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AMFI Registered Mutual Fund Distributor

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»»» NEWSLETTER

KNOWLEDGE INITIATIVE



»»» 1. INDIAN STOCK MARKETS AT LIFETIME HIGHS

Sensex and Nifty 50 are at a sky-high level and these benchmarks touched a new lifetime high. Indian market is at a sweet spot with favorable economic conditions. A comeback of FII faith in the Indian market is one of the key driving forces of the current market rally.

Selling equity investments or holding cash just because the SENSEX of NIFTY 50 is setting new highs is a mistake on several levels.

2. IS IT NECESSARY TO TIME THE MARKET TO INVEST IN SIPs?

While many people think that investing is all about timing the market, and that this also applies to systematic investment plans (SIPs), one must understand that a mutual fund SIP is all about discipline investing. You choose an amount and a frequency, usually monthly, and consistently invest in the mutual fund scheme of your choice, regardless of market conditions. Consistent and frequent SIP investments are crucial, especially during market volatility.



Mutual Funds



»»» 3. LIST OF TOP MUTUAL FUNDS

Check the best performing mutual funds in their respective categories.



1. Markets at lifetime highs - Indian Stock Markets have made a new lifetime high:

Sustained inflows from foreign portfolio investors (FPIs) and optimism about a pick-up in growth in the domestic economy helped the benchmark indices scale new lifetime closing highs.

Foreign investors have been raising bets on Indian equities on optimism that domestic corporations will be able to deliver high growth in earnings over the next one or two financial years, underpinned by robust economic growth. Moreover, India being insulated from the fallout of the banking crisis and economic distress in the developed world has further boosted investor sentiment.

Rebalancing – Prudent Investment Strategy at Market Highs: -

When there is a rally in the stock markets, check if allocation to equity in your portfolio has risen significantly. Because if your portfolio's allocation to equity has increased considerably, your portfolio has become riskier and more volatile. In that case, your investment strategy should be to rebalance, i.e., bring it back to the original level you are comfortable with.

Let's understand rebalancing with an example. Say the total size of your portfolio is Rs. 10 lakhs. You want 60% of your portfolio invested in equities and the remaining 40% in debt. Your equity portfolio is further split to 35% large-cap, 20% mid-cap, and 5% small-cap. This means you have Rs. 3.5 lakh in large-cap, Rs. 2 lakhs in mid-cap, and Rs. 50,000 in small-cap. The remaining Rs. 4 lakh is in debt.

As the equities have rallied in the last year, the large-cap, mid-cap, and small-cap grew by 47%, 62%, and 77%, respectively. On the other hand, the investments in debt only grew around 6%.

Such a stark difference in the performance of different schemes would change your targeted asset allocation significantly. As the table below shows, your current asset allocation would have moved from a 60-40% equity-debt mix to nearly 69% in equity (38.1% large-cap + 24% mid-cap + 6.5% small-cap) and 31% in debt.

This means equity is 9% in excess, while debt is short by 9%. In other words, your portfolio is riskier and more volatile than you are comfortable with. This is why you need to rebalance your portfolio and bring the asset mix back to 60% equity and 40% debt.

To rebalance, you will have to sell equities and use that money to increase debt investments. Alternatively, you can also increase your investments in debt and pause your investments in equity till you reach the 60-40% equity-debt mix.

Asset Type	Target Asset Allocation	Investment as per Target Asset Allocation	Change in Last 1 Year	Investment Value After 1 Year	Changed Asset Allocation
Debt	40%	Rs 4 Lakhs	6%	Rs 4.2 Lakhs	31.4%
Large Cap	35%	Rs 3.5 Lakhs	47%	Rs 5.1 Lakhs	38.1%
Mid Cap	20%	Rs 2 Lakhs	62%	Rs 3.2 Lakhs	24%
Small Cap	5%	Rs 50,000	77%	Rs 88,500	6.5%

At Net Brokers, we try to assist you in rebalancing your portfolio to manage your risk and gain good returns, get in touch with us at mail@netbrokers.co.in.



2. Is it necessary to time the market to invest in SIPs?

SIPs are about disciplined investments, and they help avoid the guesswork involved in timing the market, but investors must link them to long- or short-term goals.

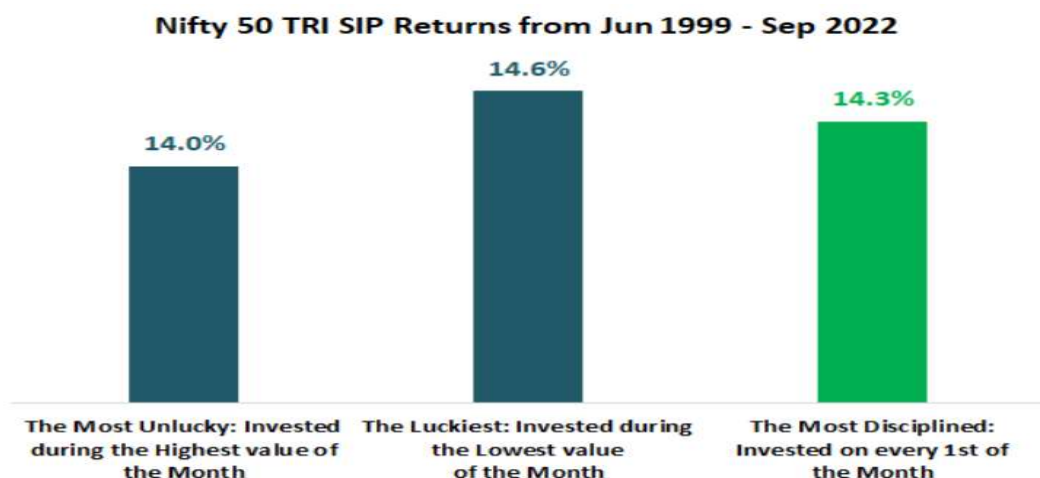
While many people think that investing is all about timing the market and that this also applies to systematic investment plans (SIPs), one must understand that a mutual fund SIP is all about discipline investing. You choose an amount and a frequency, usually monthly, and consistently invest in the mutual fund scheme of your choice, regardless of market conditions.

Putting manual SIP investing to the test:

Analysis of Equity SIP returns in Nifty 50 TRI (since Jun-99).

If you had manually selected and invested on the best dates every month (read as the day with the lowest index value every month) then your SIP returns (% CAGR) were 14.6%. If you had manually selected and invested on the worst dates every month (read as the day with the highest index value every month) then your SIP returns (% CAGR) were 14.0%. As we can see the returns are almost similar with no major difference.

Now, let's see what the returns would have been had you set a date (in this case 1st of every month) and let it invest automatically every month on the same date.



Results & Insights of manual SIP investing tests are as follows:

- Even if you get the timing right each and every month (which is next to impossible), over long-time frames you still end up with returns almost similar to a simple SIP return.
- When you manually time your SIP every month, you make more decisions, increasing the chances of behavioral errors.
- Also, you may keep pushing off investing if there is some big expense or a major change in the market conditions.
- So, to help you stay consistent and disciplined with investing, it is best to automate your SIP such that it invests every month on the same date.

Get in touch with us at mail@netbrokers.co.in to assist and guide you to invest through the SIP route.

3. LIST OF TOP MUTUAL FUNDS

Check the best performing funds in their respective categories.

CATEGORY	NAME OF SCHEME
LARGE CAP	ICICI Prudential Bluechip Fund Nippon India Large Cap Fund
LARGE AND MID CAP	SBI Large & Midcap Fund HDFC Large & Midcap Fund
FLEXI CAP	HDFC Flexi Cap Fund Parag Parikh Flexi Cap Fund
FOCUSED	SBI Focused Equity Fund Nippon India Focused Equity Fund
MID CAP	SBI Magnum Midcap Fund PGIM India Midcap Opportunities Fund
SMALL CAP	SBI Small Cap Fund Nippon India Small Cap Fund
ELSS	Parag Parikh Tax Saver Fund Bandhan Tax Advantage Fund
HYBRID AGGRESSIVE	ICICI Prudential Equity & Debt Fund Kotak Equity Hybrid Fund
BALANCED ADVANTAGE FUND	Tata Balanced Advantage Fund Edelweiss Balanced Advantage Fund
TECHNOLOGY	ICICI Prudential Technology Fund Tata Digital India Fund
HEALTHCARE	Mirae Asset Healthcare Fund DSP Healthcare Fund
HYBRID- EQUITY SAVINGS	ICICI Prudential Equity Savings Fund Mirae Asset Equity Savings Fund

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