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Dear Patrons,

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

Market review and sentiments around: Lots of expectations from Modi government in these four years, some fulfilled and some disappointed. Read on to review how the equity markets have performed and how is the future forecasted.



2

Create your child's financial wealth: A child brings happiness in our lives. While they're growing up, the responsibility of creating a corpus for them lies on the parents' shoulders. Let's understand why and how this can be done by adopting a simplistic yet disciplined approach.



3

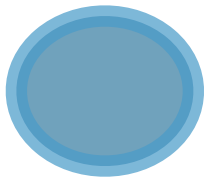
Home Loans: Do Borrowers Only Pay Interest Cost: An individual takes into account the interest cost that he needs to pay every month as a part of the Equated Monthly Installment. Educate yourself on the different types of costs, besides interest cost, one incurs during the period of home loan.



4

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



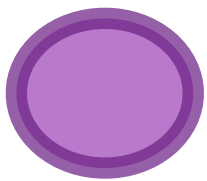


MODI GOVERNMENT

The BJP led NDA government under Narendra Modi came into power in May 2014. Since then, the stock market has been a happy place and has grown over Rs 147 lac crore. The performance of Modi government has been remarkable in terms of planning and execution of policies.

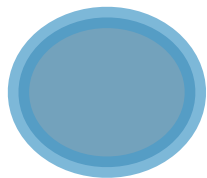
To its credit, the Modi government introduced the biggest tax reforms since Independence, GST. Besides, it enforced the landmark bankruptcy code, RERA, Jan Dhan Yojana, National Health Protection Scheme (NHPS) and pushed for schemes such as housing for all and rural electrification.

In 2014, the government launched the Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), aiming to offer basic electricity infrastructure in villages. There were total 181 million rural households in the country as of January 15, of them 141.6 million (78.24 per cent) had access to power. The government claimed 100 per cent rural electrification in May 2018.



MACRO — ECONOMIC SCENARIO

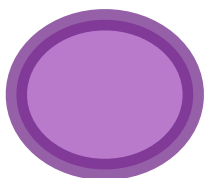
The macroeconomic scenario showcases a mixed picture. A major challenge has suddenly erupted in the form of spiralling crude. Crude at USD 80 can have a negative impact. If this high rate sustains, it will worsen our fiscal deficit and CAD leading to higher inflation and weakening rupee. This will be a greater threat to the government than the challenge from a 'united opposition'.



PEOPLE'S SENTIMENTS

Modi government is expected to turn its focus on addressing the persistent issues of lagging private investment and lack of job opportunities besides boosting rural income in his last year in office.

Going forward, the equity market looks volatile till two more rounds of elections happen till December 2018. If the Modi government comes back to power in 2019, the market would move ahead with a positive sentiment.



WAY FORWARD

The Modi government has done well on economic reform measures, managed to stick to fiscal deficit targets (significantly benefiting out of cheap oil), spurred capital expenditures by the government owned enterprises and attracted strong FDI inflow. The market has also liked it and the equity investors were rewarded. The biggest factor for stock market at this point of time is corporate earnings which has started to improve and will further improve in the times to come. Plus a robust GST earnings is likely on the cards. Market may witness high volatility due to upcoming State and General elections; global factors, but in the longer run, India's growth outlook is intact and looks very strong. Investors should remain focused on their financial goals and maintain a long term view on markets. They should not get deterred by volatility and adopt a systematic and disciplined approach to investment.

CREATE YOUR CHILD'S FINANCIAL WEALTH

A child brings happiness in our lives. While they're growing up, the responsibility of creating a corpus for them lies on the parents' shoulders. In an ideal scenario, the moment the child is born, a parent must start their investment for important goals such as higher education, marriage, etc.

Let's understand the different ways to build your child's financial plan:

MUTUAL FUNDS LINKED TO INVESTMENT GOALS

The systematic investment plan is the best and disciplined way of creation of wealth. Every area of work or activity requires some duration and discipline in it, be it in a job role, a sport or an extracurricular activity or even running a business. Saving for your child's education or marriage will be for a longer duration, say 15-20 years, hence a dedicated amount can be diverted towards SIP. Investing majorly in equity funds is a good idea, because they have time in hand, and with rupee cost averaging, they'll be able to mitigate their risks. In the above example, to create an inflation adjusted corpus of Rs 38.10 lacs over a period of 16 years, you need to do a monthly SIP of Rs 6554. Expected returns — 12% CAGR.

Education costs are going higher, and digging into your regular savings will not be sufficient to fund your child's education. The wise plan is to understand the current expenditure for higher education and equate with an inflation calculator.

Let's assume your child is of 2 years currently and you assume he/she will start his/her higher education at 18 years of age. Taking an average cost of Rs15,00,000 for a Master's Degree, you will be required to have a corpus of Rs 38,10,528 by the time you child starts thinking of colleges, keeping an inflation of 6% in mind.

SIP WAY IS THE BEST

Along with SIPs in mutual funds, you can also open a Public Provident Fund (PPF) account for your child. This is meant for people who want a conservative approach. A very important investment rule one tends to forget, is not to mix up one's own investments with their children investments. If you already hold a PPF account in your name and have dedicated funds into it for your retirement, do not earmark it for your child's higher education needs. Open a separate PPF account in your child's name and regularly save into alongside. Since the minimum lock-in is 15 years, you will not be tempted to break the fund so easily. These investments can be done monthly or lump sum.

PUBLIC PROVIDENT FUND

Your child's requirements may be at different time frames. Hence, plan investments that have different maturity dates. Timely planning will ensure that you don't need to divert your retirement funds or contingency funds for an urgent situation.

DIVERSIFY YOUR INVESTMENTS

An individual takes into account the interest cost that he needs to pay every month as a part of the Equated Monthly Installment. But, it adds to his worries when he realizes that it is much more than interest cost that gets paid to the financial institution.

Here are some other costs that we discuss:



MISCELLANEOUS COSTS

An individual may have to pay some other costs besides the ones mentioned above. These include lawyer fees for inspection of property and checking the authenticity of the property documents, registration of the mortgage deed and so on.

PREPAYMENT PENALTY

A Prepayment charge is an amount paid by the borrower to the financial institution in case of repaying a part or full loan amount, before due date. By doing this, the lender is trying to cover a part of his loss, as he loses out on the opportunity of earning interest on the loan amount further. The prepayment charge may vary across financial institutions. However, on 5th June 2012, the Reserve Bank of India directed all the lending institutions not to charge any prepayment penalty on floating interest rate home loans. For fixed rate home loan products, the prepayment penalty is still valid and is generally 2% of the loan amount outstanding.

PROCESSING CHARGES

This is typically 0.25%- 0.50% of the loan amount and is usually capped with fixed amount for loans of higher amount. For instance, HDFC limited charges 0.50% of the loan amount up to Rs 20 lacs. Loans above Rs 20 lacs will have a fixed charge of Rs 10000 + 10.30% service tax that comes to Rs 11030.

Processing fee is usually non-refundable. In some cases, the financial institution may refund 50% of the fees, depending on the considerations and case elements. Also, in cases where the loan has been rejected due to property issues, the processing fee is chargeable.

COMMITMENT FEES

This is levied by the financial institution on the borrower for unused credit. In case of a construction linked plan, the loan disbursement is according to the completion of stages of construction agreed upon. The borrower may need to pay a charge to access the loan in the future from the lender. Kotak Mahindra Bank Limited charges 2% commitment fees on loan amount sanctioned less the amount disbursed.

WHAT SHOULD A COMMON MAN DO?

Before applying for a home loan, one must visit the lending institution or the channel partner personally. He/she should understand all aspects of applying for a home loan, procedures and various costs involved. Once there is clarity in the mind of an individual, he/she has agreed to the costs and procedure, then should they go ahead with the home loan sanction process.

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	CATEGORY	RETURN	%	RETURN	%	RETURN	%
ICICI Prudential Bluechip Equity Fund(G)	Large Cap	448,526	14.9	869,772	14.9	2,741,485	15.8
SBI Blue Chip Fund (G)	Large Cap	434,582	12.7	881,823	15.4	2,722,139	15.7
Aditya Birla SL Equity Fund (G)	Multi Cap	452,140	15.4	945,651	18.3	2,971,603	16.9
Principal Multi Cap Growth Fund (G)	Multi Cap	468,555	17.9	951,830	18.5	2,867,953	16.6
HDFC Midcap Opportunities Fund (G)	Mid Cap	458,388	16.4	1,018,838	21.4	3,887,836	22.3
L&T Midcap Fund (G)	Mid Cap	478,536	19.5	1,101,814	24.6	3,833,641	22.0
Franklin India Smaller Companies Fund (G)	Small Cap	455,437	15.9	1,055,943	22.8	4,161,574	23.5
HDFC Small Cap Fund (G)	Small Cap	523,535	26.0	1,090,815	24.0	3,467,198	20.1
ICICI Prudential Equity & Debt Fund (G)	Hybrid Equity	433,556	12.5	865,234	14.6	2,753,887	15.9
Principal Balanced Fund (G)	Hybrid Equity	464,843	17.4	911,924	16.8	2,594,151	14.8
Principal Tax Saving Fund (G)	ELSS	467,582	12.7	881,823	15.4	,722,139	15.7
Motilal Oswal Long Term Equity Fund (G)	ELSS	485,924	20.6	N/A	N/A	N/A	N/A



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