

Wealth Wisdom

July 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, earlier this year, we started 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 Warren Buffet, Chairman, Berkshire Hathaway who is widely considered as the most successful investor of our times and Christopher C. Davis, Portfolio Manager, Davis Advisors – a firm that seeks to build wealth for shareholders through a patient long-term investment approach.

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.

Be Patient



“Despite inevitable periods of uncertainty, stocks have rewarded patient, long-term investors.”

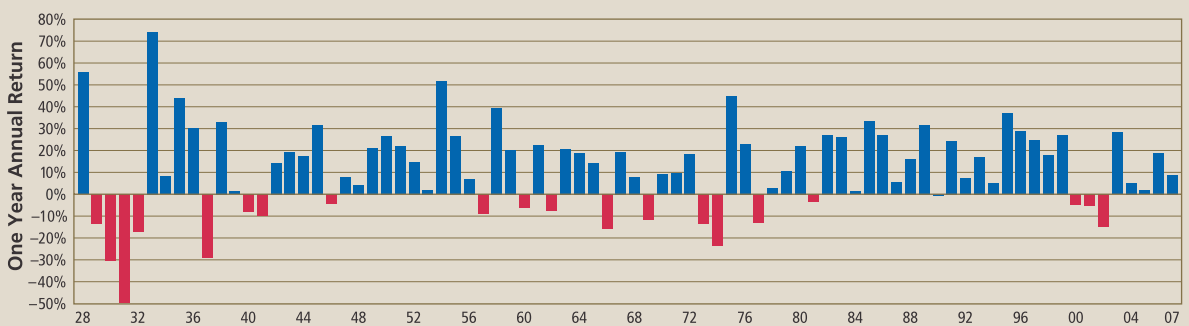
Christopher C. Davis, Portfolio Manager, Davis Advisors

One of the most common attributes among great investors is patience.

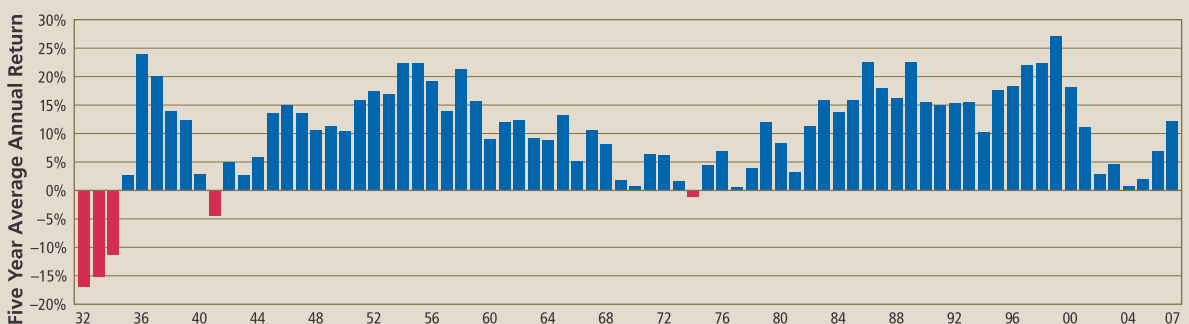
They recognize that while the mood of the market may cause a stock price to fluctuate widely over the short term, over longer periods the value of the underlying business often asserts itself. The two charts below illustrate the average annual returns for stocks over one year and five year periods from 1928–2007. The top chart indicates that stocks delivered a positive return in 59 out of 80 one year periods (74% of the time). The lower chart indicates that by extending the holding period to only five years, stocks delivered a positive return 93% of the time (71 out of 76 periods).

When weathering a challenging period for the market, remember that throughout history, **stocks have rewarded patient, long-term investors.** Such perspective may help you avoid making a decision that can hamper your ability to reach your financial goals.

One Year Returns for the Dow Jones Industrial Average (1928–2007)



Five Year Returns for the Dow Jones Industrial Average (Five Year Periods Ending 1932–2007)



Source: The performance was obtained from a combination of sources, including, but not limited to, Thomson Financial, Lipper and index websites. Returns are annualized total returns. **Past performance is not a guarantee of future results.**

Don't Let Emotions Guide Your Investment Decisions



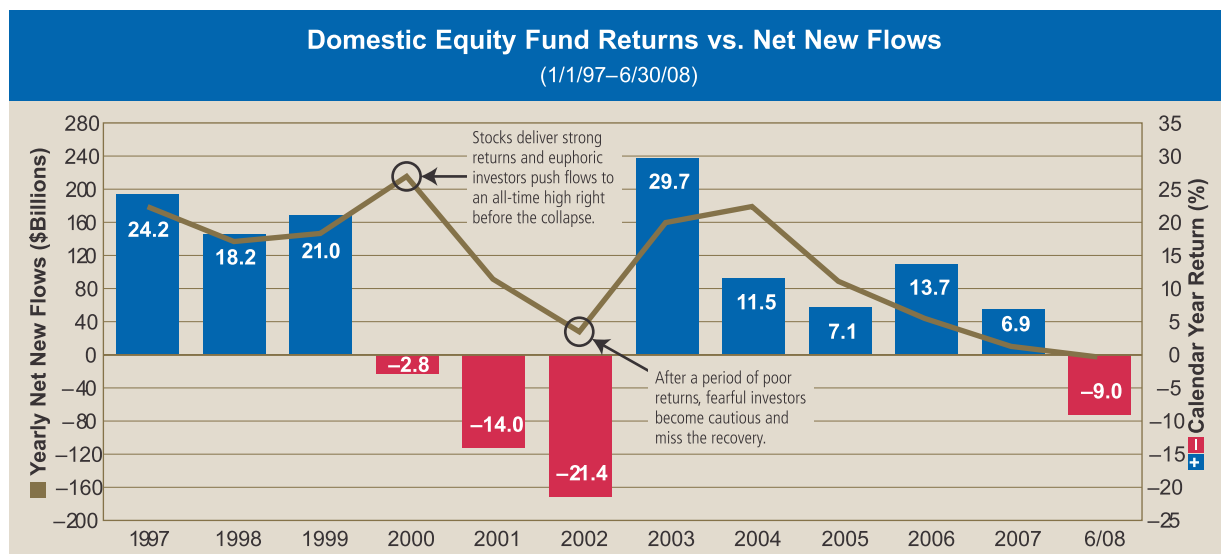
"Be fearful when others are greedy.
Be greedy when others are fearful."

Warren Buffett, Chairman, Berkshire Hathaway

Building long-term wealth requires counter-emotional investment decisions—like buying at times of maximum pessimism or resisting the euphoria around investments that have recently outperformed. Unfortunately, as the study below shows, investors as a group too often let emotions guide their investment decisions.

The line in the chart below represents the amount of money investors added to domestic stock funds each year from January 1997–June 2008, while the bars represent the yearly returns for stock funds. Following three years of stellar returns for stock funds from 1997–1999, euphoric investors added money in record amounts in 2000, just in time to experience three terrible years of returns from 2000–2002. On the heels of these three terrible years, investors turned pessimistic and placed far less money into stock funds in 2002, right before stocks delivered one of their best returns ever in 2003 (29.7%). After a difficult start to 2008, fearful investors pulled money from stock funds.

Great investors recognize that an unemotional, objective, disciplined investment approach, which often includes buying at times of maximum pessimism and exploring out-of-favor areas at times of maximum optimism, is a key to building long-term wealth.



Source: Morningstar and Strategic Research Institute as of June 30, 2008. 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