

Invest Regularly to Fulfill Dreams



# NIVESH PATRIKA

Year : 9    Volume : 6    Monthly    Total Pages-8    ₹ 10/-    Publication Date - 15 Feb., 2025

## WHY CONTINUING SIP IN A DOWN-MARKET IS IMPORTANT



**Maloo Investwise Pvt. Ltd.**



8287099099 9829040524



[www.mftoday.com](http://www.mftoday.com)



[services@mftoday.com](mailto:services@mftoday.com)



**M**aloo Investwise Pvt. Ltd. (erstwhile Maloo Finance & Investment Services) was established in 1992. Our purpose is to help our customers on their journey to fulfill their financial dreams. With more than 32 years of experience, Maloo Investwise is an esteemed and trusted financial service provider in Rajasthan.

We provide investment, mutual fund and diversified financial services through dynamic information management, benchmarking and continuous client reporting.

## Founder and Pioneer



## Award and Achievements



Dr. Ramesh Chand Maloo, founder of Maloo Investwise Pvt. Ltd. is a Certified Financial Planner (CFP) with over 30 years of experience in financial management

Awarded with NSE Market Achievers Award in 2018.



His Ph.D. theses "Analysis of Investment Opportunities- A comparative study of Mutual Funds, Equity, and traditional Investments." highlighted investment opportunities in open market

Awarded with the "Tarakki champion" Award in 2019



He has undergone a short term course on "Family Business: Organization, Strategies, Internationalization and Succession" From the prestigious IIM, Ahmedabad.

Awarded with CNBC TV 18, UTI MF, and ICRA's Best performing MFD Award erstwhile (Individual Financial Advisor Award) for north India cities (tier II)' 2018-19



He has also done short term course on leadership development program from ISB Hyderabad.

Awarded with MFRT Imperial Qualifier Award in Year 2013.



## Company Strategy

### Vision

To build long-term relationship with our clients and provide them real time financial services through use of state-of-the-art technology and innovation.

### Mission Statement

To ensure optimal financial growth for our clients.

### Purpose

To provide active portfolio management and diversified financial services to our clients through dynamic information management, bench marking and continuous client reporting.

## Our Services

### Online Investment

Our website and mobile app (IOS and Android) provide our clients with useful financial tools, calculators and articles for better financial planning and do-it-yourself online investment options.

### Financial Solutions

We offer various financial products to help our clients achieve their financial goals;

### Investment in Mutual Fund

We are Rajasthan's largest retail financial service provider offering a variety of financial products including mutual funds, life insurance, health insurance, postal schemes, bonds (capital gain, infrastructure, government and RBI) etc.

# WHY CONTINUING SIP IN A DOWN-MARKET IS IMPORTANT

Systematic Investment Plans (SIPs) have become an increasingly popular investment strategy for individuals looking to invest in mutual funds. SIPs allow investors to contribute a fixed sum of money at regular intervals, which helps to average out the cost of investments over time. One of the major advantages of SIPs is that they allow investors to harness the power of compounding and long-term market growth. However, when the market enters a downtrend or a bear market, investors may become anxious about their investments and question whether they should continue their SIPs or suspend them. While it is natural to feel apprehensive during a market downturn, continuing SIPs during such times is not only beneficial but can be the key to long-term wealth creation. This article will explore the reasons why continuing SIPs in a downmarket is important, covering aspects such as cost averaging, long-term wealth accumulation, emotional discipline, and risk mitigation.

## 1. UNDERSTANDING SIP AND MARKET CYCLES

Before delving into the reasons why continuing SIPs in a downmarket is important, it is essential to understand how SIPs work and how markets function.

**What is SIP?** A Systematic Investment Plan is a method of investing in mutual funds, where an investor commits a fixed sum of money regularly (usually monthly) into a particular mutual fund scheme. This means that whether the market is up or down, the investor will continue to invest the same amount at regular intervals. The SIP route allows investors to benefit from rupee cost averaging, as they purchase more units of a mutual fund when the prices are lower during market corrections and fewer units when the prices are high. Over time, this reduces the overall cost of investment, which helps to smooth out market volatility.



**Market Cycles** Financial markets typically move in cycles, experiencing both upward trends (bull markets) and downward trends (bear markets). While market corrections are inevitable, it is important to understand that downmarkets are a natural part of these cycles. Historically, the stock market has shown an upward trajectory over the long term, despite experiencing short-term corrections. The key to long-term success is to stay invested through these volatile periods, as the market will eventually recover.

## 2. COST AVERAGING AND ACCUMULATION OF MORE UNITS

One of the most compelling reasons to continue SIPs in a downmarket is the principle of rupee cost

---

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

averaging. This concept is central to the functioning of SIPs and is especially beneficial during market downturns.

**How Rupee Cost Averaging Works** Rupee cost averaging works by investing a fixed sum of money in a mutual fund at regular intervals, regardless of the market conditions. When the market is down, the prices of the mutual fund units decrease, allowing the investor to purchase more units with the same amount of money. Conversely, when the market is up, the prices of the units increase, meaning the same investment will buy fewer units.



In a downmarket, the value of the investment may decrease in the short term, but the number of units accumulated increases. When the market eventually recovers, the investor benefits from the lower purchase price of the units and can realize higher returns as the value of the mutual fund units appreciates. Essentially, continuing SIPs in a downmarket allows an investor to "buy more for less," positioning them to take advantage of future market rebounds.

For example, if an investor is investing ₹5,000 per month in a mutual fund, and the price per unit is ₹100, they will purchase 50 units of the fund. If the price per unit drops to ₹80 due to a market downturn, the same ₹5,000 will buy 62.5 units. When the market recovers, and the price per unit rises back to ₹100, the investor will have accumulated more units at a lower average cost, leading to a higher potential return when the market rebounds.

Below table shows example of two individuals, Mr. A and Mr. B, both started their SIP journey in **HDFC Flexi Cap Fund** on 1st April 2018. During the beginning of COVID-19, Mr. A paused his SIP for 6 months between April 2020 and October 2020 (driven by fear of COVID-19 impact on markets) while Mr. B continued with his disciplined approach of investing regularly. Here are the results:

	A	B
SIP Start Date	1st April, 2018	1st April, 2018
SIP Pause	Yes	No
Pause Period	6 Months	NA
Amount Invested	6,60,000	7,20,000
Market Value as on March 31, 2024	12,82,244	14,68,240
Difference		<b>1,85,997</b>

Source: <https://www.hdfcfund.com/>

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

**The Power of Compounding** The benefits of cost averaging are further amplified by the power of compounding. SIPs allow investments to grow exponentially over time as the returns generated by the investment are reinvested, leading to the accumulation of more wealth. The earlier an investor starts an SIP, the more time their investments have to grow. By continuing SIPs during market downturns, investors ensure they are capitalizing on the power of compounding, which can significantly boost their returns in the long term.



### 3. LONG-TERM WEALTH CREATION AND STAYING INVESTED

Continuing SIPs in a downmarket is crucial for long-term wealth creation. One of the primary goals of investing is to accumulate wealth over time, and the equity mutual fund has historically been one of the best avenues for achieving this goal. However, investing in the equity mutual fund requires patience, discipline, and the ability to ride out periods of volatility.

**The Nature of Long-Term Investing** Investors who are focused on long-term goals, such as retirement or buying a home, should view market downturns as temporary setbacks rather than permanent obstacles. The stock market typically experiences fluctuations in the short term but tends to grow in the long run. By staying invested during market corrections, investors can position themselves to benefit from the market's eventual recovery.

During a downmarket, the temptation to withdraw funds or halt investments may be strong. However, doing so could mean missing out on the market's eventual recovery and the long-term growth potential of the investments. Historical data shows that the stock market has always recovered from past downturns and has reached new highs after periods of decline. For instance, the market crashes of 2008 and 2020 were followed by strong recoveries, proving that the long-term trend is generally upward, despite short-term volatility.

### 4. EMOTIONAL DISCIPLINE AND AVOIDING PANIC SELLING

One of the key challenges investors face during a downmarket is managing their emotions. Market downturns can lead to fear and panic, which often result in impulsive decisions such as selling investments in an attempt to minimize losses. These emotional reactions can be detrimental to an investor's long-term financial goals.



Mutual fund investments are subject to market risks, read all scheme related documents carefully.

**The Psychological Trap of Panic Selling** Panic selling during a downturn can lock in losses and result in the investor missing out on the potential for future gains. Investors who sell during a market downturn are essentially "buying high and selling low," which is the opposite of the fundamental principle of successful investing. When markets rebound, these investors will miss out on the recovery and may find it difficult to re-enter the market at the right time.

By continuing SIPs, investors can avoid the temptation to panic-sell and stay focused on their long-term objectives. SIPs provide a disciplined approach to investing, as they automate the investment process and reduce the need for emotional decision-making. This helps investors stay committed to their goals, even during periods of market volatility.

**Staying the Course During Volatility** One of the key reasons SIPs are effective in downturns is that they encourage investors to stay the course, regardless of short-term market movements. When investors continue their SIPs, they demonstrate discipline and a long-term perspective, which is essential for success in the stock market. Staying invested through periods of volatility allows investors to benefit from the eventual market recovery and avoid the risk of missing out on potential gains.

## 5. DIVERSIFICATION AND RISK MITIGATION

SIPs also offer the advantage of diversification, which can help mitigate risk during a market downturn. By investing in a variety of mutual funds or asset classes, investors can reduce their exposure to individual sectors or stocks. Diversification helps protect against large losses, as different asset classes react differently to market conditions.

**The Role of Diversification** In a downturn, equity funds may take a hit, but debt or hybrid funds may provide stability.

By continuing SIPs, investors ensure that their portfolios remain diversified, which can help cushion the impact of a market downturn. Diversification spreads risk across different assets, reducing the potential for significant losses and increasing the chances of steady returns.

**Mitigating Risks with Asset Allocation** Asset allocation is the process of dividing investments among different asset classes such as stocks, bonds, and cash. By continuing SIPs in a downturn, investors can maintain their asset allocation and ensure they are not overly exposed to risk. This balanced approach helps reduce the impact of market volatility on the overall portfolio.

## 6. TAX BENEFITS

In India, mutual funds offer certain tax advantages, especially under the Equity Linked Savings Schemes (ELSS). By continuing SIPs in ELSS during a downturn, investors can continue to benefit from tax deductions under Section 80C of the Income Tax Act. Additionally, the long-term capital gains tax on equity funds is favorable compared to other asset classes, making SIPs a tax-efficient investment option.



---

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

**CONCLUSION :** In conclusion, continuing SIPs in a downmarket is a prudent and beneficial strategy for investors looking to build long-term wealth. By employing the principles of cost averaging, staying invested during market corrections, and maintaining a disciplined approach to investing, investors can position themselves to benefit from the inevitable market recovery. Emotional discipline, diversification, and tax efficiency are also key advantages of continuing SIPs in volatile market conditions. While it is natural to feel apprehensive during a market downturn, investors who remain focused on their long-term goals and continue their SIPs are more likely to achieve financial success in the future. Ultimately, consistency, patience, and discipline are the cornerstones of successful investing, and continuing SIPs in a downmarket exemplifies these principles.

**Furthermore, as you approach your financial goals, it's crucial to communicate with your financial advisor or mutual fund distributor. Inform them of your progress so they can strategically shift your investments to debt funds. This proactive approach allows for easier access to your funds without the need to redeem investments during a down market, helping to protect your capital and optimize your returns.**

# Types of SIP Investors! when market falls

Positive Investor



Negative Investor



**Be a Positive Investor!**

[info@mftoday.com](mailto:info@mftoday.com)

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



Mutual fund investments are subject to market risks, read all scheme related documents carefully.



## WEALTH QUOTES

"Expect Volatility and Profit from It"

— Benjamin Graham



[www.mftoday.com](http://www.mftoday.com)

If undelivered , please return to

**Published by: Dr.Ramesh Chand Maloo**

**103, First Floor, BrijAnukampa, Opp BSNL**

**Office, Ashok Marg, C- Scheme, Jaipur – 302001**

Phone: 9829040524,0141-2360570/71/72

Email: [niveshpatrika@mftoday.com](mailto:niveshpatrika@mftoday.com)

Printer, Publisher & Editor:**Dr.Ramesh Chand Maloo**

Editorial Team: **CA Kamal Maloo& Col Raj Rakesh**

Printed at: Mohan Sharma & CO. Pvt. Ltd,A-10,

Sudershanpura,Industrial Area,Jaipur

Address

### Disclaimer:

Nivesh Patrika does not accept responsibility for any investment decision taken by readers on the information provided therein.

The objective is to keep readers informed by the information and articles.