

# FOCUS



**NAG MUNAGAPATI WEALTH ADVISORS**

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**Hi All,**

As the last part of wealth management topic, let's discuss more about net worth positioning or asset allocation model. Net worth positioning talks about how your current net worth is positioned among different asset classes. Firstly, we will understand the proportion of net worth sitting in different asset classes. This gives us an understanding of allocations to various asset classes. Once we understand this, we can have a forward projection model with the expected rate of returns of various asset classes. For example, if you have a specific amount lying in Fixed deposits, it's crystal clear that a specific amount can become something after 10 years with the given certainty in the expected rate of return. And if we have equity allocations, we can take an approximate estimate of what it can become taking in the historical rate of return as an assumptive expected rate of return (this is done after gauging different factors like diversification and allocation model of the existing portfolio).

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With this modelling, we can clearly gauge the future potential of your current net worth. With the clear understanding of allocations, now we can rationalize the allocations to the risk profile of the concerned family.

For example, an individual with 35 years with proper risk coverage on all fronts and has steady cash flows with no risk of loss of income has the following allocations in different asset classes FD:50 RE:20 EQ:20 GOLD:10 totaling to 100/-.



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With this current asset positioning with the expected rate of returns for FD@6% RE@12% EQ@12.5% GOLD@9%, the current net worth 100/- of the individual can be estimated to become 520/- growing at a CAGR of 9.55% after 20 years.

But with the risk profile of the individual, he can stretch his risk a bit more and can move 50% of his FDs to equities which can give a potential 12.5% instead of 6% as we have no short-term obligations.

If we do that, the ratios will change as following FD:25 RE:20 EQ:45 GOLD:10. With this change, now the estimated net worth after 20 years will be around 803/- which has a value differential of around 283/- at absolute level with CAGR value addition of 1.43%.

To put it simple, we will review the current allocations, evaluate your risk profile, and advise an allocation model that will fit your risk profile. This will help you in optimizing the returns factoring in your risks.

## MACRO TALK



Markets are clouded by every possible event that can trigger volatility and unfold uncertainty. Starting from Israel – Palestine conflict, we are surrounded by adverse situations like Elections to come in India, High interest rate regime pushed by high inflation and struggling China and US economies.



Israel – Palestine conflict may induce instability in middle east and disrupt the supply chain which may spike up the oil prices cascading the inflation to India. This is not a good thing for Indian markets in the context of already high-interest rate regime provoked by high inflation. This will put pressure on input costs which will affect the profitability and valuations consequently.

Elections to come in India may cause a political shift that will impact the policy environment in India. This weighs on the market strongly in the form of volatility till the completion of elections.

US is struggling with inflation and interest rates and sudden rise in the interest rate yields have sparked a bearish tone in the US markets. This is a no brainer for us to understand the impact on our IT pack.

Let's see how all these will unfold and impact us in numbers



## OUR FOCUS



We reiterate that we are a long only investing guys and we believe that value will be created over a period and short-term shuffle in the portfolio will take us nowhere as the risks and rewards don't fit in to create a consolidated net positive. We see Indian markets growing at 6-7% P.A factoring in the eventualities if any. We want to capture that growth for our clients in the form of equities. We see equities as one asset class that will help our clients reach their goals with optimal resources factoring in the risks.

Markets to see a bit of volatility for the 6 months for the reasons of uncertainty due to the daunting global factors. Let's be calm and composed in this environment trying to accumulate as and when we have money or on periodic basis.

So, let's do as much less action as possible because perseverance, patience and conviction are the weapons here to win. Let's stay invested, Lets accumulate systematically to achieve our goals. Let's use our weapons wisely to win. See you again.



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## **OPERATIONAL CONTACT**



**"We serve our clients alike with the passion we have for the markets".**

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Visit us at **[www.nagmunagapati.com](http://www.nagmunagapati.com)**

**Cheers**  
**Nag Munagapati**