

INVESTMENT REPORT

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If given 1 million Rs right now, where would I invest it?

Investing isn't typically a get rich quick tactic that you can do for a short period of time and expect to make a significant amount of money. It's often a **long-term** process that requires patience, commitment, and keeping calm when the market fluctuates, as it inevitably will.

Similar are my views when it comes to deciding among Long term and short term investing. Being a young student, I could expect that I will live for around 40-50 years or more from now. Thus my profile is very different from that of adults who would want instant returns because they can't wait another 40 years to get returns. Unlike them, I would first invest and then wait for a long period of time(30-40 years or so) and enjoy the power of compounding.

To illustrate the power **of compounding** let us take example of S&P 500 index funds which has a CAGR of 11.43% if invested 40 years back(1978).

\$100 invested then would have become \$7587 now, **that is approx 75 times.**

What's more beautiful to see is the changes that occur in the last 10-20 years.

At the end of the 20 years I would have \$871

At the end of 30 years I would have \$2570

At the end of 40 years I would have \$7587

And if I would have invested for 50 years it would have become \$22392.

(I had attached a table below for better understanding)

So important point to learn is that it's not the first 10 years that would make you rich but the last 10-20 years in which your wealth would increase at a very high pace. Same logic was applied by Warren Buffett and thus after his 50's his wealth started growing at a very high rate and thus he became worlds top gainer many times.(look at the pic on next page)

And thus to extract the most from your long term investment what you require is to start as early as possible.

Other option for me could be to invest in short term but short term investments are always more risky than long term and short term investments may fetch you immediate gain sometimes but if you look at 30-40 years span from now, you would more or less be at the same place as you are

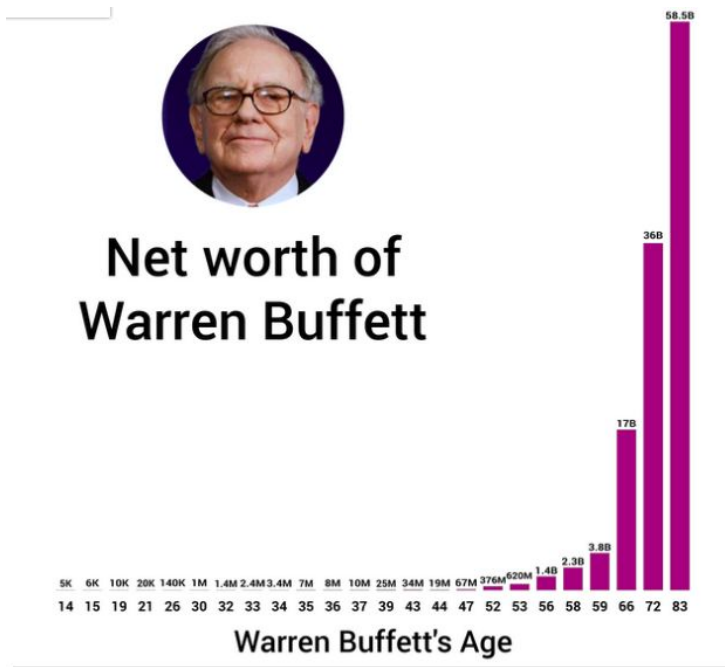
now because short term investments would many times make us incur losses also of same amounts.

One more benefit of investing in long term is that you get **tax benefits for long term** investments whereas for short term investments, a huge proportion of your gains would be flown away in the form of taxes.

And thus I would invest this 10 lakh Rs for long term.

Year	Year Interest	Total Interest	Balance
1	\$11.43	\$11.43	\$111.43
2	\$12.74	\$24.17	\$124.17
3	\$14.19	\$38.36	\$138.36
4	\$15.81	\$54.17	\$154.17
5	\$17.62	\$71.80	\$171.80
6	\$19.64	\$91.43	\$191.43
7	\$21.88	\$113.31	\$213.31
8	\$24.38	\$137.69	\$237.69
9	\$27.17	\$164.86	\$264.86
10	\$30.27	\$195.14	\$295.14
11	\$33.73	\$228.87	\$328.87
12	\$37.59	\$266.46	\$366.46
13	\$41.89	\$308.35	\$408.35
14	\$46.67	\$355.02	\$455.02
15	\$52.01	\$407.03	\$507.03
16	\$57.95	\$464.98	\$564.98
17	\$64.58	\$529.56	\$629.56
18	\$71.96	\$601.52	\$701.52
19	\$80.18	\$681.70	\$781.70
20	\$89.35	\$771.05	\$871.05
21	\$99.56	\$870.61	\$970.61
22	\$110.94	\$981.55	\$1,081.55
23	\$123.62	\$1,105.17	\$1,205.17
24	\$137.75	\$1,242.92	\$1,342.92
25	\$153.50	\$1,396.42	\$1,496.42
26	\$171.04	\$1,567.46	\$1,667.46
27	\$190.59	\$1,758.05	\$1,858.05
28	\$212.38	\$1,970.43	\$2,070.43
29	\$236.65	\$2,207.08	\$2,307.08
30	\$263.70	\$2,470.77	\$2,570.77
31	\$293.84	\$2,764.61	\$2,864.61
32	\$327.43	\$3,092.04	\$3,192.04
33	\$364.85	\$3,456.89	\$3,556.89
34	\$406.55	\$3,863.44	\$3,963.44
35	\$453.02	\$4,316.46	\$4,416.46
36	\$504.80	\$4,821.26	\$4,921.26
37	\$562.50	\$5,383.76	\$5,483.76
38	\$626.79	\$6,010.56	\$6,110.56
39	\$698.44	\$6,709.00	\$6,809.00
40	\$778.27	\$7,487.26	\$7,587.26

Table Showing how returns grow in long term



Warren Buffett's Age vs income graph

Now having made clear why I would go for long term, Let's talk about where I would invest it.

There are basically three types of stocks in which you can invest in: Large-Cap, Mid-Cap and Small-Cap. Each of them has its own benefits. I would like to make my portfolio consist of all these three for the reasons stated below:

Large-Cap

The greatest advantage of adding large-cap stocks to an investment portfolio is the stability they can provide. Because large-cap companies are so large and have a well-established reputation with consumers, they are less likely to come across a business or economic circumstance that renders them insolvent or forces them to stop revenue-producing operations completely. Companies that are considered small- or [mid-cap](#) do not have the same level of stability, and therefore carry a greater degree of risk than large-cap investments. Another advantage to investing in large-cap companies is the potential for steady dividend payments. Thus I would always keep large cap stocks in my portfolio so as to make my portfolio stable even in times of bad performance of market. Here are the details for my investment:

- **RIL:** Rs 60,000 (because its a large cap company with good political support and thus it has shown high growth in past 5 years and will continue until NDA government persists, this company along with providing less risk also provides us with growth).
- **Infosys:** Rs 30,000 It is equally important to invest in IT companies because IT as a sector shows high growth along with less downfalls in times of slowdown of the economy.
- **TCS:** Rs 30,000 (fundamentally sound company with strong financials and have the potential to earn healthy returns over the long term.)

Mid-cap

Historically, performance of mid-cap stocks is equal to or in many cases better than both [large-cap](#) and [small-cap](#) stocks. Most mid caps are simply small caps that have grown bigger, what they require is mainly growth and part of growing is obtaining additional financing to fuel expansion. Mid caps generally have an easier time of it than small caps do.

While mid caps have an advantage over small caps when it comes to raising funds, their advantage over large caps amounts to earnings growth. Smaller in size, mid caps often have yet to reach the [mature stage](#) where earnings slow and dividends become a bigger part of a stock's total return. In the end, investing in

mid caps makes sense because they provide investors with the best of both worlds: small-cap growth combined with large-cap stability. Thus my portfolio would include mid caps as well as stated below:

- **Bata India** : 50,000
- **Canara Bank**: 50,000 (with government focussed on strengthening of public sector banks, it is likely that the shares of this bank would rise in future)
- **Godrej industries** : 50,000

Small - Cap

When the economy begins to emerge from recession and starts growing again, small-cap stocks can respond to the positive environment quicker and potentially grow faster than large-cap and mid-cap stocks.

Decisions about new products and services and how to bring them to market can also be made and implemented faster with small companies because they have fewer committees, fewer layers of management, and fewer potential obstructions of the kind that exist in the typical bureaucratic organization of large companies.

It has been observed that small cap stocks give approximately 25-30% return in years when countries start emerging from recession, which is higher than that of both mid cap and large cap.

And it is also clear that the world not just India is typically heading towards a recession, central banks throughout the world are applying accommodative policies and decreasing interest rates, once there are signs of recovery and it appears that RBI is now not going to decrease interest rates, I think it would be a good time to invest in small-cap stocks so as to capture increasing growth. My investments in these would be as follows:

- **Proctor and Gamble Health Ltd** : 30000
- **Spice Jet**: 30000

FMCG:

This is a sector which has high growth potential because as the population increases along with income of people, the demand for FMCG products is definitely going to rise. Although the FMCG sector is hit by slowing growth, it is a good opportunity to buy these stocks because now they are available at low prices.

For FMCG sector it is always better to invest in 2-3 companies rather than just one because solely depending upon one might be a matter of high risk.

Thus I would invest as follows :

- **HUL** : 50,000
- **Dabur India**: 50,000
- **Gillette India**: 50,000

Auto Mobile:

It is visible that this sector is bleeding now a days due to less customer demand and governments focus on electric vehicles, so it would not be a good strategy to invest in these. Instead I would prefer to keep 1 lakh Rs with myself or either keep in a bank account to invest it when there are good electric vehicles related stocks available, because it is easy to see that electric vehicles related companies are going to flourish in recent years as government is aiming to replace all vehicles with electric vehicles by 2030.

Gold ETFs:

Its visible that the global economy is slowing down, and thus gold prices are likely to rise more. Even if we look at Indian scenario gold prices were at 31000 last year during this month but now they have rose to 39,550. As the trade wars, liquidity issues, would require some more quarters to get resolved, it can be expected that gold prices would rise and thus investing in gold etfs is a way to grow in recessions also, thus I would allot 1.5 lac to gold etf's also.

But I would not invest full 1.5 lac in gold ETFs for a very long time, instead I would withdraw approx 1 lac once the economy starts flourishing again (i.e gold prices starts decreasing) and would invest this amount somewhere else.

REST:

I would keep 2.7 lac in handy with me, most probably in bank so as to invest more if the economy further slows down in coming quarters, because Right time for an investor to invest is when the stock prices are low.

SUMMARY:

Large Cap	RIL	60,000
	TCS	30,000
	Infosys	30,000
Mid Cap	Bata India	50,000
	Godrej Industries	50,000
	Canara Bank	50,000
Small Cap	P&G health care	30,000
	Spice Jet	30,000
FMCG	HUL	50,000
	Dabur India	50,000
	Gillite India	50,000
Electric Vehicles		1,00,000
Gold ETF's	Axis Gold Funds	1,50,000
Future Investments		2,70,000
Total		1000000

Disclaimer:

It is not necessary that I would keep all my money invested in all these companies throughout 30-40 years, instead I would keep an eye on each company I invest in, every half quarter or so, so as to avoid great losses. I would definitely disinvest in those companies I find heading downward and would invest in some other profitable companies. And this is not a rigid plan for full 30-40 years.

