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Dear Patrons,

Greetings!

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

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**AN EMERGENCY FUND - A NECESSITY DURING THE PANDEMIC**: The economy is facing its twists and turns during covid conditions in the country. The direct impact has been on the finances of people. Let's understand how a contingency fund might help during this storm.

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**YOUR INVESTMENT STRATEGY IN VOLATILE MARKETS**: The stock market of late has been highly volatile on account of global events. Listed are some important steps on how to handle and take advantage of volatile markets.

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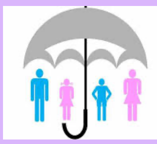

**TOP REASONS WHY TERM INSURANCE IS A MUST HAVE**: Terms like life insurance and term insurance are alien to a large part of the population. Listed are reasons that make term insurance a must have.

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**LIST OF TOP MUTUAL FUNDS**: Check the best performing funds in their respective categories.

# AN EMERGENCY FUND - A NECESSITY DURING THE PANDEMIC

The economy is facing its twists and turns during covid conditions in the country. The direct impact has been on the jobs and finances of people. A small financial cushion helps one tide over tough times.
Let's understand the nitty gritty of having such a fund:

**What is contingency fund?**

An emergency or contingency fund, helps you and your family to financially face a medical scare or sudden lob of job, or salary or pay cut or something that impacts the community at large such as wars or pandemic like the current one.

**How big should it be?**

The size of the fund would depend on the income, lifestyle, existing debt and number of dependents. The general rule of thumb is to have anywhere three to six months worth of household expenses. If you are a family with kids and only one earning member, then ideal fund should encapsulate savings for 12 months.

**What expenses are to be considered?**

The first thing to do is to figure out the necessary monthly expenditures for a family. Let's categorise them as:

- Fixed expenses: Rent / maintenance, mortgage payment, insurance premiums, other loans (car / education), school fees, salary of staff (house help / driver) etc.
- Variable expenses: Grocery, medicines, electricity, gas, travel, phone bills, internet and other incidentals.

**How to build an emergency fund?**

Once the amount is decided what works for you, stagger your goals into smaller MONTHLY DEPOSITS.
Follow the principle, 'Out of sight, out of mind' by using a SEPARATE ACCOUNT. This way you will not be tempted to spend that money.
Just like we PUT ASIDE some amount for financial goals such as retirement or children's education, strategise to automate or park the amount from savings.
TRIM YOUR EXPENSES by prioritising between needs and wants. The non- essentials can wait for the time being.
REALLOCATING LUMPSUM receivables such bonus at work or tax refund, can be parked into the emergency fund, so as to enjoy the benefits later.

**How to manage an emergency fund?**

The emergency fund should be managed in such a way that the liquidity, security and accessibility are not compromised on.
Parking this fund into high risk equity mutual funds will threaten the aspect of SECURITY and should be avoided. Convenient ACCESSIBILITY to the funds is important, so that there is timely access to the fund. Liquidity refers to how quickly the fund can be converted into cash. PPF's , Fixed deposits, NSC etc. are not options, because they irredeemable before maturity
Deploying the fund into liquid mutual funds, arbitrage funds and bank deposits is the SOLUTION.

# YOUR INVESTMENT STRATEGY IN VOLATILE MARKETS

The stock market of late has been highly volatile on account of global events. Investors often panic and lose sight of their investments goals during high volatility.

For the benefit of all, we are listing some important steps on how to handle and take advantage of volatile markets:

### PORTFOLIO REBALANCING

Rebalancing begins with a review of investments in your portfolio, looking for any changes and how the allocation has shifted. You can leave the portfolio's baseline asset allocations intact and, instead, make adjustments within asset classes. For example, suppose your allocation is 60 percent stocks, 30 percent bonds and 10 percent cash. If stocks fall significantly, your portfolio could shift to 40 percent stocks. But your goals and investment strategy remain the same. So it's time to rebalance – shifting assets into stocks to bring the allocation back into line with your target of 60 percent stocks.

### DON'T TIME THE MARKET

Timing the market is easier said done. Tell me how many people were able to predict dotcom crash or subprime crisis in 2008. How many people exited their investments when markets were at peak in January 2008 or entered in October lows of 2008? That's the double-edged sword of market timing – it's not just about skipping the market highs; should you miss a crash, you miss riding the recovery that follows. Stick to your investment plan.

### DON'T STOP SIP

There is a famous saying: "In SIPs we don't time the market, we spend time in the mar- ket. SIP works best in volatile and bad markets. With every fall in the stock market, SIP or Systematic Investment Plan gives more units to the investor. This in turns lowers the average cost of purchase. You have to stay invested in SIPs during bad or volatile markets to take benefit of rupee cost averaging and power of compounding.

### CLEAR STRATEGY

Volatility is part and parcel of stock market. If you have a clear and firm investment strategy in place, you can have a smooth ride. Investments should be always backed by financial goals like children education, retirement, etc. Such goals have minimum investment period of 5 -10 years, thus inculcating the habit of saving and investing regularly. Do not change your asset allocation based on the stock market. That should be determined by the goal, the amount of risk you are capable of taking depending on your current situation and investment time frame. The time frame is determined by counting the number of years left until you achieve your goal.

# TOP REASONS WHY TERM INSURANCE IS A MUST HAVE

Terms like life insurance and term insurance are alien to a large part of the population.
Term insurance is a form of life insurance that provides coverage for a specific period of time. If the insured dies within the specified time, the insurer pays the sum assured to the nominee. In case the insured survives the tenure, the term insurance policy ceases to exist.The low penetration of life insurance signals towards a lack of financial awareness.
Here are top reasons that make term insurance a must have -

## MINIMAL COST

Most people fail to gauge the importance of having a financial buffer such as a term insurance plan.Term Insurance is one of the most basic financial products. There are no savings or investment component in term insurance, which makes it a cheaper option than other insurance products.

## TAKING CARE OF LIABILITIES

Buying a house or car is a common practice in every household. In case of any unfortunate event, the liabilities on the family can bring the undue pressure on the family. Term insurance plans can be taken to secure your family against liabilities.

## FINANCIAL SECURITY

Everyone wants secure life without worrying about the financial security of their family in their absence.The sum insured plays an important role in determining the amount of insurance premium to be paid for policy. Term insurance has made financial security possible, as you're assured of a substantial cover at a minimal cost.

## FLEXIBILITY

Every family has a different need. Some need regular income while some need a lump-sum amount. You can opt for a lump-sum payment or choose to receive a part of the sum assured as lump-sum and the balance in equal instalments. The premiums can also be paid on a monthly or annual basis.

## INCOME TAX BENEFITS

Buying a term insurance plan comes with a host of income tax benefits. You can claim a tax deduction of up to Rs 1.5 lakhs per year under Section 80C of the Income Tax Act, 1961 for the premiums paid for term insurance. The sum assured paid to the nominee is tax-exempt under Section 10 (10D) of the income-tax law.

# LIST OF TOP MUTUAL FUNDS

| CATEGORY | NAME OF SCHEME |
|---|---|
| LARGE CAP | Axis Bluechip Fund<br>Mirae Asset Large Cap Fund |
| LARGE AND MID CAP | Mirae Asset Emerging Bluechip Fund<br>Kotak Equity Opportunities Fund |
| MULTICAP | DSP Equity Fund<br>Kotak Standard Multicap Fund |
| FOCUSED | SBI Focused Equity Fund<br>Axis Focused 25 Fund |
| MID CAP | Axis Midcap Fund<br>DSP Midcap Fund |
| SMALL CAP | Axis Small Cap Fund<br>SBI Small Cap Fund |
| ELSS | Axis Long Term Equity Fund<br>Mirae Asset Tax Saver Fund |
| HYRBID AGGRESSIVE | Mirae Asset Hybrid Equity Fund<br>SBI Equity Hybrid Fund |
| BALANCED ADVANTAGE FUND | DSP Dynamic Asset Allocation Fund<br>Edelweis Balanced Advantage Fund |
| HEALTHCARE | Mirae Asset Healthcare Fund<br>TATA India Pharma and Healthcare Fund |
| GLOBAL | Franklin India Feeder Franklin US Opp Fund<br>ICICI Prudential US Bluechip Equity Fund |
| DEBT - CORPORATE BOND | Kotak Corporate Bond Fund<br>ICICI Pru Corporate Bond Fund |
| DEBT - BANKING & PSU | DSP Banking & PSU Debt Fund<br>IDFC Banking & PSU Debt Fund |

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