



## Knowledge Initiative

**Dear Patrons,**

Here we are with the fourth issue of our monthly newsletter "**Knowledge Initiative**".

We trust you will enjoy reading this newsletter, 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.

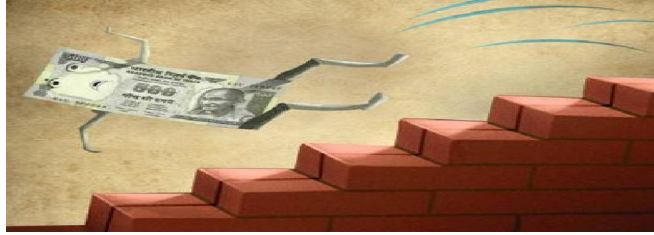
**The fourth issue includes:**

1. How Falling Rupee Impacts Your Investment
2. Important Facts about Life Insurance
3. Is MIP Still a Good Option?
4. Colour Coding in Mutual Funds
5. Investment Opportunities in Real Estate



**Akhil Chugh**  
Director

Warm Regards,  
Akhil Chugh



## How Falling Rupee Impacts Your Investment

Recently, we have witnessed the rupee touching all time low of Rs 61.20 against US Dollar on sustained capital outflows and strong demand of American currency from importers. The fall in currencies of emerging markets, including that of India, is being attributed to the statement by Federal Reserve Chairman Ben Bernanke that the US Fed may start scaling back its monetary stimulus programme later this year.

**The falling rupee will have a serious impact on the investments.** Crude Oil and Gold account for nearly half of the total import bill. Fall in rupee will increase the cost of crude oil and commodities such as gold. Though crude oil and gold prices have come down recently, the fall in rupee has negated this factor. As a result, the current account deficit (CAD) which is already under pressure will rise thereby increasing the domestic inflation. Now due to higher CAD and US monetary stimulus withdrawal, new foreign investors will find India unfavourable for investments. Existing foreign investors will pull out funds and divert it to developed countries like USA. We are already witnessing this. As we all know, Indian Stock Market is majorly driven by Foreign Institutional Investors (FII's). Due to all the above factors, market is facing lot of volatility, thus, making investments difficult for investors. Also there are high chances of India getting downgraded from rating agencies. The Reserve Bank of India (RBI) in its recent policy on 17<sup>th</sup> June had maintained a status quo on interest rates. Seeing the present circumstances unless CAD and domestic inflation is not under control, RBI will not be able cut the interest rates in July and coming months ahead.

The Government has also failed to kick off Foreign Direct Investment (FDI) Reforms. So far there have been no major developments in this regard. The Government will have to make the FDI policy attractive enough to enhance capital inflows. The Finance Minister has hinted of opening FDI in more sectors in coming days.

### Net Brokers View:

Overall, the economy's picture looks a bit gloomy and it may remain the same in coming 3-5 months. It's high time for the Government to layout a strong platform for the implementation of FDI reforms. Strong inflows will help curb the current account deficit and will push RBI for interest rate cuts. As a result, corporate investments will pick up which in turn will improve the GDP of the country.

For Equity investors, this is a good time to invest provided the investment tenor is 3-5 years. There is not much downside from these levels. But as said, no one can exactly predict the market levels. We at Net Brokers strongly advice on Systematic Investment Plans (SIP) offered by mutual funds. An SIP is an excellent investment strategy giving you the benefit of Power of Compounding and Rupee Cost Averaging. It works even better in falling markets giving more units on falling NAV (price).



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Mutual Fund: Birla Sun Life Mutual Fund, Asset Management Company/Investment Manager: Birla Sun Life Asset Management Company Ltd. Registered Office: One India Bulls Centre, Tower - 1, 17th Floor Jupiter Mill Compound, 841, S. B. Marg, Ephraim Road, Mumbai - 400013.

**Mutual Fund investments are subject to market risks,  
read all scheme related documents carefully.**

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## Important Facts about Life Insurance

We often see lot of people invested in Unit Linked Insurance Plans (ULIP) and Traditional Plans offered by Life Insurance Companies. Major promoters of such products are banks and local area LIC/Private Insurance Agents because of the high commissions involved.

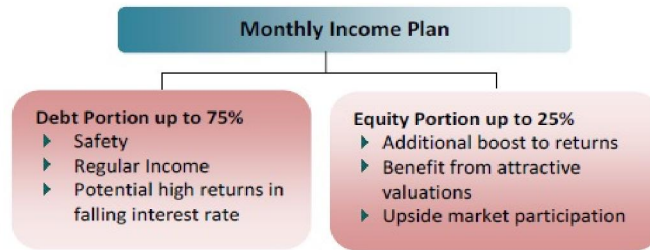
We want to throw some light on important facts about life insurance. Some of you may be aware of it.

### The Important Facts:

- Insurance and investment should never be clubbed i.e one should avoid ULIP's and Traditional Plans offered by the insurance companies due to their high expense structure.
- In ULIP's, Entry load - varies from 8-10% in 1<sup>st</sup> year and 2-5% in subsequent years , Policy Administration Fees charged on monthly basis, Fund Management Charges (0.5-2.00%) and Mortality Charges on annual basis. In Traditional Plans, Entry Load - 35% in 1<sup>st</sup> Year and 5-7% in subsequent years, Policy Administration Charges on monthly basis, Fund Management Charges and Mortality Charges on annual basis. At the end, what all these charges do is eat up your returns and give a nominal return of 6-7% annualised in case of Traditional Plans which are debt oriented. In case of ULIP which is both equity and debt oriented, returns are even worst as it take 5-6 years to come at par with the capital invested.
- One should go for term plan/cover which is pure life insurance and no investment. The premium here works out to be 1/3<sup>rd</sup> of the premium paid in Traditional plans or ULIP's. Term cover should be ideally 10 times of the annual income of an individual. Rest 2/3<sup>rd</sup> premium can be invested in products fetching a return of more than 10%. Mutual Fund is a good investment option in this regard.
- Often insurance companies encourage parents to buy children plans for their newly born babies or kids. Kindly don't entertain them as we have explained you about the high expense structure involved in Traditional/Endowment and ULIP Plans. Rather invest in a monthly systematic investment plan offered by mutual funds. Mutual fund is a low cost product charging only fund management charge ranging from 1.00-2.25% annually.

**Best Term Plans are LIC Jeevan Amulya – I, HDFC Life Click2Protect and ICICI Pru iCare Term Plan.**

**For more information on Term Plans, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



## Is MIP still a Good Option?

Monthly Income Plan (MIP) offered by mutual funds is a hybrid debt oriented scheme investing 75-80% of corpus in interest yielding debt instruments (commercial paper, certificate of deposits, government securities and treasury bills) and the remaining in equity instruments to boost the portfolio returns. MIP is basically meant for risk averse investors who are looking for higher returns and more liquid alternative to fixed deposits.

As the name suggests, this scheme was meant for investors looking for regular income on monthly or quarterly basis in the form of dividend payouts. In the recent Financial Budget 2013-14, the Finance Minister has increased the Dividend Distribution Tax (DDT) from 12.5% to 25% on all non-equity mutual funds, thus, making MIP non-attractive for regular income.

However, there is a substantial tax advantage for the long term (if the units are held for more than a year). This is because the long-term capital gains are taxed at preferential rates (10.3% without indexation, or 20.6% with indexation), not at the marginal tax rates. **This means that the growth option of MIP continues to remain the best bet for anyone who wants to accumulate wealth to meet long-term goals.**

**What happens to the investors who want a regular income from their investments?** As the dividend option is no longer feasible, such investors can first choose the growth option and, after a year, switch to a systematic withdrawal plan (SWP). These plans allow you to withdraw money on a regular basis (monthly, quarterly, semi-annually, annually, etc) to meet your needs. In the case of the non-equity mutual fund, the entire withdrawal money will be non-taxable. This is because a part of it will be the investor's principal.

**We feel this is a good time to invest in MIPs.** As interest rates are expected to come down in future, the debt portion of MIP will give good returns as the NAV will rise due to increase in bond prices. When interest rates come down, the equity portion starts doing well due to an increase in corporate investments and profitability margins.

### Best MIP's:

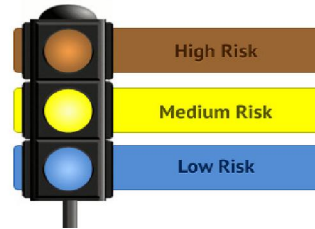
(Returns as on 8<sup>th</sup> July, 2013)

Scheme	1 Yr	2 Yr
IDFC - MIP Reg (G)	12.95	10.03
FT - India MIP Plan A (G)	11.72	8.73
Birla SL - MIP II Savings 5 Plan Reg (G)	10.34	9.76

\*Returns are upto 1 year are simple annualized and over 1 year are compounded annualized.

**For more information on Monthly Income Plans, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**

**INVESTING**  
*gets*  
**Colourful**



## Colour Coding in Mutual Funds

**Market regulator SEBI has issued a framework on 'product labelling' with colour coding for mutual funds, a move that would help investors assess the risk associated with the schemes. The guidelines would be effective from July 1, 2013, for all existing and forthcoming schemes.**

Both the existing and new schemes will have to display the colour coding on the application form, as well as the offer document, next to the name of the scheme. All their advertisements will also carry this coding. The schemes will be classified into three colours, each denoting a different level of risk.

**Blue will signify the lowest risk and the category will include debt funds, such as income, gilt, dynamic bond funds, as well as fixed maturity plans.** This category is meant for anyone who is looking to invest safely and is not comfortable with volatility and uncertainty in returns.

**Yellow will stand for schemes that bear a moderate level of risk. This includes all hybrid products, such as monthly income plans (MIPs), balanced funds, as well as multi-asset funds, which invest in both equity and debt, even gold.** This category is for those who seek high returns without taking on much risk.

**The brown colour will imply that the fund carries a high degree of risk, and will include all diversified equity, index and sectoral funds.** The colour is meant to serve as a caution to risk averse investors, while indicating the potential for earning higher returns.

**The scheme documents will also carry a 'label', or a basic description of the scheme, alongside the colour coding.** This will be a short text outlining the scheme objective (to create wealth or provide regular income), its nature, as well as the instruments it will invest in (equity or debt). Mutual funds will also carry a disclaimer: 'Investors should consult their financial advisers if they are not clear about the suitability of the product.'

### **Net Brokers View:**

Within the brown category, supposed to symbolise the highest risk, both mid- and small-cap funds and index funds find a mention. As any expert will tell you, the risk in actively managed mid- and small-cap stocks is much more than that in passive index funds. Also, while the blue colour will include the lowest risk investments in the form of debt funds, the presence of gilt funds is slightly misleading.

Since risk profiles may differ within each category, you will need to understand the nuances of each scheme, distinguishing between large cap and mid-cap funds, liquid and gilt funds, etc. Use the colour code in tandem with the accompanying description to narrow down the search.



## Investment Opportunities in Real Estate

Net Brokers is a channel partner of reputed developers across Delhi/NCR and is dealing in new bookings, under construction and completed projects.

### Why Net Brokers?

- We have a team of Property Advisors who are trained professionals and provide unbiased advice.
- Short listing of suitable properties from a list of 150 plus projects across Delhi/NCR.
- Comparison of multiple properties.
- Site Visits
- Market Analysis

### List of Top Projects:

S.No	Developer Name	Project	Location	BSP (Per Sqft)	Type	Budget	Possession
1	Vatika	Plots	Sector 88A, Gurgaon	Rs 66000 Per sq yds	Residential	2.64 Cr	Dec, 2017
2	ATS	Tourmaline	Sector - 109, Gurgaon	Rs. 8000	Residential	1.31 Cr - 2.36Cr	Dec, 2016
3	Raheja	Revanta	Sec-78, Gurgaon	Rs 6775	Residential	1.04 Cr to 2.52 Cr	Oct, 2014
4	3C	Lotus Zing	Sec-168, Noida Expressway	Rs. 6,000	Residential	1 Cr Onwards	Dec, 2014
5	Sunworld	Arista	Sec-168, Noida	Rs. 5250	Residential	35 Lac - 1.75 Cr	Dec, 2014
6	Spire World	World Trade Center	Yamuna Expressway, Greater Noida	Rs 4800	Commercial	24 Lac Onwards	July, 2016
7	Sikka	Karnam Greens	Sector- 143, Noida	Rs 4700	Residential	30 Lac - 96 Lac	Dec, 2015
8	Mahagun	Mywood Phase 3	Sector- 16C, Noida Extension	Rs 3800	Residential	35.53 - 42.18 Lacs	Dec, 2017
9	Eros	Sampoornam	Greater Noida West	Rs 3400	Residential	27Lac Onwards	Dec, 2015
10	Jaypee	Sports City Studio1	Yamuna Expressway, Greater Noida	Rs. 3290	Residential	18 Lac Onwards	July, 2016

**For more information on Real Estate Projects, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



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Disclaimer: For details of plans and other terms and conditions, please refer to application form and its terms & conditions issued by the company. \*Terms & conditions apply. \*Applicable on SSP of ₹4800/- 1 sq. ft. — 0.093 sq. mtr. Any information contained herein is tentative and for information purposes only and should not be assumed as an offer of any sort by the developer. "World Trade Center" and its logo used herein are owned by World Trade Center Association, New York. All images are artistic impressions & may change at the sole destination of the company. 1 sq. ft. — 0.093 sq. mtr.

## FIXED DEPOSITS

**Earn Assured Returns up to 15.07 % p.a.**

**Offered By Renowned Companies**

Sr. No.	Company Name	Period			3 Years Yield (in %)	Senior Citizen	
		1 Year	2 Year	3 Year		(additional Rate)	(Yield in %)
1	Jaypee Associates	12.00	12.25	12.50	15.07	NA	NA
2	Jaypee Infra	12.00	12.25	12.50	15.07	NA	NA
3	CHD Developers	12.00	12.25	12.50	15.07	NA	NA
4	Shriram Transport Finance	9.75	10.25	10.75	11.94	0.50	12.57
5	DHFL	10.00	10.00	10.00	11.33	0.50	11.98
6	Mahindra & Mahindra Finance Ltd	9.25	10.00	10.25	11.34	0.25	11.64
7	HDFC Ltd.	8.90	9.05	9.15	10.01	0.25	10.31

# Interest @12.50% compounded monthly under 3 years Cumulative Scheme.

\* 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.



**net brokers**  
Private Wealth Management  
we know your investment needs

**Net Brokers Private Limited**

**Registered Office: A-35, Shivalik, New Delhi -110017**

**Head Office: 22, New Market, Malviya Nagar, New Delhi- 110017**

**Telephone: +91-11-41881002. Mobile: +91-9311999924. FAX: +91-11-26676419 .**

**E-mail: [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**

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