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Knowledge Initiative

Dear Patrons,

Greetings from Net Brokers!

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for May 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. SIP Wealth Creator
2. The 12 Simple Rules Of Investing
3. Investing Decisions: Requires Indian Women's attention
4. ULIP'S: Keep it or Surrender it?
5. Investment Opportunities in Real Estate

Akhil Chugh

Warm Regards,

Akhil Chugh
Director

SIP – Wealth Creator

Systematic Investment Plan (SIP) in Equity Mutual Funds has created huge wealth for investors in the long run. Some of the schemes have delivered returns of more than 20% CAGR in last 20 years. During this period, market witnessed lot of volatility because of domestic scams, global recession, election results and something or the other. Good Returns have been made possible because of two important benefits provided by SIP: Rupee Cost Averaging and Power of compounding.

Rupee Cost Averaging:

SIPs help to curb volatility, both on the upside as well as downside. This is done by cost averaging since the investments are made on a periodic basis, and not at one go. Though the investment amount is fixed, more units are purchased when the market trends downwards, and fewer units when the market moves up. So in a rising market, the SIP allows for new purchases to be made at higher costs. This impact is then nullified during a market decline.

In SIP we do not time the market; we spend time in the market

Power of Compounding:

Another important benefit is the Power of Compounding, the snowball effect that happens when your earnings generate even more earnings. You receive interest not only on your original investments, but also on any interest, dividends, and capital gains that accumulate—so your money can grow faster and faster as the years roll on. The longer the period of your investment, the more you accumulate, because of the power of compounding... which is why it makes sense to start investing early.

Albert Einstein rightly said “Compound interest is the eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it.”

SIP as a Wealth Creator:

Returns as on 13th May, 2015

Past performance of SIP in Top Equity Mutual Funds:

Scheme Name **Monthly Investment: Rs 5,000**	**Value & Return (5 Yr)**		**Value & Return (10 Yr)**		**Value & Return (15 Yr)**		**Value & Return (20 Yr)**	
Total Investment	300000	%	600000	%	900000	%	1200000	%
Franklin India Prima Fund (G)	607604	28.7	1694371	19.7	8064543	25.9	23085782	24.9
HDFC Prudence Fund (G)	466272	17.7	1483215	17.2	5755711	22.1	16863977	22.4
HDFC Top 200 (G)	445924	15.9	1400063	16.2	6486096	23.4	N/A	N/A
ICICI Pru Value Discovery (G)	601265	28.2	2001054	22.8	N/A	N/A	N/A	N/A

*Returns over 1 Year are compounded annualised

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

The 12 Simple Rules Of Investing

Rule 1: Invest Regularly
It is extremely important to invest regularly in order to achieve certain financial goals in life such as children education & marriage, retirement, vacations etc. These goals require a good sum of money that cannot be collected in matter of 1, 2 or 5 years; they need a minimum of 10 years commitment from an investor. Once an individual understand this at an early age, his later years of life are sorted and comforted.

Rule 2: Start Investing Early
The earlier you start the better returns you get due to the compounding effect. You can actually see from the below example that Ram exceeds Shyam by a considerable corpus only by starting 10 years earlier.

	Ram	Shyam
Age	30 years	40 years
SIP per month	Rs 5000	Rs 5000
ROI p.a.	12%	12%
Invests Till	60 years	60 years
Period of investment	30 years	20 years
Amount invested	1800000	1200000
Amount grows to	**17649569**	**4995740**

Rule 3: Never Time the Market
It is impossible for a common man to time the market with their daily schedules, office work and family life. Everyone wants to enter at the lowest level and exit at the highest. Instead of making investment decision on the basis of tips, market trend or economic outlook, you should consider the fundamentals of the investment instrument and invest regularly. A disciplined approach towards investments is what works towards creating a corpus in the long term here.

Rule 4: Consider Inflation & Taxes
The two most important factors to be considered before entering into an investment are Tax (so you actually determine actual rate of return you get in hand) and Inflation (a progressive increase in level of prices brought about by an expansion in demand or money supply or by increase in costs). One must know what his actual return is or what he gets in hand at the end of the day.

Rule 5: Diversification Is the Key
One must weigh options correctly and check his/her risk appetite, time frame, financial needs to decide accordingly to invest in different asset classes to create a well diversified portfolio. The primary motive to diversify is to manage/minimize the overall risk involved. The loss in one asset can be offset against the profit gained in another asset class.

Rule 6: Balance and Re-Balance Portfolio
With time, you should make sure that the equity and debt allocation in your portfolio are re-balanced. Ideally, the equity allocation should be (100 - your age) percent. As you grow older, a substantial portion of your income should move to fixed income investments, to ensure a fixed monthly income at later stages of your life.

Rule 7: Expect Reasonable Returns
It is better to achieve a reasonable return and book profit, rather than expecting extraordinary returns on investment. Once such level is achieved, an investor should book profit and look for other good investment opportunities. For example, if you think your investment has the potential to deliver 12% return, redeem the money after you achieve the target and do not wait for further profit.

Rule 8: Learn From Wrong Investment Decisions
Life is all about making mistakes and learning from them. The wise educates himself from the mistakes and takes corrective action. Understand your investment decisions in the first place - whether you need money in short term or long term. It would not be right to park your money in equities if you need money within short term period of time as equities are meant for long term.

Rule 9: Never Buy or Sell In Haste
A very important rule to be remembered - we should always restrain ourselves from buying or selling our investments in haste. The market conditions may look dull at the current moment, but we need to keep the long term perspective in mind. The asset classes always need a thorough and detailed analysis for further decision making of buy or sell.

Rule 10: Avoid Complicated Products
There are many investment products in the market which are complicated and offer unrealistic returns.
Stay away from such products as they may have some hidden risks which are either unknown or are not completely understood.

Rule 11: Spend Time on Investments or Get a Financial Advisor On Board
Proper homework should be done before one starts investing or is already holding a portfolio. One should be aware of the products he's invested in and the kind of returns being generated by each. However, if you do not have the time or confidence, you can take the help of a good financial advisor who will do the job on your behalf.

Rule 12: Invest In Mutual Funds
Mutual funds help diversify the portfolio and invest in several asset classes. This way an investor is able to mitigate his/her risk and address short-term as well long-term goals. Liquidity and low cost structure make this product very attractive. Strict vigilance of SEBI safeguards the interests of the investors.

Investing Decisions: Requires Indian Women's attention

A recent study has revealed that women work for a lesser period and live longer. This makes for a strong case for women to plan for retirement more than men need to. With the family dynamics changing and women having fewer children, it is not uncommon to see a widow living all alone - as her child has pre-deceased or is living abroad. Hence, women should have more money and better management skills than men. In reality, it is quite different. There are some serious limitations for women to create a bigger corpus.

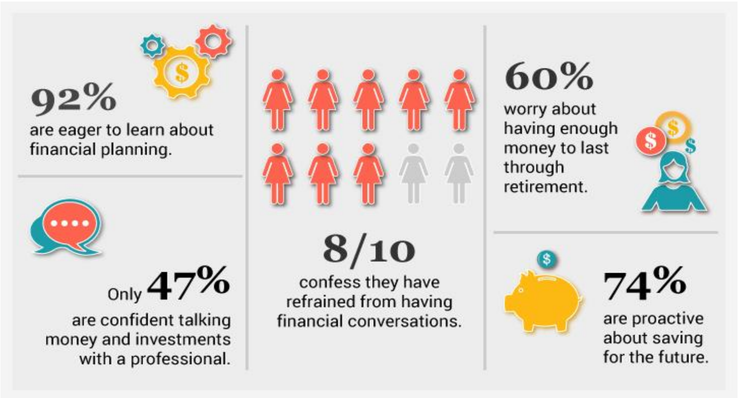
Education
Women are encouraged to study in today's communities, more from a marriage point of view rather than a job point of view. Further, doing a master's in a field is still not very common amongst girls, you may have certain exceptions completing their master's and undergoing further studies.

Geographical Restrictions
Most women are bounded with limitations of travel. A girl from Chennai will not be allowed to travel for work to a city like Delhi on regular basis.

Gullible Women
Indian society sadly still lives under male dominance, where men are the bread earners and women are made to believe that their priority is cooking and managing their houses. With this sort of mindset, they tend to be very gullible.

Career Breaks for Women
We see women in all fields of jobs, taking breaks for family planning and children education. This definitely upsets their growth pattern.

To close it all, a genuine piece of advice for all girls and women of the newer generation: Take control of your finances and be independent. No one knows what way life takes, but we all must be well prepared for this adventure called LIFE.



For more information on Financial Planning for Women, contact us on mail@netbrokers.co.in

ULIP'S: Keep it or Surrender it?

Unit Linked Insurance Plans or ULIP's were introduced in the market to satisfy the needs of the customers of owning insurance cum investment product. But unfortunately, ULIP's failed to do so. With the high costs and poor performances, they have gained negative popularity in the true sense.

Performance
ULIP, as the name suggests, is an integrated plan. Here, a part of the premium paid by the policy holder goes towards the insurance cover, while the balance is utilized for investments. For investments, the money is pooled together and further invested in various equity and debt instruments. The policy holder has the option of selecting the type of fund - equity or debt or a mix of both. ULIP's are market driven products, hence their performance depend primarily on the market conditions. NAV for this product is declared on a daily basis.

Charges (Costs/Surrender Charges)
The common costs involved in ULIP's are premium allocation charge, top-up allocation charge, mortality charge, fund management costs, policy administration charge, switching costs and surrender costs. Besides, the surrender value is calculated as fund value minus surrender charges (fund value = total number of units under the policy x NAV of the chosen fund).However, these charges differ amongst ULIPs. Due to these costs, the residual investment of any ULIP is not sufficient to give considerable return even if the market is doing well.

Action Plan

- Avoid ULIPs completely. If you already have one, take a closer look at the current investment, surrender charges, etc.
- ULIPs have high charges at the beginning and then lower. In case the maturity date is closer, stay invested. If the ULIP has regular charges year on year which will eat up the premium and the fund value, you may consider surrendering it.
- Surrender charges may be high initially. You can wait for some time till the charges comes down. When there is no surrender charge or it is low, you can go ahead with the exit.
- You may want to compare the performance of your ULIP with similar investments like mutual funds. In most of the cases, ULIPs underperform mutual funds due to high charges.
- If your health condition is not in good shape, it is advisable to retain ULIPs. You may not be able to get a fresh life cover in future.

Better Option
The ideal product and the best form of insurance for investors is Term Insurance. Term insurance policies provide life cover to the policy holder for a fixed term period, usually 05 - 40 years or even up to 75 years. The term insurance premiums are available at affordable rates. The premium of a term plan is a fraction of what you have to shell out when you buy an endowment plan, a money-back policy or a ULIP with the same coverage. There is no survival benefit in Term Insurance.

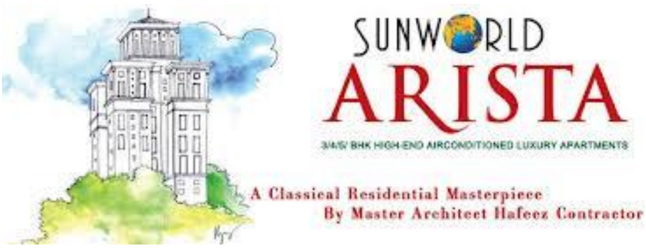
For more information on Term Insurance, contact us on mail@netbrokers.co.in

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 Real Estate Bill, 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 May 2015:

Project	Type	BSP/Sq.ft	Cost
Emaar MGF Palm Gardens, Sector 83, Gurgaon	Residential	6999	1.20 Cr onwards
Godrej Icon, Sector- 89A/89A, Gurgaon	Residential	5999	90 lacs onwards
Vatika City Homes, Sector- 83, Gurgaon	Residential	6000	84 Lacs onwards
Mahagun Mirabella, Sector- 79, Noida	Residential	5300	73 Lacs 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
Vatika Towers, Golf Course Road, Sector 54, Gurgaon – Assured Returns @ 10% p.a	Commercial	15568	77.84 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs onwards



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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	9.00	9.25	9.50	10.43	0.50	11.03
2	DHFL 14 Months/ 40 Months	9.50/ 9.60			9.61/10.75	0.25	9.87/ 11.06
3	Bajaj Finance LTD	9.10	9.25	9.25	10.13	0.25	10.43
4	Mahindra & Mahindra Finance Ltd	9.00	9.25	9.25	10.13	0.25	10.43
5	HDFC LTD	9.00	9.00	9.00	9.83	0.25	10.13

* 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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