

SIPs sahi hai to achieve your financial goals

An Investor Awareness & Education Initiative



HSBC Mutual Fund

Opening up a world of opportunity

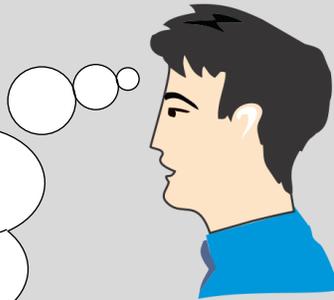
February 2024

SIPs can help achieve your financial goals

Short-term goals

Year: 2013

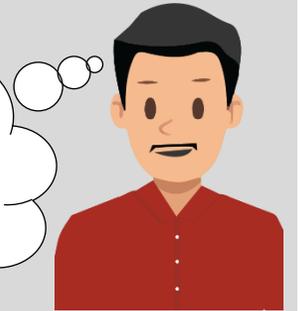
Raghav is thinking of getting married in 10 years and wishes to go to an exotic location for honeymoon



Long-term goals

Year: 2008

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



Year 2023

Raghav garnered Rs 4.8 lakh by investing his savings of ~Rs.2,000 per month for 10 years[^]



Year: 2023

Nisha and Aditya invested Rs 10,000 per month over 15 years to accumulate over ~Rs 50 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.

Source – CRISIL Research, HSBC MF, AMFI, BSE, [^] 10 years period between 1 June 2013 and 30 May 2023, ^{^^} 15 years period between 1 June 2008 and 30 May 2023, Source – CRISIL Research, HSBC MF, AMFI, BSE, Mean CAGR returns considered for illustration is 12.64% by taking mean of rolling returns between the period as mentioned above of S&P BSE Sensex. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 1, 2023 and as amended from time to time to define the concept of power of compounding. Past performance may or may not be sustained in future and is not a guarantee of any future returns. The investors should not consider the same as investment advice. Assume that investment is in Equity category

Set up small SIPs regularly and aim to achieve your goals

SIPs can assist you accumulate the corpus for your financial goals



Child's education

Monthly investing of just Rs.10,000 covered child's education expenses worth around Rs 50 lakh after 15 years (between the period of 1 June 2008 and 30 May 2023)



Child's wedding

Investing as low as Rs.10,000 each month for 20 years has helped create child's wedding kitty worth around Rs 1 Cr (between the period of 1 June 2003 and 30 May 2023)



Retirement

Built a retirement nest of about Rs.15 crore with the monthly investment of Rs 20,000 for 35 years of work life (between the period of 1 June 1988 and 30 May 2023)



Tour

Investing as low as Rs 10,000 each month for 20 years has helped create holiday kitty worth around Rs 1 Cr (between the period of 1 June 2003 and 30 May 2023)

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Before initiating a SIP

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

After investing via 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 returns



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



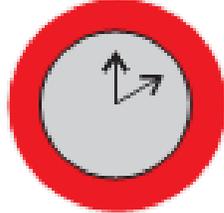
Always follow the three golden rules – invest early, invest regularly, and invest for the long-term

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

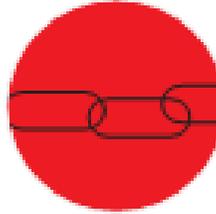
Benefits of SIPs



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 be sustained in future and is not a guarantee of any future returns.

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 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	

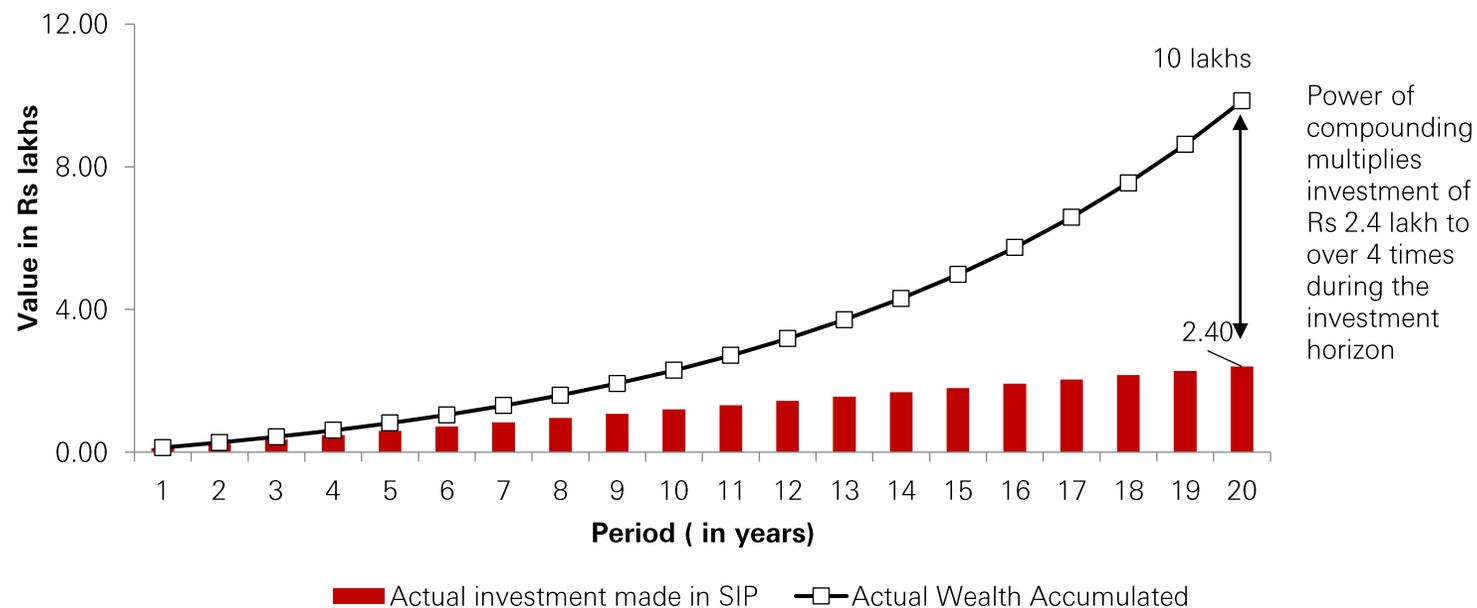
As you can see, when the NAV falls, you accumulate more units, and vice versa, thereby averaging out the cost

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
Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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 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 2.4 lakh could catapult to around Rs 10 lakh (between the period of 1 June 2003 and 30 May 2023).

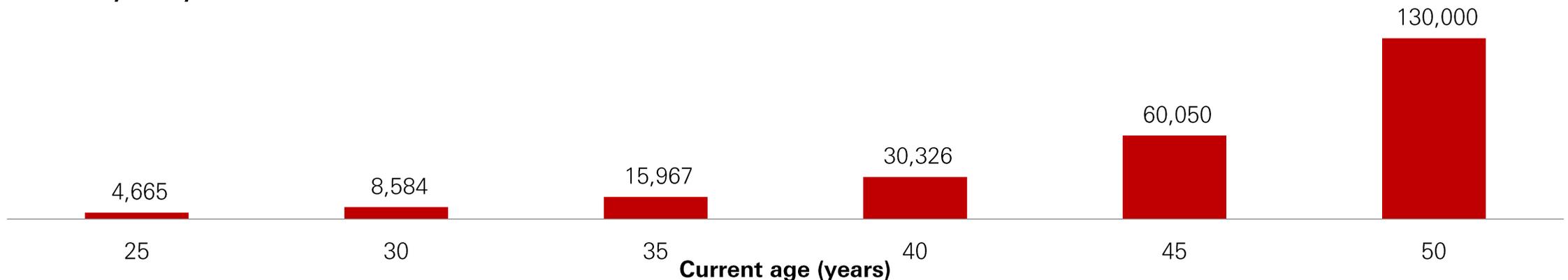


Source – CRISIL Research, HSBC MF, AMFI, BSE, Mean CAGR returns considered for illustration is 12.64% by taking mean of rolling returns between the period as mentioned above of S&P BSE Sensex. The above illustration is provided as per AMFI Best Practice Guidelines Circular No. 109 dated November 1, 2023 and as amended from time to time to define the concept of power of compounding. Past performance may or may not be sustained in future and is not a guarantee of any future returns. The investors should not consider the same as investment advice. Assume that investment is in Equity category

Delay in action can cost you the compounding benefit

- 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
- An investor with monthly investment of Rs.4665 built a retirement corpus of around Rs 3 crore by the age of 60, at a 12.64% growth rate (in 35 years between the period of 1 June 1988 and 30 May 2023). However, a delay of five years would require doubling the monthly investment to reach the goal.

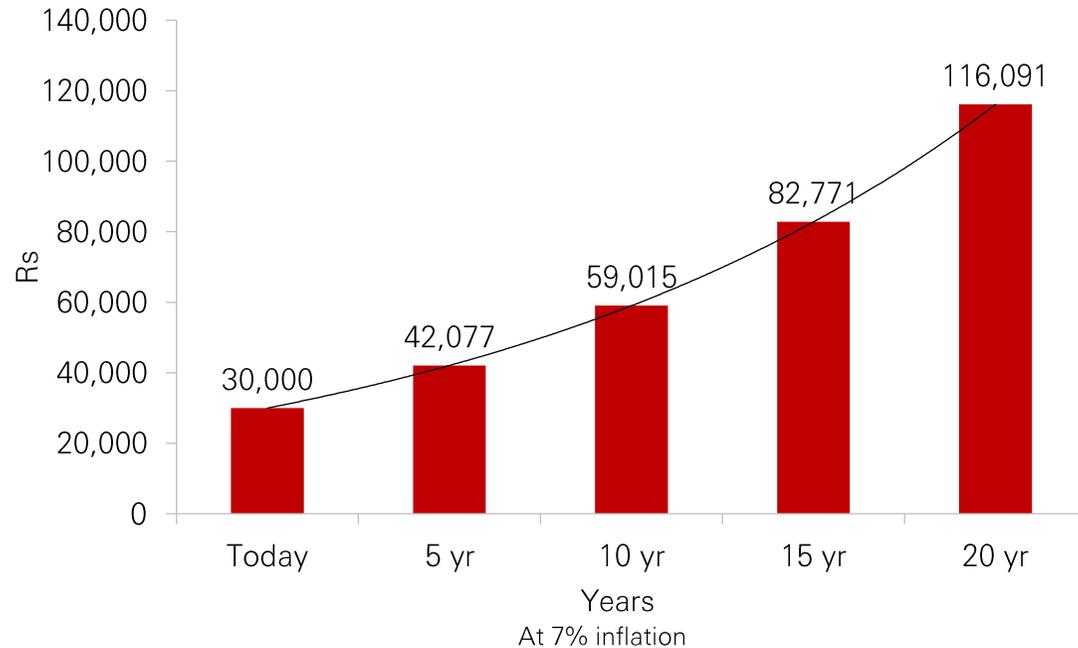
Cost of delay - Monthly amount required to build retirement kitty of Rs 3 crore nearly doubles due to a delay of 5 years



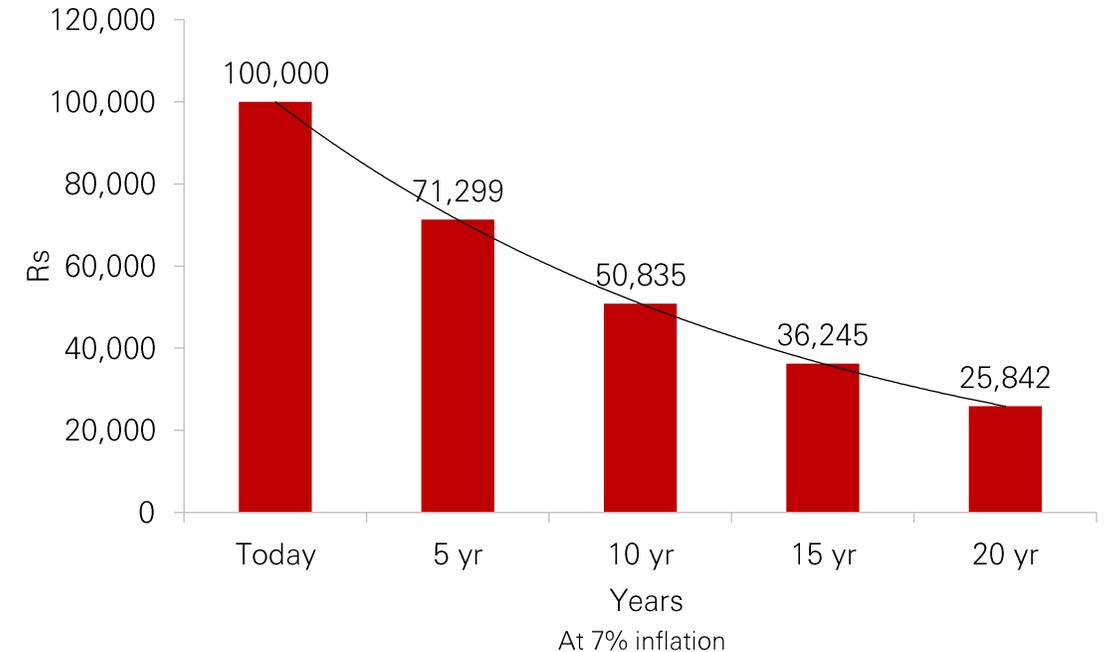
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Savings not enough as inflation erodes the value of money

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 in long run

Source: labourbureau.gov.in, CRISIL

Inflation represented average of monthly inflation of industrial workers declared since January 1993 till December 2023

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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	16.34%	15.79%	15.40%	15.27%	14.53%
Total time periods (monthly rolling)	500	474	452	416	356
Total number of positive returns*	449	442	427	413	356
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 January 2024.

* 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, 356 months offered positive returns (profits), the number of positive returns period = 356

^ 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

Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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 as on 31 January 2024.
 Returns for period less than one year are absolute; otherwise, annualised
 Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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 paperwork 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 be sustained in future and is not a guarantee of any future returns.

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

Fill the common application and auto-debit form

Choose the payment frequency, i.e., weekly, monthly

One can start SIP with a very low minimum investment amount

Pay the first installment in the form of cheque, auto-debit thereafter

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