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Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for April 2019.

We would like to take this opportunity to thank our readers for acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to you more educative and informative articles.

1

Equity linked saving schemes, Things one must know: ELSS is a popular term heard and used for tax saving investment option. Listed are some points why it is the best tax saving option and a new investor product to move into equities.



2

Multi-cap: A popular investment option: Multi-cap funds are one of the most popular product categories in the industry. These funds are suitable for a wide variety of long term investment objectives. Enhance your knowledge base on this product category.



3

Sector Funds: A personal choice product category: Sector funds are funds that invest its corpus in equities in one particular sectors. Educate yourself on the risks, allocation and advantages of this category of mutual fund.



4

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



EQUITY LINKED SAVING SCHEMES: THINGS ONE MUST KNOW

SHORT
LOCK-IN

ELSS is investment in stocks, but this instrument is purely for those who have a long term horizon. They are risky products, but one could overcome the fear of risk if they stay invested for a long period and attach the investment to a financial goal. Studies say that it is the only option that can beat inflation and achieve returns in the longer period of time.

ELSS have the shortest lock in period for tax planning amongst all investment options u/s 80C. Though the other investment options such as PPF(Public Provident Fund) comes with a lock-in period of 15 years and NSS (National Saving Scheme) has an investment period of 5 years.

HIGHER
RISK,
BUT...

There are several options available for exempting tax under Section 80C. Life insurance policy and Employee Provident Fund (EPF) are two popular options beside ELSS, that people like investing in. But, make sure you deploy funds accordingly, if you hold all three options in the portfolio. Because, one cannot claim tax deduction more than Rs 1.5 lacs in a financial year.

TAX
BREAK OF
ONLY RS
1.5 LAC

Someone who has never invested in equity schemes, should start by investing in ELSS. One get a-tuned to the volatility of the market in the mandatory lock-in period of three years. The investor gets a fair idea of how his realistic returns would look in the longer period of time and then could try his hands on other equity schemes.

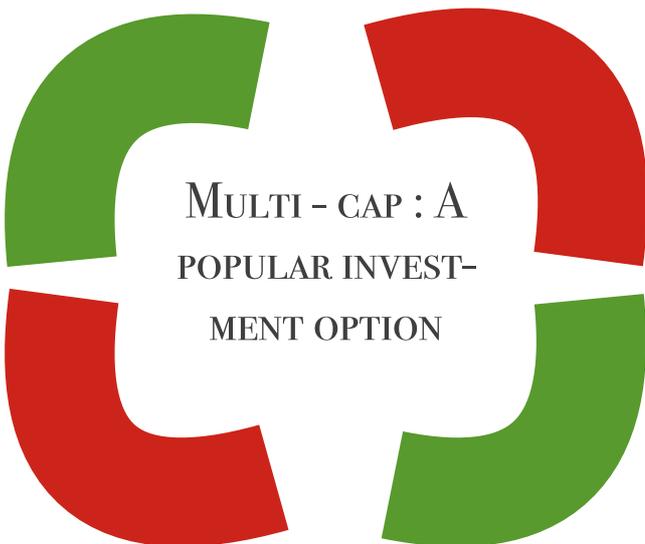
FIRST
EQUITY IN-
VESTMENT

This product will offer superior returns only if one shows patience in his/her approach. These are long term investment products, that can get returns to the tune of 10-12% in comparison to a fixed deposit (FD).

HIGHER
RETURNS

The mutual fund industry is so vast in India that selecting the right funds in a portfolio can be quite mystifying for a new or early investor. One tends to explore and decide on the basis of their risk appetite, that is, the risk tolerance level of an investor in equity markets. But, we forget an understated fact, that anyone investing in equity is assumed to have a good level of risk appetite. Then, how do we choose between a large cap, a mid-cap or a small cap fund.

Multi-cap funds comprise of 50 to 75% of large cap stocks, while the balance 25 – 50% portion comprise of small and mid-cap stocks. They are one of the most popular product categories in the industry. These funds are suitable for a wide variety of long term investment objectives like retirement planning, children's education, marriage etc.



MULTI - CAP : A POPULAR INVEST- MENT OPTION

FLEXIBILITY

Multicap funds are flexible as the fund managers can switch holdings in the fund between large, mid and small cap stocks, based on the market outlook. These funds maintain an extensively diversified range of stocks

EXPOSURE TO MID-CAP IN A GOOD WAY

A multi-cap fund could have 30-40% exposure in mid-cap stocks. An investor needs to construct his portfolio, keeping the fact in mind, that he doesn't take excessive exposure to pure mid-cap funds also, or else his exposure to the more volatile mid-cap stocks could exceed his risk appetite.

CONCLUSION

Multi-cap funds are not a homogenous lot in terms of risk. Within the category, some funds take a lower degree of risk (as they have a lower limit on exposure to mid-cap stocks) while others court higher risk in the quest for higher returns.

LONG TERM OPTION

Investing in large cap versus small / midcap funds is very subjective and depends on the long term and short term goals. But, one cannot expect the markets to follow the same pattern year on year, as dynamics change in volatile markets. Hence, multi cap funds come into play. They are a good long term investment option, when one is confused between large cap and midcap funds.

EASE OF SELECTION

The hassles of picking individual stocks or deciding which market capitalisation fund would suit them may go for multi-cap funds to start with. A multi-cap fund gives investors the combined benefits of both large and mid-cap funds with the convenience of having to monitor and track only one fund (instead of two).

WEALTH CREATORS

Multicap funds are ideal creators of wealth as compared to plain large cap funds. Because of their dynamic investment strategy, these funds may deliver better returns when matched to financial goals such as retirement planning, children future planning etc.

SECTOR FUNDS: A PERSONAL CHOICE PRODUCT CATEGORY

WHAT ARE SECTOR FUNDS?

Sector funds are funds that invest its corpus in equities in one particular sector such as information technology, banking, pharma. These sectors invest at least 80% into equity and equity related instruments of a particular sector.

Sector funds are very different from diversified funds, as they are slightly expensive, say 0.25% - 0.50% annually, along with their array being narrower and smaller economies of scale.

One must check the following pointers before investing in this category:

- I. Ensure the sector is undervalued or fairly valued,
- II. The sector should have certain triggers in the next one to two years that will lead to the broader growth of the sector.

HOW RISKY ARE SECTOR FUNDS?

Sector funds tend to be riskier and more volatile than the broad market because they are less diversified, although risk levels depend on the specific sector.

SECTORAL VERSUS THEMATIC FUNDS

Sectoral Funds	Thematic Funds
Sectoral funds aim to completely invest in a few specific sectors of the economy. This can be energy, information technology (IT), banking, FMCG, and so on.	Thematic funds which invests in a particular theme rather than sector – there are various investments but they all have a common theme. In other words, investments are made in stocks of different sectors based on a particular theme.
These funds focus only on one sector	These funds are more diversified than sectoral funds
The fund offers potential results if the sector performs well. However, it can also take a big plunge if the sector does poorly.	Thematic funds are relatively less risky of the two and might be a better option if you are a novice investor.

PROPORTIONS ALLOCATED TO SECTORAL FUNDS

Sector funds are exposed to a single sector and fewer number of stocks, hence the risk is higher as compared to other diversified funds. The fund manager has no way to switch if the performance of the sector deteriorates. Thus, it is advisable not to allocate more than 5-10% of one's portfolio into sectoral 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	%
Mirae Asset Large Cap Fund (G)	Large Cap	437,409	13.1	844,093	13.6	2,830,157	16.4
Axis Bluechip Fund (G)	Large Cap	444,160	14.1	815,057	12.2	N/A	N/A
Principal Emerging Bluechip Fund (G)	Large & Midcap	400,866	7.1	808,051	11.9	3,024,500	17.6
Mirae Asset Emerging Bluechip Fund (G)	Large & Midcap	438,652	13.3	914,532	16.9	N/A	N/A
Principal Multicap Fund (G)	Multi Cap	411,295	8.9	792,830	11.1	2,509,957	14.1
Kotak Standard Multicap Fund (G)	Multi Cap	427,764	11.5	829,609	12.9	N/A	N/A
L&T Mid Cap Fund (G)	Mid Cap	398,409	6.7	810,148	12.0	3,005,078	17.5
Kotak Emerging Equity Fund (G)	Mid Cap	398,299	6.7	803,059	11.6	2,917,082	16.9
HDFC Small Cap Fund (G)	Small Cap	431,348	12.1	866,633	14.7	2,790,913	16.1
L&T Emerging Businesses Fund (G)	Small Cap	402,513	7.4	840,148	13.5	N/A	N/A
Franklin India Focused Equity Fund (G)	Focused	422,945	10.8	801,772	11.5	2,844,266	16.5
Axis Focused 25 Fund (G)	Focused	429,330	11.8	828,645	12.9	N/A	N/A
Principal Hybrid Equity Fund (G)	Hybrid Equity	420,929	10.4	807,164	11.8	2,354,499	12.9
Mirae Asset Hybrid Equity Fund (G)	Hybrid Equity	426,177	11.3	N/A	N/A	N/A	N/A
Aditya Birla SL Tax Relief 96 Fund (G)	ELSS	418,170	10.0	810,621	12.0	2,610,860	14.9
Axis Long Term Equity Fund (G)	ELSS	425,714	11.2	806,404	11.8	N/A	N/A



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