SPECIAL REPORTS

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Dear Readers,

The investing arena is loaded with uncertainties and noise. We often invest on impulse, under the influence of the information overload that surrounds us.

But what if we had a checklist that can safeguard us from our impulsive ventures?. While i wouldn't recommend you to completely rely on a checklist, because investing arena is too dynamic, but this Special Report lists some of the very few thumb rules that can help simplify you begin your journey towards becoming a Super Investor

- ## Keep a Margin of Safety

Overpaying is the single biggest mistake that you can make Even the greatest car, the greatest beach house is a bad buy if you overpay for it. So it's important to not just know the true & fair value of the asset you are about to buy, but also to ensure that you keep a scope for your estimates turning out to be wrong.

Afterall, If you want to build a bridge through which Vehicles weighing 10 tons will pass, wouldn't you keep a margin of safety and build a bridge that can tolerate up to 12 tons of load ?

Bonus TIp - Rule No 1 of investing

- ## Circle of Competence

Do you buy a book written in a foreign language you don't understand? Do you try to swim in the river without learning to swim in the pool? We avoid doing things we don't know, but when it comes to investing, we buy anything and everything that is "advised" to us. It's important to buy the business you understand, only then you will be able to accurately forecast.

Imagine a scenario wherein a team has scored 200 runs at the loss of 3 wickets after 40 overs. What will be your prediction of the the final score after 50 overs ? Those of you who regularly watch cricket will say that probably the team will end up scoring between 280-300 runs. How did you arrive at that ? Through your past experience & knowledge. Similarly you will be in a better position to forecast the business growth of the business you understand. So stick to your circle of competence.

Bonus Tip - Investing Like Warren Buffet

- ### Buy Great Companies

Do you eat at Roadside food stall simply because it's cheap and tasty ? No, because we are smart enough to know that although it saves money in the short run and tastes great, but its long term effects on our health are adverse. Similarly a cheaply priced stock of a not so good company might look lucrative in the short run, but it's quality that matters in the long run. So if you wish to preserve your (financial) health, stick to good companies.

Bonus tip - How to Pick Picking Great Companies

- ### Law of the Farm

As in farming, success needs time and effort. Some things just naturally take time, you cannot speed up the process. It takes 9 months for a baby to come to life. Similarly, creating wealth in the stock market takes time, if you try to speed up the process, you will lose what you have today. So patience has no substitute.

Bonus Tip - How to ensure success in the stock market

- ### Timing the Market

Investopedia defines it as - *"Market timing is the act of moving in and out of the market or switching between asset classes based on using predictive methods such as technical indicators or economic data. Because it is extremely difficult to predict the future direction of the stock market, investors who try to time the market, especially mutual fund investors, tend to underperform investors who remain invested."*

It's Important to realize that market moves up in sudden spikes, which are almost always unpredictable. So if you are out of the market when a rapid bull run occurs, your returns will be mediocre. Therefore it's important to present in the market at all times and not try to predict the unpredictable.

- **Corporate Governance**

A company with bad ethics and corporate governance might make money for itself, but will never distribute it to the shareholders. No one compromises on governance standards to benefit the shareholders, they do it to profit themselves. So if you come across a company that has had frequent brushes with the regulations, it's best to let it pass by you.

- **Be Contrarian**

If you buy what everyone else is buying, you are not going to make money. Value investing is the art of buying what's out of fashion, what's disliked. So it's important to buy what everyone else is selling and sell what everyone else is buying in order to be successful in the market. It's easier said than done, and this is where most investors chicken out when the time is opportune.

Bonus Tip **- How to identify a good industry**

- **Be Risk Averse**

High risk eventually catches up with you, if you engage in risky behavior too often, you eventually have to bear the consequences. In investing, it's important to ensure that you don't indulge in risky behavior such as intraday trading, derivatives etc. These activities might look rewarding and tempting, but there are no successful investors who created sustainable wealth by indulging in such activities. Even while investing in stocks, one needs to ensure that the al the downsides are factored in the price you are paying because in the long run -

"Everything that can happen, will happen"

So the risk you take, should be aligned with the risk you can afford to take. If you bet everything on a risky "Concept stock" make sure that you are prepared to face the downside of it as well.

Bonus Tip - **TOP MUTUAL FUNDS OF 2018**

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