

Wealth Focus Way

A warm welcome to all our esteemed clients and readers.

Understanding Investing v/s Speculating –

Many Indians have not been participating in the stock market bull run, and so, not able to grow their savings exponentially. Saving should be a key goal for all, but so growing wealth also should be a goal. Simply putting earnings in bank deposits won't protect against the destructive power of inflation, which is where investing and speculating come into play.

Investors and Traders both take calculated risk by doing transactions in the stock market to earn profits. The level of risk undertaken in the transaction is the main difference between Investing and Speculating

Investing:

- Investing means the buying and selling of securities such as stocks, bonds, exchange traded funds, mutual funds and variety of other financial products.
- Investors hope to generate income or profit through a satisfactory return on their capital by taking an average or below-average amount of risk. Income can be in the form of Interest payment, periodic dividends or in the form of underlying asset appreciating in value.
- Most often investing is the act of buying and holding of asset for the long term. Analysis and research is a key part of the investment process.

Speculating:

- Speculating seeks abnormally high returns from bets that can go one way or other.
- Day trading is the form of speculation. They generally hold their positions till the close of the day or trading session. Swing trader on the other hand holds his position up to several days or weeks.
- Speculators can make many types of trades such as Future Contracts, Call and Put Options, short Selling etc. They make use of **Technical Analysis** to take such types of trades.

SAVE	INVEST	SPECULATE
		
Money Market Accounts Savings Accounts Certificates of Deposit Slow Growth	Stocks Real Estate Bonds Increased Risk	Day trading Currencies Very High Risk

	INVESTMENT	SPECULATION
 TIME HORIZON	Long - term, saving for future	Generally a short timeline of less than one year
 LEVEL OF RISK	Moderate	High
 INVESTOR ATTITUDE	Cautious and Conservative	Aggressive
 DECISION CRITERIA	Based on fundamental and basic factors	Based on technical charts, market psychology and individual opinion
 EXAMPLES	Stock market, bonds, mutual funds	Options, foreign currencies, cryptocurrencies

Do You Know ?

Activities Covered

We always think that empowering clients with essential knowledge is the best service that we can offer to them. Our equity broking division conducted couple of sessions in the month of May on how to use mobile app and be an independent investor/trader. Our colleague Mr. Ramesh Prajapati conducted this training and gave detailed information about How to Buy & Sell Shares through Sharekhan Mobile App, View Portfolio, Transfer Fund, request for payout, Read Charts, Set Alerts etc. Clients were very enthusiastic to learn new things and have understood how to Trade and Earn Money from Stock Market.

Register with us for a Free Training on "How to Trade and Earn in Stock Market through Mobile App."



A Key To Happy Life



Term Insurance

This is the most important Insurance product but always under rated by insurance agents and general public. Term Life Insurance is the purest and most cost-effective form of life insurance. This type of life insurance provides financial protection to the nominee in case of death of policy holder during policy close. Term Insurance policies provide high life cover at lower premiums.

Why do you need Term Insurance?

- **Your family depends on you:** The term insurance money can be used to meet your family's monthly expenses and important goals like your child's education.
- **Your assets need protection:** You may take loans for assets like a house or a car. However, if something happens to you, your loved ones might be burdened with loan repayments. In such a situation, the term insurance payout which your family will receive can be utilized in paying off outstanding loans.
- **Lifestyle risks:** Modern day lifestyle problems can lead to a host of ailments. Some term insurance plans don't just protect your family after death but also during your lifetime by offering critical illness protection. This feature pays out on the diagnosis of certain critical ailments like cancer or heart attack.

Term Insurance - Benefits

- **High Life Insurance Amount at affordable premiums:** Term insurance plans provide large amount life insurance cover at an affordable premium. This cover can compensate for several years of lost earnings.
- **Cover Against Critical Illnesses:** Along with providing life cover, a new-age term plan also provides protection against critical illnesses. For a small additional premium, Critical Illness Cover provides lump sum payments when a critical illness like a heart attack, cancer, kidney failure etc is first diagnosed.
- **Support In Case Of Disability:** In new-age Term plan pays your future premiums in case of total and permanent disability. As a result, your life insurance cover continues even if you are unable to pay premiums.
- **Additional Security:** To increase the security of your family, a Term Policy provides additional pay-out in case of an accidental death to your family
- **Tax Benefits:** Term Insurance plans offer tax benefits on premiums paid up to 46,800 under Section 80C. New-age Term plans with critical illness cover also offer additional tax benefits on premiums paid up to ₹7800 under Section 80D. You also get tax benefits subject to conditions under Section 10(10D) on the money that your family receives in case of an unfortunate event.

How to choose Best Term Insurance Plan?

While buying a Term Plan, we always have questions like which Term Plan is best and how to compare the best Term Insurance Plan. Here are some parameters which may help you choose the Best Term Plan for yourself:

- **Claim Settlement Ratio:** This ratio tells you how many claims for life insurance have been paid out as a proportion of claims made. The higher this ratio is, the better.
- **Solvency Ratio:** Solvency ratio tells you whether the insurer you choose will be financially capable of settling your claim if the need arises. IRDAI mandates that every life insurer should maintain a solvency ratio of at least 1.5.
- **Option to add Critical Illness Benefit:** A critical illness like cancer or brain surgery can cost a lot of money and cripple the family's finances. Critical illness protects your family from this risk. It pays out immediately on diagnosis and only medical documents confirming diagnosis are to be submitted.
- **Option to add Accidental Death Benefit:** If you have opted for Accidental Death cover, your family will get additional pay out in case of death due to an accident
- **Waiver of Premium on Terminal Illness:** In case the person covered by the policy gets affected by terminal illness, his/her future premiums will not need to be paid.



Why**Should****Invest****Bank Fixed Deposits
v/s
Debt Funds**

For many conservative investors, bank fixed deposits or FDs are their first choice. The love for bank FDs is easily understandable: easy-to-understand savings instrument, low risk and guaranteed return at maturity. But many investors are turning towards debt mutual funds, which have the potential to offer higher income tax-adjusted returns and provide more choices. Debt mutual funds primarily invest in a mix of debt or fixed income securities of different time horizons such as government securities, corporate bonds, treasury bills, and money market instruments.

Here are four main differentiating points between **Bank FD's and Debt funds**

- **Transparency:** As far as this point concerned, Debt funds have edge over Bank FD's. With Debt funds, you know where your money is invested. You can check this through offer document and monthly portfolio disclosures on website. We will not come to know where bank is deploying our fixed deposit amount.
- **Liquidity:** Debt funds are very liquid and can be withdrawn any time. Withdrawal is allowed with or without exit load depending on type of mutual fund scheme. Bank fixed deposit if broken before maturity they attract penalty for the same.
- **Risk:** Bank FD's are considered more secure than Debt funds. Debt funds come into different categories as per risk appetite of investors, but risk is well managed by fund managers. If an investor is looking for a completely safe product with absolutely no volatility, then he should clearly go for Fixed Deposit.
- **Tax benefits:** Debt funds are taxed based on your holding period. If you redeem your investments before three years, the gains are treated as short-term capital gains. The gains are added to your income on the year of redemption and taxed in the applicable slab. If you redeem after three years, they are treated as long-term capital gains. An investor will have to pay 20% tax on gains after indexation. It means adjustment of gains after taking inflation into consideration. Or in other words, the purchase price is adjusted for inflation. So, you will be paying taxes on the returns over and above the inflation-adjusted initial investment. This indexation benefit is not available on bank FDs. Thus, this is a big advantage of investing in debt mutual funds, if you are in a higher tax bracket and invest for more than three years. In bank FDs, the interest income is taxed according to your tax slab.

Things to keep in mind while investing in Debt funds

- Debt Funds are meant to provide slightly higher returns what you earn similar in bank deposits subject to market risks and in some cases have better taxability over fixed deposit. Do not expect fabulous returns from this product.
- Debt funds are not fixed deposit. The returns from a debt fund are not guaranteed under any circumstances. They carry Market risks, Credit risks, Default risks etc.

In a Nutshell –

The decision on investing in a debt fund or a fixed deposit will depend on the risk appetite of investors. Debt funds offer better post-tax returns to the investor if held for more than three years, with good liquidity options.



Equity Market Outlook



World's largest democracy's Election results are out on 23rd May 2019. BJP sealed its phenomenal electoral victory with a 300 plus win out of 542 seats. With this super-sized victory Modi government got second term and India got stable government for next 5 years. Market cheered this with awesome rally after exit poll results till day of actual results. Sensex breaches 40000 and Nifty crossed 12000 first time ever in the history.

FII's always love stable government to pour in funds in Indian market. Morgan Stanley has given investors more reason to cheer. According to International brokerage house, Sensex is all set to hit 45000 level and Nifty too hitting 13500 level, a 10% upside from the current level.

Sectors to Bet Now:


New government is expected to continue with its Infrastructure thrust. All fundamentally strong stocks from this segment should do well in the coming months. Agriculture sector expected to get more money which could revive consumption growth. So, Consumption sector should be eyed. Banking and Capital goods companies will be the main beneficiaries of this development.

With above sectors, also grab opportunities in Mid and Small cap space where many stocks are available at cheap valuations and volumes started increasing indicating reversal in this space.

Funds

Performance Watch as on 28th May 2019



Equity Schemes				Debt Schemes			
Scheme Name	Scheme Category	Returns (CAGR%)		Scheme Name	Scheme Category	Returns (CAGR%)	
		3 Yrs	5 Yrs			3 Yrs	5 Yrs
Axis Bluechip Fund	Large Cap	15.27	12.63	ICICI Pru Regular Savings Fund	Conservative Hybrid	10.12	10.62
HDFC Top 100 Fund	Large Cap	16.43	11.66	Aditya Birla SL Regular Savings Fund	Conservative Hybrid	8.62	10.3
Kotak Emerging Equity Scheme	Mid Cap	12.6	18.69	Franklin India Liquid Fund - SuperInst. Plan	Liquid Fund	7.19	7.76
L&T Midcap Fund	Mid Cap	15.51	18.08	ICICI Pru Ultra Short Term Fund	Ultra Short Term	8.06	9.66
SBI Small Cap Fund	Small Cap	17.43	24.59	UTI Ultra Short Term Fund	Ultra Short Term	7.27	7.85
FT India Smaller Companies Fund	Small Cap	9.99	16.56	Franklin India Short Term Income Plan	Ultra Short Duration	9.55	9.29
Principal Emerging Bluechip Fund	Large & Midcap	15.19	17.7	Aditya Birla SL credit Risk Fund	Credit Risk	8	-
Sundaram Large and Midcap Fund	Large & Midcap	16.29	14.81	Kotak Dynamic Bond Fund	Dynamic Bond	8.85	9.02
Aditya Birla SL Equity Fund	Multicap	14.8	14.1	Aditya Birla SL Corporate Bond Fund	Corporate Bond	8.09	8.78
Mirae Asset India Equity Fund	Multicap	16.76	17.86	ICICI Prudential Gilt Fund	Gilt Fund	8.42	10.14
ICICI Pru Equity & Debt Fund	Hybrid	13.87	13.47	 ICICI Prudential MNC Fund Opens from May 28, 2019 to June 11, 2019 Source: Value Research Online			
DSP Equity & Bond Fund	Hybrid	11.63	14.72				
Axis Long Term Equity Fund	Tax Saving (ELSS)	13.65	16.44				
Aditya Birla SL Tax Relief 96	Tax Saving (ELSS)	12.99	16.01				

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