THE BEST TIME TO INVEST IN A QUALITY STOCK WAS 20 YEARS AGO.

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BODHI WEALTH

Focused Investing!

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BODHI'S 33

A GUIDE TO PROFITABLE INVESTING

WHEN
QUESTIONS
BOTHER
YOU,
TRUST A
GURU.

BODHI
WEALTH

Q1) What are the most popular avenues of investments in India?

Bodhi says – Popular investment options include Gold, Real Estate, Stock Market (Equities), Bonds, Fixed Deposits, Employees' Provident Fund (EPF), Public Provident Fund (PPF), National Pension Scheme (NPS), Insurance Policies etc.

Q2) Is Insurance a good investment option?

Bodhi says – No. Insurance, even though a widely chosen investment option, should not be looked as an investment at all.

Insurance basically means a cover to protect oneself from any unforeseen and uncertain situations in life. It should not be mixed as an investment option.

Q3) Should one keep away from insurance?

Bodhi says – Absolutely not. Certain insurance policies act as an important safety net to protect against unforeseen and uncertain situations, and in some cases, like motor insurance, mandatory as well.

Q4) What are the must have insurance policies?

Bodhi says - Term life insurance is an ideal policy to have for protecting the financial wellbeing of the dependant family members.

In this day and age with rising cost of medical treatment, having medical insurance is very important to protect oneself and their family members in event of any medical emergency.

There are other insurance policies which are very essential and in most cases mandatory like motor insurance, travel insurance, fire insurance and the likes.

Q5) LIC or unit-linked insurance plans (ULIPs) from any major insurance company also give returns apart from the absolute cover, so why are they not good?

Bodhi says – This is a gimmick. On such policies we typically see average returns of 3% to 10% CAGR (compounded annual growth rate) and more so the returns are not guaranteed either! In addition, there are a lot of hidden downsides associated with these policies. You may be subject to fixed yearly commitments to invest for a number of years and/or have numerous withdrawal restrictions. For such reasons they do not make any financial sense and most importantly they do not provide adequate insurance cover, defeating the very purpose for which the policy was designed in the first place.

Life insurance is not an investment.
It's protection.

Q6) What is the best way to manage insurance and investments?

Bodhi says – Instead of buying any investment-linked insurance policy, an individual should only opt for pure 'term life' insurance policy to protect the future of dependant family members.

Pure term life insurance provides highest insurance cover for a relatively low premium. The sum saved on high premium can then be invested in some other long term investment opportunity for much higher returns compared to investment-linked policies.

This way an individual can get the best insurance coverage PLUS higher returns on the invested money.

Q7) How do bank fixed deposits fare as an investment option?

Bodhi says – Bank fixed deposits were the darling of Indian investors for several decades and rightly so, because of the great returns they generated back in the days. However, the golden days of fixed deposits are well past and now offer some of the lowest returns on investment. The future outlook isn't rosy either. As a matter of fact, fixed deposit returns do not even beat the inflation rate, meaning, year on year, the value of your money keeps on decreasing.
Do keep in mind, interest earned on fixed deposit is fully taxable at slab rates applicable to one's total income.

Q8) How is gold as an asset class?

Bodhi says – Gold has long been considered as the safest investment option by all strata of the Indian society. It is measured as a good hedge against inflation. But contrary to popular beliefs, gold returns have been pretty average compared to other available investments options.

Q9) What returns have gold investments delivered over the past 20 years?

Bodhi says – Gold investments have delivered returns of about 12.4% CAGR (Compounded Annual Growth Rate) over the past 20 years.
For example, 10gm gold in 2002 cost about ₹ 4,990 and in 2022 it cost about ₹ 51,600, giving returns of little over 10X. However, between 2012 and 2022, gold has approximately increased only by a marginal 5.1% CAGR, equating to less than 2X returns, worse than the returns of fixed deposits during that period.

**All that glitters,
doesn't necessarily create wealth.**

Q10) What are advantages and disadvantages of investing in gold?

Bodhi says – Gold has been considered to be the safest and most reliable investment option across centuries. Due to its worldwide acceptance, risk averse investors invest in gold to secure their wealth.
On the flip side, gold is not an income generating asset. Unlike other investment avenues, the return on gold is based entirely on its price appreciation. Moreover, investment in gold carries unique costs and risks. As it is a physical asset, it attracts storage cost and is always at risk of theft. And while gold is traditionally thought of as a "safe" asset, it can be highly volatile as seen in the last decade.

Q11) Should one completely avoid gold in their investment portfolio?

Bodhi says – Gold should definitely be part of one's investment portfolio. Depending on investors age and risk vs return expectation, gold's allocation in the portfolio can be planned.
As a thumb rule, gold can form up to 10% of the investment portfolio as it acts as a cushion in times of economic crisis.

Q12) How is real estate (land or built-up property) as an asset class?

Bodhi says – People in India and across the world, love to invest their money in real estate because it's limited in supply and history has shown continuous asset appreciation.

Q13) What are returns on real estate investments over the past 20 years?

Bodhi says – Investments in real estate have given a wide range of returns depending which part of the country the property is located. Holistically, real estate investments have given a return of about 9% CAGR across India.
For example, a residential flat in Pune which cost about ₹ 20 lacs in 2002 is worth approx. ₹ 1.20 crore in 2022, giving 6X returns over 20 years.

Q14) What are the advantages of investing in real estate?

Bodhi says – Real estate have delivered stable returns to investors across decades. Investing in real estate also generates income in the form of rent. If investment in real estate is made availing home loan, then tax benefits can also be claimed.

Real Estate.
It's not there when you need it.

Q15) What are disadvantages of investing in real estate?

Bodhi says – Real estate comes with its own shortcomings;

- Huge maintenance costs for owning a commercial or residential property
- Rent from residential property across India averages only about 2% to 4% of the property amount
- There is huge cost in terms of the government taxes to be paid while both buying and selling the property
- Real estate market is relatively less regulated and there is always fear of incomplete projects or land grabbing for potential investors
- One of the biggest downsides to real estate is its illiquidity. It is very challenging and time consuming to sell a property in times of need. It is common for property to sell at a distressed value because of the cyclical nature of the industry

All these costs and risks have a big impact on the absolute returns from real estate investments.

Q16) Taking into consideration property appreciation and rental yields, isn't real estate the most rewarding investment option?

Bodhi says – Property appreciation is definitely a big plus for real estate investment; however, rental returns are minimal and it carries huge transaction costs and risks, which make real estate a descent but not the best investment option in terms of absolute returns over long term. Investment in equity i.e., businesses listed on stock exchange, give best returns on investment over the long term.

Q17) What is equity investments?

Bodhi says – Equity investments is the art and science of investing money into companies with a goal of creating wealth over long term as the companies grow and generate profits.

Q18) What returns have equity investments delivered over the past 20 years?

Bodhi says – Equity investments have fared significantly well compared to any other asset class in India and around the world. Over the past 20 years, Sensex, the index of Bombay Stock Exchange, has grown from approx. 3,300 points in 2002 to 58,400 points in 2022, resulting in 15.4% CAGR - meaning 17.5X returns in 20 years.

But, if an investor had invested wisely in the best and most reliable companies of India for the same term, let's say HDFC bank, the returns would have jumped to 23% CAGR, giving 64X returns in 20 years.

Equity investments stand steady.

Q19) What are advantages and disadvantages of equity investments?

Bodhi says – Equity gives the best returns and long-term compounding of wealth than any other investment option out there. Historically, equity has proved to grow one's wealth by 10X in 10 years, 100X in 20 years and 1000X in 30 years! The biggest advantage working in favour of equity is liquidity, meaning, it can be converted into ready cash instantaneously. Regular annual dividends from equity investments also act as steady income. The fundamental of equity investment is to diversify the available cash across various companies and sectors, thus greatly reducing risk in times of instability.

The biggest risk with equity investments is to invest with a short-term outlook. Given the volatile nature of the macro environment, short term investments in equity can turn into a gamble.

Q20) What does diversification mean?

Bodhi says – An investor should park their investments in multiple asset classes as per one's risk appetite. This keeps one protected against any market instabilities. As with too much of everything, too much diversification also has a negative impact on the investment returns. A balanced approach is thus very much required.

Q21) Haven't people earned a lot of money via real estate and equity trading?

Bodhi says – It is true that real estate deals have given 2X to 4X returns in 5 to 7 years, and so have equity trading earned people 10X and sometimes 100X returns in a short period of time. It is important to not look at these gains in isolation. Real estate and equity trading have also resulted in people losing considerable amount of wealth and on occasions even their entire life savings! Short term trading is more of a gamble than science.

Q22) So what is the difference between trading and investing?

Bodhi says – Investing and trading are vastly different. Trading is no different to gambling, where one speculates on the direction of the market and gets rewarded if guessed right. Investing is a very calculated approach, where one invests in robust companies and sectors with a long-term vision of making great wealth when the companies do well.

Don't put all your eggs in one basket.
Diversification is the key.

Q23) Aren't equity investments very risky?

Bodhi says – "Risk comes from not knowing what you are doing" – Warren Buffett.

If done sensibly, equity investments potentially bear lower risk than the Government of India bond.

Most wealthy people on the planet created their wealth because they owned a share (equity) in some great business. They didn't do it by trading in the stock market but investing in the right stocks and holding them for very long period of time.

Q24) People have lost all their wealth in stock markets, how is it safe then?

Bodhi says – Anyone can create a lot of harm for themselves if they make unwise decisions. We only hear stories of how someone has lost all their money in the stock markets, but we don't know the background of how people have actually lost all their money.

Majority of people lose their money owing to compulsions and addictions of trading and speculating in the stock markets. Being emotional about their decisions and not taking corrective actions make them extra vulnerable.

A calculated and balanced approach along with good guidance on investing wisely, will ensure you are far from losing any money. In fact, one can build great wealth for themself and achieve their long-term financial goals like child's education or marriage, non-dependent retirement, holiday home etc.

Q25) Good companies like Yes Bank, Reliance Capital, Reliance Power seemed good businesses, but they collapsed! How is investing in businesses a good option?

Bodhi says – There are about 7,000 companies listed on Bombay Stock Exchange and National Stock Exchange combined. Around 95% of these companies have certain level of irregularities and are not good for long term investments.

Plus, in India many company promoters' game the system to benefit them personally, leaving investors high and dry. The above-mentioned companies and countless others are examples of such mishaps.

Q26) How does one judge if a company is good and worth investing?

Bodhi says – There are lot of different ways an investor can find a right company to invest in. A couple of great books which can guide an investor to invest in a right manner is 'Coffee Can Portfolio' and 'Diamonds in the Dust', authored by Saurabh Mukherjea, Rakshit

Without a sound financial plan, it's taking investments to a casino.

Ranjan and Salil Desai. Saurabh and his colleagues are one of India's leading portfolio managers and they have devised a simple set of principles through which an investor can find right companies to invest in.

Q27) What is the right approach of investing in equities?

Bodhi says – Equity investment is a long-term commitment requiring steady and regular investments in businesses listed on stock exchanges. One needs to be extremely patient, committed and well diversified along with accepting uncertainties as part of the investing journey. It is important to shut out noise and be calm when storms hit the stock markets.

Q28) What is a good time frame to earn handsomely while investing in equities?

Bodhi says – One needs to invest in the equity markets only if the investment horizon is greater than 5 years. Any time frame less than this makes equity investments highly risky.
For the compounding effect to kick-in, equity investments are best done with the horizon of 10 to 20 years, so that the wealth can be allowed to grow anywhere from 10x to 100x.

Q29) What is the return one should expect from equity investments?

Bodhi says – An investor should aim for returns anywhere from 13% to 18% over long term, depending upon their risk appetite.
Warren Buffett, the greatest investor of all time has got an annual return of 22% for a period of last 50 years. One can treat his returns as a benchmark.

Q30) Are there periods with low returns on equity investments?

Bodhi says – There are periods wherein the country's economy goes through crisis, like the recessionary periods of 2000 dot-com burst, 2008 financial crisis, 2020 Covid lockdown, etc. During such trying times it may happen that equity investments produce negative returns.
But, as history shows, eventually the markets recover and recover strongly. In fact, this period is often the best opportunity for long term investors to take advantage of low stock valuations by rebalancing their portfolio and if possible, further invest at exciting valuations and make these trying times an opportunity to multiply wealth.

**"If I get 18% return, I am a king.
If I get 21% return, I am an emperor."
- Rakesh Jhunjhunwala**

Q31) How can I start investing in equities?

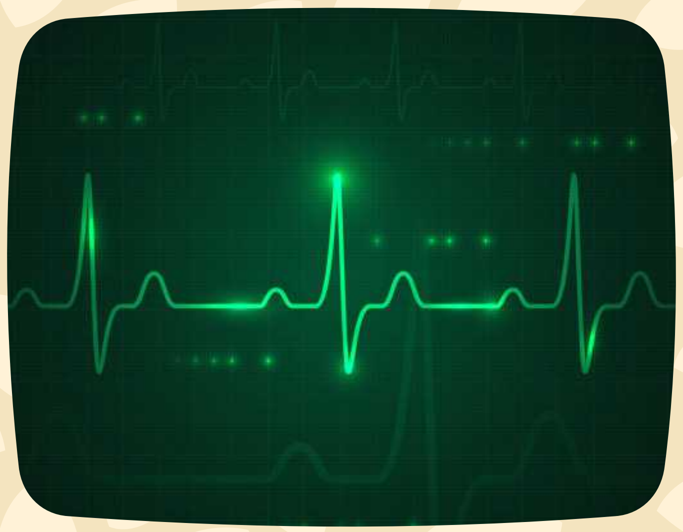
Bodhi says – One can start investing in equities either via investing directly in stocks or via mutual funds.
In either case, finding a trusted financial advisor is necessary to guide you step by step in accordance with your needs and objectives.

Q32) Can I invest in equities on my own?

Bodhi says – Investment in equities sounds simple, but requires deep study in understanding the companies that are worth investing in. If not done properly, one can easily invest in a wrong company and risk losing substantial money.
Equity investments include studying about the company's management, their financials, business model, analysing their competitive advantages, segment outlook and many such parameters. This calls for a lot of expertise. A person who is either busy with a full-time job or fully emersed in their business activities may not have the necessary time, skills and focus to conduct this due diligence. Hence, it is advisable to invest in equity markets with help of a financial advisor or through companies whose full-time job is to study all these parameters and generate wealth for investors.

Q33) How to find a right financial advisor?

Bodhi says - In order to start investing in equities, finding a right financial advisor with deep knowledge of investment world is very important.
In India, financial products are widely mis-sold, causing a lot of harm to the investor's financial well-being.
Two important things to find the right financial advisor:
• Believe in word of mouth. It simply means, the best way to find a trusted financial advisor is through a reference. People only refer someone if they have the necessary trust.
• A person or company who will always put the investors interest first rather their own.
A lot of financial advisors suggest products which earn them better commissions and not necessarily products which are right for the customers.



For chest pain, it's better to consult a cardiologist.

To make furniture, trust your carpenter.

In matters of investments, it pays to trust a Financial Advisor.

How can Bodhi Wealth help?

Our mission is to create awareness among Indian investors to invest the right way and avoid all pitfalls in their respective investment journey.

Our investment philosophy is to invest in stock market for a long period of time and to create enormous wealth by investing only in companies who demonstrate:

- Clean & efficient promoters and senior management
- High quality accounting practices and corporate governance
- Competitive advantage to such an extent that the business enjoys market leadership in its sector
- Prudent capital allocation
- Consistent track record of increasing shareholders wealth

After thorough due diligence, we have partnered with best PMS's (Portfolio Management Services) in India. They manage a cumulative wealth of over Rs. 25,000 crores. These fund houses are home to some of the best talents in India who have majored their education from Ivy league colleges and hold degrees in CA, CFA and MBA. Basically, they are best in their field like how Sachin Tendulkar, Rahul Dravid and Virat Kohli are for cricket.

This team's responsibility is to find out hidden gems in the investment world, day in - day out and ensure that the companies in which they are invested in continue to tick all the boxes of being a great company, which will continue to deliver great returns for years to come. The track record speaks for itself. The stocks and portfolios from our partner PMSs have generated an annual return of 18% to 25% over the last 5 years.

It will be our pleasure to assist and guide you on your investment journey. Please reach us at **grow@bodhiwealth.in** or call us on **+91 99700 43350**.

WHY BODHI WEALTH?

**When it comes to money matters,
our ethos is to give you the same guidance
that we give to our family.**

KESHAV SARDA
Founder, Bodhi Wealth

A LITTLE ABOUT KESHAV SARDA:

Keshav hails from the prestigious Sarda family of Ahmednagar, Maharashtra, who are renowned for their cloth business spanning 100 years.

With a major in finance, he started his career in the travel tech industry and gained immense experience across multiple roles over 10 years, eventually heading and growing the Americas division for the company. He is well-traveled around the globe, attending different trade shows for meeting clients & prospects.

During the Covid pandemic, a broken financial state of his ancestral business, and recognizing a need to overhaul his family's finances, he got his calling to figure out the very basics of how to build a healthy financial environment in one's business and personal life.

He noticed a lack of financial discipline and awareness of how money works within his family and how it plagues countless other Indian families too. With a lack of knowledge and formal guidance, many Indian families have burned their hands in all sorts of bad investment decisions.

Thus came an opportunity to bring about awakening and change in how people invest their money.

With Bodhi Wealth, he wants to safeguard Indian families by guiding them to channel their investments, with a focused approach, to create vast amounts of wealth. Wealth that will not only last their lifetimes but for coming generations as well.

He loves mentoring school kids to find their passion in sports and life and guides them on how to avoid silly teenage mistakes, which he has done plenty throughout his school and college life.

EXPERTS' TAKE

"The individual investor should act consistently as an investor and not as a speculator.
- Benjamin Graham

If you aren't willing to own a stock for 10 years, don't even think about owning it for 10 minutes.
- Warren Buffett

Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas.
- Paul Samuelson"