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Knowledge Initiative

Dear Patrons,

Greetings from Net Brokers!

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

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. Expectations from Union Budget 2015-16
2. Invest Smart for Your Child's Education
3. Multi-Cap Funds: An Integral Part of Your Portfolio
4. Home Loans: Do Borrowers Only Pay Interest Cost?
5. Investment Opportunities in Real Estate

Akhil Chugh

Warm Regards,

Akhil Chugh
Director

Expectations from Union Budget 2015-16

The Union Budget 2015-16 on February 28 is an opportunity for the government to lay down the vision of the country for the next 5 years. The question they should ask themselves is that do they want to grow at 8% for the next 2 years and then take a break, or build an economic model where they can grow at 9% for the next 35 years.

The Reserve Bank of India expects another interest rate cut by 75 basis points after the rate cut of 25 basis points in January 2015. The central bank governor is expecting the inflation to be at 6% by the end of year 2016. This gives the Prime Minister and Finance Minister a definite stage to perform and design a clear roadmap for India.

Finance minister Arun Jaitley is likely to announce an ambitious Rs 45,000 crore disinvestment programme for the year starting April 1 when he presents the Budget in parliament. That would allow him to keep the fiscal deficit on a tight leash while finding the money needed for a public spending push.

Individual and corporate taxpayers expect a relief in tax in the upcoming budget 2015. There is an immediate need to boost savings of individuals in the country. Also, the corporate tax bracket is 30%, which has remained unchanged for the last 7 years. Many companies are re-locating their operations to avoid tax burden. There is need to provide some relief to them, thus encouraging companies to operate in India and increasing employment within.

Since the government is keen to restart the investment cycle and deepen the manufacturing sector as a part of its ‘Make in India’ campaign, thus it would require having an easy tax structure. This would encourage firms to invest in the country. A roadmap is expected for the Goods and Service Tax (GST), incentives for manufacturing and infrastructure sectors and improvements in tax administration.

We believe the budget will be positive for most sectors. It is expected that measures will be taken to boost financial savings through instruments such as insurance and mutual funds. Also, higher outlays in national highways, rural roads, railways, low cost housing and a large number of incentives for the industrial sector is seen to take-off in this budget , in order to promote domestic manufacturing.

The most important item in the backdrop to the budget is significant reduction in the price of crude oil. This has reduced the country’s external vulnerability and opened space for the government to drastically reduce its energy subsidy bill, which runs over Rs 85000 crore.

Overall, the global situation looks favorable for the country as more investors are showing curiosity and interest in India. The economic situation is better and moving in the right direction.

Invest Smart for Your Child's Education

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?

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

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 13,100 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.

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.

Let us explore the various options available keeping in mind the investment horizon:

Age of Child	Time Available	Instruments -Asset Allocation	Cost of Education	Investment Required
0 – 2 years	Over 15 years	✓ Diversified Equity Funds – 80% ✓ Equity oriented Balanced Funds – 20%	MBA degree to cost Rs 75 lacs in the year 2033	SIP of Rs 9800 in will accumulate Rs 75 lacs
3 - 6 years	12 – 15 years	✓ Diversified Equity Funds – 70% ✓ Equity oriented Balanced Funds – 30%	Medical course to cost 38 lacs in the year 2030	SIP of Rs 7600 will accumulate Rs 38 lacs
7 – 10 years	8 – 11 years	✓ Diversified Equity Funds – 20% ✓ Equity oriented Balanced Funds – 30% ✓ Debt oriented Balanced Funds – 50%	Law degree to cost 23 lacs in the year 2023	SIP of Rs 14250 will accumulate Rs 23 lacs
11 – 14 years	4 – 7 years	✓ Debt – oriented Balanced Funds – 80% ✓ Debt Funds – 20%	Engineering course to cost 8.8 lacs in the year 2020	SIP of Rs 11300 will accumulate Rs 8.8 lacs
Over 15 years	Less than 3 years	✓ Debt Funds – 90% ✓ Debt oriented Balanced Funds – 10%	MBA degree to cost 20 lacs in the year 2018	SIP of Rs 47500 will accumulate Rs 20 lacs

Note: The above table is a model portfolio created by us. The scheme selection and asset allocation will differ from individual to individual depending upon the financial goals and risk appetite.

Review the portfolio

It is very important to choose a financial advisor, when you start investing. A financial advisor has complete awareness on the market scenario and would suggest the right funds that suit you risk appetite and are performing well. The financial advisor reviews your portfolio from time to time and ensures that it is correctly positioned in accordance with the financial goals.

If a fund is not performing, it is not advisable to sell it immediately. You can stop the SIP in that fund and start an SIP that is performing well. The laggard fund can be reviewed for 3-4 quarters and sold off as and when required. Rebalancing your portfolio is suggested by selling the outperforming assets and investing freshly into the underperforming ones. This will help in curtailing the risk one could face due to over exposure to a particular class.

For more information on Children Future Planning, contact us on mail@netbrokers.co.in

Multi Cap Funds - An Integral Part of Your Portfolio

As you start investing in equity mutual funds, you are advised to divide the investment in two parts – large cap and mid or small cap. These are two different types of funds. Mid or small cap has the potential to deliver exceptional returns whereas large cap would ensure stability in the portfolio.

However, you should not overlook multi cap category which has an important role to play in an equity portfolio. Multi cap funds invest across market capitalization. Different categories of stock market tend to do well at different times. Past data shows as large caps have done well in a given year, mid caps have done the same in the next year. Thus, multi cap funds can benefit from the outperformance of any of these.

The fund manager has the flexibility to allocate the money to large caps, mid caps and small caps in equal proportion or in any percentage depending upon the internal research of the fund house.

Multi cap funds also provide sufficient liquidity at the time of crisis. Investors tend to have large exposure to mid and small cap stocks when markets are on a rise. As and when the trend changes, liquidity dries up in these stocks. In multi cap funds, there is a right combination of large caps, mid and small caps and hence, they are least affected.

Multi cap fund should be an integral part of equity portfolio. An ideal exposure can be 30-35%. However, allocation will totally depend upon the risk appetite and financial goals of an individual. We believe systematic investment plan (SIP) is the best way to invest in such funds or any other equity mutual fund. SIP offers a discipline way of investing on monthly basis irrespective of the market levels and avoids timing the market. It is an excellent tool to achieve financial goals like retirement, children education and marriage, buying a home, car, planning a vacation, etc.

SIP Returns in Top Multi-cap Funds:

Returns (CAGR) %

Scheme	3 years (in %)	5 Years (in %)	7 Years (in %)
Franklin India High Growth Companies Fund (G)	49.1	31.4	27.1
HDFC Equity Fund (G)	32.3	21.2	21.2
Birla Sun Life Equity Fund (G)	38.6	24.2	20.9

*Returns as on 13th February, 2014

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

Home Loans: Do Borrowers Only Pay Interest Cost?

An individual takes into account the interest cost that he needs to pay every month as a part of the Equated Monthly Installment. But, it adds to his worries when he realizes that it is much more than interest cost that gets paid to the financial institution. Here are some other costs that we discuss:

Processing Charge
This is typically 0.25%- 0.50% of the loan amount and is usually capped with fixed amount for loans of higher amount. For instance, HDFC limited charges 0.50% of the loan amount up to Rs 20 lacs. Loans above Rs 20 lacs will have a fixed charge of Rs 10000 + 10.30% service tax that comes to Rs 11030.

Processing fee is usually non-refundable. In some cases, the financial institution may refund 50% of the fees, depending on the considerations and case elements. Also, in cases where the loan has been rejected due to property issues, the processing fee is chargeable.

Commitment Fees
This is levied by the financial institution on the borrower for unused credit. In case of a construction linked plan, the loan disbursal is according to the completion of stages of construction agreed upon. The borrower may need to pay a charge to access the loan in the future from the lender. Kotak Mahindra Bank Limited charges 2% commitment fees on loan amount sanctioned less the amount disbursed.

Prepayment Penalty
A Prepayment charge is an amount paid by the borrower to the financial institution in case of repaying a part or full loan amount, before due date. By doing this, the lender is trying to cover a part of his loss, as he loses out on the opportunity of earning interest on the loan amount further. The prepayment charge may vary across financial institutions. However, on 5th June 2012, the Reserve Bank of India directed all the lending institutions not to charge any prepayment penalty on floating interest rate home loans. For fixed rate home loan products, the prepayment penalty is still valid and is generally 2% of the loan amount outstanding.

Miscellaneous Costs
An individual may have to pay some other costs besides the ones mentioned above. These include lawyer fees for inspection of property and checking the authenticity of the property documents, registration of the mortgage deed and so on.

What should a common man do?
Before applying for a home loan, one must visit the lending institution or the channel partner personally. He/she should understand all aspects of applying for a home loan, procedures and various costs involved. Once there is clarity in the mind of an individual, he/she has agreed to the costs and procedure, then should they go ahead with the home loan sanction process.

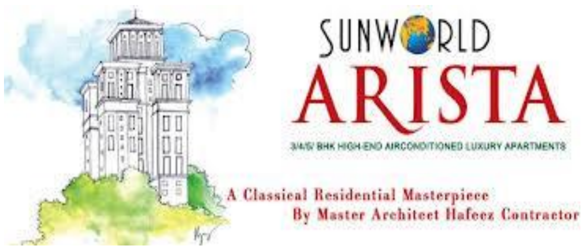
For more information on Home Loans, contact us on mail@netbrokers.co.in

Investment Opportunities in Real Estate

The RBI will most likely cut interest rates and this will see more spending in the residential real estate segment. The Ministry of Statistics Program and Implementation and PwC Analysts predict a growth of 8 to 9 per cent. Added to this, the introduction of REITs, improved market sentiment and more efforts by the government to reduce project loopholes and bottlenecks in transactions will go a long way in clearing the way for positive trends in 2015.

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

Project	Type	BSP/sq.ft	Cost
Spaze Privy, Gurgaon, Sector 72	Residential	7800	1.69 Cr onwards
Godrej Aria, Sector 79, Gurgaon	Residential	6849	1.35 cr onwards
Raheja Revanta, Sector 78, Gurgaon	Residential	7675	1.20 Cr onwards
Emaar MGF, Gurgaon Greens, Sector 102, Gurgaon	Residential	7250	1.19 Cr onwards
ATS Pristine, Noida,Sector-150	Residential	6000	1.05 Cr onwards
Sunworld Arista, Sector 168, Noida Expressway - Assured Buyback, Returns @ 35% p.a	Residential	-	43.50 Lacs onwards
Mahagun Mywoods III, Greater Noida West	Residential	3475	33.36 Lacs onwards
Emaar MGF, Capital Towers, M. G. Road, Sector 26, Gurgaon	Commercial	19500	2.65 Cr onwards
Vatika One India Next, Sector 82 A Gurgaon , Assured Returns @ 10.5% p.a	Commercial	8667	43.33 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 12% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards



For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

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Offered By Renowned Companies

S.No.	Company Name	Period			3 Years Yield	Senior Citizen	
		1 Year	2 Year	3 Year	(In %)	(additional Rate)	(Yield in %)
1	Shriram Transport Finance Unnati Deposits	9.25	9.75	10.25	11.34	0.25	11.64
2	DHFL 14 Months/ 40 Months	9.75/ 9.85			9.87/11.06	0.40	10.28/ 11.56
3	Bajaj Finance LTD	9.25	9.40	9.65	10.61	0.25	11.52
4	Mahindra & Mahindra Finance Ltd	9.00	9.25	9.25	10.13	0.25	10.43
5	HDFC LTD	9.15	9.15	9.20	10.07	0.25	10.37

* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.

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