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Dear Patrons,

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

1

Mistakes one should avoid while investing: In a volatile market, investors tend to make certain financial decisions that can harm them in the short run and the long run.This article talks about the common mistakes one should avoid while investing in building a portfolio.

2

Invest smart for your child's education: In today's fast moving world, education has become the most important asset a parent can give to a child. Children's education is considered a major cash outflow that requires planning. Let's understand how to proceed on this goal with the mutual fund investments.

3

ELSS versus ULIP - Which one to choose: When we think about tax saving schemes, the first thing that comes to mind is the option of choosing between Unit Linked Insurance Scheme (ULIP) or Equity Linked Saving Scheme (ELSS). Enlighten yourself on the differences, pros and cons of both products.

4

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

Mistakes one should avoid while investing

Investors commit lots of mistakes, without realising that they harm them in the short as well as long run. Lets understand them in detail :

STOPPING SIP WHEN FUNDS ARE DOWN

Jittery investors, who started SIPs in large cap or mid cap funds within the last year and are now staring at losses, may want to discontinue their investments. They panic. But there is a very simple key to building wealth. Over a period of time, SIPs will average out your cost and generate inflation beating returns. Regular investing is a better strategy than timing the market for mutual fund investors. An investor who continues his SIPs irrespective of market movements is likely to make more money than one who lets market sentiments affect his decisions.

SHIFTING FROM DEBT FUNDS TO FIXED DEPOSITS

Shifting from debt funds to fixed deposits is the first move one sees when the funds returns are in red. But the game doesn't work in the favour of investors. While bank deposits give assured returns, they are not tax efficient, The entire interest earned from bank deposits is included in the individual's income for the year and taxed at the applicable slab rate. The post-tax return will be much lower for those in the higher tax brackets.
Parking your money in short term or low duration funds debt funds and fixed maturity plans is the best option.

DON'T START SIP FOR SHORT TERM GOALS

Given the healthy return from some mutual funds over the past 2-3 years, some may be tempted to start fresh SIPs in equity funds. Some may even consider initiating a SIP in mid-cap funds to gain from the volatility. This is fine so long as you are not investing in these funds for short-term goals or hunting for quick gains. Investors should commit to at least a five-year horizon to benefit from the SIP. "At a fundamental level, the fund must align with your risk profile and time horizon.

EQUITY INVESTMENT FOR EARNING DIVIDENDS

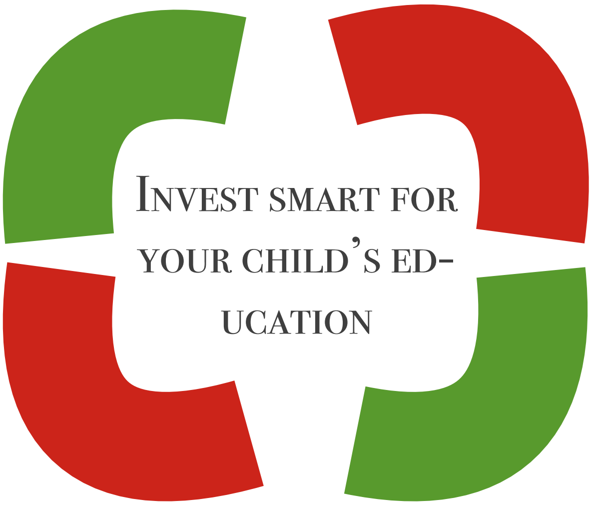
Dividends are paid out of the distributable surplus accumulated by funds over the years; there is no guarantee that they will be able to sustain the quantum of payout. If the market nosedives, these funds may not have enough surplus left and dividend payouts may get increasingly erratic. Entering an equity oriented investment for the sole purpose of income generation is a bad idea.

TOO BULLISH ON STOCKS

Overconfidence is a dangerous feeling in the stock market. Investors who are less confident tend to make fewer mistakes than those who are brash and carefree. The best way to protect your portfolio is by deciding on a percentage balance between equity and debt, and sticking to it by periodically shifting money away from the one that becomes high to the one that becomes low.

Someone has rightly said,"Knowledge is Power". In today's fast moving world, education has become the most important asset a parent can give to a child. Children's education is considered a major cash outflow that requires planning. A three - year bachelor course in a private college roughly costs around 6 lacs. In six years, the cost is likely to touch 12 lacs. In 2027, it would cost 24 lacs to get a bachelor's degree. How can parents overcome inflation and taxes eating up their hard-earned money and still be able to provide the best to their children, without facing troubles managing their finances? The present and future costs of educational mentioned here:

Degree	Present Cost	5 years	10 Years	15 Years	20 Years
Engineering	7,00,000	9,81,786	13,77,006	19,31,322	27,08,779
Medical	10,00,000	14,02,552	19,67,151	27,59,032	38,69,684
Management	15,00,000	21,03,828	29,50,727	41,38,547	58,04,527
Other Professional courses	8,00,000	11,22,041	15,73,721	22,07,225	30,95,748



Mutual Funds are one such investment that caters to all kinds of investor with varied financial temperament. While you are looking into ways to create a corpus for your child's future this option is worth exploring and investing. If the age of your child is less than ten years old, you are in a stage where you can take risk. Hence, investing in Equity funds tend to generate higher returns. While, it is often considered to be risky, the long time period reduces the risk.

You can also invest through Systematic Investment Plans (SIP) which allows you to invest a stipulated amount weekly, monthly or quarterly while allowing the corpus to grow slowly and steadily. SIPs also helps you in rupee cost averaging as you ride through the market cycle during the investment period.

Let's see how parents can overcome the challenges and at the same time save and invest for their child's education.

CHOOSE THE RIGHT OPTION

A time duration of 15-18 years calls for an investment in equity funds by parents. Equity funds have the capability of giving returns in the range of 15-20% p.a in the long term. This is because the volatility in the equity markets gets flattened and you benefit out of the rupee cost averaging. An individual can opt to invest 75% in equities and balance 25-30% in debt oriented mutual funds.

Any horizon below five years, calls for investment primarily in debt funds which are likely to offer lower rate of return, but better tax adjusted returns as compared bank fixed deposits.

START EARLY

An individual who starts early can attain a large corpus easily by getting the benefit of the power of compounding. Rs 1 crore corpus is achievable by investing an amount of Rs 14,100 in systematic investment plan (SIP) for 18 years in an equity fund assuming a conservative return of 12% p.a.
A delayed investor not only finds it difficult to create the desired corpus, but also jeopardizes his other financial goals. It is seen at times, that parents try to fill in the gap by consuming a part of their retirement savings. This is a not a good sign. Also, people realize these things in their late 40s, but they are unable to reap the complete benefit of the power of compounding.

When we think about tax saving schemes, the first thing that comes to mind is the option of choosing between Unit Linked Insurance Scheme (ULIP) or Equity Linked Saving Scheme (ELSS).

ELSS versus ULIP; Which one to choose?

Let's understand the similarities:

1. ELSSs and ULIPs combine tax saving with a long term investment perspective
2. The make equities a major part of them and entail a lock-in

Sadly, ULIPs are mis-sold till date and most often stay undifferentiated from mutual fund. Investors thought they were paying for the investment product but they were paying for the insurance cover. Also, the charges involved in ULIP are not transparent.

DIFFERENCE BETWEEN ELSS AND ULIP

The good thing about having ELSS and a term cover in your portfolio, is that they both are exempted u/s 80C of the Income Tax Act.

As data about ULIPs is not widely available, this investment product doesn't provide the transparency about the loads and costs involved. It is thus difficult to find the suitable ULIP for an investor as per profile.

Should you entangle two goals, insurance and tax saving, simultaneously? The answer is NO. ELSS is the best way to invest for tax saving and buy a term plan to cover insurance.

When we talk about returns and the consistent ones, ELSS has been the best and consistent choice in the past 20 years.

ULIPs have a lock-in period of 5 years, whereas ELSS is liquid after completion of 3 years.

In a 15 year period, you can reinvest your ULIP only 3 years, while ELSS can be reinvested five times, making it a better tax planning tool for any investor.

Once you start a ULIP, you have to keep paying premium every year till the defined premium paying term. Whereas, in ELSS, you can choose to make an investment as per your choice. There is no compulsion to continue it every year.

Due to the upfront loads in ULIPs, its becomes a profitable investment product only after 10 years of holding. On the other hand, ELSS shows results over a period of 3 - 5 years.

Hence, the choice is pretty clear!

SIP RETURNS IN TOP MUTUAL FUNDS

PLEASE NOTE : Returns over 1 Year are compounded annualised, as on 20th September 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*	449,926	15.0	854,520	14.1	2,722,958	15.6
Axis Bluechip Fund (G)	*Large Cap*	458,361	16.3	853,633	14.1	N/A	N/A
Mirae Asset Emerging Bluechip Fund (G)	*Large & Mid Cap*	458.835	16.4	1,032,939	21.9	N/A	N/A
Principal Emerging Bluechip Fund (G)	*Large & Mid Cap*	449,315	14.9	967,697	19.2	N/A	N/A
Mirae Asset India Equity Fund (G)	*Multi Cap*	457,767	16.2	910,889	16.7	3,163,368	18.4
Kotak Standard Multicap Fund (G)	*Multi Cap*	443,748	14.9	893,674	15.9	N/A	N/A
L&T Midcap Fund (G)	*Mid Cap*	442,111	13.8	971,910	19.4	3,544,134	20.5
Kotak Emerging Business Fund (G)	*Mid Cap*	4419,738	10.2	925,097	17.3	3,222,906	18.8
HDFC Small Cap Fund (G)	*Small Cap*	478,484	19.4	978,250	19.6	3,193,669	18.6
L&T Emerging Business Fund (G)	*Small Cap*	472,665	18.5	N/A	N/A	N/A	N/A
IDFC Focused Equity Fund (G)	*Focused*	448,532	14.8	827,097	12.8	2,193,549	11.6
Axis Focused 25 Fund (G)	*Focused*	477,584	19.2	930,021	17.5	N/A	N/A
Principal Hybrid Equity Fund (G)	*Hybrid Equity*	452,812	15.5	875,221	15.1	2,546,542	14.4
Mirae Asset Hybrid Equity Fund (G)	*Hybrid Equity*	436,017	12.8	N/A	N/A	N/A	N/A
Aditya Birla SL Tax Relief 96 Fund (G)	*ELSS*	453,841	15.6	922,588	17.2	2,965.964	17.2
Axis Long Term Equity Fund (G)	*ELSS*	452.981	15.5	911,733	16.7	N/A	N/A

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