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Private Wealth Management
we know your investment needs

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Dear Patrons,

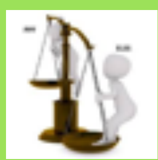
Happy New Year!

We are pleased to share our monthly newsletter "Knowledge Initiative" for January 2020.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to you more educative and informative articles.

1

SIP - A concept for wealth creation: SIP is a mode of investment by which fixed sums of money are debited from a bank account of investors into specific mutual funds. Let's read some benefits of this concept and how it accumulates to create wealth.

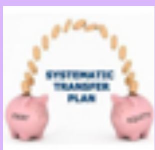


2

ELSS or PPF - Are they comparable?: It is that time of the year when everyone thinks of tax saving options, in order to save tax. Often, in discussions, PPF and ELSS are the choices that are compared.. Read the article to understand how the options are fundamentally different products.

3

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. Let's understand in detail how this works.



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Sip Returns: Check the best performing funds in their respective categories.

SIP: A concept for wealth creation

SIP is a mode of investment by which fixed sums of money are debited from a bank account of investors into specific mutual funds

The person using SIP will be allocated certain amounts of units according to ongoing NAV (net asset value)

Each time the sum of money is invested, more units get added and the price gets averaged out. The concept is called RUPEE COST AVERAGING

Lets' read some benefits of investing this way:

FLEXIBILITY

Any person can opt for this way of investment and can increase / decrease or stop a SIP whenever one wants. There are no penalties to be faced by investors in this regard. A mutual fund scheme can start with a minimum of Rs 500 per month.

HIGHLY ORGANISED

We encourage individuals to invest by way of SIP because it is the most disciplined way of creating wealth. SIPs can be done weekly or monthly basis. It is considered a hassle free way of making one's money grow.

PREVENTS SPECULATION

SIP is an investment strategy that can free investors from carrying out speculations in highly volatile markets. The investor gets more units when the market is at a LOW and fewer units when the market is at HIGH. The cost of the units, this way, gets averaged out delivering good returns in the long run.

Period	Total amount invested@ 10,000 p.m.	Corpus value (assumed returns@12%)
3 years	3,60,000	4,30,793
5 years	6,00,000	8,11,036
7 years	8,40,000	12,88,013
10 years	12,00,000	22,40,359
20 years	24,00,000	91,98,574

ELSS OR PPF: ARE THEY COMPARABLE?

It is that time of the year when everyone thinks of tax saving options, in order to save tax. Often, in discussions, PPF and ELSS are the choices that are compared. But, the truth is that these products are completely incomparable. This is because they are fundamentally different.

Let's understand the basic characteristics of both the products in terms of inclusiveness in one's portfolio:

PPF

PPF is a government backed debt products that offers assured returns around 8%

ELSS

ELSS is an equity linked saving product that focuses on earning more than risk free returns. Higher returns are expected here, but they may fluctuate as per market movements.

APPROACH

There is a need to integrate the tax saving goals with one's financial goals. One could align their Section 80C tax saving needs with their retirement saving goal.

If your 80C limit of Rs 1.5 lakh is already exhausted by home loan principal repayment, EPF contributions, insurance premiums, then you don't need ELSS. You can simply invest in non-ELSS funds for equity exposure towards your retirement goal.

If the limit is not exhausted, then you need to evaluate your portfolio asset allocation. If equity allocation is higher and not invested, then ELSS can be chosen. Otherwise, PPF can be invested in as a debt instrument.

CHOOSING BETWEEN ELSS AND PPF

ELSS has a lock-in of three years. But being an equity product, it is ideally suited for the long term (5-7 years or more). So, even after three years, you shouldn't withdraw from ELSS and must try to remain invested for longer.

PPF has a lock-in of 15 years. This is a pure long term product. But, we know that equity gives better return over the long term. So, if you are investing for retirement, don't just stick to PPF. You should also introduce equity into your retirement savings to ensure that your retirement savings beat inflation in the long run.

STP: An excellent option

What is STP?

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.

What kind of returns does an STP offer?

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.

Difference between SIP and STP?

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.

Benefits of investing in STP

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.

Important points to keep in mind

STP is possibly the second best 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.

Tax treatment of STP

The applicable tax on an STP depends on two factors – the type of fund you are transferring from and the length of your holding period. This is because an STP transfer is treated as a redemption and taxed accordingly.

In case of equity funds, transfers within 1 year of purchase will be taxed under the Short Term Capital Gains Tax (STCG) at 15%. Transfers after 1 year, in excess of Rs 1 lakh will be taxed under the Long Term Capital Gains Tax (LTCG) at 10%.

In case of debt funds, transfers within 3 years of purchase are taxed as per your slab and transfers after 3 years are taxed at 20% after giving you the benefit of indexation. Indexation reduces your tax liability to account for inflation.

Exit load in STP

Exit load is a charge imposed by the mutual fund if you withdraw your money before certain specified intervals – typically 1 year for equity funds. Hence it will apply to STP transfers made before the exit load period as well. However there is no exit load on liquid funds and most STPs transfer money from a liquid fund to an equity fund, thereby avoiding exit load.

SIP RETURNS IN TOP MUTUAL FUNDS

Returns as on date 22nd January 2020

INVESTMENT		VALUE (5 Year)		VALUE (10 Year)		VALUE (15 Year)	
Monthly Investment @Rs 10,000		600000		1200000		1800000	
SCHEME NAME	***CATEGORY***	***RETURN***	**%**	**RETURN**	**%**	**RETURN**	**%**
Mirae Asset Large Cap Fund (G)	**Large Cap**	815,535	12.2	2,662,109	15.2	N/A	N/A
Axis Bluechip Fund (G)	**Large Cap**	852,703	14.0	2,484,425	13.9	N/A	N/A
DSP Equity Opportunities Fund (G)	**Large & Midcap**	791,129	11.0	2,435,794	13.6	5,562,433	13.8
Mirae Asset Emerging Bluechip Fund (G)	**Large & Midcap**	881,829	15.4	N/A	N/A	N/A	N/A
Kotak Standard MulticapFund (G)	**Multi Cap**	805,641	11.7	2,623,933	14.9	N/A	N/A
DSP Equity Fund (G)	**Multi Cap**	808,538	11.9	2,362,314	13.0	N/A	N/A
Kotak Emerging Equity Fund (G)	**Mid Cap**	794,229	11.1	2,880,879	16.7	N/A	N/A
Axis Midcap Fund (G)	**Mid Cap**	830,670	13.0	N/A	N/A	N/A	N/A
SBI SmallCap Fund (G)	**Small Cap**	825,965	12.7	3,556,693	20.6	N/A	N/A
Axis SmallCap Fund (G)	**Small Cap**	861,591	14.4	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	**Focused**	847,550	13.8	2,816,191	16.3	6,899,505	16.3
Axis Focused 25 Fund (G)	**Focused**	852,052	14.0	N/A	N/A	N/A	N/A
SBI Equity Hybrid Fund (G)	**Hybrid Aggressive**	787,302	10.8	2,418,058	13.4	5,249,114	13.1
ICICI Pru Equity & Debt Fund (G)	**Hybrid Aggressive**	760,513	9.4	2,386,879	13.2	5,210,956	13.0
Axis Long Term Equity Fund (G)	**ELSS**	821,719	12.5	2,949,032	17.1	N/A	N/A
DSP - Tax Saver Fund (G)	**ELSS**	796,553	11.3	2,547,812	14.4	N/A	N/A

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