

Systematic Investment Plan

Did you know?



If your current monthly expenses are ₹ 30,000/- per month, then after 20 years you will require ₹ 80,000/- a month to just maintain the same lifestyle!



An education degree for your child which currently costs ₹ 20 lakh could cost over ₹ 34 lakh after 11 years!



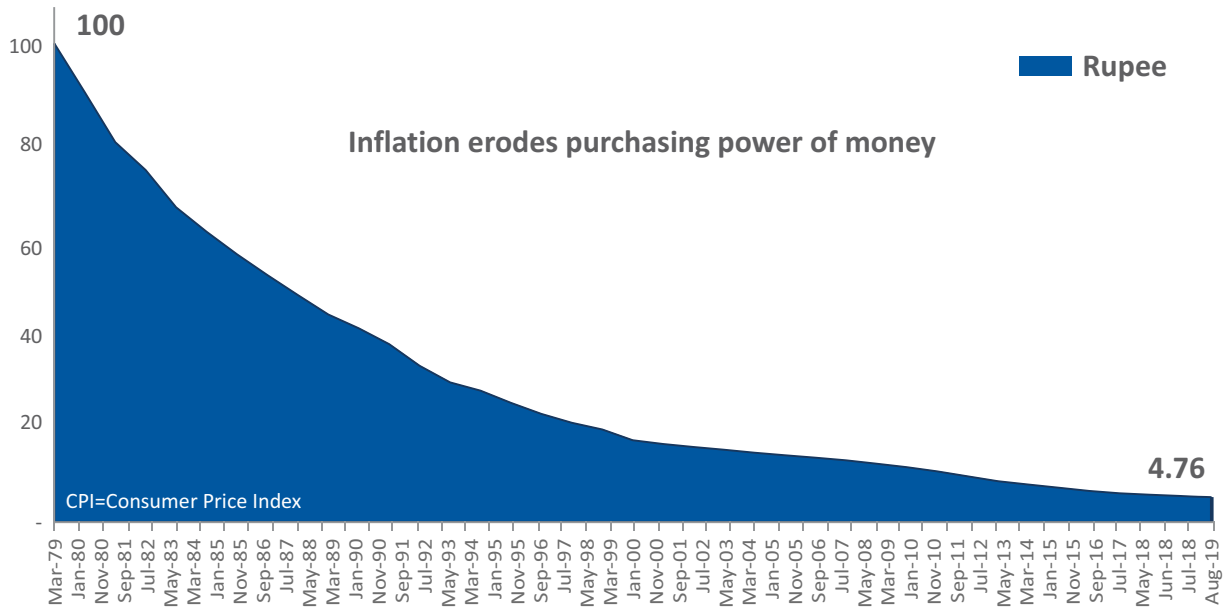
In 1990 petrol price was ₹ 9.84 and ₹ 78 today! It has increased 7.5 times in 29 years!



Sensex has grown from approx. 700 points in 1990 to approx. 39,394 points on 30th June, 2019, thus having shown a growth of 56x over a span of 29 years.

Value of money over time

Over FY79-19 inflation on an average has been 6%,
eroding purchasing power of ₹ by 95%



Source: Bloomberg, MOAMC internal analysis, Data as on August 31, 2019

Note: The information herein is used for comparison purpose and is illustrative and is not sufficient and shouldn't be used for the development or implementation of an investment strategy. It should not be construed as an investment advice to any party. Past performance may or may not be sustained in future.

Importance of good investments

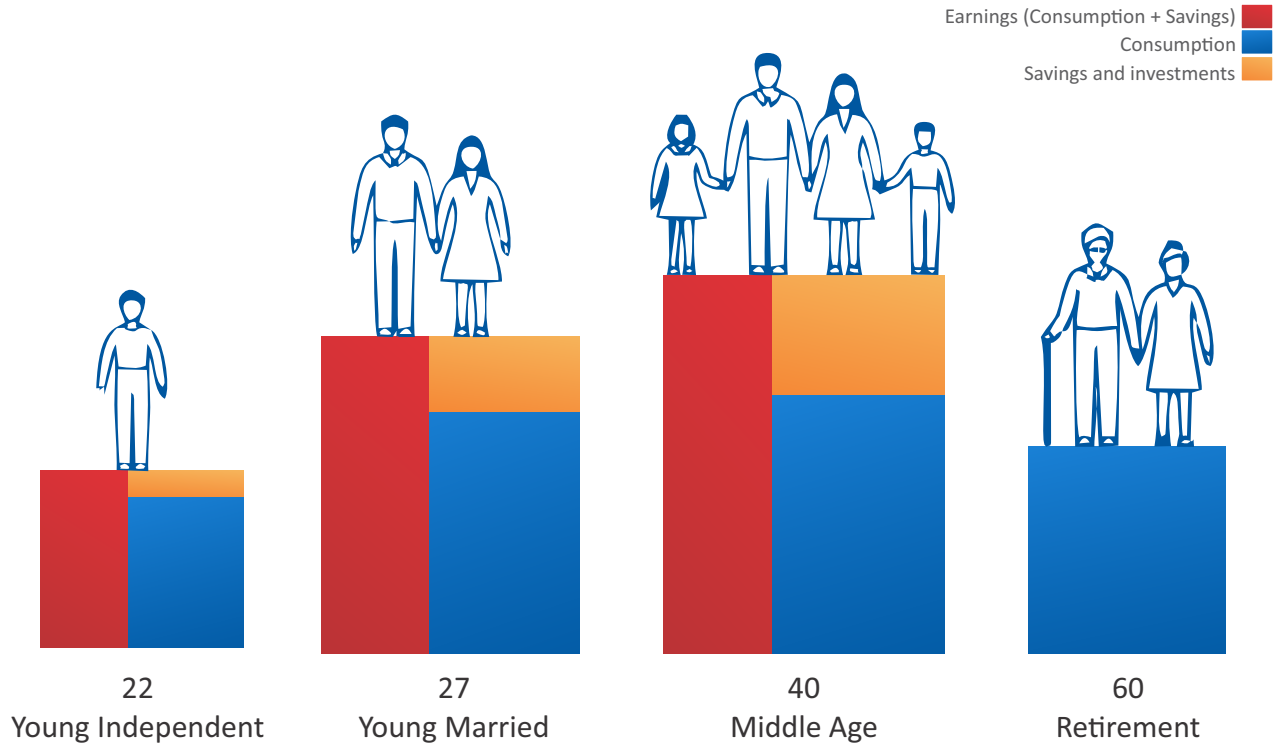
All individuals need to invest for:



Investors usually are scared of ...



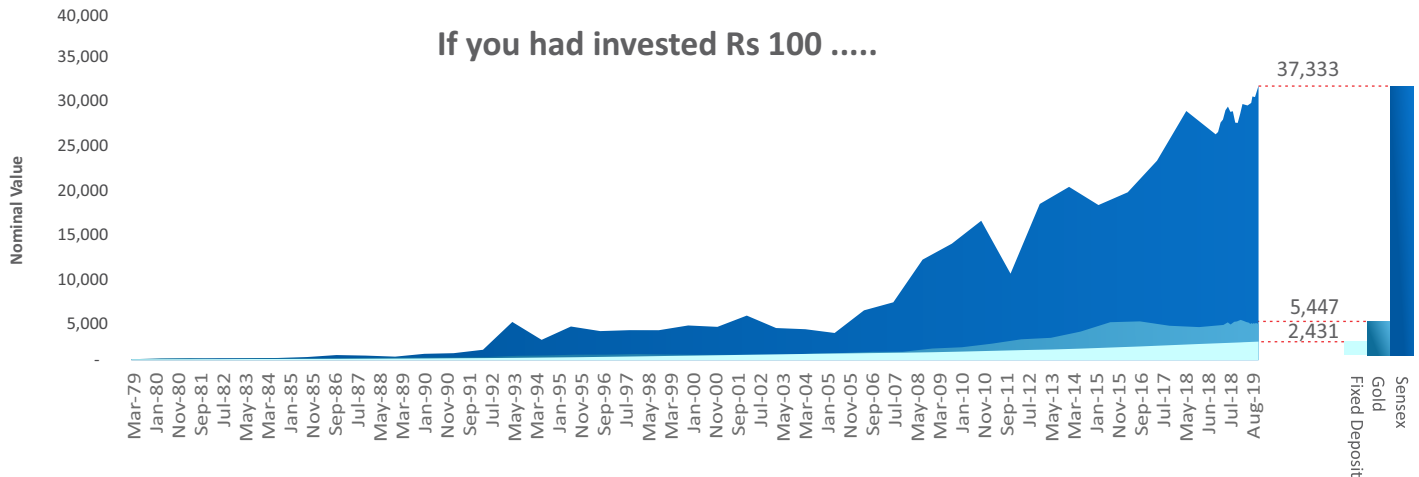
Life Stages of an Investor



All individuals have a finite period to save for their investment goals

Avenues of savings and investments

Cumulative annualized returns from 1979-2019:



Equities outperform other asset classes over the long term

Source: Bloomberg, MOAMC internal analysis, Data as on August 31, 2019

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.

What is a Systematic Investment Plan (SIP)?



S

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.



I

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.



P

SIP allows you to buy units on a specified date every month, 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.

Inculcates the discipline to save and invest regularly

Negates the risk associated with market timing

Power of Compounding

Rupee Cost Averaging

Other Benefits: Auto debit facility across major cities in India, regular account statements, redemption/dividend proceeds directly credited into the bank account



Benefits of Investing Systematically: Power of Compounding

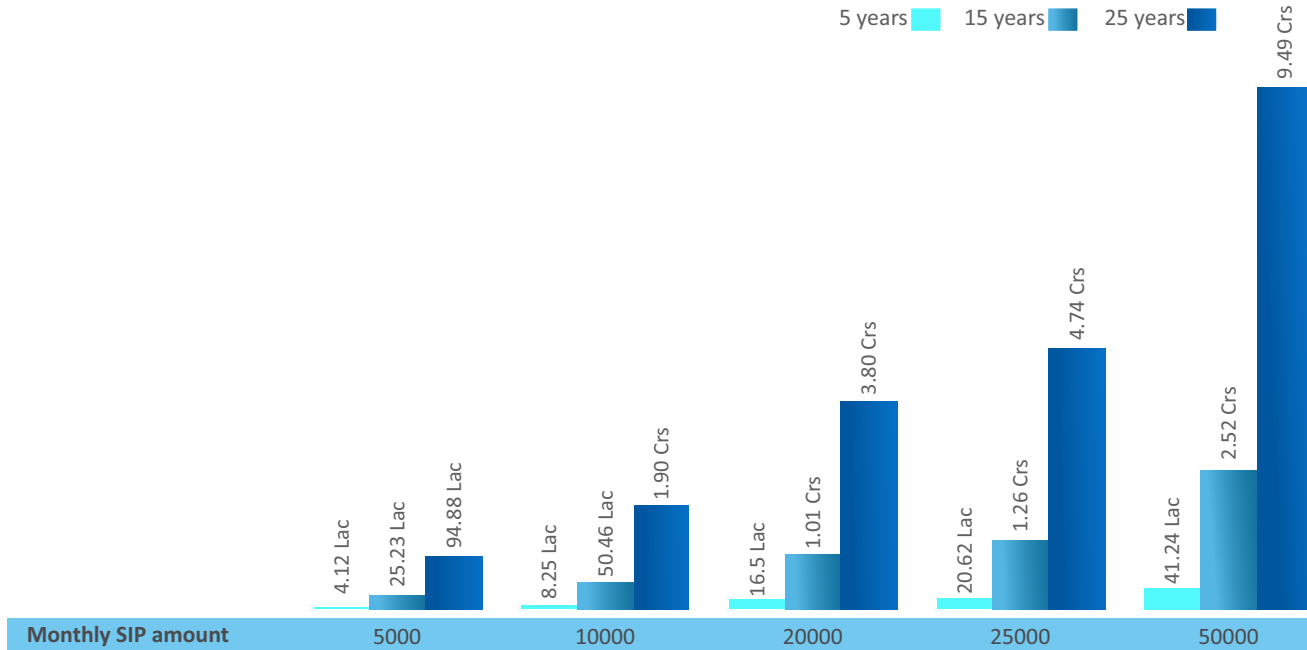
Saving a small sum of money regularly in mutual fund schemes can make your money grow with greater power and can have a significant impact on wealth accumulation. A systematic investment plan (SIP) is an effective means to beat market volatility and benefit from the enormous power of compounding over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

Power of Compounding

Graph illustrating the power of compounding (Assumed rate of return: 12% p.a.)



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Benefits of Investing Systematically: Rupee Cost Averaging

Rupee cost averaging is an automatic market-timing mechanism that eliminates the need to time one's investments.

One doesn't have to worry about when to invest, how much to invest etc. considering daily market movements, as systematic investing reduces the risks significantly.

Eliminates the need to time your investments in equities

Smoothens the impact of market fluctuations and hence reduces risks associated with investing in volatile markets

The risk of market volatility gets negated with more units being purchased when the price is low and fewer units being bought when the price is high

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.

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.

How to start an SIP?

SIP – Physical Form

Fill the Common application and Auto-debit form. Choose from weekly/fortnightly/monthly/quarterly/annual frequency

Minimum investments of ₹ 500/- for weekly/fortnightly/monthly (minimum 12 installments)

Minimum investments of ₹1500/- for Quarterly (minimum 4 installments)
Minimum investments of ₹ 6000/- for annual (minimum 1 installment)

For physical form 1st installment in the form of a cheque, auto-debit thereafter for online facility, scanned copy of cancelled cheque with name, 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.

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

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