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## A year when conservative investors gained the most

The more conservative investors got with their investments this year, the better off they were

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Vishal Dhawan, founder, Plan Ahead Wealth Advisors. Photo: Aniruddha Chowdhury/Mint

With the mid- and small-caps having a fantastic run in 2017, financial planners and advisors found investor expectation getting built around the trend continuing in 2018 as well, but Vishal Dhawan, founder, Plan Ahead Wealth Advisors, didn't believe in the rally. So, the correction in the stock market early in 2018 didn't

come as a shock to him and some of his clients, who heeded his early warning in 2017 itself.

He started having conversations with his clients around overvaluation and earnings growth of companies stalling or remaining flat in 2017 itself. “I think the latter part of 2017 was difficult because we continued to see the growth happen (in mid and small caps) but we had already advised our clients to exit. They felt like the party would continue and started getting a little greedy,” said Dhawan. “Because the corrections started fairly early in 2018, we started seeing them taper off their expectations quite significantly.”

The other challenging period came when the rupee went into a freefall in the third quarter of this year, he said. This is the situation where a lot of resident and non-resident investors start panicking because there is tension whether it would be an unending fall “which was likely”, said Dhawan. “While obviously no one expected oil would turn around so fast and correct so quickly, I think the need for investors to be aligned to their **financial goals** and their long-term strategy was a message that we kept giving out in that quarter. There was a lot of fear that came along with the way rupee was behaving.”

The importance of having a geographically diversified portfolio was something he kept stressing upon repeatedly. “What happens is most Indian investors or even, globally, investors tend to have a home bias. Obviously in the last few weeks even international portfolios have corrected but in general the merit of running a globally diversified portfolio was obvious in 2018,” he said.

Real estate growth too remained fairly flat during the year and Dhawan said the down cycle may continue for some more time because of the continuous oversupply, especially in the luxury space. For clients keen on investing in real estate, a large commercial space is what Dhawan advises. “I think where the opportunity has probably risen is in commercial real estate,” he said. “In my sense, residential real estate will continue to be in negative growth.” He added that it has been a real struggle to sell previously held real estate this year even when property owners were willing to sell at a 5-10% discount.

In **mutual funds** this year, active funds struggled to outperform indices and Dhawan feels this trend will continue where passive funds will gradually bite into the **market** share of active management. “This is something investors need to analyse carefully,” said Dhawan. “Even long-term data is starting to show that active management, because of the higher expenses involved, is going to get difficult for investors to deal with. So it’s a good idea to have certain amount of passive strategies in client portfolios.”

The introduction of long-term capital gains (LTCG) tax in this year's budget did create some confusion among his clients but as they understood how grandfathering works, they figured that the immediate impact wouldn't be anything material. "There has not been much of a short-term impact but in the long term there will be an impact from the planning perspective because a rise to 10% from no tax at all is a significant change," he said. Dhawan found his clients quite neutral towards Sebi cutting costs to make mutual funds an affordable product for all.

Though the year was quite volatile, not many of Dhawan's clients asked for frequent portfolio reviews. They stuck to the quarterly reviews while his company kept communicating with them across the year. "I think the more conservative **investors** got with their investments this year, the better off they were," said Dhawan.

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