Three things SIP investors should do amid market mayhem to yield big rewards later

Investment

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Given the extent of current market selloff, merely continuing your SIP may not benefit you much. Here are three things SIP investors should do to benefit from the market correction.

The current market fall offers opportunity to equity investors to multiply their return.

New Delhi: While the market selloff led by Covid-19 outbreak has worried Systematic Investment Plan (SIP) investors, it also offers opportunity to reap big rewards later. Net asset values (NAVs) of equity mutual funds have slumped over 30% on average and sector-specific funds such as banking have seen even bigger drop in their NAV in the last two months. As we all know through SIP we invest a fixed sum every month in the market by buying units of MF schemes. If the NAVs remain low then you can buy more units with the same monthly outgo so that when markets resume upward trend you can reap the benefit.

However, given the extent of current market selloff, merely continuing your SIP may not benefit you much. Here are three things SIP investors should do to benefit from the market correction.

1) Top up your existing SIPs

As nobody can say with exact precision when equity markets will recover, it is better to top up your existing SIPs till markets continue to remain low. By doing so your SIP outgo will fetch more units at low NAV. Eventually, when the market recovers, the additional amount deployed through top-up SIP will make a significant difference in your overall portfolio return.

2) Invest lump sum over and above SIP amount

The above-mentioned strategy will work if markets continue to trade at lower levels for at least one year so that you can buy more units at lower NAVs. But the above strategy will not work if markets rebound in few months because you won't be able to buy much at lower NAVs. So either you can increase the frequency of your existing monthly SIPs to weekly or you can invest lump sum amount in four-five tranches to buy more units at lower levels. For example, you can invest in your existing MF schemes Rs 1 lakh in five tranches at every 300 points correction in Nifty from here on.

3) Shift some amount from liquid funds, FDs to equity funds

If you are unable to invest lump sum amount in your existing equity MF schemes, then you can switch some amount from your debt funds or fixed deposits to equity funds. Adding money to your existing equity MF schemes will help you make up lost grounds in terms of corpus accumulated towards your goals. Later, when markets recover, you can rebalance your portfolio again.

"The equity market is already in a zone that has yielded high return in the past. While nobody can predict exactly when the market will bottom out, it tends to bounce back much before the economy recovers," Ankur Maheshwari, CEO, Wealth Management, Equirus Capital, told *ET*.

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