

Outlook

MONEY

Make your
money work

SIP
BY
SIP




An investor
education initiative
by
Invesco Mutual Fund


Invesco
Mutual Fund



Disclaimer

As part of its Investor Education and Awareness Initiative, Invesco Mutual Fund has sponsored this booklet. The contents of this booklet, views, opinions and recommendations are of the publication and do not necessarily state or reflect views of Invesco Mutual Fund. The illustrations/simulations given in this booklet are for the purpose of explaining the concept of SIPs offered by Mutual Funds and should not be construed as an investment advice to any party. The actual results, performance may differ from those expressed or implied in such illustrations/simulations. Invesco Mutual Fund does not accept any liability arising out of the use of this information.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



Contents

Taste equity SIP by SIP	2
Weigh up prudence over luck	4
Little drops of water make an ocean	6
Don't let emotions cloud your judgment	7
Dip into SIP	8
How to go about it	9
Things to keep in mind when you pick a SIP	10
SIP your way to financial wellness	13

March 2017

Editor: Narayan Krishnamurthy

Content Team: Himali Patel

Design: Vinay Dominic

Copyright © Outlook Publishing (India) Private Limited, New Delhi.
All Rights Reserved

No part of this book may be reproduced, stored in a retrieval system or transmitted in any form or means electronic, mechanical, photocopying, recording or otherwise, without prior permission of Outlook Publishing (India) Private Limited.

Printed and published by Indranil Roy on behalf of Outlook Publishing (India) Pvt. Ltd
Editor: Narayan Krishnamurthy. Published from Outlook Money, AB 5, 3rd Floor,
Safdarjung Enclave, New Delhi-29

Outlook Money does not accept responsibility for any investment decision taken by readers on the basis of information provided herein. The objective is to keep readers better informed and help them decide for themselves.

The information provided herein is solely for creating awareness and educating investors/potential investors about rules of investment and for their general understanding. Readers are advised not to act purely on the basis of information provided herein but also to seek professional advice from experts before taking any investment decisions. Outlook Money does not accept responsibility for any investment decision taken by readers on the basis of information provided herein.
The objective is to keep readers better informed and help them decide for themselves.

Taste equity, SIP by SIP



Equity Markets are on a roll, tempting us to invest. But given the interim bouts of volatility associated with the equity markets, the key dilemma playing out in our minds these days is — Should I wait or should I take the plunge? While investing in equities is inevitable if we want to keep inflation from eating into our money's worth, a more viable approach is to do it gradually, SIP by SIP.

Systematic Investment Plan, or SIP, which is offered by mutual fund houses, is perhaps the best way to invest in equities. There is no denying the fact that equities tend to be volatile in the short term, but then they are also known to outperform every other asset class in the long run. So staying out of it means a lot of missed opportunities to make your money grow.

Now market volatility can neither be predicted nor can it be tamed, but a disciplined and systematic approach in investing into it through SIP can surely help one sail through the high and low tides of equity investing.

2

Make every **rupee count**

No matter how little your savings are, mutual funds (MFs) offer several ways to divert them into meaningful investing. SIP is one such way that gives your investing a disciplined approach. Under SIP, one can start investing from as little as ₹ 500 in a mutual fund scheme at pre-specified intervals, monthly or quarterly.

The number of units you get on each instalment is based on the scheme's prevailing net asset value (NAV). By investing this way, you not only avoid the temptation to cash in on the market's volatility but also follow a disciplined approach to investing that helps to average out the cost of your investment over a period of time. SIPs are available on all MF schemes, but they are most effective in equity schemes. While SIPs help in protecting you from the biggest risk of equity investing, which is timing the market, mutual funds per se give you the freedom from tracking the market on a regular basis as investment decisions are taken by expert fund managers who manage your money. They take all the hassle to help your money grow while you focus at your respective jobs.



Weigh up Prudence over Luck

No one likes to lose money and so most of us try to time the market to maximise returns on our investments. But what's a good time? There is no such time as good time to invest in equities. If you are investing for the long term, any time is a good time. In fact, long-term investors need not bother about daily or weekly market movements as the returns get averaged out in the long run even if they plunge or rise in the interim.

Let's take the example of three friends, Manish, Aashish, and Shweta. The three decide to invest in the equity market, say Nifty 50, starting from February 2000. While Manish and Aashish decide to invest ₹12,000 each year, for 17 years, depending on the market conditions, Shweta starts a monthly SIP of ₹1,000 in an index fund tracking Nifty 50 during the same period. Now,

4

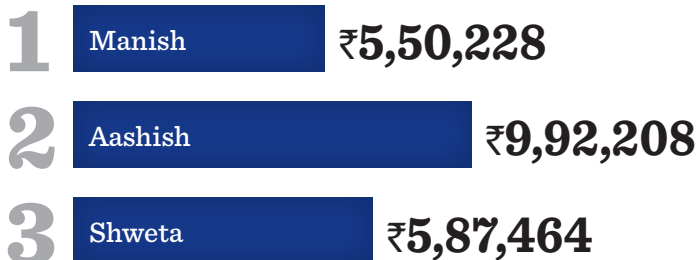


Manish invested on days of market peaks every year. Ashish was lucky, he picked the time when the market hit the bottom level each year. After 17 years, Manish made ₹5.5 lakh, Ashish got a neat ₹9.92 lakh and Shweta bagged a decent sum of ₹5.87 lakh.

Ashish was lucky and that's exactly what you need – lots of luck – when you time the market. But not everyone strikes it lucky. So, if you choose prudence like Shweta and invest regularly in an organised manner, you can earn optimum returns from the market over a period of time without taking undue market risks.

Making it count

Like Shweta, investing regularly in a disciplined manner can help you get optimum returns from the market



Value as on February 28, 2017

1. Manish put his lump sum amount each year when the markets were really high
2. Aashish turned out to be lucky, investing lump sum every year at a time when the markets were at the bottom
3. Shweta chose prudence and decided to invest regularly in a disciplined manner
4. Total amount invested by each one is ₹2.04 lakh

Disclaimer - Equity investments is represented by the value of Nifty 50/Index Fund from the year 2000 onwards. The illustration above is merely indicative in nature and should not be construed as an investment advice to any party

Don't time the ma

Timing the market is a bad idea. Even



“After nearly 50 years in this business, I do not know anybody

who has done it (market timing) successfully and consistently.”

John C. Bogle in Common Sense on Mutual Funds



“I tell people (investing) should be dull. Investing should be like watching paint

dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.”

Paul Samuelson in The Ultimate Guide to Indexing

6

Little drops of **water** make an ocean

For retail investors, investing in mutual funds through SIP makes sense. After all, investing a lump sum amount at the wrong time can severely affect your returns. Instead, investing regularly in a disciplined manner helps discipline one's investment habits. Contributing small portions to your investment portfolio on a regular basis lets you align your investment to your income and financial goals. We all know that little drops of water make an ocean. If you continue to invest regularly you would be able to build a stable portfolio gradually. So why risk it all by timing the market when optimal gains can be achieved through disciplined investing.



An investor
education initiative



Invesco Mutual Fund

Market, say **Experts** the best brains can't outsmart it



“No one, not pundits from the big brokerage firms, the writers, not even your fund manager or broker can predict where the market will go tomorrow or next year.”

*William Bernstein in
The Four Pillars of Investing*



“Timing the market is for losers. Time in the market will get you to the winner's circle, and you'll sleep a lot better at night.”

*Michael LeBoeuf in
The Millionaire in You*

Don't let emotions cloud your **judgment**

Many great bull runs have slipped on panic. Investors, who put in their money systematically, hold on to it patiently and don't let emotions cloud their judgment, are the ones who gain in the long run. Remember, time in the market is more important than timing the market and SIPs in a way debar emotions from interfering in investment decisions.



So dip into **SIP** because:

- 1 Can be started with amount as small as ₹500
- 2 Makes you a disciplined investor
- 3 Keeps you away from timing the market
- 4 Helps you build a meaningful corpus gradually
- 5 Helps you better tackle volatility by capturing both highs & lows of the market and balances risk by rupee cost averaging



8

The more the merrier

SIP works best in volatile market as you accumulate more number of units at lower NAV

Month	Rising market NAV (₹)	Falling market NAV (₹)	Volatile market NAV (₹)
Jan	10	13	11
Feb	11	12	12
March	13	10	9
April	15	8	7
Average	12.25	10.75	9.75

Disclaimer - The above is for illustrative purpose only. Rupee cost averaging neither ensures profit nor protects you from making a loss in declining markets.

How to **go** about it

When you invest through SIPs, you have the flexibility to opt for (NACH) National Automated Clearing House, which gives you the freedom of investing on a monthly or quarterly basis.

All MFs have predetermined dates of any given month on which an investor can make regular investments in SIPs. For instance, if you receive your salary on the first of every month, you can choose the seventh or tenth of every month as your SIP date.

But if you get your salary, say, by the end of the month, the first of the following month could be an ideal date. There are two ways to register your SIP with the fund house—Post-dated cheques or via NACH. All fund houses provide direct debit facility with major banks. In case of cheques, you need to give post-dated cheques (at least 12) to the fund house.

To start your SIP, you need to fill up a common application form along with a NACH mandate form. With the common application form you open an account with the fund house, which is called folio number. With the NACH form you give your mandate to your bank to debit your account for the SIP amount you have chosen.



Things to keep in mind when you **pick an SIP**

1

Choose an amount you are comfortable with every month

2

Decide on the date of NACH before signing up

4

Ensure requisite funds on SIP date

3

Ensure liquidity before investing in schemes that have a lock-in period such as equity-linked saving schemes (ELSS)

5

It normally takes 30 days to register and terminate the SIP after application, so plan accordingly

6

In case you are investing in two different schemes, opt for two different dates. This will help you to average out your investment in a better way

10



An investor
education initiative



Invesco Mutual Fund

Be patient with **SIP**

When the market sees a slump, many investors discontinue their SIP fearing they might lose their money. When the market is on a roll, investors either redeem their investments or migrate to low-risk instruments such as fixed income or debt fund. SIP investments are not something that you should compare on a yearly basis. It works in the long-run, ideally over 10-15 years, when the market has gone through many cycles, which they usually do.



Baby steps to a big wallet



The other fascinating beauty of SIPs is that it can help you accumulate a meaningful corpus over the years without pinching your wallet. For instance, if you started investing ₹5,000 each month in S&P BSE 200 from year 2000, the value of your investment as on 1st February 2017 will be around ₹38,12,320.17 with a compound annual growth rate (CAGR) return of 14.10 per cent. Now isn't that a magical figure? Mutual fund is a relative investment product so the job of your fund manager is to beat market returns over the years. Even if your fund manager manages to outperform the benchmark, say by 5 per cent and your scheme delivers 19.5 per cent CAGR return, the value of your investment now would be over ₹62 lakhs.

Worth every penny

What ₹5,000 invested per month in S&P BSE 200 would end up in end Feb, 2017:

Figures in ₹

Start date*	SIP period	Amount invested	SIP returns (%) XIRR	Current Value
Feb-14	3 Yrs	180,000	8.14%	202,282
Feb-12	5 Yrs	300,000	11.53%	397,427
Feb-10	7 Yrs	420,000	10.06%	596,481
Feb-08	9 Yrs	540,000	10.53%	873,162
Feb-05	12 Yrs	720,000	10.42%	13,78,483
Feb-00	17 Yrs	1,020,000	14.10%	38,12,320

Source: S&P BSE 200

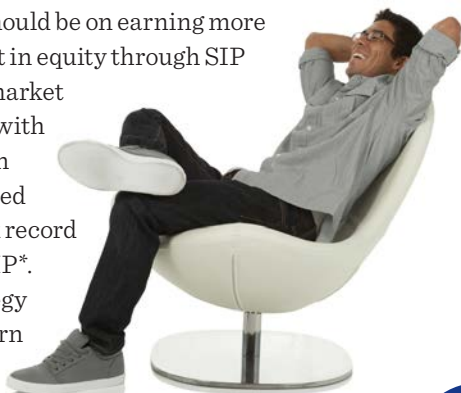
SIP started on the first business day of the respective calendar year. Value as on February 28, 2017

Disclaimer - Past performance may or may not be sustained in future. The above investment simulation is for illustrative purpose only and should not be construed as a promise on minimum returns and safeguard of capital. SIP does not ensure a profit or guarantee protection against a loss in a declining market. XIRR method is used to calculate SIP returns.

SIP your way to **financial wellness**

As an investor, your focus should be on earning more and not timing the market. So invest in equity through SIP as per your financial goals and not market conditions. Patience and prudence with your investments will help you reach your financial goals early. All you need to do is pick a fund with a good track record and invest in it gradually through SIP*. SIP works best as a long-term strategy and doesn't make your stomach churn when the market is in a fit.

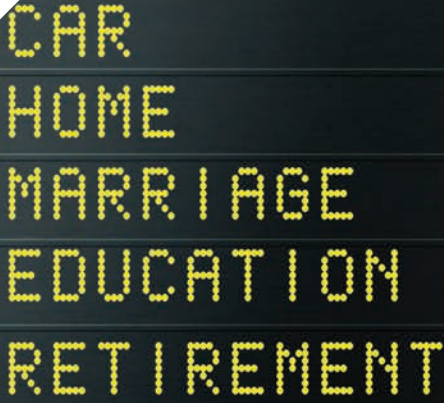
***Disclaimer** - Past Performance may or may not be sustained in future.



13

Why **Mutual Funds**

A mutual fund is a financial product that pools money from different individuals and invests it on their behalf into various assets such as equity, debt or gold. They offer simplicity, affordability, professional management, diversification and liquidity. You benefit from the professional expertise of fund managers, whose costs are shared by thousands of investors like you, making it cost-effective. It also offers schemes to suit your specific investment needs. There are equity schemes for investors who are willing to bear a greater risk, debt schemes for investors who are risk-averse and balanced schemes for those willing to take a little of risk.



CAR
HOME
MARRIAGE
EDUCATION
RETIREMENT

Take the SIP route to your financial destination.

The journey of a thousand miles begins with a single step, or in the case of a financial goal – with a SIP. A SIP will take you to your financial destination one step at a time. It is easy on the wallet as you don't have to commit a lumpsum at one go, inculcates discipline and helps ride market volatility. Start a SIP with mutual funds today and take the smarter route to achieving your goals.



An investor
education initiative

by

Invesco Mutual Fund

**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**