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5 lines from films that defined personal finance in 2020

Sometime in March 2020, as bond yields hit new highs every day and as equity markets hit new lows, and as the intensity of bad news on TV got worse, I remember thanking my stars that I had experienced 2008. Experiencing that single event as a young analyst on Wall Street defined the way I thought about personal finance, and those lessons continue today. This year, I have done countless webinars with investors and advisors, titled “A Friend Request with Volatility”, and I really believe, volatility is a friend in financial markets. The 2008s and 2020s that you experience once in a decade teach you more about yourself as an investor and what good investing is, than most of the decade put together. As we end one of the most volatile years in many of our lives, I wrote down five personal finance lessons that stayed with me.

In a landmark 1994 film, Tom Hanks, said, *“My mom always said life is a box of chocolates, Forrest. You never know what you are going to get.”* Markets delivered everything – the bitterness of dark chocolate in sharp corrections in March, and the sweetness of milk chocolate in the subsequent rally. Reams of space went into forecasting whether the recovery would be a U, W, V, or Nike shaped one, but with markets, you truly never know what you are going to get. As the crystal ball gazing of 2021 begins, it's time to remember the missed crystal balls of 2019, and the futility of predictions. Speaking of chocolate, 2020 was also a good year to remember that if you really built a mixed “box of chocolates” portfolio, you did very well. Never has the boring old principle of asset allocation across equities, debt, global assets and gold come in as handy!

A few years before Forest Gump released, Amitabh Bachchan doled out some advice in *Khuda Gawah*, *“Zyaada mat soch. Soch gehri ho jaaye, toh faisale kamzor ho jaate hai.”* This year gave us enough fodder for analysis, from the shape of the recovery and to likely outcome of the US and Bihar elections. Waiting for an event, predicting the outcome of an event, and predicting the impact of that outcome, we had it in plenty. I know many investors who were expecting a huge surge of volatility around US elections, hoping for a chance to “buy the dip”. They waited and waited, and the correction never came. Analysis paralysis, in the information overloaded world, leads to weak decision making. One of the reasons I continue to love the boring SIP and automated asset allocation fund – they don't overthink, they automate and take decisions.

Speaking of boring, as someone in the finance profession, I get asked a lot, “What's the secret to making money this year?” The assumption is that the secret lies in either the time to get in, or finding sectoral bets, or yes, even taking a call on bitcoin. I love this line from Kung Fu Panda, “There is no secret ingredient. It's just you.” It is just you. A year like 2020 is a great reminder that good behaviour is the biggest vaccine and the best secret ingredient in investing. Investors who had sensible financial plans, understood their own risk appetite, and had a basic contingency fund, have tided through this year just fine, sometimes despite economic challenges. Your investments are a function of your goals, your circumstances and your reality. You will do well, when you plan for you, because personal finance is personal first, finance second.

Speaking of personal, 2020 was not any easy year on multiple other accounts. Small businesses were shut down for months on end and all of us, as employees have worked from home, for nearly a year. I remember taking calls, while cooking in the kitchen, and balancing work from home with work for home, has tested a lot of commitment. Financial commitments were also tested this year. Financial goals are easy to make, but hard to keep, and the strength of those commitments is testing in bad years, not good ones. I never thought I would quote Salman Khan, when it comes to finance, but truly, “Ek baar jo maine commitment kar di, uske baad tho main khud ki bhi nahi sunta.”

Finally, on a more sombre note, for the world at large, 2020 has been a year of loss. But it also is a year that ends with hope, that the health crisis that kicked off this year, will come to an end, as vaccines get rolled out around the world, fast tracking a process that usually takes a decade. Markets have already smiled around the globe, in India, earnings are showing signs of recovery, and the inherent optimism in all of us, looks forward to the vaccine hitting our shores very soon too. Equities have their ups, equities have their downs, and they don't deliver in equal measure year on year, but they do deliver over a decade. With some part good behaviour, a lot of parts of patience, and a sprinkle of hope, you can remain invested for decades. In the worst moments of this year, I remember seeing these lines from Shawshank Redemption on one of those lovely What's App groups, "Remember. Hope is a good thing, maybe the best of things, and no good thing ever dies." Keep the spirit of investing alive.

Disclaimer: Ms. Radhika Gupta is the MD & CEO of Edelweiss Asset Management Limited (EAML) and the views expressed above are her own.

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