

SIPs sahi hai to achieve your financial goals

An Investor Awareness & Education Initiative



HSBC Mutual Fund

Opening up a world of opportunity

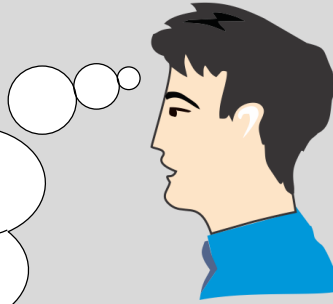
March 2023

SIPs can help achieve your financial goals

Short-term goals

Year: 2019

25-year-old Raghav is thinking of getting married in 3 years and wishes to go to an exotic location for honeymoon



Long-term goals

Year: 2007

Nisha and Aditya wanted to enroll their son in a foreign university after 18 years



Year 2022

Raghav garnered nearly Rs 5 lakh by investing his savings of ~Rs 11,000 per month during this period



Year: 2022

Nisha and Aditya invested Rs 10,000 per month over 15 years to accumulate Rs 67 lakh, which helped them to achieve their goal



Everyone has short- and long-term goals. Some might look achievable, and some improbable. Investing through systematic investment plans (SIPs) can help achieve financial goals.

For illustration purposes only. The above calculations and potential appreciation of investments are given for illustration purposes only. The illustrative appreciation in SIP investments given above is based on the historic performance of 15% annualised returns of S&P BSE Sensex, i.e., average of daily annualised 15 years' rolling returns of S&P BSE Sensex as of December 2022 and since June 1979 (Source: CRISIL Research). **Past performance may or may not sustain in the future and it does not guarantee or assure any future returns. Mutual fund investments are subject to market risks. Read all scheme related documents carefully**

Set up small SIPs regularly to achieve your big goals

SIPs can assist you accumulate the corpus for your lifetime financial goals



Child's education

Monthly savings of just Rs 10,000 could safely cover your child's education expenses worth over Rs 67 lakh after 15 years



Child's wedding

Saving as low as Rs 10,000 each month for 20 years can help create your child's wedding kitty worth around Rs 1.5 crore



Retirement

Building a retirement nest of nearly Rs 30 crore isn't too big a task if you pool in Rs 20,000 monthly for 35 years of work life



World tour

Saving as low as Rs 10,000 each month for 20 years can help you create your world holiday kitty worth around Rs 1.5 crore

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Past performance may or may not sustain in the future

Before initiating a SIP

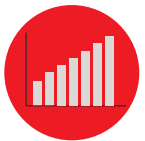
- Gauge the investment horizon and risk profile
- Define your financial goals

After investing in a SIP

- Keep track of your investments to ensure they are in sync with the financial plan



Never fall prey to market volatility and discontinue SIPs, as staying invested is the key to generate optimum returns



Consider increasing the SIP amount during events such as SIP anniversary or salary increases



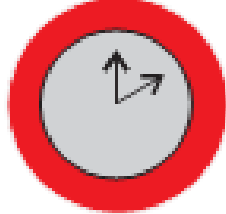
Always follow the three golden rules – invest early, invest regularly, and invest for the long-term

Past performance may or may not sustain in the future

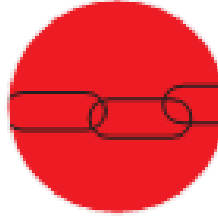
Benefits of SIPs



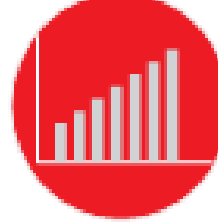
Rupee-cost averaging



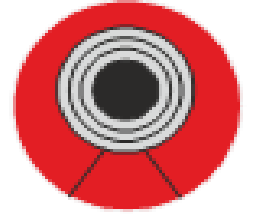
No need for market timing



Compounding benefits



Beat the inflation



Instil investment discipline

Let's check how above benefits are offered under SIP over the next few slides

Past performance may or may not sustain in the future

Rupee-cost averaging (1/2)

- SIPs offer the advantage of rupee-cost averaging to long-term investments
- Investors buy at different intervals, thus capturing the ups and down of the market cycle
- For instance, with Rs 10,000, one can buy 500 units of Rs 20 or 1,000 units of Rs 10 each, as market goes up or down

More units are purchased when a scheme's NAV is lower and fewer units when the NAV is higher

Investment (a)	NAV (b)	No. of units (a)/(b)
Rs 10,000	Rs 20.00	500
Rs 10,000	Rs 10.00	1000
Average cost/unit*	Rs 13.33	

As you can see, when the NAV falls, you accumulate more units, and vice versa, thereby averaging out the cost

The longer the time frame, greater the benefits from averaging

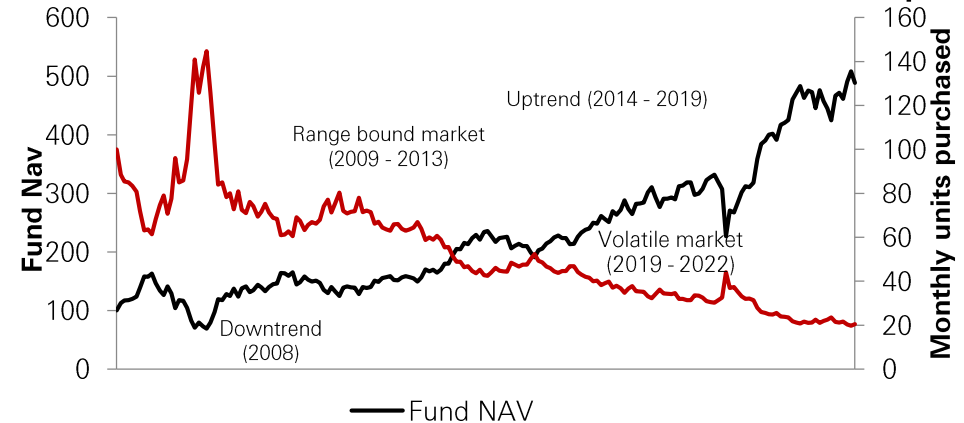
The above calculations are for illustration purposes only. *Average cost = Total amount invested / Total units accumulated

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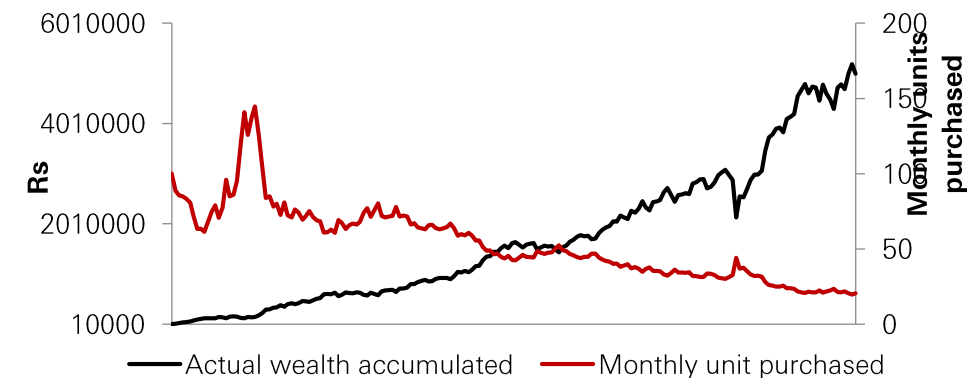
Rupee-cost averaging (2/2)

- To take a hypothetical example, an investor started a monthly SIP of Rs 10,000 at the peak (April 2007) of the bull phase of 2003-2007
- Owing to the subprime crisis, which followed later, the investor witnessed losses during January 2008 – March 2009, but was also able to accrue more units because of regular investments
- Once the market rebounded after the subprime crisis, ~Rs 19 lakh invested in the market rose to ~Rs 50 lakh at the end of December 2022
- Thus, despite starting the SIP at peak levels, the investor survived the downtrend and even managed to gain during the volatile trend in 2022, due to the pandemic

When the fund NAV falls in a bear market, more units are purchased



Once the market rebounds, the investment value increases steeply



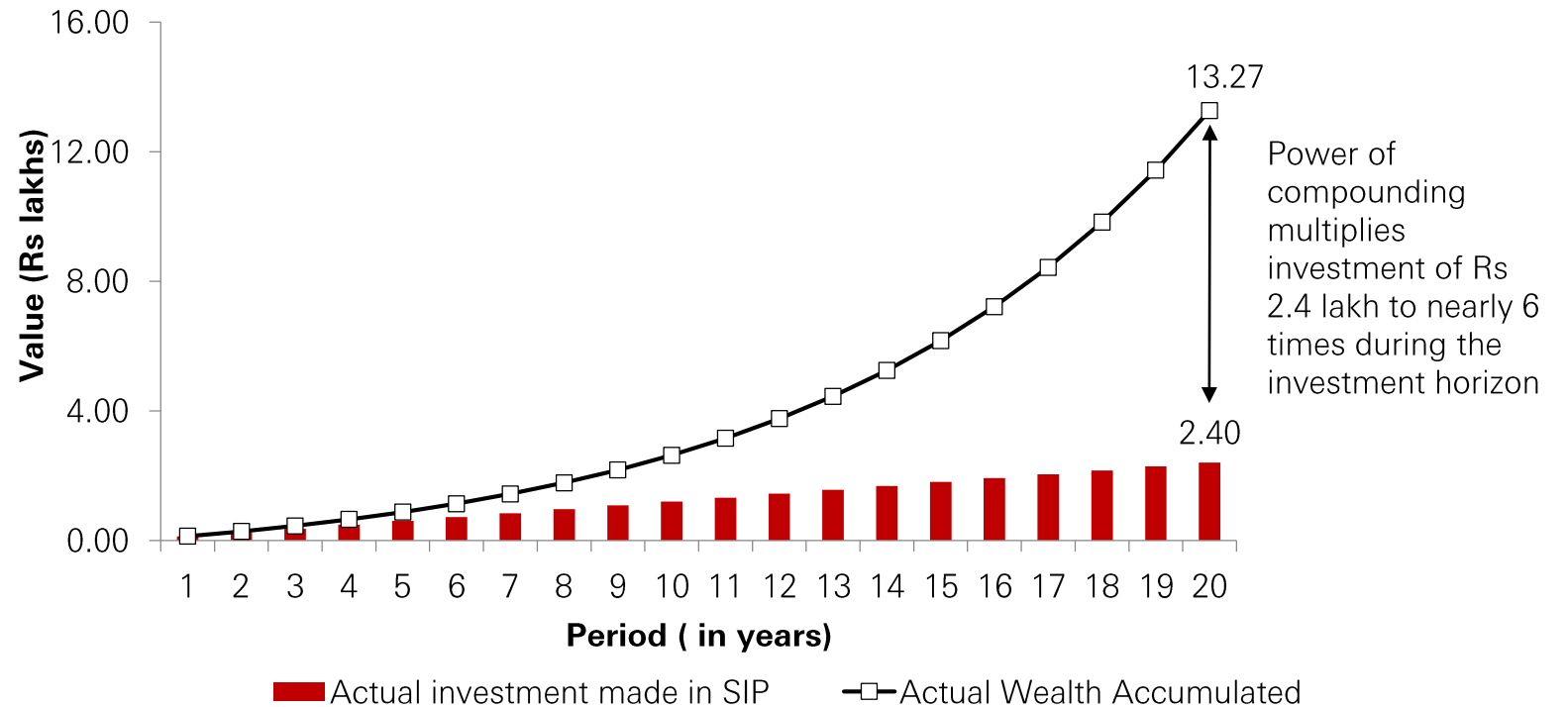
Source: CRISIL Research

Fund NAV represented by S&P BSE Sensex rebased to 100. The above calculations are for illustration purposes only

Past performance may or may not sustain in the future

Start SIPs early to get the benefit of long-term investing

- To reap benefits, save via SIPs early
- The longer the investment period, the higher is the compounding effect of money. As Albert Einstein rightly said, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."
- If an investor starts a monthly SIP of Rs 1,000 in an equity mutual fund for 20 years, his / her actual investment of Rs 2.40 lakh could catapult to Rs 13.27 lakh



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Sensex value as of 31-Mar-2023 is 58991

Past performance may or may not sustain in the future

Start SIPs early to get the benefit of long-term investing

- The longer the investment period, the higher is the compounding effect of money
- A SIP of Rs 10,000 in an equity fund for 20 years, actual investment of Rs 24 lakh, could catapult to ~Rs 1.3 crore

Years	Monthly SIP (Rs)	Actual investment SIP (yearly, Rs lakh)	Actual wealth accumulated (Rs lakh)
1	10,000	1.2	1.3
2	10,000	2.4	2.8
3	10,000	3.6	4.5
4	10,000	4.8	6.5
5	10,000	6.0	8.7
6	10,000	7.2	11.3
7	10,000	8.4	14.3
8	10,000	9.6	17.8
9	10,000	10.8	21.7
10	10,000	12.0	26.3
11	10,000	13.2	31.5
12	10,000	14.4	37.6
13	10,000	15.6	44.5
14	10,000	16.8	52.5
15	10,000	18.0	61.6
16	10,000	19.2	72.2
17	10,000	20.4	84.3
18	10,000	21.6	98.2
19	10,000	22.8	114.3
20	10,000	24.0	132.7

Invest more as income grows and instill discipline with regular SIP investments

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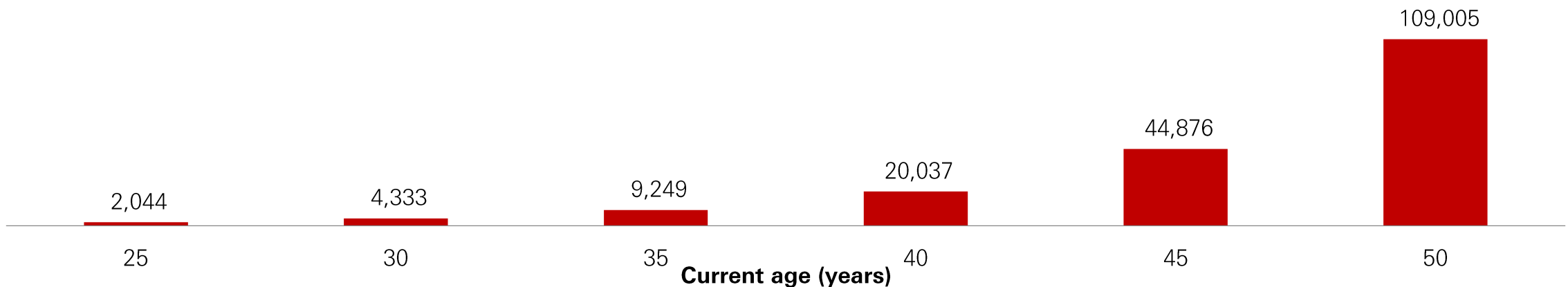
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Past performance may or may not sustain in the future

Delay in action can cost you the compounding benefit (1/1)

- If a particular amount is invested for the long term, the interest on the investment gets re-invested (compounding effect), thereby earning higher returns
- But deferment would require a higher investment amount to reach the same goal
- Illustration: A 25-year-old investor would require a monthly investment of Rs 2,044 to build a retirement corpus of Rs 3 crore by the age of 60, at a 15% growth rate. However, a delay of five years would require doubling the monthly investment to reach the goal

Cost of delay - Monthly amount required to build retirement kitty of Rs 3 crore nearly doubles due to a delay of 5 years



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Sensex value as of 31-Mar-2023 is 58991

Past performance may or may not sustain in the future

Delay in action can cost you the compounding benefit (2/2)

Current age (years)	Required monthly SIP investment	Target goal at the age of 60 years
25	10,220	~Rs 15 crore
30	21,666	
35	46,246	
40	100,184	
45	224,381	
50	545,024	

- Illustration: A 25-year-old investor would require a monthly investment of ~Rs 10,000 to build a retirement corpus of Rs 15 crore by the age of 60, at a 15% growth rate. However, a delay of five years would require more than doubling the monthly investment to reach the goal

Delay in initiating SIPs can lower the compounding benefit and increase monthly investment commitments to achieve the same financial goals

If a particular amount is invested for the long term, the interest on the investment gets re-invested (compounding effect), thereby earning higher returns

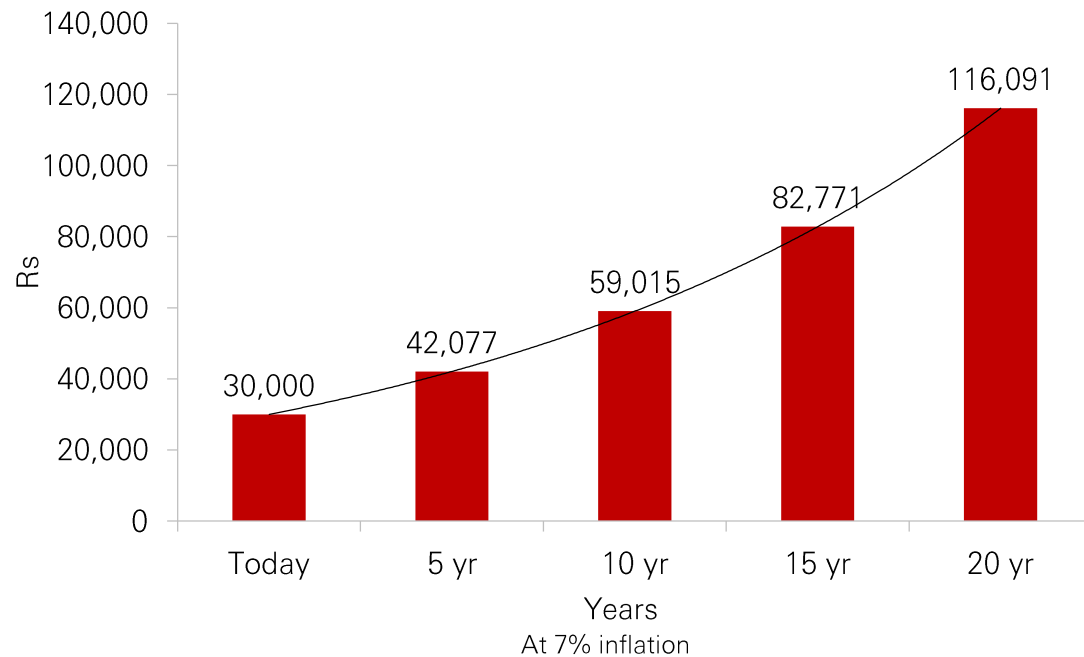
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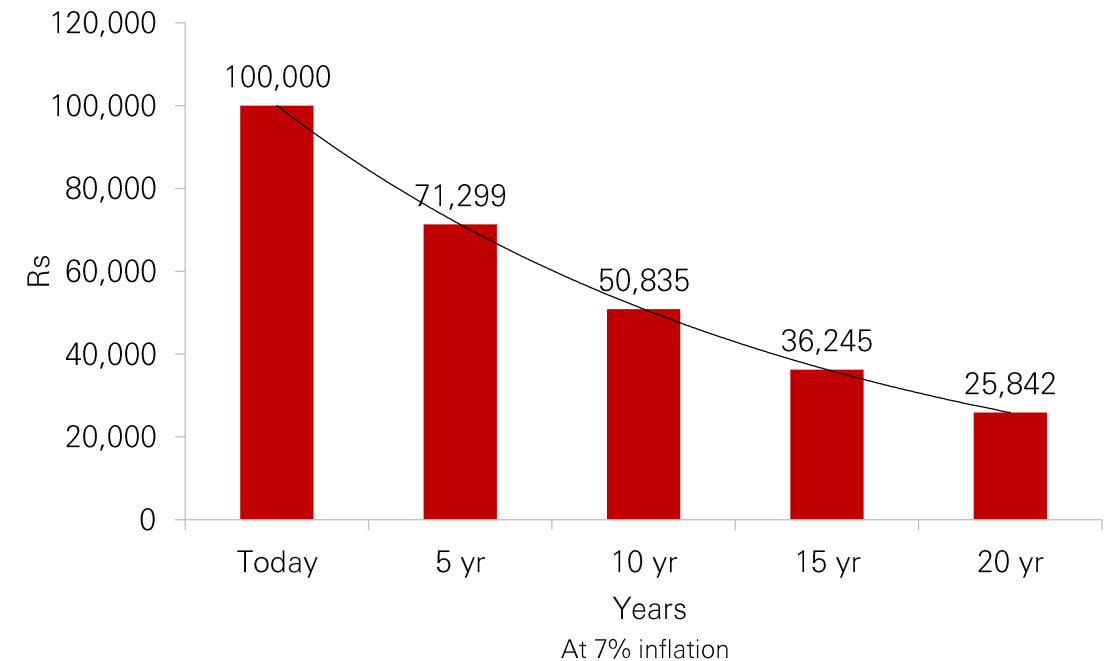
Past performance may or may not sustain in the future

Savings not enough as inflation erodes the value of money

Real cost of expense over time



Value of Rs 100,000 over time



Equity investments through SIPs can help beat inflation with better expected growth rates

Source: labourbureau.gov.in, CRISIL

Inflation represented average of monthly inflation of industrial workers declared since January 1993 till December 2022

Past performance may or may not sustain in the future

Short-term volatility is an intrinsic part of equity investments

Long-term investment pays off

BSE Sensex	3-year rolling returns	5-year rolling returns	7-year rolling returns	10-year rolling returns	15-year rolling returns
Average rolling period returns	16.27%	15.88%	15.46%	15.35%	14.66%
Total time periods (monthly rolling)	487	463	439	403	343
Total number of positive returns*	436	430	414	400	343
Total number of negative returns^	51	33	25	3	0
Positive investment periods	90%	93%	94%	99%	100%

The longer you stay invested, the lower is the possibility of negative returns

In the long term, the probability of incurring losses is lower in equity investments

Notes:

Monthly rolling returns for respective holding periods since 30 June 1979. For instance, in case of 15-year monthly rolling returns, there will be 343 return periods. The first return period will be 30 June 1979- 30 June 1994 and the last return period will be 31 Dec 2007- 31 December 2022.

* Positive returns – The number of investment periods during which returns have been positive. For example, where investment returns have been computed for a 15-year rolling period, 343 months offered positive returns (profits), the number of positive returns period = 343

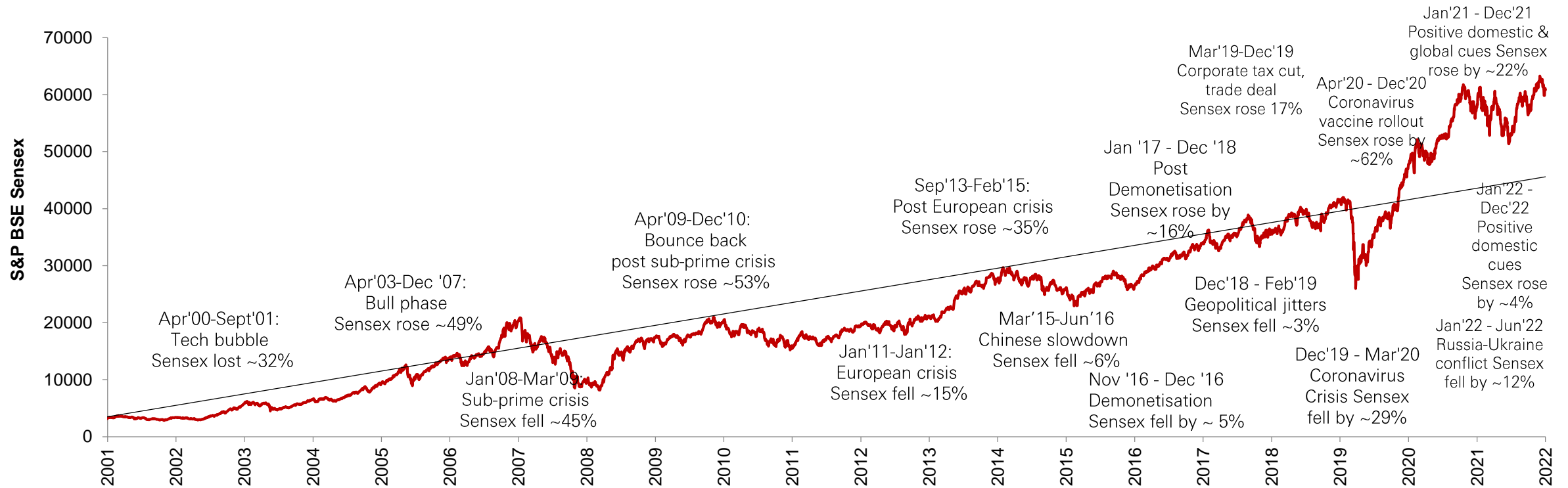
^ Negative returns – Number of investment periods during which returns have been negative. For example, where investment returns have been computed for a 5-year rolling period, 33 months offered negative returns (losses), the number of negative returns = 33

Source: BSE, CRISIL Research

Notes: Data as on 31 December 2022, Sensex value as of 31-Mar-2023 is 58991

Past performance may or may not sustain in the future

When market falls, your SIP accumulates more units



Rupee cost averaging works well through SIPs as you don't need to time the market

Source: BSE, CRISIL Research, data for 2022 are till December 31, 2022.

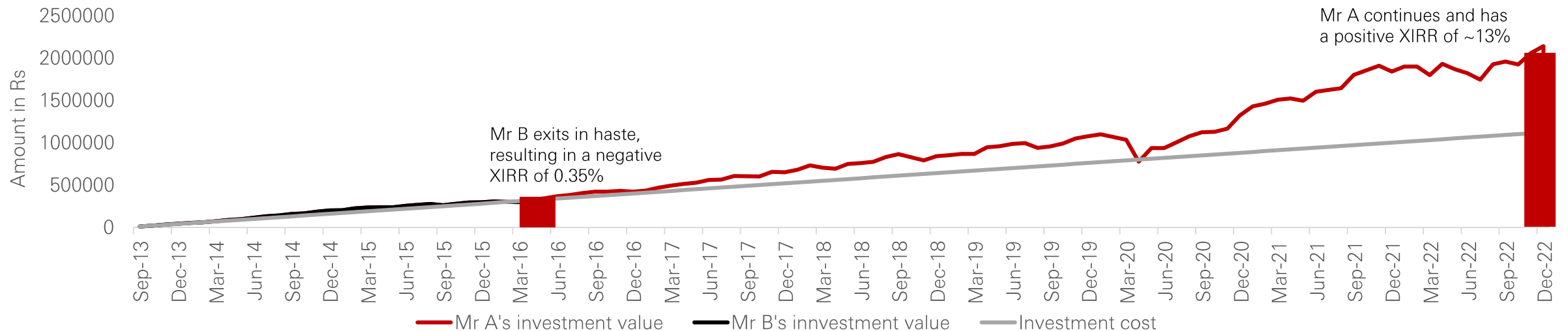
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Returns for period less than one year are absolute; otherwise, annualised

Past performance may or may not sustain in the future

Don't discontinue SIPs

- Once you start investing in SIPs, don't consider hitting the stop button whenever the markets fall
- Illustration: Mr A and Mr B start monthly SIPs of Rs 10,000 each in an equity fund* from September 2013. But when the tide turned choppy between August 2015 and March 2016, Mr B decided to stop his SIP, even as Mr A continued
- Result: A subsequent rise in the market helped Mr A garner Rs 17.7 lakh more from his investments of Rs 8.1 lakh (Rs 10,000 × 81 months) after Mr B discontinued his SIP



* S&P BSE Sensex is used as a proxy for fund performance; index rebased to 10. The above calculations are for illustration purposes only

Past performance may or may not sustain in the future

Overcome the devil within



Never fall prey to market volatility and discontinue SIPs; staying invested is crucial to generate optimum returns



Consider increasing the SIP amount during events such as SIP anniversary or salary increases



Always follow the three golden rules – invest early, invest regularly and invest for the long term

Past performance may or may not sustain in the future

Augment SIP quantum as income appreciates

Incremental SIP, commonly referred to as SIP top-up, allows investors to increase their installments by a fixed amount at pre-determined intervals and, thus, leverage rising income

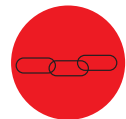
Benefits of SIP top-up:



Investors with initial low savings can use SIP top-up to gradually increase investment to achieve goals



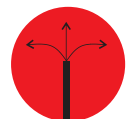
It works on auto-pilot to increase savings in sync with income



Wealth grows faster due to the power of compounding



It helps avoid paper work associated with increasing SIP contribution during the tenure



It reduces the effort for creating and tracking multiple SIPs in the same scheme

Past performance may or may not sustain in the future

Step-up SIP helps increase savings in tandem with income

- Annual increase in salary is the most welcomed and motivating factor in anyone's professional life
- However, mostly the raise is not channeled towards savings/investment, a failure to take advantage of the full potential of earnings to build wealth
- The table below depicts how a step-up SIP helps investors build more investments compared with the regular SIP

Year	Regular SIP		Step-up SIP			
	Monthly SIP amount (Rs)	Total SIP value in the year (Rs)	Monthly SIP amount (Rs)	Top-up amount (Rs)	Monthly SIP amount including top-up (Rs)	Total SIP value in the year (Rs)
1	1,000	12,000	1,000	-	1,000	12,000
2	1,000	12,000	1,000	1,000	2,000	24,000
3	1,000	12,000	2,000	1,000	3,000	36,000
4	1,000	12,000	3,000	1,000	4,000	48,000
5	1,000	12,000	4,000	1,000	5,000	60,000
6	1,000	12,000	5,000	1,000	6,000	72,000
Total		72,000				252,000

Past performance may or may not sustain in the future

Look beyond market downturns and stay invested in SIPs

Scenario analysis to show the impact of investor behaviour during market volatility and benefits

- Investors A, B, C, D and E began investing Rs 10,000 per month in an equity SIP in the S&P BSE Sensex from January 2000. However, their approach to market volatility differed:

A redeemed his investment after the Global Financial Crisis (GFC) in 2009

B stopped SIPs due to the volatility seen during the GFC, but retained his investments

C continued his SIP at the same pace

D increased his monthly SIP investment by 10% after every monthly fall of more than 10%

E added a lump-sum investment of Rs 1 lakh after every monthly fall of more than 10%

	A	B	C	D	E
Total amount invested (Rs lakh)	10.7	10.7	27.5	98.7	44.5
Total value at the end of Dec 2022 (~Rs lakh)	18.7	118.2	159.5	405.6	324.6

How they fared

- A missed out on accumulating more units and increasing his corpus
- B benefitted from retaining investments, but could not leverage gains in rupee terms
- C persevered and benefitted from his disciplined investments
- D and E leveraged market downturns to invest more and boost their end-investment corpus

Source: CRISIL, data as on December 31, 2022
Sensex value as of 31-Mar-2023 is 58991

Past performance may or may not sustain in the future

Step-up SIP also helps tide over unfavourable market phases

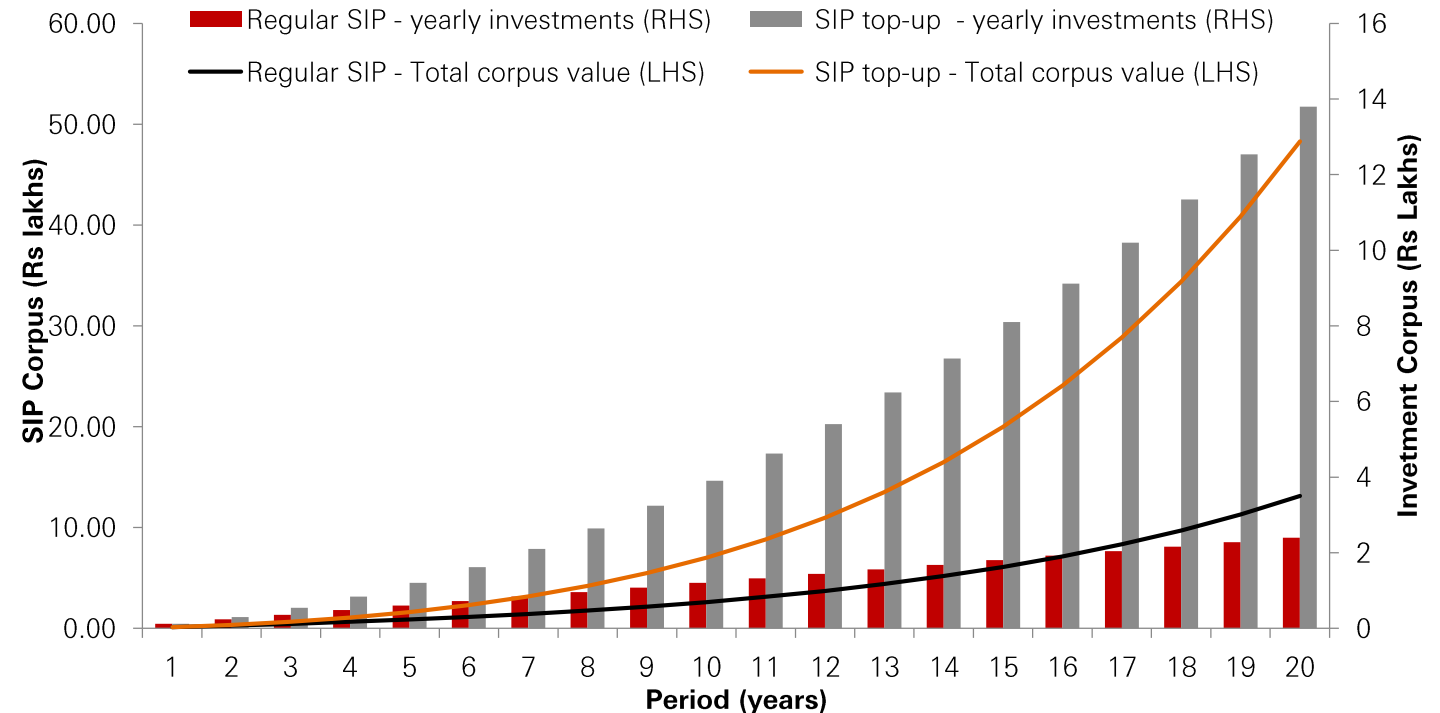
- Systematic investments help investors ward off risks that arise from timing the market; they smoothen returns over the long term
- An analysis of investments made before the 2008 financial crisis until December 2022 shows step-up SIP investments have been able to generate higher returns than lump sum and regular SIP
- Rs 1.85 lakh would have grown to Rs 4.64 lakh. In case of a step-up SIP, an increment of just Rs 500 per year would see an investment of Rs 8.10 lakh grow to Rs 16.60 lakh during the period
- Thus, despite market volatility, an investor can benefit by investing systematically and also enhance wealth creation by topping investments at regular intervals

Period of investment	SIP*			Step-up SIP ^			Nifty 50 returns (CAGR)
	Investment	Investment value	Returns (XIRR)	Investment	Investment value	Returns (XIRR)	
Jan 2008 to December 2022	Rs 185,000	Rs 464,076	11.53%	Rs 810,000	Rs 16,60,380	11.99%	7.47%

- Considers Rs.1,000 of SIP investment in Nifty 50 index on the first day of every month from January 2008 to December 2022
 - Nifty 50 value as of 31-Mar-2023 is 17359
 - ^Starts with Rs.1,000 of investment and increased on an annual basis by Rs 500 per month
- For illustration purpose only, **Past performance may or may not sustain in the future**

Step-up SIP can increase the benefits of compounding

- A step-up SIP grows wealth faster on account of the power of compounding, which builds further on additional investments over a period of time
- Let us look at this with the help of another hypothetical case study of two sisters, Anjali and Priya
- Anjali started a regular SIP of Rs 1,000 per month for 20 years with an annualised growth rate of 15%, increasing her total investment of Rs 2.40 lakh to Rs 13 lakh
- Priya stepped up her regular SIP with only Rs 500 per month, and her investment of Rs 13.80 lakh grew to over Rs 48 lakh during the period



Calculation based on an SIP growth rate of 15%, which is 15-year daily rolling average returns of the S&P BSE Sensex since 1979 until December 2022

Sensex value as of 31-Mar-2023 is 58991

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SIP with an eye on risk appetite

- The fundamental rule of investing is that investments should be done as per the investor's risk-return profile
- An equity SIP is suitable for an aggressive investor...
 - With equities being volatile, an SIP helps investors iron out volatility with rupee-cost averaging
 - It provides an opportunity to create wealth in the long term
- An SIP in a hybrid fund (equity + debt) is appropriate for a moderate investor
 - Stability of debt offsets volatility in equity effectively based on the asset allocation suitable to an investor

SIP Portfolio			
		Scenario 1	Scenario 2
Debt		20%	35%
Equity		80%	65%
SIP returns (annualised)			
3-year		11.83%	8.78%
5-year		11.74%	8.72%
7-year		5.55%	2.98%
10-year		6.41%	3.80%
		Total amount invested (Rs, lakh)	Investment's market value (Rs, lakh)
3-year		3.60	4.44
5-year		6.00	7.88
7-year		8.40	12.03
10-year		12.00	18.99

Source: CRISIL Research

Annualised returns and investments' market value as on December 31, 2022

Sensex value as of 31-Mar-2023 is 58991

SIP amount invested on the first day of every month

Equity and debt performances are represented by the S&P BSE Sensex and CRISIL Composite Bond Fund Index, respectively

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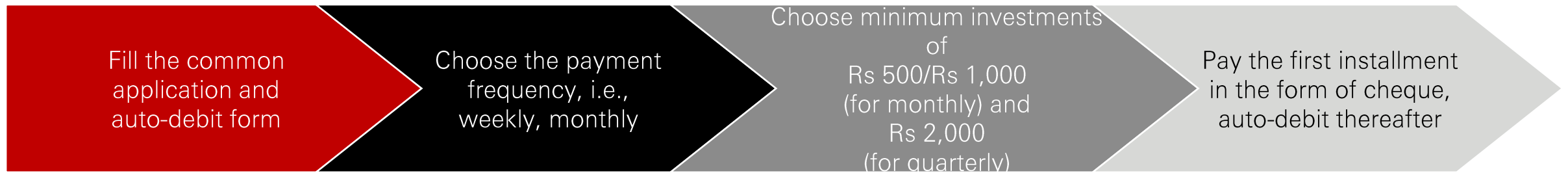
Before initiating an SIP...

- Gauge the investment horizon and risk profile
- Conduct due-diligence

After investing in an SIP...

- Keep track of your investments to ensure they are in sync with the financial plan

Starting an SIP



Past performance may or may not sustain in the future

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HSBC Asset Management (India) Private Limited, 9-11 Floors, NESCO IT Park, Building no. 3, Western Express Highway, Goregaon (East), Mumbai – 400 063, India.

Email: investor.line@mutualfunds.hsbc.co.in | Website: www.assetmanagement.hsbc.co.in

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