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March - April 2017

# PunjiTimes

INVEST IN INVESTING

## The Transforming Indian Economy

*Haq, ek behtar zindagi ka.*

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FROM SAVING TAX, BUT MORE.

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NFO CLOSES: MAR 22, 2017
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- 10 year tenure with a lock-in period of 3 years
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**UTI Unit Linked Insurance Plan (UTI-ULIP)**

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- Flexibility to choose term plan and insurance cover'
- India's first ULIP with easy liquidity** and maturity bonus

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**UTI Retirement Benefit Pension Fund (UTI-RBP)**

- India's first RBP and trusted for over 22 years†
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#As per prevailing tax laws. *Inception date 1st October, 1971. **Terms & conditions apply. †Inception date 26th December, 1994. ^2.8 million investors = more than (1.13 lakh investors of UTI-LTAF Series 1 to 3 + 2.77 lakh investors of UTI-ULIP + 2.4 million investors of UTI-RBP), ^as on 31st December, 2016. 'Insurance cover is being provided by way of a tie up with LIC through Group Term Insurance Scheme. ~UTI SMART PLAN is only a communication approach applied to various tax saving funds from UTI Mutual Fund and is not the name of a Scheme/Plan of UTI Mutual Fund.

**UTI LONG TERM ADVANTAGE FUND SERIES-V**
This product is suitable for investors who are seeking:*
- Capital appreciation over a period of 10 years
- Investment in equity and equity related instruments of companies along with income tax benefit under Section 80C of the Income Tax Act, 1961.

**UTI UNIT LINKED INSURANCE PLAN**
This product is suitable for investors who are seeking:*
- Long term capital appreciation
- Investment in equity instruments (maximum - 40%) and debt instruments

**UTI RETIREMENT BENEFIT PENSION FUND**
This product is suitable for investors who are seeking:*
- Long term capital appreciation
- Investment in equity instruments (maximum-40%) and debt / money market instruments

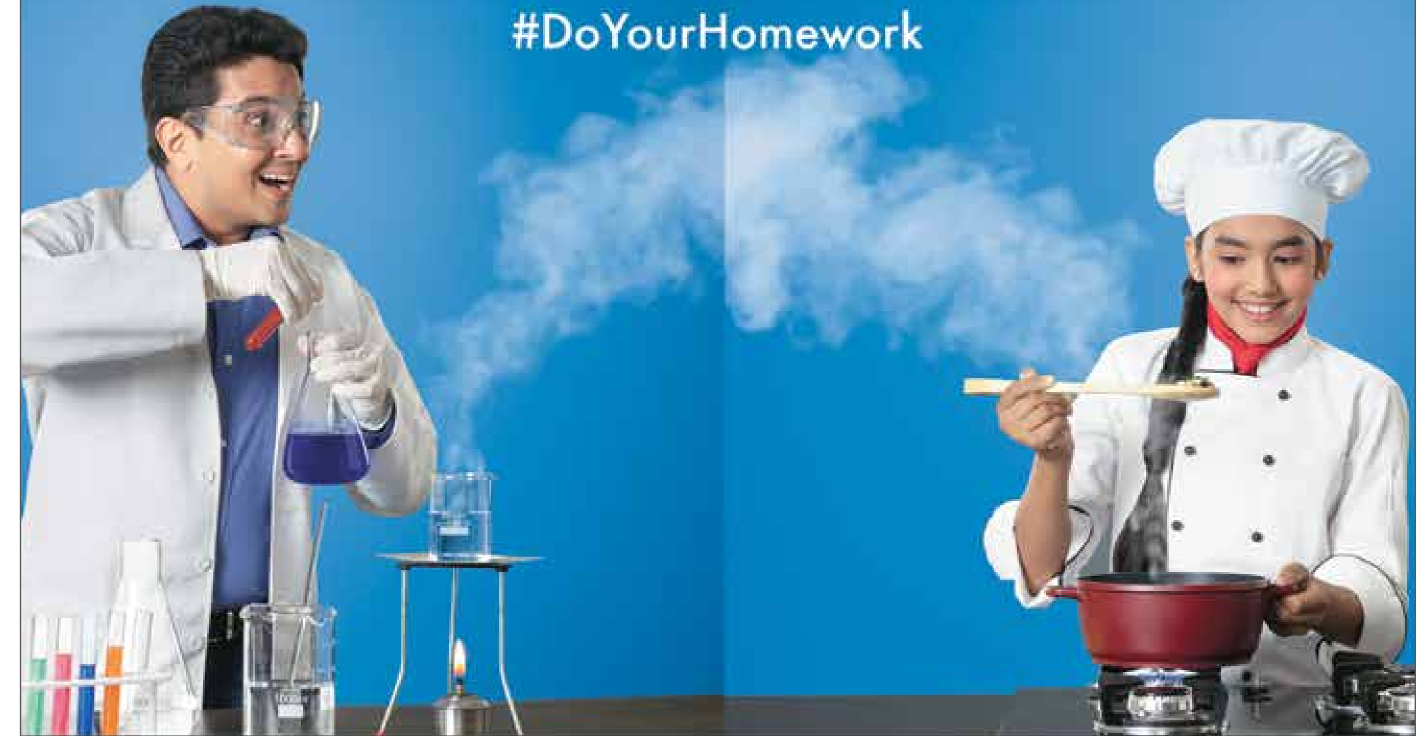
*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

other/eng/23.1.2017

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

# ARE YOU ON THE SAME PAGE AS YOUR KIDS ABOUT THEIR FUTURE?

#DoYourHomework



Your kids may be cooking up a different dream than what you had in mind. With innumerable career options, kids today can choose to become whatever they want to, while you do your homework and be financially prepared for their future.

To know more,
connect with your Financial Advisor
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AXIS MUTUAL FUND

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully. An investor education initiative by Axis Mutual Fund. Statutory Details:** Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to ₹1 lakh). **Trustee:** Axis Mutual Fund Trustee Ltd. **Investment Manager:** Axis Asset Management Co. Ltd. (the AMC). **Risk Factors:** Axis Bank Ltd. is not liable or responsible for any loss or shortfall resulting from the operation of the scheme.

## From the Editor's Desk

March – April is a very important time financially. While the ending of one financial year pushes most of us to make our 80C investments and finalise our books, the beginning of another financial year reminds us to plan for the coming year.

This issue we want to encourage our readers to plan their yearly investments in a phased and consistent manner to mitigate risk and benefit from rupee cost averaging. A Systematic Investment Plan can be a great tool for investing in the market during this period of volatility. There is a feature article and an FAQ section inside to take you through the benefits of investing in a SIP.

With demonetization still fresh in our minds, the 2017 finance budget was highly anticipated. Contrary to rumours, the budget was an encouraging one - another evidence of the government's commitment towards transforming the Indian economy for the better. Find out more on the market outlook post the budget inside.

As a special feature dedicated to Women's Day; inside you will also find out how women can achieve financial independence. A happy women's day to all women reading this magazine!

Best

**Tushar Goyal**

Editor-in-Chief

**Punji** (*noun / hindi*) - **Capital** *meaning, wealth in the form of money or other assets owned by a person or organization or available for a purpose such as starting a company or investing.*


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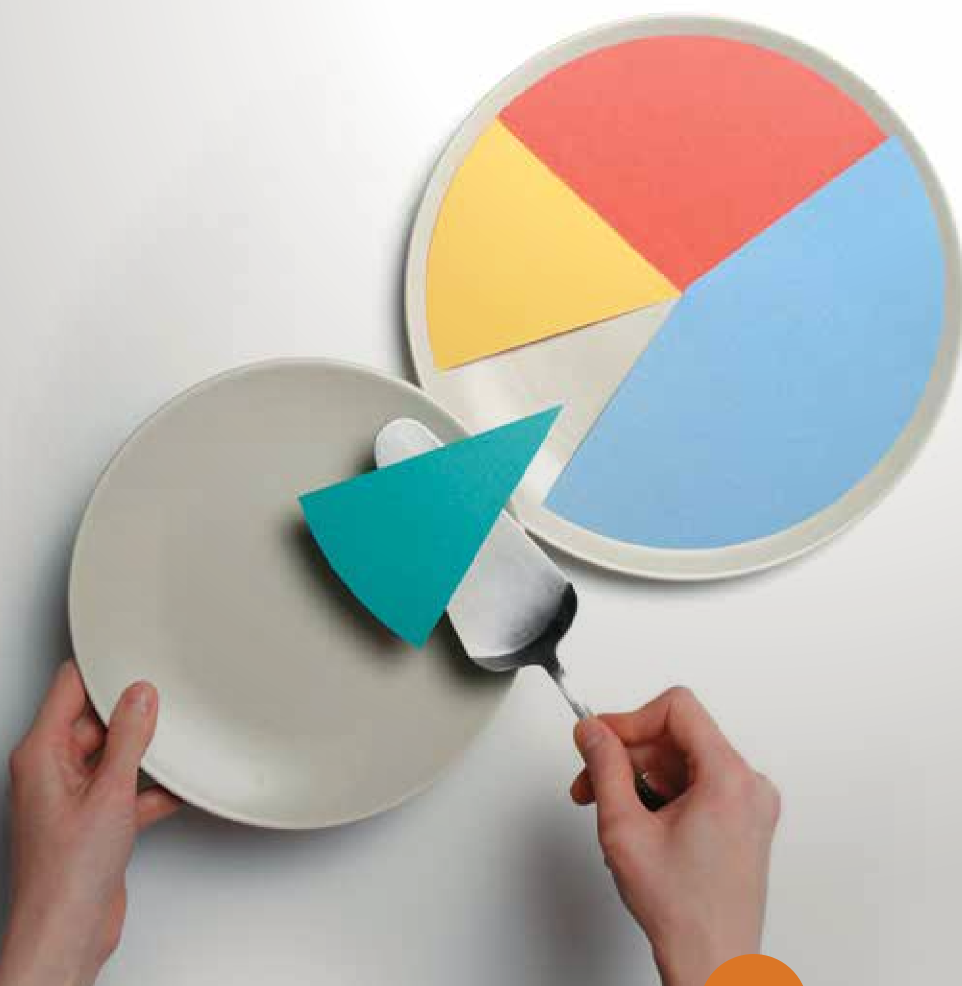
Starting a SIP

# 2017 HAVE YOUR CAKE AND EAT IT TOO



SIP allows investors to invest small sums of money consistently over a period of time without affecting their lifestyle or standard of living while creating a sizeable corpus over the long-term.





Imagine your mother's birthday is approaching and you want to surprise her with her favourite chocolate cake. Do you wait till her birthday to place your order? Of course, not, because you understand that the cake needs to get baked, packed and delivered – which takes time.

Even a seemingly simple task such as this requires a bit of planning. So what about the BIG things? Say your child's education, or marriage, or your retirement planning. Surely, some amount of planning must go into those as well and a Systematic Investment Plan (SIP) can prove to be an extremely useful tool in realsing your goals.

## WHAT IS A SIP?

SIP is a smart investment tool wherein investors make regular and fixed payments to a mutual fund, on a monthly or quarterly basis. SIPs allow investors to buy mutual fund units on a given date every month or quarter, depending on their preference. The amount invested is at the closing Net Asset Value (NAV) of the date of realisation of the payment which can be via cheque or auto-debit facility.

## WHAT ARE THE DIFFERENT TYPES OF SIPS?

The two types of SIPs offered are:

- **Amount-based:** In this type of scheme, a fixed amount is invested in the selected units every cycle. The number of units is calculated using the SIP amount and the current market price of a unit.
- **Quantity-based:** In this category, a fixed quantity of units is purchased every cycle. Hence, the amount invested in the SIP changes every time depending on the current market price of a unit.

## WHAT ARE THE UNIQUE ADVANTAGES THAT SIPs OFFER?

The obvious advantage of investing through SIPs is that they help create wealth with small investments over a period of time. However, there is much more that SIPs have to offer:

- **Investment Discipline:** SIPs encourage disciplined and focused approach to investing by allowing investors to regularly contribute small sums of money towards the corpus on a periodic basis. As the saying goes, "don't save what is left after spending, spend what is left after saving."
- **Rupee-Cost Averaging:** When an investment is made at regular intervals, the units accumulate at different purchase prices. Thus, an investor would end up buying more units when the markets are down and fewer units when the markets are up, thus, averaging the cost per unit. Over a long-term investment horizon, rupee-cost averaging can even out perform the market ups and downs, allowing the investor to realize maximum returns on his investment without having to worry about 'timing' the market.
- **Power of Compounding:** The golden rule of saving is to start early on in life. Investing early can earn much higher returns than starting late, even if you set out with a higher corpus towards the later part of your life.
- **SIP is for everyone:** Since SIPs don't demand a large monthly commitment, they can be beneficial even for people with a low savings, thus, being a suitable investment tool for those in the early stages of their career.
- **Convenience:** The process of registering for SIPs has been made very simple and the entire process can be completed online. They can also send a one-time instruction to their banks to auto-debit the fixed sum every month from their account, thereby facilitating automatic deduction of monthly payments without worrying about missing on payments.
- **Flexibility:** SIPs invest in open-ended funds so investors have the flexibility of pulling their funds out at any given time.

## BUILDING A CORPUS THROUGH SIP

SIPs are an effective and convenient method of saving and investing. They can be the ideal vehicle for building a sizeable corpus over the long term due to the benefits of compounding and rupee-cost averaging. Moreover, you can have multiple SIPs operating simultaneously, each working towards a different goal. All that is required is a bit of planning and some commitment. Once you have inculcated the required sense of discipline, you can have your cake and eat it too! ■

# 10 things women should do to be financially independent

The modern Indian woman is breaking age-old barriers and rising to meet new challenges everyday. She is embracing new responsibilities, both personally and professionally. So here are 10 things women should do to be financially strong and independent.

## 1 Financial planning

The first thing to do is define a clear and realistic financial goal. All your financial requirements, right from your child's education, to a comfortable retired life to securing your future against unforeseen circumstances, call for meticulous planning. It is critical to factor in inflation while drawing up your financial plan. If you are planning your child's education, you should be aware that a professional degree that costs Rs 4 lakh today, may cost Rs 20 lakh, 10 years from now, and hence, invest accordingly.

## 2 Personal research

While a qualified financial planner can give you investment advice, the importance of doing your own research cannot be undermined. There is plenty of information available on the internet on the pros and cons of each financial instrument. For example, if you are looking at buying a medical cover for your family, there are websites that help you compare features and prices of various medical insurance products to help you make an informed decision.

## 3 Personalized financial plan

A common mistake among investors is to opt for a particular plan or product simply because others are doing so. An investment plan must be customized according to personal factors such as one's risk appetite, financial goals and life-stage needs.

## 4 Adequate time horizon

It is necessary to align the investment plan and the expected time frame for getting returns out of it. It is irrational to expect immediate returns from a long-term product. The various investment instruments that are available in the market like insurance, mutual funds, FDs, PPF, come with varying timelines. For example, if you invest in a fixed deposit (FD), you may get your amount back in 2-5 years, depending on your lock-in period. However, insurance is a long-term proposition, and a person investing in an insurance plan will get the benefits after a longer period of time. Applying these know how will help you plan your investments accordingly.

5

## Risk diversification

A smart investor would always ensure that the risk is distributed over a variety of instruments. A high risk instrument such as equity should ideally be balanced with a stable one such as bonds. Your investment portfolio should be a judicious mix of equity, debt, life insurance, commodities, real estate etc. At the same time, investment in each of these should be attuned to your financial goals and risk appetite.

6

## Planning for unforeseen events

While you draw out your investment plan basis the current assessment of your future needs, the element of unexpected events must also be factored in. As a woman, it is crucial to be financially prepared to deal with unfortunate events. Today, sudden change in circumstances often force women to take sole responsibility of children, parents etc. In such situations, your investments will come to your rescue and take care of your and your family's needs on the basis of your income alone.

7

## Regularly track your investment

It is common to become complacent and expect the returns to flow in, once the investments are done. However, it is every investor`s responsibility to keep a tab on the performance of their portfolio. For example, if you have invested in a Mutual Fund through a broker, you must proactively enquire what stocks your money has been invested in and be aware of the performance of the same.

8

## Proper paperwork

There have been several instances where an investor is unable to claim returns from a bona fide investment simply because of misplaced or wrongly-filled documents. Proper documentation is a must to safeguard your investments and ensure that they continue to deliver returns, as planned. It is equally important to ensure that someone other than yourself is fully aware of the investments, the terms and conditions and related documentation.

9

## Securing your future

Even if you are not the chief bread earner, as a working woman you contribute to the income stream of your family and help in maintaining a certain lifestyle. This makes it crucial for you to have adequate insurance to ensure that in your absence your family does not go through any financial stress. There are online tools on insurance websites that help you decide how much cover is essential for you. In fact, investing in a simple term insurance plan is a good idea to ensure financial continuity. Also taking a pension plan will help to provide a steady income post retirement.

10

## Plan and execute

Last, but most important is to put the plan you have drawn up into effect. It is only natural to be complacent about planning for your long term financial needs at an early stage in your career. However, the cost of postponement will weigh heavily on you in the later years when investing will become a compulsion rather than a choice.

Once you follow these steps and have a solid investment portfolio, you not only safeguard yourself financially against unforeseen circumstances but also ensure that the future of your loves ones is secure ■

Contributed by **Aviva Life Insurance**

# Demystifying Investment Terminology

## LargeCaps MidCaps SmallCaps

One often hears and comes across terms like Large Caps, Midcaps, Small caps while reading/listening to business news in the media. Mutual funds too use these terms as part of the names of their products. This may leave an investor curious as to what really to these different "caps" mean. Here we try to provide answers to some of the questions that may arise in an investor's mind.

Firstly, these "caps" are short for Capitalisation, more specifically Market Capitalization and it is usually used in reference to individual companies traded on the stock exchanges. Market Capitalization is a measure of the value of the company at prevailing market prices at which its equity shares are traded. It is arrived by multiplying prevailing market price of the equity shares by the total number of equity shares issued (and outstanding). To take an example, the market capitalization of Reliance Industries.

Say, total equity shares issued/ outstanding are 324.04 crores shares)

While, the market price (NSE) on October 14, 2016 is Rs.1078

Then, the market capitalisation of Reliance Industries is Rs.349,313 crores.

## LARGE CAPS

Large-Caps are those companies whose Market Capitalisation is large (very large). Small-caps are those whose market capitalization is small. Mid-caps are those who are in between.

Now, the definition of large and small could differ from person to person, or country to country. Globally, companies with a market capitalization of $5 billion are classified as large-cap companies. Mid-cap companies are those with market capitalization between $1-5 billion and small-cap are those which are under $1 billion of market capitalisation.

However, in India given the relatively smaller size of our economy and companies, large-cap generally would be companies with market capitalization of more than Rs.5,000 crores. Mid-caps would be companies with market capitalization of Rs.1,000-5,000 crores and small-caps are those which have market capitalization smaller than Rs.1,000 crores. However, there is nothing sacrosanct about these categories and as mentioned earlier, different people and market participants could have their own categories defining the size.

Now coming to what are the attributes of large cap, mid cap, small cap companies.

Large cap represents the top 100-150 largest companies. These typically will be mature companies although they could still be growing at a healthy pace. These companies are likely to be leaders their respective sectors. Huge amount of information about these companies as regards their business and financial performance is available in the public domain. As a result the interest from most market participants is also very high in terms of trading volumes as well as research coverage by the analyst community. Large volumes of shares can be traded with limited impact cost*. Hence the share prices of large-caps are also considered to be less volatile since the trading volumes are large and price discovery is very efficient. Share of large-cap companies are also traded in the derivatives market, (Futures and Options).

## MID CAPS

Midcaps are those which are mid-sized companies and emerging to be large companies. These companies typically are characterised by high growth rates, higher than large-caps. Although, market participants do have an active interest in them but the interest levels is limited relative to large-caps due to limited information flow/availability and limited research coverage from the analyst community.

## SMALL CAPS

Like mid-caps, small-caps too have limited interest on part of market participants and information flow/ availability, research coverage by the analyst community is limited even compared to mid-caps. Trading volumes in small-caps is low and often buying/selling large quantity of shares could be a challenge leading to higher volatility in the share prices and very high impact cost.

Market participants generally like/love mid-caps and small caps for their high growth prospects (relative to large caps) in their financial performance and hence their stock prices as well. The stock prices often multiply faster than large caps. However, the stock prices of mid-caps and small also tend to be more volatile due to relatively lower trading volumes and hence lower liquidity. As a result, the impact cost in trading mid-caps and small-caps is higher.

From the market cycles point of view, the interest levels in the mid-caps/ small-caps tend to be hugely cyclical in the sense that mid-caps and small-caps tend to be in limelight when the money flow to the financial markets is high and the market levels in terms of indices is also high. Participation from mid-caps/small caps in a bull run generally comes at later stages but in event of a corrective phase in the markets, mid-caps and small-caps are not only quick to correct but correct quite sharply. For mid/small-caps losing 20-40% of value in a market correction in a matter of few days/ weeks is very common.

Although mid-caps and small-caps provide huge opportunities to investors to multiply the wealth faster than large-caps, those returns come only to those who can do deep research on them, keep track of the corporate performance on a very regular basis and importantly have the patience to see the small and mid-sized grow to achieve their growth potential ■

**Vivek Mavani**

Vivek Mavani is a SEBI Registered Investment Advisor based in Mumbai.

*Impact cost is the price movement caused (either increase or decrease in price) owing to a market participant buying or selling a large block of shares. Shares which are highly liquid and trade large volumes generally have low impact cost

# Asset allocation and you

In an extraordinarily complicated environment, the challenge of ensuring a long-standing financial security, freedom and prosperity still continues to be determined by two invariable fundamentals, “optimal savings” and “prudent investments”

For long, Indian saving habits have been predisposed in favor of largely non-financial assets, namely, gold and real estate. Within the ambit of financial savings, the order of preference has largely been towards Deposits, Insurance, Currency holdings, Pension and Provident funds, Government claims and Share/ Debentures. This is in significant contrast with the trend in a developed economy like US, or a peer society like China, wherein the preponderance is largely towards shares, mutual funds, bonds etc.

Consequently, the returns which an Indian investor obtains, tend to be largely moderate vis-à-vis the potential. This may be attributable to investment methods which may be arbitrary; inadequately researched; and/or, unappreciative of the actual investment horizon and investment expectations of the investor. It is therefore essential for Indian investors and financial professionals, alike, that they come to appreciate the necessity of methodical approach to Investments.

The basic idea of investments is to deploy a saved corpus into such a medium that can enable reasonable income and/or accumulation with minimal intervention or effort from the investor. This, while also ensuring that such an investment also factors-in the risk appetite of the investor. Most importantly, such an investment approach must also build-in the restrictions (or opportunities) placed by the investment horizon of the investor.

However, from a busy investors stand point, the market complexity may be risky. Here, the mutual fund as an investment option comes handy.

Mutual funds play a significant role in addressing these requirements. Mutual fund, in its essential detail, is a pass-through vehicle through which an investor can invest in professionally managed portfolio of disparate asset classes.

Amongst the key benefits of investment in a mutual fund is the potential of risk-adjusted return, objective driven investment, professional portfolio management service, competitive investment costs, and potential tax benefits.

More crucially, through mutual funds, an investor can invest in asset class portfolios comprising domestic equities, gilt, corporate bonds, money market instruments, gold, overseas equities, etc.

These asset classes may be constituents in a mutual fund portfolios in varying ratios and combinations; and are managed within the broad framework of legally regulated investment objectives and investment strategies.

Thus, the investor's allocation between varying asset classes (by means of these funds), can be dependent on investors own unique circumstances and requirements. The choice herein may be dependent on the fair compatibility of investment objective, time horizon and the overall risk profile of the investor.

The idea behind employing asset allocation as an investment strategy, dwells from the fact that, various asset classes behave differently, and have disparate influencing factors at any given point of time. In other words, the assets involved, tend to have a weak to incidental correlation amongst each other, and therefore hedge the concentration risk of the portfolio.

From that stand point, asset allocation assists in reducing the risk associated with investing in a particular asset category. It provides the ability for the investor to create a risk-reward ratio matching investors expectation ■

Contributed by **Kotak Mutual Fund**

# Investment Basics

## What are Debt Funds?

Mutual fund schemes which invest predominantly into debt instruments or fixed income instruments are called debt funds. Debt instruments may be commercial papers, treasury bills, certificate of deposits, government securities, corporate bonds, etc. These instruments differ in their maturity or duration. Some of them are short term instruments and some of them are long term. For example: A 3-month commercial paper is a short term instrument whereas a 10-year bond is a long term instrument. It is this difference in maturity that accounts for risk and return variations between instruments and therefore, the schemes also.

Debt instruments such as bonds, treasury bills, non-convertible debentures etc are issued by companies, government – both state and central and banks as well for various purposes such as working capital, capital expenditure, for new projects etc. Debt funds invest in these instruments as per their mandate and type of fund.

Debt funds are suitable for investors who seek stable returns with lower volatility.

## TYPES OF DEBT FUNDS

The various types of debt funds are: liquid funds, ultra short term funds, fixed maturity plans, short term or accrual funds, income funds, gilt funds and dynamic bond funds. There are also debt based hybrid products like Monthly Income Plans (~ 10% - 30% equity allocation) and Capital Protection oriented products (~ 20% Equity Allocation) which invest in multiple asset classes.

Investors can choose to invest among the various types of debt funds depending on their risk appetite, time horizon and asset allocation. Both long term and short term investible funds can be deployed in Debt funds to meet their respective investment goals effectively.

## LONG-TERM FUNDS

Long-term funds can benefit from a longer time horizon due to the power of compounding. Compounding is the process where the value of an investment increases because the earnings on an investment earn further interest as time passes. This exponential growth occurs because the total growth of an investment along with its principal earn money in the next period. Thus compounding refers to generating earnings on an asset's reinvested earnings. This differs from linear growth, where only the principal earns interest each period.

Thus, compounding can help in creating superior wealth over the long term. The best way to take advantage of compounding is to start saving and investing wisely as early as possible. The earlier one start's investing, the greater will be the power of compounding.

## SHORT-TERM FUNDS

Short-term funds can also be deployed in debt funds and earn better returns than a bank savings account. Liquid funds are meant for such short-term investments. Liquid fund is a type of debt mutual fund, which invests in short-term money market products such as commercial paper, certificates of deposit, term deposits, treasury bills, etc. These funds, invest in instruments with short maturities, usually less than or equal to 91 days.

Liquid Funds offer high liquidity with low volatility and well suited to meet the cash a needs. These fund ideal for investors seeking to invest for the short term and can even be considered for time period as short as one day.

## ANALYZING A SCHEME

Choosing the right scheme can seem like a difficult task considering the numerous products in the market. So here are some of the key parameters that you should evaluate while selecting the right scheme:

### Investment Mandate

The most important crucial step before the scheme selection process starts is to ensure the scheme mandate or objective and risk profile is in line with your financial goals and requirements.

### Historical Performance

Performance track record of fund especially on a risk adjusted basis (compared to the benchmark & peer group) provides valuable insights on fund's ability to negotiate various market phases. Risk – Return ratios like Sharpe, Standard Deviation etc can be used for an objective quantitative analysis.

### Fund House & Fund Manager Track record

It is also important to analyze the fund house track record, experience of the fund manager & the team as the fund management team plays an important in the fund's performance. Also a strong team with an established track reduces the key person risk i.e. Change in fund manager and bring stability to the investment process.

Apart from the above the current portfolio positioning, portfolio quality, fund size etc. are important factors for fund selection. While all these quantitative and qualitative factors help in scheme selection, it's also of utmost importance to conduct a review of the selected schemes at reasonable intervals (quarterly or half yearly) to ensure your investments are in line with your financial goals ■

Contributed by
**Reliance Mutual Fund**

# Plan Smart

## Enjoy Benefits of Wealth Creation, Protection and Retirement

Delaying the decision on investing for Tax Saving results in investors rushing at the last minute and not having enough time to evaluate the investment from a long term perspective.

UTI Mutual Fund is offering a unique Mutual Fund Investment Solution called 'UTI SMART PLAN', which will provide benefits of Wealth Creation, Protection and Retirement in addition to tax benefits under Sec 80C of the IT Act, 1961 upto Rs.1.50 lakhs

UTI Smart Plan comprises of 3 wealth creation cum tax saving schemes namely UTI Long Term Advantage Fund-Series V, UTI Unit Linked Insurance Plan and UTI Retirement Benefit Pension Fund.

### UTI LONG TERM ADVANTAGE FUND-SERIES V

UTI Mutual Fund has launched a new 10 year close ended Equity Linked Savings Scheme, UTI Long Term Advantage Fund –Series V. The fund was launched on December 22, 2016 and will close for subscription on March 22, 2016.

The investment objective of the fund is to generate capital appreciation over a period of 10 years by investing predominantly in equity and equity related instruments of companies along with income tax benefit. The fund will follow an investment strategy of bottom up picking of stocks to benefit from the low base effect, visible earnings expansion and revival in the domestic cyclicals. Given the long term investment horizon of the fund, suitable for investors looking to benefit from distinctive and concentrated portfolio primarily focussed on the business cycle and complements current investor portfolios that are pre-dominantly geared towards non-cyclicals.

The tenure of the fund is 10 years with lock in period of 3 years. During the NFO period the fund will be sold at face value of Rs.10/-. No entry or exit loads are applicable. The fund offers 2 plans- Direct and Regular and 2 options viz. Growth and Dividend option with payout option only.

Investing in UTI Long Term Advantage Fund –Series V allows tax concession in multiple ways, primarily the contribution of up to 1.5 lakhs in the scheme is eligible for tax benefits under Sec 80C of the IT Act, 1961. Secondly, the dividends received from the fund will be tax free in the hands of the investors and lastly redemption proceeds will attract zero tax on capital gain, as investment is held for minimum period of 3 years (lock-in).

### UTI UNIT LINKED INSURANCE PLAN (UTI ULIP)

UTI ULIP is the first insurance linked mutual fund product in the country. Launched in 1971, the scheme has a performance track record of over 45 years spanning across different phases of market. The scheme has more than 2.7 lakh investor accounts.

UTI ULIP not only offers life coverage but also tax savings opportunity and a bundle other benefits such accident insurance cover and a balanced portfolio of debt and equity – thereby integrating asset allocation decision of the investor . The low cost structure, simple health declaration process, transparency and liquidity are key attributes that make UTI - ULIP a smart investment plan.

The scheme is positioned as a debt oriented balanced fund with a long term investment objective aiming to deliver capital appreciation.

### UTI RETIREMENT BENEFIT PENSION FUND (RBPF)

UTI RBPF (a Government of India notified Pension Fund), helps to create a corpus and aims to generate a flow of income post retirement. It helps in building a long-term portfolio for retirement. The scheme is trusted for over 22 years and has more than 2.4 million investor accounts.

It is an open-ended debt oriented balance fund with a maximum equity allocation of 40% and the balance is in debt, this ensures to provide pension to investors after they attain the age of 58 years, in the form of regular income and liquidity in case of emergencies. Investors can also opt to receive the accumulated investment in the form similar to annuity by repurchasing the units over a period of time in the form of periodical cash-flow, based on the repurchase value of their holding then, through a systematic withdrawal plan, after they reach the age of 58 ■

Contributed by **UTI Mutual Fund**

# Budget talk 2017

The Finance Minister presented the Union Budget for 2017-18 in what is a period of transition for the economy. On the one hand, the economy is recovering from the effects of demonetization. On the other hand, there is the impending rollout of the GST which promises to completely transform the indirect tax regime in the country.

In this context, the choice for the FM was to either stay true to the reform and fiscal consolidation path or to play for populism as was the demand by a section of the media.

It is a great positive that the FM has chosen to stay away from the populist path. All the optical announcements in the budget aside, the single most important variable of the budget from a macro-economic stability perspective is the fiscal deficit target. By committing to bring down the deficit on a steady basis, the government has made it easier for the RBI to look at further rate cuts in the cycle.

Over the course of time, the government has sharply reduced inefficient subsidies making way for more targeted allocation and focus on the farmer's income and housing sector reforms. All in all the government's thought process in today's budget was largely consistent with its long standing agenda emphasizing fiscal discipline, boosting growth and spending and what it called 'tectonic policy initiatives' i.e. GST implementation and demonetization.

## Impact on Fixed Income Markets

Largely in line with market expectations the government kept the borrowing programme in check which was a positive. There was a more structural change however, to bring down the debt to GDP ratio to 60% over the next few years.

The budget was largely a non-event for the FI markets as the gross borrowing number at 5.8 lakh crore was in line with expectations. Bonds rallied marginally post the Finance Minister's statement on adhering to the path of fiscal consolidation. Inflation within comfort zone and a tight fiscal target spell good news as the RBI can deliver more rate cuts going forward.

Last but not least, the announcement on buy back of approx. 75000 crore of securities maturing over the next 2-3 years is a positive for the short end of the curve. Not to mention abundant liquidity post demonetization is already helping shorter term bonds.

## Impact on Equity Markets

Contrary to market expectation of a Long Term Capital Gains tax on Equities, there were no such negative news for equity markets. The Budget was positive for foreign investors owing to the FIPB becoming defunct and withholding tax extension.

The Budget is seen as being largely positive for sectors directly or indirectly dependent on housing and real estate such as cement, building materials, and lenders in housing finance. Further, listed companies have been able to navigate the demonetization aftermath smoothly and earnings growth can bounce back as a result. Organized players will benefit disproportionately due to level playing field against erstwhile pure cash players ■

Contributed by **Axis Mutual Fund**

### KEY HIGHLIGHTS OF THE BUDGET ARE AS BELOW:

### FISCAL FRONT

- Fiscal deficit target set at 3.2% for FY 18 and 3.0% for the subsequent two years
- Net borrowing announced at 3.48 lakh crores

### TAXES

- Corporate tax rate for SMEs with turnover of less than 50 crores lowered to 25%
- Personal Income tax rate for the 2.5 – 5 lakh slab reduced from 10% to 5%
- Not many changes to excise duties and service tax since GST will be implemented soon
- Minimum Alternative Tax (MAT) can be carried forward for 20 years
- Surcharge on income bracket Rs 50 lakh and 1 crore

### FOREIGN INVESTORS

- Foreign Investment Promotion Board (FIPB) to be abolished
- Concessional withholding tax rate will be extended to 30 June 2020

### REAL ESTATE & HOUSING

- Real estate sector long term capital gains tax is applicable at 2 years holdings in place of 3
- Affordable housing to be given infrastructure status

### PUSH FROM CASH TO DIGITAL TRANSACTIONS, WIDENING TAX NET

- Limit of 3 lacs on cash transactions
- Additional push for digital transactions
- Clean-up of funding for political parties
- Demonetisation data to be used to expand tax base

# EXPERT SPEAK

## Q&A WITH FUND MANAGER JINESH GOPANI

> We understand the drivers of stock performance in India. Our investment process is designed to exploit opportunities while managing risks arising from these drivers

### What is your market outlook for the coming year?

The markets may be volatile in the short term, given that many events are on the horizon. However looking beyond that, we are positive that we are in the midst of a structural shift in how India does business with demonetisation and GST. Medium term growth outlook remains strong and our job is to find out which companies are best placed to take advantage of the opportunities that are being thrown up by these upheavals.

We expect growth to improve steadily over the next few quarters. Over the medium term earnings should start reflecting the improvement in the growth environment and has the potential to run ahead of nominal economic growth as the cycle strengthens. Equity market valuations are broadly reasonable. We remain bullish on equities from a medium to long term perspective.

### How do you manage/monitor different types of risks?

We have always had a robust risk management approach in Axis. The key ingredient is the focus on long term and higher quality companies that automatically ensures that we avoid making the big mistakes that can cause permanent wealth destruction. For us the key criteria for judging a company remains the quality of the management. Other than that we have a framework of looking at all the individual risks of owning a stock which get captured during the research and portfolio construction phase. We also look at the aggregate portfolio risk performance during the monthly investment reviews.

### For an advisor or investor, scheme selection becomes a challenge because certain schemes which perform really well for a specific period, suddenly become under performers. How can scheme selection be done?

As fund managers it is our responsibility to clearly communicate our investment philosophy and approach. Ultimately it needs to be understood that markets go through cycles and that different styles will have good and bad phases depending on market conditions. The only way of succeeding is to remain committed to a style that can work over the long term instead of chasing the latest fad of the market.

For example the last 12 month have been challenging for Axis as the market has moved away from quality towards value and beta plays. While this is hurting us in the short term, we know that over the long term our approach has generated significant wealth. Hence we need to ensure that we stay the path and remain committed to delivering quality long term portfolios.

### In which market conditions do you outperform/ underperform?

Our approach of long term investing and tight risk management as been demonstrated as a sustainable wealth generator over the long term. Having said that high quality portfolios work well in sharply falling markets and in stable market conditions but may not work so well when high beta/momentum stocks are in flavour. So we would view ourselves as stable consistent wealth creators rather than only bull market performers. Idea is to manage money with tight risk exposure and deliver consistent returns in long to medium term.

### For a retail investor looking to invest fresh in equities, what would be your advice at this point of time?

There are always uncertainties in the market and the market is always volatile in the short term. Hence retail investors should always use SIPs to invest into equities. However the key risk today is not from investing but from staying out of the market. We believe that the changes ongoing in the Indian economy should lead to significant wealth creation opportunities for investors over the next 5 to 10 years.

### We have seen market cycles turn over time. For instance quality stocks did well over the long term but have underperformed in the last year. What's your view on this? Do you make changes to the portfolio for such changes?

Ideally in long run quality is what delivers wealth and that's how history suggests. Take the example of the IT sector. In the initial years all sorts of companies got the benefit of the bull run and investor frenzy. However when you look back today there are hardly 5-6 large Information Technology companies that really exist in a meaningful manner that have bulk of the wealth from the investor's perspective - these are the quality companies that have been able to take advantage of the market opportunities in a consistent manner while remaining focused on sustainability of performance. So quality delivers over the long term but we would need to have patience to take advantage of it from the stock market perspective ■

**Jinesh Gopani**
Head – Equity
Axis Mutual Fund

# FAQ about SIPs

## WHAT IS A SYSTEMATIC INVESTMENT PLAN?

A Systematic Investment Plan (SIP) is a smart and easy mode for investing money in mutual funds. SIP allows you to invest a certain pre-determined amount at regular intervals (weekly, monthly, quarterly, etc.). A SIP is a planned approach towards investments and helps you to plan your saving and building wealth for the future.

## WHAT IS THE MINIMUM/MAXIMUM INVESTMENT?

Minimum investment shall be of Rs. 1000/-. However there is no upper limit for Investment.

## WHAT DOCUMENTS ARE REQUIRED TO START A SIP?

Documentation are required is as follows:

1. KYC (Know Your Client) – not required if you are already KYC compliant
2. Common Transaction Form (CTF)
3. SIP Form (specific for each fund house)

## HOW DO I MAKE PAYMENTS?

First payment is made via cheque. For future payments, you can opt to pay through Post Dated Cheques (PDCs) or use the auto-debit facility of your bank.

## WHICH DATES CAN I CHOOSE FOR PAYMENTS?

Most of the fund houses offer one of the following two series of dates for investment:

1st, 7th, 14th, 21st or 28th OR 5th, 10th, 15th, 20th, 25th, 30th

## ARE THERE ANY CHARGES INVOLVED?

A transaction charge of Rs. 100 is levied where the commitment towards the SIP is more than Rs. 10,000 annually. This charge is payable in four equal installments starting from the second to the fifth installment.

## IS THERE A LOCK IN PERIOD?

There is no lock in period in SIP. A SIP scheme can be stopped or redeemed at any time. Redemption of an amount during the SIP tenure does not amount to termination of the SIP. The SIP scheme continues till the investor specifically asks the fund house to terminate the SIP. Thus, the money invested in a SIP remains accessible to the investor.

## CAN I CHANGE THE AMOUNT OF MY SIP?

An investor has the flexibility to change the SIP amounts at any time. However, the investment amount cannot be less than Rs. 1,000/- ■

# SIP

ke chhote doses for healthy investments.

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**₹2,500 per month x 30 years has become ₹1.01 crores*.**

To know more about SIP, contact your Financial Advisor or Call: 1800 222 626 | assetmanagement.kotak.com

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*An SIP amount of ₹2,500 per month invested in S&P BSE Sensex, started on 1st Oct. 1986 and continued till 1st Sep. 2016 on first business day of each month, would have grown to an amount of ₹1,01,29,499 as on 30th Sep. 2016. This is an XIRR of 13.36%. Past performance may or may not be sustained in future. You should consult your Financial Advisor before taking any investment decision. XIRR returns are annualized returns for a series of cash flows like in the case of monthly SIPs.

**Mutual fund investments are subject to market risks, read all scheme related documents carefully.**

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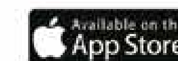

Maximum amount applicable for Instant Redemption Facility will be up to Rs. 2 lacs; or 95% for folios without Any Time Money card (50% for folios with Any Time Money Card) of the Clear Current Value of investments. Conditions Apply

**Reliance Money Manager Fund** (An Open Ended Income Scheme) **is suitable for investors who are seeking*:**

- Income over short term
- Investment in debt and money market instruments

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Investors understand that their principal will be at Moderately Low risk

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

Every individual is unique and so are his or her investment needs. Investment planning must always be aligned with one's goals. Hence, our approach is to help you chalk out an investment strategy that is best fit for 'you'.

We see ourselves as educators rather than advisors. Our endeavor is to build awareness about the various kinds of investment products in the market. After all, an informed decision is always a better decision.

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