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Dear Patrons,

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for February 2018.

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.

1

**Union budget 2018:** With the positive socio-economic reform measures during the year, the ending 2017 scaled on a high note, let's understand how 2018 will shape up for the investors.



2

**Steps to handle volatility:**

Investors often panic and lose sight of their investments goals during high volatility. Read on to know the important steps for how to handle and take advantage of volatile markets.



3

**Investor awareness programmes:** Investor awareness programme (IAP) is an initiative taken up by the company to educate people about investing in mutual funds and other financial products. Enlighten yourself on the topics discussed in awareness programmes



4

**Sip Returns:** Check the best performing funds in their respective categories.



# UNION BUDGET 2018

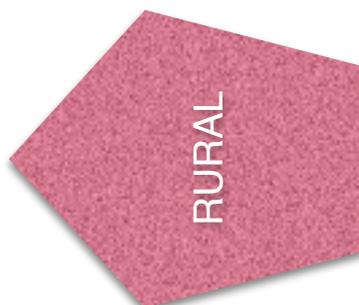
The union budget brought some distress for the investors with respect to long term capital gain tax on equities. The LTCG on equities imposed is 10%. With bulk selling in mid cap and small cap stocks and the stock prices falling by 20 - 40%, the market experienced a significant fall. However, the correction is minor and should be a good entry point for long term investors.



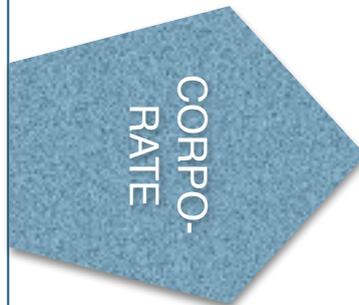
2018 will be a growth year from both an overall macro perspective and from a micro / corporate earnings perspective. Corporate earnings are expected to grow with favourable rules and regulations promoting ease of doing business in the country,



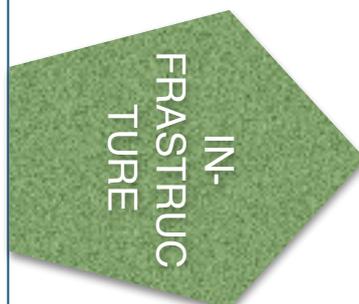
The infrastructure sector had no major news to share. The budgets for roads, railways, defence, oil and gas, and investment in the social development was in line with expectations. The aviation sector witnessed some unexpected upside as the Finance Minister announced a 5X expansion in airport capacity to cater to one billion trips a year.



The correction is global in nature, arising from the US. US economy has indicated an optimum path of recovery with the high frequency data and economic estimates. Possible interest rate hikes were hinted in the US Fed. Markets always react to short term events in a knee jerk reaction. However once the event is analyzed, they revert back to their fundamental valuations.



The National Health Protection Scheme was implemented, under which Rs 5 lac per year will be allocated to poor families for healthcare and hospitalisation. If bidding and tenders are priced prudently, this new scheme will be a big boost for health insurance providers and potentially, healthcare and pharmaceutical companies.



The rural population and the agriculture sector have been benefitted with the union budget. Setting minimum support price (MSP) at 1.5x the cost of production will ensure a better base price for farmers. Rs 20,000 crore food subsidy to the rural population will keep more funds in hand.

**Overall, the Union Budget 2018 was not a major market event. If the budget is implemented effectively, there will certainly be long term benefits. As always, we urge investors to remain rational, think and act long term and stay invested in the market to ride the continuing Indian Growth Story.**

Rebalancing begins with a review of investments in your portfolio, looking for any changes and how the allocation has shifted. You can leave the portfolio's baseline asset allocations intact and, instead, make adjustments within asset classes. For example, suppose your allocation is 60 percent stocks, 30 percent bonds and 10 percent cash. If stocks fall significantly, your portfolio could shift to 40 percent stocks. But your goals and investment strategy remain the same. So it's time to rebalance – shifting assets into stocks to bring the allocation back into line with your target of 60 percent stocks.

1

## PORTFOLIO RE-BALANCING

### STEPS TO HANDLE VOLITAILITY

The stock market of late has been highly volatile on account of global events. Investors often panic and lose sight of their investments goals during high volatility. For the benefit of all, we are listing some important steps on how to handle and take advantage of volatile markets:

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## CLEAN UP TIME

This is a good time to take a close look into your portfolio. There may be some funds that are underperforming as compared to their peers or have not stuck to their mandate. You may want to exit them. For example, a fund has a mandate to invest in large caps, but has a good exposure in mid and small cap companies. This may not be a good fund to hold.

2

## DON'T TIME THE MARKET

Timing the market is easier said done. Tell me how many people were able to predict dotcom crash or subprime crisis in 2008. How many people exited their investments when markets were at peak in January 2008 or entered in October lows of 2008? That's the double-edged sword of market timing – it's not just about skipping the market highs; should you miss a crash, you miss riding the recovery that follows. Stick to your investment plan.

3

## DON'T STOP SIP

There is a famous saying: "In SIPs we don't time the market, we spend time in the market. SIP works best in volatile and bad markets. With every fall in the stock market, SIP or Systematic Investment Plan gives more units to the investor. This in turns lowers the average cost of purchase. You have to stay invested in SIPs during bad or volatile markets to take benefit of rupee cost averaging and power of compounding.

4

## CLEAR STRATEGY

Volatility is part and parcel of stock market. If you a have a clear and firm investment strategy in place, you can have a smooth ride. Investments should be always backed by financial goals like children education, retirement, etc. Such goals have minimum investment period of 5 -10 years, thus inculcating the habit of saving and investing regularly. Do not change your asset allocation based on the stock market. That should be determined by the goal, the amount of risk you are capable of taking depending upon on your current situation and investment time frame. The time frame is determined by counting the number of years left until you achieve your goal.

## What is IAP?

Investor awareness programme is an initiative taken up by the company to educate people about investing in mutual funds and other financial products. These are held in public and private companies, educational institutes. The topics covered are: Saving and, delay in investing, time value of money, when to invest, goals related financial planning etc.



## What's in it for you?

IAP emphasises on how inflation eats up your returns in the long run. Currently, the Consumer Price Index (CPI) stands at 5.07% and with Fixed Deposits (FD) at 6.5% p.a., you hardly beat inflation. Post tax returns on FD with 20% and 30% tax slab stands at approx 4.49% and 5.16% respectively. In the fixed income space, one can consider income funds offered by mutual funds as they offer good alternatives to Bank FDs with better tax adjusted returns.

## Agenda

The main agenda of the Investor Awareness Program is to encourage people to invest in equity and debt schemes of mutual funds through systematic investment plans (SIP) to achieve their Financial Goals like Retirement, Children Future Planning, Buying a Home, etc. SIPs in Top Equity Mutual Funds have delivered returns close to 20% CAGR in last 10 years.



One of the important illustrations we share is on "Delay in Investing": Monthly saving for a corpus of Rs. 1 crore at 60 years @12% p.a (expected returns)



Investment begins at	Monthly savings required (Rs.)
25 years	1555
30 years	2861
35 years	5322
40 years	10109
45 years	20107

## Long term wealth builder

Every 5 year delay doubles the monthly saving needed to meet the corpus. The main intention behind Investor Awareness programs is not only to generate good database, but to spread financial literacy among people on various financial products in the market and help them select the most suitable investment product.



For more details on IAP's, feel free to contact us on the you can contact us on

## SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	CATEGORY	RETURN	%	RETURN	%	RETURN	%
<b>SBI Blue Chip Fund (G)</b>	<b>Large Cap</b>	443,248	13.9	922,044	17.2	2,770,339	15.9
<b>Mirae Asset India Opportunities Fund (G)</b>	<b>Large Cap</b>	475,569	18.9	1,001,491	20.6	3,338,466	19.4
<b>Franklin India High Growth Companies (G)</b>	<b>Multi Cap</b>	455,586	15.9	1,013,984	21.1	3,378,525	19.6
<b>Aditya Birla SL Advantage Fund (G)</b>	<b>Multi Cap</b>	457,592	16.2	1,007,045	20.8	2,942,257	17.1
<b>Mirae Asset Emerging Bluechip Fund (G)</b>	<b>Mid Cap</b>	508,199	23.6	1,247,047	29.7	NA	NA
<b>L&amp;T India Value Fund (G)</b>	<b>Mid Cap</b>	494,033	21.6	1,138,903	25.9	NA	NA
<b>Franklin India Smaller Companies Fund (G)</b>	<b>Small Cap</b>	491,441	21.2	1,192,220	27.8	4,448,900	24.7
<b>L&amp;T Emerging Businesses Fund (G)</b>	<b>Small Cap</b>	575,386	32.8	NA	NA	NA	NA
<b>HDFC Balanced Fund (G)</b>	<b>Hybrid Equity</b>	454,085	15.6	945,911	18.2	3,029,067	17.6
<b>L&amp;T India Prudence Fund (G)</b>	<b>Hybrid Equity</b>	444,101	14.1	923,879	17.3	NA	NA
<b>IDFC Tax Advantage (G)</b>	<b>ELSS</b>	499,644	22.4	1,077,105	22.4	NA	NA
<b>Axis Long Term Equity Fund (G)</b>	<b>ELSS</b>	448,425	14.7	981,697	19.7	NA	NA

**PLEASE NOTE :** Returns over 1 Year are compounded annualised, as on 15th February 2018



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