

RELIANCE

Reliance Mutual Fund Presents

Systematic Investment Plan

June - 2012

RELIANCE

Did you know ?

If your current monthly expenses are Rs. 30,000/- p.m., after 20 years you may require Rs. 80,000/- p.m. to maintain the same life style

Assuming long term inflation rate of 5%



Did you know ?

An education degree for
your child which
currently costs Rs. 10
lakh may cost Rs. 21
lakh after 15 years.

Assuming long term inflation rate of 5%



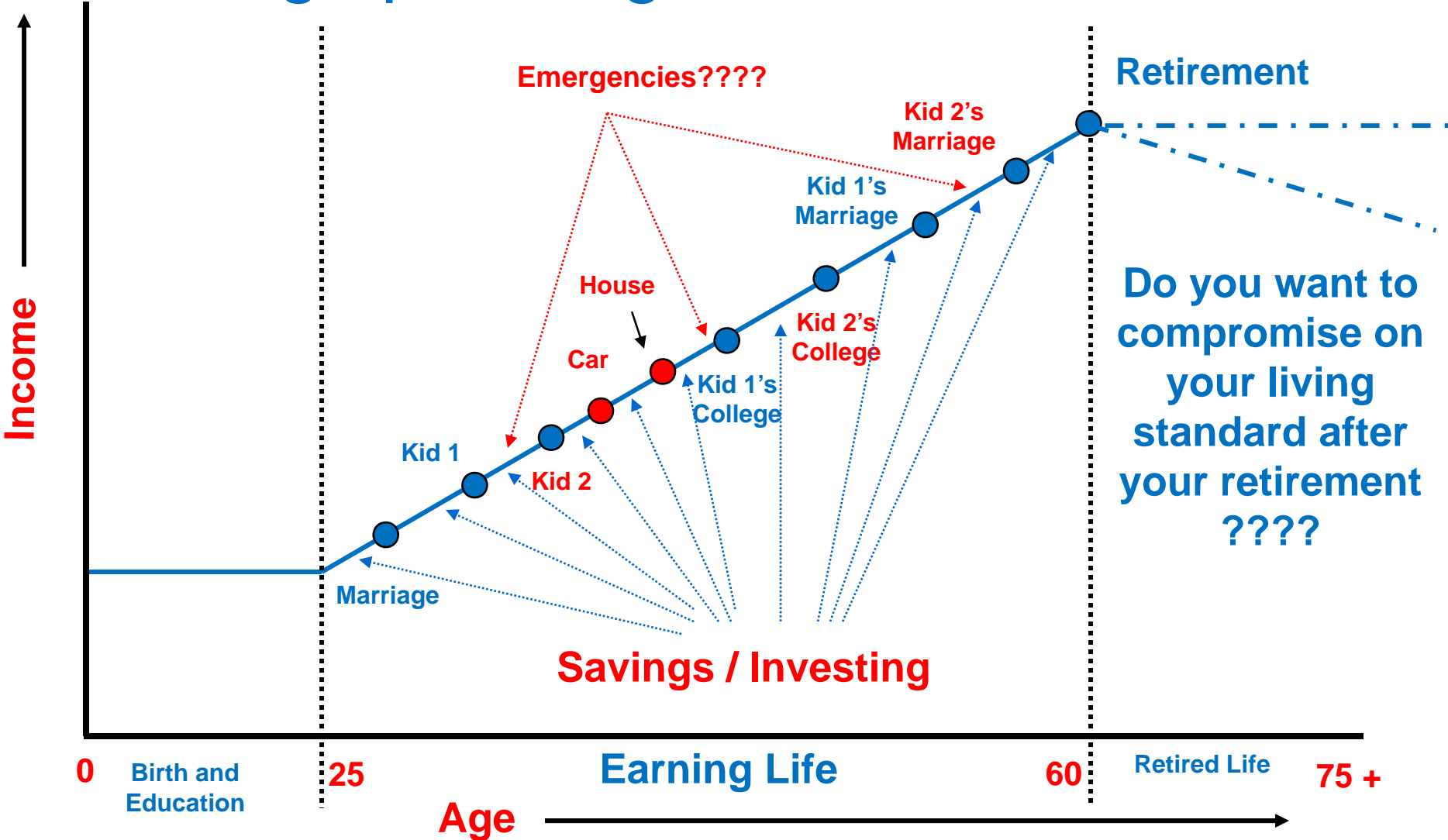
Individual Investor needs: Investment Goals

All individuals need to save for

- Retirement
- Child's education / Marriage
- Medical emergency
- Other family obligations

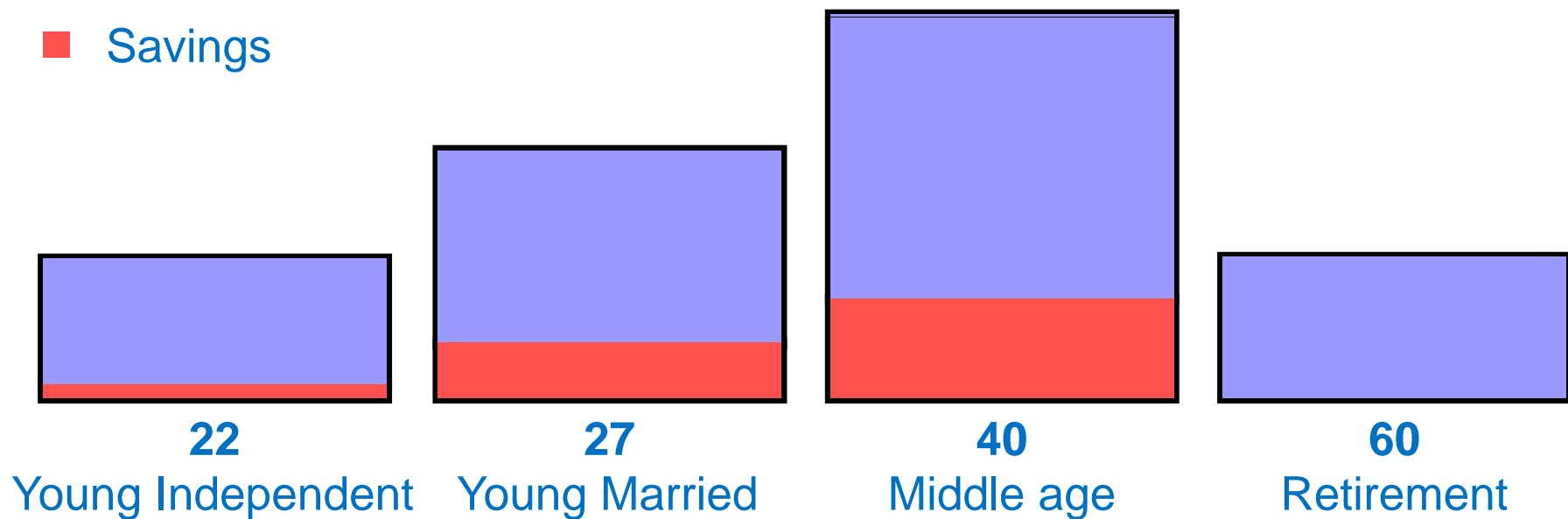
Every individual has one or more of the above goals during some part of their Life Stages

Life stage planning



Individual Investor: Life Stages

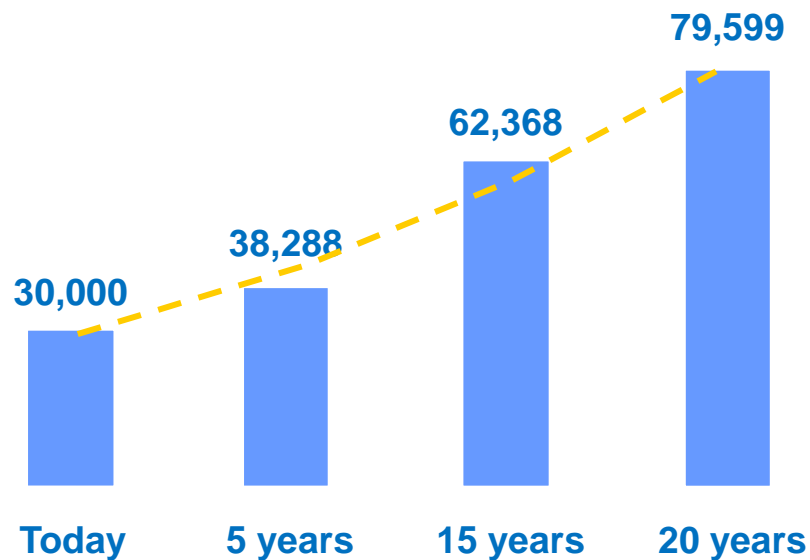
- Earnings
- Consumption
- Savings



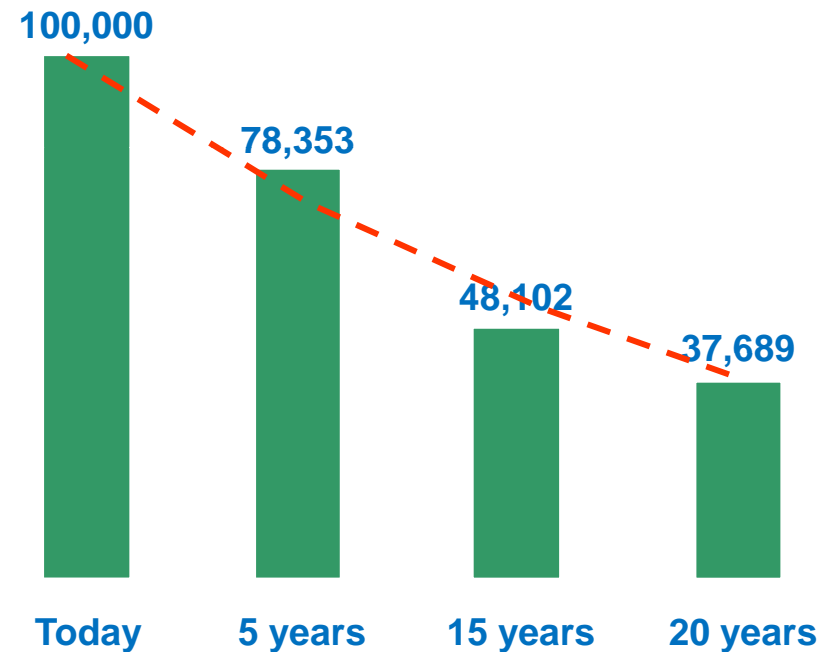
All individuals have a finite period to save for their investment goals

Value of Money over time

Impact of inflation on monthly expenses of Rs. 30,000 today



Purchasing Power of Rs. 100,000 over time

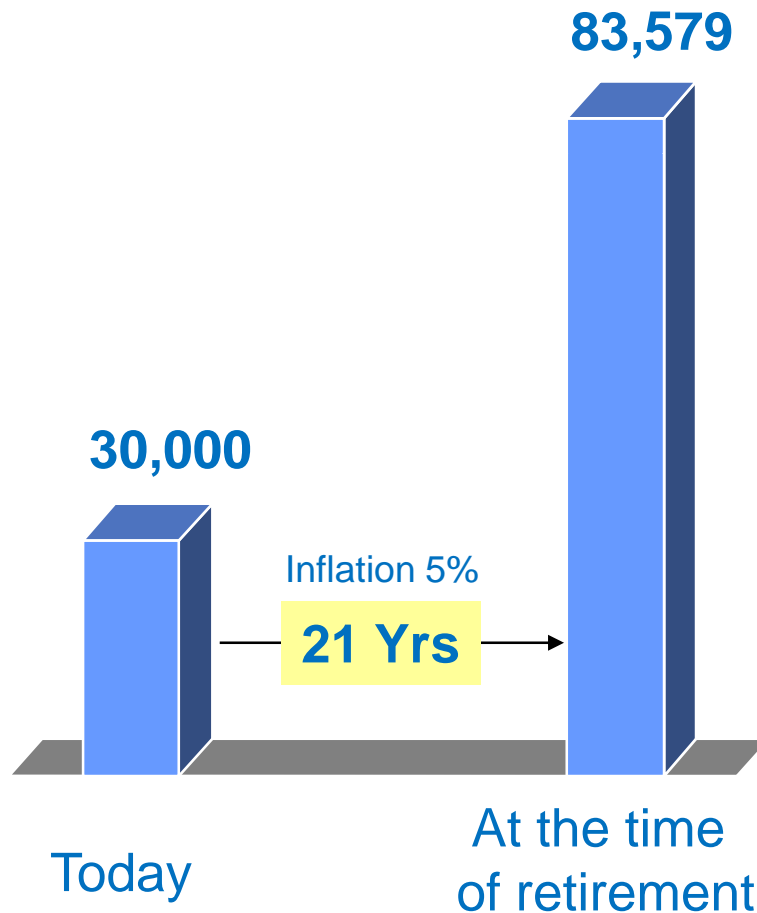


At inflation of 5%

As investors we need to beat Inflation

Retirement Planning

Monthly Household Expenses



Retirement corpus required to meet post retirement expenses. (if invested at 7%)

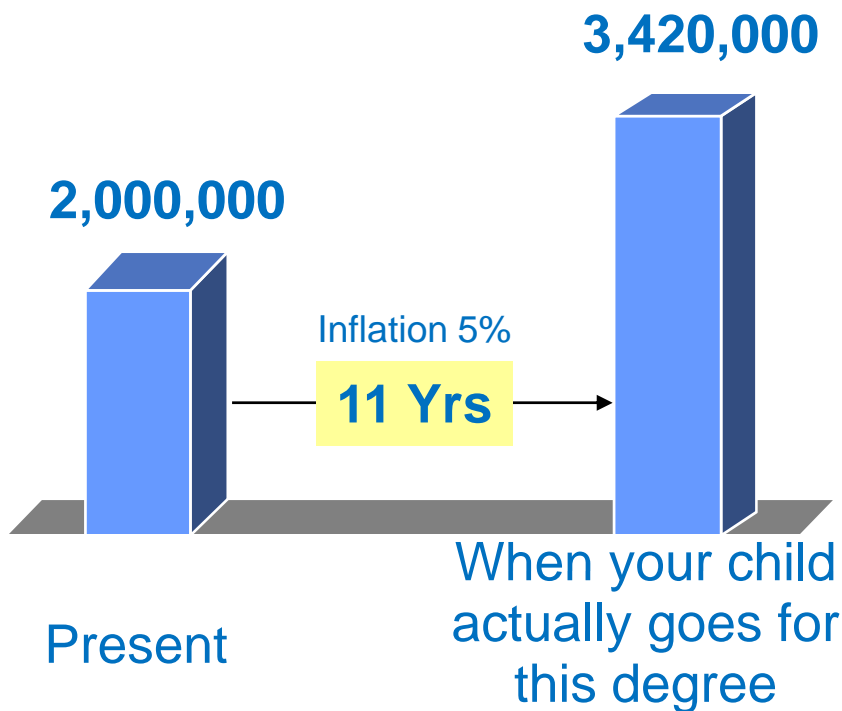
1.4 Crores

Monthly investment needed to meet post retirement expenses

at 12%	12,583
at 15%	8,083
at 18%	5,090

Child's Education

Educational Degree



Monthly investment needed to achieve this goal

at 12%	12,456
at 15%	10,166
at 18%	8,237

So what should I do?

An Ideal investment should

- **Beat Inflation**
- **Fund my future needs**
- **Meet contingencies**
- **Maintain same standard of living after my retirement**

But I do save... (or Do I Save?)

Investments	+	100,000
Interest earned in 1 year (@4%pa)	+	<u>4,000</u>
		1,04,000
Tax on Interest (@30.9%)	-	1,236
Impact of Inflation (@5% pa)	-	<u>5,000</u>
Value at the end of year 1		97,764

For illustration purpose only

Our Perceptions...

Mutual Fund perceived as

- x Meant for Corporates and HNWs/HNIs
- x Short term in nature
- x Investment in Equity
- x Risky in nature
- x Too Complicated
- x Don't know how to invest into one
- x Markets are not right to start

Whereas creating wealth through Mutual Fund..

- ✓ Is not a function of income
- ✓ Is not a function of investment expertise
- ✓ Is really a matter of Regular Savings



So what's your KEY to success?

Its not the timing but the time in the market which matters

Start Early

Invest Regularly

Invest Long-Term



Start Early : Cost of Delay

	Seeta	Geeta
Starts investing at the age (in years)	28	38
Monthly savings (in rupees)	5000	5000
Returns Expected from Bank Fixed Deposit	8%	8%
Both invest till the age of (in years)	58	58
Total investment (in rupees)	1800000	1200000
Wealth accumulated (in rupees Lakhs)	74.52	29.45

Geeta wants to catch up with Seeta.

She has two choices

- Either earn on his investment @17%

OR

- Save monthly Rs.12651

Difficult..... Isn't it ??

Invest Systematically (regularly)

Benefit of Rupee Cost Averaging Illustration :-

Say you have opted for Reliance Systematic Investment Plan, investing Rs. 1000 every month from June 2011 to May 2012 in a diversified equity fund. Now check the average purchase cost per unit of your investments. It would be lower than the average NAV of your investment over 12 months.

Date	NAV	Units	Cashflow
01-Jun-11	451.7703	2.2135	1000
11-Jul-11	452.9857	4.4211	1000
10-Aug-11	421.5244	6.7934	1000
12-Sep-11	402.6225	9.2771	1000
10-Oct-11	403.9771	11.7525	1000
11-Nov-11	415.1232	14.1614	1000
12-Dec-11	382.5714	16.7753	1000
10-Jan-12	383.4311	19.3834	1000
10-Feb-12	429.7198	21.7105	1000
12-Mar-12	436.1657	24.0032	1000
10-Apr-12	433.7876	26.3084	1000
10-May-12	407.6218	28.7617	1000
Total	5021.3	28.76	12000

Average Cost= Total Cash Outflow/Total Number of units= Rs.12000/185.56= **Rs.417.22**

Average Price= Sum of all NAVs at which invested/Number of months of investment=Rs.5021.3/12= **Rs.418.44**

Average Cost < Average Price

Note: The above table considers the actual NAV of Reliance Growth Fund to explain the concept of Rupee Cost Averaging. The NAVs do not in any manner indicate the future NAVs of the any of the schemes of Reliance Mutual Fund.

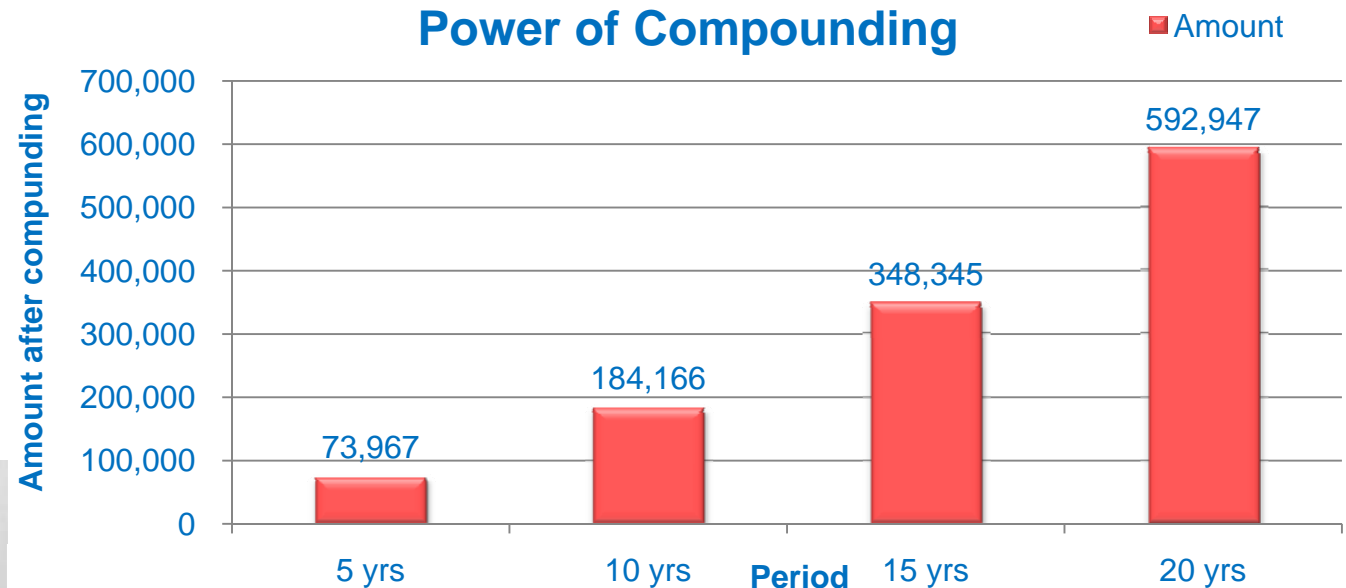
Past Performance may or may not be sustained in future.

Invest Long term...

Money grows over a period of time...

Rs 1000 invested at 8% p.a. compounded return instrument every month for...

Power of Compounding



This is an hypothetical illustration taking example of a recurring deposit to explain the concept of “Power of Compounding”.

... just like a rolling snowball gathers snow & grows.

Assuming investment made in a recurring deposit with a return of 8% p.a.



Power of Compounding - Learnings

3 brothers invest the same amount in a fixed deposit instrument with 8% p.a. compounded returns.

Since they start at varying ages they have varying maturity terms

Name	Start Age	Maturity Age	Invested Amount	Maturity value
Amar	25	58	100,000	1267605
Shyam	27	58	100,000	1086767
Rajesh	30	58	100,000	862711

Rajesh makes a return of 4,04,894 less than Amar.

Hence just a difference of 5 years results in him making 47% less returns than his younger brother.

Learning :- Time for which one is invested “matters”

Power of Compounding - Learnings

3 brothers starting at varying ages plan to achieve the same amount of money at their respective retirements by investing in 8%p.a. compounded recurring investment plans offered by the banks and other institutions

Name	Start Age	Maturity Age	Monthly Invested Amount	Maturity value
Amar	25	58	10,343	2,00,00,000
Shyam	27	58	12,296	2,00,00,000
Rajesh	30	58	16,018	2,00,00,000

Hence to achieve the same outcome Rajesh will have to make an investment of Rs.5,675 per month higher than his youngest brother Amar.

Effectively speaking a small difference of 5 years results in Rajesh having to incur an additional investment of 55% higher than his younger brother Amar to reach the same objective.

Learning :- Cost to achieve the desired result increases with reduction in time for which the investment is made

Power of Compounding - Learnings

- We always need to monitor our investments regularly & aim at the best possible returns at the given level of risk.
- Rs.100/- invested in bank deposit instruments of different returns p.a. (compounded) is shown below

Year	Interest			
	4%	6%	8%	10%
1	104	106	108	110
5	122	134	147	161
10	148	179	216	259
15	180	240	317	418
25	267	429	685	1083

Hence the returns we generate on our investments makes a major impact on the accumulated amount.

Return of Rs.100/- over 25 years would vary between Rs. 267/- to Rs. 1,083/- if the annualized returns vary within 4 – 10%.

Learning :- Small rate differential has a BIG impact over time

Make the right choice....

- Simple, straightforward way to create long term wealth

- The alternative is to :

1 Understand and embrace risk
 Invest systematically
 Don't worry about market timing

The choice is yours to make.....

2 Invest in instruments which might not beat Inflation
 Select your stocks judiciously
 Follow markets very closely
 Time your entry and exit very well

A tried & tested method

And hope that you get it right more often than not!

Choose the Right Partner –Reliance Mutual Fund

AAUM : More than 80 thousand Crores

High on Trust : Trusted by over 6.9 million account holders

Good culture of SIPs : More than 16 Lakh active SIPs

Source: - Average Assets Under Management ("AAUM") source www.amfiindia.com as on quarter ended 30th June 2012
- 69.5 lakh investor accounts is calculated on the basis of live folios as on June 30, 2012 and includes investors across all the schemes of Reliance Mutual Fund.
- SIP count from internal sources as on 31st May 2012.



RELIANCE

Mutual Fund

Hum bhi maante hai

**Chote chote kadamon se hi
manzil haasil hoti hai.**

Toll free: 1800-300-11111 | SMS 'SIP' to 561617

www.reliancemutual.com

**Reliance
Systematic Investment
Plan (SIP)**

SIP is a Special Product available only in
selected Schemes of Reliance Mutual Fund.

SMS charges apply

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

Disclaimers & Risk Factors

Investments in Bank Fixed Deposits are relatively safer as they are covered under Deposit Insurance and Credit Guarantee Corporation of India to the extent of Rs. 1 lakh per account.

SIP is a Special Product available only in selected Schemes of Reliance Mutual Fund. Entry load will be Nil and Exit load as applicable in the respective Scheme at the time of registration will be applicable. The unit holder is free to discontinue from the SIP facility at any point of time by giving necessary instructions.

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Thank You
