EASY INVESTMENTS

THE FACTS

Your Personal Investment Newsletter : March 2013

MOTILAL OSWAL™ Solid research. Solid advice.

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Inertia to Initiatives

All eyes were on the Union Budget 2013, particularly after Sept 2012, when the new finance minister took over and spelled positive on ailing Indian Economy. Post Sept 2012, lots of policies that were put to sleep were given life. International rating agencies which were worried about the detoriating health of Indian economy were able to regain their confidence.

Against this backdrop was presented the Union Budget 2013. There was intense expectations (rather speculations) about reforms (which are often criticized by public and opposition) that would revive the ailing economy. But the FM clearly steered through obstacles and did not commit on anything. The Finance Minister ended his budget speech saying : "... the last day of February is another day in the life of the Nation. We pause today, to reflect on the past and the future, and we shall resume our work tomorrow." And he went on to hint that "...off-budget policy measures (including RBI monetory policy) will need to work in sync to achieve the desired mantra of "Higher growth leading to inclusive and sustainable development".

Going by his recent track record – since Sept 2012, we feel the FM meant what he said. Infact, when he took over the reins as FM – things were in shamble : Policy Paralysis, Higher Inflation, Higher Deficit, Potential rating downgrade etc. Hence there was no time to wait and decision making was a compulsion rather than an option. Following are few instances where in 'BOLD' decisions were made since Sept 2012:

- FDI in Retail Market: The much debated and abated sensitive subject was allowing Foreign Direct Investment into Retail maket (supermarket) business which was strongly protested by political parties and local industies. But global giants like Wallmart, carrefore, IKEA etc were eagerly watching this move. This was the first political and economic victory for the current Indian Government. They won politically by allowing states to take final call in allowing FDI and by a show of strength in the Parliament. This policy has several conditions to safeguard our economic interest like :
    - 50% of the total FDI (minimum US$100m) should be invested in 'backend' infrastructure excluding expenditure on land and rental cost.
    - And these MNC supermarkets can set up only in cities with a population of more than 1 million (which is 53 cities/towns of the 8000 towns in India).
    - Moreover there is a condition which stipulates 30% procurement of manufactured/processed products from small industries.
- Banking Amendment Bill : This was yet another much awaited reform, which was successfully tabled and passed by the parliament after dropping few provisions.
    - Issuance of new banking licenses by RBI.
    - Allowing Public sector banks to issue Bonus Shares (till today PSB Banks were not allowed to issue Bonus !!!)
    - Giving RBI power to inspect books of associate companies of banking company
- Direct Benefit Transfer : This was a reform that would have long term impact. Various sections of the society were supposed to get subsidies. But the so called 'middle men' were those who were really enjoying the benefits. To stop this pilferage, DBT has been implemented in 43 districts for schemes like scholarships, pension etc. Clear cut requirements have been laid out like : Eligibility criteria for beneficiaries of each subsidy program + Aadhar card identity + bank account for each of the beneficiary. This single move is bound to have significant impact on meaningful benefits being passed on only to deserving people.
- Market Linked Oil Price: Indian government woke up atlast to the significant contribution of Oil import in Current Account Deficit. After successfully linking Petrol price to international market, Diesel price is also being phased out. Though this might push up inflation in the short run, it would significantly reduce the impact on current account deficit.
- Fiscal Deficit coming under control: This has been the most significant achievement of the finance minister. After drastic rise in fiscal deficit, Government has redrawn road map in place to bring down the fiscal deficit gradually from 5.4% to 4.9% in FY14 and to 3% in Fy17. To aid this, the government had to limit populistic measures, make petroleum products market linked and avoid freebies.

Budget 2013:

- The biggest change in the budget speech was : Government's 'official' admission that Current Account Deficit is biggest issue than Fiscal deficit, which results in weaker rupee and higher inflation. So far they were in denial more and were trying theoretical economics of tightening liquidity to bring down inflation.
- Keeping this in mind, a cautious budget was presented inspite of upcoming elections. No farm-loan waiver, No new subsidies, No major tax reliefs etc were announced.
- No changes in Tax rates for individuals and corporate, indicating stable tax regime.
- No new tax saving schemes / increase in tax saving limit announced.
- Rajiv Gandhi Equity saving scheme which was launched last year, has been extended upto 3 years for those with taxable income of Rs.12 Lakhs.
- Income Tax Credit of Rs.2000 for those with income upto Rs.5,00,000
- Surcharge of 10% on individuals whose taxable income exceeds Rs.1 Crore
- Surcharge increased from 5% to 10% on domestic companies whose taxable income exceeds Rs.10 Crores. This would be negative for almost all the companies.
- Dividend distribution tax surcharge increased from 5% to 10%
- TDS of 1% on value of Real estate sale value beyond Rs.50 Lakhs

Overall, the BIGGEST POSITIVE out of this budget was THE LACK OF NEGATIVES : No populistic loan waivers/subsidies, No hike in tax rates, No new expenditure schemes. And the BIGGEST NEGATIVE was THE LACK OF POSITIVES : particularly no clear cut guidance in reviving growth. But the Finance Minister spelled suspense by saying that all announcements need not necessarily be made in budget speech. Is this what they call CHIDAMBARA RAGASIYAM?

Best Performing Mutual Funds - As on 11-Mar-2013

S. No	Scheme Name	NAV (D) on 12-Mar-13	6 Months Absolute Return %	Annualized Return % 1 Year	3 Years	5 Years
Diversified Equity Funds						
1	SBI Blue Chip Fund	13.13	13.18	22.00	6.53	5.26
2	Axis Equity Fund	11.14	14.18	20.03	6.62	NA
3	Birla Sun Life Frontline Eq Fund	22.07	14.76	19.81	7.88	9.37
4	IDFC Classic Equity Fund	10.47	11.82	18.47	4.11	2.25
5	L&T India Special Situations Fund	19.06	10.58	16.98	9.12	7.99
6	Templeton India Eq Income Fund	13.66	12.28	16.96	8.24	8.26
7	IDFC India GDP Growth Fund	14.92	14.16	16.76	9.63	NA
8	Birla Sun Life Top 100 Fund	13.55	12.08	16.74	8.33	7.65
9	BNP Paribas Equity Fund	12.15	11.76	16.29	8.92	3.89
10	Principal Growth Fund	25	11.36	16.02	3.61	-0.35
11	Kotak Classic Equity Fund	17.81	13.59	15.80	6.16	6.92
12	Kotak Select Focus Fund	11.6	10.43	15.70	7.31	NA
13	Reliance Top 200 Fund	11.63	9.17	15.20	7.48	6.10
14	Kotak 50	30.7	11.05	15.11	6.32	4.54
15	SBI Magnum Equity Fund	28.44	12.00	13.87	7.84	7.12
Midcap Funds						
1	SBI Emerging Businesses Fund	18.13	12.90	28.76	18.05	9.57
2	Principal Emerging Bluechip Fund	24.64	13.66	22.79	4.28	NA
3	Franklin India Smaller Co Fund	12.67	13.16	22.40	8.33	6.78
4	Franklin India Prima Fund	23.75	13.55	18.99	8.23	7.47
5	SBI Magnum Midcap Fund	19.83	14.60	18.92	6.01	-0.56
6	IDFC Premier Equity Fund	20.84	12.40	17.26	11.74	12.25
7	JPMorgan India Smaller Co Fund	12.67	10.97	17.26	9.45	2.45
8	IDFC Sterling Equity Fund	13.98	6.30	17.12	9.80	15.92
9	Kotak Midcap	17.34	8.71	13.27	8.11	4.55
10	Sundaram Select Midcap	18.17	4.74	11.65	6.45	8.50
11	UTI Mid Cap Fund	22.45	4.91	10.86	5.37	6.64
12	HDFC Mid-Cap Opp. Fund	14.98	6.79	10.47	11.78	12.19
Multicap Funds						
1	Reliance Equity Opp. Fund	23.28	9.20	17.76	12.75	13.74
2	BNP Paribas Dividend Yield Fund	11.33	10.90	15.47	10.72	11.00
3	SBI Magnum MultiCap Fund	13.96	8.95	14.27	1.77	0.68
4	Franklin India Flexi Cap Fund	11.6	11.70	12.19	6.83	8.18
5	Tata Equity Opp Fund - B	21.19	5.75	12.04	3.83	3.20
6	Kotak Opportunities	15.12	8.46	11.61	5.03	3.81
7	Principal Dividend Yield Fund	18.28	9.18	10.23	7.21	6.29
8	UTI Opportunities Fund	14.75	7.75	9.46	9.73	11.19
Balanced Funds						
1	Birla Sun Life 95 Fund	107.2	10.02	13.25	8.32	10.07
2	Canara Robeco Balance	58.68	6.54	12.55	9.09	15.46
3	DSP BR Balanced Fund	21.28	5.83	6.44	5.77	7.60
4	FT India Balanced Fund	17.58	8.44	11.61	6.90	7.17
5	HDFC Balanced Fund	18.24	6.05	7.69	10.40	12.19
6	HDFC Prudence Fund	24.67	8.60	7.94	8.91	11.69
Tax Saver Fund (ELSS)						
1	IDFC Tax Advantage Fund	11.18	12.17	17.79	7.80	NA
2	HSBC Tax Saver Equity Fund	14.89	10.53	17.47	6.01	7.55
3	BNP Paribas Tax Advantage Plan	10.99	11.03	17.25	9.06	2.54
4	DSP BlackRock Tax Saver Fund	11.59	10.94	16.33	6.64	6.21
5	Canara Robeco Equity Tax Saver	17.92	9.58	13.89	9.07	NA
6	Religare Tax Plan	12.95	9.82	13.65	8.01	8.43
7	Taurus Taxshield	17.41	9.41	13.33	5.91	7.58
8	DWS Tax Saving Fund	12.53	9.67	12.76	0.61	-0.70
9	Sundaram Taxsaver	11.11	10.55	12.74	5.09	6.34

Budget Impact : 2013

Industry	Budget Proposal	Impact
Automobiles	Increase in Excise Duty on SUV's from 27% to 30%	Negative
	10000 new buses to be bought under JNNURM	Positive
	Decrease in Excise duty on CV Chassis	Positive
	Additional Investment allowance of 15% for capital expenditure	Positive
Capital Goods	Investment allowance of 15% in plant and machinery : in addition to depreciation benefits.	Positive
	Increase n Plan expenditure by 30%	Positive
	Attempt to address contentious issues impacting new investments in key sectors likeroads, power, ONG, coal etc	Positive
	support Waste to energy project through viability gap funding, low cost capital	Positive
Cement	Additional Investment allowance of 15% for capital expenditure	Positive
	Higher focus on Infra development	Positive
	Provision udner Rural Housing fund increased from INR 40B to INR60B	Positive
	Urban Housing fund of INR20B under NHB	Positive
Consumer	No change in General Excise Duty	Positive
	18% increase in exicse duty on Cigar's	Negative
Banking	Infuse INR 140 B into PSU bank capitalization	Positive
	Increase in tax rates for anks	Negative
	Housing Finance: Additional 1 Lakhs tax rebate on interest	Positive
	Interest subvention scheme on farm loan extented to Private banks	Positive
Media	Customs duty on Set top box : doubled	Negative
	Expand Private FM to 294 more cities	Positive
	839 new FM radio channels to be auctioned	Positive
Oil and Gas	Introduce Shale Gas policy	Positive
	CCI to clear stalled NELP blocks	Positive
	No hike in import duty of Curde oil	Positive
	Budgetary subsisity support of INR 650B	Positive
Real Estate	Additional Tax deduction on Home Loan Interest	Positive
	Provision under Rural Housing	Positive
	1% TDS on transfer of Immovable properties, other than agri land.	Negative
Retail	Excise duty reduction in Branded readymade garments	Positive
	Absense of harsh measures on Gold	Positive
	Road map for GST	Positive
	Service Tax on A/c Restaurants	Negative
Telecom	6% Duty on Mobile phones more than Rs.2000 value	Negative
Exchanges	0.01% Commodities Transaction Tax on Non Agri Commodities	Negative
	Not to treat commodities trades as speculative	Positive
	FIIs to tade in curency derivatives	Positive
	Reduction in STT in Equity futures	Positive
Mutual Funds	Securities Transaction Tax on Equity MF's: reduced	Positive
	Dividend distribution Tax on Debt funds other than liquid funds: doubled from 12.5% to 25%	Negative
	Surcharge on tax on distrubuted income: increased from 5% to 10%	Negative
	RGESS : to be extended for 3 years for those with income upto Rs.12 Lakhs	Positive
	Pension funds and provident funds can invest in ETF's, Debt mutual funds and asset backed securities	Positive

Silent Recovery

In December 2007, sensex was at 20287. Three years later in Dec 2010, sensex was at 20509. And further two years down the line, sensex is at 19422. Having seen such a static number for a long period (2007-2012), it is common to 'believe' that market has remained where it is and has not moved up. But the following fact says it is indeed a Silent Recovery:

- Though the world has faced lots of challenges on Financial crisis etc, individual companies in india have been improving their performance. Infact the collective earnings per share (EPS) of senses is Rs.1177 in Dec 2012 when compared to Rs.775 in Dec 2007. Inspite of growth in EPS, sensex has remained where it is.
- There is an Old saying : "What goes up too fast, will come down too fast." Probably we need to understand this saying in current contect. There are two types of fall (correction) in the market :
    - Price Correction : which means a fall in price.
    - Time Correction. which means remaining in same range for long period of time.

  The net result of both these situations may be the same : catching up with long term average valuation. Since the market has run up too fast from 2004 to 2007, ahead of justified valuation, market remained in a range during which the EPS grew and valuations became attractive. From a PE ratio of 20.19 in Dec 2007, sensex's PE has fallen to 16.69, indicating attractive valuation.
- Though market has remained in a range, it is giving intermittent investment opportunities. Thanks to uncertainties and fluctuations.
- Investors who made investments in 2007, expecting the same kind of run up that happened between 2004-2007 would definitely been disappointed.
- Investors who 'kept investing' from 2007 in every dip, would have made positive returns even though index did not deliver any returns.
- Fueling further confidence are the following global events:
    - Japan – World's 3rd largest economy – December GDP data indicates it has come out of recession
    - China's February 2013 export suggest that global demand is back.
    - Improved Job markets in US : Unemployment has fallen from 10% in Oct 2009 to 7.7% in Feb 2013. Coupled with that is the rising wages in US.
    - The recent federal budget cut in US (US$85Billion sequestration) and tax increases, signal the seriousness of US in improving its health.
- Reacting to such news, US Dow Jones Index has closed at ALL TIME HIGH by Feb 2013, surpassing previous high in October 2007. This index has nearly doubled from 2009 low's.
- And Investors risk aversion seems to subside. Gold, which is linked to panic, has fallen from its peak of Rs.3088 per gram to Rs.2777: a 10% fall from peak.
- With upcoming central elections in May 2014, Indian stock market is bound to give you lots of investment opportunity. Ultimately it is Valuations + Expectations that drive up market price. Taking cue, FII's invested huge USD24.5 Bn in 2012. That is Rs.1,34,75,000 Lakhs! They are ready to take advantage of upcoming rally. Are YOU taking advantage ? Do call us do find out how the best ways to benefit out of 'our' Indian economy.

Beat the Benchmark

Market's are always unpredictable. In many a times, the price of individual shares/MF's may be on a roller coaster. In such a situation, traditional investment method of One Time Investment may not fetch good returns. Rather, we need to keep investing (constant amount or variable amount) as the price keeps changing. Such a mature approach to investing rewards investors in a handsome way.

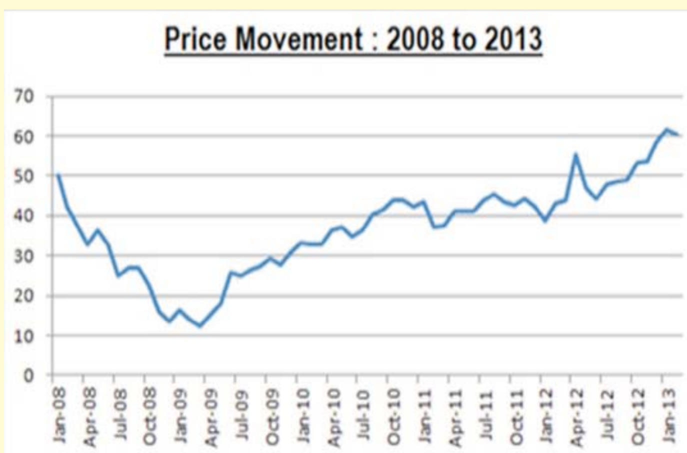
Let us understand it with a simple example. SBI Mutual fund has got a fund named SBI Emerging Business Fund. Being a fund investing in mid and small cap space, this fund is in high risk-high return category. As shown in the chart the fund's NAV fell from Rs.50.26 on 1-Jan-2008 to just Rs.12.39 in March 2009 before bouncing back to 57.95 on 18-Feb-2013. The extent of fall from Rs.50.26 to Rs.12.39 was close to 80% !!!. Even the 'Bravest Investor' would panic in such a situation.

But taking advantage of such a fund, is purely in the way we invest.

- Traditional investor who invested only once, on 1st Jan 2008 and remained invested, without doing anything, would have got an annualized return of just 2.98% (from Rs.50.26 to Rs.57.95). This is the actual returns of the fund.
- But a small shift in the investment mode resulted in handsome gains. A disciplined investment method like SIP in the same fund from Jan 2008 to March 2013 would have fetched the investor a return of 15.84% per annum.
- But an investment method like "VIP Investments" has delivered a stunning return of 35.68% per annum.

In all the three situations, the fund has been the same, the investment duration has been the same. All that made the difference was the INVESTMENT METHOD. There is little meaning in blaming the fund manager or the stock market for not delivering superior returns. As investors, we need to do our part by participating in various prices, particularly during the decling phase. Investors who adopt to better investment methods are bound to make better investment returns.

At EASY Investments, we develop innovative investment methods like VIP and assist you in making superior investment returns. Do call us for further details. We will be happy to assist you.



Investment Method	Detail	Time Period	Absolute Profit	Annualized Profit
Lumpsum	One Time Investment	01-Jan-08	15%	2.98%
SIP Strategy	Constant Recurring Investment	To	81%	15.84%
VIP Strategy	Buy More when Low, Buy Less when High, Don't Buy if Too High	18-Feb-13 (5 Years)	183%	35.68%

Investor Meetings : Jan-Feb-March

Investment market is ever changing. And it is necessary for investors to adapt to this change to make profitable investments. In line with this idea, EASY Investments conducted three Investors Meetings.

The first meeting took place on 10th January 2013. Mr.Ratheesh from Motilal Oswal, Mumbai addressed the gathering on "How to Pick Good Stocks in Stock Market". With suitable examples , he explained on why some companies are preferred over others. He did discuss on specific stocks which are under the recommendations of Motilal Oswal and shared his views on their upside potential. The meeting had lots of lively interactions.

The second meeting took place on 22nd Feb 2013. Mr.P.Ramaswamy of EASY Investments addressed the gathering on "Emotionless Investing". The meeting was more like Self-Realization. Many investors acknowledged the common investment mistakes and the reasons behind it. Having understood the problems investors face, they were eager to know the ways to avoid such mistakes in future. The step by step explanation on "Emotionless Investing Strategy" evoked good response among the audience. Many of them expressed their happiness of having attended a useful Investment meeting and expressed their willingness to participate in similar such meetings in future.

The third meeting took place on 3rd March 2013. Mr.P.Ramaswamy addressed a group of budding investors on "Money Makes Money." Starting from basics of investing, Mr.PR took the gathering through a virtual tour on the vast benefits and convenience of investing. Real life examples made the audience connect easily to the subject. The presentation was specifically 'softened' to suit the audience.

Many such meetings are bound to take place in future. If you are interested in attending the same, kindly register your name with phone number with EASY Team Members or email your willingness to easyinvest@gmail.com

Safeguarding Wealth

In many a times, Huge Health Expenses erode our savings and investments. Ideal way to avoid such a situation is by talking up suitable health insurance by which the insurance company would pay for all your health expenses. You have options to take a single cover for entire family also. Following table summarizes the features of various Health Insurance Plans. Depending upon your requirements like sum assured, number of members to cover etc, the premium would vary. And you have innovative product like TOP-UP Health Insurance which can expand your existing insurance cover.

Big or small, it is right time to buy a suitable Health insurance cover.

	Pure Health Cover	Family Health Cover	Family Health Cover Plus	Comprehensive Health	Special Health	Accident Protection
Maximum Age @ Entry	65	75	55	65	65	56
Max Renewal Age	99	99	60	99	99	69
Minimum Cover	1 Lakh	1 Lakh	1 Lakh	5 Lakh	3 Lakh	5 Lakh
Maximum Cover	10 Lakhs	15 Lakhs	5 Lakhs	25 Lakhs	10 Lakh	1 Crore
Example:						
Age:	35	35	35	35	35	35
Cover	***2 Lakh***	***2 Lakh***	***2 Lakh***	***5 Lakh***	***5 Lakh***	***20 Lakh***
Plan	Individual (1)	Family (2+2)	Family (2+2)	Family(2+2)	Individual	Family (2+2)
Premium (Rs.)	***3724***	***3850***	***15000***	***14800***	***2889***	***4129***
Usual Benefits	All Inpatient Expenses	All Inpatient Expenses	All Inpatient Expenses	100% of expense claim settled		All Accidents covered
Preexisting Illness Cover	After 3 Years	After 2 Years	After 2 Years	After 2 Years	After 3 Years	
Special Benefits	Maternity Cover after 3 Yrs	Entire family Covered	Out Patient Exp: Max Rs.7000	Just Born Baby covered		Death Cover
	Catract Operation	Claim can be split among family members	Pre-existing Illness pharmacy bills	Materinity Cover after 3 Years	Full cover settled against detection of any one critical illness. 10 Critical Illness Covered	Permanent Total Disability
	Home Hospitalization	Pre-Hospitalization Exp	Pre-Hospitalization Expense	Pre-Hospitalization Expense		Permanent Partial diability
	Ayurvedhic Treatment	Post Hospitalization Exp	Post Hospitalization Expenses	Post Hospitalization Expenses		Tution Fees per child: Rs.250/D
	Master Health Checkup	101 Day Care Treatments		101 Day Care Treatments		
	Maximum Hospital Room Rent Expenses: Rs.3000 / Day			Hospital Room rent of any value		
Tax Benefit	Section 80(D)	Section 80(D)	Section 80(D)	Section 80(D)	Section 80(D)	General Expenses

*To buy Health Insurance, Call EASY Investments. ** For full details of cover and premium, contact EASY Investments.

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