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IT'S TIME TO PLAY THE STRUCTURAL BULL RUN THRU SIP

After two full years SENSEX is nearing 30000 which it had touched in Jan '15 when we had an euphoric run after the thumbing victory of NDA Government to Lok Sabha. There was optimism that this Government would complete all legislative reforms including GST. But subsequent reality took the SENSEX even to as low as 22000 when Emerging Market sell off happened.

This is because of the following reasons :

1. Government was not able to get thru GST as expected.
2. Two years of drought has reduced public spending.
3. Slowdown in China and resultant EM sell off.
4. Destabilising Oil prices causing Geopolitical tensions.
5. Unsupportive global economy.
6. Lack of private investment due to capacity under utilisation.
7. Falling commodity prices.
8. Rising NPAs in Public Sector Banks.

Due to this overall corporate earning was flat. Though one set of companies posted good results, commodity companies and public sector banks have pulled down the earnings. But things have changed now for better and we can expect the economy and corporate earnings to accelerate due to the following reasons in coming years:

1. GST which is a game changer is reality.
2. We had good monsoon last year and this year also it is predicted to be Average. This coupled with implementation of OROP and 7th pay commission is expected to improve public spending.
3. China is stabilising which is good for world economy particularly commodity exporters and also to domestic steel industry which was reeling under pressure.
4. Oil prices have stabilised which would give relief to producing countries and is not expected to go up due to supply of shale gas in US and other alternatives like Solar and Wind power giving relief to high importing countries like India.
5. US is growing and Europe is limping back.
6. Number of stalled project has hit a low in Mar'17 after year 2008 which is very good news for capex and banking sector which is facing low credit off take.
7. NPA is still a hangover but solution is in sight and worst is behind us. A vibrant economy and stringent Bankruptcy Law will help recovery.
8. All time high FDIs, Forex Reserves and comfortable Balance of Payments.
9. Low interest & inflation, stable Fiscal deficit and falling Current Account Deficit.
10. Rock solid rupee which has withstood all the pressure from rising Dollar which is the best sign that the economy is in good shape.

11. GST and Demonetisation would expand formal economy which would help in increasing tax base giving Government leeway in Fiscal deficit and spending.
12. Aadhar which is expected to Empower citizens has already Empowered Government in weeding out fake beneficiaries and targeting subsidies to the needs.
13. Government's hard push in infrastructure spending for the last 18 months would be visible in growth numbers going forward.
14. Affordable housing, Rural Electrification and providing LPG connections to poor would transform rural India.
14. Young population with Digitalisation is going to be a Game Changer over the next decade.
15. Last but not the least, a Visionary Prime Minister with an intention to deliver Transparent and clean governance with a solid majority.

On the valuation front :

Though slightly expensive, it is nowhere near the danger zone or bubble because of the following reasons :

1. Industrial production, capex and GDP numbers are yet to see recovery leave alone peak.
2. Bank credit growth is yet to take off.
3. Market Capitalisation to GDP is still below one time way below the peak of 1.4 times touched in the 2007 bull run.

How to play this bull run :

Apart from lump sum investment, SIP is the best way to play this bull run. Why?

The table below depicts the real time SIP return for the period from 01.04.2002 to 31.03.2017 - 15 years. This is not the rosy period for the market. Even though 2002 coincide with the low SENSEX value at 3500, after touching 21000 in 2008, it has remained in the same range till Mar '14 when it again rose to 22000. but then again from Feb 2015 to Mar 2017, it has remained in the same range of 29000 touching a low of around 22000 in Feb 2016. Though 3500 to 21000 was a quick run in the span of 5 years, from 21000 to 29000 it took almost 10 years. But even during this period, Rs.10,000/- invested per month totalling Rs.18 lakhs in 15 years has grown to Rs.148/- lakhs giving an absolute return of 741% with a CAGR of 25.67% in Sundaram Select Midcap Fund. Most of the funds have grown to Rs.75 Lakhs to Rs.100 Lakhs delivering 18 to 20% with few funds giving returns ranging from 15 to 17%.

Funds	Number of Months	investment	Value	Absolute	CAGR
		Rs.10000/- P.M.	as on 30.03.2017	Return	
		(Rs. In Lakhs)		%	%
Birla Sunlife Front Line Equity	175	17.50	81.47	365	19.09
Franklin India Blue chip fund	180	18.00	80.17	345	18.00
HDFC Top 200 Fund	180	18.00	95.90	432	20.00
Kotak 50	170	17.00	58.79	245	16.00
Reliance Vision Fund	180	18.00	79.13	339	17.86
SB Magnum Equity Fund	180	18.00	63.21	251	15.29

UTI Equity fund	180	18.00	68.90	282	16.28
Birla Sunlife Advantage fund	180	18.00	76.15	323	17.42
Birla Sunlife Equity Fund	180	18.00	101.58	464	20.00
DSP BR Opportunities fund	180	18.00	96.23	434	20.00
Franklin India Opportunities Fund	180	18.00	70.37	290	16.52
Franklin India Prima Plus	180	18.00	98.73	448	20.37
HDFC Capital Builder Fund	180	18.00	97.86	443	20.27
HDFC Equity Fund	180	18.00	99.22	451	20.43
ICICI Prudential MultiCap Fund	180	18.00	87.66	387	19.03
ICICI Prudential Top 100 fund	180	18.00	77.50	330	17.63
Principal Growth Fund	180	18.00	64.73	259	15.57
SBI Contra Fund	180	18.00	61.94	244	15.00
SBI Magnum Multiplier Plus	180	18.00	98.86	449	20.00
TATA Equity Opportunities Fund	180	18.00	86.05	378	18.81
Birla Sunlife Dividend Yield Fund	171	17.10	62.27	264	16.50
Birla Sunlife Midcap Fund	175	17.50	98.37	462	21.30
Franklin India Prima Fund	180	18.00	119.10	561	22.49
SBI Magnum Global Fund	180	18.00	98.17	445	20.31
Reliance Growth Fund	180	18.00	116.86	549	22.28
Sundaram select Midcap Fund	177	17.70	148.91	741	25.67
Franklin Tax Shield	180	18.00	92.37	413	19.62
HDFC Long-term Advantage fund	180	18.00	90.23	401	19.38
HDFC Tax Saver Fund	180	18.00	98.05	444	20.29
ICICI Prudential Long term Equity Fund	180	18.00	103.05	472	20.86
Sundaram Tax saver	180	18.00	67.03	272	15.97

Looking ahead it is going to be the most exciting period for Indian economy with Pricewaterhouse Coopers predicting India to beat US in terms of GDP numbers by 2050 and expect it to be over US \$ 20 Trillion from just US \$ 2 Trillion now.

Personally, in my over 20 years experience with the Economy and stock market, I have never seen India in such a Sweet Spot. Though there may be intermittent corrections due to internal and external factors, it is time to Invest either thru SIP or STP.

What experts say :

1. "India is a buy on dip market with long term opportunities".
2. "India is in Structural Bull Market" - India's Warren Buffett & Ace investor Rakesh Jhunjhunwala.
3. "If 2003 to 2007 is Mother of Bull Market we are going to see "Grand Mother of Bull Market - India's Golden period is still ahead" - Ridham Desai - Strategist from Morgan Stanley.

Regards,

Happy Investing,

L.KUMAAR

Kotak 50	2303626	1703626	283.9377	57
Reliance Vi	2285532	1685532	280.922	57
SB Magnur	1759572	1159572	193.262	44
Sundaram	2495344	1895344	315.8907	60
UTI equity	1454340	854340	142.39	36
Birla Sunlif	1972014	1372014	228.669	49
Birla Sunlif	2596058	1996058	332.6763	62
DSP BR Op	2303940	1703940	283.99	57
Franklin In	2131870	1531870	255.3117	53
HDFC Capit	2200460	1600460	266.7433	55
HDFC Equit	2144964	1544964	257.494	54
HDFC Grow	2203387	1603387	267.2312	55
ICICI Prude	2096208	1496208	249.368	53
ICICI Prude	1853048	1253048	208.8413	47
Pricipal Gr	1896648	1296648	216.108	48
SBI contra	2086912	1486912	247.8187	52
SBI Magnu	2659110	2059110	343.185	64
TATA Equit	2558424	1958424	326.404	
Birla sunlif	1586876	986876	164.4793	40
Birla Sunlif	2463347	1863347	310.5578	60
Franklin In	2092762	1492762	248.7937	52
Reliance G	2992458	2392458	398.743	69
Sundaram	2977199	2377199	396.1998	69
Franklin Ta	1922191	1322191	220.3652	49
HDFC Long	1954948	1354948	225.8247	49
HDFC Tax S	2256837	1656837	276.1395	57
ICICI Prude	2134121	1534121	255.6868	53
Principal p	1443554	843554	140.5923	36
Principal p	2335179	1735179	289.1965	57
Sundaram	1783670	1183670	197.2783	45
TATA India	1416927	816927	136.1545	35