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Dear Investors and Advisors,

We ended the September 2018 comments with the note, “May we live in interesting times” and indeed, interesting times continued in the month of October. Thankfully interesting times also took a little bit of a pause at the start of the month, with the Diwali weekend, and really no matter which part of India you live in, there is something about the festival of lights. Markets are good some years, and markets are bad some years, but Diwali is always great. What makes Diwali great – besides all the celebrations and food and festivities – is the traditions, the good habits that we remember, and that have been passed on down generations. And why should these good habits apply only on Diwali and only to our personal lives, when there are beautiful takeaways for money and investing?

I am from Delhi, and Delhi is notoriously famous for firecrackers bursting on Diwali, leading to deafening noise and unbearable levels of pollution. For years, sensible Delhi residents have reduced fire cracker burning, schools have educated children about the perils of fireworks, all for the benefit of a less noisy Diwali. Noise on Diwali irritates, it affects your ability to function, and it takes away on focusing on other important things. Noise in markets is about the same, and markets are not short of noise. Stock and bond prices volatile, global and local news flow adds on to it, and rumours are often the cherry on the cake. As investors, let us reduce the noise in our investing lives by blocking it on and focusing on what we have to do. Markets do what they have to do, newspapers print what they have to print, but we will see the light at the end of the tunnel when we focus on our long term goals.

One of the other constant concerns around Diwali, which comes from firecrackers as well as lighting of candles and diyas, is that of fire safety. Safety around Diwali is a big issue, and as our interaction at Edelweiss AMC with the Mumbai fire department taught us, each year there are hundreds of cases of victims and tragedies, because people were not careful or took a few extra risks. And that is why many of us are wired to wish each other not just a Happy Diwali but a Safe Diwali. Safety on Diwali is of prime importance – because a single accident can set all our celebrations and lives back, in ways that are difficult to repair. Similarly, safety in investing enables us to survive. It is a well-known fact that when you lose 10% of your capital, you need to earn 11% to breakeven, but when you lose 50% of your capital, you need to earn 100% to come back. Returns and risk are part of the same equation, and let us never forget to take sensible risks that are right for us.

A word I often hear on Diwali, and actually also in homes on festivals like Christmas, is CLEAN. We clean our houses and offices, we throw out unrequired items, we beautify spaces so that light and prosperity enters our home. Cleaning is often tough and tedious, but it is beautiful to declutter, and once you have decluttered, you realize how much space you actually have. Take the time to declutter your portfolios because clutter and complexity builds up over time, and complexity creates chaos. Too many schemes for instance means you just end up holding the market, rather than beating it. Complex products are another indulgence that hits back, when times turn, and there are many such examples. For most of us, a simple well advised portfolio of funds, diversified across equity and fixed income, with a few schemes in each does the job. Focus on a clean portfolio statement, just like a clean house.

Speaking of portfolios, new investors ask me often, when is the right time to start building a portfolio. Diwali is always associated with starting something new, but there is never a bad time to get started. Each Diwali, a new financial year starts, new books open, and we forget the mistakes of the past to focus on the new. Regardless of what age you are, don't forget the power of just getting started in your investing journey. An investor, aged 45 just told me recently that he started his first SIP, but was not sure if it would help him because of his age. No age is too late to start the habits of saving and investing, because life is long and compounding is truly a free lunch in markets. For young investors, if you start saving just as you start earning, you are giving yourselves a long time to earn, learn, make mistakes, and grow your wealth. And if you have invested, but are holding back because of mistakes made in the past, it is also not too late to make another fresh start.

There is interesting legend that goes that a foreigner asked a village women what the difference between an expensive lamp and a simple earthen diya was. And she replied, “Sir, your lamp once lit just sits there. But my diya can light a thousand other diyas. “Light creates light, and never forget that money has a much broader purpose. In the day to day of markets and SIPs and returns, and quartiles and ranks, we forget that money is invested to fulfil goals and make dreams come true. Let us keep a firm eye on why we are investing because these goals are our own. There is no one right investment solution or portfolio, because each investor should and will have their own goals. And like a diya lights a thousand other diyas, good investment behaviours and sensible investing can improve the lives of our family and the generations after us.

On that note, on behalf of the entire Edelweiss AMC team, I wish you a very happy Diwali and a wonderful festive season. Thank you for your support and belief in us and our team, and happy, safe, and prosperous investing!

Regards,
Radhika