

BUILD A WINNING INVESTMENT PORTFOLIO WITH EQUITIES



EQUITY AND VOLATILITY

Volatility is the new normal in financial markets. The key to success lies in staying calm and making long-term investment plans. Thinking long-term can benefit you in two ways:

RUPEE COST AVERAGING

Long-term SIPs help in cost-averaging. If you invest in Equity Funds through small SIPs, market lows become an opportunity. The Fund Manager can buy more units at a low price. When the prices are high, they can buy fewer units. As such, your investment cost gets averaged out over a period. Scan this QR code to know more about rupee cost averaging.



THE POWER OF COMPOUNDING

The magical power of compounding can convert a small sum into a large fund over time. For it to work wonders, you must start investing early and also be regular with your investments. If the temporary lows stop you from investing in Equity or make you redeem them, you might lose a chance to build your wealth in the long run. Scan this QR code to understand how the power of compounding works.



American investor Peter Lynch once said that Equity Mutual Funds are perfect for those who want to benefit from Stocks but don't want to or can't research. However, that is not the only benefit of Equity Fund investment. Let's look at why you must have these Funds in your portfolio.

AN EXPERT MANAGES YOUR MONEY

Equity Funds spare you not only the research but also the time needed to monitor stocks. There are expert Fund Managers who use their expertise to allocate your money optimally.

YOU CAN LIVE YOUR DREAMS

Be it the beautiful penthouse you have been eyeing or the fun-filled international tours that you have been dreaming about, long-term investing in Equity Funds could make it all possible. That is due to the potential for returns significantly better than the inflation rate in the economy.

YOU CAN INVEST WITH EVEN ₹500

Equity Funds allow you to invest with as low as ₹500, thanks to Systematic Investment Plans (SIPs). Thus, you can leverage the potential of this asset class even with a small investment.

YOU CAN SAVE UP TO ₹46,800 IN TAXES EVERY YEAR

Equity Linked Savings Scheme (ELSS) is an Equity Mutual Fund that allows you to save Tax on investments up to ₹ 1.5 lakh annually. If you fall under the highest Tax slab, you can save up to ₹46,800 in Taxes.

IT HELPS YOU BEAT INFLATION

With Equity, one of the benefits of long-term investing is that there are chances of earning high returns that beat inflation.

YOU CAN HAVE A DIVERSIFIED EQUITY FUND PORTFOLIO

Although Equity is one asset class, you can have a well-diversified portfolio by investing across multiple Stocks of varying market capitalisation.

For the record, here are some insights into Equity's performance during the past crisis:

	Start/End	S&P BSE Sensex level	Days last	Downfall (%)	Recovery Period (Days)	Forward returns from bottom*	
						1 Year	3 Years
Global Financial Crisis (GFC)	09-Jan-08	20,870	292	-59%	738	92%	27%
	27-Oct-08	8,510					
Euro-zone Debt Crisis	03-Jan-11	20,561	351	-26%	639	28%	22%
	20-Dec-11	15,175					
Slowdown in China	29-Jan-15	29,682	396	-23%	382	25%	16%
	29-Feb-16	23,002					
Demonetisation	08-Nov-16	27,591	48	-6%	30	32%	17%
	26-Dec-16	25,807					
Crisis in NBFC	28-Aug-18	38,897	59	-14%	157	17%	NA
	26-Oct-18	33,349					
COVID-19	12-Feb-20	41,566	-	-29%*	NA	NA	NA

Data source: MFI Explorer. *as of March 31, 2020, *CAGR – Compounded Annual Growth Rate

Key takeaways

- Equities are volatile in the short run but perform over time
- Equities have the potential of withstanding and overcoming turbulent times
- SIPs should continue despite the volatility in markets