



net brokers
Private Wealth Management
we know your investment needs

Knowledge Initiative

Dear Patrons,

Season's Greetings!

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for October 2016.

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:

- Use Market Dip as an Opportunity
- Make Your Children Crorepatis
- Need of an Emergency Fund
- Property Buying: Downside of Wait and Watch
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds



Akhil Chugh

Warm Regards,

Akhil Chugh
Director



Use Market Dip as an Opportunity

In continuation to our Article in last month's newsletter '**Still Waiting for Correction to Invest**', we continue to maintain our positive stance on Indian equities. Promising times are ahead for investors provided they have a long term outlook. Favourable factors like stable government, high GDP growth, important reforms being passed, controlled twin (fiscal & current account) deficits, lowering interest rates, good monsoons, pick up in corporate earnings, global liquidity and many more such factors make a strong case to invest in equities.

The Reserve Bank of India has recently cut the interest rates by 0.25% reducing the repo rate to 6.25%. Equity valuations are inversely proportional to interest rates. So if three year bank fixed deposits gave you ten percent three years ago and give you just 7.25 percent now that decline of 275 basis points in risk free rates makes equities favourable. Going ahead, we expect the interest rates to fall further by 1.0 – 1.25% in coming 24-30 months.

We believe any dip in equity markets should be used as a buying opportunity. Volatility is here to stay in near term due to global factors and recent geo-political tensions. No doubt, Valuations are a bit stretched due to low corporate earnings. But, things are totally different this time than what it was in 2008. At that time, we were coming off peak earnings and today we are coming off very low earnings. Earnings momentum is expected to pick up in coming two – three quarters and the moment that happens, the market will witness further upside. As far as the earnings are concerned, the worst has already taken place for corporate India.

In the times to come the implementation of one rank one pension, seventh pay commission and impact of good monsoons will boost the consumption cycle. People will have more money to spend on electronics, buying a new car and will make more investments into equities. All this will help to revive the overall growth of the economy.

We do not expect a big fall in the market. Any fall at this point of time will offer good buying opportunities. What important right now is to have a reasonable equity exposure for long term wealth creation. Equity allocation will depend upon your risk appetite and financial goals. If you are a conservative investor - large cap funds, balance funds and debt funds will be more suitable for you. Debt funds are an excellent alternative to bank fixed deposits as they offer better tax efficient returns. Aggressive investors can have more allocation to mid and small cap funds which offer high risk high returns.

Our simple advice to investors is to ensure that all investments are backed by a financial plan. This helps you to identify financial goals, decide the right asset allocation, and select suitable investment products based on the tenure. If you don't have a financial plan yet, get in touch with your investment adviser soon. Take help of systematic investment plans (SIP) offered by mutual funds to ride market volatility and build a reasonable corpus in the long term. Take advantage of any dip in the market levels by partly investing some lump sum amount whenever the opportunity arises.



Make Your Children Crorepatis

Give your child a secure future. Just invest as little as Rs. 5000 per month in Systematic Investment Plan (SIP) of any of the top ranked mutual funds over a period of 22 years and your child is likely get a lump sum of Rs. 1 crore. Discipline and small contributions can help you build a good corpus in the long run.

Below is a table showing the returns.

Amount Rs. 5000 Per Month

Period (Yrs)	Returns (Rs.)	Period (Yrs)	Returns (Rs.)	Period (Yrs)	Returns (Rs.)
1	65106	9	1144239	17	4700538
2	140677	10	1393286	18	5521277
3	228397	11	1682369	19	6473952
4	330219	12	2017923	20	7579775
5	448408	13	2407419	21	8863364
6	585598	14	2859528	22	10353295
7	744841	15	3384315		
8	929683	16	3993465		

****The return calculated in the table mentioned above is as per 15% compounded.***

However, if your investments grow at the compounded annual growth rate generated by the oldest mutual fund schemes of 21%, then you would be able to bucket your crore within 18 years.

The key 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.

While compounding propels your investments, inflation shrinks it. Hence, the Rs 1 crore you built over the period would be eroded by the time you achieve it. So, if we assume inflation at the rate of 6%, then Rs 1 crore would mean only Rs 31 lakh over the period of 20 years.

It is essential that you consider inflation while saving for your goals. For example: Higher education which costs Rs 8 lacs today, will cost Rs 24.2 lacs in 2034 assuming inflation is at 6% p.a. To achieve this goal, monthly SIP of Rs 2118 is required for 18 years assuming returns are at 15% p.a.

For more information on SIPs, contact us on mail@netbrokers.co.in



Need of an Emergency Fund

Life is uncertain and you never know when financial surprises may come your way. This may come in the form of sudden job loss, serious illness or disability due to accident, death of the income earner, divorce, etc. You need to be fully prepared to handle such crisis. An adequate emergency fund is the hour of the need. Important points to be kept in mind before you create such a fund:

Why an Emergency Fund?

To a great extent, credit cards have done away with the need to have emergency funds. You can use them to tide over the emergency till you are able to arrange funds. But credit cards should not be seen as a replacement for setting up an emergency fund. You only get a cushion period of 15-30 days till the bill arrives.

Size of the Fund

Ideally you should keep aside minimum 3-4 months worth of expenses in emergency fund to take care of expenses like house rent, school fees, health care, insurance premiums and EMI's. A corpus less than this will not solve the purpose. At the same time, don't allocate too much of money to it either. This may result in lost opportunity because you are parking a large sum in low yield returns.

Where to Invest?

Once you have decided the size of the corpus, the next step is to choose the best possible investment options. The important point here is money should be liquid and easily available. Bank savings account and ultra short term debt funds of mutual funds are two popular options. Bank savings account will give you 4-6% p.a. You can withdraw the amount 24*7. Ensure you have a debit card with adequate limit. The best option is to park the money in ultra short term debt funds where expected returns are in the range of 8-9% p.a. Redemption takes a day. Some mutual funds even offer ATM cards where the money can be withdrawn directly without the redemption going to the bank.

How to Save?

Don't try to build the corpus too quickly. This may put pressure on your cash flows and can impact your other important goals like saving for retirement or children education. Start putting away 10-15% of your month income towards emergency fund. This will help you to build a reasonable corpus in some time. In between any tax refund or annual bonus received by you can also be diverted to this fund. It is very important for you to revisit the fund and replenish it regularly to adjust for inflation, lifestyle changes, increase in family members and changes in debt commitments.



Property Buying: Downside of Wait and Watch

Buyer paralysis – or, as it is popularly known these days, the ‘wait-and-watch’ syndrome – is one of the main reasons today why aspiring home owners do not make their move.

Fence-sitting buyers are waiting for a few things to happen – for property prices to come tumbling down, and for home loan interest rates to be brought so low as to become irresistible. Obviously, a combination of both would be the most preferred scenario. Then there are people who want to own a sizeable property, but delay their decision until they have enough money to make a sizable down payment.

For homebuyers-in-waiting, a deeper understanding of the dynamics of the real estate market – and the various options open to them – can often bring them closer to finally achieving their goals:

- Price corrections do not happen the way most people imagine and they do not take place uniformly across all cities, but only in cities – and more importantly, in locations – where there is too much stock and no sales. If sales are taking place, even at a slower rate, prices will not drop. This is, in fact, one of the main reasons why investment in the right property at the right location is such a safe bet.
- Home loan rates are decided by the state of the economy and economic performance depends on a huge plethora of macro factors. Moreover, the monthly outgoings on an existing home loan will automatically decrease when interest rates come down (provided that the loan is on a floating and not fixed rate of interest).
- Home purchase and property investment are two very separate concepts. A home is one of the things we buy because we intend to put them to use and make our lives more secure and comfortable. An investment property is something we buy in order to sell it at a sizable profit a few years down the line, and to rent it out until then. Homeowners view their homes as a source of stability and security, while investors see their holdings as tradable commodities.
- Size DOES matter – but not all that much. If you are in the position to buy a 2 BHK in a good location today, you can be assured that it will appreciate in value. As your income grows steadily, you can always upgrade to a bigger home. Do not delay your decision simply on the basis of waiting to make a hefty down payment for a large size property.

Like all mind-sets, the wait-and-watch stance can become a chronic one for no better reason than that it has become a habit. The decision to postpone the purchase of a home should not be on the basis of limited information. In fact, such a course can be self-defeating and put your dream home further and further out of reach.

Investment Opportunities in Real Estate

The government will notify the rules of the Real Estate Act soon, moving another step toward operationalizing the legislation which seeks to regulate the housing sector, bring transparency and help protect consumer interests. As per the provisions of the Act, Real Estate Regulatory Authorities and Real Estate Appellate Tribunals have to be set up by the end of April, 2017 and the entire Act is to come into effect the day after.

Net Brokers presents to you lucrative options in Real Estate for October 2016:

Project	Type	BSP/S q.ft	Cost
Vatika Seven Lamps, Vatika INXT, Sector - 82, Gurgaon	Residential	6300	85 Lacs onwards
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
Civitech Sampriti, Sector - 77, Noida - Ready to Move	Residential	5500	62 Lacs onwards
Sunworld Arista, Studio Apartments, Sector - 168, Noida Expressway - Fully Furnished	Residential	-	50 Lacs
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
Vatika One On One - Sector 18, NH-8, Gurgaon - Assured Returns @ 10.50% p.a & First Lease Gurantee @ 9% p.a.	Commercial	17333	85 Lacs onwards
Vatika Mindscapes, Mathura Road - Assured Returns @ 10.50% p.a & First Lease Gurantee @ 9% p.a.	Commercial	8800	44 Lacs 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 12th October, 2016

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	%
Birla SL Frontline Equity Fund (G)	Large Cap	464,295	17.3	963,770	19.0	2,722,291	15.6
SBI - Blue Chip Fund (G)	Large Cap	481,339	19.8	1,012,980	21.1	2,648,643	15.1
ICICI Prudential Value Discovery (G)	Multi Cap	487,058	20.7	1,090,941	24.2	3,614,763	20.9
Franklin India High Growth Companies Fund (G)	Multi Cap	490,426	21.2	1,099,787	24.5	NA	NA
UTI Mid Cap Fund (G)	Mid Cap	546,439	29.1	1,272,926	30.7	3,771,767	21.7
Mirae - Asset Emerging Bluechip Fund (G)	Mid Cap	586,253	34.5	1,367,563	33.7	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	570,316	32.3	1,373,881	33.9	4,090,057	23.2
DSP BlackRock Micro Cap Fund (G)	Small Cap	625,043	39.4	1,457,343	36.5	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	475,252	18.9	980,103	19.7	2,972,138	17.3
Tata Balanced Fund Plan (G)	Hybrid Equity	470,490	18.2	976,773	19.6	2,837,614	16.4
Franklin India Taxshield (G)	ELSS	477,259	19.2	998,008	20.5	2,896,180	16.8
Axis Long Term Equity (G)	ELSS	480,391	19.7	1,081,002	23.8	NA	NA

*Returns over 1 Year are compounded annualized



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.