



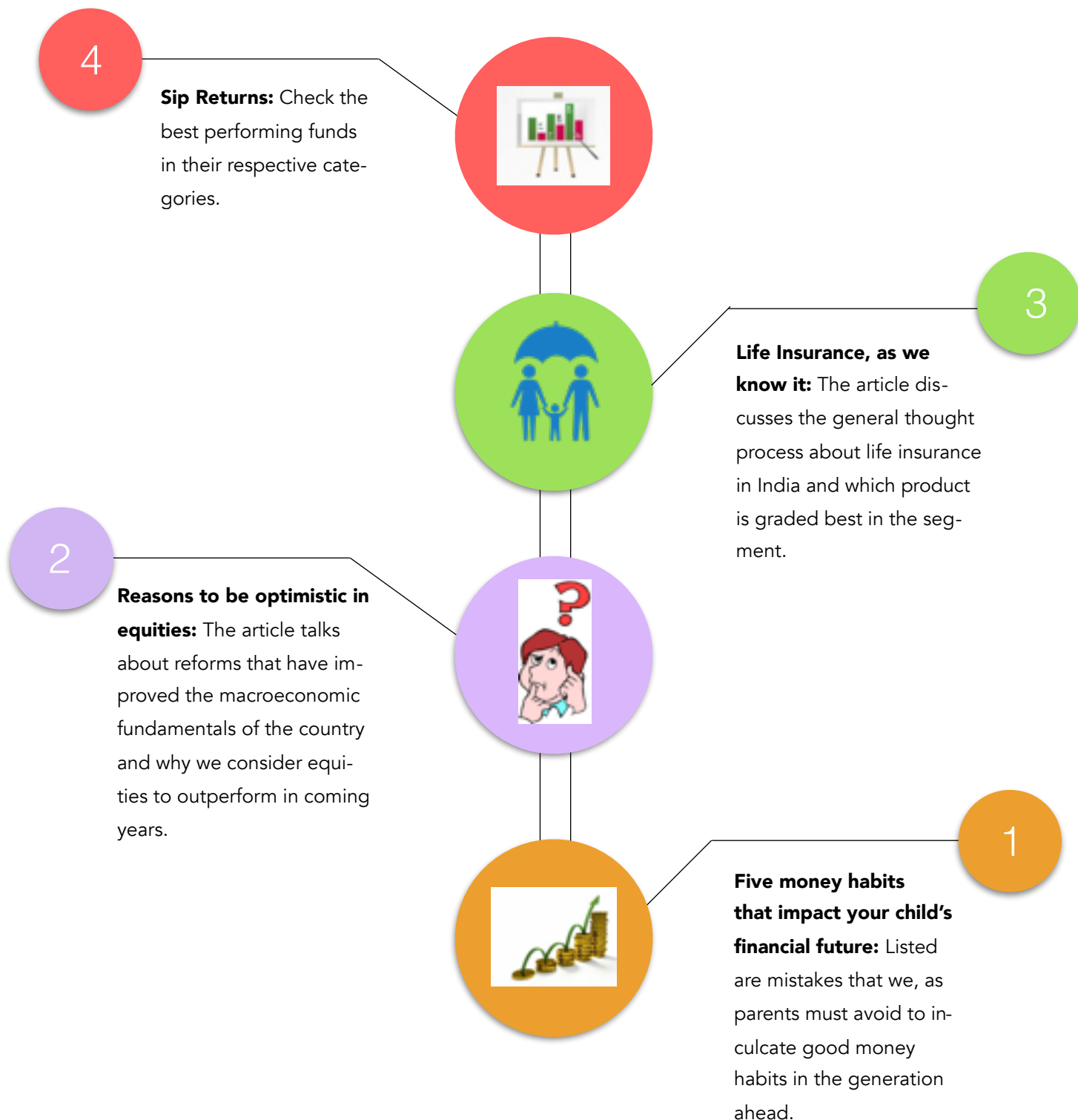
Dear Patrons,

Greetings!

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

AKHIL CHUGH  
DIRECTOR - NET BROKERS



## FIVE MONEY HABITS THAT IMPACT YOUR CHILD'S FINANCIAL FUTURE

Many a times, we as parents, don't realise that our kids imitate our actions and behaviour at every stage of life. Hence, we must look into the following points in financial matters, so that they adopt good habits for important decisions in life.

### Communication

Parents often discuss about their finances - spending, investing and planning with each other. But, kids are not a part of this communication. We must try to educate, inculcate the saving and planning habit, in our kids at a young age. This will help them adopt the same habits as they turn adults and are required to plan for goals such as retirement, children's education and marriage planning, health insurance etc.

### Parents as role models

It is very rightly said "Habits change into character". In order to prepare our children for the future, we must act as ROLE MODELS. Hence, discipline in planning, saving and investing by parents is clearly followed by the next generation. They must experience all aspects - risks, wins and losses.

### Disciplined Saving

Maintaining strict inflows and outflows of money gives you a fair idea of your net income. This further helps, you to bifurcate the amount that can be invested on a regular basis and understand the path to reach your goal of creation of wealth in the long term. Your decision of buying toys, clothes etc. can be explained to your children with the clear understanding of your finances on a monthly track.

### Healthy risk appetite

The old generations considered the equity and stock markets as a pure gamble. For them, the safest options to grow money and keep it safe at the same time, were fixed deposits, gold and property. However, with the changing times, there is a gradual shift towards to investing into equity and debt at the same time. In order to reach their financial goals, one must diversify into various streams that generate higher returns.

### Managing risks

A good contingency fund along with the right kind of insurance is something each individual must consider contributing to. This is purely to keep your heirs away from any undue hardships or unforeseen circumstances

## REASONS TO BE OPTIMISTIC IN EQUITIES

Let us have a broad look at the macro scenario and explain our bullish stance on the stock market.

### **GDP GROWTH - SHARP IMPROVEMENT AHEAD**

Growth has indeed slowed down in last few quarters. However, this is, in all probability driven by de-monetisation and GST, two very significant reforms that have caused temporary disruption in the normal functioning of the economy. However, as things normalise, growth rates are expected to recover smartly over the next few quarters. The medium term outlook for the economy is even more encouraging. This view is driven by a likely acceleration in infra capex, affordable housing and a revival in private capex. As per recent news flow, there are reasons to be optimistic about revival of private capex in the not too distant future primarily led by metals sector.

### **EARNINGS RECOVERY IS IMMINENT**

Expectations in financial markets move much faster than the real world. It typically takes two years to build a house, one year to renovate it, but we expect the economy growth to surge, NPAs to resolve, earnings to recover and much more in few quarters. Unfortunately, to bring about changes in the real world and more so in a large and complex country like India takes longer. With the sharp recovery in steel and other metal prices, with the peaking of provisioning costs in banks and with a slow but steady improvement in infra capex, earnings recovery is underway and it should become increasingly evident with each passing quarter. The last quarter's results are already pointing in that direction.

### **PROMISING MARKETS**

The index has trailed nominal GDP growth by 8% p.a. for the last 10 years (SENSEX CAGR of 6% vs Nominal GDP growth at a CAGR of 14%). As a result, India's market cap to GDP on CY18 is 72%, which is low. This will be lower still for next year. Even in terms of P/E, markets are reasonably valued. In fact, as earnings growth improves, the P/E's should look more reasonable and move lower.

### **NEW SECTORS SHOULD LEAD EARNINGS GROWTH OVER NEXT FEW YEARS**

It is interesting to note that there is a significant divergence in the profit growth across sectors between the past and estimates for the future. For instance: profits for capital goods de-grew by 22% CAGR between March 2012 and March 2016, are expected to grow at a CAGR of 36% between March 2016 and March 2019. Similarly, healthcare, where profits grew by 20% CAGR between March 2012 and March 2016 are likely to grow by only 5% CAGR between March 2016 and March 2019. This divergence in profits between the past and future opens up prospects for new sectors to gain leadership in the markets going forward.

## **CONCLUSION**

The macro scenario explained above makes a strong case for increasing allocation to equities or in staying invested as the case may be (for those with a medium to long term view and in line with individual risk appetite). Successful investing needs more patience than intelligence. The track record of a few mutual fund schemes over decades and the experience of those investors who have stayed invested in these funds for long periods amply demonstrates this.

**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.

**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.

**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.



**LIFE INSURANCE**

**AS WE KNOW IT**

**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.

**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.

## SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	CATEGORY	RETURN	%	RETURN	%	RETURN	%
SBI Blue Chip Fund (G)	Large Cap	454,929	15.8	958,620	18.8	2,810,472	16.2
Mirae Asset India Opportunities Fund (G)	Large Cap	488,672	20.8	1,043,591	22.3	NA	NA
Franklin India High Growth Companies (G)	Multi Cap	477,372	21.8	1,087,071	24.0	3,509,627	20.3
BIRLA SL Advantage Fund (G)	Multi Cap	495,125	21.8	1,102,864	24.6	3,118,002	18.1
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	538,256	27.9	1,338,756	32.7	NA	NA
L&T India Value Fund (G)	Mid Cap	504,610	23.2	1,178,981	27.4	NA	NA
Franklin India Smaller Companies Fund (G)	Small Cap	503,084	22.9	1,247,442	29.7	4,461,711	24.8
L&T Emerging Businesses Fund (G)	Small Cap	589,929	34.8	NA	NA	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	462,640	17.0	976,962	19.6	3,087,072	18
L&T India Prudence Fund (G)	Hybrid Equity	453,668	15.6	955,106	18.6	NA	NA
IDFC Tax Advantage (G)	ELSS	496,627	22.0	1,052,151	22.6	NA	NA
Axis Long Term Equity Fund (G)	ELSS	453,034	15.5	1,018,174	21.3	NA	NA

**PLEASE NOTE :** Returns over 1 Year are compounded annualised, as on 21st November 2017



**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

**Disclaimer:** Net Brokers has taken due care and caution in presenting factually correct data contained herein above. While Net Brokers has made every effort to ensure that the information / data being provided is accurate, Net Brokers does not guarantee the accuracy, adequacy or completeness of any data/information in the publication and the same is meant for the use of receipt and not for circulation. Readers are advised to satisfy themselves about the merit details of each investment scheme, before taking any investment decision. Net Brokers shall not be held liable for any consequences, legal or otherwise, arising out of use of any such information/data and further states that it has no financial liability whatsoever to the recipient /readers of this publication. Neither Net Broker nor any its directors/employees/ repetitive accept any liability for any direct or consequential loss arising from the use of data/information contained in the publications or any information/data generated from the publication. Nothing contained in the publication shall or be deemed to constitute a recommendation or any an invitation or solicitation for any product or service. Any dispute arising in future shall be, subject to the Court(S) at Delhi. Readers are advised to go through the respective product brochure / offer documents before making any investment decisions.