

# INDUSWEALTH

## Market Commentary

June 2017

# Key facts from current market data

NIFTY P/E and Returns		
YEAR	Avg P/E	Avg Yr. Rtn
2001	16.3	33.7%
2002	16.1	38.1%
2003	14.5	35.5%
2004	16.3	24.4%
2005	14.8	19.2%
2006	19.2	12.1%
2007	21.3	8.1%
2008	18.7	10.6%
2009	18.7	12.8%
2010	22.9	7.8%
2011	19.8	9.7%
2012	18.1	11.4%
2013	17.8	11.2%
2014	19.9	7.5%
2015	22.4	6.4%
2016	21.9	15.3%
2017	23.4	23.5%
<b>Avg.</b>	<b>18.8</b>	<b>16.7%</b>

**Valuations are rich**

- Current P/E levels are close to 24
- P/E for 2015, 2016 and 2017 have been above 22, which is significantly above the historical average of 18.8

**Industry growth is muted**

- FY 2016-17 sales growth is 5.8% and PAT growth is 9.6%
- Growth since 2012 has been significantly below the historical average

INDUSTRY GROWTH				
FY	SALES	PBDIT	RPAT	APAT
2001				
2002	12.0%	20.1%	51.8%	52.9%
2003	14.2%	13.1%	38.5%	38.4%
2004	27.3%	18.0%	35.7%	32.7%
2005	31.9%	15.7%	17.0%	16.4%
2006	28.5%	37.7%	41.1%	39.5%
2007	18.8%	30.8%	27.4%	26.3%
2008	8.2%	10.8%	-6.7%	-1.6%
2009	4.6%	16.1%	24.6%	22.3%
2010	21.0%	16.6%	18.9%	14.3%
2011	20.4%	17.4%	-2.3%	4.6%
2012	8.1%	12.8%	6.7%	4.0%
2013	7.2%	9.5%	2.9%	2.1%
2014	1.2%	7.0%	0.4%	4.1%
2015	0.8%	0.0%	-12.4%	-2.3%
2016	5.8%	7.8%	18.1%	9.6%
<b>Average</b>	<b>14.0%</b>	<b>15.6%</b>	<b>17.4%</b>	<b>17.6%</b>
<b>CAGR</b>	<b>13.6%</b>	<b>15.2%</b>	<b>16.0%</b>	<b>16.4%</b>

# P/E and return review

- **P/E** ratio represents the Price (**P**) paid for buying a certain level of Earnings (**E**)
- Paying a low price to buy is better for the investor
- Historically lower **P/E** 's have correlated with good return for the investors

NIFTY P/E and Returns				
YEAR	Avg P/E	Avg Yr Rtn	5 Yr Avg	3 Yr Avg
2001	16.3	33.7%	30.2%	35.8%
2002	16.1	38.1%	25.9%	32.7%
2003	14.5	35.5%	19.9%	26.4%
2004	16.3	24.4%	14.9%	18.6%
2005	14.8	19.2%	12.6%	13.1%
2006	19.2	12.1%	10.3%	10.3%
2007	21.3	8.1%	9.8%	10.5%
2008	18.7	10.6%	10.4%	10.4%
2009	18.7	12.8%	10.6%	10.1%
2010	22.9	7.8%	9.5%	9.6%
2011	19.8	9.7%	9.3%	10.8%
2012	18.1	11.4%	10.4%	10.1%
2013	17.8	11.2%	12.8%	8.4%
2014	19.9	7.5%		9.7%
2015	22.4	6.4%		15.1%
2016	21.9	15.3%		
2017	23.4	23.5%		
	<b>18.8</b>	<b>16.7%</b>		

## Analysis of NIFTY returns since 2001

- Historical average P/E for NIFTY has been 18.8
- Average return has been 16.7%
- Recent returns have been around 10.5%
- Historically investing in years with lower P/E's has resulted in much better returns
- P/E levels have been above 22 for 2015, 2016 and 2017 – this is significantly higher than usual (average)
- **2017** seems to be an **aberration** where the P/E is high and the return's so far is also high.
- **Statistically a regression to mean (reduction in P/E levels) can be expected**

# Industry growth review

INDUSTRY GROWTH				
FY	SALES	PBDIT	RPAT	APAT
2001				
2002	12.0%	20.1%	51.8%	52.9%
2003	14.2%	13.1%	38.5%	38.4%
2004	27.3%	18.0%	35.7%	32.7%
2005	31.9%	15.7%	17.0%	16.4%
2006	28.5%	37.7%	41.1%	39.5%
2007	18.8%	30.8%	27.4%	26.3%
2008	8.2%	10.8%	-6.7%	-1.6%
2009	4.6%	16.1%	24.6%	22.3%
2010	21.0%	16.6%	18.9%	14.3%
2011	20.4%	17.4%	-2.3%	4.6%
2012	8.1%	12.8%	6.7%	4.0%
2013	7.2%	9.5%	2.9%	2.1%
2014	1.2%	7.0%	0.4%	4.1%
2015	0.8%	0.0%	-12.4%	-2.3%
2016	5.8%	7.8%	18.1%	9.6%
<b>Average</b>	14.0%	15.6%	17.4%	17.6%
<b>CAGR</b>	13.6%	15.2%	16.0%	16.4%

5 year average			
SALES	PBDIT	RPAT	APAT
22.8%	20.9%	36.8%	36.0%
24.1%	23.1%	31.9%	30.7%
22.9%	22.6%	22.9%	22.7%
18.4%	22.2%	20.7%	20.6%
16.2%	22.4%	21.1%	20.2%
14.6%	18.4%	12.4%	13.2%
12.5%	14.7%	8.2%	8.7%
12.3%	14.5%	10.2%	9.5%
11.6%	12.6%	5.3%	5.8%
7.5%	9.3%	-1.0%	2.5%
4.6%	7.4%	3.1%	3.5%

- Indian economy is expected to have a robust growth.
  - This growth should be reflected in the growth in sales and profits.
- Growth since 2012 has been significantly slow and much below historical average
- **Statistically a regression to mean (increase in sales and profit levels) can be expected.**

# Crystal ball gazing by putting these facts together

- P/E levels are high, that could mean market is factoring in Earnings growth.
  - A 10% increase in earnings without change in markets levels will bring the P/E to below 22
  - A 16% increase in earnings without change in market levels will bring-the P/E to below 21.
- Industry growth levels have been below long term averages and are also below the expected GDP growth rate.
- **P/E and Industry growth can be reasonably expected to move towards their long term averages.**
- The paths they can take could be
  - Market levels (P) remain stable while earnings (E) increase
  - There could be a correction in market (a fall in P) and then market levels (P) will reflect the growth in E
  - Market could take a path which is a combination of above options in various proportions
  - There could be other developments that could also impact the overall trajectory
- **Although regression to mean (for P/E and corporate earnings) is a reasonable expectation, the path and time taken are hard to predict.**
- **Rest of this presentation looks at the implications of investing at various market levels and attempts to identify robust strategies that can be followed by long term investors**
  - We will be looking at investments in NIFTY (market index) as it represents the average return by the market

# Review of historical P/E levels and associated NIFTY returns

- **This analysis assumes one time purchase which is held to date (i.e., never sold)**
  - For example investment made in 2002 when P/E is between 14-16 would have generated a 40.4% yearly return
- P/E's were about 26 only for 26 days in the last 16.5 years and returns for investments made in that period were about 4.2%
- P/E tend to be between 14 to 22 about 72% of the time and between 12 to 24 about 95% of the time
- **Investors who have very long holding periods can expect positive returns**
- **Investing at lower P/E tends to generate better returns**

Yearly Returns for various P/E ranges											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		42.1%	35.2%	32.0%	27.9%	26.2%	25.5%				33.7%
2002		41.3%	40.4%	36.3%	34.0%						38.1%
2003	43.9%	39.8%	36.1%	26.9%	24.0%	21.6%					35.5%
2004	29.7%	27.7%	23.7%	22.0%	22.9%	21.9%	21.6%				24.4%
2005		21.9%	19.3%	15.4%							19.2%
2006			16.2%	14.0%	12.4%	10.4%					12.1%
2007				11.1%	9.4%	8.6%	6.6%	5.1%	4.4%		8.1%
2008	21.5%	18.5%	14.5%	11.0%	9.2%	7.3%	6.3%	4.9%	4.3%	4.0%	10.6%
2009	21.3%	20.5%	17.2%	14.8%	11.2%	9.8%	8.4%				12.8%
2010						9.0%	7.7%	6.2%			7.8%
2011				12.5%	10.5%	8.5%	7.4%	6.3%			9.7%
2012				12.3%	10.7%						11.4%
2013			14.5%	11.7%	10.3%						11.2%
2014				12.1%	10.0%	5.6%					7.5%
2015						9.2%	5.2%	2.3%			6.4%
2016					17.9%	18.8%	12.0%	8.8%			15.3%
2017						29.1%	23.4%	23.7%			23.5%
<b>Total</b>	<b>34.8%</b>	<b>29.0%</b>	<b>29.7%</b>	<b>17.1%</b>	<b>13.4%</b>	<b>10.8%</b>	<b>10.3%</b>	<b>8.5%</b>	<b>4.4%</b>	<b>4.0%</b>	<b>16.7%</b>

# of days in the year when P/E was in that range											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		27	136	34	20	18	13				248
2002		4	135	62	50						251
2003	28	79	82	41	18	4					252
2004	8	75	68	21	27	54	1				254
2005		48	168	34							250
2006			5	66	80	99					250
2007				13	85	81	14	41	14		248
2008	14	35	8	32	57	62	25	2	8	4	247
2009	2	51	16	17	29	69	59				243
2010						70	133	49			252
2011				49	65	106	23	4			247
2012				115	136						251
2013			12	128	111						251
2014				28	69	151					248
2015						77	171	1			249
2016					26	104	104	13			247
2017						1	89	18			108
<b>Total</b>	<b>52</b>	<b>319</b>	<b>630</b>	<b>640</b>	<b>773</b>	<b>896</b>	<b>632</b>	<b>128</b>	<b>22</b>	<b>4</b>	<b>4,096</b>

# P/E levels and associated NIFTY returns for 5 year holding period

- **This analysis assumes a one time purchase which is held for 5 years**
  - For example investment made in 2002 when P/E was between 14-16 and held for 5 years would have generated a 78% yearly return
- For a 5 year holding period, investing at P/E levels more than 26 has historically lead to losses
- **For a 5 year holding period, investing when P/E is between 24-26 has generated a yearly return of 3.5%**

	Yearly Returns for various P/E ranges										
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		57.6%	43.6%	39.8%	27.4%	23.7%	23.1%				40.8%
2002		91.9%	78.0%	56.5%	48.0%						66.9%
2003	81.7%	64.6%	67.2%	19.2%	13.4%	11.0%					55.5%
2004	38.9%	36.4%	33.7%	27.8%	14.4%	10.8%	7.8%				27.2%
2005		31.1%	28.4%	23.9%							28.3%
2006			20.5%	17.5%	12.6%	8.1%					12.3%
2007				9.2%	5.6%	4.0%	2.4%	0.0%	-0.6%		3.8%
2008	26.3%	22.1%	14.9%	9.0%	5.8%	3.8%	2.6%	0.8%	-0.6%	-0.9%	8.8%
2009	26.6%	24.6%	21.7%	18.4%	15.7%	13.8%	12.4%				16.9%
2010						14.1%	10.3%	6.4%			10.6%
2011				14.7%	12.9%	8.2%	6.2%	5.8%			10.5%
2012				16.9%	13.7%						15.0%
<b>Total</b>	<b>58.1%</b>	<b>41.6%</b>	<b>47.9%</b>	<b>25.1%</b>	<b>15.3%</b>	<b>9.3%</b>	<b>9.9%</b>	<b>3.5%</b>	<b>-0.6%</b>	<b>-0.9%</b>	<b>25.3%</b>

	# of days in the year when P/E was in that range										
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		27	136	34	20	18	13				248
2002		4	135	62	50						251
2003	28	79	82	41	18	4					252
2004	8	75	68	21	27	54	1				254
2005		48	168	34							250
2006			5	66	80	99					250
2007				13	85	81	14	41	14		248
2008	14	35	8	32	57	62	25	2	8	4	247
2009	2	51	16	17	29	69	59				243
2010						70	133	49			252
2011				49	65	106	23	4			247
2012				44	68						112
<b>Total</b>	<b>52</b>	<b>319</b>	<b>618</b>	<b>413</b>	<b>499</b>	<b>563</b>	<b>268</b>	<b>96</b>	<b>22</b>	<b>4</b>	<b>2,854</b>

# P/E levels and associated NIFTY returns for 3 year holding period

- **This analysis assumes a one time purchase which is held for 3 years**
  - For example investment made in 2002 when P/E was between 14-16 and held for 3 years would have generated a 47% yearly return
- For a 3 year holding period, investing at P/E levels more than 26 has historically lead to losses
- For 3 year holding period, investing when P/E is between 24-26 has generated a yearly return of 0.9%
- **For 3 year holding period, investing when P/E is between 22-24 has generated a yearly return of 3.6%**

Yearly Returns for various P/E ranges											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		30.5%	19.4%	18.8%	15.6%	13.1%	11.1%				19.3%
2002		52.4%	47.0%	29.2%	26.5%						38.6%
2003	80.4%	66.4%	57.3%	47.7%	43.3%	37.1%					59.8%
2004	62.3%	58.5%	64.1%	59.4%	40.6%	37.1%	33.2%				53.6%
2005		48.1%	33.4%	4.5%							32.3%
2006			23.0%	8.2%	5.6%	7.3%					7.3%
2007				13.5%	9.0%	7.7%	6.4%	2.1%	-0.4%		7.0%
2008	29.6%	22.4%	15.0%	10.8%	6.1%	4.8%	1.5%	-0.9%	-1.3%	-1.5%	9.4%
2009	28.8%	28.7%	21.9%	14.6%	7.5%	4.7%	4.6%				12.0%
2010						6.3%	2.3%	-0.1%			3.0%
2011				23.3%	17.7%	8.0%	3.9%	0.6%			13.1%
2012				20.3%	17.2%						18.6%
2013			20.2%	13.8%	9.7%						12.3%
2014				14.6%	11.9%	9.8%					12.3%
<b>Total</b>	<b>61.9%</b>	<b>47.7%</b>	<b>38.9%</b>	<b>19.9%</b>	<b>14.3%</b>	<b>10.0%</b>	<b>3.6%</b>	<b>0.9%</b>	<b>-0.7%</b>	<b>-1.5%</b>	<b>21.8%</b>

# of days in the year when P/E was in that range											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		27	136	34	20	18	13				248
2002		4	135	62	50						251
2003	28	79	82	41	18	4					252
2004	8	75	68	21	27	54	1				254
2005		48	168	34							250
2006			5	66	80	99					250
2007				13	85	81	14	41	14		248
2008	14	35	8	32	57	62	25	2	8	4	247
2009	2	51	16	17	29	69	59				243
2010						70	133	49			252
2011				49	65	106	23	4			247
2012				115	136						251
2013			12	128	111						251
2014				28	68	15					111
<b>Total</b>	<b>52</b>	<b>319</b>	<b>630</b>	<b>640</b>	<b>746</b>	<b>578</b>	<b>268</b>	<b>96</b>	<b>22</b>	<b>4</b>	<b>3,355</b>

# P/E levels and associated NIFTY returns for 1 year holding period

- **This analysis assumes a one time purchase which is held for 1 year**
  - For example investment made in 2002 when P/E was between 14-16 and held for 1 year would have generated a 47% yearly return
- For 1 year holding period, investing when P/E was between 20-22 has generated a yearly return of 7.2%
- **For 1 year holding period, investing at P/E levels more than 22 has historically lead to losses**

	Yearly Returns for various P/E ranges										
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		5.3%	-3.7%	-4.1%	-11.2%	-16.6%	-20.5%				-5.2%
2002		55.5%	37.6%	-5.3%	-12.6%						17.3%
2003	65.8%	56.3%	55.0%	18.5%	17.0%	10.7%					47.3%
2004	46.0%	42.6%	38.1%	29.4%	10.4%	10.1%	15.0%				30.0%
2005		65.3%	46.1%	40.7%							49.0%
2006			52.7%	42.0%	27.9%	37.8%					36.0%
2007				30.8%	18.0%	11.4%	-22.1%	-48.6%	-52.8%		-0.7%
2008	89.3%	69.6%	46.4%	13.1%	0.6%	-31.8%	-44.0%	-51.3%	-52.9%	-52.2%	2.8%
2009	86.9%	80.0%	64.6%	45.8%	25.0%	18.5%	18.6%				37.7%
2010						9.5%	-1.7%	-16.8%			-1.5%
2011				18.3%	5.3%	-5.8%	-12.0%	-22.2%			1.1%
2012				14.3%	8.0%						10.9%
2013			47.4%	29.0%	16.8%						24.5%
2014				43.7%	28.3%	2.7%					14.5%
2015						4.0%	-4.6%	-18.1%			-2.0%
2016					21.6%	17.2%	17.8%				18.3%
<b>Total</b>	<b>69.9%</b>	<b>55.3%</b>	<b>34.4%</b>	<b>22.1%</b>	<b>13.0%</b>	<b>7.2%</b>	<b>-3.7%</b>	<b>-31.2%</b>	<b>-52.8%</b>	<b>-52.2%</b>	<b>17.5%</b>

	# of days in the year when P/E was in that range										
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		27	136	34	20	18	13				248
2002		4	135	62	50						251
2003	28	79	82	41	18	4					252
2004	8	75	68	21	27	54	1				254
2005		48	168	34							250
2006			5	66	80	99					250
2007				13	85	81	14	41	14		248
2008	14	35	8	32	57	62	25	2	8	4	247
2009	2	51	16	17	29	69	59				243
2010						70	133	49			252
2011				49	65	106	23	4			247
2012				115	136						251
2013			12	128	111						251
2014				28	69	151					248
2015						77	171	1			249
2016					26	70	12				108
<b>Total</b>	<b>52</b>	<b>319</b>	<b>630</b>	<b>640</b>	<b>773</b>	<b>861</b>	<b>451</b>	<b>97</b>	<b>22</b>	<b>4</b>	<b>3,849</b>

# Summary for one time purchase and hold strategy for various holding periods

- If the holding period is very long (about 15 years) then there is chance that one will make a profit.
  - Investing at P/E over 26 tends to give very low returns
  - **Ideal time to invest is when P/E is 26 or lower**
- For an investor with a 5 year holding period
  - Investing at P/E over 26 could lead to losses
  - **Ideal time to invest is when P/E is 24 or lower**
- For an investor with a 3 year holding period
  - Investing at P/E over 24 could lead to losses
  - **Ideal time to invest is when P/E is 22 or lower**
- For an investor with a 1 year holding period
  - Investing at P/E over 22 could lead to losses
  - **Ideal time to invest is when P/E is 20 or lower**

Investment horizon	Consider investing if P/E is less than
15 years	26
5 years	24
3 years	22
1 year	20

# Evaluating NIFTY SIP (regular) investment outcomes

Retruns for SIP investment with buy and hold approach

YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		16.0%	16.1%	16.4%	16.7%	16.7%	16.7%				16.3%
2002		14.3%	14.6%	15.3%	15.3%						14.9%
2003	13.3%	13.2%	13.4%	12.6%	12.5%	12.4%					13.1%
2004	12.0%	11.9%	11.6%	11.7%	12.3%	12.3%	12.3%				12.0%
2005		11.1%	11.1%	10.8%							11.1%
2006			10.7%	10.7%	10.7%	10.6%					10.7%
2007				10.6%	10.7%	10.7%	10.7%	10.8%	10.9%		10.7%
2008	11.0%	11.0%	11.1%	11.1%	11.1%	11.0%	11.0%	10.9%	10.9%	10.9%	11.1%
2009	10.9%	10.8%	10.7%	10.6%	10.6%	10.6%	10.7%				10.7%
2010						10.8%	10.9%	11.0%			10.9%
2011				11.4%	11.4%	11.3%	11.2%	11.2%			11.4%
2012				11.4%	11.4%						11.4%
2013			11.5%	11.5%	11.5%						11.5%
2014				11.5%	11.5%	12.2%					11.9%
2015						16.3%	15.0%	13.8%			15.4%
2016					18.0%	20.1%	20.8%	21.6%			20.3%
2017						23.4%	23.6%	23.1%			23.5%
<b>Total</b>	<b>12.4%</b>	<b>12.2%</b>	<b>13.3%</b>	<b>12.0%</b>	<b>11.9%</b>	<b>12.9%</b>	<b>15.5%</b>	<b>13.7%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>13.0%</b>



- SIP investors with a buy and hold strategy can ignore the market levels as they get averaged out (both for upside and downside).
- SIP investors with buy and hold strategy have generated over 10% return irrespective of when they started their SIP
- Even for long term SIP investor avoiding investing when P/E levels are above 26 could lead to better returns

Retruns for SIP investment with a 5 year horizon

YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		27.3%	28.0%	28.9%	30.0%	30.0%	30.0%				28.4%
2002		20.8%	22.1%	24.6%	24.8%						23.3%
2003	17.3%	17.1%	17.9%	15.2%	15.0%	15.0%					16.9%
2004	14.3%	14.0%	13.2%	13.3%	14.8%	14.9%	14.9%				14.0%
2005		11.6%	11.4%	10.4%							11.3%
2006			9.8%	10.0%	9.9%	9.8%					9.9%
2007				9.8%	9.9%	10.0%	10.2%	10.3%	10.4%		10.0%
2008	10.8%	10.7%	10.9%	10.8%	10.8%	10.6%	10.6%	10.5%	10.4%	10.4%	10.7%
2009	10.5%	10.4%	10.1%	10.1%	9.9%	9.8%	9.6%				10.0%
2010						9.3%	9.2%	9.1%			9.2%
2011				10.1%	10.0%	9.7%	9.5%	9.3%			9.8%
2012				11.1%	10.9%						11.0%
<b>Total</b>	<b>14.8%</b>	<b>14.7%</b>	<b>18.4%</b>	<b>14.6%</b>	<b>12.9%</b>	<b>11.0%</b>	<b>10.5%</b>	<b>9.6%</b>	<b>10.4%</b>	<b>10.4%</b>	<b>13.8%</b>



- SIP investors with 5 year horizon have generated over 9% return irrespective of when they started their SIP
- For SIP investor with 5 year horizon, avoiding investing when P/E levels are above 24 could lead to better returns

# Evaluating NIFTY SIP (regular) investment outcomes

Retruns for SIP investment with a 3 year horizon											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		34.0%	34.3%	34.9%	35.6%	35.7%	35.7%				34.6%
2002		27.5%	28.9%	31.5%	31.7%						30.1%
2003	22.8%	22.6%	23.6%	19.5%	18.9%	18.7%					22.1%
2004	16.5%	16.0%	14.4%	14.6%	17.8%	18.2%	18.0%				16.1%
2005		11.4%	11.2%	10.2%							11.1%
2006			10.9%	10.7%	10.7%	10.6%					10.7%
2007				10.4%	10.3%	10.3%	10.2%	10.2%	10.3%		10.3%
2008	10.3%	10.3%	10.6%	10.5%	10.5%	10.5%	10.4%	10.4%	10.3%	10.3%	10.4%
2009	9.9%	9.8%	9.4%	9.2%	9.3%	9.4%	9.5%				9.5%
2010						9.8%	10.1%	10.5%			10.1%
2011				10.5%	10.7%	11.0%	10.9%	10.8%			10.8%
2012				8.9%	9.0%						9.0%
2013			9.0%	9.0%	9.0%						9.0%
2014				10.4%	10.7%	11.6%					10.8%
<b>Total</b>	<b>18.0%</b>	<b>17.0%</b>	<b>21.9%</b>	<b>13.9%</b>	<b>12.6%</b>	<b>12.0%</b>	<b>11.3%</b>	<b>10.4%</b>	<b>10.3%</b>	<b>10.3%</b>	<b>14.8%</b>



- SIP investors with 3 year horizon have generated over 8% return irrespective of when they started their SIP
- For SIP investor with 3 year horizon, avoiding investing when P/E levels are above 22 could lead to better returns

Retruns for SIP investment with a 1 year horizon											
YEAR	10-12	12-14	14-16	16-18	18-20	20-22	22-24	24-26	26-28	28-30	Total
2001		37.4%	36.8%	36.0%	34.6%	34.6%	34.6%				36.3%
2002		37.4%	39.1%	39.8%	39.4%						39.3%
2003	28.4%	28.4%	30.6%	25.0%	24.6%	24.5%					28.2%
2004	23.4%	22.7%	20.7%	21.0%	24.3%	24.4%	24.4%				22.6%
2005		16.2%	15.7%	12.7%							15.4%
2006			10.8%	11.1%	10.6%	9.5%					10.3%
2007				7.4%	7.2%	7.3%	7.4%	8.7%	9.9%		7.6%
2008	13.9%	13.7%	14.9%	15.1%	15.0%	14.0%	12.9%	11.5%	11.0%	10.9%	14.1%
2009	12.0%	11.4%	9.9%	9.4%	8.8%	8.7%	8.1%				9.3%
2010						7.6%	8.0%	8.5%			8.0%
2011				11.7%	11.7%	10.8%	10.2%	9.8%			11.1%
2012				11.0%	11.1%						11.1%
2013			9.8%	10.3%	10.3%						10.3%
2014				6.5%	5.9%	5.2%					5.5%
2015						12.2%	10.6%	8.6%			11.1%
2016					16.5%	17.0%	18.7%				17.1%
<b>Total</b>	<b>23.1%</b>	<b>21.8%</b>	<b>27.5%</b>	<b>16.2%</b>	<b>13.7%</b>	<b>11.2%</b>	<b>10.5%</b>	<b>8.7%</b>	<b>10.3%</b>	<b>10.9%</b>	<b>16.1%</b>



- SIP investors with 1 year horizon have generated over 5% return irrespective of when they started their SIP
- For SIP investor with 1 year horizon, avoiding investing when P/E levels are above 20 could lead to better returns

# Summary of NIFTY SIP investment strategy

- SIP investment approach tends to reduce the overall volatility of the portfolio.
  - High returns for investments made in opportune times get reduced by other investments
  - Losses from investments made in inopportune times are improved by other investments
- SIP investment approach is more suitable for people who are able to invest regularly over a period of time and have a long investment horizon
  - These investors can safely ignore the market levels and continue with their investment plans
- SIP investors can take advantage of low P/E markets if they invest more when the P/E levels are low.

# Putting it all together

- Current market valuation (P/E) is very high compared to historical averages
- Current corporate earnings growth is very low compared to historical averages
- Both market levels and corporate earnings can be expected to move towards their long term historical averages.
  - The path and time taken to execute the move towards average is hard to predict.
- Investors investing a substantial amount (as a one time investment) at the current levels should be cautious.
  - If their investment horizon is less than 5 years they may want to consider waiting.
- SIP investors can consider investing at current levels as long as their investment horizon is over 3 years.
  - Even SIP investors should consider waiting if the P/E levels go beyond 26.
- Investor can benefit by investing significant amounts when the market P/E levels are low