

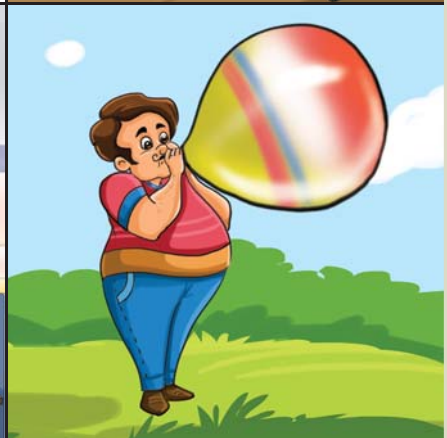
An investor education initiative from
Deutsche Mutual Fund

Sponsored by
Deutsche Asset
& Wealth Management



12 RULES TO INVEST WISELY

(AND REAP BENEFITS IN ANY MARKET CONDITION)



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Foreword

Saving and Investing are the foundations of a strong financial future for every Individual. However, many of us neglect to put this into practice and are therefore faced with various difficulties in achieving our financial goals. Most individuals find it difficult to understand the variety of financial products available in the market and therefore are unable to take informed decisions. This results in delaying or putting off financial decisions which leads to disadvantages in our life such as unfulfilled dreams and unmet expectations of our family.

Considering these realities Deutsche Mutual Fund, a leading mutual fund house, as part of an investor education initiative has partnered with ICRA Online (a sister concern of ICRA a leading rating agency) to bring you, a series of booklets in a simple and easy reading format. These booklets will explain how you should go about Saving and Investing in a disciplined and responsible manner to meet your financial goals.

This booklet titled '12 Rules to Invest Wisely' is the first booklet in this series. Every rule is explained using an illustration from daily life and in simple language. We hope you will find this booklet useful. Do write in with your feedback to **deutsche.mutual@db.com**

Happy Reading and Happy Investing!!!



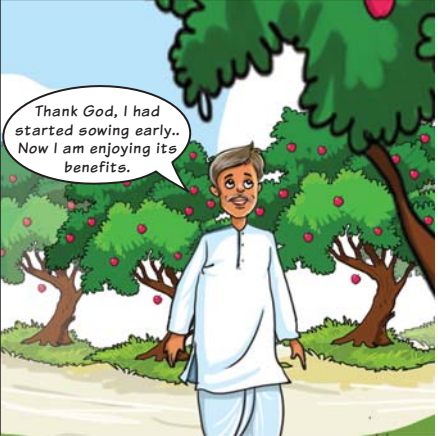
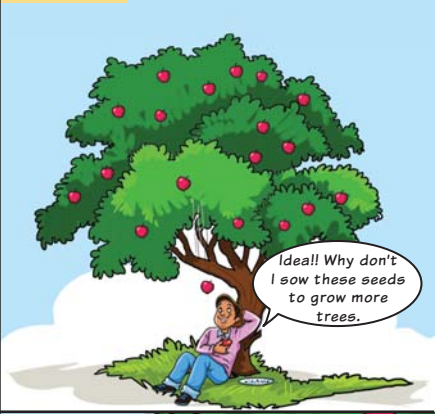
Rule 1: Invest regularly

It is important to save and invest regularly throughout various stages of your life. This helps you provide for various goals like buying a house, children's higher studies and marriage, retirement and many others. Most of these goals require substantial money upfront in order to be fulfilled. Since it is difficult to raise a large sum of money at short notice, it is important to invest regularly and in a disciplined manner over time, to fulfill your goals.

Early stage of life..



After few years..



Rule 2: Start investing early in life (and get the power of compounding to work for your investments)

When it comes to investing your money, it is always better to start early in life. The earlier you start investing the more will be your return on investment due to the effect of compounding. The compounding effect helps you earn interest over interest. You can build substantial wealth by investing small amounts regularly over a long period of time.



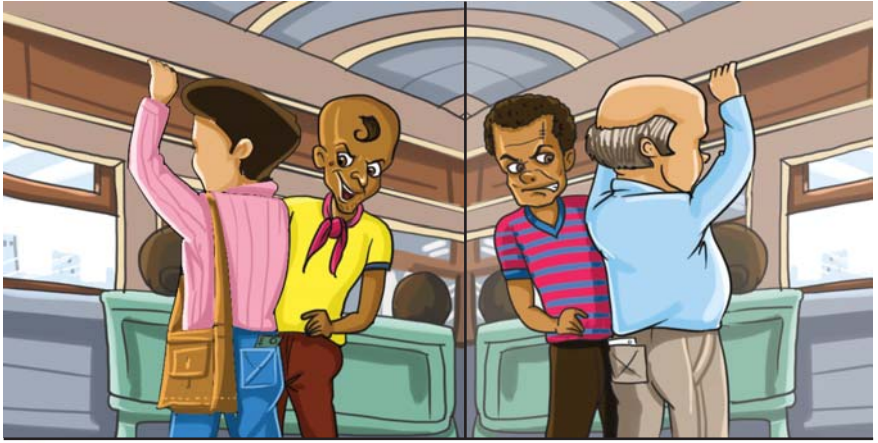
Rule 3: Never try and time your investments basis tips, market trends or economic outlook

Everyone wants to enter the market at the lowest level and exit at the highest. But it is very difficult or rather impossible to time the market. Instead of making investment decision on the basis of tips, market trend or economic outlook, you should consider the fundamentals of the investment instrument and invest regularly. A disciplined investment approach will help you meet your various financial targets of life.



Rule 4: Inflation and Taxes will eat into your returns. Therefore know your actual returns in hand

An investor must consider two key aspects - inflation and tax - before making any investment decision. An investment product must be judged by its actual rate of return instead of the given rate of return. So, we can say, actual return in hand = given returns - tax - inflation. It is important that an investment instrument takes care of both these priorities.



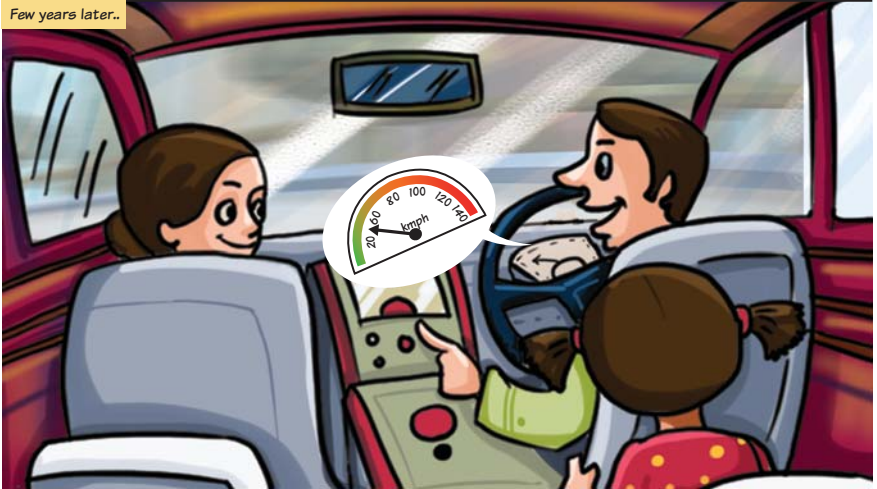
Rule 5: Diversify your investments across asset classes, to spread your risk

Do you remember the old proverb: "Don't keep all your eggs in the same basket?" The same applies for your investment portfolio as well. It is important to diversify your portfolio across various asset classes, financial instruments, sectors, geographies etc. Although diversification does not guarantee you profit, it will help minimize the overall risk of the portfolio. In a diversified portfolio, loss in one asset class can be offset by gains from another asset class.

Early stage of life



Few years later..



Rule 6: Balance and re-balance your investments as you age

You must maintain a proper balance in investments among different asset classes. As you grow old, you also need to rebalance your portfolio. Ideally, your exposure towards equity (in percentage) should be 100 minus your age. You may have higher allocation towards risky equity asset class in the early stage of your life as there is limited financial liability at that time. But with growing age, a substantial portion of wealth should be transferred to fixed income instruments, which will provide stability to the portfolio.



Rule 7: Expect reasonable returns from your investments and sell, once you have got the returns you seek

It is better to expect reasonable returns from your investments. Once your investments achieve that target, you should book profit and look for other potential investment opportunities. Unreasonable expectations or too much greed can wipe out earlier gains. For example, if you think your investment has the potential to deliver 12% return, redeem the money after you achieve the target and do not wait for further profit.



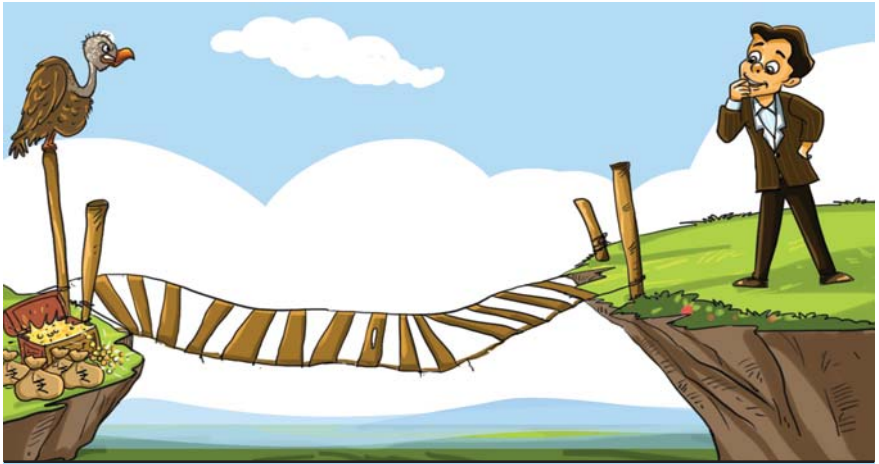
Rule 8: Get over your mistakes and losses. Learn from them

You may end up losing your hard-earned money due to wrong investment decisions. But it is important that you learn from your mistakes to avoid such losses in the future. Before investing in financial instruments you should consider whether they will help you meet your financial goals and suit your risk appetite. For example, if you need money within a short period of time, you must not make the mistake of investing in equities as they are meant for the long-term.



Rule 9: Never invest or sell in haste (and regret later)

Investments in every asset class need thorough and detailed analysis. You should restrain yourself from buying or selling in haste as that may lead to financial losses. If the fundamental aspects of your investment instrument are good, you need not worry about short-term volatility. However, if the fundamentals are weak it is better to avoid such an instrument even if it looks attractive. Proper study and homework are necessary to make profits from your investments.



Rule 10: Avoid investing in complicated products you don't fully understand or products that offer unrealistic returns

Remember the old proverb: "All that glitters is not gold." There are many investment products available in the market, which are complicated and are not easy to understand. Some products also lure investors with unrealistically high returns. You must stay away from such products as they may contain some hidden risks which are either unknown or are not completely understood.



Rule II: Spend time on your investments (it's your hard earned money) or get a good financial advisor to do it for you

You should devote sufficient time before and also after making an investment. Consider the risks associated with the investments and the potential return such investments can generate. Proper homework will help you choose the right investment product and track the performance of the same on a regular basis. However, if you do not have the time or confidence, you can take the help of a good financial advisor who will do the job on your behalf.

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Rule 11: Spend time on your investments (it's your hard earned money) or get a good financial advisor to do it for you

Rule 12: Keep it simple, invest in Mutual Funds

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