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## **Knowledge Initiative**

**Dear Patrons,**

**Greetings!**

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for May 2016.

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.

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 issue includes:**

- Setting Up Financial Goals
- Add a Bit of Spice with Small Caps
- How to Safeguard Against an Insurance Claim Rejection
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds



**Akhil Chugh**

**Warm Regards,**

**Akhil Chugh**  
Director

# Vatika Turning Point, Sector 88 B, Gurgaon

LOCATION IS EVERYTHING  
AND SO IS TIMING

2/3/4 BEDROOM  
HOMES - ALL UNDER  
1 CRORE

A VATIKA PROJECT  
17 MILLION SQ FT RESIDENTIAL  
DELIVERED

LAUNCHING SOON  
RIGHT ON  
NATIONAL HIGHWAY



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## Setting up Financial Goals

Setting up goals is one of the important steps in financial planning. Let us understand the important things we have to keep in mind.

- **Have Specific Goals**

People have a tendency of assigning aimless figures to their goals without understanding whether the amount invested will be sufficient in future or not. It is very important to have specific financial goals assigned to investments. For example, a systematic investment plan (SIP) of Rs 10,000 per month done for 20 years with an assumption of 12% CAGR return to create a retirement corpus of Rs 1 Crore is a specific goal. Do your calculations properly and set specific goals. If you assign a figure and date to each goal and write it down, you will feel more motivated to save.

- **Goal Prioritization**

It is important to assign a priority to each goal. This will depend upon how important the goal is, what is the time horizon and how will you arrange the funds for it. For example, a retirement goal should be given more priority over a child's higher education plan because you can always get a loan for education, but you won't be able to get one for your retirement.

- **Take Small Steps**

A person should start and save early in life. This is because he will have more numbers of years to invest and achieve his goal. SIP in mutual funds is one of the best ways to invest in equity markets on monthly basis. You can start with any amount based on the calculation of your financial goal and then increase the investment in line with the rise in your income.

- **Inflation**

One should always factor in inflation while calculating the amount you require for goals. This will decide the amount you will need to invest for each goal. For example, if the cost of your son's higher education is Rs 20 Lacs today, 6% inflation will increase the figure to Rs 36.38 Lacs in 10 years. You should also review your financial plan on half yearly basis to ensure it is on track.

- **Match Duration with Investment**

Every goal has a different time frame. So you need to match the investment avenue with the time available for that goal. If you have less than three years to save for your child's college admission, you should invest in debt rather than equity to ensure the safety of your capital.



## Add a Bit of Spice with Small Caps

Want to add a bit of spice to your portfolio in terms of earning those extra returns; you can consider adding small caps. It is meant for investors who are willing to take on more risk to have the chance to achieve greater returns. One easy way to gain diversified exposure to the small cap space is through mutual funds. Mutual funds investing in small cap stocks can minimize the risk by diversifying across companies and sectors. Since mutual funds are managed by professional managers supported by teams of analysts and researchers, they are in a better position to select the right stocks, diversify across sectors and companies and react swiftly to changes in equity market conditions.

Small Cap Funds usually invest 75-85% of the portfolio into small cap stocks and the balance into mid cap stocks. They carry higher risk higher returns. The fund manager is often faced with the challenge of building a portfolio of quality small cap stocks and depends extensively on in-house research.

Small cap stocks are illiquid in nature and prone to higher volatility due to low volumes and small size of companies. Those who wish to invest in small cap funds should do so only if they have a long investment horizon and tolerance for volatility. Small cap stocks suffer the steepest falls in a bear market and rise the most in a bull market. An investor should stay put for at least four-five years to allow the fund to gain from at least one bull run.

Small cap funds are good only for a portion of the portfolio. These funds are more volatile than large and mid cap funds. While there could be a possibility of higher returns from these funds, only a small percentage of wealth should be invested in such funds. An ideal allocation can be 5-10% of the total portfolio.

There are many companies in the small cap space that may become success stories in the future. Investing a small portion of your savings in the small cap theme through mutual funds may give you a pleasant surprise.

### Top Small Cap Funds:

1. Franklin India Smaller Companies Fund
2. DSP BlackRock Micro Cap Fund
3. Reliance Small Cap Fund

For more information on Small Cap Funds, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)



## How to Safeguard Against an Insurance Claim Rejection

Before you buy insurance, it is important to check the claim settlement ratio of the insurance company. Claim settlement ratio refers to the total number of death claims settled by an insurance company. Go for the insurance company which has the best claim settlement ratio as you cannot risk the financial security of your family. The policyholder is also equally responsible and should be aware of some important things to ensure the claim is not rejected by the insurance company.

- **Disclose all Facts**

It is very important to disclose all the required information to the insurance company. Information like pre-existing medical condition, use of alcohol and tobacco, age, height, weight, income, occupation, existing policy details and any other information asked in the form. In case you miss out on any relevant information intentionally or non-intentionally, your claim will be rejected. Do not hide any facts from the insurance company.

- **Check Exclusions**

There are exclusions in the insurance policy under which insurance companies do not settle the claims. Exclusions like death due to over dose, policyholder is found to be intoxicated, suicide, death certificate states homicide, death due to war and terrorist activities, etc. Be aware of all such exclusions.

- **Policy Lapse**

Do not ever make the mistake of missing out on paying policy premium. Pay your premiums well before the due date. You also get a grace period of 30 days after the due date. If you pay premium after the grace period is over, your policy will lapse and will be not renewed. In this case, any claim in the event of death of the policyholder will not be honoured by the insurance company.

- **Update Nominations**

Individuals usually nominate their parents and forget to change the nomination after they get married. At the time of claim, it may happen that the nominee is not alive. It is very important to update the nominee details if there is any change in the nominee or if the nominee had passed away earlier than the life assured. In this case, the claim may not get rejected but the transmission process will take lot of time because of the legal formalities involved.

## Investment Opportunities in Real Estate

The Real Estate Bill passed by parliament provides transparency and accountability in the realty sector. Its objective is to make known the status of building approvals, to enable customers to make accurate decisions. This apart, the bill aims to take steps to promote affordable housing for everyone.

Net Brokers presents to you lucrative options in Real Estate for May 2016:

| Project  | Type        | BSP/Sq.ft /Sq.Yd | Cost            |
|--|-------------|------------------|-----------------|
| Godrej 101, Sector 79, Gurgaon   | Residential | 5255             | 75 Lacs onwards |
| Vatika Turning Point, Sector 88 B, Gurgaon   | Residential | 5130             | 59 Lacs onwards |
| Mahagun Meadows, Sector 150, Noida Expressway  | Residential | 4500             | 64 Lacs onwards |
| Civitech Sampriti, Sector 77, Noida – Ready to Move                                      | Residential | 5500             | 62 Lacs onwards |
| Vatika INXT High Street, Sector-83, Gurgaon- Retail Shops - Assured Returns @ 10.50% p.a | Commercial  | 13,333           | 1 Cr onwards    |
| Vatika Towers, Golf Course Road, Gurgaon – Assured Returns @ 10% p.a                     | Commercial  | 16000            | 80 Lacs onwards |
| Vatika One India Next, Sector 82 A, Gurgaon - Assured Returns @ 10.50% p.a               | Commercial  | 8667             | 43 Lacs onwards |
| Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback                | Commercial  | 6000             | 30 Lacs onwards |
| DLF Prime Towers, Okhla Phase- 1, New Delhi  | Commercial  | 14,500           | 1.27 Cr onwards |
| DLF Galleria, Mayur Vihar, New Delhi - Retail Shops                                      | Commercial  | 12,000           | 1.16 Cr onwards |



For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

## SIP Returns in Top Equity Mutual Funds

\* Returns as on 10<sup>th</sup> May, 2016

| Current Value & Yield (XIRR) %                |               |                          |      |                          |      |                           |      |
|---|---------------|--------------------------|------|--------------------------|------|---------------------------|------|
| Scheme Name<br>Monthly Investment: Rs 10,000  | Category      | Value & Return<br>(3 Yr) |      | Value & Return<br>(5 Yr) |      | Value & Return<br>(10 Yr) |      |
|   |               | 360000                   | %    | 600000                   | %    | 1200000                   | %    |
| Birla SL Frontline Equity Fund (G)            | Large Cap     | 436,947                  | 13.0 | 882,880                  | 15.4 | 2,516,774                 | 14.2 |
| Invesco Business Leaders Fund (G)             | Large Cap     | 432,648                  | 12.3 | 845,807                  | 13.7 | NA                        | NA   |
| ICICI Prudential Value Discovery (G)          | Multi Cap     | 492,989                  | 21.5 | 1,042,137                | 22.2 | 3,405,115                 | 19.8 |
| Franklin India High Growth Companies Fund (G) | Multi Cap     | 482,350                  | 19.9 | 1,028,933                | 21.7 | NA                        | NA   |
| IDFC Premier Equity Fund(G)                   | Mid Cap       | 474,109                  | 18.7 | 977,537                  | 19.6 | 3,353,995                 | 19.5 |
| Franklin India Prima Fund (G)                 | Mid Cap       | 515,905                  | 24.8 | 1,108,356                | 24.8 | 3,171,608                 | 18.5 |
| Franklin India Smaller Companies Fund (G)     | Small Cap     | 553,727                  | 30.0 | 1,242,617                | 29.6 | 3,572,115                 | 20.7 |
| DSP BlackRock Micro Cap Fund (G)              | Small Cap     | 613,699                  | 37.9 | 1,296,327                | 31.4 | NA                        | NA   |
| HDFC Balanced Fund (G)                        | Hybrid Equity | 457,847                  | 16.2 | 906,580                  | 16.5 | 2,750,356                 | 15.8 |
| Tata Balanced Fund Plan (G)                   | Hybrid Equity | 455,440                  | 15.9 | 918,992                  | 17.1 | 2,665,646                 | 15.2 |
| Axis Long Term Equity (G)                     | ELSS          | 481,543                  | 19.8 | 1,037,698                | 22.1 | NA                        | NA   |
| Invesco Tax Plan (G)                          | ELSS          | 461,845                  | 16.9 | 935,288                  | 17.8 | NA                        | NA   |

\*Returns over 1 Year are compounded annualized



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