Emotionless Investing

Investor's biggest enemies are not the volatile markets / unstable government / lack of reforms, but their own emotions. In many occasions, they are tempted to make investments when they SHOULD NOT HAVE made it and in other occasions they prefer not to invest when they SHOULD HAVE made it.

Theoretically speaking, an investor needs to:

- Invest in Good Stocks / Mutual Funds with proven track record and good management.
- Invest when Purchase Price is 'Cheap'.
- But price can keep falling, even though you invested at cheap price.
- Keep Investing (adding) as the price gets cheaper.
- With each price fall, you should be investing more for better Return on Investments.
- Invest with specific target price (profit) in mind and 'Blindly' sell when your profit reaches.
- Have clear distinction between Long Term Investments and Short Term investments.
- Not invest in penny stocks / fancy stocks (not to chase stocks) which may fly high due to media publicity.
- Above all – Research - before you invest – Not after investing.

All these 'theoretical' facts are known to everyone. But when it comes to 'practical' implementation, it is definitely difficult – all due to emotions. Investors turn pessimistic when no one is investing and Investors are hyper-optimistic (euphoric) when everyone is investing. By and large, **Investing happens to be a 'mass mentality' process**. Though investors are aware about the power of investing and the real power of stock market, many investors find it difficult to effectively invest and benefit.

At EASY Investments, we studied these 'difficulties' and zeroed in on some of these emotional misjudgments which were prime reasons for incurring loss in Investments. To prevent such errors, we designed suitable investment strategies. We have customized softwares to keep track and execute these 'Emotionless Investing' Strategies:

- MOST-STP : For Short Term Profit Booking Strategy – in Stock market
- STEP : for Long Term Stock Accumulation Strategy – in Stock Market / Mutual Funds
- VIP : for maximizing Return on Investment (ROI) – in Mutual Funds

Short Term Profits (MOST-STP) :

- Many investors imagine Stock Market Investing to be like ATM Machine.
- They believe that they make quick money.
- And there are investors who wish to invest in stock market and book profits frequently and have regular cash flow – just like monthly interest.
- Though the objective of Stock Market investing is for long term, there is nothing wrong in booking Short Term Profits.
- Short Term Profit (MOST-STP) – is a simple investment strategy to invest in gradually and book profits gradually. There is no speculation involved. All that is being done is a calculated, gradual investment into specific stocks.
  - Logic:
    - This investment strategy is more like a business, where in you have invested a capital. The profit realized are being paid out on monthly/quarterly basis.
    - Under STP, Bluechip shares are bought at lower price and sold at higher levels. As simple as it is. This theoretical, easy to understand strategy has been put into practical use by MOST-STP.
    - We advise investments in a gradual phase, as the price comes down by fixed percentage and we advise booking profits (selling) as the price goes up. Hence notional profits are booked and realized as REAL profits.
  - Advantages of MOST-STP:
    - By adopting a staggered investment and profit booking strategy, the investment capital does not get blocked. We donot rush in to invest all the funds. We invest gradually – thus avoiding getting trapped at higher prices.
    - There is a constant cash flow as the profit gets booked.
    - We avoid holding the stocks emotionally. We encash the higher price. What is bought, needs to be sold to 'really' gain.
    - At EASY Investments, we have tracking software to assist you in making MOST-STP Investments.
  - Suited for :
    - Those investors Investing in stock market to realize short term profits.
    - Anyone who wishes to invest fixed capital : say Rs.5 lakhs and above and make use of short term opportunity to make profits.

STEP Investments: For Accumulating Wealth

- Logic:
  - Many investors would like HOLDING certain companies for LONG period– be it for various reasons like high dividend yield, promoters background or rich corporate benefits like bonuses. No doubt, LONG TERM WEALTH CREATION is purely due to holding the right share for long period.
  - For instance an investment of Rs.10000 in pharma company CIPLA in 1979 got allotted 100 shares of FV 100. But after series of bonuses and stock splits this 100 shares has multiplied to 36,00,000 shares (Yes, Thirty Six Lakh Shares !) of Rs.2 Face Value (FV) over a period of 31 years. And its current market price is Rs.142 Crores !!! Beyond the market value, the dividend received on these shares is a Rs.72 Lakhs per annum !!!
  - For better understanding, Rs.10,000 invested over 31 years at 15% compounded returns would have resulted in just Rs.7,61,435 – without any interest payments.
- Advantages of STEP:
  - Someone needs to keep track of the stock which you wish to accumulate. At EASY Investments, we have keep track of it and keep you informed only when the price comes down.
  - It is logical to invest more in your favorite stock when the price is low and hold them for long term.
  - If this STEP strategy is applied on good corporate benefit giving stock like CIPLA, Dabur, KVB, M&M, TATA Group shares etc, then the investment has Triple benefit of Capital appreciation, stock multiplication and dividend yield.
- Suited for:
  - Investors who have intention to invest as and when the stock price comes down.
  - Investors who have understood the stock fully and are willing to reap the benefits of long term investing.
  - Investment commitment would depend upon the degree to which the stock price falls. If the fall is more, then more investments need to be made, which effectively gets blocked for longer duration.

- VIP Investments: For investors who want to MAXIMIZE RETURN ON INVESTMENT.
  - Logic:
    - Since markets are unpredictable and volatile, investors are often caught in a dilemma of weather to invest now or wait. VIP is the best investment remedy for such investors.
    - Typically VIP invests MORE when price is low and invest LESS when price is high and not invest at all when price is too high.
    - VIP theory was originally proposed and formulated at Havard University as "Safe and Easy Strategy for Higher Investment Returns".
    - VIP is an automated, self-regulated Investment decision making process to maximize your return on Investment.
    - Infact, VIP was the 1st Emotionless Investment strategy designed and practices widely @ EASY Investments since 2009.
  - Advantage of VIP:
    - So far investors knew that they need to invest when price falls. But they did not have a tool to calculate how much to invest at various price.
    - In VIP, for the first time, we have methods to precisely calculate the EXACT amount to invest at different price levels.
    - The out performance of VIP over other investment strategy is amazing. In the past 7 years, a SIP in a midcap fund delivered 18% return. Whereas a VIP delivered 27% returns over the same period. That is close to 50% outperformance.
    - VIP keeps investing in same fund over a period of time depending on relative market conditions. Hence you keep accumulating more of one Good fund rather than to invest in many average funds. This drastically reduces the number of investment documents you would be holding.
  - Suited for :
    - Anyone who has an investment horizon of 3 years+.
    - Though profit can be booked when the desired growth has happened, ideally VIP should be used to create a good long term portfolio.
    - A Basic model of VIP would require Rs.3.6 Lakh Investment and an inflation adjusted VIP would require 5 Lakhs.