An Investor Education Initiative

Getting more from equities- Patience is the key

S&P BSE Sensex- Yearly Rolling Returns across different time periods

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

YEAR END (1)	SENSEX (2)	ROLLING 1 YR GROWTH (3)	ROLLING 3 YR GROWTH (4)	ROLLING 5 YR GROWTH (5)	ROLLING 10 YR GROWTH (6)	ROLLING 15 YR GROWTH (7)	ROLLING 20 YR GROWTH (8)
Mar-79	100						
Mar-80	129	29%					
Mar-81	173	35%					
Mar-82	218	26%	30%				
Mar-83	212	-3%	18%				
Mar-84	245	16%	12%	20%			
Mar-85	354	44%	18%	22%			
Mar-86	574	62%	39%	27%			
Mar-87	510	-11%	28%	19%			
Mar-88	398	-22%	4%	13%			
Mar-89	714	79%	8%	24%	22%		
Mar-90	781	9%	15%	17%	20%		
Mar-91	1168	50%	43%	15%	21%		
Mar-92	4285	267%	82%	53%	35%		
Mar-93	2281	-47%	43%	42%	27%		
Mar-94	3779	66%	48%	40%	31%	27%	
Mar-95	3261	-14%	-9%	33%	25%	24%	
Mar-96	3367	3%	14%	24%	19%	22%	
Mar-97	3361	0%	-4%	-5%	21%	20%	
Mar-98	3893	16%	6%	11%	26%	21%	
Mar-99	3740	-4%	4%	0%	18%	20%	20%
Mar-00	5001	34%	14%	9%	20%	19%	20%
Mar-01	3604	-28%	-3%	1%	12%	13%	16%
Mar-02	3469	-4%	-2%	1%	-2%	14%	15%
Mar-03	3049	-12%	-15%	-5%	3%	15%	14%
Mar-04	5591	83%	16%	8%	4%	15%	17%
Mar-05	6493	16%	23%	5%	7%	15%	16%
Mar-06	11280	74%	55%	26%	13%	16%	16%
Mar-07	13072	16%	33%	30%	15%	8%	18%
Mar-08	15644	20%	34%	39%	15%	14%	20%
Mar-09	9709	-38%	-5%	12%	10%	6%	14%
Mar-10	17528	81%	10%	22%	13%	12%	17%
Mar-11	19445	11%	8%	12%	18%	12%	15%
Mar-12	17404	-10%	21%	6%	18%	12%	7%
Mar-13	18836	8%	2%	4%	20%	11%	11%
Mar-14	22386	19%	5%	18%	15%	13%	9%
Mar-15	27957	25%	17%	10%	16%	12%	11%
Mar-16	25342	-9%	10%	5%	8%	14%	11%
Mar-17	29621	17%	10%	11%	9%	15%	11%
Mar-18	32969	11%	6%	12%	8%	17%	11%
Probability Of Gain		**26/39**	**31/37**	**32/35**	**29/30**	**25/25**	**20/20**

Short term returns in equities are volatile; hence equity investments should be made with a long term horizon

Risk in equities reduces as holding period increases

Benefits of compounding are bigger over longer periods

Growth in GDP & Stock market returns tend to correlate each other *(Please see overleaf)*

Sensex returns are computed for 1,3,5,10,15 & 20 years from the date of investment. Source: BSE Ltd, Returns for 1 year are absolute and above 1 year CAGR.

CAGR: The rate at which an investment grows annually over a specified period of time.

Column 2: shows the value of BSE index at the end of month of the respective period. Probability of gains is the number of times the investor would have made positive returns.

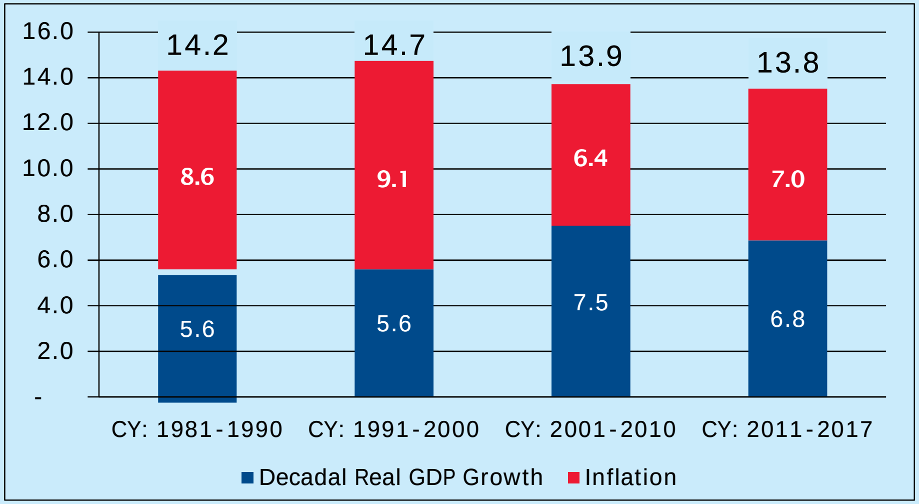
Column 3 to 8: Represents the return earned on the investment for the referred period. For e.g. If you invested in Mar-79 when SENSEX Index was 100, then 1 year returns (in Mar-80) would have been 29%, 3 years returns (in Mar-82) would have been 30%, 5 years returns (in Mar-84) would have been 20%, 10 year returns (in Mar-89) would have been 22%, 15 year returns (in Mar-94) would have been 27%, and 20 year returns (in Mar-99) would have been 20%.

Some thoughts on Equity Investing

Equities over time grow in line with the growth of underlying businesses. As the economy is sum of all total businesses, the nominal growth of the economy (real growth plus inflation) is a good proxy for the average growth in businesses.

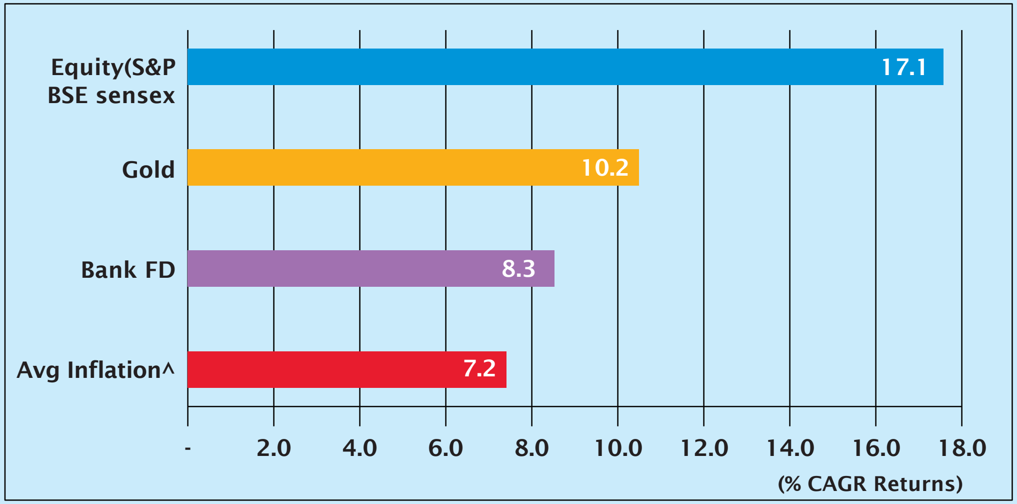
The Indian economy has grown at a nominal growth of ~ 14% p.a. No wonder that the SENSEX CAGR of 17.1%# is more than 14% nominal GDP growth *(Please refer the table on Decadal Real GDP growth and Inflation)*

Nominal GDP growth (Real growth+Inflation)



Data source: World Bank, Bloomberg

Cumulative annualised returns of different asset classes (1979 – 2018*)



*Returns from March 31,1979 to March 28, 2018
Source: Bloomberg, RBI Handbook of statistics on Indian Economy, MFI, World Gold Council
^Average inflation is shown for comparison with returns from various asset classes.
As TRI data is not available since Mar 31, 1979 the performance is calculated using composite CAGR of S&P BSE Sensex PRI values from Mar 31, 1979 to Aug 18, 1996 and TRI values since Aug 19, 1996.
Above asset classes are not strictly comparable. Above chart is for illustrative purpose only.
Past performance may or may not be sustained in the future.

Despite the risk and volatility in the short term, over long term, equity as an asset class outperforms others in providing inflation adjusted tax efficient returns

Mantra for investing in Equity Mutual Fund

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

Note: Sensex CAGR of 17.1% for the period April 1, 1979 to March 28, 2018. Nominal GDP: A gross domestic product (GDP) figure that has not been adjusted for inflation.