



**net brokers**  
Private Wealth Management  
we know your investment needs

## **Knowledge Initiative**

**Dear Patrons,**

**Greetings from Net Brokers!**

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for September 2015.

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 in the Financial Year 2015 -16.

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:**

1. Implications of China Slow Down on India
2. Benefit of Rupee Cost Averaging
3. Tax Free Bonds to Hit Markets Soon
4. Misconceptions about Life Insurance
5. Investment Opportunities in Real Estate
6. SIP Returns in Top Equity Diversified Mutual Funds



**Akhil Chugh**

**Warm Regards,**

**Akhil Chugh**  
**Director**



# GODREJ 101

NEW GOLF COURSE ROAD, **GURGAON**

**101 ACTIVITIES TO LIVE INSPIRED**



For more information on Godrej 101, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)



## Implications of China Slow Down on India

The fear of the dragon slowing down has sent panic waves across the world. Nearly 40% of China's market wealth has been wiped out in less than a month. With the recent stock market crash, it is clear that China is in a middle of crisis. Being one of the main engines driving global growth, the bigger problem is its contagious effect on other global markets. All over the world, the stock markets in America, Europe, Asia and other parts are witnessing huge amount of selling pressure. The whole world is now eyeing the US Fed meet on 17<sup>th</sup>- 18th September on whether the Fed goes ahead with the interest rate hike or delays it for another 2-3 months. A rate hike will further dampen the sentiments.

**It would be a mistake to assume that in an environment of global liquidity tightening, India would not be affected; it will be also affected in the short term. But, the long term outlook is positive for India. We feel India is in a sweet spot in the midst of crisis due to following reasons:**

1. Crash in the global commodity prices has been a blessing in disguise for India particularly crude that has crashed lately because of Chinese growth slowdown. Other commodities like copper and aluminium are trading at their new lows. China is the world top consumer, accounting for 40% of global consumption. For India as a consumer, this is good news as the cost of constructing new infrastructure, especially smart cities, will come down.
2. Cheap global commodity prices will bring down the input cost for many Indian companies resulting into higher profits. It will also lower the imported component of inflation. There's already been a good amount of impact on wholesale price index (WPI). At this point of time, the government is strongly pushing RBI for a rate cut as the inflation figures are in comfortable zone. This will help in improving the balance sheets of corporate.
3. The government of India's focus on "Make in India," will provide much required push to manufacturing. The surge in interest of Multi Nationals to set up manufacturing base in India is very positive. However, this may require fast-tracking several pending economic reforms and easing the norms for doing business in India.
4. After the Chinese slowdown, the global finance and capital would now look for new growth centres to invest. India can be a good alternative to China and can have a much bigger pie of global capital which it needs to fund its huge infrastructure requirement.

**In such volatile markets, Systematic Investment Plan (SIP) in equity diversified mutual funds is an ideal way to invest. SIP works best in falling markets as one benefit from lower NAVs and increase in number of units. People looking to invest lump sum can invest in Ultra Short Term Funds (Liquid Funds) and can stagger their investment over a period of six to twelve months with the help of Systematic Transfer Plans (STP).**



## Benefit of Rupee Cost Averaging

Investors generally tend to speculate on the right time to invest. But it is a known fact that no one can predict whether the market will move-upwards or downwards. Rupee-cost averaging in systematic investment plan (SIP) of mutual funds has been the answer to such a scenario. With rupee-cost averaging, an investor invests a specific amount at regular intervals irrespective of the investment's (unit) price. By investing regularly, the investor takes advantage of market dips without worrying about what will happen. Their money buys more units when the price is low and fewer when the price is high, which can mean a lower average cost per unit over a period of time. The key factor of rupee-cost averaging is commitment. How frequently an investor invests (weekly, fortnightly, monthly or quarterly) is not that much relevant in long term? What matters is to stick to his investment mode in tougher times like we are experiencing now.

### How Rupee Cost Averaging Works in Mutual Fund SIP?

#### Illustration only

Month	Amount Invested (Rs.)	Applicable NAV* (Rs.)	Number of units	Value of investment (Rs.)
1	1,000	10	100.00	1,000
2	1,000	9	111.11	1,000
3	1,000	8	125.00	1,000
4	1,000	9	111.11	1,000
5	1,000	6	166.67	1,000
6	1,000	9	111.11	1,000
7	1,000	8	125.00	1,000
8	1,000	10	100.00	1,000
9	1,000	8	125.00	1,000
10	1,000	10	100.00	1,000
11	1,000	12	83.33	1,000
12	1,000	13	76.92	1,000
Total	12,000		1335.26	17,358

**In a falling market, you would buy more units, therefore gaining more when the market goes down, without actually worrying about timing the market yourself.**

A lump sum of Rs. 12,000 invested at the beginning of the year @ Rs. 10/unit would have been worth Rs. 15,600 at the end of 12 months. However, when Rs. 1,000 is invested per month in a Systematic Investment Plan (SIP), the net worth at the end of 12 months is Rs. 17,358 (Assuming the closing NAV at the end of 12<sup>th</sup> month is Rs. 13)

\*Above NAVs are for illustration only.

For more information on Systematic Investment Plan, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)



## Tax Free Bonds to Hit Markets Soon

Tax free bonds are bonds issued by the government enterprises and pay a fixed coupon rate (interest rate). Since the proceeds are invested in infrastructure projects, they have a long term maturity of typically 10, 15 or 20 years. The government has allowed seven state-owned entities, including National Highways Authority of India (NHAI), Indian Railway Finance Corporation (IRFC) and National Thermal Power Corporation Ltd (NTPC), to raise Rs. 40,000 crore in the current fiscal through tax-free bonds.

### Let's understand some basic facts we must know about these bonds:

- Tax free bonds are issued once the credit agencies have assessed the financial health of the entities indulged in infrastructure projects.
- Minimum amount of investment in these bonds can vary from Rs 1000 to Rs 5000. They have a maturity period ranging between 10 to 20 years.
- The income by way of interest on tax - free bonds is fully exempted from income tax. The interest on these bonds is paid annually and directly credited to the bank account of the investor. There is no deduction of tax deduction at source (TDS) from the interest, which accrues to the bondholders.
- Tax free bonds are meant for risk averse investors as they are issued by government backed entities.
- Ensures good liquidity as they are listed on stock exchanges.
- Tax free bonds are a better investment option than fixed deposits. The interest earned on fixed deposits is clubbed with your income and taxed as per the income tax slabs.
- The bonds can be issued both in demat and physical mode.
- Though the interest earned on these bonds is tax - free, any capital gain from sale in the secondary market is taxable. Short - term capital gains from the sale of tax - free bonds on exchanges are taxed as per slab, while long - term capital gains are taxed at 10% without indexation and 20% with indexation whichever is lower. By indexing, you adjust the purchasing price with annual inflation.

### Important Points to Remember:

- Ensures highest safety as tax free bonds are being issued by government owned companies
- Tax efficient returns
- Ensures liquidity as they are listed in stock exchanges

NTPC will be the first tax free bond to hit the markets on 23<sup>rd</sup> September with interest rates ranging from 7.13% - 7.41% p.a. As interest rates are headed southwards, it makes good sense for investors to consider tax free bonds as compared to bank fixed deposits. An investor will not only benefit from tax free interest, but also the premium generated by the fall in interest rates.

**For more information on Tax Free Bonds, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



## Misconceptions about Life Insurance

Life Insurance is an important component of Financial Planning which takes care of the family members in case of untimely death of the policy holder.

People have some misconceptions about Life Insurance and for the benefit of everyone; we would like to clear it out:

### **Waste of Money:**

Term Insurance is the best form of insurance to provide financial cover to a family in case of untimely death of the bread earner. This is a must for the family. People often consider it as a waste of money as it is pure insurance and has no survival benefit. What they don't analyze is that you end up paying a much lower premium for a life cover as what charged by unit linked investment plans (ULIP) and endowment plans. The life cover should ideally be 10-12 times of the annual income of the bread earner.

### **Save Taxes:**

Many people do their tax saving in the last quarter of the Financial Year. During this period, they are approached by bankers and agents who are aggressively promoting insurance to complete their quarterly/yearly targets. Life insurance should never be bought from the point of saving tax. Tax saving is one of the benefits that comes along with it. The main benefit is the financial cover to the family in case of the death of the policy holder. One should consider other tax saving instruments like equity linked saving schemes (ELSS) of mutual funds, public provident funds (PPF), etc for saving tax.

### **Only for Old People**

Don't delay in buying life cover just because you are young. One should take advantage of low premiums at a young age rather than buying a policy at a later stage and paying hefty premiums. There can be chances that an individual may not be able to buy insurance at a later stage due to health issues.

### **Buy ULIPs as an Investment**

The basic principle is not to mix insurance with investments. ULIPs have lot of charges – Loading for premium paying years, fund management charges, policy admin fees and life cover charges. All these

charges end up eating returns and leave very little for the investor. Though IRDA has come to the rescue by significantly reducing the charges, but still they are on a higher side. One should consider term plan for insurance and mutual funds for investment.

### **Insurance by Employers**

People who are insured by their employers often don't feel the need of buying separate life insurance covers for themselves. The covers are available only until you are working in a particular company or until you retire. Moreover, the cover may not be adequate for the entire family. It is strong advisable to buy adequate life cover when you are young as fresh insurance applied at the time of retirement may be refused due to health reasons.

### **Buy a Policy for Minor**

There is an old tradition in India to buy insurance for new born kids or children. Parent buys children plans offered by insurance companies to plan their child's higher education and marriage. This may not serve the purpose. Life insurance is taken to provide financial protection to the family. Moreover, parents should consider mutual funds for retirement and children future planning which provide better returns as compared to ULIPs and endowment plans because of their low cost nature.

### **Obligations towards Friends & Associates**

Don't buy insurance policies to satisfy your friends and relatives who are insurance agents. Also don't come under the obligation of buying insurance from banks to maintain your relationships. Life insurance should be bought on the basis of needs and financial goals. Often people end up owning 4-5 policies or even more without actually understanding the need of owning it.

### **Conclusion**

Life insurance is very important and takes care of the living expenses of the family in case of unexpected death of the policy holder. Don't delay and ignore it. Good term plans with cheaper premiums are available in the market. For investment purpose, avoid ULIPs and Endowment/Traditional Insurance Plans and consider Equity Diversified Mutual Funds.

Following are the Top Term Plans available:

1. HDFC Life Click 2 Protect
2. ICICI Prudential Life Term Plan
3. LIC Amulya Jeevan – II

## Investment Opportunities in Real Estate

Real estate has been the most sought-after asset class, given the kind of returns it has delivered in the past. Even after the financial crisis of 2008, some residential markets saw fast growth. And, when equities bit the dust after 2008, people further increased their dependence on real estate. Investors entering now will have to keep a horizon of 5 -7 years to get good returns provided they invest in the right kind of property.

Net Brokers presents to you lucrative options in the Real Estate for September 2015:

Project	Type	BSP/Sq.ft /Sq Yd	Cost
Godrej 101, Sector 79, Gurgaon	Residential	5990	82.84 Lacs onwards
Vatika Xpressions , Sector 88 B, Gurgaon	Residential	5350	72 Lacs onwards
Supertech Azalia, Sector 68, Gurgaon	Residential	5800	41 Lacs onwards
Countywalk, Dharuhera, Plots - Assured Buyback @ 15% p.a	Residential	22,000	25 Lacs onwards
Mahagun Mirabella, Sector- 79, Noida	Residential	5300	73 Lacs onwards
Supertech Eco Village - 3, Noida Extension	Residential	3950	32 Lacs onwards
JM Florence, Noida Extension	Residential	2915	31 Lacs onwards
Vatika Towers, Golf Course Road, Sector 54, Gurgaon – Assured Returns @ 10% p.a	Commercial	16000	80 Lacs onwards
Vatika One India Next, Sector- 82A, Gurgaon - Assured Returns @ 10.50% p.a	Commercial	8667	43 Lacs onwards
WTC Noida - Assured Returns @ 12% p.a.	Commercial	5500	22.50 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards



For more information on Real Estate Projects, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)

## SIP Returns in Top Equity Diversified Mutual Funds

\* Returns as on 08th September, 2015

Current Value & Yield (XIRR) %							
Scheme Name Monthly Investment: Rs 10,000	Category	Value & Return (3 Yr)		Value & Return (5 Yr)		Value & Return (10 Yr)	
		360000	%	600000	%	1200000	%
UTI Equity Fund (G)	Large Cap	473,465	18.6	905,611	16.5	2,627,305	15.0
ICICI Prudential Focused Bluechip Equity Fund (G)	Large Cap	453,150	15.5	862,767	14.5	NA	NA
Franklin India Prima Plus (G)	Large & Mid Cap	513,090	24.4	980,476	19.7	2,852,337	16.5
Birla SL Frontline Equity Fund (G)	Large & Mid Cap	469,128	18.0	902,839	16.3	2,692,547	15.4
L&T India Value Fund (G)	Multi Cap	566,213	31.7	1,095,309	24.3	NA	NA
Franklin India High Growth Companies Fund (G)	Multi Cap	561,877	31.1	1,111,027	24.9	NA	NA
UTI Mid Cap Fund (G)	Mid Cap	625,321	39.3	1,226,697	29.0	3,452,762	20.0
Franklin India Prima Fund (G)	Mid Cap	569,786	32.2	1,138,874	25.9	3,180,972	18.5
Tata - Balanced Fund Plan (G)	Hybrid Equity	502,587	22.9	975,205	19.5	2,868,802	16.6
HDFC Balanced Fund (G)	Hybrid Equity	494,980	21.8	941,924	18.1	2,884,914	16.7
Axis Long Term Equity (G)	ELSS	562,942	31.3	1,138,859	25.9	NA	NA
BNP Paribas Long Term Equity Fund (G)	ELSS	506,563	23.5	990,811	20.1	NA	NA

\*Returns over 1 Year are compounded annualised



**net brokers**  
 Private Wealth Management  
 we know your investment needs

### 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

**Disclaimer:** Net Brokers has taken due care and caution in presenting factually correct data contained herein above. While Net Brokers has made every effort to ensure that the information / data being provided is accurate, Net Brokers does not guarantee the accuracy, adequacy or completeness of any data/information in the publication and the same is meant for the use of receipt and not for circulation. Readers are advised to satisfy themselves about the merit details of each investment scheme, before taking any investment decision. Net Brokers shall not be held liable for any consequences ,legal or otherwise, arising out of use of any such information/data and further states that it has no financial liability whatsoever to the recipient /readers of this publication. Neither Net Broker nor any its directors/employees/ repetitive accept any liability for any direct or consequential loss arising from the use of data/information contained in the publications or any information/data generated from the publication. Nothing contained in the publication shall or be deemed to constitute a recommendation or any an invitation or solicitation for any product or service. Any dispute arising in future shall be, subject to the Court(S) at Delhi. Readers are advised to go through the respective product brochure / offer documents before making any investment decisions.