

Welcome to the 2nd edition of INVasset Monday Chronicles.

Today we are going to talk about a few fads....few misconceptions....a few errors that I have seen Investors commit over time. Initially, they seem small, or not worth focusing on, but over a period of time, they can create a big difference in your investing journey.

1. **Cutting the flowers and watering the Weeds:** When a stock falls, we tend to get emotional towards it. We are like, *"I can't sell my stock at a loss, this is my hard-earned money, Rather, my other stock, which is at a profit, may also fall and add to my loss. So let me just sell that other profit-making stock and average the loss-making stock so that whenever my loss-making stock bounces, I will get a chance to get even"*. This is one of the biggest fallacies that a lot of investors do. If a stock is making a loss, there is something that the market knows about it that we do not know. So does it mean any stock that falls is bad? No, if a stock falls when the market is falling, it's okay. This is generally due to herd behavior. But if a stock is falling on its own without the market falling, it is a cause for worry. When one finds such a case, sell the loss-making stock especially if it is touching a new 52-week low, and add to your winners instead.

Similar things can happen to your portfolios too. A lot of investors keep on clinging to their portfolios that have not made money for them over a three-year period (that is the minimum horizon you should have when investing in equities to analyze). One should rather keep on adding to portfolios that are making money for them because your winner manager must be better equipped to analyze the market than others.

2. **Mutual Funds are less risky than a PMS:** A lot of my PMS investors have told me that they are scared to invest their *Mutual Fund Money* in the PMS. I asked them a simple question, "Where did you make more money in the last two years" and unanimously the answer was in INVasset PMS.

Why was this more money made?

- a. Firstly, because in your PMS we strive to buy companies that are poised for growth in the next 2-3 years. Unlike Mutual funds which have large corpus to deploy and only buy blue chips, which you can just go out and buy on your own.
- b. Secondly, we account for risk by shifting stages in the INVasset AAID Shifter, which primarily are focused on reducing BETA (how much does your portfolio move with a 1% move in the market). In the last stage of INVasset AAID Shifter, **the Safety Shells**, *when we feel that the markets are exuberant and the risk-reward ratio of being in equities is not in our favor*, we are the only fund managers in India who will reduce your equity stakes. Last time from 9th September'2021 to 7th March 2022 (17300 to 16200 on Nifty), your equity exposure was almost NIL. On the other hand, Equity Mutual Funds have to be compulsorily invested in equity to the tune of a minimum of 65%.
- c. Thirdly, we charge only performance fees. So, you are not paying every year for our rent, our team salaries until you make money.

- d. And last but not least, psychologically you feel that mutual funds are safer because of the excess marketing they do. "Mutual Funds Sahih Hai"....yes, who sahi hai....but only in terms of better returns than traditional assets like Gold, Real Estate, etc. But when it comes to drawdown, what matters is how your manager has designed the scheme to control the drawdown. In the 30+ years of back testing and 6+ years of implementation, we have not seen a drawdown of more than 20% *in our scheme.
3. **Single Stock Investment:** I get a lot of calls regarding "Tell me a single stock....or 2-3 stocks that are going to do well in the next year". If I knew such a thing and it had a better risk-reward ratio than your existing portfolio, wouldn't I be doing it already? *Investing in more than 16 companies reduces your unsystematic risk by 96%.* With less than such a number, you tend to get attached to the stock and make improper financial decisions. We own minimum 20 stocks for you in INVasset Portfolios.
4. **Short-Term Comparisons:** Who doesn't like Alpha? After all, that is what we are all here for. That is what you guys are paying us for.

But please remember that to analyze results, one has to ride the 3-year cycle together. There can be periods, when we would underperform the bigger indices like Nifty and Sensex, because of Midcaps and Small caps not performing. And there will be periods where small-caps and midcaps will outperform the bigger indices.

You should analyze and judge performance, but only when you have seen it all.

In the past, when the markets come out of a bull market correction, the larger indices or blue chips lead the way and are followed by Midcaps and Small caps, who ultimately catch the momentum and beat the bigger indices in returns. A similar scenario is expected now.

Our Algorithm suggests a target of 1,00,000+* on the BSE Sensex before December 2025. It may happen, or it may not. But I believe that the best way to check is to be invested in stocks with any means avenue possible and look at the long-term India growth story, rather than short-term performances.

Good Luck!!!!

Keep Investing!!!

The next 3 years should be great for Indian Markets.

And remember, I am always there to answer any questions you may have.

Your Fund Manager, Your Friend

Anirudh Garg

*Disclaimer: Any figures or return/drawdown projections mentioned in the letter are an approximation or targets we have set for ourselves. Please follow the instructions of your financial advisor or take independent intelligent decisions before investing. Read the complete disclaimer on website.