

## **DIY-SIP: BE THE MASTER OF YOUR DESTINY**

You have heard about the SIP (Systematic Investment Plan). Now we present Do It Yourself SIP or DIY-SIP.

Thanks to the massive amount of time, money and efforts put in by the Mutual Fund Industry over the years, investors are now very much aware of this technique of investing.

Even if it means carrying coal to New Castle, let's revisit the logic of SIP.

In a SIP you invest a fixed sum at a particular interval (say a month) in a security over a given period of time. In a DIY-SIP, instead of choosing a regular MF scheme, you decide your set of stocks or ETFs or both.

### **Disciplined Approach**

The first benefit of a SIP is that you imbibe discipline in your investments. On a given date of every month you buy the pre-decided securities. You don't really apply your mind whether to buy or not. Just go ahead and do it.

### **Don't worry about the timing**

When you fundamentally like a stock, you should like the stock more if the price falls, other things being same. But human psychology will ensure that you get jitters when the price falls. And expecting that the price will fall further you don't buy. A further fall in price will validate your fears and you would wait for a still larger dip. One fine day the stock will bounce back, leaving you in a frown.

But a SIP will ensure that your fear does not come in the way of your investment.

This ability of SIP to systematically buy at all levels ensures good returns in a volatile market. At lower prices you get more shares for the same fixed amount. So honour the sanctity of a SIP.

### **A giant small step**

The power of compounding will ensure that even small investments in early part of life will leave a giant footprint over a longer period of time. You don't really have to save big. Small amounts every month will ensure that your dreams will be realised with least efforts.

The stress is not on the amount, but on the need to start early. And even if you have lost considerable time, don't worry. Today is a good day to begin !

Let us also dispel a myth that DIY-SIP is only for beginners or for small investors. Nothing stops you from allocating even large sums for DIY-SIP. In fact experienced investors would find it more useful.

### **Sculpt your returns**

Become the master of your own fortunes. Write your own success story. Choose your own portfolio of stocks, which you will be investing over a period of time.

It could even be the Nifty or the Gold Bees. Or a combination of all of these.

Since your returns will be function of what asset class you choose, ensure that you put in serious efforts in terms of understanding what you are investing in. Speak to us or choose from our stock list of model portfolios. Ensure that the stocks you choose match your risk stance and return expectations.

### **Periodically tend**

If you have chosen individual stocks over ETFs, it will be a good idea to revisit the investment argument of the stocks concerned every 6 months. Don't worry about the price. As long as the fundamentals are intact, there is no need to get anxious. A bi-annual tending can take care of this.

### **The common fear**

One anxiety that an investor faces when he begins the DIY-SIP is am I starting at the wrong time? Is it not the peak? Will it be fruitful?

In order to answer this most common query and placate any fears that investors may have , let me actually do some back testing.

Let me choose the worst possible date in recent history – 31<sup>st</sup> December 2007.

Just to jog your memory a bit, the highest ever close seen by the Sensex on the monthly charts was December 2007, when the Sensex closed at 20286.

So we baptize you with fire, by making you begin investing from that date, a sum of Rs 10,000 every month on the last day of the month. This you religiously do every month for 33 months.

Lets see how the Sensex fared. The Sensex, that was 20,286 on 31<sup>st</sup> December 2007 closed August 2010 at 17,971. This is a fall of 11.41%.

Now lets take a roll call of your portfolio. You have bought over the 33 months, 23.27 units of the Sensex. These units , valued at 31<sup>st</sup> August closing of 17,971 in the Sensex , aggregate to Rs 4,18,136. That's an appreciation of 26.71%, over the total investment of Rs 3,30,000.

The DIY-SIP has been able to deliver positive returns even though the Sensex is yet to reach the December 2007 level of 20,286.

That should set at rest any apprehensions you may have on the subject.

So sign up for DIY-SIP, choose what you want to buy (Nifty Bees, Gold Bees or specific stocks) and take the first but meaningful step towards investing.

Be the master of your own fortunes.

## ANNEXURE: HOW DID YOU FAIR VERSUS THE SENSEX

### How the Sensex faired

SENSEX VALUE		% Change
31 <sup>ST</sup> Dec 2007	31 <sup>st</sup> Aug 2010	
20,286	17971	<b>- 11.41%</b>

### How your DIY-SIP faired

Total Investment	Units	31-Aug-10	Final Value	Return
330000	23.27	17971	418136.35	<b>26.71</b>

Date	Index	Investment	Units
31-Aug-10	17971.12	10000	0.56
30-Jul-10	17868.29	10000	0.56
30-Jun-10	17700.90	10000	0.56
31-May-10	16944.63	10000	0.59
30-Apr-10	17558.71	10000	0.57
31-Mar-10	17527.77	10000	0.57
26-Feb-10	16429.55	10000	0.61
29-Jan-10	16357.96	10000	0.61
31-Dec-09	17464.81	10000	0.57
30-Nov-09	16926.22	10000	0.59
30-Oct-09	15896.28	10000	0.63

30-Sep-09	17126.84	10000	0.58
31-Aug-09	15666.64	10000	0.64
31-Jul-09	15670.31	10000	0.64
30-Jun-09	14493.84	10000	0.69
29-May-09	14625.25	10000	0.68
29-Apr-09	11403.25	10000	0.88
31-Mar-09	9708.50	10000	1.03
27-Feb-09	8891.61	10000	1.12
30-Jan-09	9424.24	10000	1.06
31-Dec-08	9647.31	10000	1.04
28-Nov-08	9092.72	10000	1.10
31-Oct-08	9788.06	10000	1.02
30-Sep-08	12860.43	10000	0.78
29-Aug-08	14564.53	10000	0.69
31-Jul-08	14355.75	10000	0.70
30-Jun-08	13461.60	10000	0.74
30-May-08	16415.57	10000	0.61
30-Apr-08	17287.31	10000	0.58
31-Mar-08	15644.44	10000	0.64
29-Feb-08	17578.72	10000	0.57
31-Jan-08	17648.71	10000	0.57
31-Dec-07	20286.99	10000	0.49

**The success of your SIP hinges on the performance of your selected underlying.**

**SIP is only for small investors:** Nothing can be farther from the truth. I have a client who has invested Rs 32.66 lakhs using SIP, starting from January 1998 till date. Obviously, he has invested much more in later years as his income went up and the funds together are worth Rs 97 lakhs, substantially higher than his provident fund.

**Market is at very high level to start an SIP:** I have heard this when the index was 3000 also. I have no clue where the market is headed, but I know SIP works!