Knowledge Initiative

Dear Patrons,

Happy Diwali!

We are pleased to share our monthly newsletter **“Knowledge Initiative”** for November 2015.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to you more educative and informative articles in the Financial Year 2015 -16.

We would very much appreciate your feedback which consistently helps us in improving and upgrading the contents.

Also send us your questions or queries related to any financial product.

The Issue includes:

1. Secure Your Financial Future
2. Don’t Rely Completely on Star Ratings
3. Newly Launched Gold Schemes
4. Investment Opportunities in Real Estate
5. SIP Returns in Top Equity Mutual Funds

Akhil Chugh
Director

Warm Regards,

Akhil Chugh

For more information on Cyberwalk, contact us on mail@netbrokers.co.in

Secure Your Financial Future

Everyone wants to know how to build a safe portfolio; how to work towards a good retirement life; how to safeguard against unforeseen events; to manage asset allocation; to deal with taxation; to clearly identify the distinction between insurance and investment; the benefits of diversification, and why you need to factor the eroding effect of inflation.

We have come up with some important points to help you secure your financial future.

- **Know where you stand**

Before you start investing, carefully analyze your financial situation. Take help of a financial advisor and get a financial plan prepared. This will help you to figure out your current asset allocation, identify financial goals, risk taking capacity, layout the investment tenor for each goal, etc.

- **Keep it simple**

Don't invest your money in products you don't understand. There are various complicated products like life insurance – unit linked insurance plans (ULIP) and endowment plans, structured products, etc. They are not easy to understand and have high costs. Instead invest in mutual funds which are simple, transparent and come with low costs.

- **Keep a check on asset allocation**

The asset allocation may require rebalancing due to some change in market conditions. For example, the initial allocation decided was 50% in equities, 40% in debt and 10% in gold, but due to a fall in equity markets and rise in gold prices, the portfolio now has 40% in equities, 45% in debt and 15% in gold. The immediate action is to increase equity portion and reduce debt and gold percentage in the portfolio. The next step will be to examine the performance of individual investments and make the necessary changes at the earliest. Don't forget to keep the goals in mind at the time of reviewing the portfolio. Also you need to reduce the exposure of volatile assets when you come closer to your goal. If you don't have the expertise or lack time, a financial advisor will be of great help.

- **Don't time the market**

Never try to time the market; even the great Warren Buffet has never tried to do so. Nobody in the world has been successful and consistent in timing the markets across different stock market cycles. It is very difficult to predict the highs and lows. In doing so, majority of people have lost far more money than people who have made money. Systematic Investment Plan (SIP) offered by mutual funds is an answer to this and provides a disciplined approach to investing. You invest on weekly/monthly basis irrespective of market levels. You end up with more units when the market is down and fewer when it is up. In this way, your cost of acquisition evens out.

- **Factor in eroding affect of inflation**

Calculate the impact of inflation while preparing your financial plan. Even a modest 5% annual inflation can widen the gap between your nominal and real income to almost 20% in just five years. The post tax returns of bank deposit will not be enough to match the rise in prices. It is strongly advised to have some allocation to equities to be able to beat inflation in the long run.

- **Buy insurance to protect against unforeseen events**

Any unforeseen events whether a medical emergency or an untimely death of the bread winner can put the entire family into financial stress. A unit-linked insurance plan or a traditional insurance policy will not be able to give you adequate protection since a large chunk of the premium goes as investment. Buyers should opt for term plans that charge low premiums for a high insurance cover. An ideal term cover is 8-10 times of your annual income. Medical insurance is also important. A medical cover will allow you to access the best hospital in your city without burning a hole in your wallet.

- **Tax Planning – don't wait till the end**

Many people do their tax saving in the last quarter of the financial year. They make hasty decisions in panic and end up buying insurance plans that are high on charges and offer low returns. Do your tax planning at the start of the year. Consider tax saving products like equity linked saving schemes (ELSS) of mutual funds, public provident fund (PPF), etc for saving tax.

- **Create an emergency fund:**

Have an emergency/contingency fund of minimum three months of household expenses. This fund should be liquid and parked in safe instruments like bank savings account or ultra short term funds offered by mutual funds. With the help of emergency fund, you will not touch your other investments which are goal linked.

- **Have a retirement plan**

The biggest challenge future possess is the rise in cost of living. Therefore, it is important to start investing early in life and you may be surprised that by simply saving a modest amount every month, you may end having crores as savings. Before you pour money into a child plan, make sure your retirement savings target has been met. Retirement planning should be your first and most important financial goal. By this we don't mean you should neglect your child's needs, but you can borrow for almost all other goals, such as child's education, marriage, etc. No one will lend you for your retirement expenses though.

Don't Rely Completely on Star Ratings

In today's world, the investor has online access to view all information on various mutual funds. One of the parameters considered is the star rating system. An investor goes for five star rated funds as they are highly recommended by the website. The rating system provides measure of a fund's historical risk - adjusted return compared to peers in any particular category.

The distribution of ratings is as follows:

*****	Top 10% funds	****	Next 22.5%
***	Middle 35%	**	Next 22.5%
*	Bottom 10%	NR	Not rated

Star rating system is a good starting point for mutual fund investors, but one should not completely rely on it. Consider below points before you invest in five star rated funds:

- **Don't simply buy based on ratings:** The easiest way is to identify a five star rated fund and invest in it. This is a common mistake done by lot of investors. You need to check how the fund has performed in different market cycles of bull and bear. Whether the returns are consistent over a long period of time or the fund has delivered exceptional performance in last one or two years.
- **Don't increase the number of funds:** Asset allocation plays an important role in determining whether you will achieve your financial goals or not. Don't increase the number of funds by going for five star ratings. This will spoil the asset allocation. Investments should be aligned with financial goals.
- **Check fund's category:** An equity fund comes in various categories: Large, Large & mid, mid, thematic, sectoral, hybrid fund, etc. Check whether the category fits in the overall financial plan based on your risk appetite and goals.
- **Don't brush all five star rated funds with same paint:** Even five star funds with same strategy are not equal. For instance, a large cap completing three years will get a star rating on the basis of three year performance. Another large cap completing five years will get a star rating based on five year performance. This means that the latter has more weightage as the fund has been around for more than five years and has performed across different market cycles.
- **Review:** There are incidents where there is a change in the fund manager or the asset management company gets sold out or a change in the strategy of the fund. You will now have to see whether the fund fits into the overall portfolio or not.

Newly Launched Gold Schemes

The Prime Minister has launched three gold schemes ahead of Diwali – Gold Monetisation Scheme, Gold Sovereign Bond Scheme and Gold Coin Scheme. The intention is to tap the 20000 tonnes of gold lying idle with the Indian households and institutions and put them into productive use.

The Gold Monetisation Scheme (GMS), 2015 will offer an option to resident Indians to deposit their precious metal and earn an interest of up to 2.5%, while under the Sovereign Gold Bond scheme, investors will be able to earn 2.75% interest per annum by buying paper gold.

In GMS, the minimum deposit at any time will be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 30 grams of the precious metal of 995 fineness. There is no maximum limit for deposit. Under Sovereign bond scheme instead of physical gold, certificates will be issued in demat and paper form which will be backed by sovereign guarantee. The bond will be issued by RBI on behalf of the Government of India and the maximum allowable limit is 500 grams per person per year. The gold coins will be available in denominations of 5 and 10 grams. A 20 gram bar or bullion will also be available.

There are some factors which will determine the success of the scheme:

- Firstly, a lot of awareness has to be created among the depositors. The depositor should have trust and confidence in the designated collection centre to verify and deposit his gold. Indians have lot of emotional attachment with gold and initially it will be not easy to part away with their holdings.
- Secondly, the conflict can arise related to purity of gold. The person depositing his 24 carat marked jewellery may come to know that it is much lower in purity and gets a lower value than the perceived value or purchase value.
- In GMS, the interest rate could have been higher to encourage people to part away with gold. The current interest rate of 2.5% is too low.
- Sovereign bond funds come with a high lock in period. Though bonds will be listed on the exchange, you never know if there is enough liquidity to sell.
- In sovereign bonds, 2.75% interest is on the amount invested and not on the maturity value. Moreover, the interest will be taxed and added to income.
- The price for the sovereign bond is fixed at Rs. 2684 per gram for 999 purity. However, the current rate of gold is lower than the issue price, thereby making it unattractive for the investor.
- There is a cap of 500 grams and therefore, investors wanting to invest more in bonds will not be able to do so.

The government has taken a good initiative by launching these schemes. There are some limitations, but it can be always improved as the scheme develops. For it to be successful, the government and banks need to educate and create awareness among people.

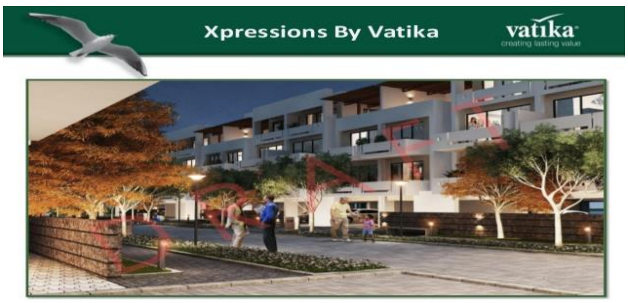
For more information on Gold Schemes, contact us on mail@netbrokers.co.in

Investment Opportunities in Real Estate

Real estate has been the most sought after asset class, given the kind of returns it has delivered in the past. Even after the financial crisis of 2008, some residential markets saw fast growth. And, when equities bit the dust after 2008, people further increased their dependence on real estate. Investors entering now will have to keep a horizon of 5 -7 years to get good returns provided they invest in the right kind of property.

Net Brokers presents to you lucrative options in Real Estate for November 2015:

Project	Type	BSP/Sq.ft /Sq.Yd	Cost
Godrej 101, Sector 79, Gurgaon	Residential	6500	90 Lacs onwards
Vatika Xpressions , Sector 88 B, Gurgaon	Residential	5350	72 Lacs onwards
Civitech Sampriti, Sector- 77, Noida	Residential	5500	62 Lacs onwards
Mahagun Meadows, Sector- 150, Noida Expressway	Residential	4270	60 Lacs onwards
Countywalk, Dharuhera, Plots - Assured Buyback @ 15% p.a	Residential	22,000	25 Lacs onwards
Vatika Towers, Golf Course Road, Sector 54, Gurgaon – Assured Returns @ 10% p.a	Commercial	16000	80 Lacs onwards
Vatika One India Next, Sector- 82 A, Gurgaon - Assured Returns @ 10.50% p.a	Commercial	8667	43 Lacs onwards
WTC Noida - Assured Returns @ 12% p.a.	Commercial	5500	22.50 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards



For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

SIP Returns in Top Equity Mutual Funds

* Returns as on 05th November, 2015

Current Value & Yield (XIRR) %							
Scheme Name **Monthly Investment: Rs 10,000**	**Category**	**Value & Return** **(3 Yr)**		**Value & Return** **(5 Yr)**		**Value & Return** **(10 Yr)**	
Total Investment		**360000**	**%**	**600000**	**%**	**1200000**	**%**
UTI Equity Fund (G)	Large Cap	473,633	18.6	917,445	17.0	2,636,334	15.0
ICICI Prudential Focused Bluechip Equity Fund (G)	Large Cap	458,242	16.3	883,270	15.5	NA	NA
Franklin India Prima Plus (G)	Large & Mid Cap	515,307	24.7	1,001,227	20.6	2,866,429	16.6
Birla SL Frontline Equity Fund (G)	Large & Mid Cap	511,252	24.1	985,351	19.9	2,562,716	14.5
L&T India Value Fund (G)	Multi Cap	575,507	32.9	1,139,454	25.9	NA	NA
Franklin India High Growth Companies Fund (G)	Multi Cap	555,982	30.3	1,126,278	25.5	NA	NA
UTI Mid Cap Fund (G)	Mid Cap	610,999	37.5	1,229,440	29.1	3,442,511	20.0
Franklin India Prima Fund (G)	Mid Cap	566,900	31.8	1,159,572	26.7	3,224,473	18.8
Tata Balanced Fund Plan (G)	Hybrid Equity	499,140	22.4	980,866	19.7	2,857,223	16.5
ICICI Prudential Balanced Plan(G)	Hybrid Equity	479,786	19.5	947,336	18.3	2,569,875	14.6
Axis Long Term Equity (G)	ELSS	549,131	29.4	1,130,593	25.6	NA	NA
Religare Invesco Tax Plan (G)	ELSS	511,314	24.1	996,280	20.4	NA	NA

***Returns over 1 Year are compounded annualised**

net brokers
Private Wealth Management
we know your investment needs

Net Brokers Private Limited
Registered Office: A-35, Shivalik, New Delhi -110017
Head Office: 22, New Market, Malviya Nagar, New Delhi- 110017
Telephone: +91-11-41881002. **Mobile:** +91-9311999924. **FAX:** +91-11-26676419.
E-mail: mail@netbrokers.co.in