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Private Wealth Management
we know your investment needs

Knowledge Initiative

Dear Patrons,

Here we are with the second issue of our monthly newsletter "**Knowledge Initiative**".

We trust you will enjoy reading this newsletter, even while soaking in the contents. 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. We will be happy to include and answer them in our next newsletter.

The second issue includes:

1. Stay Focused on Long Term Goals
2. Should You Still Bet on Gold?
3. Balanced Funds for Conservative Investors
4. Dividend Distribution Tax in Debt Funds
5. Investment Opportunities in Real Estate

Akhil Chugh
Director

Warm Regards,
Akhil Chugh

Stay Focused on Long Term Goals

With the Stock Markets witnessing volatility since January 2013 on account of unstable political environment, weak domestic and global macro factors, it is strongly advised not to press the panic button and exit from equity investments. When we talk about equity, we mean long term investments i.e tenor of 10-15 years. This is where with the help of Financial Planning, a person is able to create huge corpus for his family. Volatility will always remain in stock market due to some reasons or the other, but what counts is an investor's patience; the time he spends in the market.

Instead of worrying about the markets, an investor should focus on his goals and asset allocation depending upon his age, income, needs, responsibilities and risk appetite. Goals include buying a home, car, planning a vacation, children education, daughter's marriage, retirement, etc. Selection of right products in asset allocation is very important for the success of the financial plan. This is where financial experts come into picture. Net Brokers conducts a free financial planning session where our investment advisor does a thorough analysis of the client's assets, liabilities, current financial position, goals, etc and comes out with a financial plan.

Gone are those days when people used to buy shares of a company and hold it for 5-10 years or to pass it on to their heirs. Now a day's, the business trend is rapidly changing. A sector may perform well in one or two quarters, but may have average performance in the rest of the quarters. Also investing in Direct Equity is not that easy and requires lot of fundamental and technical research which may not be possible for investors because of lack of time due to their jobs, business, etc. You need to spend lot of quality time for this. As everything is now linked to international markets, global knowledge is also required. Moreover, you limit yourself to investing in specific sectors. This is where Mutual Funds serve our purpose. They have a team of research analysts who work day and night on fundamental and technical research. Mutual Funds offer enormous benefits such as diversification, professional expertise, low costs, ease of process, etc.

One of the best approaches used in Financial Planning is Systematic Investment Plans (SIP) offered by Mutual Funds. It's a slow and steady process of building huge wealth over a period of time.

We urge investors to go for financial planning and reap the benefits in future. A small step taken in this direction will give a secure and healthy future to your family.

Should you still bet on Gold?

Gold has given tremendous returns for nearly a decade and is now facing a downturn. In terms of domestic price, it has fallen 17.77% from 52 week high of Rs 32,950 to Rs 27093 per 10 gram as on 8th May 2013.

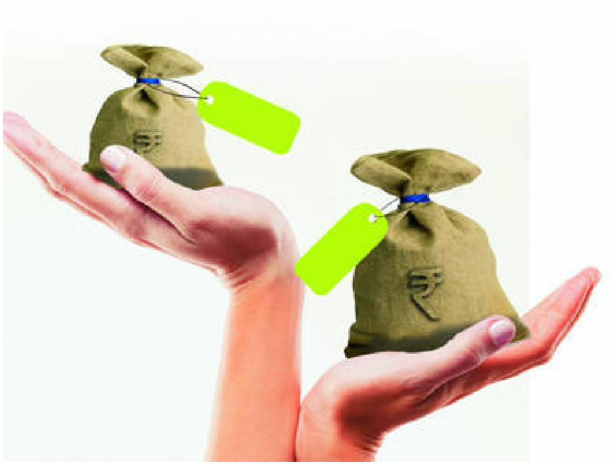
During uncertain times, Gold was the safest bet considered by investors across the world. But its downfall comes at a time when the Euro Zone is facing its biggest crises and also due to the nuclear tensions created by North Korea. On the contrary, the recent global cues clearly indicate that Gold prices should have been stable or near peak levels.

So what is the reason for Gold's downfall? It is mainly on account of the rise of the dollar due to the economic crisis in Europe. The dollar has also moved up on the hopes that the US economy is emerging from its crises, which could nudge the Federal Reserve to withdraw the stimulus package earlier than expected. With the US economy recovering, investors are shifting their money from gold to equity markets.

Now the question comes: **Should you still bet on Gold?** We have always advised our clients that investment in gold should not be more than 10% of the total portfolio. Also the preferred mode of investment should be through systematic investment plans (SIP) offered by mutual funds. With SIP's, you end up with more units when the market is down and fewer when it is up. In this way, your cost of acquisition evens out. As the US economy is showing some signs of recovery, there is still lot of uncertainties lying ahead in its path. Our advice is to continue with your gold SIP's, maintain 10% exposure of gold in your portfolio and use it as a hedge against equities.

For more details on Gold Funds, contact us on mail@netbrokers.co.in

Balanced Funds for Conservative Investors



Conservative investors are boggled by the thought of investing in equities as they are scared of volatility. They have long term goals in their mind such as Children Education and Marriage, Retirement, etc and end up investing in Fixed Deposits, Public Provident Funds and Traditional Insurance Products not realizing that over a period of time education, marriage, medical costs, etc tend to rise more than normal inflation.

This is where balanced funds come into picture. Such funds typically invest 65-75% of their portfolio in equity, and the balance 25-35% in bonds. The equity component would offer growth given the long-term nature of goals and the debt component would make these funds less volatile.

Many conservative investors are turning to balanced funds, which are currently in a sweet spot. This is a good time to invest in these funds because there is opportunity in both equity and debt. Equity is trading at a discount to long-term averages. On the debt side, interest rates appear to have peaked and are likely to fall from these levels. Hence, a hybrid instrument, which gives you access to both equity and debt in a tax-efficient manner, should find many takers at this juncture.

Even from a defensive point of view, balanced funds are well-suited to moderate risk takers. The current environment remains challenging due to macro-economic headwinds. In times of uncertainty, balanced funds are better suited as they offer diversification in different asset classes within a fund. The blend of equity and debt works in such a manner that equity boosts portfolio returns during market upswings, while the debt exposure contains the impact of a major fall in the equity market."

Benefits:

1. **Less Volatile**: The 25-35% allocation to bonds reduces volatility and allows them to cope better with the emotional and behavioral challenges of investing in equity for the first time.
2. **Automatic Rebalancing:** The fund does it on your behalf because it is its mandate to stick to a predetermined mix of minimum 65% into Equity and rest into debt.
3. **Tax Advantage:** As the fund maintains equity above 65%, long term capital gain is nil.

For more details on balanced funds, contact us on mail@netbrokers.co.in

Dividend Distribution Tax in Debt Funds

One of the most unpopular things from the recent budget was increasing the Dividend Distribution Tax (DDT) from 12.5% to 25% on all debt mutual funds from 1st June 2013. This has made Returns (esp for retirees with Monthly or Quarterly Dividend Payout options for having regular income) in these Debt Funds (vis-a-vis Bank FDs) unattractive. This may be affecting even Debt Conservative i.e. Monthly Income Plans (MIP).

Prior to this change, only liquid funds had a DDT of 25% while all other debt funds had a DDT of just 12.5%. DDT is charged when the mutual fund declares a dividend and is paid by the mutual fund and not the investor. Now all types of debt mutual funds will have to pay 25%. This will of course still reduce the income of the mutual fund unit holder as the mutual fund will have to declare a lower dividend and the unit holders will now get lower income.

To understand how this will affect returns, let's take a look at how SBI Dynamic Bond Fund (D) paid out dividends in the last year.

SBI had to pay a 12.5% DDT every time it declared the dividend and had there been zero tax on dividends; SBI would have declared a Rs. 0.24 dividend instead of a 0.21 dividend and a 0.22 dividend instead of a 0.19 dividend. This can be seen in the table below, and you can also see what effect a 25% dividend will have on this return.

Money Available for Dividend	DDT at 12.5%	Dividend to unit holders	DDT at 25%	New Dividend to unit holders
0.24	0.03	0.21	0.06	0.18
0.24	0.03	0.21	0.06	0.18
0.24	0.03	0.21	0.06	0.18
0.217	0.027	0.19	0.05425	0.16275
	Total Old Dividend	**0.82**	**Total New Dividend**	**0.70**
			Difference	**14.3%**

There is apparently a surcharge also so you can see this is a meaningful impact, and it would be good if there were a way to avoid this extra hit.

Given all these things, if you owned a debt mutual fund with a dividend option right now, your best bet is to change that to the growth option, and then either redeem units periodically or choose a Systematic Withdrawal Plan (SWP).Other than that, we don't see how you can avoid this tax incidence, and with this higher tax rate, there is no reason to stick to the dividend option, and definitely no reason to buy new units of dividend oriented funds.

Investment Opportunities in Real Estate

Net Brokers is a channel partner of 50 plus developers across Delhi/NCR and is dealing in new bookings, under construction and completed projects.

Why Net Brokers ?

- We have a team of Property Advisers who are trained professionals and provide unbiased advice.
- Short listing of suitable properties from a list of 150 plus projects across Delhi/NCR.
- Comparison of multiple properties.
- Site Visits
- Market Analysis

List of Top Projects:

S. No	Developer Name	Project	Location	BSP	Type	Budget	Possession
1	Spire Group	SpireTec	Yamuna Expressway, Greater Noida	**Rs 7000 per sq.ft**	**Commercial**	**7 Lac Onwards**	**December 2014**
2	Raheja	Revanta	Sec-78,Gurgaon	**High Rise- Rs 7275,Low Rise- Rs 6475**	**Residential**	**1.04 Cr to 2.52 Cr**	**High Rise- October 2015 Low Rise- October 2015**
3	3C	Greenopolis	Sec-79, Gurgaon	**Rs 6050 per sq.ft**	**Residential**	**1 Cr - 1.25 CR**	**December 2016**
4	Adani	Oyster Grande	Sec-102, Dwarka Expressway,	**Rs 6500 per sq.ft**	**Residential**	**1.6Cr Onwards**	**December 2016**
5	Experion	Heart song	Sec-108, Gurgaon	**High Rise Rs 6550 per sq.ft**	**Residential**	**83.4 Lac - 3.4 Cr**	**December 2016**
6	SIKKA	Karnam	Sec 143, Noida Expressway	**Rs 4955- Rs 5135**	**Residential**	**26.30 Lac – 80 Lac**	**December 2014**
7	Eros	Sampoornam	Greater Noida West	**Rs 3300 per sq.ft**	**Residential**	**27Lac Onwards**	**December 2015**

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

Fixed Deposits

Earn Assured Returns up to 15.07 % p.a.

Offered By Renowned Companies

Sr. No.	Company Name	Period			3 Years Yield	Senior Citizen	
		1 Year	2 Year	3 Year	(in %)	(additional Rate)	(Yield in %)
1	Jaypee Associates	12.00	12.25	12.50	15.07	NA	NA
2	Jaypee Infra	12.00	12.25	12.50	15.07	NA	NA
3	Neesa Leisure	11.75	12.25	12.50	14.89	NA	NA
4	Ansal Housing & Construction Ltd	11.00	11.00	11.50	13.66	NA	NA
5	Shriram Transport Finance	9.75	10.25	10.75	11.94	0.50	12.57
6	Deewan Housing	10.25	10.25	10.25	11.66	0.50	12.30
7	Mahindra & Mahindra Finance Ltd	9.25	10.00	10.25	11.34	0.25	11.64
8	HDFC Ltd.	8.90	9.05	9.15	10.01	0.25	10.31

 # Interest @12.50% compounded monthly under 3 years Cumulative Scheme.

* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.

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