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Knowledge Initiative

Dear Patrons,

Merry Christmas and a Happy New Year.

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for December 2015.

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 in the Financial Year 2015 -16.

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:

1. Opportunity Head
2. Plan Your Child's Future
3. ELSS for Tax Saving Option
4. Outlook on Housing Market
5. Investment Opportunities in Real Estate
6. SIP Returns in Top Equity Mutual Funds

Akhil Chugh

Warm Regards,

Akhil Chugh
Director


Co-Developers of Select CITYWALK Mall, Saket, Delhi - The number 1 mall of India
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Opportunity Ahead

The year 2015 has not been fruitful for the Indian investors. The stock market has been highly volatile giving absolute return of (-) 17% so far in 2015 as compared to 30% absolute return generated in 2014.

There are plenty of reasons why market has behaved in such a manner – fear of Fed rate hike, slower pace of key economic reforms, slowdown in global economy led by China, poor corporate earnings, dollar appreciation and many more.

However, the Indian investors have reposed their faith in the economy by investing record breaking amount on every fall in the markets. The Domestic Institutions led by Mutual Funds have invested Rs 63501 crores whereas as the Foreign Institutional Investors have been net sellers to the tune of Rs 21000 crores.

On an average, flows into equity schemes through the Systematic Investment Plan (SIP) route, which were close to Rs 1,200 crore per month in early 2014, have jumped to Rs 2,100 crore per month, according to mutual funds. Investors are attracted to equities because other competing asset classes like gold is at 5 year lows. There are no significant inflows into real estate and interest rates on fixed deposits are moving down. The total number of active SIPs could be about 75 – 80 Lacs, with the industry adding 1.5 lacs SIPs every month, according to unofficial estimates.

We believe 2016 would prove to be a good year for equities because the economy is slowly bottoming out and one could also see some positive earnings surprises in 2016 probably a double-digit growth in earnings from H2CY16. Surprise could come from consumer durables on back of interest rate cuts and 7th pay commission coming through, and infrastructure stocks on back of government spending on roads.

Investors should look at the current market fall as an opportunity to buy as India will be building a lot of infrastructure and capacities over the next two years. Once the US Federal Reserve hikes interest rate, uncertainty in the market will come to an end and FII flows will reverse — FII money will come back to India. China will remain a concern for one or two years and we could witness further currency devaluation from them in an attempt to slow down the economy.

Markets could remain highly volatile for some time. You are strongly advised not to stop your SIPs in such market conditions. A volatile market is the ideal time to reap more gains from SIP. Don’t stop the SIPs when you see the markets are crashing. If you can afford, start more SIPs in situations like this. You will be the winner when the markets bounce back. You must invest in the equity market when others are scared.

Plan Your Child's Future

Every parent wants his child to have the best of education and a good wedding. Some of them even give up the luxuries of life so as to save maximum for their child's future.

While planning for your child's needs, it always pays to start early. This is because if you start saving and invest early, it will give you a larger time horizon to meet your financial goals (such as child's education and marriage) and even build a bigger corpus.

Simply, saving money in your savings bank account will not earn high returns, and might not enable you to create the necessary corpus to meet your financial goals. Hence, it is important to save systematically in right investment options so that your portfolio progresses towards each of the financial goal set for your children's better future.

Selecting an ideal portfolio mix of equity and debt is very important. Mutual Funds provide an adequate solution to this. They have children investment plan with a mix of equity and debt. For example, HDFC has a scheme called Children's Gift Fund with two options: a) Savings Plan and b) Investment Plan. In Savings Plan, the equity is in the range of 0 – 20% and rest in debt whereas in Investment Plan, equity is in the range of 40-75% and debt is 25-60%. If you have a tenor of 5 - 10 years or more, then a higher allocation towards equity is advisable. This is because equity in the longer run tends to be less risky and has the potential to deliver good returns.

Before you start investing, get a plan prepared from a financial adviser. This will help you to evaluate your risk tolerance level (income, expenses, financial responsibilities, etc), risk appetite and your children's future needs.

Let's take an example of Mr. Gupta who has a 2 year old daughter and is planning for her higher studies and wedding.

Goal	**Education**	**Wedding**
Cost of Education/ Wedding in today's terms	Rs. 15 Lacs	Rs. 20 Lacs
Time left for Education/ Wedding	16 Years	22 Years
Inflation Rate	7%	
Cost at time of Education/ Wedding	Rs. 44.28 Lacs	Rs. 88.6 Lacs
Expected returns	12% CAGR	
Amount Mr. Gandhi needs to invest per month	Rs. 8,113/-	Rs. 7,503/-

For more information on Children Future Planning, contact us on mail@netbrokers.co.in

ELSS for Tax Saving Option

Over the years, many individuals have started investing in Equity Linked Saving Schemes of Mutual Funds to claim tax benefit of Rs 1.5 Lacs under Section 80 C. This is because along with the tax deduction, the investor also enjoys the potential upside of investing in the equity markets.

However, quite often ELSS is not looked at as an investment product that should be held for the long run, beyond the 3 years lock-in period which enables a tax break. Investors tend to withdraw their funds after getting the tax break. Although, ELSS is a great way to save taxes, staying invested in equity for just 3 years does not usually deliver the best possible returns. Time and again, studies have shown that to get the best benefits from equity, the longer the investment term, the better the returns and the lower is the possibility of negative returns. Hence it is ideal to look at this product for at least 10-15 years.

Now a question arises that when we are comfortable putting money in Public Provident Funds (PPF) and Bank Fixed Deposit for a fixed return and a higher lock in period, then why not look at equity as an investment class. Equity has been the best performer over the long term. Post inflation returns (CAGR) in last 35 years have been: PPF - 2.69%, FD - 0.91% and Sensex - 17.31%.

Investors also buy Unit Linked Insurance Plans (ULIP) as an equity tax saving option. ULIP is a mix of insurance and investment and hence, should be completely avoided. The insurer deducts charge towards life insurance, administration expenses and fund management fees. So only the balance amount is invested. ULIPs have higher 1st year charges. The high costs, difficulty in evaluation, lack of transparency and low liquidity don't make ULIPs a suitable avenue to put one's money. ULIPs also have a higher lock in period of 5 years as compared to a 3 year lock in period in ELSS.

Best Performing ELSS Funds:

- Axis Long Term Equity Fund
- Religare Invesco Tax Plan
- Franklin India Taxshield
- BNP Paribas Long Term Equity Fund

For more information on ELSS Funds, contact us on mail@netbrokers.co.in

Outlook on Housing Market

The residential market is going through a rough patch from last 2-3 years. Factors like cautious buyer sentiments, oversupply, high interest rates, slow down in economy, etc are some of the reasons for the sluggishness in the housing market.

The government is putting lot of efforts to improve the sentiments by focusing on improving the infrastructure and introducing 'Housing for All' initiative along with its 100 Smart Cities mission. They have identified 305 towns and cities for the 'Housing for All' scheme which will help meet India's housing requirements in the long term.

The Reserve Bank of India has also supported by reducing the interest rates by 125 bases since January 2015. The complete benefit has not yet been passed by banks to housing loan customers and as a result, benefits for the broader economy have remained limited so far.

The pricing trends in the housing market remained mixed across leading cities in India. The prices remained stable in the premium and high segments of Mumbai, Chennai and Kolkata. Bangalore, Hyderabad and Pune witnessed a price rise in some locations because of the healthy home buyer demand. Housing demand remained low in Delhi National Capital Region. The number of transactions both in primary and secondary market has dropped significantly.

Going Ahead

The likely upturn in the country's investment climate and reduction in interest rates will improve the property market in the near future and provide relief to the debt-ridden developers. Demand is likely to increase in mid end and affordable housing segments across secondary locations of leading cities. The prime focus of developers will be to finish the under construction projects at the earliest and defer new launches for the time being. This will help to increase the sale transactions in residential resale market which will in turn help to increase the prices in the primary market.

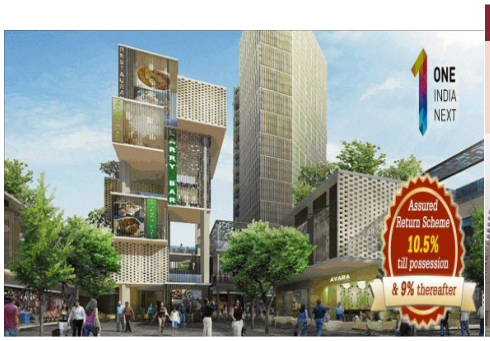
Real estate developers are also using best possible marketing strategies like social media engagement, one to one marketing, organizing housing events, etc to increase sales volume in the residential market.

Investment Opportunities in Real Estate

Real estate has been the most sought after asset class, given the kind of returns it has delivered in the past. Even after the financial crisis of 2008, some residential markets saw fast growth. And, when equities bit the dust after 2008, people further increased their dependence on real estate. Investors entering now will have to keep a horizon of 5 -7 years to get good returns provided they invest in the right kind of property.

Net Brokers presents to you lucrative options in Real Estate for December 2015:

Project	Type	BSP/Sq.ft /Sq.Yd	Cost
Vipul Arohan Apartments, Golf Course Road, Gurgaon	Residential	12500	2.50 Cr onwards
Godrej 101, Sector 79, Gurgaon	Residential	5990	82 Lacs onwards
Vatika Xpressions , Sector 88 B, Gurgaon	Residential	5365	72 Lacs onwards
Civitech Sampriti, Sector- 77, Noida – Ready to Move	Residential	5500	62 Lacs onwards
Mahagun Meadows, Sector- 150, Noida Expressway	Residential	4500	64.12 Lacs onwards
Countywalk, Dharuhera, Plots - Assured Buyback @ 15% p.a	Residential	22,000	25 Lacs onwards
Vatika Towers, Golf Course Road, Sector 54, 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
WTC Noida - Assured Returns @ 12% p.a.	Commercial	5500	22.50 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	15 Lacs 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 11th December, 2015

Current Value & Yield (XIRR) %							
Scheme Name **Monthly Investment: Rs 10,000**	**Category**	**Value & Return** **(3 Yr)**		**Value & Return** **(5 Yr)**		**Value & Return** **(10 Yr)**	
Total Investment		**360000**	**%**	**600000**	**%**	**1200000**	**%**
Birla S L Frontline Equity Fund (G)	Large Cap	445,778	14.40	881,950	15.4	2,565,690	14.5
ICICI Prudential Focused Bluechip Equity Fund (G)	Large Cap	435,699	12.80	847,787	13.8	NA	NA
L&T India Value Fund (G)	Multi Cap	548,763	29.4	1,103,405	24.6	NA	NA
Franklin India High Growth Companies Fund (G)	Multi Cap	528,347	26.6	1,088,172	24.0	NA	NA
UTI Mid Cap Fund (G)	Mid Cap	581,618	33.8	1,188,487	27.7	3,340,598	19.4
Franklin India Prima Fund (G)	Mid Cap	544,935	28.8	1,130,778	25.6	3,153,956	18.4
Franklin India Smaller Companies Fund	Small Cap	590,391	35.0	1,261,433	30.3	3,514,749	20.4
DSP B R Micro Cap Fund	Small Cap	65,244	43.3	1,308,515	31.8	NA	NA
Tata Balanced Fund Plan (G)	Hybrid Equity	479,229	19.5	949,419	18.4	2,758,139	15.9
L&T India Prudence Fund(G)	Hybrid Equity	489,197	21.0	NA	NA	NA	NA
Axis Long Term Equity (G)	ELSS	518,775	25.2	1081,291	25.8	NA	NA
Religare Invesco Tax Plan (G)	ELSS	489,218	21.1	964,329	19.0	NA	NA

***Returns over 1 Year are compounded annualised**

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