

How to Navigate Small Cap Volatility?

Start a SIP — but with a long-term horizon

Small caps may behave differently.

They may often rise faster during periods of optimism.

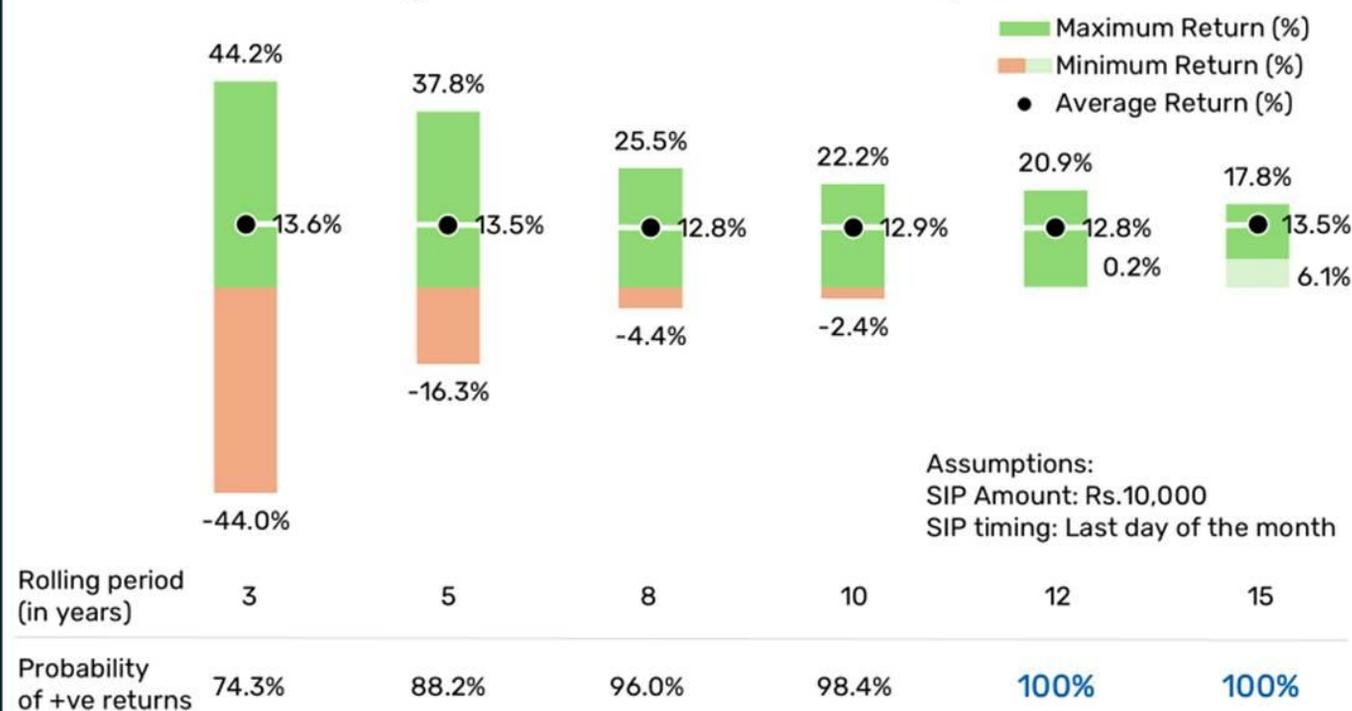
They may also correct more sharply during downturns.

They tend to respond more quickly to changes in liquidity and market sentiment.

Volatility is not an exception in this category – it's a part of its character.

AND THAT'S WHY TIME HORIZON MATTERS

Rolling SIP XIRR of BSE 250 SmallCap Index



Short term = Higher risk of loss

Over shorter holding periods, return dispersion has been wide, with materially negative outcomes. Even after continuing a SIP for three years, returns have historically fallen by as much as -44%. This underscores the inherent volatility of the small-cap segment.



Probability improves with time

However, as the holding period increases, the probability of positive SIP outcomes improves. Over 12- and 15-year periods, rolling data shows 100% positive SIP instances, regardless of start date, underscoring that duration, more than timing, has historically shaped outcomes.

WITH SMALL CAPS, IT'S NOT ABOUT AVOIDING VOLATILITY — IT'S ABOUT OUTLASTING IT.

Past performance may or may not be sustained in future.

Source: MFI, Internal analysis. Period assumed is from September 2005 to January 2026.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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