AKHIL CHUGH
DIRECTOR - NET BROKERS

Dear Patrons,

Greetings!

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

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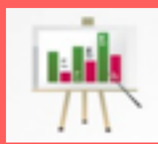

Sip Returns: Check the best performing funds in their respective categories.

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Importance of goal - based investing: Studies have found that planning helps investors generate more wealth. Goals-based planning can lead to a 15 percent increase in utility-adjusted wealth when compared to a traditional approach to financial planning. Read to understand how.

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What is SWP and things to know about this product: The article talks about the product in detail and important points one must keep in mind, while investing in this product

1

Stay on course with equities: Listed are reasons affecting the sentiments of the investor on tackling volatility and corrections in the market. Enrich your knowledge on this.

STAY IN COURSE WITH EQUITIES

Indian markets are witnessing sharp volatility recently.
Corrections and volatility are a part and parcel of any healthy bull market and we should not over interpret the recent market movement which has come after a massive 9 month rally since demonetisation lows.

What is affecting the sentiments of the investor and causing a state of worry for both, the market and the investor? Let's find out.

GLOBAL FACTORS

- A war of words between the US and North Korea is making the geo political situation tense, especially for the markets
- Crude oil has seen the biggest jump and is seen at the highest levels in the last 18 months
- US Fed has reiterated its commitment towards balance sheet unwind and higher rates

ECONOMY

- Weaker domestic is hinting towards the fiscal stimulus by the government
- Disruption on account of GST roll out have yet to fully settle down and are likely to take longer than initially expected, further affecting growth in the coming quarters
- Monsoon rains have been uneven and aggregate farm production is likely to be lower than last year
- Rupee has seen a sharp sell-off

VALUATION

Valuations have been high for some time given lower earnings growth due to two back - to - back blows. The earnings growth could take 1 - 2 quarters to come back.

LIQUIDITY

- Foreign investors have been significant net sellers to the extent of US 961 miilion in September
- Large supply of new paper in the form of large IPOs have hit the market of late, taking out part of the liquidity from domestic investors

WAY FORWARD

Global geo- political concerns keep flaring from time to time, they may impact in the short term but there is practically no material change with these events.

We continue to believe that the solid macro foundation, along with structural reforms would push the growth higher in the

WAY FORWARD (contd.)

medium term.

FIIs have been investing in India over a long term and we are yet to see sustained redemptions from them over this period. A large IPO pipeline is medium term positive for the market.

The current market valuation is not cheap. But Indian market are rarely cheap outside of a significant crisis - whether domestic or global. Demand revival and operating leverage can transform the situation very quickly

SUMMARY

- Global factors and factors such as GST implementation and government's initiative to bring back growth will determine the journey further ahead from time to time.
- Equity markets are impossible to time in the short term. Investors must not get shaken up by the market workings with short focus.
- Keeping a razor eye focus on the long term deliverables and investing in quality portfolio funds should be the strategy undertaken

WHAT IS SWP AND THINGS TO KNOW ABOUT THIS PRODUCT

What is SWP?

- ▷ A systematic withdrawal plan, or SWP, is an option offered by a mutual fund when you want a cash flow from your investments.
- ▷ The money is automatically deducted or systematically withdrawn on a regular basis (fortnightly, monthly, quarterly).
- ▷ At the set, predetermined date, units from your fund are sold and the money is sent to your bank account.

When to invest in SWP?

A SWP is an excellent strategy to have when you are looking for some sort of regularity in cash flows. It could either be that you have moved from a full-time job to a freelance role or have retired from the workforce.

A SWP can be set up to withdraw only a portion of the capital appreciation. The good part is that the entire capital stays invested but one can enjoy the gains in the event of an appreciation. This works extremely well in a rising market. The problem takes place in a downturn. If there is no appreciation at all, there will be no payout. Or, the payout would be very highly diminished.

SWP versus MIP

The Monthly Income Plan, or MIP, is a structured product. It is a debt-oriented hybrid fund with marginal exposure to equity. Each fund has its own mandate which sets the equity limit anywhere from 10% to 25%, maybe even 30% in a few select cases. Dividends are given to the investor depending on the fund's ability to generate returns. No guarantees or assurances here.

The SWP is NOT a product. It is merely a facility that allows for disciplined withdrawals from a mutual fund – it could be any fund; equity, debt or hybrid.

Important points to keep handy

- ◎ First, if the amount in the fund to start with is huge, that would help.
- ◎ Second, higher the withdrawal rate, the faster will be the depletion.
- ◎ Third, as long as the fund is thriving in a bull market, the SWP will keep delivering on that momentum.
- ◎ Fourth, a downturn will take its toll.
- ◎ Fifth, if you start off with a huge amount and there is significant positive momentum in the first few years of the investment, it should put you on a stronger note.

IMPORTANCE OF GOAL BASED INVESTING

Traditionally, most investors invest without any planning. When you get a bonus or inherited wealth, you would invest somewhere with the goal of just 'saving'. While saving is good, not attaching a goal to investing is bad. It is akin to boarding a train without knowing your destination. To reach your destination, you ought to have a reason attached to investment which will help you plan your finances well. Why is it important? Studies have found that planning helps investors generate more wealth. Goals-based planning can lead to a 15 percent increase in utility-adjusted wealth when compared to a traditional approach to financial planning.

PLAN FOR EMERGENCIES

Before listing your goals, you would do well to accumulate an emergency fund, which you can dip into in the unfortunate event of job loss or any income source. A thumb rule for building an emergency fund is having a buffer of six months equivalent of your expenses.

It is advisable that you don't utilise this corpus for any other purpose unless it's an emergency. E
illness or the unfortunate demise of a sole earning family member can leave the dependents in a financial turmoil.To plan for such emergencies, ensure that you have adequate health insurance cover and life insurance, preferably a term plan.

IDENTIFYING GOALS

A simple task of writing down your goals (short term 0-1 year, mid-term up to 5 years and long-term 10 years and more) and calculating how much corpus would be required to meet these goals can work wonders.

You may have several goals but prioritising them can help you plan for the most important goals. For instance, prepaying personal loan should take priority over taking an overseas holiday.

Hence, you should work with your financial adviser to revisit your goals, say annually, to update for any major life changes.

RISK RETURN TRADE OFF

If you prefer safety, you would realize that you will be required to invest in a product which offers higher returns than FDs to a meet long-term goal like retirement. Since mutual funds are market-linked products, you should be willing to take some risk to achieve your long-term goal.

On the other hand, it is advisable to go for low-risk products which offer safety when you are saving for a short-term (up to 1-year timeframe goal) even if you are willing to take the risk.

WHAT'S IN THE NAME

Some players have come up with solution-based products like retirement, child education, etc. to nudge people save for various goals. It is not necessary that you have to invest in a solution based product to meet that specific goal unless it is a Mediclaim policy or life insurance.
track record.

REACHING NEAR YOUR GOAL

When you reach your goal, you should start shifting your target corpus to safer assets. For instance, if you have invested in a diversified equity fund for a long-term goal, you can switch your corpus to liquid or debt funds as you approach your goal.

Since equity funds invest in markets, any correction in the market would risk your portfolio and thereby your goal. To sum up, goal-based investing involves these important five steps:

1) Identify and prioritize goals

3) Decide asset allocation

5) Review and revisit goals.

SIP RETURNS IN TOP MUTUAL 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**	**%**
SBI Blue Chip Fund (G)	*Large Cap*	451,893	15.3	953,617	18.6	2,775,568	16.0
Mirae Asset India Opportunities Fund (G)	*Large Cap*	488.841	20.9	1,045,870	22.4	NA	NA
BIRLA SL Advantage Fund (G)	*Multi Cap*	503,911	23.10	1,123,499	25.4	3,146,289	18.3
Motilal Oswal Most Focused Multicap 35 Fund (G)	*Multi Cap*	500,995	22.7	NA	NA	NA	NA
Mirae Asset Emerging Bluechip Fund (G)	*Mid Cap*	534,919	27.5	1,331,670	32.5	NA	NA
L&T India Value Fund (G)	*Mid Cap*	506,191	23.4	1,183,013	27.5	NA	NA
Franklin India Smaller Companies Fund (G)	*Small Cap*	499,081	22.4	1,242,172	29.6	43,92,3,835	24.5
L&T Emerging Businesses Fund (G)	*Small Cap*	580,985	33.7	NA	NA	NA	NA
HDFC Balanced Fund (G)	*Hybrid Equity*	460,883	16.7	975,083	19.5	3,067,939	17.9
L&T India PrudenceFund (G)	*Hybrid Equity*	452,599	15.4	953,922	18.6	NA	NA
TATA India Tax Saving Fund (G)	*ELSS*	490,085	21.1	1,050,516	22.6	3,073,792	17.9
Axis Long Term Equity Fund (G)	*ELSS*	451,970	15.3	1,019,215	21.3	NA	NA

PLEASE NOTE **Returns over 1 Year are compounded annualised, as on 25th October 2017

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