

# INVESTMENT INSIGHT

Monthly Update



Dec 14, 2009

Editorial

**B**ack with the Bang! What seemed to be a distant dream in 2008 has come out as a reality in 2009. The economy is growing much faster than even the most optimistic had dared to hope with official data pegging growth in the second quarter (July-September) at 7.9% year-on-year. India has again come out of the difficult phase proving time and again that Indian growth story is formidable and has many long years to continue. Every time there is a catastrophe in the global economy creating shadow on the sustainability of the long term economic growth, India has emerged as a stronger and more promising economy with potential to become world economic power in the times to come.

Since the beginning of financial and economic reforms in 1990, Indian economy has witnessed an exemplary growth in terms of not only economic aspect but social, cultural and political also. Drastic changes in industry dynamics has resulted in exponential rise in the number of companies that have grown from a scratch and build themselves up to challenge the already established big giants in the developed countries. With spate of mergers and acquisitions domestically and internationally, Indian industries have consolidated and raised above all the difficult situations and created a benchmark for others to admire. This has been aptly supported by the regulatory reforms and political will to structure the industries in a fashion to sustain long term economic growth.

In a similar way, mutual fund industry has also witnessed number of developments since the time private players were allowed to enter in the sector. The recent changes in the industry due to regulatory measures may appear negative in the short term but in reality sow seeds for the overall healthy growth of the industry in the long term. There have been very significant steps taken by the proactive regulators in a short duration of last one year. Defining investment avenues for liquid funds has been a very positive move in order to regulate fund managers not to get into risky investments in their zeal to capture high returns and thus creates credibility in the mind of conservative investors. Another major development leading to abolition of entry load has shifted the power directly to the investor's hand. This has given liberty to the investor to decide and pay for the quality of advice and service he'll get from his financial advisor. Thus, this has created more weightage to the value of genuine advisory for the benefit of the investor.

Other measures like allowing online trading of mutual funds on the stock exchange will pave the way for increasing the reach and penetration of mutual fund industry to common man. By this move, more platforms are created for mutual fund transaction providing convenience for investors. With such ease of trading in mutual fund, there is a risk of increasing trading activities making traders out of investors. Since, mutual fund is the vehicle for creating wealth through long term investing, one need to take a long term view before investing. Jesse Livermore quoted "Throughout all my years of investing I've found that the big money was never made in the buying or the selling. The big money was made in the waiting."

Happy Investing!