By the Faujis. For the Faujis.

Hum Fauji Initiatives

August 2024

WEALTH INSIGNIA

MONTHLY FINANCIAL NEWSLETTER 'BY THE FAUJIS. FOR THE FAUJIS.'

www.humfauji.in

Dear Friends

I trust this message finds you in high spirits and good health.

On July 23, 2024, Finance Minister Nirmala Sitharaman presented a landmark Union Budget, charting a comprehensive path toward a developed India by 2047, a vision named 'Viksit Bharat'.

The capital gains taxation changes have certainly stirred the pot, but amidst the noise, there are hidden gems within this budget that promise to enhance our lives and generate wealth for citizens. India is among the fastest-growing major economies, maintaining high GDP growth despite global and local disruptions. This budget aims to sustain that growth by focusing on nine key areas, ensuring we stay on track for 'Viksit Bharat'.

Here's a closer look:

Agriculture Productivity and Resilience: *With efforts to improve agricultural yield through new crop varieties and natural farming methods, alongside Digital Public Infrastructure (DPI) in agriculture, we anticipate this will boost productivity and strengthen the country's agricultural sector.*

Employment & Skilling: *The budget's emphasis is on creating 4.1 crore jobs and upskilling 20 lakh youth through various schemes. This investment in human capital will not only drive employment but also foster a more skilled workforce.*

Inclusive Human Resource Development: *Initiatives supporting education and health for marginalized communities, including PM Vishwakarma and Mudra loans, will ensure a broader, more inclusive growth trajectory.*

Manufacturing & Services: *By enhancing support for MSMEs and developing industrial parks, rental housing, and increased Mudra loans, the budget aims to boost competitiveness and support the manufacturing sector.*

Urban Development: *The vision of 'Cities as Growth Hubs' with improved housing and transit planning underscores the commitment to sustainable urban development, aiming to make cities more liveable and economically vibrant.*

Energy Security: *Policies like PM Surya Ghar Muft Bijli Yojana and advancements in energy technology will address the dual goals of energy security and environmental sustainability.*

Infrastructure: *Continued investment in infrastructure, including roads, railways, and airports, backed by innovative financing and private sector participation, will enhance connectivity and economic efficiency.*

Innovation, Research & Development: *The significant allocation for R&D and the expansion of the space economy through venture capital will foster innovation and technological advancement, positioning India as a global leader in research.*

Next Generation Reforms: *These reforms aim to enhance productivity and market efficiency, focusing on digitizing land records and improving land management.*

This budget isn't just about numbers—it's a vision for a thriving, prosperous India ('Viksit Bharat'). For investors, it signals strong potential for sustained growth and a robust market.

Let's stay informed and optimistic about the opportunities ahead.

Warm regards,

Col Sanjeev Govila (retd)
CEO, Hum Fauji Initiatives

FINANCIAL MICRO BYTES FROM TEAM HUM FAUJI INITIATIVES

DEMOCRATIZING DALAL STREET

THE RISE OF INDIA'S NEW AGE INVESTOR

Remember when the stock market felt like an exclusive club for the wealthy and the suited? Those days are long gone. India is experiencing a seismic shift, driven by a new generation of investors taking Dalal Street by storm.

Empowered by technology, this army of young investors is armed with smartphones, trading apps, and a hunger for financial freedom. Unlike their predecessors who relied on brokers, these new-age investors are actively researching, making informed decisions, and building their own portfolios.

Traditionally, Indian investors focused heavily on equities and mutual funds. However, the landscape is diversifying rapidly, offering an abundance of new avenues:

- Exchange-Traded Funds (ETFs)
- Cryptocurrencies
- Commodities and Gold ETFs
- Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

This surge isn't just about numbers. It's about a cultural change. Millennials and Gen Z are breaking free from traditional investment avenues, seeking growth and control over their financial futures.

However, this newfound participation comes with its own set of challenges. With information overload and the ever-present risk of market volatility, navigating the financial world can be daunting.

Here's where the future lies: Innovation. Fintech companies are developing user-friendly platforms, educational resources, and even AI-powered tools to guide these new investors.

This rise of the retail investor infuses the market with fresh energy and challenges the status quo. But it also underscores the need for robust investor education and responsible financial practices.

One thing's for sure: India's investment landscape is witnessing a fascinating transformation. The new-age investor is here to stay, and their impact on the country's financial future promises to be nothing short of revolutionary.

Contributed by Aman Goyal, Relationship Manager, Team Vikrant, Hum Fauji Initiatives

INTEREST RATES ON THE MOVE

HOW THEY SHAKE UP THE DEBT MARKET

Interest rates, the price of borrowing money, are a pivotal force shaping the debt market. When they rise, borrowing becomes costlier, dampening economic activity.

Conversely, declining rates stimulate borrowing and investment. Understanding these fluctuations can open up exciting investment opportunities.

- ### *A Rising Tide- When interest rates are at the lowest, and about to rise*

When interest rates start to climb, bond prices typically fall because newer bonds offer higher yields. This shift can deter investors from bonds, pushing them toward potentially more lucrative assets like stocks or real estate. Additionally, the increased cost of borrowing can curtail business investments and consumer spending, impacting overall economic growth.

- ### *A Falling Tide- When interest rates are at the highest, and about to decline*

When interest rates decline, the dynamics reverse. Bond prices rise as older bonds become more attractive, drawing investors away from riskier assets. This also leads to decrease in borrowing costs which gives push to economic activity as businesses and individuals are encouraged to invest and spend.

- ### *Current Scenario*

For over a year, interest rates have remained high, but signs indicate they might start declining soon—much sooner than later. This presents a compelling investment opportunity.

DOP2 (Debt Opportunity Portfolio Series 2 conceptualised by Hum Fauji Initiatives) aims to invest your money in a portfolio of carefully selected, extremely safe, long-term Debt Mutual Funds which invest in Government Securities, tradeable Corporate FDs, and tradeable bank products. This portfolio is positioned to achieve faster growth compared to traditional, equivalently safe fixed deposits (FDs) and post office products, as the RBI is now anticipated to start cutting interest rates.

By understanding and navigating the waves of interest rates, you can make smart investment decisions that not only protect your money but also allow it to grow. With DOP2, you're set to ride the tide of opportunity.

Contributed by Prerna Pattanayak, Financial Planner, Team Vikrant, Hum Fauji Initiatives

FINANCIAL FAIRY TALES
TURNING POCKET MONEY INTO A PORTFOLIO

Welcome to the land of ***"Financial Fairy Tales,"*** where your pocket money transforms into a shimmering portfolio, growing stronger with each wise decision! This isn't just a story; it's a roadmap to becoming a financial whiz.

The Seed of Saving

Imagine your pocket money as a magical seed. Planted carefully, it can blossom into a fruitful portfolio. Here's how to nurture that seed:

- **Every Rupee Counts:** Treat each rupee like a tiny treasure. Avoid unnecessary spending and prioritize needs over wants.

- **Become a Saver:** Divide your allowance. Allocate a portion for saving and another for spending. Piggy banks or kid-friendly savings accounts are gratoptions!

The Budgeting Quest

Every hero needs a map! Budgeting is your financial compass. Here's how to create yours:

- **Track Your Treasure:** Note down all your income (allowance, earned money) and expenses(snacks, toys). Use a notebook, app, or involve a parent to help.

- **Needs vs. Wants:** Differentiate between essential needs (food, school supplies) and fleeting wants (new video game). Prioritize needs to keep your budget balanced.

- **Goal Setting Magic:** Set achievable savings goals. Maybe it's a new book or a bigger piggy bank. Reaching goals motivates you to keep saving!

Financial Fairy Tales open the doors to a world of financial responsibility. With a little planning and smart choices, you can turn your pocket money into a powerful portfolio, building a secure and prosperous future!

Contributed by Avantika Agarwal, Financial Planner, Team Sukhoi, Hum Fauji Initiatives

THE SIP FREQUENCY DILEMMA

IS MORE REALLY THE MERRIER?

Imagine standing at the shore, watching the waves. The ocean, like the stock market, is always in motion with small ripples and large swells. Think of your investments as a surfer catching these waves. Should the surfer ride every wave or wait for the bigger, predictable ones? This mirrors the dilemma of SIP frequency.

SIPs let investors ride market waves by investing small amounts regularly. This approach uses rupee cost averaging, reducing market timing risks and promoting disciplined investing. But does more frequent investing lead to better returns?

To answer the question, we looked at the performance of daily, weekly, and monthly SIPs over the last 10 years in three different indices:

Returns of Daily vs Weekly vs Monthly SIP

Scheme	Daily SIP	Weekly SIP	Monthly SIP
NIFTY 50 TRI	12.44	12.45	12.44
NIFTY Midcap 150 TRI	16.35	16.36	16.32
NIFTY Small Cap 250 TRI	13.31	13.32	13.29

Source: ET Money - (All figures in %)

• *Which Is Better: Daily, Weekly, or Monthly SIP?*

One look at the above table makes it clear that increasing the frequency of your SIPs doesn't have any material impact on the returns.

So, while more frequent SIPs might seem appealing, their practical benefits are minimal. Monthly SIPs, like catching the best waves, offer the essential advantages of SIP investing.

When it comes to SIP frequency, more isn't necessarily merrier. A consistent monthly SIP is enough to help you reach your investment goals smoothly and confidently.

Contributed by Vishakha, Relationship Manager, Team Arjun, Hum Fauji Initiatives

JUST CASHED IN ON YOUR PROPERTY?
DON'T LET THE GOVERNMENT TAKE A BIG BITE!

Capital gains tax applies to profits from selling assets like property, based on the difference between the selling and the purchase price (cost basis). It's divided into short-term (held for less than two years) and long-term (held for more than two years) capital gains.

Consider these strategies if you've recently sold a property, to reduce your tax liability:

- ***Reinvestment in Residential Property (Section 54)***

Reinvest proceeds in another residential property within specified timelines to defer capital gains tax.

- ***Capital Gains Account Scheme (CGAS)***

Deposit gains into a CGAS with a bank for temporary fund parking and tax benefits if your property investment is getting delayed.

- ***Investment in Bonds (Section 54EC)***

Invest gains in specified bonds issued by notified institutions for tax exemption with a five-year lock-in period.

- ***A combination of the above three strategies if that suits you better.***

Case Study: Lt Col Nitin Sharma's Tax-Saving Strategy

Lt Col Nitin Sharma recently sold his property, earning Rs. 20 lakhs in capital gains. Since he did not want to buy another property but also needed some money out of this sale for his personal use, He bought 54EC bonds for Rs. 15 lakhs locking in his money for 5 years, after which he will get his principal back with no tax being paid, and paid tax only on the remaining Rs. 5 lakhs of capital gains using the balance for his immediate requirement. This strategy supported his need for some money while minimizing taxes.

Reducing tax on property capital gains requires strategic planning and tax law understanding. Utilizing avenues like reinvesting in residential properties, CGAS, and Section 54EC bonds minimizes tax burdens and secures financial futures.

Consulting a financial advisor like Hum Fauji Initiatives ensures informed decisions for optimized savings and returns.

Contributed by Anjeeta, Financial Planner, Team Arjun, Hum Fauji Initiatives

SILVER BONANZA

WEALTH BUILDER OR RISKY PLAY?

Silver has recently captured investor attention, often touted as the "new gold" due to its increasing demand and impressive market performance. But how does it measure up in terms of potential rewards versus risks? Is silver truly a lucrative opportunity, or is it a risky gamble?

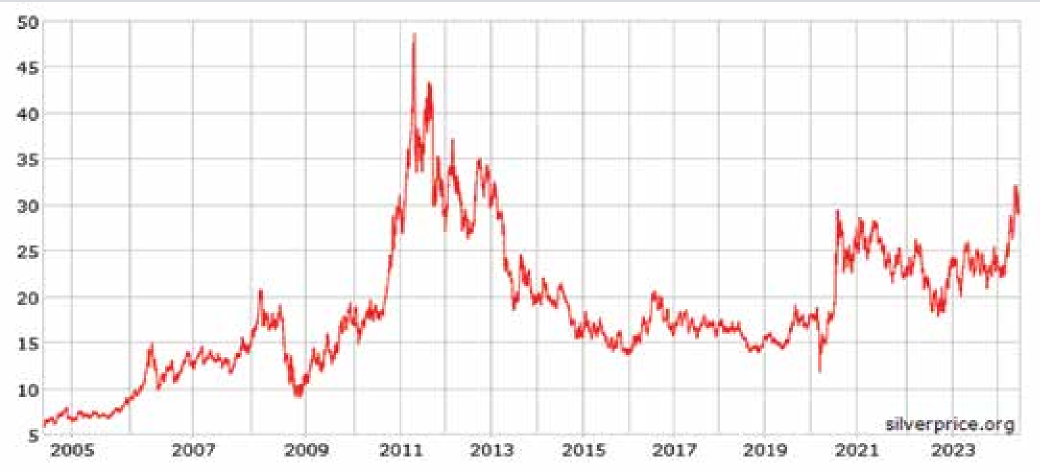
The Allure of Silver

Silver's superior electrical conductivity and reflective properties make it an essential element to use in electronics, solar panels, and medical devices, driving its industrial demand and prices higher. On the other hand, silver is in great demand as an ornamental metal in lower income households in India and China.

The Risks of Silver Investment

Despite its appeal, silver is highly volatile, with prices swinging dramatically due to speculative trading and market manipulation by large institutions. This volatility can lead to significant short-term losses, posing a risk for those with low risk tolerance.

Silver prices remained dormant for a very long period of time in history (2012– 2020).



Silver's price is also tied to industrial demand, which can decline during economic downturns. Unlike gold, a safe-haven asset, silver's dual role as an industrial and ornametal metal makes it more susceptible to economic fluctuations.

Better Alternatives

For stability, gold remains a more reliable choice as an ornamental investment with less volatility and a long history of preserving wealth. Similarly, other investments like equity and debt offer more consistent returns and lower risk compared to silver.

Thus, while silver can yield high returns, its price is highly volatile and sensitive to economic conditions, making it a risky investment. Unlike gold, silver's price is unpredictable, making it more of a bet than a safe option. Investors should consider more stable and diverse options for steady wealth growth. For those seeking reliable returns and long-term security, silver's allure might not be worth the risk.

Contributed by MF Alam, Sr. Research Analyst, Hum Fauji Initiatives

TOP CLIENT QUERIES OF THE MONTH

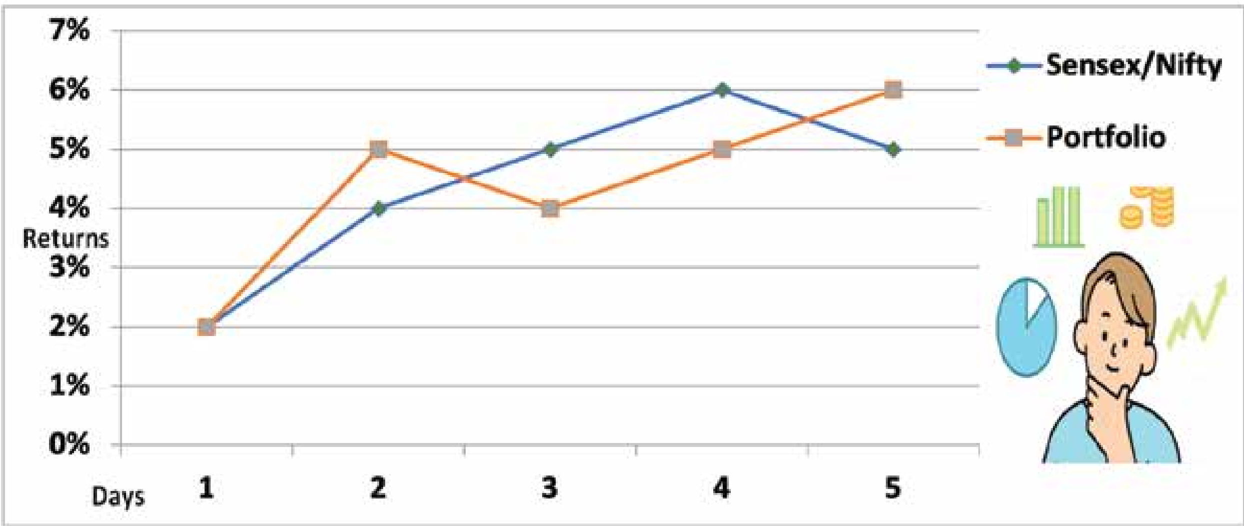
WHAT DID OUR CLIENTS ASK US IN THE LAST 7 DAYS?

Question

The markets have risen by 2% yesterday but my portfolio hasn't moved in tandem with the benchmark? Is my portfolio prepared by you good enough?

Our Reply

A 2% rise in the market yesterday is certainly attention-grabbing, but your portfolio not mirroring that movement might not necessarily mean it's negatively correlated.



First, let's break down correlation. It measures how closely two assets move in relation to each other. A negative correlation means they move in opposite directions—when one goes up, the other tends to go down. However, just because your portfolio didn't rise with the market doesn't automatically indicate negative correlation.

Why Your Portfolio Might Not Match the Market

Diversification Effects:

Your portfolio might be well-diversified across different sectors or asset classes. While the market as a whole might have risen due to specific sectors or stocks driving the index, your diversified portfolio could have mitigated the impact.

Factor and sector Exposure:

Different portfolios have varying exposures to factors like growth, value, size, or momentum. If your portfolio leans towards different factors than the benchmark index, it may not move in lockstep with it. Further, Individual stock picks within your portfolio and fund might behave differently than those comprising the benchmark index.

Timing and Weighting:

The timing of your investments relative to market movements and the weighting of assets in your portfolio also play crucial roles. A portfolio's construction can affect its performance relative to broader market indices.

So, don't worry about negative correlation right away. It's more about understanding how your mix of investments performed compared to the overall market.

Contributed by Team Dhruv, Hum Fauji Initiatives

WHAT DID OUR CLIENTS ASK US IN THE LAST 7 DAYS?

Question

Why should I invest in the DOP2 portfolio, and how is it better than traditional bank FDs?

Our Reply

Strategic Timing and Market Insights:

Launched as the successor to our successful DOP portfolio from February 2023, the DOP2 Portfolio is designed to capitalize on current debt market conditions. Interest rates in India are nearing their peak, and we anticipate future rate cuts soon, especially with India's inclusion in JP Morgan and Bloomberg's bond indices in 2025. When this comes through, anybody invested in longer term bonds or similarly strategized mutual funds will gain well with every interest rate cut.

Competitive Returns

Currently, established and schedules bank offer returns between 6.5% and 7.5% on their FDs. However, as interest rates decline, newly issued bonds and FDs will carry lower rates while the FD interest rates will decline. The earlier-issued bonds in our portfolio, DOP1, offering higher yields, will appreciate in value, driving up the Net Asset Value (NAV) of our Debt Mutual Funds. This appreciation, known as Mark to Market (M2M) gains, enhances overall returns. Same thing will happen to our investors of DOP2.

Tax Efficiency

Investing in Debt Mutual Funds offers tax advantages. These funds are taxed only upon sale, unlike FDs where interest is taxed annually. Additionally, there's no TDS for resident Indians, and gains can be offset against losses from other capital assets.

Conclusion

The DOP2 Portfolio presents a very limited window opportunity for strategic, competitive, and tax-efficient investing. For a potentially more lucrative alternative to traditional bank FDs, consider the DOP2 Portfolio very seriously NOW, before you miss out on this opportunity.

For further details or to discuss how the DOP2 Portfolio can fit into your investment strategy, please reach out to us.

Contributed by Team Prithvi, Hum Fauji Initiatives

BUDGET SUMMARY

The Union Budget was overall not very eventful with the focus in most cases on long term schemes like that for employment generation, skill development, easing norms and pushing growth of MSMEs, easing compliance and focus as usual on rural areas. This was expected.

Positives of the budget

1. The good part of the budget has been the focus on fiscal consolidation with the Fiscal Deficit maintained at 4.9% and targeted at 4.5% next year compared to a target of 5.1% set in the interim budget. The importance of continued reduction in fiscal deficit is not widely understood but **is actually very positive long term** as the government borrows less and keeps more money available for the private sector in the borrowing market. This is good to keep interest rates low and trend lower as inflation comes down.

2. Capital Expenditure growth was maintained at around 17% which will mean that **the second half of the year will see huge investment by the government** after the lull of the election period.

3. Contrary to expectations, populism was missing from the budget speech. The cut in customs duty on mobile phones, gold and silver is a positive move and could boost jewellery demand in the festival season.

Negatives of the budget

1. Increase in the long- and short-term capital gains taxes. Long-Term tax (LTCG) increased from 10% to 12.5% and Short-Term tax (STCG) from 15% to 20% for financial assets. As a small positive, the exemption limit on equity capital gains increased from the current Rs 1 Lakh to 1.25 Lakhs.

2. Just a marginal relief under the new taxation scheme for tax payers, which makes the new tax regime a bit more attractive. No major relief anywhere else except that Standard deduction in income tax raised to Rs 75,000 from Rs 50,000, and deduction on family pension enhanced to Rs 25,000 from Rs 15,000.

3. The lack of any worthwhile tax relief could push back the consumer demand revival further although there could be a natural uptick after two years of below normal growth and also a good monsoon.

4. A big setback- The indexation available for calculation of any long-term capital gains, presently available for property, gold and other unlisted non-financial assets, removed. There will be a flat 12.5% tax (which though is a reduced rate from 20% currently) on long term gains now, which in a way will simplify taxation. Gains from non-financial assets to be treated as long-term after 2 years. Short term capital goods taxation increased substantially from 15% to 20%. On a net basis, no relief was given to individual taxpayers.

5. Import duty on gold and silver has been reduced to 6%, while the duty on platinum has been cut to 6.4% making them cheaper.

All the budget changes are applicable from 23 July 2024.

OVERALL, the budget does nothing to provide any near-time upside to the markets. However, in our opinion, the long-term bull market remains intact in India.

Team HumFauji Initiatives

HAPPY CLIENTS SPEAK

Voices of Trust: Where client satisfaction speaks volumes

“The USP of the organization is its ability to provide a tailor-made solution to the specific needs of a Service investor. While receiving valuable advice, the investor retains full control over his/her investment. A happily satisfied customer for two years!!

Cmde Ajay Kumar Agarwal

Mumbai

“I have been associated with HFI since 2011. A long association; because HFI’s services are prompt, professional & trustworthy. The staff is led by a very competent but pleasant head team of Col & Mrs Sanjeev Govila. Not only the Defence fraternity but other investors also need such organizations. Highly recommended for investments and other financial services.

Col Vijay Vasudeva

Mohali

REVOLUTIONIZING DEFENCE

FINANCIAL LITERACY LECTURES FOR THE MONTH OF JULY 2024

We have conducted 26 lectures across various locations, including Port Blair, Jammu & Kashmir, Chennai, and Delhi. This month alone, we have educated 3,293 jawans, bringing the total number of jawans educated to 61,577

SNEAK PEAK
INTO HUM FAUJI INITIATIVES

EXCITING OPPORTUNITY FOR A VETERAN ARMED FORCES OFFICER TO JOIN HUM FAUJI INITIATIVES

HumFauji Initiatives is seeking a dynamic and experienced veteran officer for the role of Vice President. If you are a veteran Indian Armed Forces officer with at least 5 years of service and corporate experience in the financial sector, we want you to join our mission of providing exceptional financial planning services to those who have dedicated their lives to our nation.

Position: Vice President (VP)

Eligibility Criteria

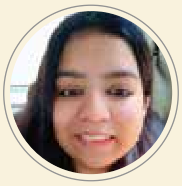
- Minimum 5years of service in the Indian Army, Navy, or Air Force
- At least 5 years of corporate experience, ideally in the financial sector
- Preferred age: 40- 50 years
- Extensive contacts within armed forces organizations

Expectations

- Strong interpersonal and leadership skills
- Knowledge of financial markets and investment strategies
- Problem-solving and strategic thinking abilities

If you meet these criteria and are ready for a fulfilling journey with Hum Fauji Initiatives, please send your detailed CV to bindugovila@humfauji.in with the subject line 'Application for the post of VP- [Your Name]'. We look forward to welcoming an outstanding individual to lead our iconic company to greater heights!

A NOTE FROM A HUM-FAUJIIAN!



Divyakshi Asthana
Assistant Manager
Business Development

Six years ago, I stepped into the world of Hum Fauji Initiatives as a timid soul. Shyness was my constant companion, and the thought of sharing my opinions with others was downright scary. I was like a silent observer, happy to watch from the sidelines but terrified to join the Game.

Imagine being in a room full of people, your heart pounding, mind racing with a million thoughts, but not a single word to speak. That was me. Conversations were like obstacle courses, and expressing what I felt like diving into an icy pool. It was a world of self-doubt and hesitation.

Looking back, it's astonishing how much I've grown. Hum Fauji Initiatives has been more than just an organization; it's been a transformative journey that has chipped away at my hyness, one interaction at a time.

Rishabh Shukla
Relationship Manager,
Team Sukhoi

My journey with Hum Fauji Initiatives has been a rollercoaster of growth. Just over three and a half years ago, the thought of speaking in public would make me nervous. I was that person who would rather disappear than stand in front of a crowd.

But this place has a way of pushing you out of your comfort zone. Slowly but surely, I found myself taking on challenges I never thought would be possible for me. It was like taking small steps, one at a time.

Today, as a Relationship Manager handling a trio, I have come a long way. Leading meetings, presenting ideas, and building relationships are now part of my daily routine. It's like watching a completely different person, someone I never thought I could become. Hum Fauji Initiatives has been my biggest cheerleader, pushing me to heights I never imagined.

Chaplak Sakkam
Operations & Admin
Executive

I have been with Hum Fauji Initiatives for around 3 months, and it's been a positive experience. The work is engaging and aligns with my career goals. The team is supportive and the work is both challenging and rewarding. I appreciate the opportunity for growth and look forward to continuing my contribution to the company's success.

HUM FAUJI INITIATIVES
MEDIA FEATURES

Sanjeev Govila
Certified Financial Planner (CM), CEO, Hum Fauji Initiatives.

The Union Budget 2024, despite the initial concerns over LTCG tax changes, is packed with opportunities for equity investors. It lays out a visionary plan for 'Viksit Bharat' by 2047, focusing on strategic investments across key sectors like agriculture, employment, manufacturing, urban development, and more. This ambitious roadmap is designed to sustain India's high growth trajectory, build investor confidence, and drive a robust equity market.

Col Sanjeev Govila (Retd), our CEO, shares his insights on how these budget initiatives could reward equity investors handsomely in the long run. To dive deeper into his analysis, read his full article on The Economic Times.

https://economictimes.indiatimes.com/wealth/invest/get-over-ltcg-tax-shock-9-booster-dosages-in-budget-2024-that-will-reward-equity-investors-handsomely-in-the-long-run/articleshow/112399195.cms?from=mdr

Stay Connected:

Follow Us on Social Media for Latest Updates and Insights!

Telegram:
Join the fastest-growing telegram community of Faujis

Email:
contactus@humfauji.in

SMS or WhatsApp:
+91-99990-53522
+91-99998-38923

Website:
www.humfauji.in

Financial Planning I Retirement Planning I Corporate Bonds & FDs I
Central & State Govt Bonds I Insurance – Life & General I
Wealth Creation I Tax Planning I Mutual Funds and much more...

HUM FAUJI ® OUR VALUES. YOUR TRUST
By the Faujis. For the Faujis.

Hum Fauji Financial Services Private Limited

Visit at : 1st & 2nd Floor, Bimla Plaza, Sector-11, Dwarka, New Delhi-110075

www.humfauji.in