

# It Pays To Stay Invested In Equity

Focus on the financial goals instead of tracking short-term market movements on a daily basis



**D**r DG Vijay, 54 years, is a senior oncoplastic breast surgeon at HCG Cancer Centre, Ahmedabad. His wife Dr Swati Devanhally works in the Department of Ophthalmology at BJ Medical College and is blessed with two sons, Shirdhar (27) and Shravan (23). In spite of his busy schedule, Dr Vijay has continued to stay focused on adopting a consistent investment strategy for the fulfilment of his financial aspirations. He met Sajni of Wealth First Portfolio Managers around 12 years back, just the time when the Global Financial Crisis had struck the markets, and the fall of Lehman Brothers had made the

sentiments bearish.

As the first step to financial planning, discussions were held with Dr Vijay enlisting his financial goals and the cushion for monthly savings. The financial plan was also prepared considering the investment horizon as well as his risk appetite. It was a pleasant surprise to know that amidst all the negativity, Dr Vijay was comfortable to invest in equity, as his financial goals were primarily long term, focused around his children and retirement planning. He understood the benefits of professionally managed investments and the power of compounding, an initial monthly SIP of ₹50,000 was

registered in August 2008 for long-term wealth creation, disciplined savings, and professionally managed investments.

Further, it was also planned that instead of focusing on the market movements, the investment portfolio would be reviewed on an annual basis. Further, to top up his savings and financial goals, it was advised that Dr Vijay must keep all the funds invested in equity funds, which were not expected to be required in the near term, say three years. Considering the recent correction in the markets, his return expectations from his investments in equity funds were 15 to 18 per cent.

## Disclaimer

Financial Planning of Dr. DG Vijay is based on the "personal opinion and experience" of Sajni Aalok Patel and that it should not be considered professional financial investment advice. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

However, a lot was waiting to happen in the coming times. Markets continued to be volatile during the next three to four years. At the end of three years, the portfolio XIRR was 8.34 per cent, which further dipped to 7.50 per cent by next year. Such underperformance of the investment, as against the return expectations, carried the potential of shaking his confidence in investing in equity markets and there was a time when he was unsure of his decision to continue the SIP. This was the time when Sajni's role as his financial advisor was tested to the core. However, she always cared to give a patient hearing to Dr Vijay's concerns and advised him to ignore the market noise and stay patient with his investments. Amidst the dilemma to continue and redeem, Dr Vijay continued his SIPs, and the investments started to bear fruits with time.

The performance of investments rose steadily, with 23 per cent XIRR over five years, which further increased to 27 per cent over six years. As years passed, his practice was also increasing. With the confidence rebuilding, he started increasing his monthly SIP amount and also investing as and when he had an investible surplus. His family's monthly SIP investment has increased multifold now from ₹50,000 in 2008 initially. While the equity markets suffered substantial market corrections in 2018 and also recently due to the COVID-19 outbreak, his regular savings are still reflecting 8 per cent annualised returns. Considering the total equity investment of ₹100 during the period, his portfolio is currently valued at ₹195, besides the dividend pay-out of ₹30 over the same period.

The consistent savings have also helped him fulfil several of his aspirations. Through the last decade and more, he has met the life

goals of the higher education of his sons and one son's marriage. With the comfort of financial savings, he has also been taking his family on vacation annually, helping him spend quality time with his family, amidst his busy schedule. This also makes him address Sajni as his lifestyle advisor, instead of just being his financial advisor.

The country continues to fight the ongoing coronavirus outbreak, and COVID warriors like Dr Vijay

are staying at the forefront of this pandemic crisis. While it is essential to stay safe and keep yourself in good health, all must stay committed to their financial plans and keep their investment portfolio healthy too. ■



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**Disciplined long-term SIP investing, good selection of funds coupled with an annual portfolio review, and a lot of patience have helped him to be an actual long-term happy equity investor. He shared his learnings from the process, as outlined below:**

● **Link your mutual fund investments to your goals:**

It is always advised that the mutual fund investments must be linked with financial goals. When one links the portfolio investments with specific financial goals, the motivation to continue investing in that goal comes naturally, helping the investors to save consistently towards the goal. The mutual fund schemes must be selected as per the specific goals, as different goals carry different emotional value and investment horizon. While equity may not be advisable for short-term goals owing to its short-term volatile nature, conservative schemes may not be suitable for long-term goals as they may lower the overall portfolio returns.

● **Review portfolio regularly:**

A prudent financial plan calls for not only consistent investing but also a regular portfolio review. One may review the portfolio on an annual basis along with his/ her financial advisor, so that the underperforming schemes may be identified and replaced with better performing schemes. Such a review also allows the investors to track the progress towards specific financial goals so that such goals can be achieved as per the desired time horizon. Any shortfall or deficit towards achieving such goals can be plugged by taking corrective action well in time.

● **It is important to ignore market noise and stay patient:**

One should not monitor the portfolio movements daily or weekly. This is because short-term movements in markets can be highly volatile with stocks reacting to different news, macroeconomic data. When the market sentiments turn negative, the surrounding market noise gathers high momentum. It is highly advisable that one continues to focus on the financial goals instead of short-term market movements. Most importantly, one must continue to have trust in his/ her financial advisor.