



Knowledge Initiative

Dear Patrons,

Greetings from Net Brokers!

We are pleased to share our monthly newsletter “**Knowledge Initiative**” for September 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 Financial Year 2014 - 15.

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:

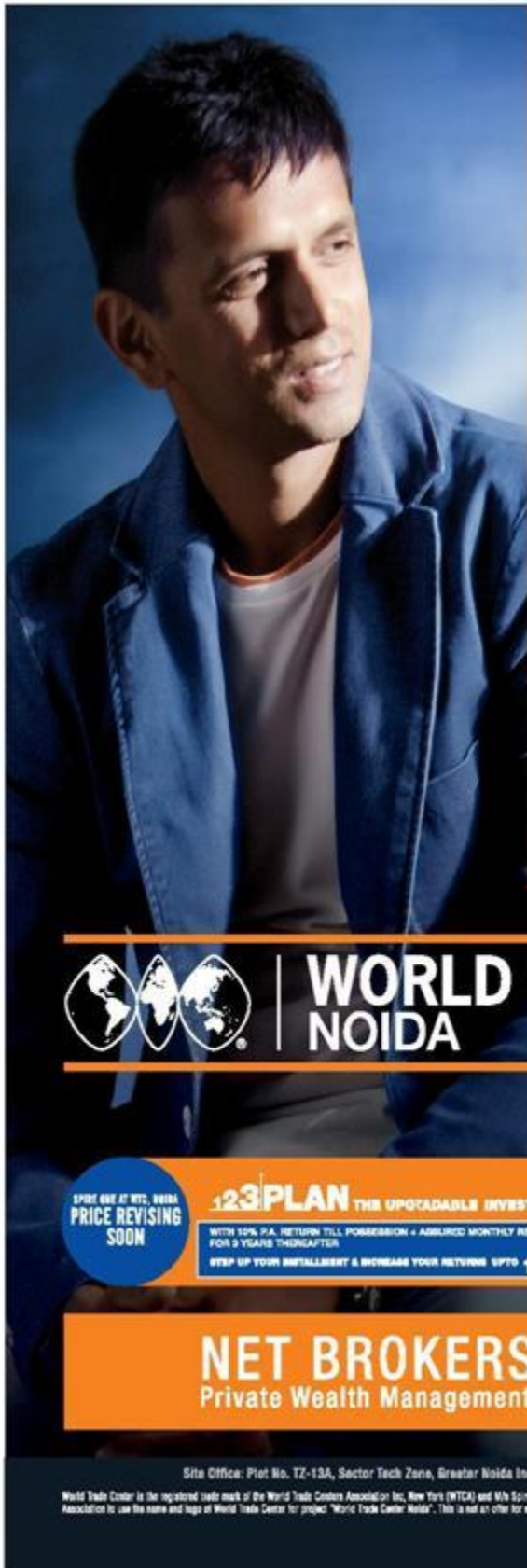
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Akhil Chugh
Director

Warm Regards,

Akhil Chugh




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How to Handle Equity Funds

Often investors are faced with the question to what to do when markets are at peak levels. To exit or not to exit, to re-invest or make fresh investments is their biggest dilemma.

We have following suggestions for such investors:

Don't Be in a Hurry:

The equity markets have witnessed a rough ride in last six years and the worst seems to be behind us. Investors who have shown patience and remained invested during this difficult time have been rewarded. Equity is poised to deliver good returns in coming 5 - 6 years. Book profits only if you are within a year or two of the financial goal for which you have invested.

Consider Equity Diversified Mutual Funds:

Consider making fresh/additional purchase in equity diversified mutual funds rather than thematic or sector funds. Although some thematic/sector funds have delivered exceptional returns, they always carry high risk. An equity diversified fund provides good diversification in at least 15 - 20 sectors, thereby reducing the overall risk. On the other hand, exposure in thematic and sector funds is limited to few sectors or a single sector.

Number of Mutual Fund Schemes:

An ideal mutual fund portfolio should have 5 - 7 schemes. Do not create a clutter by having more schemes as it will result in over lapping of schemes with same objectives. For example, you may end up having 3 mid cap funds or 3 large cap funds in the portfolio. At max, you can consider having two schemes with same objectives. Selection of schemes should be based on asset allocation which will depend on your risk appetite, financial goals, etc.

SIP is the Right Way:

At Net Brokers, we strongly believe Systematic Investment Plan (SIP) in mutual funds is the best way to invest and take advantage of the ups & downs of the stock market. In SIP, we do not time the market; we spend time in the market. We have been insisting on this basic principle of SIP in all our newsletters in some way or the other.

Portfolio Review:

Conduct half yearly periodic reviews on portfolio with your investment advisor. Portfolio review does not always mean changes in mutual fund schemes, but to keep you updated on the portfolio and overall market scenario. Mutual funds are long term investments and changes in equity schemes should be done only after 2-3 years.



Plan Your Child's Future

As a parent, you not only want your child to have a sound education, but also celebrations on important occasions for your little one, not to mention a grand wedding. While planning for your child's needs, it always pays to start early. This is because if you start saving and invest early, it will give you a larger time horizon to meet your financial goals (such as child's education and marriage) and even build a bigger corpus.

Consider the following examples:

Example 1). Mr. Gandhi has a 3 year old son and will require Rs 10 lacs for his higher studies. How much Mr. Gandhi needs to save on monthly basis over a period of 15 years?

| | |
|---|------------|
| Son's Age | 3 years |
| Cost of Education in today's terms | Rs 10 Lacs |
| Time left for Graduation | 15 years |
| Inflation Rate | 7% p.a. |
| Cost at time of Graduation course | 27.59 Lacs |
| Amount Mr. Gandhi needs to invest per month | Rs 5,468 |

The cost of education after 15 years rises to Rs 27.59 Lacs due to inflation. An investment of Rs 5,468 every month (assuming it earns a return of 12 percent per annum) will help Mr. Gandhi to realize this financial goal. However, if Mr. Gandhi delays this investment, and starts to invest for his son's education after 5 years from now, then he would need to invest Rs 8,466 per month.

Example 2). Mrs. Verma has a daughter aged 2. She wants to create a marriage corpus that should be ready for her daughter in 22 years. Currently, Mrs. Verma imagines that she would spend Rs 15 Lacs on her marriage if it were happening today. How much would she need to save for her daughter's marriage every month to get her married after 22 years?

| | |
|---|---------------|
| Daughter's Age | 2 years |
| Cost of Marriage today | Rs 15 Lacs |
| Time left for Marriage | 22 years |
| Inflation rate | 7% p.a. |
| Cost at time of marriage | Rs 66.45 Lacs |
| Amount Mrs. Verma needs to invest per month | Rs 5,128 |

The marriage expenses after 22 years rise to Rs 66.45 Lacs due to inflation. An investment of Rs 5,128 every month (assuming it earns a return of 12 percent per annum) will help Mrs. Verma to realize this financial goal. However, if Mrs. Verma delays this investment, and starts to invest for her daughter's marriage after 5 years from now, then she would need to invest Rs 7,093 per month.

Hence you see, the earlier you start investing, the less you'll need to invest each month to achieve the same amount of money at the end of the goal.

Today, most parents save for meeting various needs of their children, but it is important to understand that saving alone is not sufficient. It is vital to save an 'appropriate sum of money' and invest it systematically in suitable investment avenues.

Simply, saving money in your savings bank account will not earn high returns, and might not enable you to create the necessary corpus to meet your financial goals. The long term equities as an asset class will largely help you to create the corpus required to meet the financial goals - even after adjusting for the rising cost of living in the form of inflation.

Systematic Investment Plan (SIP) in mutual funds is the best way to invest in equities. SIP offers two big benefits: Rupee Cost Averaging and Power of Compounding. The basic principle of SIP is not to time the market, but to spend time in the market. SIPs helps in achieving Financial Goals such as Children Future Planning (Education & Marriage), Retirement, Buying a Home, Car, Planning a Vacation, etc. It encourages you to have a long term approach and stay focused on your financial goals.



Zero Depreciation in Car Insurance

Cars depreciate, and this affects claim settlements in the realm of car insurance. You might assume that comprehensive insurance coverage for your car eliminates the incidence of out-of-pocket expenses, but in that, you would be mistaken. When you file a claim, your car insurer will employ a rather complex formula to ascertain the amount payable. This formula factors in depreciation, leaving you to pay a hefty fraction of the overall costs.

You could ask, 'Why do they call it "comprehensive" cover, when that is clearly not the case?' We could argue over misleading terminology. Better still, we could concentrate on what they call zero depreciation cover in insurance phrase.

What Is Zero Depreciation Cover?

As the term implies, zero depreciation cover promises comprehensive coverage without factoring in for depreciation. If your car is damaged following a collision, for instance, and you file a claim, the insurer will cover the entire cost.

How is this different from Standard Comprehensive Cover?

The most obvious difference is that a zero depreciation cover promises full settlement coverage; depreciation will not make a dent here. On the other hand, standard comprehensive cover i.e a plan that does not offer zero depreciation will make estimations based on the 'current value' of your vehicle. 'Current value' factors in the depreciation on your vehicle. Consequently, if your car is involved in an accident, your standard policy will foot the bill after subtracting for depreciation whereas the policy with zero depreciation will foot the bill regardless of the current value of your car.

Is Zero Depreciation Cover Worth It?

Every good thing has its costs. To begin with, a policy that offers zero depreciation will cost more close to 20 percent more than your standard no-frills policy. This means that you are paying a substantially higher premium to ensure not having to chip in during claim settlement in the future. On the other hand, the prospect of zero depreciation will attract customers who do not mind the higher annual rates because it promises peace of mind.

The zero depreciation riders apply only to new cars, with the age limit being three years. If your vehicle is older, it is not eligible for this benefit. Moreover, it may not be cost-efficient to shell out higher premiums on a five-year-old vehicle.

Who should buy Zero Depreciation Cover?

If your car is brand new, a zero depreciation rider is a worthwhile investment. Many believe that zero depreciation works only for new drivers because they are more likely to dent or damage their car. However, even the most careful drivers are involved in accidents, often because the other guy was careless. Hence, zero depreciation is a good buy for any car owner provided the extra premium does not pinch.

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



REITs: The New Vehicle to Invest Money

The real estate industry received a much-needed boost recently when the Securities and Exchange Board of India (SEBI) finally cleared guidelines for the real estate investment trusts (REITs). This gives the cash-strapped industry a new route to tap capital.

REIT is a sort of mutual fund or pool, which finds alternative means of financing real estate. A REIT owns real estate directly and it might also own mortgages. The assets are sub-divided into equal units, which are sold to investors. There are income streams from interest in the case of mortgages, and from rentals in owned property.

Indian REITs will be allowed to own only commercial property and there are other restrictions. To be eligible for listing, the value of the assets owned or proposed to be owned by a REIT should be worth at least Rs 500 crore. Assets must be valued and net asset value updated at least twice in every financial year.

REITs must distribute at least 90 per cent of their net distributable cash flows to their investors every six months. Also, at least 80 per cent of assets must be in properties that are generating revenue. A REIT can invest only 10 per cent in properties under construction. This means REITs can also invest a small portion (about 20 per cent or less) in mortgage-backed securities and cash-equivalent assets like money market funds.

The tax treatment is pass-through, meaning the REIT need not pay tax on the income it distributes. Since REITs can be listed, they provide liquidity to investors in the same fashion as mutual funds do. The minimum initial investment on an IPO is Rs 2 Lacs, which is nominal for a foothold in real estate.

Liquidity, relatively low entry-level investments, stable income generation, potential capital appreciation - all these are obvious benefits from REITs. What are the downsides? Well, if there's a bubble in real estate, a REIT will tend to accentuate it. Also, by providing a new market for trading mortgage-backed securities, REITs can encourage the sort of speculation that caused the subprime crisis. There's plenty of unsold, semi-developed commercial property across India. Once REITs get rolling, some of that should come on the market. This will allow developers to complete stalled projects and exit.

However, in reality, REITs will take a while getting off the ground and, as the rules stand, they will benefit only specific developers with exposures in commercial property.



Top Financial Institutions for Housing Loan

At any point of time, a common man wants to build a dream home. To build that dream home, he takes a HOME LOAN. Getting a home loan sanctioned is a big task in itself. A home loan is a longest debt in our lifetime and calls for long term commitment. You have to pay a set amount of EMI every month, without any delay. In such a scenario, it becomes extremely important to choose the right housing loan institution. There are numerous things to be done during taking the home loan and after taking the home loan, hence you should be very clear which bank to choose for home loan.

The first question that gets raised in an individual's mind while choosing a financial institution is a **Private Bank** or a **Public Bank**.

Private Banks are very fast & friendly while disbursing a home loan, but they will be the first ones to raise the interest rates. Public Banks are very strict & stringent in their rules when you start a home loan, but they are the most transparent when it comes to interest rates.

The overall handling an individual's home loan account in a private bank is very professional. The public banks still operate in the "sarkari" style, which hasn't improved from our grandparent's time.

The conversion fees (to reduce the interest rates) charged in private banks is way higher than any PSU's. They can arbitrarily increase prepayment charges, while public banks don't follow such a practice.

The chance of fraud in private banks is much higher than public sector banks. The primary reason is the pressure of sales targets like cross selling home insurance and other products, to employees on a monthly basis.

Which is the best?

Every individual has their own parameters of ranking a financial institution for home loan. The parameters can be processing fees, attitude towards the customer, prepayment charges, transparency in whole process, interest rates etc. So there is no one best bank in the market. You will have very mixed reviews about each and every bank you choose.

We can name the top 5 banks that are chosen by maximum number of people here:

1. SBI Bank
2. HDFC Limited
3. ICICI Bank
4. LIC Housing Finance Limited
5. Axis Bank

SBI Bank has been the name that first comes on every individual's mind, being a government run organisation and thus having liquidity at all times. Hence, it is considered at top priority. Things will be easy post home loan sanction here.

HDFC Limited has faced some very happy customers as well heard some horrifying experiences. But, it has a name because of its professionalism & good attitude towards customers. HDFC is considered one of the country's largest home loan providers in India. Having its 3 representative offices in Dubai, London & Singapore has brought the NRI's and persons of Indian origin a platform to invest in India and have a smooth home loan processing experience.

ICICI Bank has a fast loan processing procedure, but has seen some troubled customers because of its non-supportive attitude and interest rate hikes.

LIC HFL is a decent option because of less documentation procedures. The interest rates are comparatively lower in comparison to the other financial institutions.

Axis Bank is a good option as a big bank. The first thing that attracts customers is the NIL loan processing fees and NO prepayment charges. The cross selling such as home insurance forcefully has got the bank a negative name, but overall it is a decent option.

Latest Update

In order to attract more customers, SBI and HDFC have cut rates on home loans above Rs 75 Lacs on the back of improved liquidity. This move of the home loan providers will prompt other banking institutions to revise their rates.

Following the rate revision, SBI will offer home loans above Rs 75 Lacs at 10.10% (10.30% earlier) for female borrowers and 10.15% (10.25% earlier) for male borrowers. For loans below Rs 75 Lacs, existing rate will continue. HDFC has also reduced interest rate on loans above Rs 75 Lacs to 10.15% under its monsoon bonanza scheme, which is valid until the end of this month. Loans up to Rs 75 Lacs were already being offered at 10.15% under a 'Winter Bonanza', which has been extended under the new scheme.

Punjab National Bank has devised a 'Festival season Bonanza' offer for its retail customers. Under the scheme, home loans up to Rs 2 crore will be available at the bank's base rate of 10.25%.

The bank has also waived processing fees and documentation charges on home and auto loans.

What is the Final Outcome?

Since there are pros and cons attached to every financial institution, clearly people's choice stands at **HDFC LIMITED**. This is because of its worldwide presence, fairly decent liquidity and professionalism.

Investment Opportunities in Real Estate

The budget 2014 has been quite favourable for the real estate sector. We believe that the new government will be able to formulate and revive the real estate sector growth in the coming years. We anticipate the real estate demand to increase by another 10 percent to 15 percent in the medium term and this will also give a boost to the other related industries.

Net Brokers presents to you lucrative options in the real estate division for September 2014.

| Project | Type | BSP/sqft | Cost |
|--|-------------|-------------------|--------------------|
| Sunworld Vedanta, Sector 22 D Yamuna Expressway – Assured Returns @ 12% p.a | Residential | 2990 | 27 Lacs onwards |
| Countywalk - Plots , Dharuhera - Assured Buyback, Returns @ 15% p.a | Residential | 22000 per sq.yard | 50 Lacs onwards |
| Mahagun Medows, Sector 150, Noida Expressway | Residential | 4270 | 60.84 Lacs onwards |
| Sunworld Arista, Sector 168, Noida Expressway - Assured Buyback, Returns @ 35% p.a | Residential | - | 1.10 Cr onwards |
| ATS Pristine , Sector 150, Noida | Residential | 6200 | 1.08 Cr onwards |
| Raheja Revanta, Sector 78, Gurgaon | Residential | 7675 | 1.20 Cr onwards |
| Cyberwalk, Manesar, Gurgaon – Assured Returns @ 12% p.a | Commercial | 6000 | 30 Lacs onwards |
| WTC Spire One, Noida – Assured Returns @ 12% p.a | Commercial | 6800 | 30 Lacs onwards |
| Vatika Mindscape, Delhi – Assured Returns @ 9.5% p.a | Commercial | 8210 | 41 Lacs 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) |
|--|--------------|------------|----------|----------|---------------------------------|
| DSP BlackRock Dual Advantage Fund - Series 29 - 40 Months | Hybrid- Debt | Closed-end | 10 - Sep | 24 - Sep | 80:20 |
| DSP BlackRock Constant Maturity 10Y G-Sec Fund | Debt | Open-end | 17 - Sep | 19 - Sep | 100% Debt |
| DWS Hybrid Fixed Term Fund - Series 30 (40 Months) | Hybrid- Debt | Closed-end | 15 - Sep | 25 - Sep | 80:20 |
| ICICI Prudential Multiple Yield Fund - Series 7 - 1338 Days - Plan D | Hybrid- Debt | Closed-end | 12 - Sep | 25 - Sep | 80:20 |
| ICICI Prudential Multiple Yield Fund - Series 7 - 1825 Days - Plan E | Hybrid Debt | Closed-end | 17 - Sep | 01 - Oct | 80:20 |
| R*Shares Sensex ETF | Equity | Open-end | 17 - Sep | 19 - Sep | 100% Equity |
| Reliance Capital Builder Fund - Series C | Equity | Closed-end | 17 - Sep | 01 - Oct | 100% Equity |
| Reliance Dual Advantage Fixed Tenure Fund VI - Plan D | Hybrid- Debt | Closed-end | 19 - Sep | 30 - Sep | 80:20 |
| Reliance Dual Advantage Fixed Tenure Fund VI - Plan C | Hybrid- Debt | Closed-end | 12 - Sep | 24 - Sep | 80:20 |
| SBI Equity Opportunities Fund - Series I | Equity | Closed-end | 11 - Sep | 25 - Sep | 100% Equity |
| Sundaram Select Micro Cap Fund - Series VI | Equity | Closed-end | 10 - Sep | 24 - Sep | 100% Equity |
| UTI Capital Protection Oriented Scheme Series IV-II (1104 Days) | Hybrid- Debt | Closed-end | 08 - Sep | 22 - Sep | 80:20 |

Fixed Maturity Plan

| Fund | Tenure (Days) | Opening | Closing | Asset Allocation |
|---|---------------|----------|----------|------------------|
| Birla Sun Life Fixed Term Plan - Series LX | 1099 | 15 - Sep | 24 - Sep | 100% Debt |
| DSP BlackRock Fixed Term Plan Series 44-36 Months | 1095 | 12 - Sep | 23 - Sep | 100% Debt |
| L&T Fixed Maturity Plan - Series XI - Plan E | 1125 | 10 - Sep | 24 - Sep | 100% Debt |
| Reliance Fixed Horizon Fund - XXVII - Series 7 | 1099 | 19 - Sep | 22 - Sep | 100% Debt |

- Non - Convertible Debentures**

| Issue Name | Interest Rate | Opening | Closing | Face Value Per Bond | Minimum Bonds |
|-------------------------|---------------|---------|---------|---------------------|--|
| Manappuram Finance Ltd. | 12.13% p.a. | 15- Sep | 8- Oct | Rs.1,000 | 10 Bonds and in multiples of 1 Bond thereafter |

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

FIXED DEPOSITS

Earn Assured Returns up to 11.95 % p.a.

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 | DHFL 14 Months/ 40 Months | 9.75/ 9.85 | | | 9.83/11.03 | 0.40 | 11.56 |
| 2 | Shriram Transport Finance Unnati Deposits | 9.25 | 9.75 | 10.50 | 11.65 | 0.25 | 11.95 |
| 3 | Mahindra & Mahindra Finance Ltd | 9.25 | 9.75 | 10.00 | 11.03 | 0.25 | 11.34 |
| 4 | Bajaj Finance LTD | 9.25 | 9.40 | 9.65 | 10.61 | 0.25 | 11.52 |
| 5 | HDFC LTD Platinum Deposit 15/22/33 Months | 9.50% | | | 10.31 | 0.25 | 10.60 |

* 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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