

Valuations Attractive After The Slide, Schemes Like SIP A Good Bet: Experts 'Stay invested for long-term gain'

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The markets are down, gold prices are soaring and interest rates are at elevated levels—so time to change the asset allocation strategy by putting money in better performing asset classes? Not really, say financial planners.

Though there has been a clamour among investors after the recent market fall to move into fixed income schemes and reduce invest-

ments in equity-related products, this approach will not be a rewarding one in the long-run, say experts. They instead recommend equities and bottom fishing.

"Investors should buy more equities (related products). They can either start a new SIP (systematic investment plan in equity mutual funds) or increase the amount they invest in existing SIPs," according to Jayant Pai, vice president at Parag Parikh Financial Advisory Services.

With markets on a shaky

ALL FALL DOWN

HIGH RATES AND A DOW-LED SLIDE IN THE US SPOOKED INVESTORS GLOBALLY, PLUNGING THE SENSEX TO ITS 13-MONTH LOW



What triggered the sell-off

- Global economy is weakening again. While Europe and Japan are struggling, signs of a double-dip recession in the US has put a question mark on China, which depends heavily on exports to US and Europe
- High inflation and interest rates in India
- Foreign fund selling in India
- Series of corruption cases has stalled government's decision-making process

IN THE RED

Scrip	Close	% change
Reliance Infra	524	-7.4
Rel Comm	92	-7.2
Sterlite Inds	142	-6.2
Tata Steel	533	-4.5
Infosys	2,591	-4.4

STEEP SLIDE

Sector	% change
IT	-3.9
TECK	-3.4
Realty	-3.1
Power	-3.1
Durables	-2.8

Friday's slide left investors on the Bombay Stock Exchange poorer by Rs 1.3 lakh crore

Foreign institutional investors withdrew Rs 1,790 crore from the market during the session

ground many are not keen on renewing SIPs that are expiring now, say advisors. And there is a growing interest for fixed deposits after the recent rate hikes.

Investors are wary of committing money to equity-oriented products includ-

ing mutual funds (MFs) and are capping exposure to them, according to financial planners.

The sensex has dropped 17.6% from the high it hit on November 5 last year, pushing all the 330-odd equity MFs that do not focus on spe-

Tumbling Tale

Top single-session falls in 2011

Date	Close	% chg
Feb 24	17,632	-546
Jan 7	19,692	-493
Jan 10	19,224	-468
May 3	18,535	-463
Feb 4	18,008	-441
Aug 5	17,306	-387

cific sectors into the red. Though only about one in four of these funds did worse than the sensex during the period, the fall, the biggest in nearly two years especially in the last one week, has had investors in a tizzy. But this is perhaps the

right time to raise investments in equities as valuations have turned attractive after the fall, say experts. "A market fall is clearly not the time to stop SIPs," they say. "Investors should use the opportunity to buy as the prospects of making money in equities are more," says Abhinav Angirish, founder, investonline.in, an investment advisory.

"If investors believe in the long-term growth story, they should keep putting money in equities," says Suresh Sadagopan, principal financial planner, Ladder7 Financial Advisories. While the temptation to buy in a falling market would be quite high, investors should not make bulk purchases now, Jayant says.

Instead of making bulk purchases of equity-related products, investors can put a lump-sum in liquid funds and transfer it back to equities on a weekly or monthly basis, say financial planners. Buying small lots of select scrips would be a better option for those investing in stocks, they say. The bottomline; "Stick to your original asset allocation plan if there is a lot of time left to achieve your financial goals."