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## GOLDEN INVESTMENT RESEARCH PRIVATE LIMITED

**NSE :** (Intraday Nifty Future / Cash / Stock Future / Banknifty / Nifty Option / Stock Option)

**MCX :** (Mcx Aluminium / Copper / Crude Oil / Gold / Lead / Natural Gas / Nickel / Silver / Zinc)

### 6 FINANCIAL LESSONS FOR SMALL INVESTORS FROM NOISY 2011 YEAR

*Nifty and sensex touched 28 month lows in the year 2011 and dropped around 25%. Some are the following lessons need to be learned from this down turn.*



#### **1. DIVERSIFICATION REALLY WORKS:**

*The biggest lesson of 2011 is also the oldest. It found a forceful reinforcement as the investors, whose portfolios had a wide spread across asset classes, sectors, or even geographies, gained benefits.*

*In mutual funds, diversified plans (down 23.5%) fared better than some sectoral funds (infra, banks down 31.5%). Investment in different stocks across different sectors would also help to limit loss in downside and provide great returns during market turn around.*

*Diversification has limited utility if you don't rebalance your investment*

*portfolio. 2011 was a year of different returns from different asset classes. Stocks fell but fixed income options gave good returns and gold shot up.*

*If one asset class runs ahead or lags, the investor must periodically check the portfolio and if required need to make necessary changes. This disciplined approach holds the key to successful investing.*

## **2. INSURE YOUR PROPERTY/SELF/FAMILY/**

*Most of the damage in Japan was paid for by insurance. Actually insuring stresses to cover life, property and health but it saves in bad times. Even though the cost of insuring a house for Rs24 lakh is only Rs5 a day, not many Indians have covered their houses against disasters. Covering the contents of the house is a little costlier but equally important. The cost far outweighs the benefits of insuring your valuables. Now days there are various money back plans, ULIPS which cover life and also provide returns in long run,*

## **3. STAY AWAY FROM MAKING QUICK MONEY:**

*Mostly people enter into markets to become rich overnight. Most of them are new comers and try to gain based on tips or guess. Investment and trading in markets requires knowledge, study, dedication and once you gain then anyone can make*

*money in stock markets. People who would have entered into stock market in the year 2011 to make quick money would have burnt their fingers, though this may not work in bullish market as well. Only knowledge helps to make money in stock market.*

#### **4. PRECAUTION WHILE INVESTING AND TRADING ON HIGH DEBT COMPANIES**

*There's nothing wrong with promoters pledging their stake as guarantee. The trouble is if they pledge a large chunk of the equity. Big traders are forever on the search for such firms, for even a good stock can go down and touch all time low or 52 week low.*

#### **For example**

*The GTL stock has fallen over 90%, from Rs 407 to Rs 35, since June 15 when rumors of promoters pledging their equities. KS Oils is another horror story. In November, Parsvnath shares crashed 50% as financiers off-loaded.*

*Shree Renuka sugar touching 2 year low on high debt concerns you will make big list of such stocks.*

#### **5. LOOK BEYOND FDS FOR DEBT INVESTING:**

*At the beginning of the year, banks were luring deposits with rates of 8-8.5%. Anybody who locked in at that rate would have lost out when the rates touched 9-9.5%, even 10% for certain durations. On the other hand, investors in short term debt funds gained from the rise in interest rates. Debt funds are liquid and more*

*tax efficient than FDs. Now that the interest rate cycle has peaked, long-term debt funds look promising. Investors need to look beyond FDs for debt investments.*

## **6. FACTOR IN INFLATION IN YOUR RETURNS:**

*How much did you earn from your FD this year? Even for someone in the zero tax bracket, the return would not have been more than 1-2%. This is because the high inflation that raged in 2011 would have stripped the real returns. The inflation was double digit.*

*"Investors should not get carried away by the rate being offered. While a small investor can't control the rise in prices, he can control his expenses. If you have a financial plan, it tells you when you overspend or under invest. So make simple investing plan, this will help you in long run and in bad times.*