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Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "Knowledge Initiative" for July 2019.

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 2019 - High-**

**lights:** As the Union Budget is out, lets have a look at the highlights and our understanding and effect of the same on the markets.



2

**Important advice for new**

**investors:** Listed are some key facts for a new investor, in order to have a good investment experience.



3

**Make your child a million-**

**aire:** Yes, a millionaire! Systematic Investment Plan (SIP) is the key and the only way to grow your savings, as the power of compounding does its magic. Read on to learn and understand the concept.



4

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



# UNION BUDGET 2019 : HIGHLIGHTS

## HIGHLIGHTS

Fiscal deficit targeted at 3.3% (vs3.4%), GST revenue grow that 13%, lower than previous year, higher growth expected in corporate taxes despite slowing economy and lower tax rates.

Capital expenditure up by 11.7% (in line with nominal expected GDP growth rate of 11%); focus on road & railway infrastructure.

No direct boost to slowing consumption; no changes to individual tax rates, higher surcharge for HNIs.

Lower corporate tax rate of 25% extended to companies with annual turnover of up to INR 400 crores (INR 250 crores earlier), expected to boost private capital expenditure on account of tax savings.

10-point vision for next decade reinforced along with goal of USD 5 trillion GDP over next few years.

Focus on social sector schemes—affordable housing, water and electricity.

Measures to boost foreign flows via FDI, FPI and NRI routes.

## OUR VIEW

There were no big bang announcements to boost flagging economic growth. The government continues its focus on social welfare schemes and infrastructure development. Extension of lower corporate tax rates to larger number of corporate may provide some incentive to private capital expenditure.

The tax revenue estimates appear to optimistic and achievement of the fiscal deficit targets maybe difficult resulting in additional market borrowings.

Within the overall equities basket, large caps look relatively more attractive vis-à-vis small & mid-caps which we believe are still overvalued.

On the fixed income side, yields are looking fairly attractive particularly at the shorter end of the yield curve with spreads of corporate bonds over government securities currently above long term averages.

We would advocate investors to follow an asset allocation approach aligned to one's risk appetite & investment horizon and not get swayed by short term market volatility

# MAKE YOUR CHILD A MILLIONAIRE !!!

Yes, a millionaire! Your children have a chance to become one, only if you understand that your child has 'time' in hand to reap the benefits. Such is the irony of life: When we are 20 years old, we don't have the money to invest and when we are 50 years old, we don't have the time to invest.

Systematic Investment Plan (SIP) is the key and the only way to grow your savings, as the power of compounding does its magic.

START WITH  
WHAT YOU  
CAN

It's not important to accumulate a huge amount in order to start investing in SIP. Even if one starts with an amount as low as Rs 5000 and gradually increases with time, it can help them create a good amount of corpus. The time horizon should not be less than 5 - 7 years to witness a significant return on the amount invested.

Financial goals such as children education and marriage, are goals that one can link the SIP amount to. In order to create a particular corpus for the respective financial goals, you delegate a monthly amount as SIP. They are affordable and little investments that help you achieve long term goals.

LINK YOU SIP'S  
TO FINANCIAL  
GOALS

EASY TO  
INVEST

Unlike paying your electricity bills by visiting a counter, SIP's are easy to invest. The SIP amount can directly get debited from the bank on a predetermined date.

The best part about SIP is that it beats the highs and lows of the market. Power of compounding does the magic by working in your favour even if the market is not doing well. Beating inflation is another factor considered positive for the investor.

UNAFFECTED  
WITH MARKET  
CONDITIONS

**Thus, the longer you stay invested the more money you will make. The best way to take benefit of compounding is to start saving and investing wisely as early as possible. The earlier you start investing, the greater will be the power of compounding.**

## IMPORTANT ADVICE FOR NEW INVESTORS

The stock market is drawing new investors who did not have a good investment experience with gold and real estate. As markets are trading near time high levels, first time investors are faced with dilemma whether this is a right time to invest or not. They are looking for a genuine advice as to how they should plan their investments, what should be the right asset allocation, etc For the benefit of new investors; we have some important advice to be followed:

### ASSET ALLOCATION

Before you take an investment plunge, it is very important to have a financial plan in place. The plan may include goals such as retirement, children future planning – education and marriage based on risk profile and investment horizon. This will help you to know what should be right asset allocation i.e equity and debt in the portfolio.

Large cap and balanced funds are ideal options for new investors. Large cap funds invest in top 100 companies of India. They are also known as blue chip companies. They have sound businesses with strong balance sheets and provide stable returns. They can withstand tough times. Balance funds have minimum 65% exposure in equities and rest in debt. First-time investors should consider investing in balanced funds or large-cap funds as they are less volatile as compared to mid-cap funds. Based on your financial plan, allocate amount to debt funds as well. Accrual fund or corporate bond fund is an ideal choice as they are less volatile in nature and provide stable returns.

### SELECTION OF SCHEMES

### SIP AND STP

Systematic Investment Plan (SIP) is one of the best ways to invest into equity. Plan SIPs in such way that it is linked to your financial goals. SIP provides a disciplined approach to investing. You end with more units when the market is down and fewer when it is up. In this way, your cost of acquisition evens out. Lumpsum investment should be avoided at this point of time. Take help of Systematic Transfer Plan (STP) where lumpsum is parked in liquid funds and from there STP is carried out on monthly basis into an equity fund over a period of 6-12 months. STP helps you to benefit from dual returns of both liquid fund (7-9% p.a) and equity.

New investors have a tendency to invest in funds which are giving highest returns. Sector funds are cyclical in nature and involve high risk. It is better to go for equity diversified funds which have exposure to 22-25 sectors rather than taking a bet on a particular sector or theme.

### AVOID SECTOR AND THEMATIC 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	%
Mirae Asset Large Cap Fund (G)	Large Cap	417,178	9.9	805,708	11.8	2,670,626	15.3
Axis Bluechip Fund (G)	Large Cap	439,762	13.5	811,458	12.1	N/A	N/A
Kotak Equity Opportunities Fund (G)	Large & Midcap	391,545	5.6	748,275	8.8	2,290,990	12.4
Mirae Asset Emerging Bluechip Fund (G)	Large & Midcap	412,160	9.0	849,326	13.9	N/A	N/A
SBI M Multicap Fund (G)	Multi Cap	401,307	7.2	713,749	10.1	2,4,48,281	13.7
Kotak Standard Multicap Fund (G)	Multi Cap	407,153	8.2	787,200	10.8	N/A	N/A
Kotak Emerging Equity Fund (G)	Mid Cap	370,592	1.9	731,938	7.9	2,670,961	15.3
Axis Midcap Fund (G)	Mid Cap	411,191	8.9	764,232	9.6	N/A	N/A
SBI SmallCap Fund (G)	Small Cap	383,869	4.2	796,290	11.3	N/A	N/A
Axis SmallCap Fund (G)	Small Cap	405,055	7.8	772,056	10.0	N/A	N/A
Franklin India Focused Equity Fund (G)	Focused	406,955	8.2	763,406	9.6	2,699.075	15.5
Axis Focused 25 Fund (G)	Focused	417,419	9.9	807,660	11.9	N/A	N/A
SBI Equity Hybrid Fund (G)	Hybrid Equity	412,705	9.1	767,698	9.8	2,365,081	13.0
Mirae Asset Hybrid Fund (G)	Hybrid Equity	413,872	9.3	N/A	N/A	N/A	N/A
Axis Long Term Equity Fund (G)	ELSS	418,235	10.0	785,267	10.7	N/A	N/A
Mirae Asset Tax Saver Fund (G)	ELSS	424,732	11.1	N/A	N/A	N/A	N/A



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