

Time right to pick large caps, invest in SIP/STPs

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MUMBAI: Amidst the pall of gloom in the markets, investors are advised to take an informed approach in managing their portfolio and not panic.

In the long term, equity as an asset class has historically beaten other classes. Data shows, between July 1999 and April 2008, BSE Sensex gave an annualised return of 16.5 per cent as against a return of 15.2 per cent if one invested in gold, 9.7 per cent in fixed income options like bank deposits and 3.9 per cent in liquid funds.

Given the current market condition, long term investors should invest either through systematic investment plan or systematic transfer plan. It will give you the benefit of cost averaging in a volatile market, says [Maneesh Kumar](#), head-wealth management solutions, ASK Wealth Advisors.

The financial consulting firm sees good long term return potential in sectors like engineering, capital, oil and gas, and FMCG.

“Bearish phase is a part of the market cycle. The crisis situation in the market has also created an opportunity to pick up fundamentally strong large caps at an attractive level. Do not invest in mid-cap or small-cap stocks in this situation,” said Manish Sonthalia, vice president equity strategy, Motilal Oswal.

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Large cap stocks with good financials like Tata Steel (10.94%), BHEL (7.72%), Reliance Industries (6.80%), Bharti Airtel (3.77%) remain good buys for long term investors.

For those already invested substantially in the markets but now incurring mark to market losses, it is the right time to cost average looking at the earnings potential.

“Look at the earning visibility of the company you invested and then go for cost averaging. If you do not find any worth, stay invested till Sensex plunges back to 14,000 to 15,000 levels and then get out of the scrip,” counsels Sonthalia.

Motilal Oswal suggests investors take exposure in sectors like telecom and capital goods (on earnings potential), commodity (on valuation basis) and banking (on economic growth potential and subject to interest rates) with 3-5 year time horizon.

There are meaningful avenues other than equity markets. According to ASK Wealth's Kumar, investment in gold can be a very good alternative to equity. Between July 1999 and April 2008, gold surged because of which its returns are almost equal to equity (15.2% and 16.5% respectively). One can also opt for longer term debt papers or long term income fund.

In another three months, investors should go for bank fixed deposits and FMPs as I expect the market to fall by at least by 10 per cent,” suggests Uma Shashikant, head - Centre for Investment Education and Learning.

Most strategists advise going for FMPs which invest in bank-related certificate of deposits.