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For long-term SIPs, follow 70:20:10 rule: Experts

BY PRASHANT MAHESH, ET BUREAU | UPDATED: MAR 02, 2020, 09.43 AM IST

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Indian equities have shed their entire gains of 2020, caught in the global flight of capital from risk assets in the aftermath of the Covid-19 outbreak. But financial planners are advising savers to not only stay put, but also invest more using the [systematic investment plans \(SIPs\)](#).

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"SIP investors should allocate 70% to large-caps, 20% to mid-caps and 10% in small-caps," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Managers.

Dhawan believes those investors who have strayed from this allocation, should rebalance their portfolios now. Many investors who chased past returns and started SIPs post-2017, allocated as high as 70-80% to mid- and small-cap funds with the balance to large-cap funds. With the sharp fall in the markets during this week on fears of coronavirus spreading globally, many retail investors are a worried lot.

As per data from Value Research, three-year average SIP returns for large-cap funds category is 5.9%, large- and mid-cap funds 4.77%, multi-cap funds 5.24%, mid-cap funds 3.96% and for small-cap funds it is -0.16%.

3-year SIP Returns

Fund Category	3 Year Return (%)
Large Cap	5.90
Large & Midcap	4.77
Multicap	5.24
Midcap	3.96
Small Cap	-0.16

Source: **Value Research**

Some financial planners believe it is an opportune time for retail investors to top-up their SIPs.

"While the markets have fallen sharply, the bounce back too could be equally fast and retail investors should stay put and not read much into this. A fall in the market is an opportunity for SIP investors as they can get more units of the scheme due to the fall in price," says Vijay Kuppa, founder, Orowealth.



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Financial planners believe that investors doing SIPs in [equity](#) mutual funds should come in for a time frame of 7-10 years. **"Investors**

coming in for a shorter duration should move to other products," says Dhawan. For example, if an investor has a time frame of 3 years, he could go to dynamic asset allocation funds, or equity savings funds. These schemes have a mix of debt and equity and come with lower volatility than pure equity funds.

The number of investors using the SIP route to invest in equity mutual fund schemes is increasing gradually over the last three years, with many first timers too entering the fray and mapping their longterm financial goals to SIPs.

AMFI data shows that the MF industry had added, on an average, 9.81 lakh SIP accounts each month during FY20, with an average SIP size of about Rs 2,800 per account. Inflows through the SIP route have been steady and investors have poured in more than Rs 8,000 crore every month for the last 14 months, despite volatile equity markets. Investors have poured in Rs 67,190 crore through SIPs in FY18, Rs 92,693 crore in FY19 and Rs 82,930 crore in the first 10 months of the current financial year.

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