

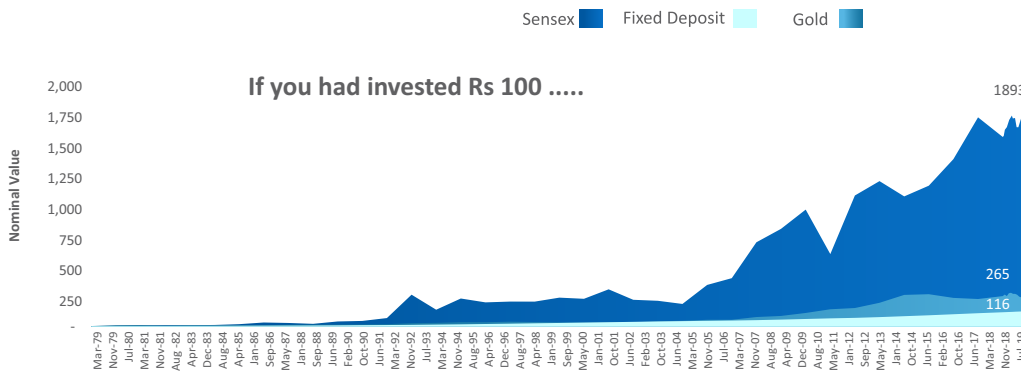
Systematic Investment Plan

What is a Systematic Investment Plan (SIP)?

- A Systematic Investment Plan or SIP is a smart and hassle free mode for investing money in mutual funds. It helps you to create wealth, by investing small sums of money at specified intervals, over a period of time instead of a heavy one-time investment.
- A SIP is a planned approach towards investments and helps you inculcate the habit of saving and building wealth by investing an amount as low as Rs. 500 monthly. Investing at an early stage of life lets you enjoy the benefits of two powerful strategies, rupee cost averaging and the power of compounding.
- SIP allows you to buy units on a specified date at regular intervals, so that you can implement a saving plan for yourself. The benefits of this can be enjoyed as and when the need arises for occasions like marriage, education, buying a house or a car etc. and above all, retirement.

Avenues of savings and investments

Cumulative annualized returns from 1979-2019:



Source: Bloomberg, MOAMC internal analysis, Data as on January 31, 2020

Note: The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Past performance may or may not be sustained in future.

Equities outperform other asset classes over the long term

**THINK EQUITY
THINK MOTILAL OSWAL**

MOTILAL OSWAL
Asset Management
MUTUAL FUND

**BUY RIGHT
SIT TIGHT**

Benefits of Investing Systematically: Power of Compounding

Saving a small sum of money regularly in mutual fund schemes can make your money grow with greater power and can have a significant impact on wealth accumulation. A systematic investment plan (SIP) is an effective means to beat market volatility and benefit from the enormous power of compounding over time. The compounding effect can be explained in the illustration below

| Systematic Investment Plan Returns | Investment Scenario A | Investment Scenario B | Investment Scenario C |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Number of years | 5 Years | 10 Years | 15 Years |
| Monthly investment | ₹ 5000 | ₹ 5000 | ₹ 5000 |
| Total investment | ₹ 3,00,000 | ₹ 6,00,000 | ₹ 9,00,000 |
| Assumed annualized return | 18% | 18% | 18% |
| Final corpus | ₹ 4.93 Lac | ₹ 16.86 Lac | ₹ 46.01 Lac |

The above is for illustration purpose only. The SIP amount, tenure of SIP and expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner.

Importance of Starting Early

The sooner one starts investing the better. Investing early allows your investments to receive more time to grow, whereby the concept of compounding (as illustrated below) increases your income, by accumulating the principal and the interest or dividend earned on it, year after year.

The three golden rules for all investors

Invest Early > Invest Regularly > Invest for Long Term

| Particular | Scenario A | Scenario B |
|---------------------|------------|-------------|
| Start age | 25 years | 40 years |
| Monthly investment | ₹ 10,000 | ₹ 10,000 |
| Stop age | 60 years | 60 years |
| Total investment | ₹ 42 lacs | ₹ 24 lacs |
| Savings to grow to* | ₹ 6.5 cr | ₹ 99.9 lacs |

Difference in returns of ~₹ 5.5 crores whereas difference in investment just ₹ 18 lacs

*Assuming CAGR of 12% for the entire period

Source: Internal Analysis. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Rupee Cost Averaging

| SIP - Rupee Cost Averaging | | | | | |
|----------------------------|----------------|----------------|------------------------------|-------------------|-----------------------------|
| | | SIP Investor | | Lump-Sum Investor | |
| Month | Unit Price (₹) | Investment (₹) | Units Purchased [^] | Investment (₹) | Unit Purchased [^] |
| 1 | 50 | 1,000 | 20 | 9,000 | 180 |
| 2 | 47 | 1,000 | 21 | | |
| 3 | 45 | 1,000 | 22 | | |
| 4 | 44 | 1,000 | 23 | | |
| 5 | 46 | 1,000 | 22 | | |
| 6 | 48 | 1,000 | 21 | | |
| 7 | 49 | 1,000 | 20 | | |
| 8 | 50 | 1,000 | 20 | | |
| 9 | 52 | 1,000 | 19 | | |
| Total investment | | | ₹ 9,000 | ₹ 9,000 | |
| Total units purchased | | | 188 | 180 | |
| Average unit price | | | ₹ 48 | 50 | |
| Value after 9 months | | | ₹ 9,799 | 9,360 | |

Hence, at the end of the period total units purchased will be 188 & cost per unit will be ₹ 48/-. Thus, the profit for an SIP investor from the above investment will amount to ₹ 799/- (₹ 9,799 - ₹ 9,000)

[^]Fractional units ignored. The above is for illustration purpose only. The SIP amount and tenure of SIP are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner. Past performance may or may not be sustained in future.

How to start an SIP?

SIP – Physical Form and online

- > Fill the Common application and Auto-debit form
- > Choose from daily/weekly/fortnightly/monthly/quarterly/annual frequency
- > Minimum investments of Rs 500/- (for Weekly, Fortnightly, Monthly), Rs 1500/- (for Quarterly) and Rs 6000/- (for Annually)
- > For Physical form: 1st installment in the form of a cheque, auto-debit thereafter
- > For online facility: Scanned copy of cancelled cheque with name needs to be uploaded, auto-debit thereafter

SIP – BSE STAR MF System

- > Investor selects scheme in which he/she wishes to invest via SIP along with the frequency, amount, tenure etc
- > Investor instructs his/her broker for SIP registration mentioning the necessary details
- > Broker registers the investor for SIP on BSE STAR MF system
- > SIP commences as per the date mentioned

SIP – Under Whatsapp

- > This facility enables existing investors to transact through the WhatsApp application to execute purchase transactions of SIP in a simplified manner.

The Trustee/AMC reserves the right to change/modify the terms and conditions of the SIP.

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