



The Wealth Manager's Picks

We ask India's top wealth managers what they like and why and take a look at their favourite products



DEVANG SHAH's Top Choice

Mumbai based Devang Shah works with Right Returns and is a CFP™ practitioner holding the certification in U.S.A. and India.

Shah advocates a fee-only approach to help create a conflict free relationship. This is what he likes:

While I am going to zero down on some investment and insurance products, our belief lies in the efficiency of markets. In other words, if a investment manager is not a rogue, is transparent about his style and sticks to it, over a period his performance is very likely to be similar to that of his peers who have similar attributes in terms of honesty, style and asset class.

THE BUZZ

Which means that you need to choose your asset class, that is, equity – large, medium, small cap, debt and so on – choose the appropriate style of investing (value, momentum, core) and then hunt for a few fund managers who are faithful to their asset classes and are creditable. Between such fund managers the choice may simply be made by throwing darts because out-performance is very likely to be a matter of pure chance.

If you do not have an advisor (and I mean a true advisor, not a financial product sales agent) it may be better to stick to plain products in equity and debt rather than hybrid products such as multi-cap, dynamic, balanced, MIPs and asset allocation funds.

Equity

We very firmly believe that an investment in equity needs a time frame of seven to 10 years. Anything less than that is

clearly a gamble. Given this background, here goes a list of equity funds:

HDFC Equity Fund

Templeton India Growth Fund

HDFC Tax Saver (ELSS)

HSBC Equity Fund

HDFC Growth Fund

Franklin India Prima Fund

Largely equity but useful for education funding-

Prudential ICICI Child Care Plan – Gift Plan

HDFC Children's Gift Fund – Investment Plan

Debt

Relatively speaking, debt investment requires a smaller time frame. Beyond a five year time frame which debt mutual fund you choose becomes irrelevant (subject to the earlier issues of fund manager being honest and so on) and debt also becomes a sub-optimal asset class for saving. Here is a list of lowest risk-return-time frame debt mutual fund schemes:

Templeton Floating Rate Income Fund

HDFC Floating Rate Fund

Grindlays Floating Rate Fund

Next in line is plain vanilla income funds where you need to have a three year time frame

DSP Merrill Lynch Bond Fund

HDFC Income Fund

Templeton India Income Fund

Government securities funds are best avoided at this point in time. The RBI bonds and post office schemes can provide stability to a debt portfolio.

Insurance

We do not believe in the efficiency of unit linked insurance schemes and do not recommend them to our clients. Plain term insurance should be used to protect one's saving ability till the retirement amount is saved up. ICICI Prudential, HDFC Standard and Birla Sunlife are some of the companies offering competitive rates for Term cover.

We also find that endowment plans, money back policies, whole life plans are usually suboptimal solutions and alternative and better methods of achieving the same results are available. So unless you have a competent and independent advisor who believes these might be useful for you, it is best to stay away.

Disclosure: We are not agents to any insurance company. We are empanelled with most mutual fund companies and may receive commissions on transactions implemented by us.