

Dear Reader,

Warren Buffett's famous Rule No. 1 - *never lose money* - sounds deceptively simple. But capital protection is not an act of caution; it is an act of discipline. And when markets sit at all-time highs, optimism is abundant, and scams proliferate, this principle becomes even more important to revisit.

There are three major ways investors typically lose money - and all three are preventable with the right processes.

1. Controlling Drawdowns: The Power of Losing Less

Markets will always move in cycles. In equity, volatility is the price we pay for long-term returns, but deep drawdowns are the real enemy of compounding. A portfolio that falls 50% then needs a 100% return just to break even. That asymmetry is why protecting the downside matters far more than chasing maximum upside.

Over the years, we've consistently observed that portfolios that **fall less** tend to **outperform** over complete cycles. In our mutual fund ranking algorithm - **RAMP** - the "**R**" stands for **Risk**, and it is the first dimension we score. In the abbreviation,

"A" is for **Alpha**,

"M" is for **Management** quality and "P" is for **Portfolio** discipline.

One measure we look at closely is **down-capture ratio**: If the market falls 10% and a fund falls 7%, the fund's down-capture is 70%.

Funds with strong down-capture characteristics typically compound better because they recover faster. This behaviour is surprisingly consistent across time periods and categories.

2. Disciplined Asset Allocation: A System That Removes Emotion

A second pillar of capital protection is maintaining a disciplined asset allocation. This means trimming exposure when markets are elevated and adding when valuations become attractive - *not because we predict the market*, but because discipline beats emotion.

Asset allocation, done systematically, allows you to:

- Book partial profits when prices are rich
- Deploy capital when markets correct
- Stay invested without swinging between fear and euphoria•

Avoid the behavioural traps that derail long-term wealth creation Yes, you may leave a little upside on the table in frothy phases. But you dramatically reduce the probability of large losses - an advantageous trade-off in compounding.

3. Guarding Against Greed and Fraud

The third - and sadly growing - source of wealth destruction is falling prey to unrealistic promises and fraudulent schemes. We regularly receive spam calls pitching “policies” offering 20% guaranteed returns. Such pitches invariably rely on cherry-picked past performance or outright mis-selling. Recently, we evaluated a product that claimed to provide “\$1 of exposure to large-cap equities and \$1 of exposure to future yields for every \$1 invested.

” On deeper analysis, the picture changed significantly. The so-called dual exposure was created by taking leveraged positions - options funded by capital - meaning the downside was magnified, even though the marketing highlighted only the attractive upside.

If an investment sounds like a free lunch, it usually hides leverage, liquidity risk, or opaque structuring. Fraud has also become more sophisticated.

“Digital arrest” scams, WhatsApp and Telegram groups promising guaranteed returns, and impersonating brokers or RIAs are now common.

A simple rule can protect you: If someone promises high returns, pressures you, or asks you to transfer money urgently - pause immediately.

All legitimate SEBI-registered intermediaries can be verified on the [SEBI website](#). As an exercise, we invite you to search for our own registration number: **INA000020749**. Once you build this habit, it becomes your first line of defence!

Closing Thoughts

Our philosophy remains straightforward: participate sensibly in growth, but protect capital with discipline, transparency, and rigorous risk management.

Click below to read our Market Update - a compilation of important metrics for you.

Warm Regards,
Wealth Beacon Team

1. If you have feedback or haven't already gotten your portfolio analyzed and streamlined, you may write to us at: contact@wealthbeacon.ai

India Economic Indicators			
Indicator	Oct-25	Sept-25	Trend
CPI Inflation	0.25%	1.44%	Improving
WPI Inflation	-1.21%	0.13%	Improving
Trade Deficit (\$ Bn)	21.80	16.61	Deteriorating

Source: MoSPI, CGA, DPIIT and Ministry of Commerce

Broader Indices Snapshot			
Broad indices	2 weeks	1 Month	YTD
NIFTY 50	2.26%	1.35%	12.53%
NIFTY 500	1.14%	0.13%	12.91%
NIFTY Midcap 150	0.57%	0.82%	17.01%
NIFTY Small cap 250	-1.74%	-3.26%	11.27%
S&P 500	-1.79%	-1.84%	18.18%
Nasdaq 100	-3.27%	-3.53%	24.71%

Source: NSE, spglobal.com

US Treasury Yields			
Tenor	Current	1 Month	6 Months
US 10-Year Treasury	4.13%	4.00%	4.58%

Source: www.federalreserve.gov, FRED

Currency Update			
Currency	Current	1 Month	6 Months
U.S Dollar	88.64	87.79	85.68

Source: RBI

India – G-Sec Yields			
Tenor	Current	Previous	Change
1-Year	5.56%	5.86%	-5.12%
5-Year	6.21%	6.16%	0.78%
10-Year	6.54%	6.52%	0.36%

Source: CCIL

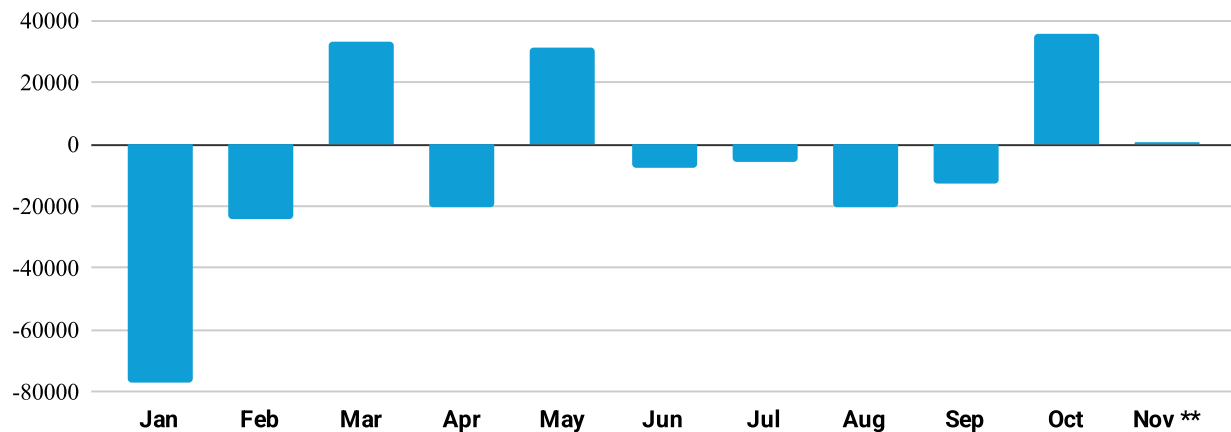
Key Valuation Ratios			
Index	P/E	P/B	Div Yield
NIFTY 50	22.70	3.54	1.29
NIFTY 500	24.31	3.69	1.14
NIFTY Midcap 150	33.07	4.42	0.82
NIFTY Small cap 250	29.19	3.56	0.70
S&P 500	29.87	5.28	1.18
Nasdaq 100	32.58	4.14	1.16

Source: NSE, spglobal.com, Gurufocus

Precious Metals			
Broad indices	2 Weeks	1 Month	YTD
Gold (INR)	1.60%	-1.36%	31.57%
Silver (INR)	2.27%	0.12%	50.04%

Source: IBJA

Monthly FPI Net Investments (Calendar Year 2025)



**upto 20 Nov 2025

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