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**Dear Patrons,**

Greetings!

We are pleased to share our monthly newsletter **“Knowledge Initiative”** for May 2017.

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.

### **Life Insurance - As we**

**know it:** The article discusses the general thought process about life insurance in India and what are the best products in the segment.

### **Current market scenario:**

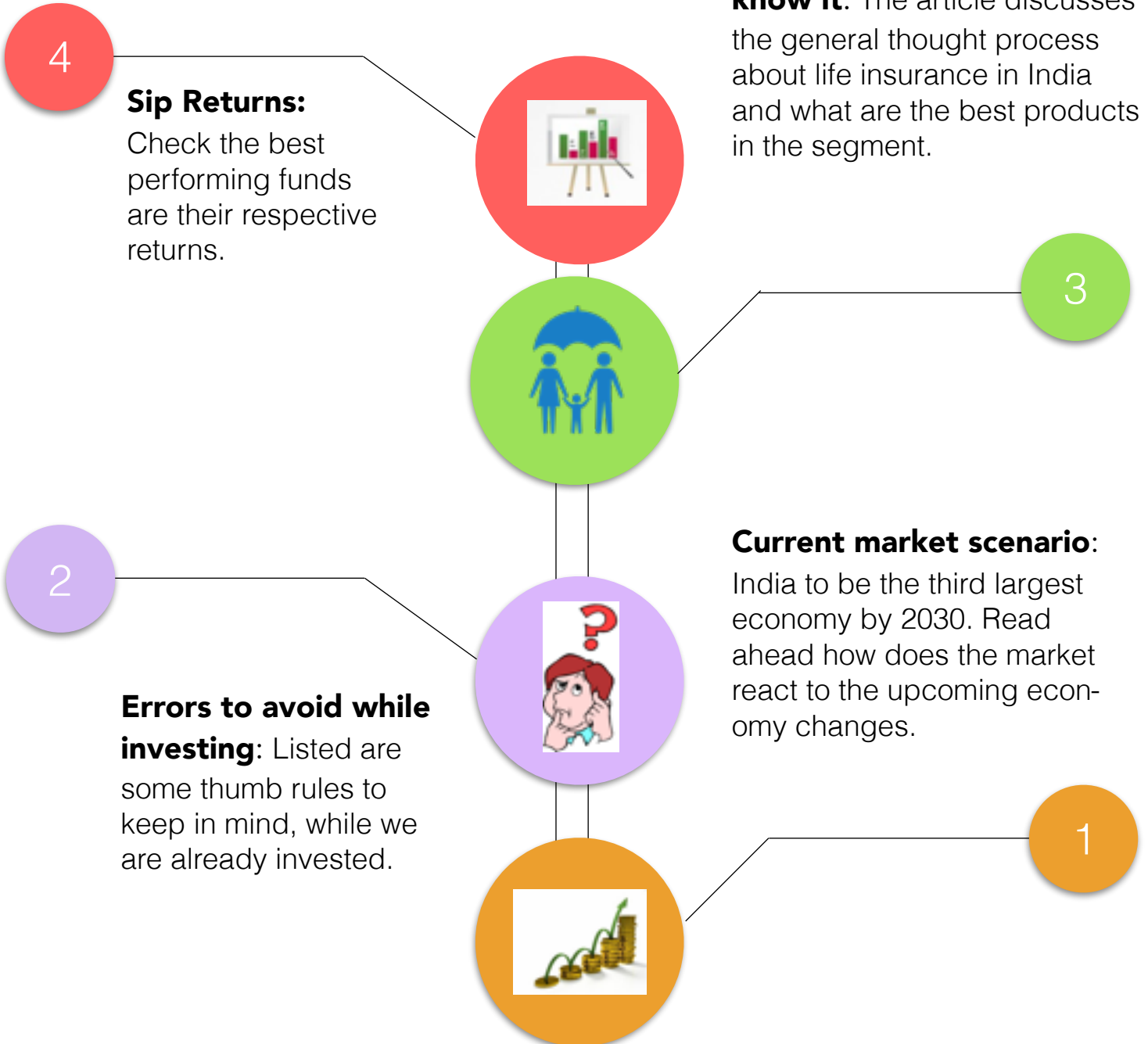
India to be the third largest economy by 2030. Read ahead how does the market react to the upcoming economy changes.

### **Sip Returns:**

Check the best performing funds are their respective returns.

### **Errors to avoid while investing:**

Listed are some thumb rules to keep in mind, while we are already invested.



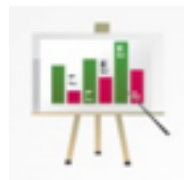
## Current Market Scenario

### Equities perform....



The macro economic conditions are improving at a fast pace in the country. Under this scenario, equities should be the BEST PERFORMING in the long run.

### 3rd largest economy, India



India is expected to be the third largest economy in the world by the year 2030. This is based on the fact that Sensex delivered a total return of 24.6% in a year.

### Timing the market....No!



A financial concept that we all are aware of in the market - "Higher the tenor, lower is the risk and better are the returns". Hence, while investing in mutual funds, it is very rightly said, "time spent in the market is more important than timing the market."

### Rupee..Best performing



The rupee has been amongst the best performing currencies and has appreciated since the US polls and demonetisation as real rates have been around 3 per cent.

### Possibility of rating upgrade



There are chances that the country can have a rating upgrade. The factors contributing to this are, on track reforms, political stability, and improvement in external balance sheet.

### Fixed income market



In the fixed income market, the schemes in one to three year time period would benefit the most, with regards to better accrual and limited risk.

**Ram:** Hi Shyam! How are you?

**Ram:** Last time, you told me about your mutual fund investments. The NIFTY is at its all time high.

**Ram:** So are you planning to redeem the invested amount and enjoy the profit?



**Shyam:** Hi Ram! I'm doing well.

**Shyam:** Yes, Ram! I'm still invested and they are giving me very good returns as of now.

**Shyam:** No, Ram! I don't wish to. Mutual funds are not meant for this purpose. That's a common mistake all of us do. Let me explain in detail about this.

This article is intended to the investors, who often think of mutual fund investments as Mr. Ram believes. Let's understand the mistakes we often make & what should the real approach be.

## Errors to avoid while Investing



### DON'T STOP YOUR SIPs

Yes, this is the first rule.

We have to keep in mind that the market will be volatile, there will be dips, small jumps, to reach towards the glory situation. But, we have to remind ourselves that these investments show the results one is expecting, only in the **LONG TERM**.

The step in , pause, restart these investment will mean that you're timing the market. Its a complete waste of time. The fund manager, being an expert, will do his job.

That's what you're playing him for, right?

### EXPECTING QUICK BUCKS - NOT THE PRODUCT FOR YOU

We all have to realise one thing – investing in Equity Mutual Funds is not about making money overnight. Do not get excited by the market levels and start investing lump sum to make some quick bucks. To benefit out of your investment, you firstly need an investment advisor, who devises a financial plan and you give ample time for the plan to succeed.



### PERIODIC REVIEWS

Monitor your investments on a regular basis, so as to take remedial actions when necessary. Attitude of complacency won't help, as comparing your MF's with the relevant benchmarks and category will help figure out how they have performed over a period of time.

### ALTERING YOUR FINANCIAL PLAN IS NOT A GOOD IDEA

The market may be at the all time high or a downward trend is being witnessed. In both scenario's, its not a good idea to alter your financial plan - invest more in equity or pause your investments. The two decisions can turn against the investor. Stick to your financial plan.



Is it necessary or I can postpone this investment?

(Life) insurance should be the first step for every saver. This is to ensure that the family has immediate financial support in case of sudden demise of earning member of family. The children's education needs could be taken care of, with the amount of insurance. Also, this would be required for regular monthly income to run the family expenses.

Will the product I'm investing in, fetch me a good amount of cover?

This can vary, according to various aspects such as assets, lifestyle, immediate, long term needs etc. But, to start with, the cover amount should be ten times the current income of the individual. The product is known as **TERM INSURANCE**.

Other products in this category, will expect you to contribute all your income towards the premium to receive the kind of amount you wish to have.

What do you think is a general thought of a common man on the product - life insurance?

Actually, there is a bit of mixed feelings on the products offered in this segment of life insurance. The IRDA (Insurance Regulatory Development Authority) has sadly not optimised its success by how much of its customers are insured for, but by how much the customers end up paying. Hence, the variety of products being offered are expensive and opaque investment options, that include a small percentage of insurance as real under statutory requirements.

What is insurance?  
What is life insurance?

Insurance, is simply an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death.

What kind of insurance should I invest in?

The basic principle of buying insurance is to keep insurance and investment separate and buy only pure insurance (term insurance). In India, insurance sellers have encouraged an investing culture where people are averse to buying term insurance because 'you get back nothing'. Agents do this because they earn far higher commissions in other kinds of products.

**Life Insurance**

**As we know it**



## **SIP RETURNS IN TOP MUTUAL FUNDS**

<b>INVESTMENT</b>		<b>VALUE (3 Year)</b>		<b>VALUE (5 Year)</b>		<b>VALUE (10 Year)</b>	
Monthly Investment @Rs 10,000 ; Total Investment		360000		600000		1200000	
<b>SCHEME NAME</b>	<b>CATEGORY</b>	<b>RETURN</b>	<b>%</b>	<b>RETURN</b>	<b>%</b>	<b>RETURN</b>	<b>%</b>
SBI Blue Chip Fund (G)	Large Cap	452,775	15.5	969,683	19.3	2,684,395	15.4
Mirae Asset India Opportunities Fund (G)	Large Cap	471,299	18.3	1,024,217	21.5	NA	NA
Birla SL Equity Fund (G)	Multi Cap	485,163	20.4	1,078,185	23.7	2918,042	17.5
Franklin High Growth Companies(G)	Multi Cap	467,079	17.7	1,090,264	24.1	NA	NA
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	555,174	30.0	1,390,169	34.4	NA	NA
L&T India Value Fund (G)	Mid Cap	519,964	25.4	1,226,764	29.1	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	513,479	24.5	1,309,528	31.8	4,265,616	24.0
Reliance Small Cap Fund (G)	Small Cap	547,611	29.2	1,438,459	35.9	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	456,996	16.1	976,227	19.6	3,014,599	17.5
ICICI Prudential Balanced Fund (G)	Hybrid Equity	457,629	16.2	964,916	19.1	2,802,897	16.2
DSP BlackRock Tax Saver Fund (G)	ELSS	483,396	20.1	1,052,545	22.7	3,015,193	17.5

**PLEASE NOTE: \*Returns over 1 Year are compounded annualized**



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