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Knowledge Initiative

Dear Patrons,

Greetings**!**

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

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:

- Budget 2017: A Remarkable One
- SIP – Wealth Creator
- Don't Rely Completely on Star Ratings
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds


Akhil Chugh

Warm Regards,

Akhil Chugh
Director

Budget 2017: A Remarkable One

Rarely does the market go into a budget with both trepidation and hope as it did this time; the fear of tinkering with the extant capital gains tax structure and the hope of a something dreamy. Well, nothing happened: a sigh of relief! However, it did spend a lot of attention to transferring purchasing power to the hands of rural and small town India. And, infrastructure spending is back in focus.

Donald Trump administration has an infrastructure budget of 100 billion dollars in coming 10 years whereas Indian government has allocated 60 billion dollars to infrastructure in FY2017-18 itself.

Net Brokers View on Markets Post Budget:

- The budget is a big booster for financial savings going ahead.
- Financial savings in India has improved due to lower inflation over the last couple of years.
- This money will move into asset classes like equity and Debt. Flow into Real estate will be muted because this budget has ensured a huge difference in tax structure between real estate and equity investments.
- Gold has also been an underperformer (no return in last 5 years) and people won't be motivated to invest incremental money into gold.
- Debt we are almost at the bottom of interest rate cycle, hence don't expect superlative returns what we have seen in the last two years. Go for accrual funds like corporate bond funds for stable returns and avoid duration/dynamic bond funds.
- Owing to above reasons the pegging order for incremental investment for an individual would be Equity Debt than physical assets like real estate/gold. This will ensure good flows into equity, market may get rerated and equity will trade at premium valuation.
- Top theme would be Infrastructure because govt has continued its thrust on this sector. Large Cap and Multi Cap funds are well poised to capture the upside.
- Conservative investors may use dynamic asset allocation funds to immediately increase the equity exposure. These funds offer a combination of Equity, Arbitrage and debt along with tax efficiency.
- Hence, Equity remains favoured product with good return potential ahead and investment should be done quickly. Invest Now.

SIP – Wealth Creator

Systematic Investment Plan (SIP) in Equity Mutual Funds has created huge wealth for investors in the long run. Some of the schemes have delivered returns of more than 20% CAGR in last 20 years. During this period market witnessed lot of volatility because of domestic factors, global factors, election results and something or the other. Good Returns have been made possible because of two important benefits provided by SIP: Rupee Cost Averaging and Power of compounding.

Rupee Cost Averaging:
SIPs help to curb volatility, both on the upside as well as downside. This is done by cost averaging since the investments are made on a periodic basis, and not at one go. Though the investment amount is fixed, more units are purchased when the market trends downwards, and fewer units when the market moves up. So in a rising market, the SIP allows for new purchases to be made at higher costs. This impact is then nullified during a market decline.

In SIP we do not time the market; we spend time in the market

Power of Compounding:
Another important benefit is the Power of Compounding, the snowball effect that happens when your earnings generate even more earnings. You receive interest not only on your original investments but also on any interest, dividends, and capital gains that accumulate—so your money can grow faster and faster as the years roll on. The longer the period of your investment, the more you accumulate, because of the power of compounding... which is why it makes sense to start investing early.

Albert Einstein rightly said "Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."

SIP as a Wealth Creator: Returns as on 14th Feb,2017

Past performance of SIP in Top Equity Mutual Funds:

Scheme Name **Monthly Investment: Rs 10,000**	**Value & Return (5 Yr)**		**Value & Return (10 Yr)**		**Value & Return (15 Yr)**		**Value & Return (20 Yr)**	
Total Investment	600000	%	1200000	%	1800000	%	2400000	%
Franklin India Prima Fund (G)	1149038	26.30	3518774	20.40	11847530	22.40	45763356	24.80
HDFC Equity Fund (G)	896128	16.00	2580289	14.60	9906986	20.40	38504051	23.50
HDFC Top 200 (G)	875403	15.10	2460876	13.70	9599947	20.00	27872182	20.90
Birla SL Balanced Fund'95 Fund (G)	928896	17.50	2655834	15.20	7820296	17.70	27872182	19.90

*Returns over 1 Year are compounded annualized
For more information on Systematic Investment Plans, contact us on mail@netbrokers.co.in

Don’t Rely Completely on Star Ratings

In today’s world, the investor has online access to view all information on various mutual funds. One of the parameters considered is the star rating system. An investor goes for five star rated funds as they are highly recommended by the website. The rating system provides measure of a fund’s historical risk - adjusted return compared to peers in any particular category.

The distribution of ratings is as follows:

*****	Top 10% funds	****	Next 22.5%
***	Middle 35%	**	Next 22.5%
*	Bottom 10%	NR	Not rated

Star rating system is a good starting point for mutual fund investors, but one should not completely rely on it. Consider below points before you invest in five star rated funds:

- **Don’t simply buy based on ratings:** The easiest way is to identify a five star rated fund and invest in it. This is a common mistake done by lot of investors. You need to check how the fund has performed in different market cycles of bull and bear. Whether the returns are consistent over a long period of time or the fund has delivered exceptional performance in last one or two years.
- **Don’t increase the number of funds:** Asset allocation plays an important role in determining whether you will achieve your financial goals or not. Don’t increase the number of funds by going for five star ratings. This will spoil the asset allocation. Investments should be aligned with financial goals.
- **Check fund’s category:** An equity fund comes in various categories: Large, multi, mid, thematic, sectoral, hybrid fund, etc. Check whether the category fits in the overall financial plan based on your risk appetite and goals.
- **Don’t paint all five star rated funds with same brush:** Even five star funds with same strategy are not equal. For instance, a large cap completing three years will get a star rating on the basis of three year performance. Another large cap completing five years will get a star rating based on five year performance. This means that the latter has more weightage as the fund has been around for more than five years and has performed across different market cycles.
- **Review:** There are incidents where there is a change in the fund manager or the asset management company gets sold out or a change in the strategy of the fund. You will now have to see whether the fund fits into the overall portfolio or not.

Investment Opportunities in Real Estate

After a wait of several years, the government has finally awarded infrastructure status to the largely-neglected affordable housing, which is encouraging for developers. Infrastructure status will ensure easier access to institutional credit and help in reducing developers' cost of borrowing for affordable projects. According infrastructure status will further simplify approval process for affordable projects, create clear guidelines and increase transparency in the segment. Such a market, which will further be made accountable through the Real Estate Regulatory Authority (RERA), could attract debt and pension funds to invest in the affordable housing segment.

Net Brokers presents to you lucrative options in Real Estate for February 2017:

Project	Type	BSP/ Sq.ft	Cost
Vatika Gurgaon 21, Vatika INXT, Sector - 83, Gurgaon	Residential	6200	81 Lacs onwards
Godrej 101, Sector - 79, Gurgaon	Residential	5255	75 Lacs onwards
Vatika Turning Point, Sector - 88B, Gurgaon - Vatika Shield (Zero Risk Investment)	Residential	5250	60 Lacs onwards
Mahagun Moderne, Sector - 78, Noida - Full Furnished - Ready to Move	Residential	5500	70 Lacs onwards
Vatika Mindscape, Mathura Road – Assured Returns @ 10% P.A	Commercial	8800	44 Lacs onwards
WTC Noida PH - III Assured Returns @ 12% P.A	Commercial	5500	27.5 Lacs onwards
DLF Prime Towers, Okhla Phase - 1, New Delhi	Commercial	14,500	1.27 Cr onwards
DLF Galleria, Mayur Vihar, New Delhi - Retail Shops	Commercial	12,000	1.16 Cr onwards

For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

SIP Returns in Top Equity Mutual Funds

*** Returns as on 14th Feb, 2017**

Current Value & Yield (XIRR) %							
Scheme Name Monthly Investment: Rs 10,000	Category	Value & Return (3 Yr)		Value & Return (5 Yr)		Value & Return (10 Yr)	
Total Investment		360000	%	600000	%	1200000	%
Birla SL Frontline Equity Fund (G)	Large Cap	435,396	12.7	909,547	16.6	2,600,665	14.0
SBI Blue Chip Fund (G)	Large Cap	440,041	13.4	934,134	17.7	2,521,569	14.2
ICICI Prudential Value Discovery (G)	Multi Cap	444,687	14.2	1,020,326	21.3	3,479,592	20.2
Birla SL Equity Fund (G)	Multi Cap	480,058	19.5	1,047812	22.4	2,771,565	16.0
L&T India Value Fund (G)	Mid Cap	502,265	22.8	1,149,082	26.3	NA	NA
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	529,961	26.7	1,289,794	31.1	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	501,923	22.7	1,250,147	29.8	3,914,259	22.3
DSP BlackRock Micro Cap Fund (G)	Small Cap	551,625	29.7	1,379,507	34.0	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	445,168	14.2	937,064	17.8	2,874,559	16.6
ICICI Prudential Balanced Fund (G)	Hybrid Equity	457,888	16.2	937,064	17.8	2,726,533	15.7
Franklin India Taxshield (G)	ELSS	441,852	13.7	942,866	18.0	2,774,243	16.0
Axis Long Term Equity (G)	ELSS	428,323	11.6	980,060	19.7	NA	NA

***Returns over 1 Year are compounded annualized**

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