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## **Knowledge Initiative**

**Dear Patrons,**

### **Season's Greetings!**

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

- Impact of Demonetization on Indian Economy
- Value Investing in Mutual Funds
- The 12 Simple Rules Of Investing
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds



**Akhil Chugh**

**Warm Regards,**

**Akhil Chugh**  
Director



## Impact of Demonetization on Indian Economy

The demonetization drive of the government has led to panic among people and big disruption in the business activity across India. The intention is to control black money, combat the financing of terrorism and curbing the circulation of counterfeit currency in the economy. More than 65% of businesses involved in sizable chunk of cash transactions have seen a massive drop in business volumes. Prior Demonetization, the Indian economy was having a good ride based on high GDP growth, good monsoons, controlled twin deficits (Fiscal & Current Account), low inflation, low commodity prices and other domestic parameters. There was lot of optimism regarding India's growth prospects. Post demonetization, the so called economists and experts now have mixed opinions. **No doubt demonetization will lead to some pain in near term (3 – 6 months), but in the long term it will be hugely beneficial for the economy.** Following are the arguments to support this:

- The banking system is flushed with liquidity. Till date 12 lac Crores have been deposited with the banks. Another 3-4 lac Crores is expected before 31<sup>st</sup> December 2016. There is no reason why banks will keep on paying high interest rates on fixed deposits. Big drop in interest rates both on deposit and lending side is expected going ahead. **Around 15-17 Lac Crores of Bank Fixed Deposits will be maturing in one year time frame and investors will now strongly consider debt mutual funds which offer better tax efficient returns.**
- The Reserve Bank of India is also expected to lower interest rates. Around 0.25 – 0.50% interest rate cut is expected before 31<sup>st</sup> March 2016 followed by series of rate cuts in FY 2017-18.
- Real estate prices are expected to come down across India and this coupled with low interest rates will encourage end users to buy residential property. Presently buyers are in wait and watch mode till property prices adjust.
- There are lot of expectations from the finance budget in terms of tax sops for both individuals and corporate. Some benefits may be announced for sectors suffering from demonetization. The government may retain 3-4 lac Crores of demonetization money with banks, rest will be released. The government may use this money to buy government securities from the market to lower the interest rates. Low interest rates will make existing and upcoming infrastructure projects viable, thereby boosting the infrastructure sector.
- Tax collections may get hit in the near term, but will increase like anything once growth picks up. Implementation of Goods and Services Tax (GST) will also help to increase tax collections.

To conclude, this is a temporary setback for the economy and will be hugely beneficial in the long run. Earnings will get downgraded in near term only to upgrade significantly in FY 2018. Good time to venture into equities. Keep buying on every dip, the upside has increased manifold. Equity will offer best returns in coming 3-5 years amongst all asset classes. Large Cap, Multi Cap and dynamic asset allocation funds can be looked into at this point of time. Excellent time to invest into debt mutual funds as there will be big drop in interest rates. One should immediately move investments from fixed deposits to debt funds. Fixed deposits are expected to be in the range of 5.5 – 6.0% in 15-18 months time frame.



## Value Investing in Mutual Funds

Growth oriented mutual funds often outnumber value based funds as few investors are aware of the latter or appreciate the significance of having these in their portfolios.

**Growth funds** focus on companies that will experience faster than average growth as measured by revenues, earnings, or cash flow. **Value funds** on the other hand look for companies whose stock prices don't necessarily reflect their fundamental worth. The reasons for these stocks being undervalued by the market can vary. Sometimes a company or industry has fallen on hard times. Other times a poor quarterly earnings report or some external event can temporarily depress a company's stock price and create a longer-term buying opportunity.

### Benefits of Value Funds

**Diversification:** Value funds provide diversity to most portfolios in which majority of the funds are growth oriented. This ensures that a part of the portfolio will do well at all times.

**Downside Protection:** As the focus is on cheaper stocks and mostly those that are out of favour, value funds ensure a lower downside than the overall market. They do not invest in stocks that have high expectations.

**Established Strategy:** Value investing has yielded good profits for investors across the globe and is considered as one of the most successful investment strategies. Value funds in India have delivered good returns since inception, but unfortunately we have few funds based on 100% value style investing.

### Suggested Allocation

In an ideal situation, you should have a 50:50 allocation to value and growth funds. We recommend a 25% allocation rather than 50% because many of the diversified (blend) funds in your portfolio would also have value-oriented stocks oriented stocks.

### Returns of Top Value Funds:

Returns as on 09<sup>th</sup> December, 2015

Schemes	Corpus (CR)	1 Year	3 Year	5 Year
L&T India Value Fund	1847	17.94	30.94	24.86
Birla Sun Life Frontline Equity Fund	604	17.16	34.6	24.72
ICICI Prudential Value Discovery Fund	14461	9.65	26.11	23.54

\*Returns over 1 year are compounded annualised

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



## The 12 Simple Rules Of Investing

### Rule 1: Invest Regularly

It is extremely important to invest regularly in order to achieve certain financial goals in life such as children education & marriage, retirement, vacations etc. These goals require a good sum of money that cannot be collected in matter of 1, 2 or 5 years; they need a minimum of 10 years commitment from an investor. Once an individual understand this at an early age, his later years of life are sorted and comforted.

### Rule 2: Start Investing Early

The earlier you start the better returns you get due to the compounding effect. You can actually see from the below example that Ram exceeds Shyam by a considerable corpus only by starting 10 years earlier.

	Ram	Shyam
Age	30 years	40 years
SIP per month	Rs 5000	Rs 5000
ROI p.a.	12%	12%
Invests Till	60 years	60 years
Period of investment	30 years	20 years
Amount invested	1800000	1200000
Amount grows to	<b>17649569</b>	<b>4995740</b>

### Rule 3: Never Time the Market

It is impossible for a common man to time the market with their daily schedules, office work and family life. Everyone wants to enter at the lowest level and exit at the highest. Instead of making investment decision on the basis of tips, market trend or economic outlook, you should consider the fundamentals of the investment instrument and invest regularly. A disciplined approach towards investments is what works towards creating a corpus in the long term here.

### Rule 4: Consider Inflation & Taxes

The two most important factors to be considered before entering into an investment are Tax (so you actually determine actual rate of return you get in hand) and Inflation (a progressive increase in level of prices brought about by an expansion in demand or money supply or by increase in costs). One must know what his actual return is or what he gets in hand at the end of the day.

**Rule 5: Diversification Is the Key**

One must weigh options correctly and check his/her risk appetite, time frame, financial needs to decide accordingly to invest in different asset classes to create a well diversified portfolio. The primary motive to diversify is to manage/minimize the overall risk involved. The loss in one asset can be offset against the profit gained in another asset class.

**Rule 6: Balance and Re-Balance Portfolio**

With time, you should make sure that the equity and debt allocation in your portfolio are re-balanced. Ideally, the equity allocation should be (100 - your age) percent. As you grow older, a substantial portion of your income should move to fixed income investments, to ensure a fixed monthly income at later stages of your life.

**Rule 7: Expect Reasonable Returns**

It is better to achieve a reasonable return and book profit, rather than expecting extraordinary returns on investment. Once such level is achieved, an investor should book profit and look for other good investment opportunities. For example, if you think your investment has the potential to deliver 12% return, redeem the money after you achieve the target and do not wait for further profit.

**Rule 8: Learn From Wrong Investment Decisions**

Life is all about making mistakes and learning from them. The wise educates himself from the mistakes and takes corrective action. Understand your investment decisions in the first place - whether you need money in short term or long term. It would not be right to park your money in equities if you need money within short period of time as equities are meant for long term.

**Rule 9: Never Buy or Sell In Haste**

A very important rule to be remembered - we should always restrain ourselves from buying or selling our investments in haste. The market conditions may look dull at the current moment, but we need to keep the long term perspective in mind. The asset classes always need a thorough and detailed analysis for further decision making of buy or sell.

**Rule 10: Avoid Complicated Products**

There are many investment products in the market which are complicated and offer unrealistic returns. Stay away from such products as they may have some hidden risks which are either unknown or are not completely understood.

**Rule 11: Spend Time on Investments or Get a Financial Advisor On Board**

Proper homework should be done before one starts investing or is already holding a portfolio. One should be aware of the products he's invested in and the kind of returns being generated by each. However, if you do not have the time or confidence, you can take the help of a good financial advisor who will do the job on your behalf.

**Rule 12: Invest In Mutual Funds**

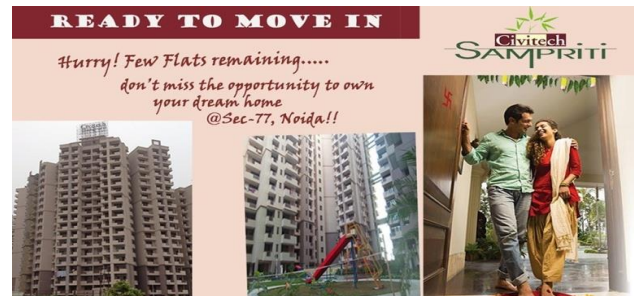
Mutual funds help diversify the portfolio and invest in several asset classes. This way an investor is able to mitigate his/her risk and address short-term as well long-term goals. Liquidity and low cost structure make this product very attractive. Strict vigilance of SEBI safeguards the interests of the investors.

## 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 December 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 Sampriiti, Sector - 77, Noida - Ready to Move	Residential	5500	62 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
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 11<sup>th</sup> December, 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	420,359	10.3	878,221	15.2	2,492,730	14.0
SBI Blue Chip Fund (G)	Large Cap	433,627	12.5	919,134	17.1	2,439,211	13.6
ICICI Prudential Value Discovery (G)	Multi Cap	443,839	14.1	1,010,050	21.0	3,393,183	19.7
Birla SL Advantage Fund (G)	Multi Cap	459,465	16.5	999,019	20.5	2,531,444	14.3
UTI Mid Cap Fund (G)	Mid Cap	461,002	16.8	1,106,984	24.8	3,329,537	19.4
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	515,298	24.8	1,234,664	29.4	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	496,582	22.1	1,224,930	29.0	3,729,099	21.5
DSP BlackRock Micro Cap Fund (G)	Small Cap	547,671	29.3	1,330,369	32.5	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	444,943	14.3	930,355	17.6	2,834,497	16.4
Tata Balanced Fund Plan (G)	Hybrid Equity	430,238	11.9	901,266	16.3	2,632,557	15.0
Franklin India Taxshield (G)	ELSS	433,093	12.4	917,318	17.0	2,677,673	15.3
Axis Long Term Equity (G)	ELSS	423,418	10.8	965,916	19.1	NA	NA

\*Returns over 1 Year are compounded annualized



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