



# Investment Mantra

## Equities as an asset class & Investor behaviour \*\*

- Equities are a volatile asset class. However volatility in returns reduces as holding period increases. Good times and bad times, typically follow each other
- Returns from Equity investment is a function of earnings growth and changes in valuation
- Investors generally invest more in good times when valuations are rich (high PE) and refrain in bad times when valuations are cheap/reasonable (low PE). This leads to unsatisfactory returns
- On investments made in bad times (where PE < 15), typically returns over next 3 years or more are better due to earnings growth & improvement in valuation (\*\*illustrated in the table overleaf)

## Mantra for Investing in Equity Mutual Funds:

- Equities help create wealth over long term
- Enjoy the benefit of diversification by investing in equity mutual funds
- Take advantage of Ups and Down in the market by regularly investing systematically
- Rely on professional money managers with track record



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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.



AN INVESTOR EDUCATION  
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# Why Invest in bad times...

## S&P BSE SENSEX – Yearly Rolling Returns vis-a-vis Equity Inflows in Mutual Fund Schemes at different valuations across different time periods

Any person invested or planning to invest in the equity markets in India needs to evaluate the following table and summarise its results.

Sr. No.	Investment made at YEAR END	S&P BSE SENSEX	1 YEAR Forward P/E	Equity Net Inflows for the Year (Rs. in Cr)*	S&P BSE SENSEX Returns			
					Absolute 1 Yr	CAGR 3 Yrs	CAGR 5 Yrs	CAGR 10 Yrs
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0	Mar-79	100	NA	NA	29%	30%	20%	22%
1	Mar-80	129	NA	NA	35%	18%	22%	20%
2	Mar-81	173	NA	NA	26%	12%	27%	21%
3	Mar-82	218	NA	NA	-3%	18%	19%	35%
4	Mar-83	212	NA	NA	16%	39%	13%	27%
5	Mar-84	245	NA	NA	44%	28%	24%	31%
6	Mar-85	354	NA	NA	62%	4%	17%	25%
7	Mar-86	574	NA	NA	-11%	8%	15%	19%
8	Mar-87	510	NA	NA	-22%	15%	53%	21%
9	Mar-88	398	NA	NA	79%	43%	42%	26%
10	Mar-89	714	NA	NA	9%	82%	40%	18%
11	Mar-90	781	NA	NA	50%	43%	33%	20%
12	Mar-91	1168	13.2	NA	267%	48%	24%	12%
13	Mar-92	4285	40.6	NA	-47%	-9%	-5%	-2%
14	Mar-93	2281	15.7	NA	66%	14%	11%	3%
15	Mar-94	3779	19.9	NA	-14%	-4%	-0.2%	4%
16	Mar-95	3261	24.7	NA	3%	6%	9%	7%
17	Mar-96	3367	23.3	NA	-0.2%	4%	1%	13%
18	Mar-97	3361	20.6	NA	16%	14%	1%	15%
19	Mar-98	3893	24.6	NA	-4%	-3%	-5%	15%
20	Mar-99	3740	19.7	NA	34%	-2%	8%	10%
21	Mar-00	5001	24.2	10,058	-28%	-15%	5%	13%
22	Mar-01	3604	15.8	22,161	-4%	16%	26%	18%
23	Mar-02	3469	12.1	8,763	-12%	23%	30%	18%
24	Mar-03	3049	9.2	118	83%	55%	39%	20%
25	Mar-04	5591	12.4	7,205	16%	33%	12%	N.A.
26	Mar-05	6493	12.0	7,398	74%	34%	22%	N.A.
27	Mar-06	11280	15.9	36,155	16%	-5%	12%	N.A.
28	Mar-07	13072	15.4	29,916	20%	10%	6%	N.A.
29	Mar-08	15644	20.3	52,701	-38%	8%	4%	N.A.
30	Mar-09	9709	12.1	4,084	81%	21%	N.A.	N.A.
31	Mar-10	17528	17.7	1,456	11%	2%	N.A.	N.A.
32	Mar-11	19445	17.5	(11,795)	-10%	N.A.	N.A.	N.A.
33	Mar-12	17404	14.7	504	8%	N.A.	N.A.	N.A.
34	Mar-13	18836	14.1	(14,371)	N.A.	N.A.	N.A.	N.A.

SENSEX returns are computed for 1,3,5 & 10 years from the date of investment. Source: BSE Ltd, AMFI. 1 Year forward P/E - Source: CLSA. NA - Not Available. /N.A.- Not Applicable.

\* Net Inflows in Equity Mutual Fund Schemes: Equity, Balanced, ELSS. Period having P/E less than 15 is highlighted for reference. CAGR: The rate at which an investment grows annually over a specified period of time.

Column 3: shows the value of SENSEX at the end of month of the respective period. Column 4: shows the 1 year Forward Price to Earnings ratio: It is the ratio of SENSEX with the future estimate earnings of the companies listed in the SENSEX. Column 5: Represents the net inflows in equity mutual funds for the year.

Column 6 to 9: Represents the return earned on the investment for the referred period. For e.g. If you invested in Mar-79 when SENSEX Index was 100, then 1 year returns (in Mar-80) would have been 29%, 3 years returns (in Mar-82) would have been 30%, 5 years returns (in Mar-84) would have been 20% and 10 year returns (in Mar-89) would have been 22%.



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