Corrections are temporary, growth is permanent

Over the last 25 years, markets have seen major catastrophes like unexpected government changes, wars, sanctions, global meltdowns, and the latest was the pandemic. But the stock markets have always rewarded the patient investor. A patient investor sticks to their investments irrespective of the market movement.

The following two examples showcase how sticking to investments in volatile markets has rewarded the patient investor well.

1) Not so long ago

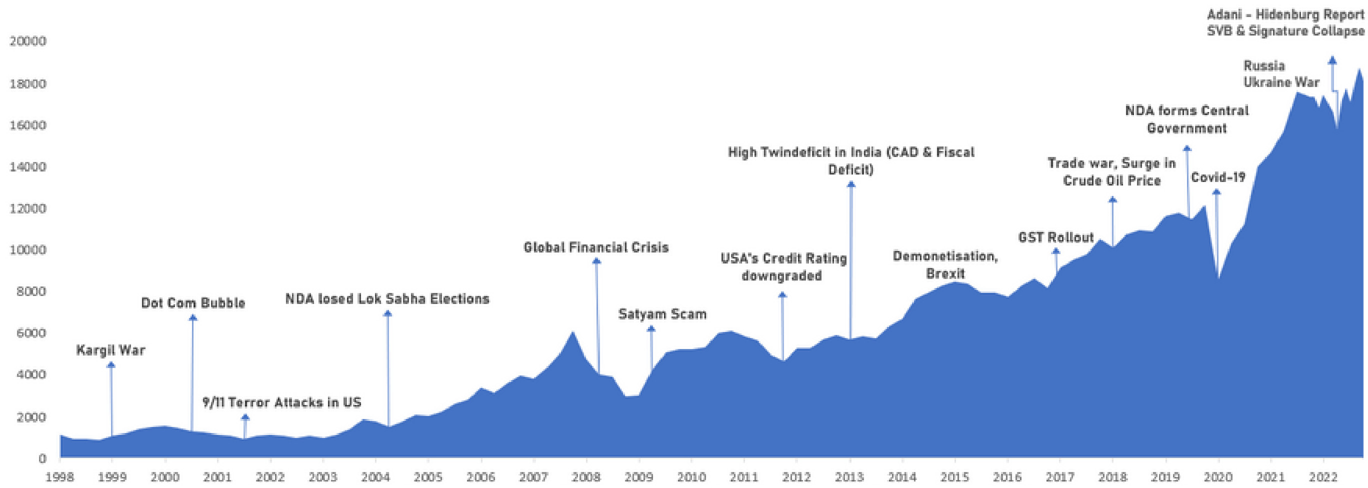
With the advent of the Covid pandemic, Indian stock markets took a big beating in March 2020, only to be recovered sharply by November 2020. Following is the SIP journey of three friends who started investing in January 2020 but took different paths after the big Covid fall.

Investors	Rishabh	Rehaan	Ram
Reaction to the crash of March 2020	Panicked, stopped SIP and redeemed	Stopped SIP, but did not redeem	Patiently continued his SIP
Returns* (Dec 2020)	-12%	20%	51%
Absolute Returns* (Dec 2020)	-6%	9%	22%

*SIP in Nifty 50 has been considered for return calculation

Ram, who stayed invested and continued the SIP was the biggest beneficiary, despite the market falling by more than 38.44%.

2) The last 25 years



Since 1998, despite many crises, wars, scams, government actions, global meltdowns, and the pandemic a Rs 5,000/- per month SIP is now equal to Rs 91.5 lacs over the total investment of Rs 15 lacs. This is not because markets did not fall or were not volatile in between but because the investor held on to her investments irrespective of the market volatility and got handsomely rewarded.

Conclusion

The reason for the long-term returns of the Indian stock markets is India’s economic performance over the last 25 years. The stock markets in the short term are prone to sentiment-driven volatility but over the long term, it's the fundamentals that drive the market. We all know that the fundamentals of the Indian economy are strong and over the next several years Indian economy is posed to do well, which will reflect in the Indian stock market. The important thing is it is very difficult to time the markets in short term and it’s always a better idea to stick with the investment plan and stay put for as long as possible and benefit from the long-term growth of India.

> ***“The investor’s chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave.”***
>
> ***-Benjamin Graham***

Disclaimer:
Mutual Fund investments are subject to market risks, read all scheme-related documents carefully. The NAVs of the schemes may go up or down depending upon the factors and forces affecting the securities market including fluctuations in the interest rates. The past performance of the mutual funds is not necessarily indicative of the future performance of the schemes.