100x Story of an Investor

"To make money in stocks, you must have the vision to see them, the courage to buy them and the patience to hold them." - Thomas Phelps

Multibagger, a term coined by Peter Lynch, has become a buzzword. Investors hunt for such stocks that may give them 10x or 100x returns, but they are not prepared that such x journeys may be long and one might have to yearn for years for it.
I am giving details of a real case here. One of my investors, who invested Rs 1000 once in 1995, now is sitting on a value of Rs 1,03,995 in the year 2019. He had invested the amount in NFO of Reliance Growth Fund and during the long period of 24 years, will all ups and downs, with rapid swings in fund value, he remained a mute spectator and saw his portfolio value occasionally.


Reliance Capital Mutual Fund
1203 - 06, Arcadia, Nariman Point, Bombay - 400 021.

RELIANCE GROWTH FUND
UNIT CERTIFICATE

[redacted]

This is to certify that the person(s) named in this Certificate is/are the registered holder(s) of the within-mentioned Reliance Growth Fund units of the face value of Rupees Ten each bearing the distinctive number(s) herein specified, subject to the Offer Document, Rules and Regulations of the Reliance Growth Fund Scheme.

RELIANCE GROWTH FUND UNIT EACH OF	RUPEES 10/-
AMOUNT PAID PER RELIANCE GROWTH FUND UNIT	RUPEES 10/-

Registered Folio No. [redacted] Certificate No. [redacted]

Name(s) of Holder(s) [redacted]

Number of Units ONE HUNDRED ONLY (*****100)

Distinctive Numbers [redacted]

Given this 10th Day Of November 1995 at Delhi

RCMF

For Reliance Capital Mutual Fund

Authorised Signatory

D. CHATURVEDI
Chairman
Reliance Capital Trustee Co. Ltd

Note: No Transfer of any units comprised in this certificate will be registered unless accompanied by this Certificate.

RELIANCE MUTUAL FUND
Wealth Sets You Free

Reliance Nippon Life Asset Management Limited
(formerly Reliance Capital Asset Management Limited)
RELIANCE MUTUAL FUND

For the period Since Inception to 07 Aug 2019 | Statement Date : 07 Aug 2019 | (Not Transferable)

Account / Folio No : [redacted]

Your Personal Information

[redacted]

To Serve you better, we have highlighted your bank & contact details. If you find the same incorrect please call us on 1860 266 0111 (local call charges apply).

Mode of Holding : JOINTLY
Status : INDIVIDUAL

Off. : [redacted]
Mobile :
Email id :

Name on Card :
Jt.Holder1 : [redacted]
Jt.Holder2 :

Note: In case there is any change in your KYC information please update the same by using the prescribed 'KYC Change Request form' and submit the same at the Point of Service of any KYC Registration Agency.

	PAN / PEKRN	KYC	KYC Type	FATCA #
Primary	[redacted]	VERIFIED	KRA KYC	Updated
Joint Holder 1	Not Updated			
Joint Holder 2				
Guardian				

Folio Balance with MISSED CALL @ 9664001111

Give a missed call from your registered mobile number to 9664001111 and get your portfolio balance details sent via SMS.

It is mandatory for all investors (new and existing) to provide information related to FATCA (Foreign Account Tax Compliance Act). These details can be updated online at https://www.karvymfs.com/karvy/fatcahome.aspx or by submitting a duly filled and signed application form at any of our branch.

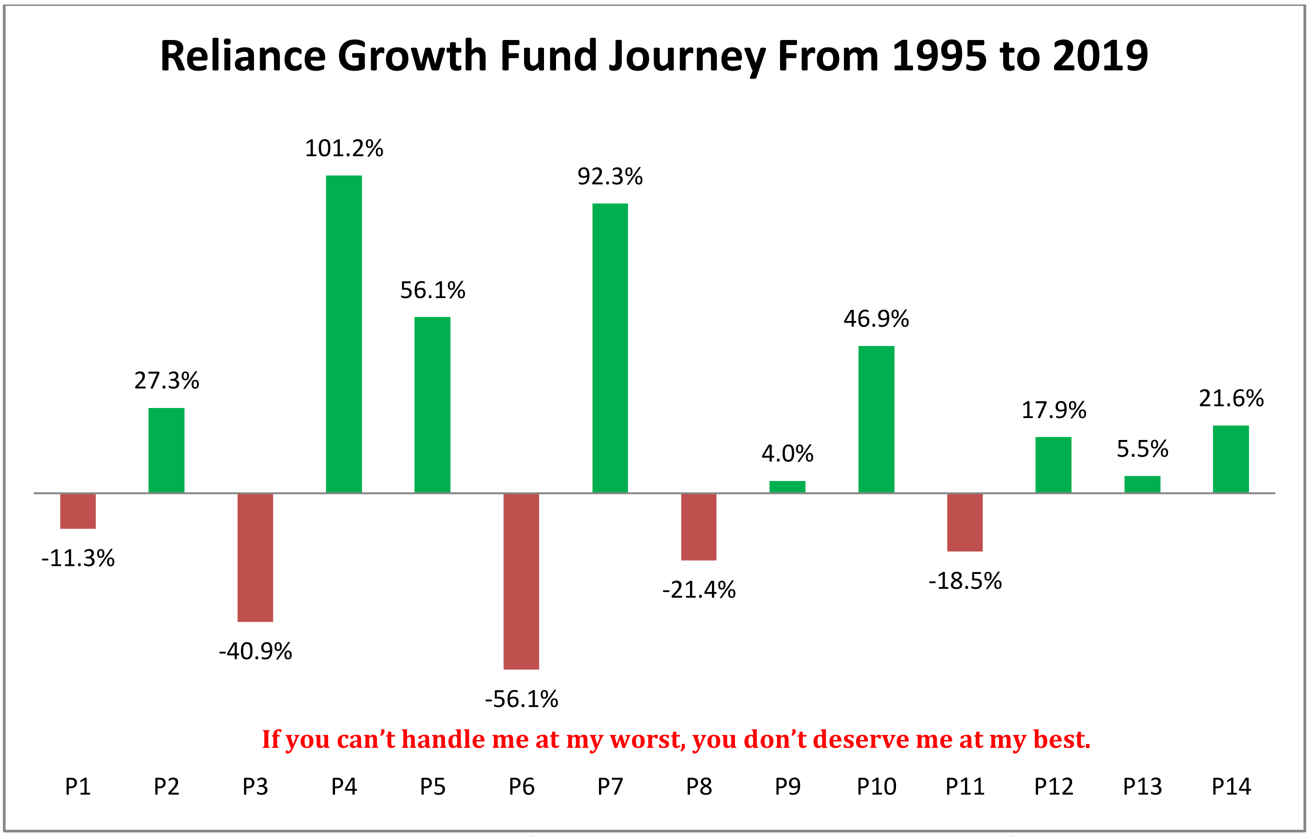
Summary of Investments

Scheme Details	Amount Invested (₹)	Dividend issuance Paid (₹)	Dividend issuance Re-invested (₹)	NAV (₹)	Balance Units	Current Value (₹)
RELIANCE GROWTH FUND - GROWTH PLAN GROWTH OPTION (GFGPG)	0.00	0.00	0.00	1,039.9517	100.000	103,995.17
Total:	0.00		0.00			103,995.17

*Dividend Paid includes total dividend payout / sweep out amount. Dividend Reinvested includes amount only for balance units

Before moving to his journey let us share how the fund has performed during this period. Since inception fund had generated a compounded return of 21.6% p.a. but these returns were not as smooth as it seems. The fund fell 40% post tech-crisis within a span of 1 year but generated an outstanding return in the next cycle, again it fell more than 56% in a span of 1 year & recovered.

"In order to capture the potentially higher returns that stocks can offer, you have to reconcile yourself to the certainty of horrifying short-term losses. If you can't do that, you shouldn't be in stocks—and shouldn't feel any shame about it, either."- Jason Zweig wrote in a post on WSJ



Disclaimer: Past performance may or may not be sustained in future.

P1: Mid 90s Crash: 08th Dec 95 – 4th Dec'96.
P2: Tech Bubble Peak: 4th Dec '96 – 11th Feb '00.
P3: Tech Crash and 9/11: 11th Feb '00 – 21st Sep '01.
P4: Recovery Post 9/11: 21st Sep '01 – 14th Jan '04.
P5: India Re-rating: 14th Jan '04- 8th Jan '08.
P6: Global Crisis Lows: 8th Jan'08- 9th Mar '09.
P7: Post Crisis Peak: 9th Mar '09 – 9th Nov '10.
P8: High inflation, slow growth: 9th Nov'10 – 30th Jan'12.
P9: Rebound in US and QE3 buoying global rally: 30th Jan '12 – 28th Jun '13.
P10: Post European Crisis: 28th Jun '13 – 27th Feb '15.
P11: Chinese economic Slowdown: 27th Feb '15 – 29th Feb '16.
P12: Global Liquidity and Domestic Reforms: 29th Feb '16 – 28th Sep '18.
P13: NBFC Crisis: 28th Sep '18-26-07-2019.
P14: Since Inception: 29th Sep 1994 till 26th July '19.

Who Are The Best Investors?

"Unsuccessful investors are dominated by emotion. Rather than responding coolly and rationally to market fluctuations, they respond emotionally with greed and fear. We all know people who act responsibly and deliberately most of the time but go berserk when investing money. It may take them many months, even years, of hard work and disciplined saving to accumulate the money but only a few minutes to invest it." **-** *Seth Klarman, Margin of Safety*

When I asked the 100x achiever how he was able to generate those outstanding returns. He answered, **"I invested & forgot".** Hearing it, I was able to recall Hero Honda's advertisement: Fill it, shut it and forget it.

Dead guys are the best investors?

A similar study by Fidelity in 2003 claimed the company had looked over the accounts of thousands of individual investors, and they found a theme. The people who didn't touch their portfolios did the best. Fidelity threw a whole new twist on some tried and true advice, however. They pointed out that people really couldn't resist the temptation of touching their investments. The only people who didn't bother were dead. Thus, dead people had the best

<u>investment returns. The second best were basically dead, at least to Fidelity. They were the people who forgot they had an account with the firm.</u>

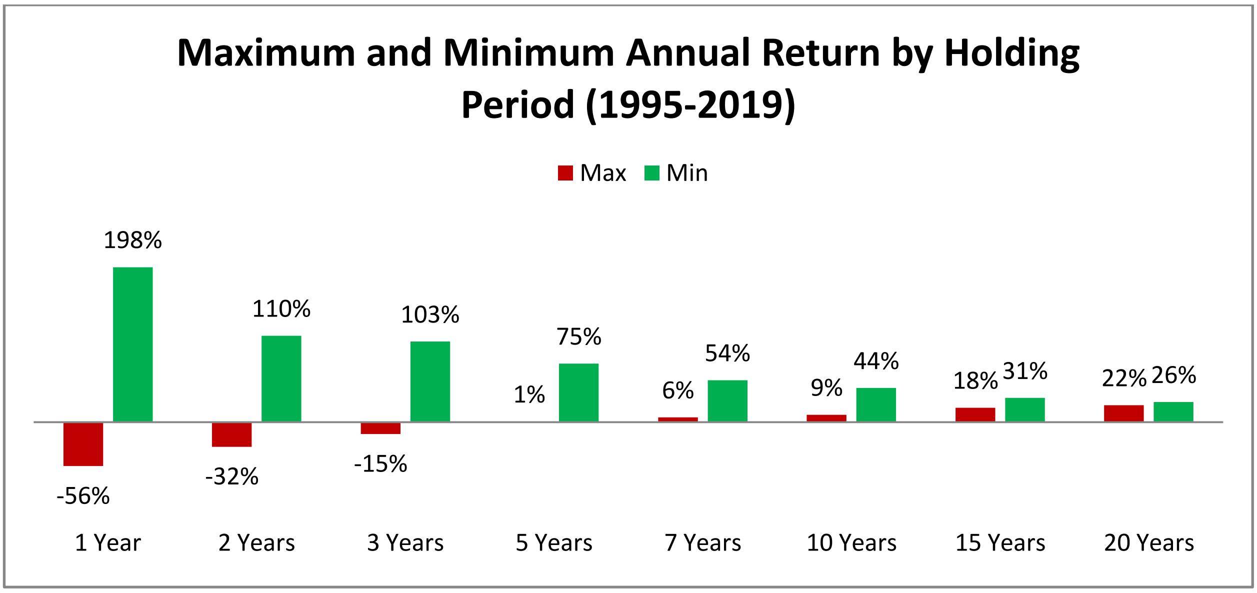
So, when you are dead, you cannot get tempted to touch your investments. You don't bother where your stocks are going. You are not tempted to sell a stock simply because the price of the company went down or assume that the recent bad economic conditions will continue perpetually into the future. Thus, dead people had the best investment returns, as per the Fidelity study.

Now, you don't need to die for the sake of a remarkable investment performance, but you get the point here, right? ***Inactivity is a great skill in investing, and it pays off handsomely.***

Source: Vishal Khandelwal, lecture at IIM Lucknow

Below is the representation of maximum & minimum returns generated by an investor at different time intervals. In 1 year basis, maximum returns an investor has earned is 198% & lost 56% at any time in a year. As his holding period increases the return deviation decreases. On a 10 year basis, the maximum return an investor has earned is 44% & a minimum 9% at any time in a year.

"No matter how great the talent or efforts, some things just take time. You can't produce a baby in one month by getting nine women pregnant." - Warren Buffett



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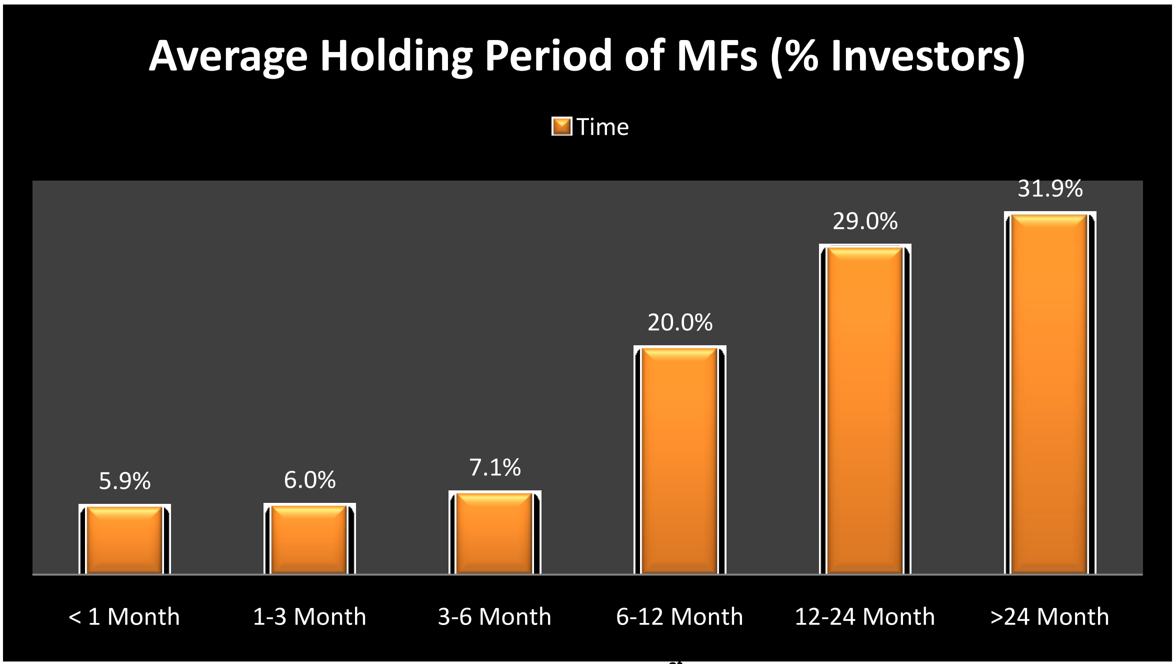
But as always the truth is a little different. Data from the Association of Mutual Funds of India (Amfi), the MF industry's trade body, shows that just 31.9% of equity investors stay invested for more than two years. A huge 39% of equity assets get withdrawn before a year gets over. If the hero of our story, behaved similarly in the past he would not have created that much wealth.



Source: AMFI data as on 31st March 2019

"Recency Bias" A Wealth Destructor:

"The first principle is that you must not fool yourself and you are the easiest person to fool".
- Richard Feynman

A number of investors have entered into mutual fund/equity or any other asset class and at the peak of the cycle and mostly novice. They judge the asset class based on recent performances. They expect to make similar returns over the forthcoming years. But that is not a fair approach. A majority of investors invest without planning for any financial goals. If they don't get a good experience, they simply exit out of it.

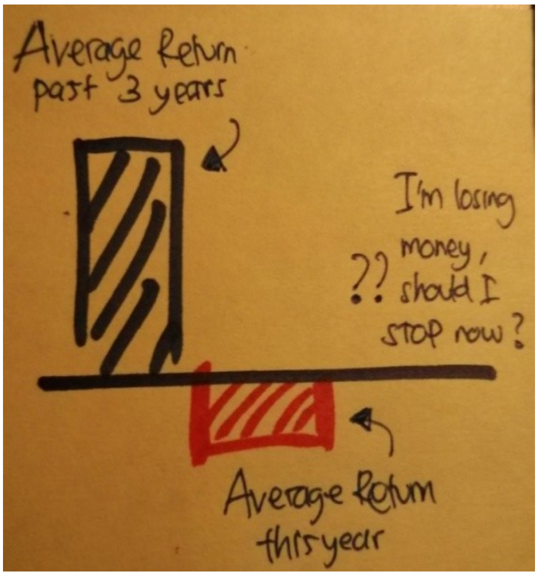


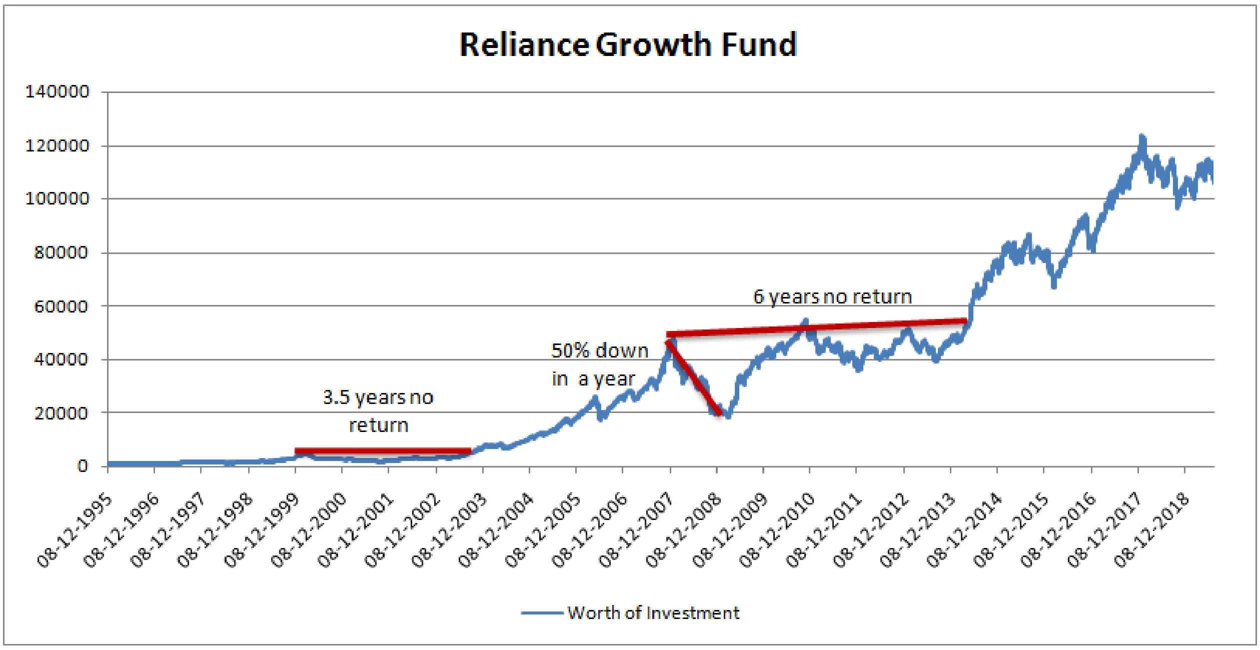
Image Credit: - [howtobuystocks]

“Inactivity” Is The Best Activity In Investing:

“All financial success comes from acting on a plan. A lot of financial failure comes from reacting to the market.” - Nick Murray

The same investor (hero of our story) invested a sizable amount in a company when the price of it had fallen 22% from its peak but now the price has fallen further 30% from his average buying price. Now, he is worried about that investment. Last time we talked, he said Param company price has fallen 30% & I am monitoring the situation daily, moment it gets back to my buying price I will exit & will never invest in that company. Even though we both know that nothing has changed in the fundamentals of the company: it is run by ethical management who fairly treats it minority shareholders, operating in a niche segment & growing its earning year on year.

After this conversation, I shared with him below chart of his 100X investment and asked him how he has been able to manage these downside periods in the past. He replied; that time he was not having options to watch the daily price movements & invested amount was also not a bigger one.



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After our conversation, I took a break & thought deeply & understood that when you invest a large portion of your wealth in any asset class, your emotions get attached to it. Also the technology advancement & frequency of information sharing, our mind behaves differently. We feel if things are going bad chances are of happening worst. On the contrary, if things are going good, we think they will remain as good as they are.

One of my friends shared a similar story. In the 90s he had physical share certificates of some companies but when DEMAT of shares was introduced, his father got all those physical share certificates dematerialised. When information regarding 9/11 floated in 2001, his father panicked & sold all those shares **on a click.** Luckily (in hindsight), he had lost a share certificates of 5 shares, which he could not sell so he still is holding those shares which he had bought for around Rs 100 @ Rs 20 per share. Name of the company is Eicher Motors Ltd. Current value of these shares is around Rs 85,000, down from a high of a high of over Rs 1,50,000. Joking on above Fidelity story, he says he is not going to request the company for issue of duplicate share certificate.

"In investing, one way to gain an advantage over others is by ignoring the noise that is created by the constant, manic stream of opinions and by focusing on things that matter in the long run. Is it better to be right in the short term but wrong in the long term? Or vice versa? Clearly, what matters is being right in the long run. And we can all live with some failures in the short run in the interest of being right in the long run".
- Howard Marks

Because of technology advancement & easy of buying & selling the investment we behave irrationally mainly during the extremes of the market. We often believe that more action equals better performance which results in trading more frequently than necessary. We forget that the ultimate goal isn't to make trades but to make prudent decisions. If you start reacting to every small portfolio fluctuations and churn your portfolio frequently, in the long run your performance will be poor.

Jason Zweig provides us the solution for this technology threat:
"Change the password on your brokerage account to something like **IWILLTRADEONLYWHEN ABSOLUTELYNECESSARY**; research suggests frequent repetition of such a message can change behaviour."

Morgan Housel's antidote for managing behaviours at extremes:

The majority of your lifetime investment returns will be determined by decisions that take place during a small minority of the time.

Most of those periods come when everything you thought you knew about investing is thrown out the window.

How you invested from 1990 to 1998 wasn't all that important. The choices you made from 1999 to 2001 shaped the rest of your investing career.

What you did from September 2008 to March 2009 likely had more impact on your lifetime investment returns than what happened cumulatively from 2002 to 2007, or from 2009 to 2017.

The pilot's famous answer when asked about his job -- "Hours of boredom punctuated by brief moments of terror" -- applies perfectly to investing. The brief moments of terror are the rise and fall of bubbles.

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MFP Does Investor Management, Not Only Investment Management:

MFP had its online portfolio monitoring platform since the beginning of its operation, we developed our mobile app for tracking portfolio in the second year, started doing all investment online from the third year but I kept, initiating the transaction power with me to avoid the emotional & technological triggers. I share your portfolio snapshot at the end of the month with you from the very beginning. The sharing of portfolio every month doesn't mean that we have to make changes frequently in it. But for the transparency & personal monitoring.
When you are inactive deliberately, you act decisively.

Conclusion:

- Before investing in equity check your balance sheet.
- Don't ever buy long term assets with short term sources.
- Be optimistic on the Indian economy and remain invested through volatility and economic or political challenges in the country.
- When it seems like the world is falling apart and the daily price-fall numbs the mind. It's time to believe that the future will be better than the past.
- Have faith in equities to generate inflation adjusted long term returns.
- Market moves in cycles, Mr. Market is there to serve you, not to guide you. Don't fall for 'Recency Bias'.
- Bear market & Bull market both are part of process; we can't have one without the other. Be greedy when others are fearful & be fearful when others are greedy.
- Stick to the process, remember that as an investor we can't control returns on our investment but we can control risk, cost, time & behaviour.
- Too much activity is the assassin of returns.
- So, do nothing & Stay in the course