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# Mutual fund investors stop their SIPs as market turns volatile

BY SHIVANI BAZAZ, ET ONLINE | OCT 03, 2018, 10:49 AM IST

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Some mutual fund investors are stopping their SIPs or Systematic Investment Plans in equity mutual funds due to increasing volatility in the stock market, says mutual fund advisors.

“There are investors who are stopping their SIPs but we can't say that the number is massive. The reason seems like the recent correction in the market. Many investors are having a knee-jerk reaction to the negative returns given by the SIPs in the last one year,” says Vishal Dhawan, Founder, Plan Ahead Wealth Advisors.

Some mutual fund investors are also pulling out money from their equity investments. The redemptions in equity schemes in August have increased to Rs 14,948 crore from Rs 10,983 crore in July. The redemptions were at Rs 9,762 crore in the month of June.

Mutual fund advisors also believe that most of these actions - redemption and stopping SIPs -- are from DIY investors or investors who take care of their investments on their own in direct plans. “We don't see such redemptions or stopping of SIPs in our client base. We believe that these investors who are spooked by the recent volatility in the equity markets are direct investors who joined the party when the market started going up two years ago,” says Pankaj Gera, a certified financial planner based in Delhi.

A flood of new investors joined the mutual fund bandwagon after demonetisation when the markets had started going up and was on a spree of touching new all-time highs. In the last quarter of 2016, when mutual fund saw a lot of new investors coming in, advisors had predicted that many of these investors would not stay for long.

“We had spoken about this situation back in 2016 also. Many new investors came in with only returns in their mind and now they are disappointed. Some of them got mutual fund advisors to hand hold them in such situation, others are stopping their investments,” says Dhawan.



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Moreover, many new mutual fund investors are witnessing a first major correction first time in their life. Mutual fund advisors have been saying this since long that investors can't be sure if they can take a fall until they see it. “A lot of these investors misjudged their risk appetite and are unaware of how volatility in the market works. They always believed that they will continue getting good returns,” says Gera.

The smallcap category which was on a rally for more than two years is giving -6.54 per cent returns in the last one year. Similarly, the midcap funds have returned -3.52 per cent in one year. The aggressive hybrid fund category, another favourite of new investors, has given 2.99 per cent in the same time period.

However, some mutual fund advisors point out that many of such redemptions might also be tactical calls by investors. “Many investors stop their SIPs or redeem their funds to move to safer options, or take tactical calls on their investments. But that will not be a big number,” says Dhawan.

Mutual fund advisors believe that the idea behind SIP investing is based on the premise that investing regularly without worrying about volatility and timing the market will yield superior returns in the long run. When the market is volatile, investing via SIPs helps to reduce

the overall average cost of investment. Mutual fund advisors suggest investors to stay invested and not stop their SIPs at this point.

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