# TOP DOWN AND BOTTOM UP

**Understanding “Top Down” and “Bottom Up” investing – By Prof. *Simply* Simple™**

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**“Top Down” and “Bottom Up” style of investing is one of the most common terms used in fund management. Hence I felt these would be relevant terms to explore**

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**Let's look at an example.**

**Let's say Sam is a US based businessman wanting to set up a software business.**

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**For a software business he would need software engineers. So instinctively his mind wanders to India which is known have an abundant supply of software engineers**

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**Once he has decided that it is India which shall be the source of supply of software engineers, he then decides to contact an HR consultant in India to line up people. He then interviews the engineers one by one and makes his selections.**

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**In this example his decision to select India as the source of software engineers represented the top-down approach while the detailed selection process involving interviews and references etc represents the "bottom-up" approach.**

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**In the event of fund management similarly the fund manager's decision of investing in emerging markets would represent the "Top-Down" approach while the detailed selection process of companies based on size, turnover, profitability, management quality etc would represent the "Bottom-Up" approach.**

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**So that's "Top-Down" and**

**"Bottom-Up" for you.**

**Hope you've understood the concept**

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**Hope this lesson has succeeded in clarifying the meaning of "Top-Down" & "Bottom-Up" approach to investing.**

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**read all scheme related documents carefully.**

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