Investing Is Not A Game Of Football

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I'm not a professional football player. I'm not even a football player, I only enjoy the thrill, passion and obsession that every football world cup brings and the current one is no disappointment. The last time I touched a football was 6 years ago. But I did read about how a professional football player aims to hit as many goals to the opponent to make them miss, in order to win. An amateur, on the other hand, aims to try to catch as many balls as possible, aiming not to make any mistakes till his opponent eventually makes a mistake and causes himself to lose. That's defensive playing.

I'm not a professional stock investor either. I admit neither have the time nor the patience to go through every financial report, visit the companies I'm interested in buying and whatever else it takes to be really confident enough to put a huge chunk of my hard-earned money into the stock. So I have to invest defensively. I aim to minimise my losses while riding the general upward trend of the stock market, rather than maximising my gains on the individual hot stocks. The best thing i tend to utilize over here is the fact that the weak market efficiency does not work in intraday trading most of the time, so I invest soon after the stock market opens, looking at the upward trend, and sell out after making a reasonable profit which I call the margin and leave the market for the day. It may limit my gains a little, but in the event of a crash, I hope to come out relatively intact. I basically expect a crash, even in the longest Bull Run ever. It's like having a Plan B even though you hope you never have to use it, or buying insurance though you don't really want to die or get a critical illness just to make the most of it.

So how do I play my defensive game? I protect myself the following ways.

1. I stick with what I know. It's easier to figure out that maybe the market has over-reacted when you are familiar with the industry. For example, I bought **Mind tree** when the share price was down due to less offshore projects and our economic turmoil. Investors anticipated that the share price won’t come up in the near future, but I having faith in **Mind Tree** (where I was offered a job) knowing the type of work they do, bought the shares at the right time when the market was down and now soon after that **Mind Tree** got a big project and the share prices are moving up every day as I write.

2. I buy stocks when the price is low. It works either when the market is down, or if the individual stock has fallen out of favour. If you buy when the market is down, it can only turn

up. Of course, the risk is that you never know when it is going to turn up and you may be stuck with a low price for a long time. It really isn't easy to time the market, but you can tell for example, if there has been an irrational selling off of stocks. That's a good time to buy. The stock market has gone on sale. Stock up !

3. I try to buy stocks that are near their underlying values. I'm not very good at analysing companies, but I figure if the company has Rs.X in cash per share, or Rs.Y in assets that can be sold off should the company fold, and the price is within that range, it should be reasonably safe.

4. I like stocks with good dividend yields. That way, even if the stock price falls, eventually, the dividend payout becomes so good, people will start buying it again, so helping to support the stock price. Plus I figure, if the company can afford to give out dividends regularly every year, it can't be doing too badly.

5. I have some shares of Reliance, I know they are the most volatile of the stocks thats traded on the NSE and BSE, but if the Ambani's aren't doing it right then who will?

6. Another important aspect that every investor should look into is diversification of the portfolio. I never hold stocks of the same industry; you should always diversify your investments. For example, there is a Re. Appreciation, this time the software industry will lose out hugely, so if you only buy stocks of software companies then you stand to lose huge. So in order to avoid that reduce your risks you should always go for stocks from different industries all together.

7. One more key point in investing is what is your risk tolerance level? As we all know higher the risk higher you stand to gain and the reverse is also true. So if you are an investor in your 20s you will have a high risk tolerance level, so you will tend to invest in riskier securities hoping for larger returns, while if you are in your 50s you will be looking to keep your money safe with little return, so you will tend to invest in less risky securities. So according to your risk tolerance level you need to invest.

To conclude I would like to say, whenever you are investing do a little groundwork, work out your priorities straight (you don't need to investment analysis and portfolio management knowledge for this), look at the advice that's offered everywhere but don't go with it blindly, the last decision should be yours only. **After all investing is not a game of football!!!**