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Knowledge Initiative

Dear Patrons,

Greetings from Net Brokers!

We are pleased to share our monthly newsletter “**Knowledge Initiative**” for August 2015.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring you more educative and informative articles in the Financial Year 2015 -16.

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:

1. Young Couple Approach Towards Equity
2. An Ideal Fund for New Investor
3. Motor Insurance: How to Nail Down a Policy
4. Home Loan Closure: Important Things to Know
5. Investment Opportunities in Real Estate
6. SIP Returns in Top Equity Diversified Mutual Funds



Akhil Chugh

Warm Regards,

Akhil Chugh
Director



GODREJ 101

NEW GOLF COURSE ROAD, **GURGAON**

101 ACTIVITIES TO LIVE INSPIRED



For more information on this project, contact us on mail@netbrokers.co.in



Young Couple Approach Towards Equity

India by 2020 is set to become the world's youngest country with 64 per cent of its population in the working age group. According to the census of India 2011, the approximate percentage of age group between 20-30 is 9.7%. With a generation of young professionals hungry for knowledge and hungry to succeed, the country is throttling towards a more economically sound future. A usual mindset used to be to save hard earned money for a better future by depositing it into traditional products like bank fixed deposits, LIC, etc.

During one of our meetings last month with a young couple in their mid 30's, we were surprised rather shocked to see their investment portfolio. They were too conservative as an investor. The maximum exposure was in LIC traditional plans followed by bank fixed deposits and some portion in physical gold. They were banking on LIC Plans for retirement and for their child's future planning – education and marriage. On being asked on their investment approach, they said this is what their parents and grandparents have been doing since decades and wanted to follow their footsteps.

What the couple had not realized, that their returns were not even beating inflation. Today the cost of higher studies for example MBA in a private college in India is approximately Rs 12 lacs. With the rise in cost every year, the MBA degree will cost Rs 21.50 lacs after 10 years and Rs 28.75 lacs in 15 years assuming inflation @ 6% p.a.

As per data of last 35 years, post inflation returns (CAGR) in Gold – 3.94%, Fixed Deposits – 0.91%, Sensex – 17.31%, Public Provident Fund (PPF) – 2.69% and LIC - (-) 2.24%. Average Inflation in 35 years is 7.52%.

The young couple will need to slightly change their mindset on equities. Traditional products will not help them achieve their financial goals. It is very important to invest in equities to beat inflation in the long run.

For this, an individual can directly invest in the stock market. But investing in stocks is not everyone's cup of tea as lot of time and detailed research is required in selection of stocks. This is where Mutual Funds are helpful for new investors to get started. These are professionally managed funds that invest in stocks of various companies operating in different sectors. They help to diversify the total risk. During bad times, even if few stocks are not performing, their impact is less on the overall investments.



An Ideal Fund for New Investor

With so many categories in mutual funds to choose from, an individual may find difficulty in selecting the right scheme for himself. A wrong fund selected may put them off from mutual funds forever. Selection of mutual funds varies from investor to investor and largely depends on factors like age, financial goals, risk appetite, etc. However, new investors can look into these two categories to start with:

1. **Equity Balanced Funds:** They are also called hybrid funds and invest in both equity and debt. The portfolio is diversified in terms of companies and sectors. The fund manager invests in equities in the range of 65% - 100% and the balance in debt to provide protection against downside risk. Most balanced funds have an average holding of 70-75% equity in a year.

Balanced funds are ideal for new investors as they have a pre – defined asset allocation. Moreover, they are tax efficient. Long term capital gains (more than one year) are nil and Short term capital gain (less than one year) is 15%. Dividends are tax free.

2. **Large Cap Funds:** They are also known as blue chip funds. The portfolio is concentrated in top 50 – 100 companies in terms of market capitalization. These are companies with strong balance sheets. The portfolio composition is 80% or more in large cap companies and the balance in upper mid cap companies. Large cap stocks are less volatile in nature and provide good stability to the portfolio. The taxation part remains the same as discussed for balanced funds.

An individual can invest in either one or both the categories of mutual funds. However, it is advisable to consider factors like age, financial goals, risk appetite, etc before making any investments. For the benefit of investors, following are the Top Balanced Funds and Large Cap Funds:

* Returns as on 18th August, 2015

Large Cap Funds				Balanced Funds			
Scheme Name	Return 3 Yr	Return 5 Yr	Return 10 Yr	Scheme Name	Return 3 Yr	Return 5 Yr	Return 10 Yr
HDFC Top 200 Fund	21.05	11.27	18.69	HDFC Balanced Fund	23.87	16.14	17.09
Franklin India Bluechip Fund	20.21	12.39	17.08	Franklin India Balanced Fund	23.24	14.42	15.56
UTI Equity fund	23.94	15.36	16.74	ICICI Pru Balanced Fund	23.97	16.66	14.72

* Returns over 1 Year are compounded annualized

For more information on Mutual Funds, contact us on mail@netbrokers.co.in



Motor Insurance: How to Nail Down a Policy

Owning a vehicle is not a luxury anymore, it is surely a necessity for individuals living in metro cities like Delhi, Mumbai, etc. To safeguard the asset, one must consider the lucrative options available in the market:

- A zero depreciation cover ensures that in case of an accident, you will receive the full claim without any deduction for depreciation on the value of the parts replaced.
- Comprehensive Insurance covers for damages, accidents, natural calamities and even thefts as per policies and includes the mandatory third party insurance.
- Third Party Insurance is mainly if the insured causes damage to someone or the property of someone via his/her vehicle. This insurance is mandatory by law and hence all vehicles have it.

Car Insurance is very important for each and every individual to cover the big expenses of repairs if one damages his or her own car. We list some points to understand how to buy car insurance and the important things to keep in mind:

1. **Claims & their Settlement:** Renowned companies with good track record of settling car insurance claims and that too reasonable quickly, is what we should consider. To name a few, ICICI Lombard and HDFC Ergo General Insurance are well known players in the industry offering satisfactory services and maintaining decent reputation.
2. **Customer Service and Support:** While purchasing the policy, the company may seem warm and cordial, but the real performance is seen when the client actually requires the claim and if the company is responsive and readily available to give support. Hence, before deciding the company, one must read the reviews and talk to existing clients about the services.
3. **Cashless as an Option:** This feature gives convenience to the client of avoiding to carry around cash. The generation has already turned heads towards plastic money and does not believe in cash payments. But, this aspect shouldn't be a deal breaker if the other services and facilities provided are considerable.
4. **Workshops:** One must consider an insurance provider that has maximum tie ups with car workshops available around. This leaves you with lot of options from where you want to get your car repaired from.
5. **Premiums:** One must compare the premiums from various companies and extent coverage possible. Also, some companies may offer additional discounts if all your cars are insured by them. So consider this point while opting for car insurance.

No company is good or bad. Talk to your financial advisor about various options and the public experience in general. Go ahead with the best offering and the company whose services appeal to you the most promising.



Home Loan Closure: Important Things to Know

Generally when a borrower takes a home loan, he applies for the loan on his current income. Once he accumulates the money, he decides to repay the loan and make the property debt free. Here are some things we must ensure while closing our home loan balance outstanding with the lender:

Original Property Documents: Soon after you make the whole payment to the lender for the home loan, the lender processes the closure of home loan. Here, the borrower is asked to collect the original property documents in person from the respective loan branch. The following documents are returned back: Original sale deed, Original allotment letter, Permission to mortgage, Original payment receipts, tripartite agreement & any cancelled cheque

NOC from the Lender: No dues certificate is a legal document provided by the lender, which certifies that the home loan has been repaid in full and no outstanding balance exists. It is an extremely important document, to be collected from the lender. Never ask the lender to send the document through courier or email, as an original stamped NOC is considered a legal document.

Remove Lien from Registrar Office: 'Lien' means a right to keep possession of property belonging to another person until a debt owed by that person is discharged. In simple language, it means that the lender has a right to sell the property, if the borrower is unable to repay the loan.

If you don't remove lien from the house, then you may face difficulty in selling the property further. Also, once the lien from the property is removed, a no encumbrance certificate must be issued. The no encumbrance certificate states that no one has any legal rights in the property.

CIBIL Report Updated: CIBIL is Credit Information Bureau (India) Limited. It collects and maintains individual payments of loans and credit cards. This information is used to create Credit information reports and credit scores which are provided to lenders in order to help them evaluate and approve loan applications.

Once your home loan is closed, the lender should update CIBIL about the closure, so that the same is seen on the CIBIL report thereafter. But, sometimes banks or financial institutions may delay this small action or ignore it. In such a scenario, you can directly write to CIBIL with the relevant proof and get the same closed on immediate basis. CIBIL usually takes 15 - 20 days to revert on the matter after checking with the respective lender.

Make your home loan closure 100%, before you go ahead with life's commitments and other investments. These points may seem minute right now, but one realizes these things while investing in their second property or taking a home loan or selling the property on which loan were previously running.

Investment Opportunities in Real Estate

The government has asked real estate developers to adopt modern construction technologies to boost housing supply. In line with the government's strategy to use cost effective technologies for building houses, the ministry has entered into MoUs with premiere Indian institutes like Indian Institutes of Technology (IIT) and School of Planning and Architecture. This definitely sounds like some big and good news for India and its persistent effort to improvise with the use of technology.

Net Brokers presents to you lucrative options in the Real Estate for August 2015:

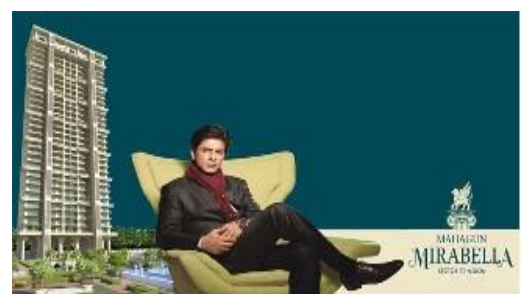
Project	Type	BSP/Sq.ft	Cost
Emaar MGF Palm Gardens, Sector 83, Gurgaon	Residential	6999	1.20 Cr onwards
Godrej 101, Sector 79, Gurgaon	Residential	5990	82.84 Lacs onwards
Vatika Xpressions , Sector 88 B, Gurgaon	Residential	5350	72 Lacs onwards
Supertech Azalia, Sector 68, Gurgaon	Residential	5800	41 Lacs onwards
Mahagun Mirabella, Sector- 79, Noida	Residential	5300	73 Lacs onwards
Supertech Eco Village - 3, Noida Extension	Residential	3950	32 Lacs onwards
JM Florence, Noida Extension	Residential	2915	31 Lacs onwards
Vatika Towers, Golf Course Road, Sector 54, Gurgaon – Assured Returns @ 10% p.a	Commercial	16000	80 Lacs onwards
WTC Noida - Assured Returns @ 12% p.a.	Commercial	5500	22.50 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards



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SIP Returns in Top Equity Diversified Mutual Funds

* Returns as on 18th August, 2015

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	%
UTI Equity Fund	Large Cap	527,753	26.5	1,010,340	21.0	2,932,774	17.0
ICICI Pru Focused Bluechip Equity Fund	Large Cap	501,246	22.7	955,776	18.7	NA	NA
Franklin India Prima Plus	Large & Mid Cap	568,184	32.0	1,085,532	23.9	3,161,101	18.4
Birla SL Frontline Equity Fund	Large & Mid Cap	534,905	27.5	1,015,914	21.2	3,056,365	17.8
Franklin India Smaller Companies Fund	Mid Cap	677,777	45.8	1,381,033	34.1	NA	NA
Religare Invesco Mid N Small Cap	Mid Cap	632,690	40.3	1,261,542	30.2	NA	NA
L&T - India Value Fund (G)	Multi Cap	641,614	41.4	1,123,692	29.4	NA	NA
Franklin India High Growth Companies Fund	Multi Cap	628,478	39.8	1,238,747	29.5	NA	NA
HDFC Balanced Fund	Hybrid Equity	537,188	27.8	1,022,193	21.4	3,127,164	18.2
ICICI Prudential Balanced Plan	Hybrid Equity	516,466	24.9	1,008,291	20.9	2,737,859	15.7
Axis Long Term Equity	ELSS	626,518	39.5	1,265,320	30.4	NA	NA
BNP Paribas Long Term Equity Fund	ELSS	565,450	31.6	1,103,696	24.6	NA	NA

*Returns over 1 Year are compounded annualised



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