HDFC securities RETAIL RESEARCH

Feb 12, 2020

SIP READY RECKONER

Feb – April 2020

Period	3 Years	5 Years	7 Years
No of instalments	36	60	84
Amount invested per month (Rs)	10,000	10,000	10,000
Total Amount Invested (Rs)	360,000	600,000	840,000

Scheme Name	Category	Value of Inv (Rs.)	XIRR(%)	Value of Inv (Rs.)	XIRR(%)	Value of Inv (Rs.)	XIRR(%)
Equity Oriented (High Risk, High Returns)							
AXIS Bluechip Fund (G)*	Large Cap	4,48,728	14.82	8,52,020	13.98	13,95,816	14.24
Canara Robeco Bluechip Equity Fund (G)	Large Cap	4,31,255	12.07	8,09,623	11.92	13,11,447	12.50
Mirae Asset Large Cap Fund (G)*	Large Cap	4,11,292	8.83	8,01,063	11.49	14,05,245	14.43
Mirae Asset Emerging Bluechip Fund (G)	Large & Mid Cap	4,24,863	11.04	8,64,778	14.59	17,35,578	20.35
Sundaram Large and Mid Cap Fund (G)*	Large & Mid Cap	4,17,741	9.89	8,08,497	11.87	13,94,624	14.22
Invesco India Growth Opportun Fund (G)*	Large & Mid Cap	4,16,533	9.69	7,96,228	11.25	13,55,580	13.42
Benchmark:							
Nifty 50 TRI		**4,14,402**	**9.34**	**7,82,799**	**10.57**	**12,55,468**	**11.28**
Nifty 100 TRI		**4,08,181**	**8.31**	**7,75,302**	**10.18**	**12,61,105**	**11.40**
AXIS Midcap Fund (G)*	Mid Cap	4,46,476	14.47	8,42,299	13.52	15,12,222	16.49
DSP Midcap Fund (G)	Mid Cap	4,12,949	9.10	7,99,565	11.42	14,95,657	16.18
Benchmark:							
S&P BSE Mid-Cap TRI		**3,72,210**	**2.17**	**7,16,220**	**7.01**	**12,79,124**	**11.80**
AXIS Small Cap Fund (G)*	Small Cap	4,63,122	17.03	8,78,414	15.22	-	-
SBI Small Cap Fund (G)	Small Cap	4,10,464	8.69	8,31,749	13.01	17,40,634	20.43
Benchmark							
S&P BSE Small-Cap TRI		**3,52,770**	**-1.31**	**6,70,103**	**4.36**	**11,96,593**	**9.93**
DSP Equity Fund (G)*	Multi Cap	4,28,721	11.66	8,12,706	12.07	13,77,613	13.87
Canara Robeco Equity Diversified Fund (G)*	Multi Cap	4,23,541	10.83	7,96,841	11.28	12,99,490	12.24
Kotak Standard Multicap Fund (G)*	Multi Cap	4,13,323	9.16	7,98,903	11.38	14,10,716	14.54
Benchmark:							
Nifty 50 TRI		**4,14,402**	**9.34**	**7,82,799**	**10.57**	**12,55,468**	**11.28**
Nifty 500 TRI		**3,99,650**	**6.89**	**7,60,778**	**9.42**	**12,54,975**	**11.26**
Kotak India EQ Contra Fund (G)*	Contra Fund	4,16,563	9.69	7,97,153	11.30	13,07,716	12.42
SBI Focused Equity Fund (G)*	Focused Fund	4,41,078	13.62	8,45,402	13.67	14,69,193	15.68
AXIS Focused 25 Fund (G)*	Focused Fund	4,37,064	12.99	8,57,153	14.23	14,47,082	15.25
Benchmark:							
Nifty 50 TRI		**4,14,402**	**9.34**	**7,82,799**	**10.57**	**12,55,468**	**11.28**
Mirae Asset Great Consumer Fund (G)	Sector – Consumer	4,30,594	11.96	8,45,813	13.69	14,50,552	15.32
Aditya Birla SL India GenNext Fund (G)*	Sector – Consumer	4,30,383	11.93	8,34,609	13.15	14,73,573	15.76
Invesco India Financial Services Fund (G)	Sector - Fin Services	4,35,466	12.74	8,72,596	14.95	15,17,855	16.59
Nippon India Pharma Fund (G)*	Sector - Pharma	3,97,837	6.59	6,66,529	4.15	11,14,440	7.94
Aditya Birla SL Digital India Fund (G)*	Sector – IT	4,54,597	15.73	8,48,686	13.82	14,02,247	14.37

SBI Magnum Equity ESG Fund (G)*	Thematic - ESG	4,19,576	10.18	7,77,854	10.31	12,87,592	11.98
ICICI Pru US Bluechip Equity Fund (G)*	Thematic - International	4,68,234	17.81	8,86,912	15.61	14,06,530	14.46
Aditya Birla SL Inter Equity - Plan A (G)	Thematic – International	4,45,893	14.38	8,01,276	11.50	11,90,233	9.78
AXIS Long Term Equity Fund (G)*	ELSS	4,37,826	13.11	8,28,457	12.85	14,98,009	16.22
Canara Robeco Equity Tax Saver Fund (G)	ELSS	4,20,313	10.30	7,85,160	10.69	12,97,649	12.20
Benchmark:							
Nifty 50 TRI		**4,14,402**	**9.34**	**7,82,799**	**10.57**	**12,55,468**	**11.28**
Nifty 500 TRI		**3,99,650**	**6.89**	**7,60,778**	**9.42**	**12,54,975**	**11.26**
Nippon India Index Fund - Sensex (G)	Other: Index Fund	4,20,488	10.33	7,84,475	10.65	12,29,728	10.70
UTI-Nifty Index Fund (G)*	Other: Index Fund	4,12,638	9.05	7,76,126	10.22	12,36,826	10.86
ICICI Pru Nifty Next 50 Index Fund (G)*	Other: Index Fund	3,67,371	1.32	7,07,251	6.51	12,18,298	10.43
ICICI Pru Sensex ETF	Other: ETFs	4,27,308	11.43	8,06,699	11.78	12,83,476	11.89
Kotak Nifty ETF	Other: ETFs	4,13,466	9.19	7,80,154	10.43	12,49,680	11.15
Nippon India ETF Bank BeES	Other: ETFs	4,27,176	11.41	8,48,256	13.80	14,52,612	15.36
SBI Equity Hybrid Fund (G)*	Hybrid: Aggressive	4,23,054	10.75	7,85,868	10.72	13,32,318	12.94
Canara Robeco Equity Hybrid Fund (G)	Hybrid: Aggressive	4,15,698	9.55	7,75,172	10.17	13,02,232	12.30
ICICI Pru Balanced Advantage Fund (G)*	Hybrid: Dyna Asset Alloct	4,09,754	8.57	7,55,821	9.16	12,29,410	10.69
Tata Retirement Savings - Progressive (G)	Solut Orient:Retire Fund	4,09,900	8.60	8,02,510	11.57	13,89,400	14.11

Debt oriented (Low Risk, Modest Returns)

Minimum Duration and Credit Risk							
ICICI Pru Savings Fund - Regular (G)*	Debt: Low Duration Fund	4,06,404	8.02	7,34,282	8.00	11,25,909	8.23
Aditya Birla SL Savings Fund - Regular (G)*	Debt: Ultra Short Durat	4,05,961	7.95	7,34,441	8.01	11,27,676	8.27
Aditya Birla SL Floating Rate Fund (G)*	Debt: Floater Fund	4,06,571	8.05	7,35,516	8.07	11,28,999	8.30
Only Duration Risk							
HDFC Short Term Debt Fund (G)*	Debt: Short Duration	4,09,349	8.51	7,38,286	8.22	11,32,834	8.40
IDFC Bond Fund - STP - Regular (G)*	Debt: Short Duration	4,08,062	8.29	7,32,175	7.89	11,17,667	8.02
AXIS Banking & PSU Debt Fund (G)*	Debt: Banking and PSU	4,13,755	9.23	7,46,739	8.67	11,42,017	8.63
Kotak Corporate Bond Fund-Regular (G)*	Debt: Corporate Bond	4,09,729	8.57	7,40,771	8.35	11,40,353	8.58
IDFC G Sec Fund - Invst Plan - Regular (G)*	Debt: Gilt Fund	4,17,954	9.92	7,55,078	9.12	11,69,127	9.28
Nippon India GSF - (G)*	Debt: Gilt Fund	4,15,853	9.58	7,58,860	9.32	11,87,139	9.71
IDFC GSF Constant Maturity Plan (G)*	Debt: Gilt 10yr Const dur	4,33,514	12.43	7,91,368	11.00	12,31,237	10.73
ICICI Pru Long Term Bond Fund - (G)	Debt: Long Duration	4,14,220	9.31	7,51,102	8.91	11,61,030	9.09
Only Credit Risk							
ICICI Pru Credit Risk Fund (G)	Debt: Credit Risk Fund	4,08,873	8.43	7,38,553	8.23	11,35,246	8.46
Both Credit & Duration Risk							
Kotak Dynamic Bond Fund - Regular (G)	Debt: Dynamic Bond	4,13,574	9.20	7,52,816	9.00	11,60,884	9.08
ICICI Pru Regular Savings Fund (G)*	Hybrid: Conservative	4,07,670	8.23	7,49,920	8.85	11,93,252	9.85

Other Schemes

UTI-Gold ETF	Other: ETFs	4,61,026	16.71	7,98,255	11.35	11,29,329	8.31
Kotak Gold Fund (G)	Other: FoFs Domestic	4,61,979	16.86	7,98,787	11.38	11,14,458	7.94
ICICI Pru Asset Allocator Fund (FOF) (G)	Other: FoFs Domestic	4,13,099	9.13	7,72,926	10.06	12,35,040	10.82
Franklin India Feeder - Franklin U.S. Opp. (G)	Other: FoFs Overseas	4,79,150	19.44	9,09,001	16.61	14,57,456	15.45
Edelweiss GCE Off-Shore Fund(G)	Other: FoFs Overseas	4,44,635	14.18	8,41,865	13.50	12,99,214	12.23

* Also appear in our lumpsum MF Ready Reckoner Jan-Feb 2020. There are some schemes which have a cap on maximum investment at each intervals, this needs to be taken into consideration while investing. Schemes with past history of 5 years are only considered. Returns are as on 31.01.2020.

Duration Risk:
Duration is a measure of the sensitivity of the price to changes in interest rates. Duration is expressed as a number of years. Bond prices are said to have an inverse relationship with interest rates. The duration addresses the interest rate risk. The bigger the duration, the greater the interest-rate risk or reward for bond prices. The higher the duration, the more the fixed income security's price would fall if there is a rise in interest rates and vice versa.

Credit Risk:
Credit risk is the probable risk of loss resulting from a borrower's failure to repay a loan or meet contractual obligations.

SIP in ETF schemes cannot be done directly with the fund; HDFC Sec offers DIYSIP plan for them.

What is an SIP? Systematic investment plan (SIP) is a disciplined way of investing in mutual fund schemes where an investor can make regular and equal payments at regular intervals for periods to accumulate wealth over long run. It inculcates the habit of saving and building wealth for the future.

What is the structure of an SIP? SIP can be termed as a regular investment scheme where a stipulated amount of money (can be Rs. 50, Rs.100, Rs. 250, Rs. 500, etc) is invested daily, weekly, monthly, quarterly or yearly, instead of investing money in bulk Investing in a mutual fund through SIP allows participation in the equity markets systematically.

What is the rationale and importance of Systematic investing? Lump sum investing will be suitable only when there is a high degree of certainty that the market is going to go through a rising trend. However, timing the market is a very difficult task, especially at individual investor level. Also for most investors, one-time investment may not be feasible due to a lack of resources.

In the case of SIP, it is not necessary for the investor to accumulate a huge amount at one go before making an investment. He can accumulate small amounts and invest regularly. An SIP also enables investors to start investing in equity early.

The philosophy behind starting a SIP with an equity scheme is to go on investing regardless of the market conditions. Investors **should not stop it in downturns and keep SIP running for a longer period**. Else, he/she will lose out a chance to make money in the long term. Here's why:

1. Rupee Cost Averaging: Rupee cost averaging is an approach or a benefit wherein the investor can buy more units when prices are low and less when prices are high. Ideally speaking, most investors want to buy stocks when the prices are low and sell them when prices are high. But timing the market is time consuming and risky. Rupee-cost averaging can help reduce the average cost per share over time **(provided the investor does not stop SIPs in falling markets)** and increase your profit when the cycle turns and markets start rising.
However, Rupee-cost averaging doesn't guarantee a profit or eliminate risk, and it won't protect you from a loss if you sell shares at a market low. Before adopting this strategy, you should consider your ability to continue investing through periods of low price levels.

2. Power of compounding: Compounding is the fact that the money you make off an investment can be reinvested to make even more money than your initial investment. The money you make goes back to work to make you even more money than before.

Say you've invested Rs.10, 000 and it makes 10% interest per year. In the first year, you make Rs.1, 000 in interest. But in the second year, you'll make Rs.1, 100 (not only does your initial investment of Rs.10,000 accrue interest but so does the additional Rs.1,000 you made in the first year). In the tenth year, you'll make Rs. 2,358. And in the 30th year you'll make Rs.15, 864. That's all without making another investment beyond your initial Rs. 10,000**. Hence the longer you stay invested, higher will be the benefit of compounding.**

What are the salient features of SIP? It is needless to say that for **long-term wealth creation** through equity market you need **discipline and long term time** horizon which are inherent features of SIP. The following features of SIP makes it fit for equity market.

- Simple and disciplined approach towards investment.
- Investment possible with small sum of money invested regularly to accumulate wealth.
- Based on concept of Rupee Cost Averaging.
- Flexibility in terms of amount or quantity based SIP.
- Flexible intervals like Daily/ Weekly/ Fortnightly/ Monthly/ Yearly basis.

What are the benefits of SIP? As common investor doesn't have enough time and resources, SIP proves to be a viable option for them. Listed below are the important benefits of this instrument.

- Reduces Risk because of Rupee Cost Averaging.
- SIP can be started with very small amount of money.
- Timing the market is not necessary.
- Long term financial goal can be aligned with SIP.
- Disciplined approach towards Investment helps in controlling the emotions.

How does SIP help to reach Your Financial Goal? SIP is a perfect tool for people who have a specific, future financial requirement. By investing an amount of your choice every month, you can plan for and meet financial goals, like funds for a child's education, a marriage in the family or a comfortable post retirement life.

What are the benefits of starting early? **The earlier you start, the lesser the investment required to achieve your goals.** This is because of compounding, as explained earlier. Since the return generated also starts earning further returns, the initial investment required comes down. Usually, people at young age undermine the importance of saving small sums of money and keep procrastinating, pushing the start to a later date. Besides, they often perceive investing as a cumbersome process. This is where SIP comes in handy, a good way to save through MFs is to set aside a certain amount of one's income for them. This, besides helping one make 'forced savings', also gives one a financial headstart.

Is it a good idea to discontinue SIP when markets are falling?

Many investors make the mistake of discontinuing their SIP investments when market falls. As discussed above, **this exit could impact the portfolio returns significantly as it fails to get the benefit of lower average costs.**

Investors shouldn't worry about stopping SIPs when the market is declining. In fact, that is the period when an investor can accumulate more units at a cheaper cost and then benefit from the eventual up move in the markets. SIPs are done by investors to meet long-term goals and should be done for at least 5-10 years. They should not be worried about near-term volatilities or small negative returns in the near-term. Corrections are the best time to accumulate maximum numbers of units for the future. In fact investors can use this opportunity to increase SIP amount by using a top-up facility provided by the fund houses. By adopting this strategy, investor can earn marginally more returns than the regular SIP investor.

Taxation in SIP:

The tax implication applicable to the SIP investment is as same as that of the lumpsum investment in MF. The main point is that the taxation of SIPs depends on the dates of investments. In equity oriented mutual fund schemes, under Growth option, the long term capital gains are taxed at 10% (without indexation benefit) on gains exceeding Rs. 1 lakh if the units are sold after a year of the date of purchase. The gains are short term and taxed at 15% if the units are sold within one year. In this case, to benefit out the long term capital gain tax at lower rate, every instalment should be held at least one year. In ELSS, all the SIP instalments are locked in for three years.

Likewise, in non-equity oriented schemes, to attain the Long Term Capital Gain Tax benefit (that is 20% with indexation), the units should be sold after 3 years from the date of allotment; otherwise it is taxable as per slab rates.

Conclusion:

Investing in Equity Oriented mutual fund schemes through SIP - longer the period the better the returns. Investing in Debt Oriented mutual fund schemes through SIP (better than recurring deposit).

Disclosure:

I, **Hemanshu Parmar**, **CA**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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