

SIPs sahi hai... to achieve your financial goals



HSBC
Asset Management

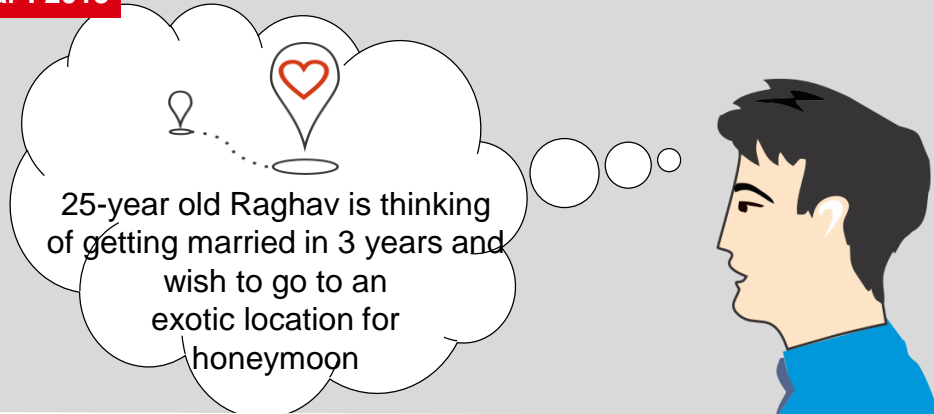


April 2021

SIPs can help you cover your financial goals

Short-term goals

Year : 2015



Long-term goals

Year : 2000



Year : 2018

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



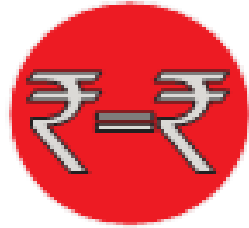
Year : 2015

Nisha and Aditya invested Rs.10,000 per month over 15 years to accumulate Rs.70 lakhs which helped them to achieve goal

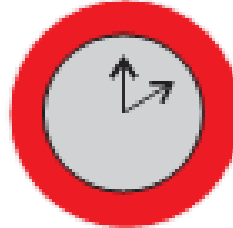


Everyone has short and long term goals. Some might look achievable, some improbable
Investing through SIPs (systematic investment plans) can help achieve financial goals.

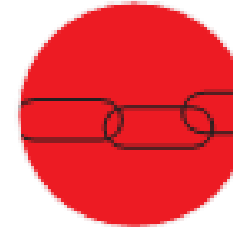
Benefits of SIPs



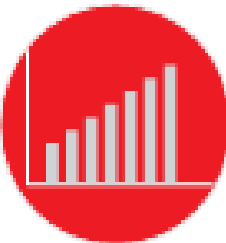
Rupee-Cost Averaging



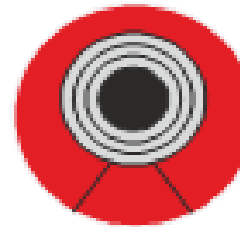
No need for Market Timing



Compounding Benefits



Beat the inflation



Instill Investment Discipline

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

Rupee-cost averaging

- ◆ 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 1000 units of Rs.10 each, as market goes up or down

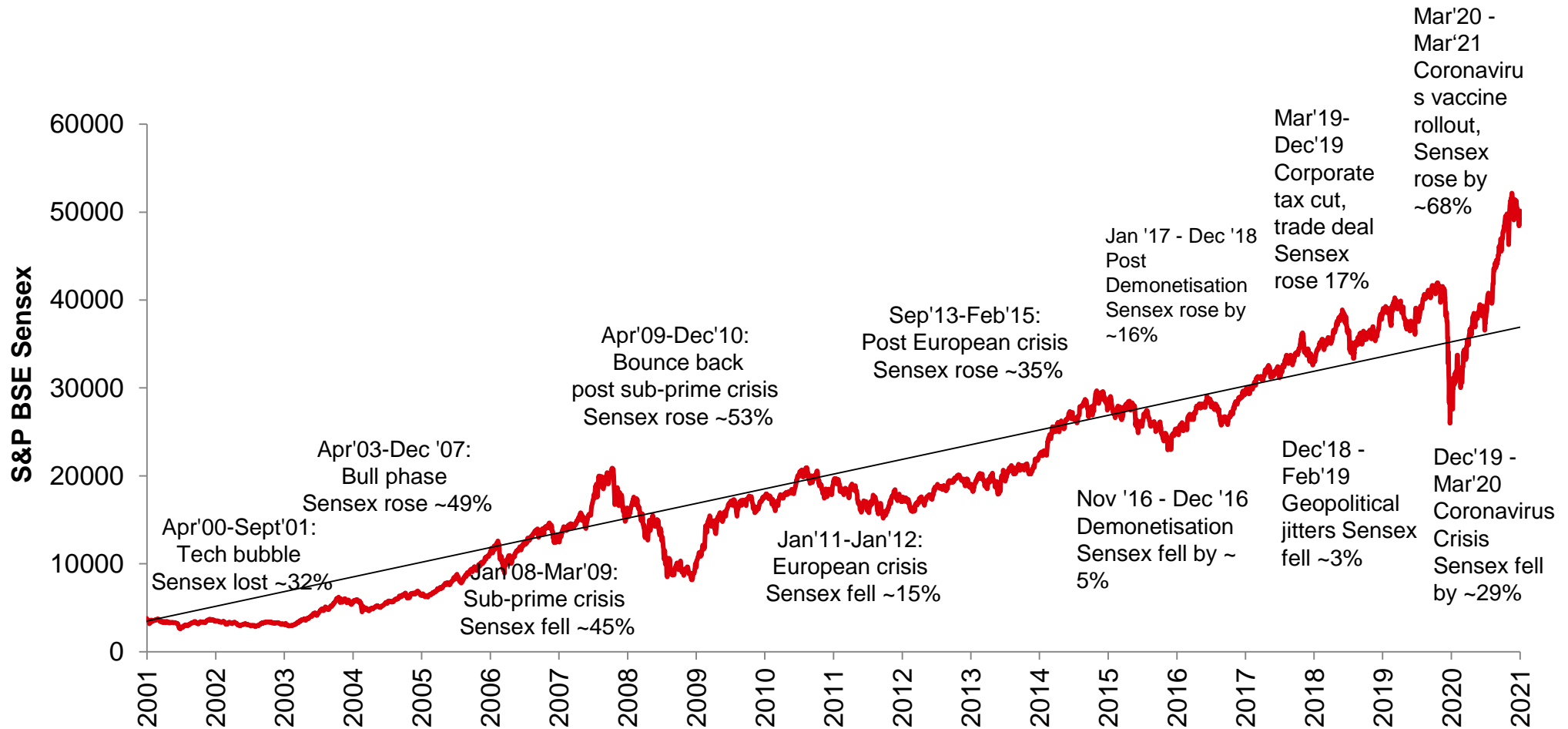
More units are purchased when a scheme's NAV is lower and fewer units when the NAV is higher

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

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

The longer the time frame, the greater the benefits are from averaging

When market falls your SIP accumulates more units



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

Delay in action can cost you ... Compounding benefit

Current Age	Required monthly SIP investment	Target Goal at the age of 60 years ~Rs.
25	10220	15 Crore
30	21666	
35	46246	
40	100000	
45	224000	
50	545000	

- ◆ 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% CAGR (compound annual growth rate). However, a delay of five years would require more than doubling the monthly investment to reach the goal

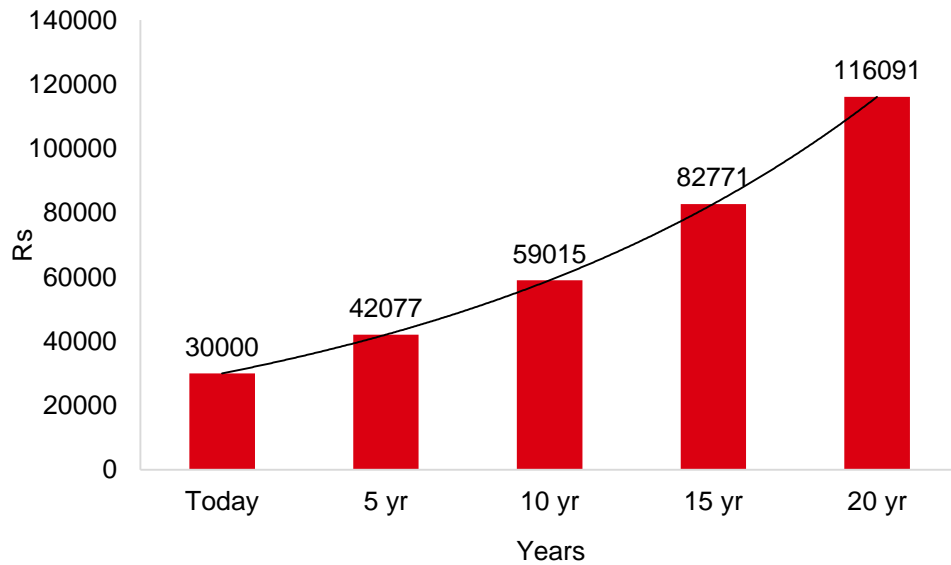
Delay in initiating SIPs can lower the Compounding benefit and increase monthly investment commitments to achieve same financial goals

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

The above calculations and potential appreciation of investments are given for illustration purposes only. The illustrative appreciation in SIP investments given above are based on the historic performance of 15% annualised returns of S&P BSE Sensex, i.e., average of daily annualised 20 years' rolling returns of S&P BSE Sensex as at March 2021 and since July 01, 1999 (Source: CRISIL Research).

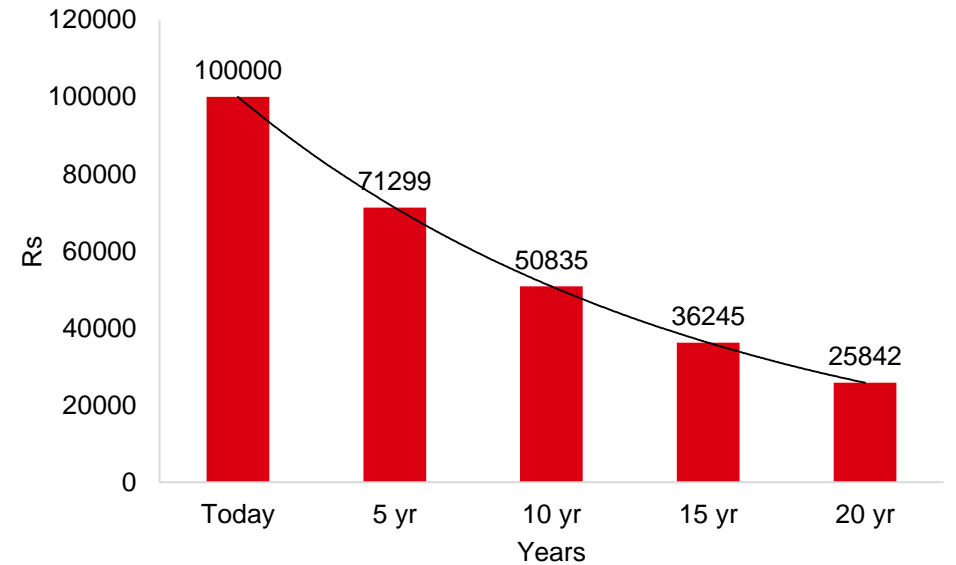
Savings are not enough as Inflation eats the value of money

Real cost of expense over time



At 7% inflation

Value of Rs.100,000 over time



At 7% inflation

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

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

Year	Monthly SIP Rs.	Actual investment SIP (Yearly) Rs. Lakhs	Actual Wealth Accumulated Rs. Lakhs
1	10000	1.2	1.3
2	10000	2.4	2.8
3	10000	3.6	4.5
4	10000	4.8	6.5
5	10000	6.0	8.7
6	10000	7.2	11.3
7	10000	8.4	14.3
8	10000	9.6	17.8
9	10000	10.8	21.7
10	10000	12.0	26.3
11	10000	13.2	31.5
12	10000	14.4	37.6
13	10000	15.6	44.5
14	10000	16.8	52.5
15	10000	18.0	61.6
16	10000	19.2	72.2
17	10000	20.4	84.3
18	10000	21.6	98.2
19	10000	22.8	114.3
20	10000	24.0	132.7

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

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Long-term investment pays off - Don't discontinue SIPs

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	16.33%	15.96%	15.66%	15.52%	14.97%
Total time periods (monthly rolling)	466	442	418	382	322
Total number of positive returns*	415	409	393	379	322
Total number of negative returns^	51	33	25	3	0
Positive investment periods	89%	93%	94%	99%	100%

The longer you stay invested, 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 1979. For instance, in case of 15-year monthly rolling returns, there will be 322 return periods. The first return period will be June 1979-1994 and the last return period will be March 2006-2021

* 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, 322 months offered positive returns (profits), the number of positive returns period = 322

^ 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

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 S&P BSE Sensex from January 2000. However, their approach to market volatility differed:

	A	B	C	D	E
	A redeemed his investment after the Global Financial Crisis (GFC)	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 Rs1 lakh after every monthly fall of more than 10%
Total amount invested (Rs lakh)	10.9	10.9	25.4	88.13	42.4
Total value at the end of Dec 2020 (~Rs lakh)	17.8	97.3	127.9	320.7	262.5

How they fared

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

Did you know how money can grow through SIP?

Monthly Investment	Investment Value (INR)				
	5 Yrs.	10 Yrs.	15 Yrs.	20 Yrs.	25 Yrs.
₹ 5000	390000	1032000	2089000	3828000	6689000
₹ 10000	780,000	2065000	4179000	7656000	13378000
₹ 20000	1561000	4131000	8358000	15313000	26747000
₹ 50000	3904000	10327000	20896000	38284000	66894000

Assumed annual rate of return is 10%**

** The rate of returns mentioned in the table is just for illustration purpose and no assurance of future returns. Investment value numbers are rounded down for the ease of reading.

Set up small SIPs regularly to achieve your big goals

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



Child's education

Monthly savings of just Rs.10,000 could safely cover your child's education expense worth over Rs.65 lakhs after 15 year



Child's wedding

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



Retirement

Building a retirement nest of over 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.1.5Cr

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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

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