

Wealth Wisdom

April 2012

Season's Greetings!

Wealth Wisdom was initiated in 2011 as our attempt to help affluent individuals understand some of the common blunders that people make in managing their wealth. Our previous issues targeted to bust a few investment myths and discussed what wealthy individuals the world over are doing with their wealth – “The Giving Pledge”.

The current market environment is one of gloom and during such extreme periods, we as investors often make decisions that can undermine our ability to build long term wealth. We at Capital league realise that during such phases, it can be very valuable to look back in history and study closely the timeless principles that have guided the investment decisions of some of history's wisest (read greatest) investors through both good and bad markets.

With this goal in mind, we are beginning a special series that offers perspectives on distinct topics from some of these great investors. The common theme is that a disciplined, patient, unemotional investment approach is required for successful investing. We hope this collection of wisdom serves as a valuable guide as you navigate an ever changing market environment and build long term wealth.

In this edition we are featuring Peter Lynch, a successful Wall Street investor and one of the best stock pickers in the world and John Kenneth Galbraith, one of the most influential economists of the latter part of the twentieth century.

Happy reading!

Wealth Wisdom is an educational platform with multiple formats which currently include a periodic newsletter and short presentations that we make for corporations and associations. Wealth Wisdom is part of Capital League's CSR (corporate social responsibility).

Capital League is a boutique, wealth management firm and is counted amongst India's leading independent financial advisors. The firm is headed by seasoned private bankers.

Successful Indian families are finding it counter-productive to individually deal with multiple investment advisors, tax consultants, accountants, insurance agents, stock brokers and lawyers for managing their personal wealth. They are increasingly recognizing the value of a 'Family CFO' – an experienced guide, a financial coordinator and an advocate who would offer unbiased advice within the unique context of that family's circumstances and goals. Capital League has emerged as family CFO of choice to successful families.

Capital League allows its clients the opportunity to continue doing what they do best: building wealth, pursuing hopes, and living the life of their dreams.

At Capital League, we have a singular passion – to be client centric – and that guides everything we do. We believe that our combined 45 years of private banking experience gives us the necessary expertise to help our clients achieve their wealth protection and wealth creation objectives.

Don't Attempt to Time the Market



“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves.”

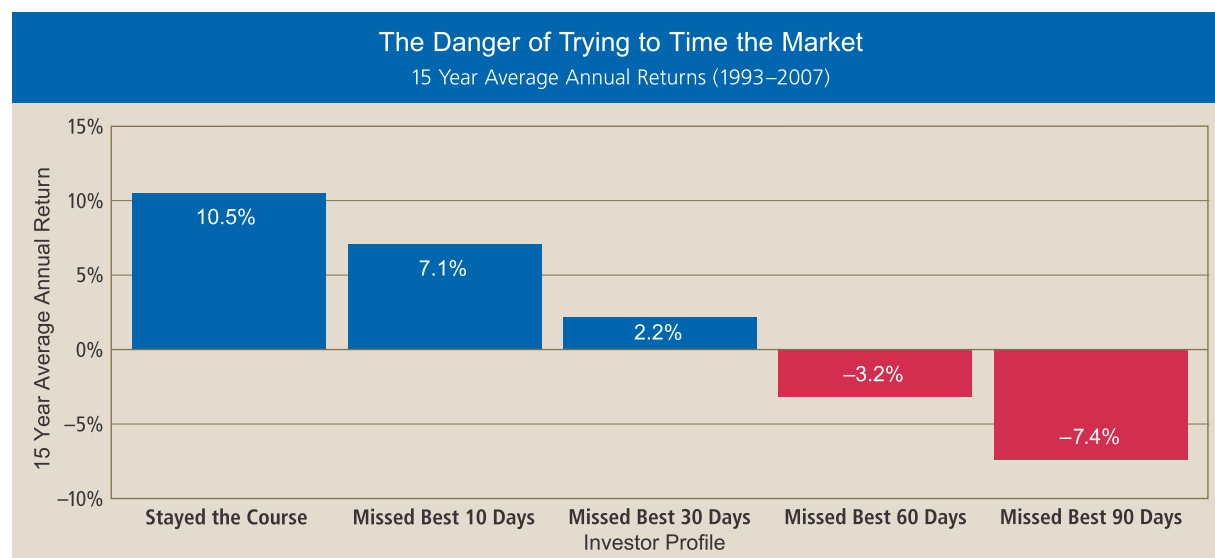
Peter Lynch. Legendary Investor and Author

Market corrections often cause investors to abandon their investment plan, moving out of stocks with the intention of moving back in when things seem better—often to disastrous results.

The chart below compares the 15 year returns of equity investors (S&P 500® Index) who remained invested over the entire period to those who missed just the best 10, 30, 60 or 90 trading days:

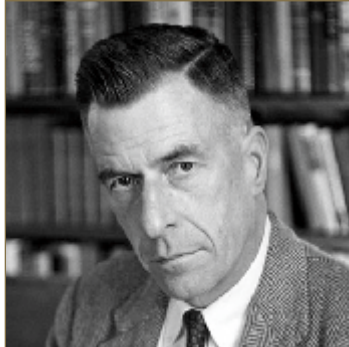
- The patient investor who remained invested during the entire 15 year period received the highest average annualized return of 10.5% per year.
- The investor who missed the best 30 trading days over this 15 year period saw his return plummet to only 2.2%.
- Amazingly, an investor needed only to miss the best 60 days for his return to turn negative!

Investors who understand that timing the market is a loser's game will be less prone to reacting to short - term extremes in the market and more likely to adhere to their long-term investment plan.



Source: Bloomberg and Davis Advisors. The market is represented by the S&P 500® Index. **Past performance is not a guarantee of future results.**

Disregard Short-Term Forecasts and Predictions



“The function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith. Economist and Author

During periods of uncertainty, investors often gravitate to the investment media for insights into how to position their portfolios. While these forecasters and prognosticators may be compelling, they usually add no real value.

The study below tracked the average interest rate forecast from The Wall Street Journal Survey of Economists from December 1982–June 2008. This forecast was then compared to the actual direction of interest rates.

Overall, the economists' forecasts were wrong in 35 of the 52 time periods—67% of the time!

Do not waste time and energy focusing on variables that are unknowable and uncontrollable over the short term, like the direction of interest rates or the level of the stock market. Instead, focus your energy on things that you can control, like creating a properly diversified portfolio, determining your true time horizon and setting realistic return expectations.

Six Month Average Forecasted Direction vs. Actual Direction of Interest Rates											
The Wall Street Journal Survey of Economists (12/82–6/08)											
Date	Forecast	Actual	Result	Date	Forecast	Actual	Result	Date	Forecast	Actual	Result
12/82	▼	▼	Right	12/91	▼	▼	Right	12/00	▲	▼	Wrong
6/83	▼	▲	Wrong	6/92	▼	▲	Wrong	6/01	▼	▲	Wrong
12/83	▼	▲	Wrong	12/92	▼	▼	Right	12/01	▼	▼	Right
6/84	▼	▲	Wrong	6/93	▲	▼	Wrong	6/02*	▲	▲	Right
12/84	▲	▼	Wrong	12/93	▲	▼	Wrong	12/02	▲	▼	Wrong
6/85	▲	▼	Wrong	6/94	▼	▲	Wrong	6/03	▲	▼	Wrong
12/85	▲	▼	Wrong	12/94	▼	▲	Wrong	12/03	▲	▲	Right
6/86	▲	▼	Wrong	6/95	▲	▼	Wrong	6/04	▲	▲	Right
12/86	▲	▲	Right	12/95	▼	▼	Right	12/04	▲	▼	Wrong
6/87	▼	▲	Wrong	6/96	▲	▲	Right	6/05	▲	▼	Wrong
12/87	▼	▲	Wrong	12/96	▼	▼	Right	12/05	▲	▲	Right
6/88	▼	▼	Right	6/97	▼	▲	Wrong	6/06	▲	▲	Right
12/88	▲	▲	Right	12/97	▲	▼	Wrong	12/06	▲	▼	Wrong
6/89	▲	▼	Wrong	6/98	▲	▼	Wrong	6/07	▼	▲	Wrong
12/89	▲	▼	Wrong	12/98	▲	▼	Wrong	12/07	▲	▼	Wrong
6/90	▼	▲	Wrong	6/99	▼	▲	Wrong	6/08	▲	▼	Wrong
12/90	▼	▼	Right	12/99	▼	▲	Wrong				
6/91	▼	▲	Wrong	6/00	▼	▼	Right				

Source: Legg Mason and The Wall Street Journal Survey of Economists. This is a semi-annual survey by The Wall Street Journal last updated June 30, 2008. *Benchmark changed to 10 Year Treasury. **Past performance is not a guarantee of future results.**

Capital League Entertainment Soiree 2012 – An afternoon of Poetry and Humor



Mr. Surender Sharma, a renowned hindi poet and humorist entertaining the audience



Capital League team with Mr. Surender Sharma and his colleagues



The audience enjoying the kavi sammelan

Capital League Entertainment Soiree 2011 - An evening with an illusionist



Edmundo Da'Cunha, the famous illusionist from Goa performing his tricks.



Capital League team with Edmundo Da'Cunha



We are beginning to make a mark.....

Capital League Wealth Creation Conclave 2010/2011



Left to right: Panelists - Madhusudan Kela, Reliance Capital Group, Ravi Bhoothalingam, Former President, Oberoi Group, Amal Ganguli, Former Chairman, PWC, Prashant Jain, HDFC MF, Raghav Bahl, CNBCTV18.



From left to right (A Balasubramaniam, Birla Sunlife, Anup Maheshwari, DSP Blackrock, Vinita Idnani, Partner, Capital League, Rajul Kothari Partner, Capital League, Nilesch Shah, ICICI Prudential, Navneet Munot, SBI Mutual Fund conducting the panel discussion.



The Capital League team with Madhusudan Kela and Prashant Jain