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Private Wealth Management
we know your investment needs

Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "Knowledge Initiative" for November 2019.

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.

Akhil Chugh
Director - Net Brokers

1

Have a plan to retire rich: You may be working hard for a comfortable present and better future, but with little planning you can retire rich and have a luxurious life. Enrich your knowledge on how one can do so.

2

Value based investing in mutual funds: The battle between growth and value investing has been going on for years, with each side offering reasons to support its arguments. Read the article to help you make a judgement about these funds.

3

Financial Planning for children with special needs: Every child is special. In a normal circumstance, a parent chalks out a plan for a child's education and marriage. In case of a special child, there is much more to it. Read on to understand how to secure their future.

4

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

Have a plan to retire rich

You may be working hard for a comfortable present and better future, but with little planning you can retire rich and have a luxurious life. It is important to start early in life and you may be surprised that by simply saving a modest amount every month, you may end having crores as savings.

The first step is to have a **RETIREMENT PLAN**.
This will help to identify the retirement corpus, current monthly expenses and risk taking capability based on which you will get a rough idea of how much you would need for your retirement.

INVESTMENT OPTIONS AVAILABLE	Selection of *investment products* plays a very crucial role in the retirement plan. You have plenty of options like Public Provident Fund (PPF), Employee Provident Fund (EPF), Bank Fixed Deposits, Traditional Insurance Plans and other Post Office Schemes. All these are fixed income options with returns ranging from 6.00 - 8.70% p.a. Apart from PPF, EPF and Insurance Plans, the interest earned in all other schemes is taxed as per slab. With interest rates heading south, all these options will become unattractive. Therefore, it is important to choose products which are tax efficient and deliver inflation beating returns.
IDEAL INVESTMENT	Equity and Debt schemes of Mutual Funds are ideal investments to be included in your retirement plan. Equity diversified schemes have the potential to deliver tax free returns of 12-15% CAGR provided you have a minimum tenure of 10 years. A longer tenure helps to reduce risk and overcome market fluctuations. Debt schemes offer good tax efficient returns with the help of indexation benefit.
OUR RECOMMENDATION	Systematic Investment Plan (SIP) on monthly basis is the best way to invest in mutual funds. The earlier one start starts saving and investing, the more time your money will have to grow. If you delay, you may have to invest much more to achieve a similar corpus.

VALUE OF INVESTMENT (RETURNS @12% CAGR)

	VIRAJ	SIRAJ
Start investing at the age of	25 years	30 yeard
Invest till age of	60 years	60 years
Number of years in a SIP	35 years	30 years
Monthly SIP amount	10,000	10,000
SIP date	**1st of every month**	**1st of every month**
Cost of investment	**42 lacs**	**36 lacs**
Value of investment	**5.50 crore**	**3.08 crore**

This shows that a five year gap made Viraj lead by almost double.

Value based investing

The battle between growth and value investing has been going on for years, with each side offering reasons to support its arguments. Some studies show that value investing has outperformed growth over extended periods of time on a value-adjusted basis. Value investors argue that a short-term focus can often push stock prices to low levels, which creates great buying opportunities for value investors.

Growth funds focus on companies that will experience faster than average growth as measured by revenues, earnings, or cash flow.
The key characteristics of growth funds are as follows:
- **Higher priced than broader market:** Investors are willing to pay high price-to-earnings multiples with the expectation of selling them at even higher prices as the companies continue to grow.
- **More volatile than broader market:** The risk in buying a given growth stock is that its lofty price could fall sharply on any negative news about the company, particularly if earnings disappoint Wall Street

Value funds on the other hand look for companies whose stock prices don't necessarily reflect their fundamental worth. The reasons for these stocks being undervalued by the market can vary. Sometimes a company or industry has fallen on hard times. Other times a poor quarterly earnings report or some external event can temporarily depress a company's stock price and create a longer-term buying opportunity.
The key characteristics of value funds include:
- **Lower priced than broader market.** The idea behind value investing is that stocks of good companies will bounce back in time if and when the true value is recognized by other investors.
- **Carry somewhat less risk than broader market.** However, as they take time to turn around, value stocks may be more suited to longer term investors and may carry less risk of price fluctuation than growth stocks

Let us understand the benefits of value based investing:

DIVERSIFICATION

Value funds provide diversity to most portfolios in which majority of the funds are growth oriented. This ensures that a part of the portfolio will do well at all times.

DOWNSIDE PROTECTION

As the focus is on cheaper stocks and mostly those that are out of favour, value funds ensure a lower downside than the overall market. They do not invest in stocks that have high expectations.

ESTABLISHED STRATEGY

Value investing has yielded good profits for investors across the globe and is considered as one of the most successful investment strategies. Value funds in India have delivered good returns since inception, but unfortunately we have few funds based on 100% value style investing.

Suggested Allocation

In an ideal situation, you should have a 50:50 allocation to value and growth funds. We recommend a 25% allocation rather than 50% because many of the diversified (blend) funds in your portfolio would also have value-oriented funds.

Financial planning for children with special needs

Every child is special. In a normal circumstance, a parent chalks out a plan for a child's education and marriage. In case of a special child, there is much more to it. They not only have to plan for college expenses but for their life-long medical expenses as well.

Besides this, the parents have to put together a system where the child is taken care of, after their death and he/she continues to get a particular amount every month. In this article, we bring to you various insights and issues a parent of a special child has to take care of and act on from time to time, to ensure a secured life for his child:

LEGAL GUARDIAN

A guardian is the person who will care for your child if you were to die before he or she becomes an adult. In choosing this person, one must consider how much time you now spend tending to your child's needs. Who can handle that type of commitment? Who has bonded with your child? Who has the patience, understanding, and other personality traits necessary to deal with the day-to-day responsibilities of raising your child? Once you pick someone, ask the person if he or she can and will accept that responsibility (even though you hope it will never be necessary). And talk about how this commitment will likely stretch beyond when your child turns 18.

WILL

A will specifies what will be done with your assets after your death. By writing a will, you make sure that your assets are left to the special needs trust and not to your child. When you have a child with special needs, a will should not be a do-it-yourself endeavour. A lawyer should be hired, who works specifically for people with special needs and is aware of your state's disability laws. Once the documents are drafted, your lawyer keeps one copy of the will and gives copies to any executors or guardians named in the will.

SPECIAL NEEDS TRUST

A special needs trust is the most important part of your child's long-term financial plan. This is where you can put money that you save, that others give your child as gifts, or that you receive from an insurance settlement without worrying that these funds will interfere with your child's eligibility. Even if you're unable to pay into a trust right now, set one up anyway. This way, you can make the trust the beneficiary of your life insurance policy and your estate, ensuring that those assets don't get passed to your child when you die.

TRUSTEE

A trustee is the person who will be responsible for managing the special needs trust after your death. It can be a family member, a friend, or even a bank or lawyer. The trustee ensures that the money in the trust is spent only on your child with special needs and only on services that you've specified or that are appropriate to your child's needs. The trustee also supervises how the money in the trust is invested. The person who is caring for your son or daughter (the guardian) cannot spend any money in the trust without the trustee's approval.

SIP RETURNS IN TOP MUTUAL FUNDS

Returns as on date 28th November 2019

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*	830,965	13.0	2,729,815	15.7	N/A	N/A
Axis Bluechip Fund (G)	*Large Cap*	857,097	14.2	2,506,446	14.1	N/A	N/A
DSP Equity Opportunities Fund (G)	*Large & Midcap*	782,834	10.6	2,419,794	13.4	5,580,683	13.8
Mirae Asset Emerging Bluechip Fund (G)	*Large & Midcap*	881,272	15.4	N/A	N/A	N/A	N/A
Kotak Standard MulticapFund (G)	*Multi Cap*	809,535	11.9	2,649,396	15.1	N/A	N/A
DSP Equity Fund (G)	*Multi Cap*	796,542	11.3	2,342,007	12.8	N/A	N/A
Kotak Emerging Equity Fund (G)	*Mid Cap*	757,298	9.2	2,765,578	15.9	N/A	N/A
Axis Midcap Fund (G)	*Mid Cap*	823,120	12.6	N/A	N/A	N/A	N/A
SBI SmallCap Fund (G)	*Small Cap*	804,346	11.7	3,459,207	20.1	N/A	N/A
Axis SmallCap Fund (G)	*Small Cap*	810,540	12.0	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	*Focused*	838,467	13.3	2,819,722	16.3	6,927,219	16.3
Axis Focused 25 Fund (G)	*Focused*	856,937	14.2	N/A	N/A	N/A	N/A
ICICI Pru Equity & Debt Fund (G)	*Hybrid Aggressive*	758,234	9.3	2,397,238	13.3	5,245,648	13.1
SBI Equity Hybrid Fund (G)	*Hybrid Aggressive*	790,397	11.0	2,432,678	13.5	N/A	N/A
DSP - Tax Saver Fund (G)	*ELSS*	799,374	11.4	2,571,659	14.6	N/A	N/A
Axis Long Term Equity Fund (G)	*ELSS*	822,343	12.6	N/A	N/A	N/A	N/A

PLEASE NOTE: *Returns over 1 Year are compounded annualised

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