

# Volatile Markets and SIPs: What should mutual fund investors do?

By Surbhi Khanna, Published on June 02, 2025



Amid a volatile market, many investors are questioning whether they should continue their Systematic Investment Plans (SIPs) or pause until stability returns. However, market experts recommend continuing SIPs, citing reasons such as attractive valuations, lower average purchase prices, the benefits of habit formation, the impossibility of timing the market, and the long-term advantages of compounding.

“When equity markets fall, valuations also fall, making investments at a lower price more attractive; therefore, when the market falls, it is the best time to continue SIP, discontinuing SIPs can hamper the investors’ ability to save and invest, and take away the discipline of long term investing, the investor thinks that he/she can enter again or restart at lower prices, but it’s not always possible, and lastly the whole idea of a SIP is to do away with market timing speculation and stopping a SIP can disrupt the process of compounding,” Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai told ETMutualFunds.

He added that since equity investing is aimed at long-term compounding benefits, one can start SIPs at any time. However, while markets have recovered from their recent lows, periods of market decline typically lead to more attractive valuations. Investing more during such times—when markets are not at their peak—increases the probability of achieving superior long-term returns. “So, depending on cash flow surpluses, there is a need to try to have a significant portion of the cash flow surpluses going through SIPs ideally.”

Another expert cited studies which show that investors’ returns and market returns are not the same. This is because an investor is either entering or exiting the market at the wrong time. To achieve their goals, one needs to give time and be patient. That’s what SIPs do: help you achieve your goals in a disciplined manner over periods of time.

“In the journey, there will always be short-term hiccups, but staying focused on your investments is the only way to achieve your goals,” said Manish Mehta, Joint President & National Head –Sales, Digital Business & Marketing, Kotak Mutual Fund, shared with ETMutualFunds.

So far in the current calendar year, the benchmark indices — BSE Sensex and Nifty50 — have gained 4.23% and 4.67%, respectively. Over the past three months, they have risen by 11.27% and 11.86%, respectively, while over the last nine months, they have declined by 1.11% and 1.92%, respectively.

In May, Nifty50 breached the 25,000 mark for three days. On May 26, Nifty 50 closed up by nearly 13% from April’s low level, and as the benchmark index scales up, many market experts recommend that investors continue with their SIPs, whereas they should stay cautious while doing lump-sum investments and should try to stagger their investments.

As an addition to this, Dhawan recommends that currently, valuations are above their long-term averages, especially in the case of mid and small caps, and thus it is preferred to invest through SIPs/STPs. “However, the ongoing volatility driven by global trade wars and cross-border tensions could present sudden opportunities. Market corrections can be sharp, so it’s wise to be prepared for lump-sum investing, besides continuing with SIPs,” he further shared with ETMutualFunds.

On the other hand, Mehta recommends that STP is suited when one has some money available for lumpsum investment but varies with market fluctuations and in this case one can park the money in a fixed income scheme and do a STP with a duration of their choice plus if an investor plans to invest out of a regular income stream then SIP fits the requirement where in a disciplined manner one can regularly keep investing.

ETMutualFunds looked at the performance of equity mutual fund categories since the April low and found that out of 21 categories, 19 offered double-digit average returns, and two, pharma and consumption-based funds, gave single-digit returns in the same time frame

Since April 7, the Auto sector-based funds offered an average return of 19.13%. Technology-based funds gave a 17.44% average return in the same period. International funds gave 16.83% and infrastructure funds delivered 15.95% average return in the same period.

Mid-cap and small-cap funds gave 15.86% and 16.42% respectively since April's low level. Contra and large-cap funds were last in the list of double-digit gainers. The categories gave 11.92% and 11.03% respectively in the mentioned period.

As the categories gain since April's low and the market being still volatile, Mehta recommends that long term wealth creation can happen through regular investments in equity oriented schemes to support which there is enough historical data to demonstrate long term wealth creation through equity schemes and since SIPs are recommended over longer time horizons, investments in multicap / flexicap / large and midcap kind of schemes.

According to a release by Motilal Oswal Private Wealth, large-cap valuations are now around their 10-year average, while mid- and small-caps still trade at a premium, though select opportunities exist.

Dhawan further shared with ETMutualFunds that currently, large-cap stocks offer attractive valuations compared to small and mid-caps, which makes them a smart starting point for SIPs (Systematic Investment Plans), especially in funds that are currently overweight in the large-cap category, and these funds are also safer for new investors.

He adds that different assets perform well in different timeframes; therefore, your portfolio should include multi-asset funds. Geographical diversification is crucial for any robust portfolio, so consider adding global or international funds to reduce reliance on the domestic market and gain exposure to different economies and currencies. Additionally, under debt funds, one can consider short-term funds for short-term goals and long-term funds to take duration exposure, and for those in higher tax brackets, equity savings and arbitrage funds offer good options for short-term fund parking, he informed ETMutualFunds.

One should always choose a scheme based on risk appetite, investment horizon, and goals.