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Business Standard

L&T Mutual Fund
Built on strong foundations

Tuesday, September 07, 2010
Daily SIPs work better in volatile markets'
Publication: Business Standard, Edition: Ahmedabad/Chandigarh/Delhi/Kolkata/Mumbai/Pune, Journalist: Bureau, Page No: Section II 3, Location: Middle-Right, Width(cms): 8, Height(cms): 35, Size(sq.cms): 280

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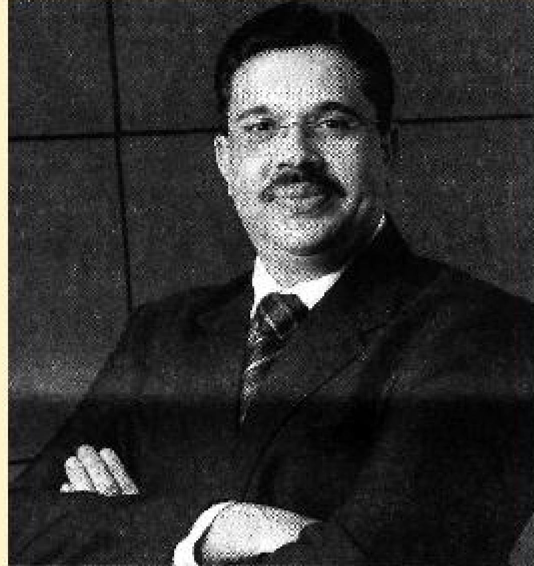

ANJAY SINHA, *CEO, L&T Mutual Fund, tells* **Neha** **'andey** *the price-to-earnings ratios of Sensex and lifty look fairly valued. Edited excerpts:*

Q&A

SANJAYSINHA
CEO, L&T Mutual Fund

Where do you see the markets in the short medium and long term?
If three factors — liquidity, valuations and events — are supportive, there is a possibility of revisiting the highs of 2008 before this financial year ends. Between one and three years, we expect an annualised return of 15-20 per cent.

Over five years, two things will guide the markets: First, compared to the global markets, the Indian markets have a strong possibility of outperformance. Second, if the strong growth trajectory we have entered into extends beyond five years, Indian equities will outperform.

How do price-to-earnings (PE) ratios of Sensex and Nifty look?
At present, we are fairly valued. We are at 17 times the PE ratio for financial year 2010-11. The earnings projection for financial year 2011-12 is 14 times, which is below average compared with what Sen-sex and Nifty managed last season. On forward perspective, they are undervalued and there is room for more.

Are there any sectors that have been laggards and are expected to bounce?
We have a contrarian call on metals. This is an extremely high-beta sector, which makes investors feel scared. But, the International Monetary Fund has hinted at 4.5 per cent growth for the global econ-omy. This will result in high demand for com-modities. So, prices may not stay firm.

Where do you see the interest rate cycle and inflation?
Both will moderate by year-end. The base effect will come into play, and with a good monsoon, corporate expansion or the supply side pressure on inflation should mitigate. Today, liquidity is very tight and is affecting interest rates. With an increase in government spending, liquidity should improve and rates should moderate.

What should a first-time investor opt for?
An investor should always begin with a systematic in-vestment plan (SIP). Since your income comes in tranches, your savings must be built in a similar way. Start your SIP the day you start earning and plan it till your retirement. However, the components of an SIP can keep changing throughout your career.

A lump sum investment is made by those who want to make an opportunistic play in the equity market. However, if you want to create wealth over a long term to counter inflation, stagger your investments with a clear balance between different assets classes. Meanwhile, you can gain expertise in stocks and then invest directly.

How do you rate a daily SIP (DIP) versus a monthly SIP?
DIP deals with volatile market conditions. At times, in-vestors are edged to en-ter the market because of fluctuations, which can be mastered with rupee-cost averaging. If you feel that by allocating money on a monthly basis, you are un-able to capture the rupee-cost averaging due to volatility in intra-month, DIP is an option for you. When markets become volatile, you can supplement your SIP with DIP or substitute it.