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Editorial

STAY BORING AND KEEP MAKING MONEY

Politics and conspiracies aside, what exactly is the takeaway for investors from the events surrounding the Adani stocks over the past few weeks? It's more than a little hard for investors to keep a cool head when stocks are falling thick and fast but here's a counterintuitive take:

The basics of equity investing are alive and well. Investors who have stuck to those basics have done well out of the Adani stocks. Everything that is being discussed about this issue by the talking heads on TV and elsewhere may (or may not) have the greatest relevance to politics and financial regulations, but it has little relevance to actual equity investors who simply stick to the basics. And what are these basics I'm talking about? The obvious ones: diversification, asset allocation and cost averaging. In fact, the Adani affair is a great teaching moment in how these simple principles keep you protected from unexpected adverse events that may hit a stock or a sector or a group.

Let's look at this one by one, how each one does it's job. Diversification is supposed to be the most important part of any investment strategy. The idea is simple—you are supposed to spread your investments across different sectors and industries or business groups so that bad times in one may be offset by another.

This is hardly a strategy unique to business or investing—'don't put all your eggs in one basket' is probably one of the first proverbs that one comes across in life, and one whose benefits are self-evident. Any investor who has even the basics of diversification in place would not have had more than, say, 10 %of their equity holding in one business group. For example: Due to some unique challenge, if one business group's stocks halved in value, the total impact on the holdings would be perhaps only 5%.

"Financial freedom can only be achieved by a conscious choice. It's not an accident. It's not just merely by thinking, it's through grinding and doing what is necessary to get to that goal."
- David Angway

That's a decline, sure. However, it's hardly a disaster. Any seasoned equity investor would take a 5 %decline without blinking. The idea of diversification leads one naturally to that of asset allocation and it's close twin, asset rebalancing. In fact, following these principles would have meant that anyone who was invested in the Adani stocks would have made a lot of money out of them, AND would have protected those gains. To appreciate this, let's go back to the basics. Let's say your allocation principle says that you must not exceed an exposure of 10% of your portfolio on a particular business group. Over the last few years, as the Adani stocks zoomed up 5x to 20x, far faster than the rest of the market, they would have repeatedly broken this limit. When that happened, what would sensible investors have done?

They would have sold enough of the Adani stocks to keep the total under 10%, or whatever their limit would have been. In effect, they would have taken their returns out and deployed them elsewhere. This is the essence of asset rebalancing. There's nothing 'Adani' about this. The most common form of asset rebalancing is the broad one between equity and debt and that's something that's widely practised by any investor who is even minimally systematic in their approach. The word systematic brings us to the third basic principle that we can observe here, which is that of investing in any stock over a period of time and averaging one's costs. Since we are talking Adani as an example here, it is notable that these crashed stocks are all up 5x to 10x over the last five years! Investing gradually over a period, diversification, having an asset allocation limit and rebalancing is all that it takes to save an investor from even a big corporate which has produced more hot air than almost any other for a decade.

So, the moral of the story is the most boring—and the most useful one—ever: sticking to the most basic principles of investing works.
That's why these ideas became the basic principles.

What a surprise!

Piyush Desai - CEO

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WHAT ARE LIQUID AND ARBITRAGE FUNDS?

Liquid Funds

Liquid funds invest in debt and money market instruments like commercial papers, certificates of deposits, treasury bills, etc. which mature within 91 days. High credit quality liquid funds have very low risk and are suitable for parking your surplus funds for a few days to weeks. According to SEBI directive, these funds charge graded exit loads for withdrawals within 7 days from the date of investment.

Arbitrage Funds

Arbitrage Funds are low risk investment options for parking your short term funds instead of keeping it idle in your savings bank account at very low interest rates. Arbitrage Funds have the added advantage of being more tax efficient than debt funds like overnight or liquid funds which can also be used to park your idle funds.

Arbitrage is simultaneous buying and selling the same underlying security or its derivatives in different market segments to make risk free profits. If the price of the same object is different in different markets, you can make risk free profits by buying the object in the market where price is lower and simultaneously selling it in the market where price is higher. It is important that both the buy and sell transactions are executed simultaneously so that you can lock-in the profits and not be exposed to price risks. Since arbitrageurs aim to make risk free profits, the buy and sell positions are totally (100%) hedged.

Salient Features:

Liquid Funds

- Flexibility of switching to other fund categories via Systematic Transfer Plan (STP).
- Stable returns with the possibility of price appreciation if the interest rates fall.
- No lock-in period and no exit load after 7 days from the date of investment.
- The gains are added to your taxable income. Thus, your tax bracket determines the taxation.
- Ideal for an investment horizon of few days to weeks.

Arbitrage Funds

- No price risk, since the equity exposure of Arbitrage Funds is completely hedged.
- Unlike liquid funds, there is no credit risk in Arbitrage Funds.
- Potential of getting higher returns than savings bank interest.
- Capital Gains on investments held for less than 1 year are taxed at 15% and more than 1 year at 10%.
- Investment horizon should be at least 3 months for expecting stable returns.

Tax Benefits

This is one of the key differences between Arbitrage and Liquid funds. Your tax bracket defines the tax benefits of a liquid fund. The short-term returns generated from these funds are your income and must be taxed accordingly. Consequently, you may find it inefficient if you are in the highest tax bracket; while a non-earning individual will find it efficient.

On the other hand, arbitrage funds will attract a flat 15% tax on short-term capital gains (period of less than 1 year) from the investment date. This is quite low in comparison to the tax in liquid funds (Which is based on your tax bracket). However, if you invest in arbitrage funds for more than 1 year, your gains will be eligible for long term capital gains (LTCG). If your gains are above the value of Rs. 1 lakh, tax at the rate of 10% will be applicable without any single benefit of indexation.

Conclusion

Fund managers conduct thorough market research for Arbitrage funds while a liquid fund portfolio comprises top-rated money-market instruments. Arbitrage funds channelize your money more efficiently than any other mutual funds, amid price volatility in the market. You must consider your financial requirements and goals for your investment. You can also decide upon a period of investment before actually investing in either of these mutual fund schemes.

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SHOULD WE STOP SIPS DURING MARKET VOLATILITY?

If you are wondering when to stop your SIP investments, then let us tell you that it is never a good time to discontinue them. Discontinuing your SIP investments during a market downturn is perhaps the worst mistake you can make as an investor. It defeats the very purpose of SIPs by negating the opportunity to accumulate more units when prices go down.

A downturn is the ideal time for SIPs to actually work in your favour. SIP investments tend to work better in a fluctuating market scenario. As the market hits lows, resulting in a decline in a fund's NAV (Net Asset Value), you end up ***buying more units of the fund at a lower price***. Gradually, as the market starts picking, the value of your SIP investments could fetch more returns since you own more units now. This miracle is called *Rupee Cost Averaging*, also referred to as the eighth wonder of the world by some. Let's understand this better with the table below:

STOP SIP V/S CONTINUING SIP

SIP Amount Rs. 10,000/- (Monthly)

Mr. A	
Start Date	16-01-2007
End Date	16-12-2008
Installments	24
Investment Amount	Rs. 2,40,000
Net Return	Rs. 1,68,570
XIRR	-32.66%

Mr. B	
Start Date	16-02-2011
End Date	16-08-2013
Installments	31
Investment Amount	Rs.3,10,000
Net Return	Rs.2,66,477
XIRR	-11.71%

Mr. C	
Start Date	01-01-2019
End Date	31-05-2020
Installments	17
Investment Amount	Rs.1,70,000
Net Return	Rs.1,34,000
XIRR	-27.78%

Mr. D	
Start Date	01-01-2022
End Date	01-03-2023
Installments	15
Investment Amount	Rs.1,50,000
Net Return	Rs.1,37,198
XIRR	-14.52%

Will you continue your investments or redeem them?
If you had redeemed, then what had you lost?? Please see below:

Mr. A (after 13 months)	
Start Date	16-01-2007
End Date	18-01-2010
Installments	37
Investment Amount	Rs. 3,70,000
Net Return	Rs. 6,01,885
XIRR	34.90%

Mr. B (after 13 months)	
Start Date	16-02-2011
End Date	16-09-2014
Installments	44
Investment Amount	Rs.4,40,000
Net Return	Rs.8,08,901
XIRR	36.33%

Mr. C (after 19 months)	
Start Date	01-01-2019
End Date	31-12-2021
Installments	36
Investment Amount	Rs.3,60,000
Net Return	Rs.5,87,815
XIRR	34.57%

Mr. D (after ?? months)	
Start Date	01-01-2022
End Date	?
Installments	?
Investment Amount	?
Net Return	?
XIRR	?

Continue your SIP and benefit from the power of compounding!

If you see the examples above, several times in the past the market has delivered negative returns for a long period. But continuing the SIPs for some more time has delivered phenomenal returns!

While market downturns might seem scary, take a deep breath and understand that they will come to an end. This can be the key to your overall investment approach in the long-term.

As quoted by Benjamin Graham, who is referred to as the 'Father of Value Investing', ***'Successful investing is about managing the risks, not avoiding it'***. If you stop your investments in SIP now, or worse, redeem your investments, you will turn your temporary loss into a permanent one.

Rather, it is a good opportunity to top-up your investments through SIP or lump-sum based on your financial goals and risk appetite. Happy investing!

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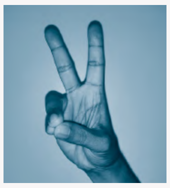
Hasta Mudra for Immunity & Healthy Heart

Hasta Mudra is a part of various Yoga Mudras. Hasta means hand. Hasta Mudra are various gestures made by hand (fingers). Hatha Yoga Pradeepika states मुदम् रा ति इति मुद्रा : which means Mudra is that (posture) which gives us joy. Mudras have more immediate and strong impact on the body, mind, energy, emotions, etc. Mudras can be performed individually or in combination with Asana or Pranayama.

According to Yoga & Ayurveda human body is composed of the Panchamahabhoota (The Five Basic Elements) which are Prithvi (Earth), Agni (Fire), Jal (Water), Vayu (Air) & Akash (Space). Any imbalance of one or more of these elements causes diseases. The five fingers of both the hands represent these five elements (as shown in the photo). By keeping the fingers and thumb in various positions, one can balance, increase or decrease one or more of these five elements to restore the state of balance in them, thereby curing the disease.



Prana Mudra – Mudra for increasing Immunity

Prana is vital energy. This mudra helps to improve the prana in your body. This is one of the important mudras in Hasta mudra. To do this mudra, touch the tip of the little finger and ring finger to the tip of the thumb. You can practice this mudra for 5-15 min.

Benefits - 1. Helps to improve your immunity. 2. Helps to reduce deficiencies of Vitamins. 3. Helps to reduce forgetfulness.

Apana Vayu Mudra – Mudra for Healthy Heart

This mudra is also known as Sanjeevani Mudra or Heart Mudra as it can save a person from Heart attack and it helps to reduce various heart issues. To do this mudra, touch the tip of the index finger to the base of the thumb. Join the tip of the middle finger and ring finger with the tip of the thumb.

Benefits - 1. Helps to improve the health of the heart. 2. If done when one gets an heart attack, the mudra will help to minimize the damage. 3. Regularize the heart beats. 4. Helps to remove blockages in the veins.

About the writer - This article is written by Devidatta Sukhatankar. He is an International Yoga Teacher having an experience of more than 20 years. He is also a Reiki Master and a Nada Yogi. He has a YouTube channel - Yoga By Devidatta which has more that 35 thousand subscribers and more than 2.5 million views. You can watch his videos on www.youtube.com/YogaByDevidatta
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