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Knowledge Initiative

Dear Patrons,

Greetings**!**

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for April 2017.

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.

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:

- Right Investment Strategy
- Make Your Children Crorepatis
- Tax Planning…Start Early
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds

Akhil Chugh

Warm Regards,

Akhil Chugh
Director

Right Investment Strategy

In continuation to our last month's article "**Have You Missed the Equity Bus**" we are very much optimistic on the long term growth prospect of equities. With so much positivity created by the government on account of strong domestic factors (Stable and pro reform government, excellent budget, demonetisation effect leading to low interest rates, strong presence of BJP in state elections, GST implementation and passing of more important reforms), the only thing markets are now waiting for is the corporate earnings to pick up. Earnings are expected to grow 12-15% in financial year 2017-18 and 17-18% in financial year 2018-19 on account of strong domestic factors and favourable global sentiments tilting towards India.

Investors of all the ages whether they are youth, middle aged or even senior citizens are excited to participate in the growth story of India. They have started considering equities as the best asset class to deliver inflation beating returns. They are looking for guidance and the right investment strategy to grow wealth.

Systematic Investment Plan (SIP) and Systematic Transfer Plan (STP) of Mutual Funds are one of the best investment strategies. SIPs aim at long-term wealth creation. Since SIPs make you invest regularly regardless of market conditions that are prevailing, one develops investment discipline. Equities have the potential to outperform other instruments such as debt and gold in the long term. SIP in a mutual fund with the help of compounding and rupee average costing can stabilize the volatility to a certain extent and help you get the maximum benefit of long-term equity investment. Also, it has been shown time and again that sustained investments over a long-term help build a substantial corpus. Hence, SIP route to mutual funds can be a good strategy to adopt.

STP is equally effective. Instead of investing lump sum amount at one go, you can park the money in a liquid fund offered by a mutual fund and from there on carry a weekly/monthly STP to an equity fund over a period of 6 – 12 months. You benefit from not depending on a single NAV as the investment is spread over a period of months, thereby minimizing the risk. Plus you also benefit from dual returns of liquid fund (usually in the range of 7-9 % p.a) and equity returns.

Conservative investors at this point of time can consider dynamic asset allocation funds. Such funds have an algorithm model which automatically changes equity and debt levels on daily basis in the scheme based on the parameters of price to book value, price to earnings, etc. Exposure in pure equity is reduced whenever the stock markets are trading at a higher level. Simultaneously, exposure in debt and arbitrage is increased to keep the returns steady. This is basically to protect the investors from the downside risk if the stock market falls sharply. Investment time horizon can be lower when compared to pure equity. You can consider these schemes even if you have a short time horizon of, say, two to three years. Since the asset allocation is managed on a regular basis between debt and equity, investors need not invest for a long period. Returns are also tax free after 1 year.

Make Your Children Crorepatis

Give your child a secure future. Just invest as little as Rs. 5000 per month in Systematic Investment Plan (SIP) of any of the top ranked mutual funds over a period of 22 years and your child is likely get a lump sum of Rs. 1 crore. Discipline and small contributions can help you build a good corpus in the long run.

Below is a table showing the returns. ***Amount Rs. 5000 Per Month***

Period (Yrs)	Returns (Rs.)	Period (Yrs)	Returns (Rs.)	Period (Yrs)	Returns (Rs.)
1	65106	9	1144239	17	4700538
2	140677	10	1393286	18	5521277
3	228397	11	1682369	19	6473952
4	330219	12	2017923	20	7579775
5	448408	13	2407419	21	8863364
6	585598	14	2859528	**22**	**10353295**
7	744841	15	3384315		
8	929683	16	3993465		

The return calculated in the table mentioned above is as per 15% compounded.

However, if your investments grow at the compounded annual growth rate generated by the oldest mutual fund schemes of 21%, then you would be able to bucket your crore within 18 years.

The key is the power of compounding, the snowball effect that happens when your earnings generate even more earnings. You receive interest not only on your original investments, but also on any interest, dividends, and capital gains that accumulate—so your money can grow faster and faster as the years roll on. The longer the period of your investment, the more you accumulate, because of the power of compounding... which is why it makes sense to start investing early.

While compounding propels your investments, inflation shrinks it. Hence, Rs 1 crore you built over the period would be eroded by the time you achieve it. So, if we assume inflation at the rate of 6%, then Rs 1 crore would mean only Rs 31 lacs over the period of 20 years.

It is essential that you consider inflation while saving for your goals. For example: Higher education which costs Rs 8 lacs today, will cost Rs 24.2 lacs in 2034 assuming inflation is at 6% p.a. To achieve this goal, monthly SIP of Rs 2118 is required for 18 years assuming returns are at 15% p.a.

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

Tax Planning…Start Early

People have the habit of rushing and looking for tax saving investments in the last quarter (January – March) of the financial year. During this process, they end up buying wrong investment products that they don't need. Think of tax planning as a financial planning exercise. Tax planning is not only about saving taxes, but selecting the right investment product based on your financial goals. Therefore, it is important to start early and invest time and thought in the tax planning exercise. Most people delay and wait until the last minute. The result is a portfolio full of insurance schemes and investment decisions made in a hurry.

There are lot of options available for us under section 80C of Income Tax Act which allows tax deduction of Rs 1,50,000. You may like to invest in a single product or a combination of 2 -3 depending upon your financial goals.

Tax Savings Instruments u/s 80 C

- Market Linked
  - ELSS
  - ULIP
- Fixed Income
  - Public Provident Fund (PPF)
  - NSC
  - Tax Saving FDs
  - Senior Citizen Saving Scheme
  - Employee Provident Fund
- Others
  - Life Insurance Premium
  - Repayment of House Loan (Principal)
  - Children's Tuition Fees.

Among all, Equity Linked Saving Scheme (ELSS) is one product which not only helps you save taxes, but also has a potential to deliver high returns and create wealth.

Advantages of ELSS:

- Being equity oriented and lost cost product, it has the potential to outperform all tax saving instruments in terms of returns. Moreover, returns are tax free.
- Has a lowest lock - in period of 3 years as compared to Unit Linked Insurance Plan (ULIP) – 5 Years, Public Provident Fund (PPF) – 15 Years, Bank Fixed Deposit – 5 Years, National Saving Certificate (NSC) – 5 Years.
- You have the option of investing through systematic investment plan (SIP) on monthly basis to spread your risk and take advantage of rupee cost averaging.

To sum up, Tax Planning is an essential part of financial planning and should be done at the start of the financial year. You should evaluate your overall tax liability and decide on the right tax saving instrument with the help of a financial adviser. You can consider ELSS to save taxes and grow your investments as equity has the potential to deliver high inflation beating returns and helps in achieving financial goals. Moreover, you can opt for SIP route in ELSS to take advantage of ups and downs of stock market.

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

Investment Opportunities in Real Estate

After a wait of several years, the government has finally awarded infrastructure status to the largely-neglected affordable housing, which is encouraging for developers. Infrastructure status will ensure easier access to institutional credit and help in reducing developers' cost of borrowing for affordable projects. According infrastructure status will further simplify approval process for affordable projects, create clear guidelines and increase transparency in the segment. Such a market, which will further be made accountable through the Real Estate Regulatory Authority (RERA), could attract debt and pension funds to invest in the affordable housing segment.

Net Brokers presents to you lucrative options in Real Estate for April 2017:

Project	Type	BSP/S q.ft	Cost
Vatika Gurgaon 21, Vatika INXT, Sector - 83, Gurgaon	Residential	6200	81 Lacs onwards
Godrej 101, Sector - 79, Gurgaon	Residential	5255	75 Lacs onwards
Vatika Turning Point, Sector - 88B, Gurgaon - Vatika Shield (Zero Risk Investment)	Residential	5250	60 Lacs onwards
Mahagun Moderne, Sector - 78, Noida - Full Furnished - Ready to Move	Residential	5500	70 Lacs onwards
Vatika Mindscape, Mathura Road – Assured Returns @ 10% P.A	Commercial	8800	44 Lacs onwards
WTC Noida PH - III Assured Returns @ 12% P.A	Commercial	5500	27.5 Lacs onwards
DLF Prime Towers, Okhla Phase - 1, New Delhi	Commercial	14,500	1.27 Cr onwards
DLF Galleria, Mayur Vihar, New Delhi - Retail Shops	Commercial	12,000	1.16 Cr onwards

SIP Returns in Top Equity Mutual Funds

*** Returns as on 12th April, 2017**

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	%
SBI Blue Chip Fund (G)	Large Cap	449,398	14.9	960,832	18.9	2,634,871	15.0
Mirae Asset India Opportunities Fund (G)	Large Cap	462,175	16.9	1,000,896	20.6	NA	NA
Birla SL Equity Fund (G)	Multi Cap	483,292	20.1	1,070,049	23.3	2871,131	16.6
Franklin High Growth Companies(G)	Multi Cap	465,634	17.4	1,080,947	23.8	NA	NA
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	538,738	28.0	1,333,706	32.7	NA	NA
L&T India Value Fund (G)	Mid Cap	509,085	23.8	1,191,462	27.8	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	513,647	24.5	1,302,134	31.6	4,185,593	23.6
Reliance Small Cap Fund (G)	Small Cap	547,272	29.2	1,419,410	35.3	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	454,296	15.7	966,527	19.1	2,978,532	17.3
ICICI Prudential Balanced Fund (G)	Hybrid Equity	458,136	16.3	963,953	19.0	2,782,106	16.0
DSP BlackRock Tax Saver Fund (G)	ELSS	478,498	19.4	1,037,252	22.0	2,953,447	17.1
L&T Tax Advantage Fund (G)	ELSS	471,556	18.3	978,185	19.6	2,773,919	16.1

***Returns over 1 Year are compounded annualized**

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