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# Salvation lies within – the mantra for successful investing

It makes eminent sense for any investor to focus on having a "good" investment program, rather than "the best" investment program.


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One of my favourite movies is "The Shawshank Redemption". This 1994 classic literally grows on you every time you watch it. There is a pithy line that is used more than once in the movie – *"Salvation lies within"*.

It may or may not have been true for the characters in the movie, but it is certainly true for an investor. I remember this line whenever I meet investors who are diffident about their ability to make a success of their investment program.

Too many retail investors are overawed by the snazzy discussions that appear on television about the stock markets, and conclude (wrongly) that in order to be a successful investor, one needs to know everything about:
(a) How exactly the Indian economy will move
(b) How exactly the stock market index will move
(c) How exactly the interest rates will move, not just in India, but in the US, Europe and Japan, for good measure
(d) How exactly the price of commodities will move
(e) How exactly the rupee-dollar rate will move.

While all of the above factors are important, there is no doubt that they are less important than the factors that are internal. More often than not, what redeems us in the market is the worldly wisdom of the battle-hardened veterans, which came from within, out of hard experience, rather than from any fancy theory.

For those of us who were fortunate enough to have interacted with late Shri. Chandrakant Sampat, the benign giant of Indian investing, it was clear that what really set him apart was not his encyclopedic knowledge, nor his skills in dissecting the annual report of a company, but his approach to investing.

Specifically,
— He knew exactly what he wanted

— He knew the limits of his understanding (his circle of competence) and never invested in anything that he did not understand
— He knew which risks he was willing to take (and which he wasn't), and most importantly,
— He wasn't bothered about how much money someone else was making

These were the traits that made him a great investor.
These traits are what it takes to have a successful investment plan. And since these are internal, I believe it is possible for anybody to design and create a good investment program for oneself. Far too many people have been left frustrated with their investment plans, not because they lacked intelligence, but because they made the sickening mistake of trying to be “the best investor”.

In the investment world, comparison of performance is one way of measuring the efficiency of the investment product. Most investors want to stay invested in the product that has generated the highest (or close to the highest) performance in the immediate past period.

So far, so good.

But investors would have also probably noticed that there is no investment product that is consistently at the top of the table.

If the approach to investing is different, then the trajectory of returns earned will also be different. Since no investment style can constantly be producing the highest results, the common mistake made is to switch from one product to another, usually into the one that has produced the highest (or close to highest) performance in the immediate past period.

The investment style of the product into which the switch was made is not likely to remain popular forever. When it turns less popular, or when some other style turns more popular, a product where the switch was made is likely to produce lower returns for that period.

*“The only ones to get hurt on a roller coaster are the jumpers”*
*— Paul Harvey, radio broadcaster*

It makes eminent sense for any investor to focus on having a “good” investment program, rather than “the best” investment program.

A good investment program would most likely consist of a collection of investment products, preferably a set where each product is different from the others.

Therefore, before embarking on an investment program it is in the interest of the Investor to ask the following questions that only he/she can really answer:
(a) What am I investing for? What is the goal that I seek to achieve with this program?
(b) Which set of products will provide the path for reaching this goal (remember, there is no single product that will help you do this. It probably will be a combination). The input of your investment advisor/financial planner is critical in arriving at this mix.
(c) What is the extent of volatility that I can withstand, and have I really understood the product

that I am investing in? This is an important input in deciding the mix of products.
(d) After choosing the set of products, it is a good idea to be steadfast about the choice of products you have made. A systematic investment (SIP or STP) is probably the most efficient way to invest and build capital over the long term.
(e) Periodically (maybe once a year) have a review with your investment advisor about whether any tweaking is necessary in your investment program.
(f) Most importantly, as long as each product in your investment program is doing what it is supposed to do, there is no need to switch. Frequent switching increases your costs and your blood pressure, while not adding significantly to overall returns.

There will be some investors who would, at some point of time, earn a higher return compared to what you have done. But you would have observed that the persons who have got the highest returns are usually different people getting it in different products at different points in time. There would also be a lot many investors who haven't matched your returns.

You must have also observed that none of these factors listed above has anything to do with the economy, the interest rates, or currency movements. These are all internal factors, within our control, and these are the ones that make it possible for any investor to have a good investment program.

*Remember the golden rule that people like Chandrakantbhai have taught us - "Salvation lies within".*

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