

All In or Small In?



Should you invest a lump sum amount
at one go or in small amounts regularly?



AXIS MUTUAL FUND

Let's rewind a little in the lives of Dudesh and Pappu.



The year is 2008. Pappu still has a full head of hair, but he's slowly losing it. He's investing a lump sum in the market and the unpredictability is stressing him no end.



Dudesh, on the other hand, decided to invest too, but through SIPs.

The market's riding high this month, so Pappu is confident that he'll finally get the better of Dudesh. The crash of 2009 makes him pull some of his hair out, but he's still optimistic about coming out on top.



Cue back to



Dudesh has annualized returns of almost 9%. Pappu? Well, he's looking for a new wig.

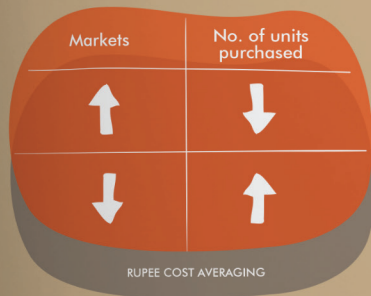


But... but... how? I invested so much more than you, Dudesh!

It's simple, Pappu! SIPs made the market volatility work in my favour. It's called 'rupee cost averaging'.



For example, with ₹ 1,000 I can buy 50 units at ₹ 20 per unit or 100 units at ₹ 10 per unit depending on whether the market is up or down. Thus, more units are purchased when the markets are low and fewer when the markets are high. Hence, the overall cost is averaged out over a long period.



So, what do I do now?



It's never too late to start an SIP, Pappu. Just remember, markets are unpredictable. Just invest small amounts over regular intervals. Anyway, I'll catch you later. I'm getting late for an appointment with my hair stylist.



*Market values are taken as S & P BSE Sensex. Source: Bloomberg



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