



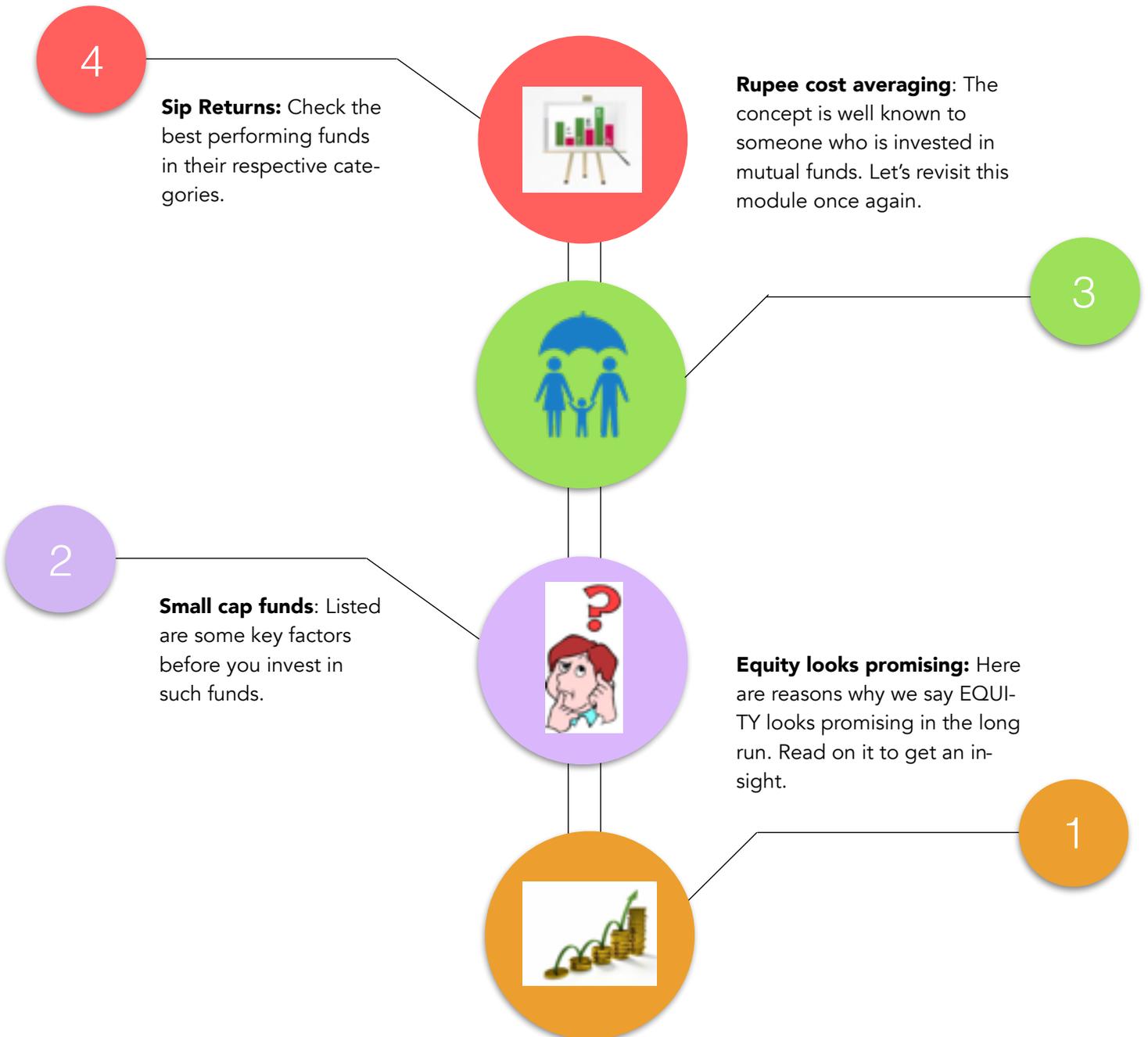
Akhil Chugh
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Dear Patrons,

Greetings!

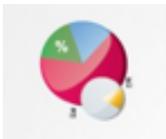
We are pleased to share our monthly newsletter "**Knowledge Initiative**" for June 2017.

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.



Optimism remains high

Sensex and Nifty have risen more than 16 percent so far. There are various pro growth measure seen such as GST implementation, demonetisation, other reforms; improving corporate earnings, remarkably improved political stability and expectation of good monsoon rains.



Currency stable

The rupee looks pleasantly steady as the conditions of low inflation, high real rates, expansionary monetary and fiscal policy are supporting the situation positively. Thus, the scenario will entice the foreign players to increase participation in the country speeding up the indices.



Improved monsoon

India would receive more than average rainfall and this has erased fears of an El Nino-like situation in India. The valuation of the Indian stock market is a bit expensive, but with improving macro economic conditions and assumption of recovery of consumption of external demand, India should continue to be in a bright spot in the future.



EQUITY LOOKS PROMISING

GST implementation

The most conscientious decision of implementing GST is surely an idyllic scenario for the country. Being the biggest tax reform since independence, GST should make businesses well organised, improvise logistics, transpiring laws to be simpler and thus would boost GDP by 1 percent.



Pro growth reforms from modi government

The stocks rally, which started with the expectation of pro-growth reforms from the Modi government, is likely to widen; lifting both the indices higher. If there is any dip in the market due to profit booking or so, it should be seen as an opportunity to buy stocks. Sectors such as power, consumer durables, FMCG, chemicals and infrastructure are expected to see a huge run-up going forward.



SMALL CAP FUNDS

Key factors to keep in mind before investing in such funds:



Risk consideration: Small and micro caps are fraught with higher risk and just because the price have linearly risen for the few years does not make the category less risky. In fact, it raises the risk if not followed by a similar rise in earnings. The category is expected to remain volatile and investors should carefully assess the companies/funds.

Patience : Investors require long term horizon for these funds to perform. Generally, small cap funds require more than 5 years to deliver superior returns. Hence, PATIENCE IS THE KEY!

Quality is crucial : An investor, during his investment period, should not plunge into the quality chain in search of a higher alpha. Being risky funds, one wrong move can deter the capital invested significantly.

Investment philosophy : Investors should be comfortable with the investment philosophy of the funds they are looking at and it should be in line with their portfolio objectives. They should understand the risk and volatility associated, so as to stay invested and benefit in the long run.

Long-term track record : It is important to look at the long-term track record (5 - 10 years) of small and micro cap funds. Funds outperforming the benchmark both during bull and bear phases should be considered.

What are small - cap funds?

Small Cap funds as the name suggests, invest majorly in small & micro cap companies having low market capitalisation as compared to large and mid cap companies.

Nature of small cap funds

Small caps are more risky, but typically tend to outperform large caps in the long run. Small caps have performed exceptionally well in last 3 – 4 years and is catching the eyes of the investors.

General advice

Though we are positive on small cap funds in the long term, the valuations are on a higher side in the near term. Investors are strongly advised to follow the asset allocation strategy.

RUPEE COST AVERAGING

Rupee cost averaging is an approach in which you invest a fixed amount of money at regular intervals. This in turn ensures that you buy more units of an investment when prices are low and less when they are high.

Month	Unit price	SIP Investor		Lumpsum Investor	
		Investment	Units purchased	Investment	Units purchased
1	106	1,000	9.43	12,000	113.21
2	95	1,000	10.53		
3	94	1,000	10.64		
4	104	1,000	9.62		
5	104	1,000	9.62		
6	90	1,000	11.11		
7	99	1,000	10.10		
8	101	1,000	9.90		
9	92	1,000	10.87		
10	90	1,000	11.11		
11	108	1,000	9.26		
12	108	1,000	9.26		

The two alternatives - a SIP investor and a Lump sum investor are demonstrated below, where the former invests Rs 1000 per month in a year and the latter invests lumpsum Rs 12000 at the start of the year :

	SIP Investor	Lumpsum Investor
Total investment	12,0000	12,000
Total units purchased	121.44	113.21
Average unit price	98.81	106
Value after 12 months	13,115.7	12,226.42
Difference	889.28	

With the same amount of investment in case of both options, the SIP investor is benefitted with more number of units. Thus, the profit for an SIP investor from the above investment will amount to Rs 889. This is simply because of the RUPEE COST AVERAGING concept.

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	%
SBI Blue Chip Fund (G)	Large Cap	452,745	15.5	975,503	19.5	2,712,484	15.6
Mirae Asset India Opportunities Fund (G)	Large Cap	473,061	18.5	1,032,211	21.8	NA	NA
Motilal Oswal Most Focused Multicap 35 Fund (G)	Multi Cap	520,341	25.4	NA	NA	NA	NA
Franklin High Growth Companies(G)	Multi Cap	460,864	16.7	1,082,064	23.8	3,276,557	19.1
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	545,128	28.9	1,380,446	34.1	NA	NA
L&T India Value Fund (G)	Mid Cap	504,332	23.1	1,205,115	28.3	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	503,212	23.0	1,295,370	31.4	4,257,785	23.9
Reliance Small Cap Fund (G)	Small Cap	531,089	26.9	1,409,356	35.0	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	458,741	16.4	985,065	19.9	3,042,096	17.7
L&T India Prudence Fund (G)	Hybrid Equity	460,374	16.6	985,919	19.9	NA	NA
DSP BlackRock Tax Saver Fund (G)	ELSS	474,330	18.7	1,039,549	22.1	2,987,534	17.5
Axis Long Term Equity Fund (G)	ELSS	446,663	14.5	1,034,752	21.9	NA	NA

PLEASE NOTE: *Returns over 1 Year are compounded annualised



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