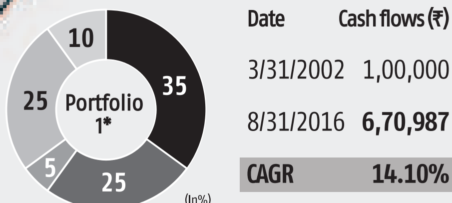
STAY INVESTED IN EQUITIES OVER THE LONG TERM FOR BETTER RETURNS

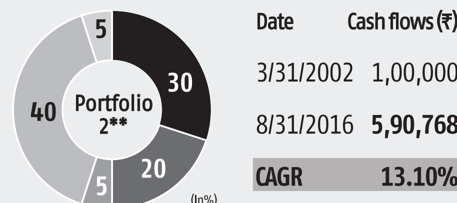
We have all heard it said that while equities are volatile, they have the potential to boost portfolio returns over the long run. We decided to check the truth in this statement by creating three portfolios, with varied levels of equities. We used indices to create portfolios and kept the investment horizon at 15 years. The indices included are Nifty 50, an index of large-cap stocks; the S&P 500 IDX, an index made up of large- and mid-cap stocks; MSCI World NR, an index representing international stocks; and CRISIL Composite Bond Fund IX, an index composed of debt and gold. The first portfolio has an equity allocation of 65 per cent, the second has 55 per cent, and the third, 45 per cent. The portfolio allocation with 65 per cent equity allocation garnered the highest return of 14.1 per cent, while the one with 45 per cent had the lowest return of 12.6 per cent.



Date	Cash flows (₹)
3/31/2002	1,00,000
8/31/2016	**6,70,987**
CAGR	14.10%

Nifty 50 | S&P BSE 500 IDX | MSCI World NR | CRISIL Comp Bond Fund IX | Gold (₹/10g)

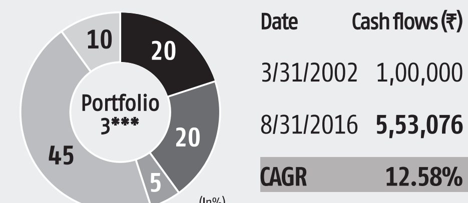
*Equity allocation of 65%



Date	Cash flows (₹)
3/31/2002	1,00,000
8/31/2016	**5,90,768**
CAGR	13.10%

Nifty 50 | S&P BSE 500 IDX | MSCI World NR | CRISIL Comp Bond Fund IX | Gold (₹/10g)

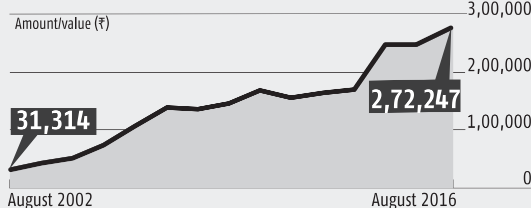
**Equity allocation of 55%



Date	Cash flows (₹)
3/31/2002	1,00,000
8/31/2016	**5,53,076**
CAGR	12.58%

Nifty 50 | S&P BSE 500 IDX | MSCI World NR | CRISIL Comp Bond Fund IX | Gold (₹/10g)

***Equity allocation of 45%



Note: Amount invested: ₹35,000 in March 2002

While equities might be volatile, staying invested and not withdrawing your investments definitely helps. For instance, if you had invested ₹35,000 in the Nifty 50 Index (benchmark for large-cap funds) in March 2002, your investment would have declined to ₹31,314 by the following month. Only by June 2003 would it have regained the losses, to touch ₹35,143.

If you stayed invested, your initial money would have grown to ₹2,72,247 by August 2016.

Data compiled by BS Research Bureau

PRIYA NAIR