InCredible Perspectives

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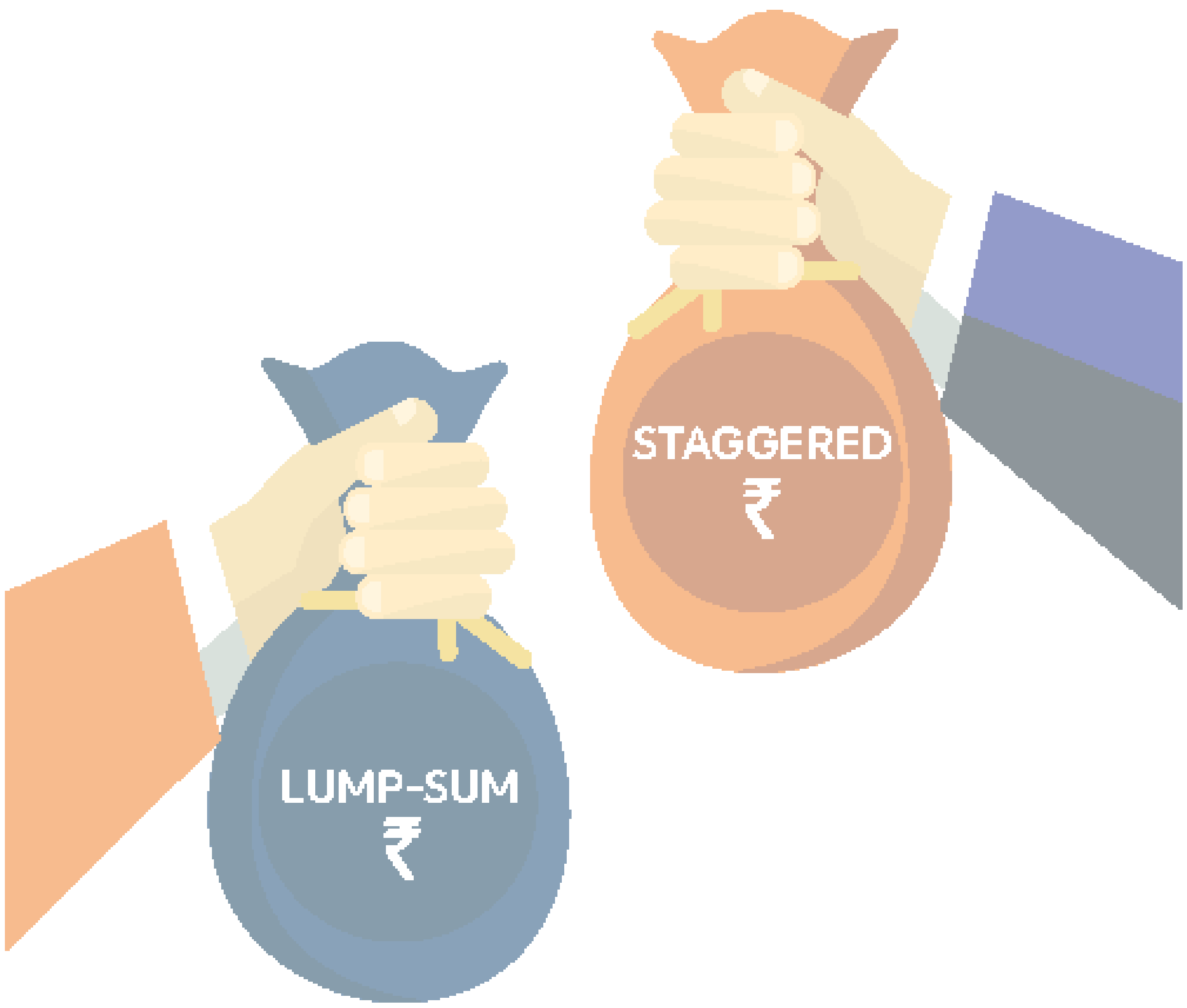
LUMP-SUM VS. REGULAR INVESTMENT

WHICH STRATEGY IS BETTER FOR YOU?



Why Market timing doesn’t work?

We conducted an analysis to highlight why investors should consider a smart way of investing in a staggered manner. Timeframe considered was the Indian General Elections during April to June 2024 period.

Most exit polls predicted a huge win for the incumbent Modi government; however, the actual results didn’t meet expectations and markets corrected tracking these developments. On the results day, NIFTY 50 ended lower by 1300+ points (down by 5.93%).

Investors who delayed their investments amidst the expectations of further correction, ended up losing the opportunity, as the markets recovered the fall in a matter of just 4 days! Those who invested on the result day or shortly thereafter, benefited in comparison to ‘fencesitters’.

Lump-Sum vs Staggered Investments

Let's analyze two investors:

Investor A: Deployed ₹5,00,000 as a lump-sum during the correction.

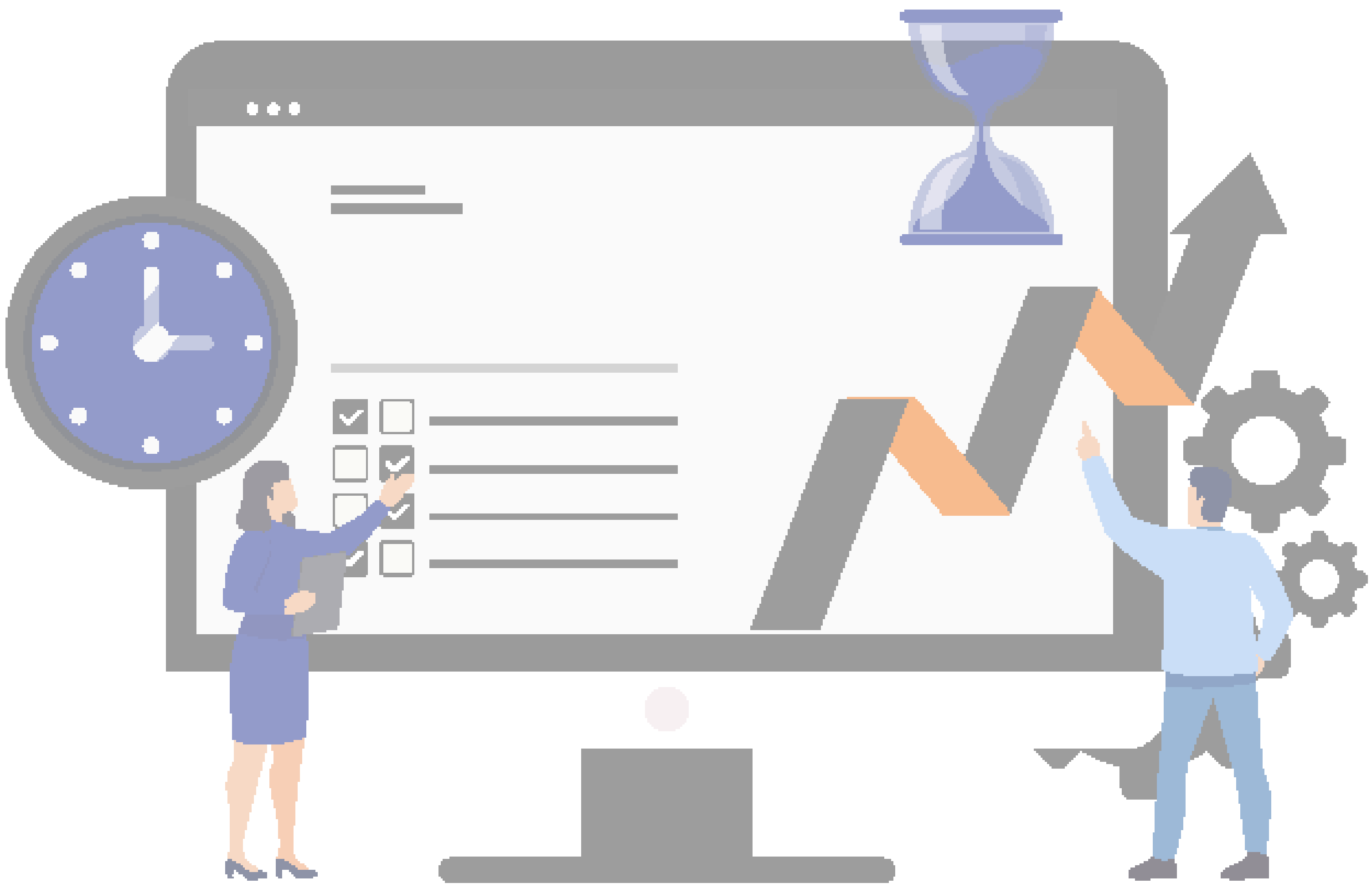
Investor B: Invested ₹5,00,000 in a staggered manner over four months.

Date of Invest	NIFTY 50	Market Correction	Investor A	Cumulative Units	Investor B	Cumulative Units
19/04/24	22147		5,00,000	22.57	-2,50,000	11.28
09/05/24	21957.5	-2.00%		22.57	-1,00,000	15.84
04/06/24	21884.5	-6.00%		22.57	-12,5000	21.55
05/08/24	24055.6	-3.00%		22.57	-25,000	22.59
18/11/24	23453.8		5,32,056.6	22.57	5,29,904	22.59
XIRR Returns			**10.32%**		**11.70%**	

*The above story is shown for illustration purpose only.

How SIPs Outperform Over Time

Meanwhile, a disciplined way to invest in markets is via Systematic Investment Plans (SIPs). For instance, over the last 5 years, monthly SIPs in NIFTY 50 Index have generated an XIRR of ~18% v/s Point to Point CAGR returns of ~15% over the same period.



Why SIPs Outperform Over Time

SIPs enable disciplined investing, which is particularly effective in volatile markets. For instance, a ₹50,000 monthly SIP in a NIFTY 50 Index Fund over five years generated:

Scheme Name	**Nifty 50 Index Fund**
SIP Period	30-10-19 to 30-10-24
Monthly SIP Investment	Rs. 50,000
Total Number of Installment's	60
Total Amount Invested	Rs. 30,00,000
Valuation as on 30-10-24	Rs. 46,79,743
XIRR as on 30-10-24	**18.00%**

*Source: ACE MF

Key Insight: SIPs in the NIFTY 50 outperformed point-to-point returns of ~15%, proving their effectiveness in building wealth systematically.

Smart Strategies for Current Market Conditions

Market corrections provide an excellent opportunity to buy at lower levels and set the stage for higher long-term returns.

- Between September 26 and November 21, 2024, NIFTY corrected by 10.93%.
- A prudent strategy would be to invest ~50% of your corpus during such corrections and deploy the rest in a staggered manner over 3–6 months.

To bring it to a close

Whether you're a seasoned investor or just starting, adopting a disciplined, systematic approach like SIPs can help you navigate market volatility and achieve your financial goals. Begin your journey today with InCred Premier and discover the smart way to invest.

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