt schemes as they have been investing in schemes like the US-64 for decades, said a source who attended the meeting.

Mutual funds also appear convinced about the need to market schemes more aggressively to retail investors as they noticed that these investors stayed invested despite a rush for withdrawal during the recent liquidity crisis.

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PERSONAL FINANCE 2.01

Options for Planning Your Retirement

DEC 26, 2008 5:47AM

What is the best retirement plan where we can invest? Alas, this simple question does not have a one line answer! Moreover, if we really want to plan for our retirement >20 years from now, it’s a good idea to spend an hour or so rather than come to a hasty decision. In fact when you are planning for retirement, you are also, in a single stroke, managing your personal finance. Because retirement investments takes into account your financial goals, income, spending and savings. So it is a good idea to spend some quality time on this. (Cross posted on the Blog) (http://www.ranjanblog.com/2008/12/retirement-planning-investments.html)

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