



SUNDARAM MUTUAL
UNEARTHING OPPORTUNITIES

BUY RIGHT

An Investor Education series to help you make informed decisions.

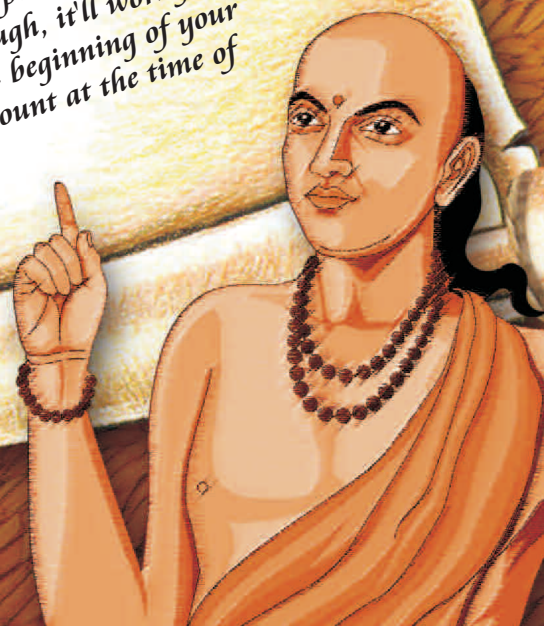
There was once a poet who fell upon such hard times...

that he was no longer able to feed his family. Hearing that the king greatly encouraged talent and was famed for his generosity, the poet set off for the Royal Palace. When brought before the king, he bowed low and asked that if he can a poem. On hearing his recitation, the king, well pleased, asked him to name his reward.

The poet, pointing to a chessboard before the king said "Your highness, if you place just one grain of rice on the first square of this chess board, and double it for every square, I will consider myself well rewarded." "Are you sure?" asked the king, greatly surprised. "Just grains of rice, not gold?" "Yes, your highness" affirmed the humble poet.

"So it shall be" ordered the king and his courtiers started placing the grain on the chess board. One grain on the first square, 2 on the second, 4 on the third, 8 on the fourth and so on. By the time they came to the 10th square they had to place 512 grains of rice. The number swelled to 5,24,288 grains on the 20th square. When they came to the half way mark, the 32nd square, the grain count was 214,74,83,648 – that is over 214 crores! Soon the count increased to lakhs of crores and eventually the hapless king had to hand over his entire kingdom to the clever poet. And it all began with just one grain of rice!

Moral of the story : Never underestimate the power of compounding. If you stay invested long enough, it'll work for you. A small sum invested every month from the beginning of your work-life can lead to a very impressive amount at the time of your retirement.



Why SIP?

The answer is very simple. Most people get their income every month. So it is most convenient to save every month. By investing your savings every month without letting it sit idle, you give it the opportunity to earn for you for the longest period. The longer it stays invested, the greater the power of compounding working for you.

Investing systematically every month also gives you another important benefit - your savings don't get spent. How often have you seen 'unexpected' expenses taking away your savings? If instead your money is invested it will not be available for spending. You can also honestly say "No funds" when someone asks you for a loan!

TIPS for SIP's

- Don't start just one SIP. Split your money and start 3 or 4. This gives you two advantages (i) you get the benefit of investing in more than one fund, and (ii) it gives you the flexibility to stop one in case you need more money for your monthly expenses.
- Start your SIP's on different days of the month. This smoothens your cashflow for the month.
- While choosing your funds make sure they offer different investment segments eg. large cap/mid cap/diversified etc., This broad-bases your portfolio and reduces risk.
- Most importantly start your SIP's without any delay. That's the surest way to get the power of compounding to work for you!

SIP Process is Simple

1. New Investor can register their SIP by filling in common application form, SIP Enrolment / Renewal form with National Automated Clearing House (NACH) / One Time Mandate (OTM) and supporting documents such as KYC, FATCA, Adhik KYC, etc.
2. Existing Investor can register their SIP by filling in SIP Enrolment / Renewal form along with NACH / OTM (if not registered).
3. SIP can be registered on any Business day for the specific SIP dates.
4. NACH / OTM can also be registered as one-time process for all the future Investments.
5. Investors can register any number of SIP instalments through NACH/OTM.
6. Units will be allotted on the specific SIP dates. In case the specific date is a Non – Business Day, the immediate next Business Day will be considered for the purpose of determining the applicability of NAV.

Benefits of Investing through SIP

The major benefits of investing through SIP route are as follows:

Rupee Cost Averaging: This is supposed to be the primary benefits of investing through the SIP route which has made it so popular among investors. What is the cardinal principle of buying anything in this world - buying when the price is low. Rupee cost averaging simply does that by automatically buying more when the price is low and purchasing less when the price is high. This is the primary advantage of a SIP on which it is being sold and marketed - but does this really benefit the investor - read on.

Regularity of Investments: SIP regularizes investments by making it a mechanical boring process which is what it is supposed to be. It removes human judgment from the decision making process. It instills discipline in the investor and helps him stay focused, investing regularly for the long term.

Power of Compounding: Some term compounding as the "eighth" wonder of the world and it really is. Very few people realize how powerful compounding is over long periods of time - small items compounded regularly over longer periods yield big difference in the final results. For example, Rs.5000 invested monthly at a 10% p.a. return over a 30 and 35 year period would accumulate to Rs.1.13 crores and Rs.1.90 crores, respectively - a massive difference of Rs.77 lacs - that is the power of compounding.

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Mutual Fund Investments are subject to market risks, read all Scheme related documents carefully.