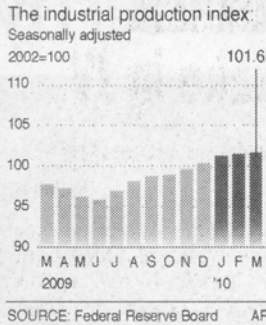


Factory output



About 38 foreign venture capital investors share the same contact details in Mauritius, as per Sebi. The companies include Citigroup Venture Capital International Mauritius Ltd and Monet Ltd.

Engineering firm Thermax Ltd said it has secured a contract worth Rs 580 crore for a gas-based power plant from a domestic petrochemical firm. The work includes engineering and procurement.

Power trading solutions company PTC India said it has entered into a joint venture with the UK-based investment management firm Ashmore Group to form a private equity fund, likely to be finalised later this year.

Oil prices fell below \$85 a barrel on Friday as crude traders eyed a sharp drop in Asian stocks. Benchmark crude for May delivery was down 68 cents to \$84.83 a barrel at New York Exchange.

Textile major Alok Industries has tied up with leading dyes supplier DyStar to set up the Advanced Academy for Development of Textile Technologists to improve textile manufacturing.

ULIPs have higher upfront expenses



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WITH REAMS of paper having been dedicated to proposed changes to the process and authority for ULIP approvals over the last few days, the answer that remains an enigma for a lot of investors is: Are ULIPs the best investment choice for all investors?

There are various views on this subject but clearly no "one size fits all" solution to the subject. Just like there is no clear answer on whether one should buy a washing machine and a clothes dryer separately or in a combined single unit.

Or should one pick up Tendulkar as a specialist batsman and Malinga as a separate bowler, or have Kallis and Flintoff who can both bat and bowl? Our opinion is that using a specialist approach tends to work in most cases, and at least seems to have worked for the Mumbai Indians so far.

So how does one decide on whether to use a ULIP or a pure investment product like a mutual fund?

■ **NEED FOR INSURANCE** — Whilst ULIPs come with an insurance cover that you have the flexibility of choosing, the most important question is "Do you need insurance"? Since the insurance cover comes at a cost in the form of mortality charges in a ULIP, you need to establish

Since mutual funds have a longer track record in India and lower upfront expenses, they tend to be much more flexible in case of non performance. There may also be phases in your life like the recession last year, wherein the ability to pay a premium may get restricted.

that there is actually a need for the insurance.

For this purpose, you would need to estimate the expenses that you wish to cover, your assets, and the existing life cover before you make your final decision.

You should take the help of an independent financial planner to work out the amount of insurance needed before deciding on the coverage amount required.

■ **EXPENSES** — A majority of the ULIPs tend to have higher upfront expenses and hence start to become cost efficient only if you have an investment horizon in excess of 10-12 years.

This happens because the annual fund management charges on ULIPs tend to be lower than mutual funds over a longer time frame, and gradually start to negate the benefits of the higher upfront fee.

Some of the newer ULIP products have much lower

upfront costs but you would also need to remember that upfront charges has been discontinued with effect from August for mutual funds.

Also remember that charges come under various heads so it is critical to examine the total costs in the ULIP illustration provided by the insurance company. Therefore, you should explore mutual funds for a less than 10-15 year time horizon and ULIPs for a longer time horizon.

■ **FLEXIBILITY** — Since mutual funds have a much longer track record in India and lower upfront expenses, they tend to be much more flexible in case of non performance. There may also be phases in your life like the recession last year, wherein the ability to pay a premium may get restricted.

By separating your insurance and investment product through a combination of term insurance and mutual funds, you could continue with your life cover during this phase, whilst the investment plan could be temporarily deferred.

Whilst the IPL finals are still some time away for us to know whether the Mumbai Indians will be third time lucky because of their specialist strategy, it seems to work on your investments.

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