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Knowledge Initiative

Dear Patrons,

Greetings.

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for May 2014.

We thank you for reading and acknowledging our newsletter month on month. Knowledge Initiative Team is committed to bring you more educative and informative articles in the new Financial Year 2014-15.

We trust you will enjoy reading the Issue, even while soaking in the contents. 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. Narendra Modi's Top 10 to-do list as PM of India
2. Rebalance Your Portfolio
3. Importance of Travel Insurance
4. STP: An Excellent Option
5. Buyback / Assured Return – New Concepts
6. Investment Opportunities in Real Estate

Akhil Chugh
Director

Warm Regards,
Akhil Chugh

Narendra Modi's Top 10 to-do list as PM of India

Opposition candidate Narendra Modi will be the next prime minister of India, with counting trends on Friday showing his Bharatiya Janata Party (BJP) headed for the country's most resounding election in 30 years. Modi has promised to unblock stalled investments in power, road and rail projects to revive economic growth that has fallen to a decade low of below 5 percent.

Here are 10 economic reform challenges that would require urgent attention once Modi forms a new government:

1) GOODS AND SERVICES TAX (GST):

India's most ambitious indirect tax reform would replace existing state and federal levies with a uniform tax, boosting revenue collection while cutting business transaction costs. The BJP aims to address state concerns and implement GST in an "appropriate time frame".

2) RESERVE BANK OF INDIA

A Reserve Bank of India panel in January proposed key changes including targeting consumer price inflation and making a committee responsible for monetary policy, and not the RBI governor alone. This would require changes to the RBI Act. Modi's government may also look to eventually separate the debt management function from the RBI, on the grounds that debt management sometimes conflicts with the central bank's monetary policy stance.

3) PRIVATISATION

The new government is likely to focus on selling its holdings in state-run firms that could raise much-needed revenues to trim India's ballooning fiscal deficit and boost economic growth. The outgoing government announced plans to raise 569 billion rupees ($9.62 billion) through asset sales in 2014/15. This could help achieve a lower fiscal deficit target of 4.1 percent of GDP. These estimates may be revised by the next government.

4) SUBSIDIES

Modi's government needs to examine how it subsidises basic commodities if it is to contain the fiscal deficit and avoid a ratings downgrade. Subsidies cost an estimated 2.2 percent of India's GDP in

2013-14. The BJP in its manifesto said it will seek greater fiscal discipline without compromising on the availability of funds for development.

5) LABOUR

The BJP wants to reform labour laws to boost job-intensive manufacturing and create as many as 10 million jobs a year for young Indians entering the workforce. Changing the law would be politically tricky, though, and Modi may seek to encourage competition between India's states to boost job creation.

6) DEFENCE

More foreign investment in defence would help India reduce imports, modernise weapons systems and speed up deliveries of hardware it needs for operations and training. The BJP has said it would allow some greater foreign investment in defence industries.

7) INSURANCE

Attempts to raise the cap on foreign investment in India's $45 billion insurance sector, to 49 percent from 26 percent, have met resistance from employees at state-controlled insurers and their political backers. A BJP leader said in March the party had held talks with Congress to break the deadlock.

8) BANKING

The next government will need to help state-run lenders battling rising bad loans caused by the slowing economy, rising interest rates and project delays. Stressed loans in India - either bad and restructured - total $100 billion, or about 10 percent of all loans. Fitch Ratings expects that ratio to reach 14 percent by March 2015.

9) POWER

A BJP-led government may implement the so-called Gujarat model of distributing electricity that has been widely praised for delivering reliable 24-hour power supplies in the state. Modi provided different power feeds to farmers, households, and companies instead of a uniform feed in his home state.

10) GAS PRICING

In January India notified the new gas pricing formula that could double the prices of locally produced gas from April 1, but the poll regulator stopped the government from raising the prices until the elections are over. The BJP-led government may review the formula on the lines suggested by a senior party leader last year and announce the date of implementation of new prices.

Source: Money Control

Rebalance Your Portfolio

Life has unlimited and unpredictable variables and investment markets do change, sometimes quickly. Even if you have bought high-quality mutual funds or other investments after diligent research, these should be monitored regularly to see if your portfolio needs rebalancing.

Changes in market prices of assets are probably the most common reason for needing to rebalance accounts. You have designed an asset allocation plan to achieve your long-term financial goals like retirement or your children's education. When one asset increases in price or another declines, your allocation can get off balance.

For example, suppose your allocation is 60 percent stocks, 30 percent bonds and 10 percent cash. If stocks rise significantly, your portfolio could shift to 80 percent stocks. But your goals and investment strategy remain the same. So it's time to rebalance – shifting assets into bonds and cash to bring the allocation back into line with your target of 60 percent stocks.

How to Rebalance

Rebalancing begins with a review of investments in your portfolio, looking for any changes and how the allocation has shifted. To get back to the targeted allocation, a combination of these three approaches is used:

- Sell some of the portfolio investments in asset classes that are now overweight, and use the proceeds to buy investments in underweighted asset classes.
- Buy additional investments in asset classes that are underweight compared to the target allocation, using cash from the portfolio.
- Add money to your savings, using these regular or special contributions to buy additional assets in the underweighted categories until your allocation is back in line.

Changing your Targets

Changes that suggest a rethinking of asset allocation are changes in time horizon for your goals – for example, retirement is drawing near – or in family structure – such as getting married, or having children. These changes may alter your level of tolerance for risk or your need for returns in a certain time frame.

We strongly advice you to check on your portfolio, see what has happened, and adjust the asset allocation and fund selections as needed. Net Brokers recommends you to perform a personal quarterly review and bi-annual visits with your investment advisor.

For more information on Portfolio Rebalancing, contact us on mail@netbrokers.co.in

Importance of Travel Insurance

Travel Insurance, also referred to as Visitor Insurance or Overseas Medical Insurance is a special facility offered by insurance companies in India to cover you against the following unforeseen events while travelling abroad. Events such as terrorist attacks, thefts, and robbery are some of the most common ones a traveller comes across. You don't have an idea how bad it can get when you are encountered with such events in an alien destination.

Having a travel insurance policy in hand will help you ensure complete protection all through the trip and even offers you compensation when an emergency strikes. No wonder investing in a good travel insurance plan tops the list of any travel plan. Remember that a vacation package is incomplete without travel coverage

Significance of Travel Insurance:

Medical Expenses
In the event of an accident or unforeseen sickness, instant medical assistance is required. Now the medical care cost can vary from one country to the other. In some countries these expenses can break your bank. An insurance policy will take care of all exorbitant expenses you may come across including air ambulance and repatriation.

Trip Cancellation
This can happen due to many reasons. Sudden illness, physical injury, an accident, illness of travelling companion, death or illness in the family are certain incidents that force you to cancel your trip. This usually results in heavy financial losses. In the event where illness occurs just days before a trip, you may have payments made in full for various arrangements including tickets, flights, accommodation, etc. cancelling the trip means heavy loss and disappointment. Having a travel insurance policy will cover the losses.

Missed Flights
Many a times, travellers tend to miss their flights. This incident occurs due to a number of reasons such as vehicle breakdown on the way to the airport, a traffic jam, accident etc. With a travel insurance plan in hand, you can handle the cost of an additional flight. Expenses incurred in reaching your destination will be fully covered.

Theft or Loss of personal belongings
Tourists are prone to attacks, theft, loot, etc. in a foreign land. Travel insurance is crucial to balance the loss due to the above stated emergencies. Insurance companies usually reimburse these losses.

Curtailment

This is a common travel insurance term. It defines the curtailment of a trip due to certain events such as serious illness or death of a close relative at home while you are travelling overseas. In case of such an emergency, the overall cost of trip curtailing will be covered by the company.

Checklist

Preparing a checklist is important before buying Travel Insurance. This is especially important if you are not covered against medical expenses. Sickness doesn't come knocking at your door or taking prior experience. Make sure that the travel insurance policy you buy covers all hospital bills in conjunction with prescription costs incurred by you overseas.

Accidental Cover

It is not uncommon to face accidents during travel. In fact, accidents on holidays are common as you participate in various adventure activities. Having insurance will give you cover protection dangers posed by these activities.

Flight Cancelled!

What if your flight gets cancelled due to strike, bad weather, technical problems, airline insolvency, etc.? You would be surprised to know that each year; many thousands of flights are cancelled by airlines. This tends to affect vacation plans and even results in heavy monetary loses. By having a travelling insurance plan in hand that covers sudden flight cancellation by airlines, the expenses incurred by you in buying alternative flight tickets will be reimbursed by the company.

Keeping above stated points in mind is very important to get the best insurance policy in hand when setting out on a trip. Hence, these rules should be followed strictly prior to buying just about any travel insurance policy. Considering these points will let you enjoy a safe, stress free and enjoyable journey.

Following are the popular Travel Insurance Plans:

1. **ICICI Lombard International Travel Insurance**
2. **HDFC ERGO Travel Insurance**
3. **STAR Overseas Travel Insurance**

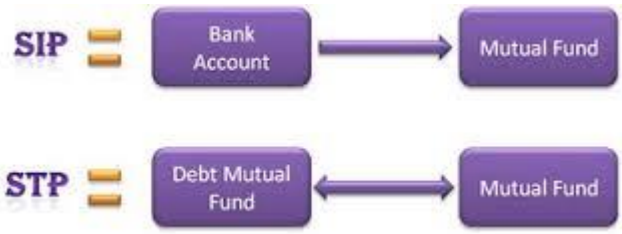
For more information on Travel Insurance, contact us on mail@netbrokers.co.in

STP: An Excellent Option

Systematic Transfer Plan (STP) is an excellent option for mutual fund investors looking to deploy lump sum amount in equities at this point of time. STP refers to where in an investor invests a lump sum amount in low-risk debt fund and regularly transfers (i.e. switches) a pre-defined amount into an equity fund. Every month on a specified date an amount investor chooses is transferred from one mutual fund scheme to another of his choice. In this way, STP offers dual returns – Debt +Equity to investors.

An STP compresses the time and effort involved in giving multiple instructions to the mutual fund to redeem from one scheme and invest in another into a single instruction, which will be executed over the defined period.

The only difference between Systematic Investment Plan (SIP) and Systematic Transfer Plan (STP) is that in SIP; funds are transferred from Bank Savings Account and in STP; funds are transferred from low risk debt fund.



Example of STP:

An investor wants to invest Rs 5 lakhs lump sum in equity oriented mutual fund. The risk is that if the market falls, fund value will also fall. This is a risky strategy. Moreover, if the fall continues for some time, you will lose on the opportunity cost because your money is stuck with an investment which has gone down in value.

There is other way which can really minimize the risk. The way is called STP. In this case, you can withdraw a fixed amount from your debt fund investment and invest in equity oriented fund. This can go on for several months depending upon your choice. For example, if you want to continue STP for 3 years, you can direct your fund to do this and the fund will withdraw money automatically from your debt fund and put into equity oriented fund every month. What this strategy achieves is that it essentially acts as a defence against any adverse movement of the market.

Month	Investment in Debt Fund	Debt Fund value	Investment in equity fund	Equity fund value	Final Value	Overall gain
1	490000.00	494900.00	10000.00	9900.00	504800.00	0.96%
2	484900.00	489749.00	19900.00	19701.00	509450.00	0.92%
3	479749.00	484546.49	29701.00	29403.99	513950.48	0.88%
4	474546.49	479291.95	39403.99	39009.95	518301.91	0.85%
5	469291.95	473984.87	49009.95	48519.85	522504.73	0.81%
6	463984.87	468624.72	58519.85	57934.65	526559.38	0.78%
7	458624.72	463210.97	67934.65	67255.31	530466.28	0.74%
8	453210.97	457743.08	77255.31	76482.75	534225.83	0.71%
9	447743.08	452220.51	86482.75	85617.92	537838.44	0.68%
10	442220.51	446642.72	95617.92	94661.75	541304.46	0.64%
11	436642.72	441009.14	104661.75	103615.13	544624.27	0.61%
12	431009.14	435319.23	113615.13	112478.98	547798.21	0.58%

You can see that even when the market is losing value at the rate of 1% per month, the STP plan has worked as a defence against the fall. Even after 12 successive falls, the return after 12 months is 9.56% which is quite good. Had this been done in a lump sum amount of 5 lakhs, here is the payoff. The investor has actually lost 11.36% over the same period. This is the advantage of STP.

Month	Investment in equity fund	Equity fund value
1	500000.00	495000.00
2	495000.00	490050.00
3	490050.00	485149.50
4	485149.50	480298.01
5	480298.01	475495.02
6	475495.02	470740.07
7	470740.07	466032.67
8	466032.67	461372.35
9	461372.35	456758.62
10	456758.62	452191.04
11	452191.04	447669.13
12	447669.13	443192.44

Important points to keep in mind

STP is a possibly the second best investment strategy after SIP. It is one of the best risk mitigation strategies of the market. Investors though should keep the following points in mind.

- First, STP is a risk mitigation strategy. It will protect you from any adverse loss to a large extent.
- Second, investors need to follow it with discipline. STP, just like SIP, benefits only when followed properly. Breaking STP because of short term market movement or interest rate movement will only harm your investment in long term.

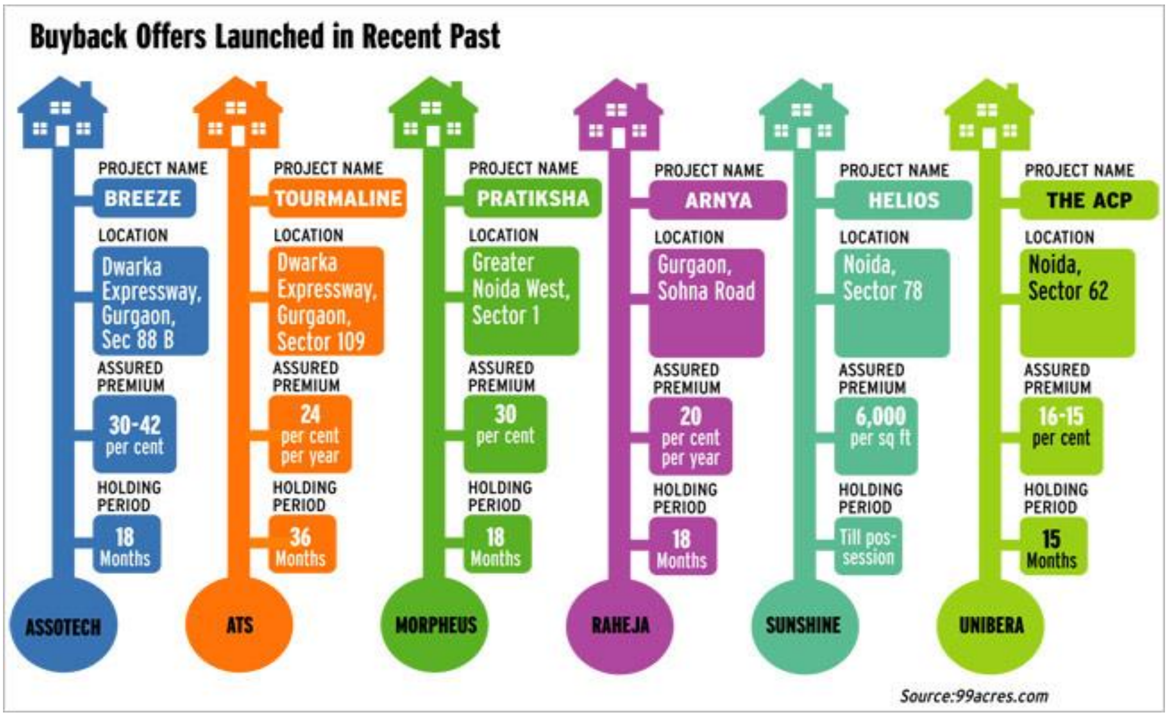
For more information on Systematic Transfer Plans, contact us on mail@netbrokers.co.in

Buyback / Assured Return – New Concepts

In order to raise funds in this sluggish market, the real estate developers have started offering buy back/assured returns to attract buyers. Assured returns schemes have been restricted to commercial property till now, but we see a changing trend here. Fund crunch seems to be hitting hard on the real estate developers.

Buyback schemes are similar to assured returns concept. A developer assures the buyer to repurchase the property at a 30-45% hike, within a stipulated time (generally 18-36 months) from the time of completion of project.

Some developers combine buyback & assured returns scheme as well. So, they offer a buyback of the property with a 30-35% higher price, and also give annual return of 12% a year for three years.



But, the investor should always read between the lines & not go by just the promised returns**.**

Let's look at what a buyer should do before entering into this kind of investment:

Property's intrinsic value: With help of an expert, a buyer should evaluate whether the value of the property can rise as much as the developer is projecting. The investor should check for factors that can lead to rise in prices of the area such as infrastructure. Prices generally go up in a short span if the area is likely to be connected by metro rail or highway, or an industrial area is coming up nearby.

Record of the developer: The most important factors enlist the track record, financial health and reputation of the developer.

Read the fine print: The investor should look into the agreement, to ensure that his risks are covered in every possible, in case the developer defaults. Their first aim should be to protect the principal. If the scheme is designed well and offers a realistic rate of return, it can be good for both the investor and the developer.

Investment Opportunities in Real Estate

Real estate offers some very interesting opportunities in the NCR region as of now. Competitively priced urban pockets such as Noida, where robust supply is backed with a promise of better infrastructure, received a thumbs-up from end users. However, active interest will take another six to nine months, since consumers expect prices to go up only after six months, post the 2014 elections.

Net Brokers presents to you lucrative options in the real estate division, for the month of May 2014.

Project	Type	BSP/Sq.ft	Cost
Raheja Revanta, Sec 78, Gurgaon	**Residential**	**7875**	**Rs 94.32 lakh onwards**
Mahagun Mantra, Sec 10, Greater Noida West	**Residential**	**2625**	**Rs 22.31 lakh onwards**
ATS Dolce, Greater Noida	**Residential**	**3750**	**Rs 56.25 lakh onwards**
Lotus Greens, Yamuna Expressway	**Residential**	**2950**	**Rs 29.50 lakh onwards**
Vipul Gardens, Dharuhera, Gurgaon	**Residential**	**3000**	**Rs 22.41 lakh onwards**
Cyberwalk, Manesar, Gurgaon	**Commercial**	**6000**	**Rs 15 lakh onwards**
WTC Spire One, Noida	**Commercial**	**6800**	**Rs 30.60 lakh onwards**
Spaze Arrow, Gurgaon	**Commercial**	**12000**	**Rs 36 lakh onwards**
Vatika Mindscape, Delhi	**Commercial**	**7800**	**Rs 39 lakh onwards**

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

New Investment Offers

- ## Mutual Funds

New Fund Offers

Fund	Category	Type	Open	Close	Asset Allocation (Debt: Equity)
Axis Hybrid Fund - Series 12	Hybrid Debt	Closed Ended	07 May	20 May	80:20
Birla Sun Life Emerging Leaders Fund - Series 2	Equity	Closed Ended	16 May	26 May	100% Equity
Birla Sun Life Capital Protection Oriented Fund - Series 21	Hybrid Debt	Closed Ended	21 Apr	04 Jun	80:20
DWS Hybrid Fixed Term Fund - Series 22	Hybrid Debt	Closed Ended	16 May	30 May	80:20
ICICI Prudential Multiple Yield Fund - Series 6 - 1100 Days - Plan F	Hybrid Debt	Closed Ended	15 May	28 May	80:20
ICICI Prudential Capital Protection Oriented Fund - Series V - Plan F - 1100 Days	Hybrid Debt	Closed Ended	19 May	30 May	80:20
Reliance Close Ended Equity Fund II - Series A	Equity	Closed Ended	09 May	23 May	100% Equity
Reliance Dual Advantage Fixed Tenure Fund V - Plan H	Hybrid Debt	Closed Ended	19 May	02 Jun	80:20
Sundaram Top 100 Fund Series - I	Equity	Closed Ended	05 May	23 May	100% Equity

Fixed Maturity Plans

Fund	Tenor (Days)	Opening	Closing	Asset Allocation
ICICI Prudential Fixed Maturity Plan - Series 74 - 1092 Days - Plan P	1092	20 May	28 May	100% Debt
Reliance Fixed Horizon Fund - XXVI - Series 23	749	15 May	26 May	100% Debt
Reliance Fixed Horizon Fund - XXVI - Series 26	1094	22 May	29 May	100% Debt
Religare Invesco Fixed Maturity Plan - Series 23 - Plan N (741 Days)	741	15 May	27 May	100% Debt

For more information on New Investment Offers, contact us on mail@netbrokers.co.in

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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	9.25	9.75	10.75	11.94	0.25	12.25
2	Kerala Transport Development Finance Corporation LTD	10.25	10.25	10.25	11.94	0.25	12.28
3	Mahindra & Mahindra Finance Ltd	9.25	10.00	10.25	11.34	0.25	11.64
4	Bajaj Finance LTD	9.75	9.40	9.65	10.61	0.25	10.91
5	DHFL	10.00	10.00	10.00	11.33	0.50	11.98
6	HDFC LTD Platinum Deposit 15/22/33 Months	9.50%			10.34	0.25	10.64

* 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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