MONTHLY NEWSLETTER

SEPTEMBER 2016

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Market Update

Sensex : Up 1.4% Nifty : Up 1.7%	
Best performing sector: Metal (6%)	Worst performing sector: Realty (-4%)
Best performing Global index: Hang Seng (5%)	Worst performing Global index: NYSE (-0.2%)
Indian Rupee: 0.05%	Gold price: 7%

One of the biggest sentiment boosters last month has been the passage of the GST Bill. Also the advent of normal monsoon in most part of the countries was a big positive. This has led to expectations of a pickup in rural demand as well as lower inflation expectations. The financial markets in India have also benefitted from higher liquidity and FIIs being bullish on the Indian markets. Headline equity indices went up by 1.4% while the 10 year Government Bond yield fell from 7.167 to 7.109%. FIIs bought a net amount of Rs. 9,071 crore in equity markets. However, there was net selling to the tune of Rs. 2,624 crore in the debt market. Global rating agency Moody's Investors Service said it could consider India for a rating upgrade if the government is successful in introducing more growth enhancing economic and institutional reforms.

Prices in the economy have continued their upward trail. July data showed that Indian wholesale prices rose 3.55% and retail prices increased by 6.07% due to higher food prices. Growth of industrial output increased by 1.2% in May 2016, which was a positive sign.

Reforms

- Union Budget has for decades been presented on last day of February, but this could soon change with the government mulling advancing it to January end so as to complete the budget exercise before the beginning of the new fiscal.
- Modi government has decided to clear the annual bonus dues of central government employees, which was pending for the past 2 years.
- PM Narendra Modi has asked his ministers to accelerate the implementation of reforms
- India and US now aspire to increase bilateral trade to the tune of $ 500 billion from the current $ 100 billion plus annually.
- A travel insurance cover of up to Rs. 10 lakh can be availed while a booking train ticket online by paying less than one rupee from August 31. A person booking a train ticket through the IRCTC website will be able to opt for travel insurance cover for a premium of 92 paise only from August 31.
- In an effort to ramp up capacity and decongest key routes for rail traffic, both freight and passenger, the cabinet approved nine projects estimated to cost Rs. 24,374 crore.
- Fliers may soon be able to use Wi-Fi facility when they are on flights in the Indian airspace.

- Driven by the ability to analyse data, banks can now pre-approve small value personal loans for its customers using ATMs as a point of disbursal.
- The Prime Minister's Office (PMO) has asked for five big schemes focused on crores of children in the country to be linked with Aadhaar enrolment of children These schemes are Mid-Day Meal Scheme, Sarv Shiksha Abhiyan (SSA), Rashtriya Madhyanmik Shiksha Abhiyan (RMSA), Integrated Child Development Services (ICDS) and Integrated Child Protection Scheme (ICPS).

GDP Projections:

Agency	Projection
Goldman Sachs	7.9% GDP growth in the current fiscal driven by better monsoon, government pay hike, key reforms and FDI inflows
McKinsey	India to grow at 7.7 per cent between 2016 and 2020, significantly outpacing other emerging economies.

Making Mutual Fund Investments for the first time

I-CAN FINANCIAL SOLUTIONS

Once bitten twice shy! This goes for thousands of people who started investing in equity mutual funds at the peak of the market in late 2007 or early 2008. Within a year, as stock markets fell, the investments were reduced to half or even less. The wrong fund selection added to the woes.

Timing the entry into equity markets is very crucial. If one gets it wrong the situation can be retrieved at the right time. However, a wrong fund selection, especially for those making their first investment in mutual funds can lead to losses that can put them off mutual funds forever.

What should one's first mutual fund investments be? The answer is different for every different investor as it depends on their age, financial goals, and risk-taking capacity etc.

Below are some fund categories which can be good options for first time investors.

Balanced Funds

These are hybrid funds which invest in both Equity & Debt. The equity and debt portions are diversified, in terms of sectors and companies, to avoid concentration of risk. The Equity Oriented Funds comprises of 65-70% of funds and the Debt Oriented Funds comprises of the remaining Balance of funds from the Equity Oriented.

The Balanced Funds are a good starting point for the first time investors because of the Equity-Debt Mix.

The Equity Oriented balanced funds are tax efficient as the long term capital gains tax is exempted but the short term capital gains are taxed at 15% and the long term capital gains from the Debt Oriented Funds are taxed at 10% without Indexation & 20% with Indexation and the short term gains are taxed according to the investor's tax bracket.

Large Cap Funds

These funds mainly invest a larger proportion of their corpus in companies with large market capitalization and are known to offer stable and sustainable returns over a period of time. The large cap schemes usually invest 80% or more funds in large companies. This gives stability as the stocks of large companies are usually less volatile compared to small and mid-cap companies and the upside potential of these funds is also lower.

Index Funds

The portfolio of these funds replicates an index and these funds hold stocks in the same proportion as their weight in the respective index. The fund managers do not take any call to increase or decrease the holdings in these funds. Most of the index funds are tracked either on Sensex or Nifty, hence by default these funds are large cap and diversifies.

Tax Saving Funds

These funds are also known as Equity Linked Saving Schemes (ELSS). It is a type of diversified equity fund which is qualified for tax exemption under section 80C of the Income Tax Act, and offers twin advantage of capital appreciation and tax benefits. It comes with a three year lock in period

"The lock-in imparts discipline to first-time investors," says Sanjay Sinha, Founder and CEO, Citrus Advisors.

Due to the lock-in period, these funds have higher mid- and small-cap exposure, making them more volatile.

Monthly Income Plans (MIP)

Monthly Income Plan is type of investment vehicle that provides specified monthly payments to the investor. These are hybrid schemes with 80-85% of funds in Debt and 15-20% of funds in Equity. These funds offer regular dividends-monthly, quarterly, and half-yearly, and hence can be a source of regular income for the retired. The quantum and frequency of dividends may change subject to availability of funds. These funds are considered debt funds and hence both short and long term capital gains are taxed.

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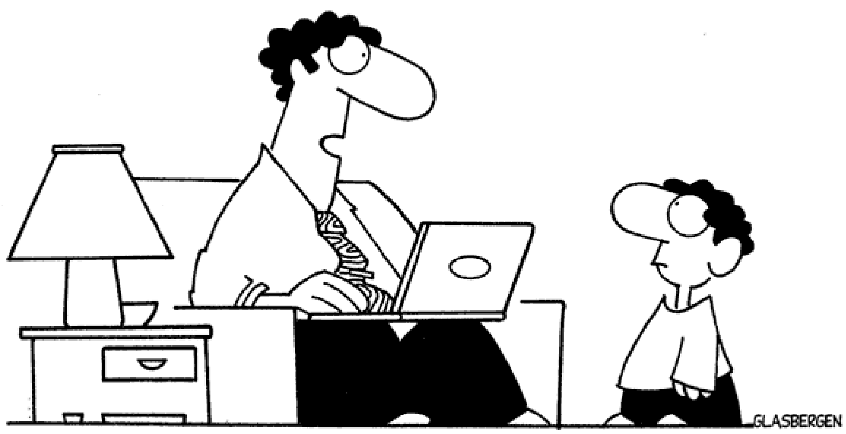
For short term goals such as creation of contingency funds, liquid funds, and fixed maturity plans can come in handy as these funds invest in low risk securities with short term period such as treasury bills, Certificate of Deposit and Commercial Papers.

The choice of one’s first mutual fund scheme depends on the investment horizon, existing portfolio and financial goals. Hence one should take a call after assessing their needs

Did you know?

Venus is the only planet which rotates clockwise.

Cartoon of the Month



"They chose those two animals to represent the stock market because your broker will feed you all the bull you can bear."

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