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WEALTHWISE®

Wiseinvest®
AMFI-registered Mutual Fund Distributor

Inside **Pg No.**

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest, an AMFI-registered Mutual Fund Distributor. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 30 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Providing quality service is our top priority. In keeping with that, we constantly take steps to provide up-to-date information to our clients. In the last twenty years, thousands of our clients have made mutual funds the mainstay of their portfolios. You can benefit too from our service support for your existing as well as new investments. All you need to do is to just call up any of the offices or email your requirements at **information@wiseinvest.co.in.**

Dear Investor,

Indian stock market witnessed volatility in September on account of concerns over higher interest rates, foreign capital outflows and global economic slowdown. After sustained buying in the last six months, FIIs turned net sellers to the tune of ₹ 14,767 crore in the month of September. While the Nifty 50 ended the month with a gain of 2 per cent, the Sensex rose 1.5 per cent. The BSE Smallcap and midcap indices rose about 1 per cent and 3.7 per cent during the month.

September has historically been a weak month for the stock markets. The US markets also reacted negatively to higher interest rates, looming student loan payments, the United Auto workers strike and rising oil prices. The US Treasury yields hit a 16-year high mark and crude oil prices almost touched $98 per barrel amid concerns over interest rates staying high for an extended period and its impact on the global economy.

Going forward, the performance of Indian economy, RBI's October monetary policy and September quarter earnings will set the tone for the market. On the positive side, sales of FMCG goods, cars, smartphones and household appliances surged in September quarter. Lower inflation, improved monsoon and lower prices lifted the consumer sentiment.

India's retail inflation eased to 6.83 per cent in August from 7.44 per cent in July as vegetable prices cooled somewhat compared to the previous month. At 6.83 per cent, the CPI print for August is 61 basis points lower than July's 15-month high of 7.44 per cent. India's industrial output grew by 5.7 per cent in July from 3.8 per cent in June. The July IIP growth of 5.7 per cent was above expectations of 5.0 per cent.

The government's Goods and Services Tax (GST) collections climbed 10.2 percent year-on-year in September to ₹ 1.63 lakh crore. At ₹ 1.63 lakh crore, the September GST collections is 2.3 percent higher than what was collected in August 2023. This is the seventh month in a row that the monthly GST collection has come in above the ₹ 1.5-lakh-crore mark.

Warm regards,

H Rustagi

Hemant Rustagi
Editor

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The Stock Market Performance During September 2023.

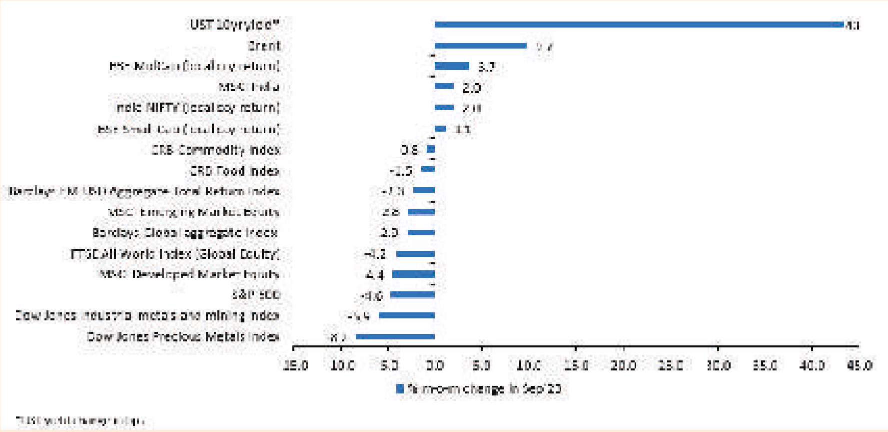
Indices	31st August 2023	29th September 2023	Change in (%)
Sensex	64,831.41	65,828.41	1.54
MIDCAP	31,200.60	32,340.71	3.65
SMLCAP	37,143.67	37,562.23	1.13
BSE-100	19,764.93	20,123.30	1.81
BSE-200	8,429.83	8,613.00	2.17
BSE-500	26,848.76	27,407.75	2.08

Market Outlook - SBI Mutual Fund

Global financial markets faced significant headwinds in the month of September as the "trifecta" of Rising sovereign yields, Strength in Dollar Index (DXY) and Higher crude oil prices overwhelmed other positives such as a declining trend in inflation numbers. As markets align to the possibility of Policy interest rates staying "Higher for Longer" , rate cut expectations have started getting pushed out for CY24. Surprisingly, the realisation seems to have dawned quite late as most Central Banks move to a situation where they assess 'how long to hold rates' more than 'how higher incrementally to go'.

Chart 1:

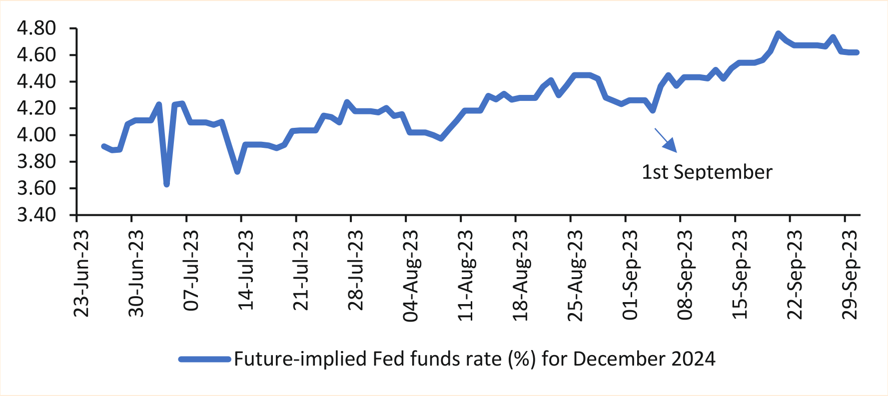
Global Equities and Debt markets correct in Sep 23



Source: Bloomberg, SBIFM Research

Chart 2

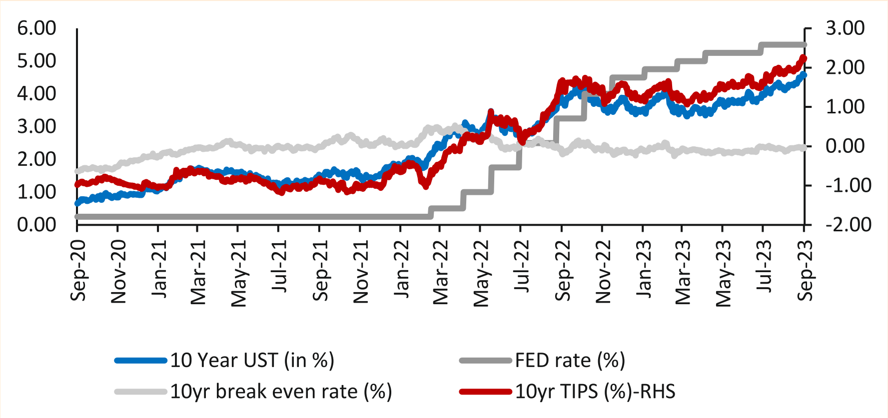
Market implied Fed Funds rate for Dec 24 move up over the month



Source: Bloomberg, SBIFM Research

Chart 3

Real rates move up even as 10y inflation expectations stay anchored

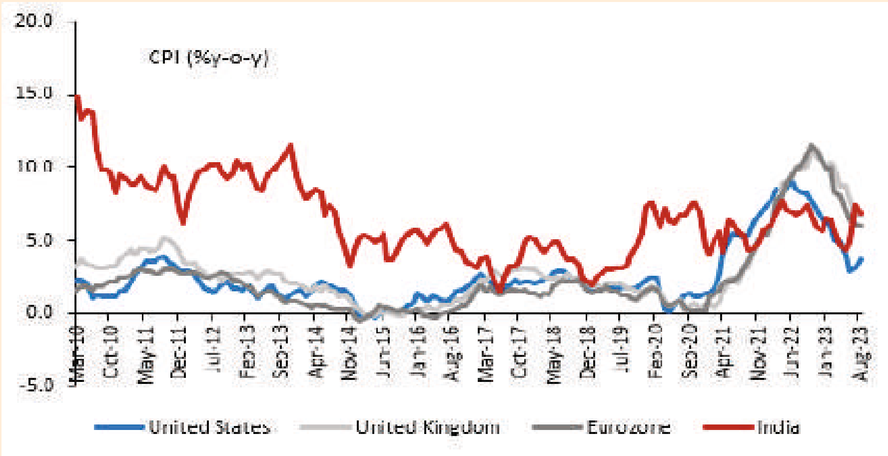


Source: Bloomberg, SBIFM Research

Benchmark US Treasury yields moved up by 46bps and 49bps in the 10y and 30y tenor over the last month. While a hawkish message from the FED was largely expected, the rise in long term yields could be explained by a combination of factors. Apart from the realization of "Higher for longer "and the technical factors around Quantitative Tightening and higher treasury supply, real rates have started settling higher. Aside from markets incrementally demanding higher term premia, the possibility of the neutral real policy rates probably being higher than recent memory also may influence policy settings going forward.

Chart 4

Headline CPI continues to move lower in the developed markets



Source: Bloomberg, SBIFM Research

Source: SBIFM Research, Bloomberg. Note: ESI refers to Equity Sentiment Index, our in-house measure to quantity market sentiment. This works as a contrarian measure; risks are high when sentiment is euphoric while pessimistic sentiment usually provides good entry opportunity into equities.

Equity

Sharp surge in global yields, especially in the US, continued to pressure global equity valuations through the month. That said, India stayed an outperformer with the Nifty and the Sensex rising 2% and 1.5% respectively for the month. Indian bonds were relatively resilient as well, as the announcement of India's inclusion in JP Morgan GBI-EM bond index helped offset the pressure from rising global yields. Indian 10-year yields still moved higher by 5 bps for the month to end at 7.22% versus 7.16% a month ago.

Within equities, broader markets continued to outperform at 3% and 2.5% gains for Nifty Midcap 150 and Nifty Small cap 250 respectively. With the sharp outperformance of mid and small caps versus large caps over the past few month, the ratio of market caps of Sensex to BSE500 has inched further towards the lower end of historical range. This suggests that the relative valuation argument has tilted further in favour of large caps on a relative basis versus broader markets (Chart 7).

The other group that has continued to perform well is cyclicals. In fact, for the past many quarters and for a large part of the post-Covid recovery, cyclicals sectors have continued to do well on absolute as well as relative basis outshining defensive sectors. Even with the sharp relative outperformance, the relative valuations argument between cyclicals and defensives remains balanced now. (Chart 8).

On economy and earnings, Q1 FY24 GDP growth was at 7.8% y-o-y and earnings outcome was marginally better than expectations aided by margin tailwinds. Following aspects stood out in India's growth context: Exports warrant a cautious outlook, government capex has jumped leading to robust order inflow for construction companies, improvement in real estate launches, and consumption demand yet to pick up. The external sector outlook stays challenging. Real rates have continued to rise and are strongly positive in the US now, at 2%, the highest level since GFC. Under the backdrop of higher rates and declining manufacturing output globally, tightening credit standards, contracting money supply growth and depleting excess savings in the US-risks on US recession front remain.

Overall, we continue to advocate a diversified approach to asset allocation, as well as to style and sector exposure within the equity portfolio, in the current environment.

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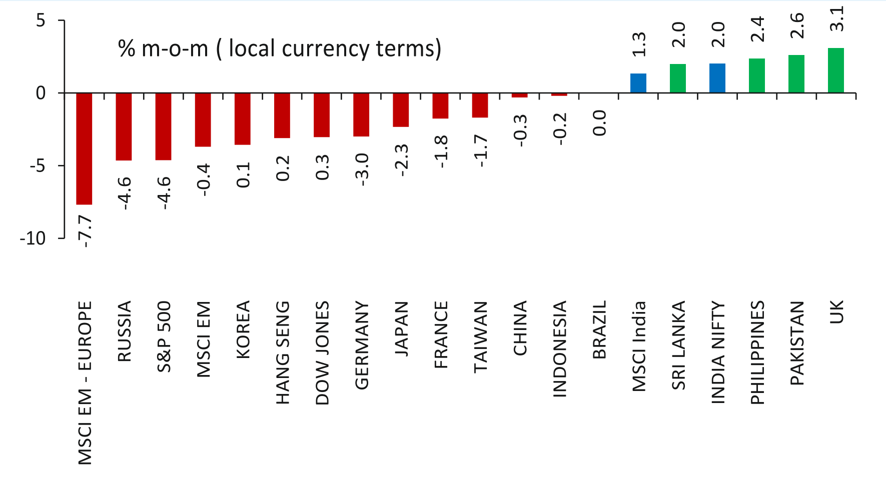
Market Outlook...

...Cont. from page 2

Chart 5:

Performance in September 2023 (local currency terms) - India outperforms



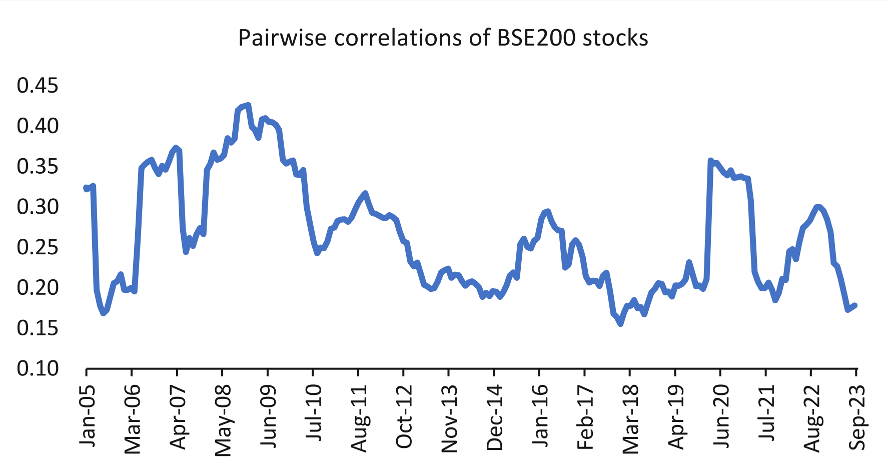
Source: Bloomberg, SBIFM Research

Chart 6:

Stock correlations drop to very low levels, a pickup could be characteristic of a corrective phase

Stocks correlations have been a mean reverting measure historically. The correlation tends to drop during upward trending markets as investors focus on company specific merits. However, during market corrections, correlations tend to rise as risk becomes the key determinant of investment decisions. This is one of the inputs to our Equity Sentiment Index.

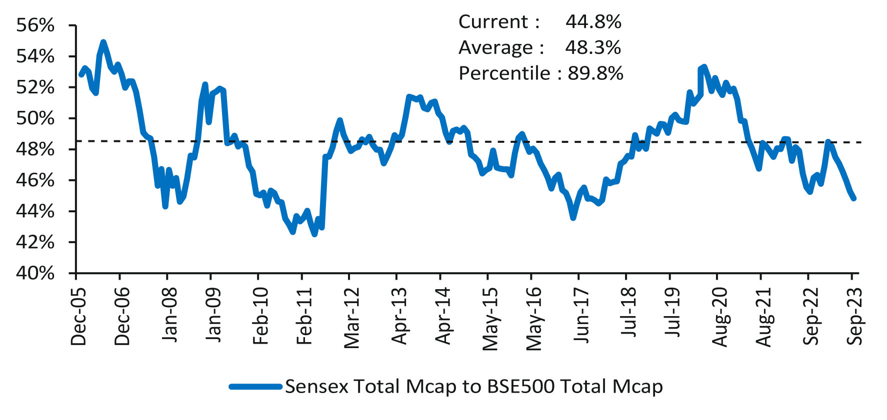
On an overall basis, our sentiment measure points to elevated readings suggesting more greed than fear even as the readings are not as climactic as 2021 highs.



Source: FactSet, SBIFM Research. Note: The chart plots the average pairwise correlations of all BSE200 stocks amongst themselves at any point in time.

Chart 7:

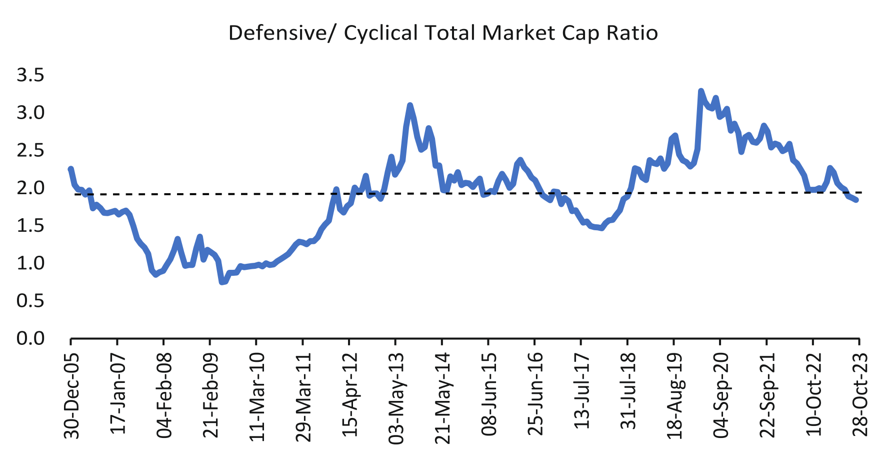
Relative valuations favour large caps over broader markets after the sharp outperformance of broader markets



Source: Bloomberg, SBIFM Research

Chart 8:

While cyclicals have outperformed defensives over the past many quarters, relative valuations remain well balanced for the two groups



Source: Bloomberg, SBIFM Research. Note: Defensives here refer to Pharma, IT and Staples stocks from BSE100 while Cyclicals refer to Industrials and Consumer Discretionary stocks from BSE100.

Fixed Income

Market conditions continue to be surprisingly benign despite all possible negative market cues ranging from sharp rise in overseas bond yields, rising crude prices and RBI tolerance of tighter system liquidity and overnight rates at the upper end of the corridor. Headline CPI staying above the upper end of the 4%-6% band for 2 consecutive months also was smoothly absorbed in market rates. As overseas markets search for possible reasons for higher marker yields, the remarkable domestic resilience can be traced to a few reasons. Market expectations of possible index inclusion, relative macro stability in India, lesser net bond supply in H2 FY24, nil pass-through expectations of higher crude prices to retail as well as expectations of RBI staying on pause continue to provide support.

Cont. on page 5...

Performance Of Select Funds

Data as on September 29, 2023

EQUITY FUNDS

Large Cap, Large & Midcap, Multi Cap

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Flexi Cap Fund	Aug-98	19.52	18.62	5.69	22.29	13.90	12.15	17.74	14.59
ABSL Frontline Equity Fund	Aug-02	16.50	16.97	7.20	22.61	13.17	11.74	15.05	14.49
Axis Focused 25 Fund	Jun-12	15.55	4.33	-5.63	12.99	9.55	11.40	14.13	-
Axis Growth Opportunities Fund	Oct-18	24.12	17.06	6.09	23.65	-	-	-	-
Bandhan Focused Equity Fund	Mar-06	17.86	13.95	6.17	15.36	10.35	11.55	12.35	10.76
Canara Robeco Flexi Cap Fund	Sep-03	15.12	14.15	4.92	19.99	14.92	14.18	15.33	15.01
HDFC Flexi Cap Fund	Jan-95	19.06	25.24	16.63	33.78	16.82	15.12	17.96	15.91
HDFC Large and Mid Cap Fund	Feb-94	27.05	27.18	14.98	32.17	17.79	15.11	14.45	12.43
HDFC Top 100 Fund	Sep-96	18.09	24.07	12.14	27.29	13.67	13.17	15.72	14.19
ICICI Prudential Bluechip Fund	May-08	17.38	21.06	10.58	24.78	14.35	13.89	15.75	15.76
ICICI Prudential Large & Mid Cap Fund	Jul-98	20.31	22.84	13.30	31.66	17.00	14.50	16.18	14.58
Invesco India Contra Fund	Apr-07	20.63	18.62	9.56	23.49	14.82	14.89	19.97	16.81
Kotak Bluechip Fund	Dec-98	14.69	16.11	5.96	20.77	13.98	12.49	15.26	12.51
Kotak Equity Opportunities Fund	Sep-04	20.87	22.65	12.48	25.23	17.38	14.80	17.87	15.09
Kotak Flexicap Fund Regular Plan	Sep-09	16.71	18.83	8.18	21.18	13.57	12.94	17.31	-
Kotak Multicap Fund	Sep-21	29.72	28.70	-	-	-	-	-	-
Mirae Asset Emerging Bluechip Fund	Jul-10	22.05	20.42	7.58	24.94	18.67	17.02	24.70	-
Motilal Oswal Large and Midcap Fund	Oct-19	25.19	29.96	12.90	29.76	-	-	-	-
Nippon India Large Cap Fund	Aug-07	21.89	25.11	14.50	30.56	15.13	14.48	17.55	14.44
Nippon India Multi Cap Fund	Mar-05	28.98	28.98	20.26	38.46	18.66	15.93	18.42	17.94
Parag Parikh Flexi Cap Fund	May-13	18.00	24.93	8.56	22.88	19.05	18.04	19.14	-
PGIM India Flexi Cap Fund	Mar-15	13.33	12.33	2.36	22.09	17.40	14.28	-	-
SBI Focused Equity Fund	Oct-04	20.51	13.73	5.04	22.41	15.50	14.10	18.16	17.82
SBI Large & Midcap Fund	Feb-93	18.13	17.22	13.16	28.41	16.90	14.51	18.50	15.59
UTI Flexi Cap Fund	May-92	16.45	7.38	-1.40	17.95	13.71	12.88	15.52	14.65

Midcap & Smallcap

Axis Midcap Fund	Feb-11	22.18	15.10	6.92	22.82	17.97	16.59	21.04	-
HDFC Mid-Cap Opportunities Fund	Jun-07	32.36	34.83	20.49	34.36	20.51	16.47	23.00	20.26
Kotak Emerging Equity Fund	Mar-07	23.23	21.09	13.81	30.77	20.77	16.50	23.96	17.89
Motilal Oswal Midcap Fund	Feb-14	26.74	21.05	22.06	35.71	21.07	15.05	-	-
PGIM India Midcap Opportunities Fund	Dec-13	16.26	8.82	7.15	29.22	22.64	16.07	-	-
UTI Mid Cap Fund	Apr-04	27.69	19.28	10.72	27.30	18.94	13.86	21.81	18.42
HDFC Small Cap Fund	Apr-08	31.76	37.94	19.54	40.09	20.19	19.28	21.52	18.49
Kotak Small Cap Fund	Feb-05	26.45	20.06	11.50	35.65	23.83	17.82	23.71	18.63
Nippon India Small Cap Fund	Sep-10	34.89	35.38	23.00	42.80	25.48	22.45	29.72	-
SBI Small Cap Fund	Sep-09	23.62	18.07	15.97	31.98	21.80	20.17	27.26	-

Sectoral / Thematic Fund & Tax Saving

ICICI Prudential Banking and Financial	Aug-08	15.91	17.90	8.08	26.36	12.88	11.87	18.43	16.87
Nippon India Banking & Financial	May-03	21.63	23.95	14.25	33.79	13.85	12.80	18.21	16.54
ICICI Prudential Pharma Healthcare	Jul-18	30.74	27.26	7.07	15.07	18.45	-	-	-
Nippon India Pharma Fund	Jun-04	30.25	24.90	7.05	16.07	17.35	13.58	17.04	20.19
SBI Healthcare Opportunities Fund	Jul-99	29.27	28.97	9.68	16.49	17.49	10.01	15.00	17.03
Kotak Pioneer Fund	Oct-19	20.31	21.72	7.20	22.76	-	-	-	-
Axis Long Term Equity Fund	Dec-09	18.38	8.84	-2.37	15.70	11.48	11.76	17.20	-
Bandhan Tax Advantage (ELSS) Fund	Dec-08	21.08	22.43	12.52	30.60	17.31	16.28	18.64	-
Kotak Tax Saver Regular Plan	Nov-05	18.13	20.03	11.37	24.72	16.56	14.31	17.91	13.87
Mirae Asset Tax Saver Fund	Dec-15	18.80	19.25	7.41	23.78	17.13	16.95	-	-

ARBITRAGE FUNDS

Funds	Launch	3 Mth*	6 Mth*	1 Year*	2 year**	3 Year**	5 Year**
Bandhan Arbitrage Fund	Dec-06	1.86	3.69	6.92	5.20	4.66	4.91
ICICI Prudential Equity Arbitrage Fund	Dec-06	1.94	3.74	6.93	5.30	4.81	5.05
Kotak Equity Arbitrage Fund	Sep-05	1.96	3.85	7.15	5.56	5.01	5.20

HYBRID

Fund	Launch	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**	7 Year**	10 Year**	15 Year**
ABSL Equity Hybrid '95 Fund	Feb-95	15.08	13.25	4.39	17.72	10.23	9.06	13.35	13.63
Canara Robeco Equity Hybrid	Feb-93	12.88	13.33	5.63	16.60	13.15	11.94	15.15	14.27
DSP Equity & Bond Fund	May-99	18.09	17.78	6.18	18.61	13.99	11.43	15.28	13.08
ICICI Prudential Equity & Debt	Nov-99	18.34	22.96	14.75	31.10	17.23	15.19	17.69	15.88
Kotak Equity Hybrid Fund	Nov-99	13.79	15.13	9.12	21.54	14.99	12.11	13.64	12.15
SBI Equity Hybrid Fund	Dec-95	13.68	10.45	5.21	17.59	12.60	11.51	15.08	13.33
ABSL Bal. Advantage Fund	Apr-00	11.31	13.04	6.54	14.72	10.57	-	-	-
Bandhan Bal. Advantage Fund	Oct-14	11.48	9.69	4.28	10.18	8.96	-	-	-
ICICI Prudential Bal. Advantage	Dec-06	9.92	12.25	9.09	15.17	11.54	-	-	-
Kotak Bal. Advantage Fund	Aug-18	9.35	12.09	6.64	11.84	10.63	-	-	-
Nippon India Bal. Advantage	Nov-04	11.00	11.50	6.89	14.43	10.16	-	-	-
Bandhan Equity Savings Fund	Jun-08	6.38	8.14	5.02	8.54	6.96	-	-	-
Kotak Equity Savings Fund	Oct-14	8.75	12.39	8.82	11.56	9.25	-	-	-

DEBT

Debt Oriented & Ultra Short Term Debt Fund

Funds	Launch	1 Mth*	3 Mth*	6 Mth*	1 Year*	2 Year**	3 Year**	5 Year**
ABSL Short Term Fund	May-03	0.36	1.42	3.42	6.65	4.96	5.22	7.03
Axis Corporate Debt Fund	Jul-17	0.40	1.45	3.47	6.70	4.73	5.02	6.55
HDFC Corporate Bond Fund	Jun-10	0.50	1.76	3.99	7.29	4.78	5.26	7.56
Kotak Corporate Bond Fund	Sep-07	0.37	1.51	3.58	6.74	4.71	4.99	6.86
Kotak Banking and PSU Debt Fund	Dec-98	0.45	1.46	3.44	6.66	4.67	5.09	7.36
SBI Banking and PSU Fund	Oct-09	0.44	1.41	3.35	6.60	4.17	4.42	6.60
ICICI Prudential Savings Fund	Sep-02	0.62	2.03	4.06	7.46	5.46	5.47	6.76
Kotak Savings Fund Regular Plan	Aug-04	0.50	1.63	3.41	6.74	5.22	4.63	5.75

*Absolute ** Annualised. Past performance may or may not be sustained in future.

Dividends declared by equity and equity-oriented funds during the month of September 2023

Scheme name	Date	Dividend declared in ₹ Per unit
ICICI Prudential Balanced Advantage Fund - Monthly	04-09-2023	0.07
ICICI Prudential Equity & Debt Fund - Monthly	04-09-2023	0.16
ICICI Prudential Equity & Debt Fund - Annual	07-09-2023	2.00
ICICI Prudential FMCG Fund	07-09-2023	8.00
Nippon India Balanced Advantage Fund	12-09-2023	0.17
ICICI Prudential Equity Savings Fund - Quarterly	14-09-2023	0.18
PGIM India Equity Savings Fund - Monthly	15-09-2023	0.07
Sundaram Balanced Advantage Fund - Monthly	15-09-2023	0.08
Motilal Oswal Balance Advantage Fund - Quarterly	15-09-2023	0.20
ICICI Prudential Equity & Debt Fund - Half Yearly	18-09-2023	1.00
ICICI Prudential Long Term Equity Fund (Tax Saving)	20-09-2023	0.70
Sundaram Large Cap Fund	22-09-2023	0.30
HDFC Equity Savings Fund	25-09-2023	0.22
HDFC Balanced Advantage Fund	25-09-2023	0.23
HDFC Hybrid Equity Fund	25-09-2023	0.25
PGIM India Large Cap Fund	25-09-2023	0.42
Axis Equity Saver Fund - Monthly	26-09-2023	0.09
Axis Equity Hybrid Fund - Monthly	26-09-2023	0.10
Axis Equity Hybrid Fund - Quarterly	26-09-2023	0.30
Bandhan Hybrid Equity Fund	27-09-2023	0.21
DSP Equity & Bond Fund	29-09-2023	0.20
Canara Robeco Equity Hybrid Fund - Monthly	29-09-2023	0.66

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or our branch to avail of this free service.

Market Outlook...

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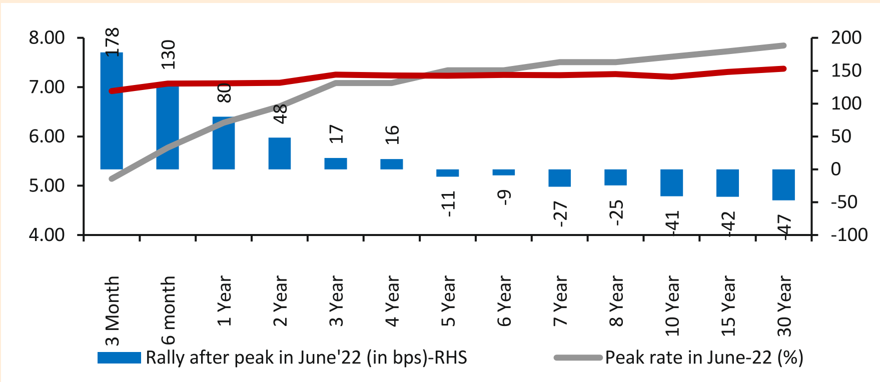
Chart 9:

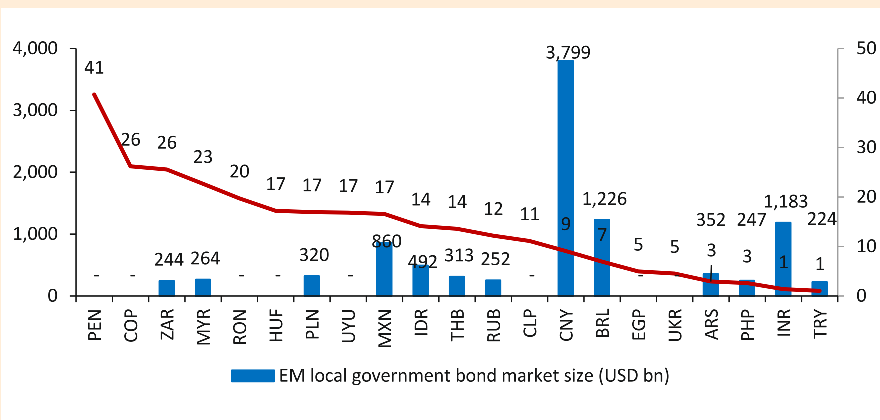
G-sec long-term yields stay lower from June 22 highs



Source: Bloomberg, SBIFM Research

Chart 10:

India has low FPI ownership in Govt Securities



Source: Bloomberg, SBIFM Research

The much-awaited inclusion of Indian Government Bonds in the JP Morgan Index was announced in the month of September. However, the near-term impact so far has been muted even as markets continue to remain resilient considering external market dynamics. Indian Government bonds continue to have a very low ownership by FPI's and could potentially benefit from having an additional source of demand. While various estimates of potential flows have been doing the rounds, the cumulative AUM benchmarked to the JPM GBI-EM indices amount to USD 236 Bn. A 10% max weightage as India is expected to garner by March 25 is estimated to lead to max around USD 23.6 Bn of flows. These numbers however are based on expectations of full replication which may not always be the case. However, at the margin, with potential inclusion in other indices, the flow of offshore money into Indian Government securities over time can be material. While inflows can add to the demand equation, the market impact would be a function of various other variables that may include how RBI decides to sterilise the impact of any Forex interventions it may have to do on account of potential large flows. Overall, the enablement of index flows while providing a base for financing the fiscal as well as current account deficit, should also create vulnerabilities with respect to higher interlinkages of domestic markets with overseas risk appetite. In this context, domestic macro-economic variables would also undergo much higher scrutiny from overseas investors.

Offshore debt flows into Government securities have picked up this calendar year, more so specific to FAR securities which were expected to be part of most indices. This denotes possible positioning prior to the inclusion which could play out over the coming months as well. At the same time, in the current global context, anticipation of overweight India positioning may be farfetched. Supplementing this over the second half is the relatively lighter net G sec supply that also should be demand positive. While demand dynamics seem to be positive over the coming months, the directional move in yields would be a function of other macro variables including inflation – growth dynamics, RBI policy stance as well as external developments that can impact risk appetite and market prices in either direction.

RBI stance

Contained core inflation, continuing pass through of earlier tightening and recent uptick in inflation attributed to weather related events have shaped the narrative around a continuing pause from RBI. Also, in the context of surplus system liquidity, the central bank has rightly chosen liquidity management as the first line of defence. This may not necessarily preclude additional policy actions in the context of the still distant and elusive goal of anchoring CPI closer to 4%.

The gradual withdrawal of the ICRR would effectively bring systemic liquidity surplus around ₹ 3 trillion by early October. Considering seasonal factors regarding currency in circulation and near-term outlook on capital flows, short term liquidity management can be a subjective call. Effectively, if the RBI decides to not impound liquidity, overnight rates could swing back towards trading below the repo rate. The alternative of adjusting either the SDF or the repo rate higher has other consequences. In the absence of either rate actions or liquidity absorption, resorting to fine tuning operations of a shorter tenor remains the most viable option, even as the RBI has expressed discomfort on this in the last review.

To summarise, the above factors provide grounds to remain cautious in the near term. While RBI may choose to maintain a pause and talk hawkish in October, monetary and liquidity policies may need to stay on guard and lean towards tighter financial conditions for a bit longer. To the extent that domestic growth drivers remain relatively positive, there remains little reason to drop its guard on the price stability objective. i.e aligning expectations and outcomes on inflation closer to the policy target of 4%.

Market technicals on demand- supply continue to remain broadly supportive. Policy rates at 6.5% still provide a real neutral rate of around 1% + even assuming FY24 CPI between 5.25%-5.50%. Market interest rates especially at the shorter end up to 3 years provide high visibility of real returns. Higher than normal carry/duration ratio as available at the shorter end currently, broadly insulates portfolios from further adjustment in market rates with reasonable holding period returns.

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A Note To Our Esteemed Readers

Wealthwise is being sent to some of you on a Complimentary basis as a part of our humble effort to ensure that more and more investors get the best from their investments. We sincerely hope that you would like the contents of Wealthwise and in some way benefit from it. However, if you do not wish to receive "Wealthwise" on a regular basis, please let us know by sending us a mail on information@wiseinvest.co.in. You can also write to us at our Corporate Office address mentioned on page number 6.

Make Your Investments More Effective

It is heartening to see increasing number of Indian investors adopting a disciplined approach through SIP for investing in mutual funds. While a disciplined investment process can make a significant contribution to one's wealth creation process, it is important to plan investments well and avoid haphazard decisions during the defined time horizon. Here are a few aspects that need to be handled well to make your SIPs more effective.

Consider inflation while setting target for long-term goals

Long-term goals like retirement planning and children's education would require you to create a large corpus. Hence, you must set the target for each one of these after considering the impact of inflation and work out investment amount based on an assumed annualised rate of return expected from an asset mix ascertained for that goal.

For example, if the parents of a new born child start planning for higher education now, assuming education inflation at 11%, the current cost of ₹ 25 lakh would escalate to ₹ 1.64 crore after 18 years. To achieve this target, they will have to invest ₹ 22,000 pm through SIP in equity funds. As is evident, starting your long-term investment process, without considering inflation, can create a huge gap in what you may be able to accumulate vis-à-vis what would be required for that goal.

Increase SIP amount every year as your income rises

There are proven advantages of starting investments through SIP early as you benefit from power of compounding and get the best out of the true potential of an asset class like equity. However, it is important to understand that even your carefully planned target amount would need to be reset as your income rises over the years. Therefore, you must increase your SIP amount to maintain the discipline in your savings and investment process as well as achieve the revised target.

This discipline can make a huge difference to what you get to accumulate over the longer term. For example, if you invest ₹ 20,000 pm in equity funds, you can expect to build a corpus of around ₹ 2 crore after 20 years, at an assumed annualised return of 12%. However, if you increase your SIP amount by 10% every year, you can expect to build a corpus of around ₹ 4 crore after the same duration.

Avoid investing in too many funds

It is quite common to see investors investing small amounts in multiple funds, making their portfolios unwieldy. Needless to say, a situation like this does more harm to your portfolio than good as the portfolio can suffer from overlap and under-performance. If you choose your funds carefully for each of your goals, a few funds can do the job of providing adequate diversification in terms of sector and stocks allocation as well as segment wise allocation. Some of the categories like Flexi-cap, large & midcap and multi-cap funds can be quite effective for those who may not be in a position to decide allocation themselves and also find it difficult to realign the portfolio in a tax-efficient manner.

Don't interrupt your investment process when faced with market volatility

While equity as an asset class helps you earn positive real rate of return i.e. gross returns minus inflation minus taxes, the bouts of volatility can put your patience and perseverance to test. Having a clearly defined time horizon, appropriate asset allocation and keeping focus on your goals helps you tackle the turbulence in the stock market. In other words, if you begin your investment process without planning your investments, you would find it difficult to stay invested when faced with the market vagaries. Needless to say, abandoning your investment process and changing your asset allocation abruptly can expose you to the challenges that can jeopardise your financial future.

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

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