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Private Wealth Management
we know your investment needs

AKHIL CHUGH
Director - Net Brokers

Dear Patrons,

Happy Diwali !

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for October 2018.

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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Strategies to get good returns in current markets: Weakening rupee situation to the US dollar and increasing crude oil prices is an alarming sign for the markets and investors' current investments.This article talks about how to remain invested and maintain your returns.

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A Big No to stopping SIPs when market falls: If you are a mutual fund investor, the current market movement must be giving you jitters. So you simply stop investing? Or shift to any other plans? Let's understand how to proceed when the markets are not doing well.

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Why tax saving mutual funds are the best: The year 2018 is almost coming to an end, and we would have to start thinking of the best tax saving options for the coming year. Enlighten yourself on why ELSS is the best option vis-a-vie the other schemes offered in the market

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

Strategies To Get Good Returns In Current Markets (While Investing In Mutual Funds)

Weakening rupee situation to the US dollar and increasing crude oil prices is an alarming sign for the markets and investors' current investments. But, in such a situation, how does one manage to remain invested and maintain their returns. Let's understand how to do this:

INVESTMENT OBJECTIVE

Looking at ups and down in your portfolio can be intimidating, hence it is extremely important to stay focused on your investment objective. This helps us be disciplined as an investor and not get swayed by short term turbulences in the market.

TIME HORIZON

The investment objective defines the time one would spend in the market, with respect to the long term goals targeted. Hence, the time horizons are split into multiple buckets and knowing these would help stay on the path, rather than looking at the short term corrections.

GOAL BASED INVESTING

An investor's first step to investing is setting up financial goals such as retirement, children's education, children's marriage and insurance planning. Creating goals helps one stay on the track of achieving them. Emergency funds is something short term and can be looked as a priority goal for investors, simultaneously investing in the long term ones.

ASSET ALLOCATION

Asset allocation defines the kind of returns one would achieve in the long run. Hence, based on a definitive plan discussed with the investor and understanding his needs, a portfolio of debt and equity funds is created. This allocation is review from time to time, in order to attain the goals.

For instance, a 35 year old executive would typically be having 65-70% of his assets in equity with a decent mix of large, mid and thematic funds and the rest in debt. If he is investing at a ratio of 50:50 – it shows he is underweight. Similarly, if a retired person has 65% sitting in equity, it would be asking for trouble, given his goals would be better served with a capital protection from debt.

SPREADING RISK

Rather than going in for one or two mutual fund schemes, it is better to diversify your investments into 3-4 schemes of different fund houses in order to spread your risk. SIP is an ideal investment strategy at this point of time because of high volatility in markets. Existing investors, if possible should either double their SIP amount or increase it by at least 50%. Any lump sum amount can be parked in liquid funds, from where a systematic transfer plan (STP) on monthly basis can be done over a period of 18-24 months.

A Big NO to stopping SIPs when market falls

If you are a mutual fund investor, the current market movement must be giving you jitters. Question that comes to minds of investors is: "Should I stop my systematic investment plans?" and "Should I continue investing?"

The dilemma created, ends up in making wrong choices for themselves. This is when they see the markets tumble. Some stop their systematic investment plans (SIPs) in equity funds while others redeem their investments to avoid further losses.

Here is an illustration showing the different kinds of market timers:

KINDS OF MARKET TIMERS

REGULAR TIMER:Kept investing through SIPs irrespective of market movements.Easiest strategy to follow: Requires no effort on the part of the investor. He just needs to keep investing in a disciplined manner.

BULLISH TIMER:Invested more on all 10 crashes by advancing the next month's SIP. Sounds good on paper but difficult to follow: Must be able to invest on a day when everything is falling apart. Even this courage will not yield big returns.

PERFECT TIMER:Exited a day before all 10 crashes and reinvested entire amount on the next SIP date. Needs to be lucky all the time: Must have clairvoyance to predict market movements and courage to reinvest entire sum on next SIP date.

CAUTIOUS TIMER:Exited a day before all 10 crashes but reinvested after skipping next month's SIP. Most people likely to follow this strategy: Must have the same clairvoyance as the perfect timer, as also the stomach to reinvest after a gap of a month.

DON'T TIME THE MARKET

Everyone is aware of the market sentiments and how it can witness ups and downs. But, what if one starts acting upon, exits when market falls, and enters when markets increase? A good idea?
The easiest way to invest is through Systematic Investment Plan (SIP). Here, you don't need to time the market. Uncertainty, ambiguity and volatility will always be a part of the game. All we need to do is stay focused on our investment goal and diversify our risk by the right asset allocation. This will help us look at the bigger picture and wait for returns in the long term and not expect gains in the short run.

SIP RETURNS NEGATIVE FOR ONE YEAR

A dip in the markets is no reason enough for investors to stop their SIPs. It gives them a chance to add higher number of units after a fall. If they stay invested for the long term, the equity markets will go through a number of ups and down, and in some of these times, they are bound to see negative returns. In the long term, equity market returns follow nominal GDP growth rates. Hence, investors should continue their SIPs irrespective of the ones giving negative returns.

SCHEME TURNS NEGATIVE

Equities is not a short term game. One year is too short a period to take a call on equities, and definitely not enough to judge a scheme and the returns it has given in an SIP. Ideally, you should give the scheme three to five years to perform. However, if the scheme happens to underperform its benchmark even over a three-year period, then you can take a closer look at it and move to another scheme which has a better performance. Alternatively, if the mandate of the scheme has changed, or the fund manager has changed, you can discuss this with an advisor or any such professional before arriving at a decision.

The year 2018 is almost coming to an end, and we would have to start thinking of the best tax saving options for the coming year.

Why Tax -Saving Mutual Funds are the Best

The popular tax-saving options like
- Public Provident Fund (PPF),
- Employees Provident Fund (EPF),
- Bank fixed deposits,
- Unit Linked Insurance Plans (ULIPs),
- National Savings Certificate (NSC) and others

are all available in the market for years now.

Amongst these, equity linked savings scheme (ELSS) has gained popularity owing to a range of benefits that it offers over other alternatives.

Why ELSS is better than other tax-saving options?

SHORT LOCK IN PERIOD

Lock-in period means the time for which you are not allowed to redeem your investment. Instruments like PPF and NSC have long lock-in periods of 15 years and 5 years, respectively. Under Section 80C of the Income Tax Act, ELSS has the shortest lock-in period of 3 years. Thus, ELSS become the most accessible funds with respect to other tax saving options.

INVESTMENT IN EQUITIES

ELSS majorly invests in equities. Along with the tax benefit, investors who are looking at accumulating wealth always pick this for their portfolio. There is no denial that ULIPs and NPS also invest in equities, but the exposure to equities in the two is way less, as part of it is diverted into insurance protection and cannot be considered as a wealth booster scheme.
Thus, in addition to the inherent tax advantage, you can accumulate wealth towards achievement of long run financial goals like retirement planning.

RETURN ON INVESTMENT IS HIGHER

The time frame you need to stay invested in all schemes u/s 80 C is 3 - 5 years. The thumb rule says, long term investments should generate higher returns to beat the inflationary pressure. Fixed-interest generating securities like NSC and PPF yield returns in the range of 7-8%. In the same manner, Sukanya Samriddhi Yojana delivers a slightly higher interest. As ELSS essentially invests in the equity markets, you can expect them to earn higher returns vis-a-vis other tax-saving investment options, especially from the point of view of a long-term investor.

DISCIPLINE

In ELSS funds, you may invest regularly by using a Systematic Investment Plan (SIP). In SIP, a fixed amount is deducted from your bank account and used to buy units of your preferred ELSS fund. The most important benefit of SIP lies in financial discipline which it inculcates in the investor. When you invest small amounts regularly on a monthly basis, it lowers the liquidity pressures which you might face at the end of the financial year. This disciplined and planned investment schedule also inspires you to get into habit of saving and investing.

Hence, the choice is pretty clear! ELSS helps you achieve financial goals in a disciplined manner.

SIP RETURNS IN TOP MUTUAL

PLEASE NOTE : Returns over 1 Year are compounded annualised, as on 18th October 2018

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	*CATEGORY*	*RETURN*	*%*	RETURN	%	RETURN	%
ICICI Prudential Bluechip Equity (G)	*Large Cap*	416,462	9.7	787,457	10.8	2,513,652	14.2
Axis Bluechip Fund (G)	*Large Cap*	421,837	10.6	782,501	10.6	N/A	N/A
Mirae Asset Emerging Bluechip Fund (G)	*Large & Midcap*	427,530	11.5	950,131	18.5	N/A	N/A
Principal Emerging Bluechip Fund (G)	*Large & Midcap*	407,996	8.3	869,042	14.8	N/A	N/A
Mirae Asset India Equity Fund (G)	*Multi Cap*	427,577	11.2	840,854	13.5	2,932,311	17.0
Kotak Standard Multicap Fund (G)	*Multi Cap*	409,994	8.6	819,240	12.4	N/A	N/A
L&T Midcap Fund (G)	*Mid Cap*	410,714	8.8	892,298	15.9	3,289,293	19.2
Kotak Emerging Equity Fund (G)	*Mid Cap*	386,000	4.6	839,768	13.4	2,965,533	17.2
HDFC Small Cap Fund (G)	*Small Cap*	446,205	14.5	908,288	16.6	2,983,638	17.3
L&T Emerging Business Fund (G)	*Small Cap*	439,418	13.4	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	*Focused*	407,695	8.3	814,971	12.2	3,033,839	17.7
Axis Focused 25 Fund (G)	*Focused*	431,160	12.1	837,398	13.3	N/A	N/A
ICICI Prudential Equity & Debt Fund (G)	*Hybrid Equity*	409,742	8.6	794.750	11.2	2,584,201	14.7
Principal Hybrid Equity Fund (G)	*Hybrid Equity*	429.679	11.8	827,905	12.8	2,420,630	13.5
Aditya Birla SL Tax Relief 96 Fund (G)	*ELSS*	416,022	9.6	838,714	13.4	2,716,777	15.6
Axis Long Term Equity Fund (G)	*ELSS*	410,581	8.7	817,360	12.3	N/A	N/A

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Net Brokers Private Limited

Registered Office: A-35, Shivalik, New Delhi - 17

Head Office: 22, New Market, Malviya Nagar, New Delhi-17

Telephone: +91-11-41881002 **Mobile:** +91-9311999924 **E-mail**: mail@netbrokers.co.in