BECOME A CROREPATI

INVEST IN INDIAN MUTUAL FUNDS

By Mr. Market

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What will you find in this book?

When you become wealthy or wealthier, you can make your life more comfortable. You can help the needy and the downtrodden. I have written about the past richness of India and what happened in the past few centuries. When Christ was born India was the richest country in the world followed by China. Its riches were robbed when it became a colony in the 1800s. Then I explain what a mutual fund is. A mutual fund is a company that pools money from the investors and invest and manage the money for them. Why should one invest in Indian mutual funds? Indians are smart and hard working. It is democracy with full freedom. Indians are highly educated. Indian economy is growing at a pace of 6 to 7% annually. As the middle class is growing fast, the demand for goods domestically is high. So manufacturing and business will keep growing for decades to come. Indain mutual fund managers have shown their might in the past few decades. When I reviewed, I found 8 funds with an annual growth of over 30% over the last 5 year period. I found around 100 funds yielding an annual growth between 20% to 30% in the last 5 years. This is fantastic. I have given **A SIMPLE YET VERY POWERFUL METHOD** of investing in mutual funds in India. This is the method I have been using for many years with phenomenal results. I have explained the magic of compounding by giving a true story from India. The trick to become wealthy, is to start at a very early age. Because of the beauty of compounding, the results will be unbelievable. Let us say that you start investing at age 30, Rs1000 per month, and it grows at 25% a year, at 65 you will have Rs120,746,326. This is like magic. Even if it grows at 15% a year, you will have Rs10,707,217. This is a simple way to create a lot of wealth. You need to spend an hour every one year to adjust the portfolio and I have illustrated the way. There are no capital gains if you hold on to the investment for one year and one day. Let the mutual fund managers do all the brain work and make money for you. The final results will depend on the age you start investing at and for how long and the amount invested and the growth rate. The time is ripe for investing in Indian mutual funds and they should be growing at 6 to 7% a year for decades to come. If you choose the top performing funds, the growth rate of your funds can be 30% or even more!

Who is Mr. Market? It is my pen name. I am a non-resident Indian who came to the USA from India at the age of 22. I became an associate professor of medicine. I became interested in the stock market after the crash of 1987. In 1988 I took lessons. In 1991 I passed three examinations and became a registered investment advisor. I studied on my own over 10,000 hours on stock market and mutual funds. I became an expert on investing in mutual funds in the USA and my monthly journal was in the top among other similar journals for several years. I used to be interviewed regularly on business channel on television and also by financial newspapers like Wall Street Journal and Investors Business Daily. For some years I was a manager of a mutual fund in the USA. I have successfully published an e-book in the USA called “Wall Street Dos and Don’ts/ Formulas to Make Money”.

What is the purpose of this book? For many years I have invested in Indian mutual funds. I have been quite impressed with them. The managers are superb. Also the Indian economy has been doing well for the past several years and it will perform extremely well for decades to come. Indians have the money, energy, ambition, drive, and the brains.

Don’t forget that for a big part of history, up to the 19th century, India was creating the biggest part of the global GDP. (GDP is gross domestic product. What is that? It is the total value of goods produced and services provided in a country during one year). I would like to bring more awareness about mutual funds in India. I want to show the greatness of Indian mutual funds. I want more and more people to invest in them and become wealthy. When individuals become wealthy, the nation will become wealthy again. We will catch up with our past glory. Indians are good in saving money and if they invest in this tool they will become rich without doing much work. When we invest in mutual funds, the managers will do all the work. Companies will get more money to invest in their businesses. More jobs will be available to people. It will be great for India. This is a win win situation. I hope that the Indian mutual funds could be sold in brokerage houses outside of India. Thus more money will come into India from outside which will go into the capital of Indian businesses. I wish the value of Indian rupee would become great again. It was at par with U.S. dollar in 1947 and now it is around Rs64 to one U.S. dollar. When the rupee becomes stronger, the imports will become cheaper. For example if today the Indian rupee is at par with U.S.dollar India can buy a Boeing 787 for around Rs15 billion instead of paying Rs.960 billion. The savings would be mind boggling.

Disclaimer:

This book is intended for educational purposes only. Investing in securities like stocks, mutual funds, options, futures, commodities and others carry significant risk. If you need professional investment advice you should consult a registered investment advisor and a financial planner. This book contains the author’s opinions. The author does not have any financial interest in any of the business entities or companies mentioned in this book. The author may own some of the securities mentioned in this book. This book is sold with the understanding that neither the author nor the publisher is engaged in rendering financial, legal, accounting or other professional services. If you need any of these services, you should seek the advice of a professional person. You should consider virtual/paper trading before investing your hard earned money. You should consider the possible risks of investing in the stock market and consider your investment goals and risk tolerance before investing. You should understand that past performance does not guarantee future results. By reading this book you are implicitly agreeing to these terms.

Foreword:

Why should you become wealthy or wealthier? You will be able to acquire things that will make your life more comfortable. You can donate more. You can create a charitable trust which can aid in educating and feeding the poor. If you start investing early in life, you can retire at an early age. You can spend money on travel and see the rest of the world. If you have good financial reserves, you can quit working or you may work part time and do voluntary work. An example would be Habitat for Humanity which is in its 34th year. It was started by President Jimmy Carter of the USA and Mrs. Rosalynn Carter. Habitat for Humanity has been building homes for the needy. You can do something like that.

In the 4th century BC in India, Chanakya was a great teacher, philosopher and economist. He was the teacher and advisor to emperor Chandragupta Maurya who rose to power. This period was called the Golden Period in India. The country was rich. Science and arts flourished. Chanakya said that everyone should become rich. He said that it is not a sin to create wealth if done in moral, ethical and legal ways. He stated that you cannot help others who are in need if you are poor yourself.

Swami Vivekananda said “Feel my children, feel; feel for the poor, the ignorant, the downtrodden; feel till the heart stops and the brain reels and you think you will go mad; then pour the soul out at the feet of the Lord, and then will come power, help, and indomitable energy”. You should create wealth so that you can help the needy.

I am grateful to Mr. Vijayan Velukutty who did all the computer work including graphics for this e-book. His company is called Vijayas Infomedia. (His mobile number is 91-9791540555 and his email address is vijayanvvijayas@gmail.com).

For many years I have been buying Indian mutual funds through Mr. Suresh Subramaniam who has enlightened me with his vast knowledge of mutual funds. He is very efficient. He is an Individual Financial Advisor; his mobile number is 91-9842293789 and his email address is sureshinv@gmail.com).

I have bought Indian mutual funds through Mr. A. P. Thirumoorthi who has the experience in this field

for a few decades. (His mobile number is 91-9362210635). His email address is apthirumoorthi@gmail.com;

I want to mention that I do not get any financial benefits from anyone mentioned in this book. Also I have no financial connections with anyone mentioned in this book.

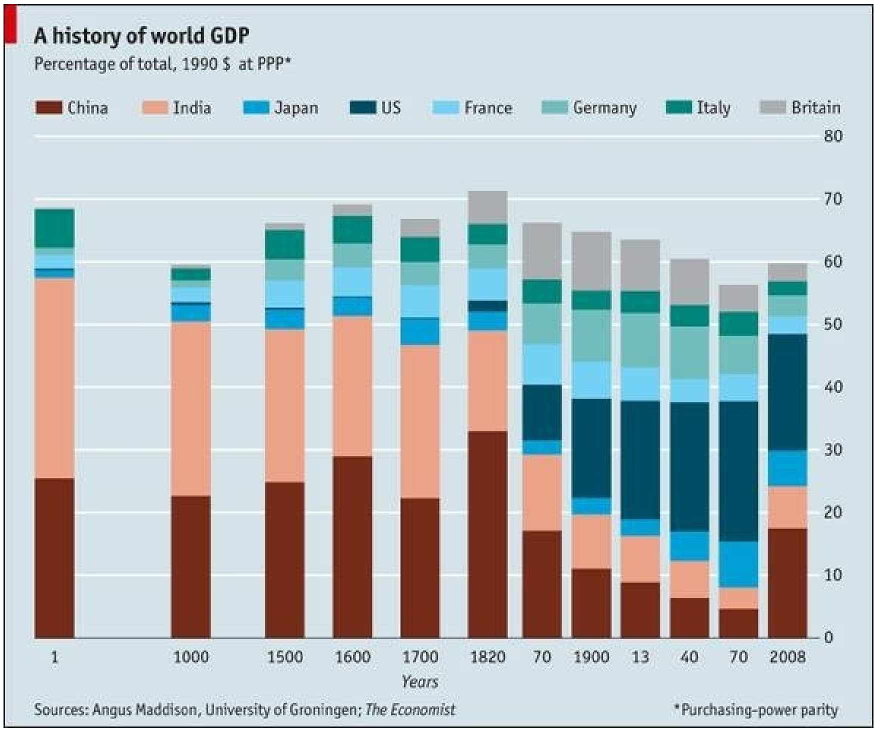
Seven Pearls for Success: Success in investing is similar to stringing a pearl necklace. Any missing pearl can ruin the necklace. You need the following seven pearls:

1. Understanding yourself
2. Understanding the market
3. Right information
4. Right tools
5. Common sense
6. Sticking to rules rigidly
7. Nerves of steel

Past financial history of India: Many people do not know that India was the richest country for a few thousand years. India was a land of milk and honey. England was a very poor country. The English went all over the world to loot. The loot was always shared with the queen or king. The men who brought the loot to royalty would be knighted and given 25% of the loot. You have to read the history of South America, Africa, China and Ireland to understand what the British did too many countries around the world. Sir William Hawkins of British East India Company landed in Surat in 1608. He travelled to Delhi in 1609 and then became a friend of Mogul Emperor Jahangir and got permission to build a factory in Surat. British East India Company was chartered by Queen Elizabeth I for trade with Asia. Its main objective was to break the Dutch monopoly of spice trade with India.

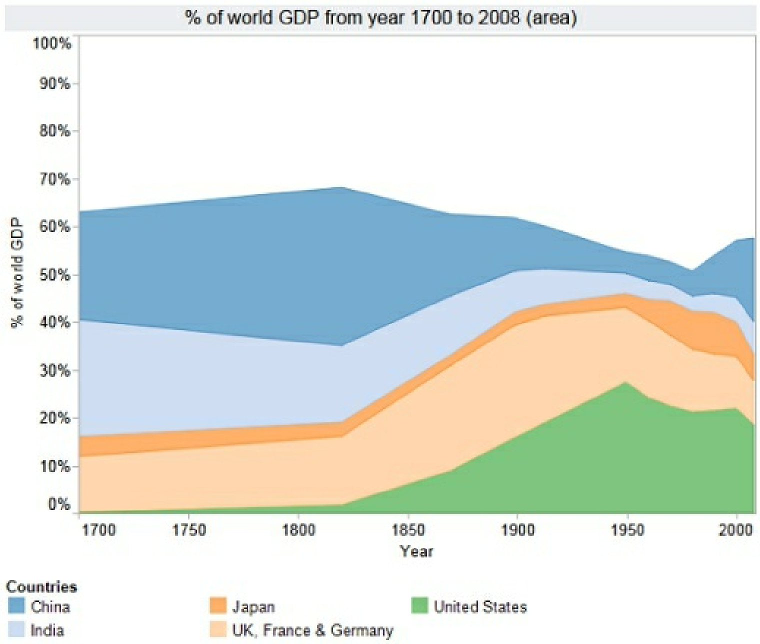
It got permission to have a small army to protect itself. This army grew in size eventually as the company used one king against another in India. After defeating a king, it would acquire that king's army. By 1803 at its peak, the company had around 250,000 soldiers and this was bigger than the British army. It started ruling India. India was not one country but around 562 princely states. Many wars were fought like the battle of Plassey, Bengal, Mysore and so on. Most soldiers who died in all these wars were Indians. Indians are brave people. But when their kings were controlled by the British, the citizens who had the inherent respect for the kings had to respect the British. There were very few British in India ruling. They ruled using the Indian kings. To quote Mahatma Gandhi "If we Indians could only spit in unison, we would form a puddle big enough to drown 300,000 Englishmen" - the entire number of Englishmen who lived in India and governed it. By mid 1857 the company ruled over most of India. Just a tea and spice trading company became the ruler of India! Wow! The company inherited a revenue collection system from the Mughals using zaminders or land holders. They collected one third of the cultivation in taxes from the farmers. The company could not manage to rule over the huge country of India and on August 2, 1858 Queen Victoria became the empress of India and took over the administration.

As per Mr. Vishal Kale, (Vishal Kale, History & Business Book Blogger and Reviewer @reflectionsvvk.blogspot.in) forty four million pounds were sent annually from India to Britain. Multiply this figure alone by around 150 years - that is approximately 6600 Million - 6.6 Billion. Now compound it by 8%... the number comes to 37 Trillion pounds - or nearly 73 Trillion dollars. Other than tax collection, the British looted a lot of India's riches. For example, in 1848 the properties of the Sikh Empire were confiscated. Part of it was the famous Koh-i-noor diamond which weighed 186 carats. The Koh-i-noor was transferred to the treasury of the British East India Company in Lahore. This diamond was handed to Queen Victoria in July of 1850 and she made a broche out of it and used to wear it.



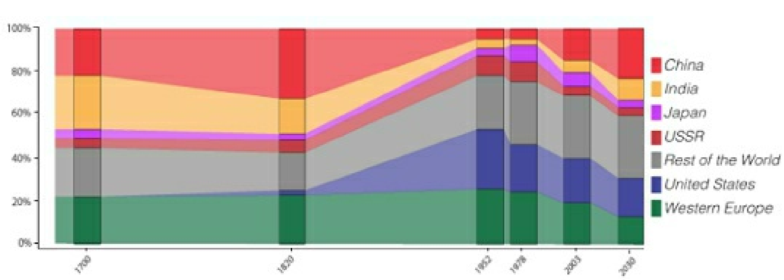
(GDP is gross domestic product. What is that? It is the total value of goods produced and services provided in a country during one year).

Around 1700 almost 80% of global GDP was created in India and China.

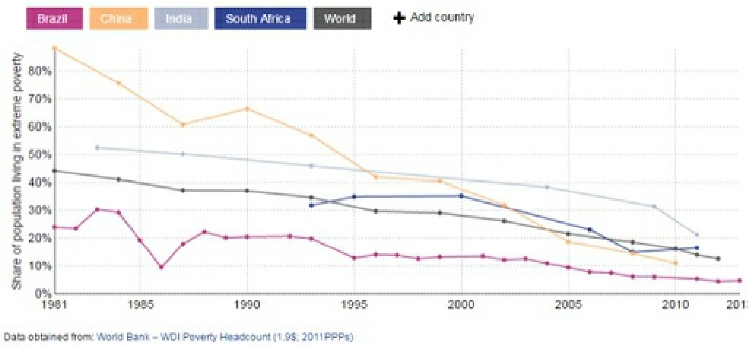


Global GDP shares since 1700. Source: [Infogram](#).

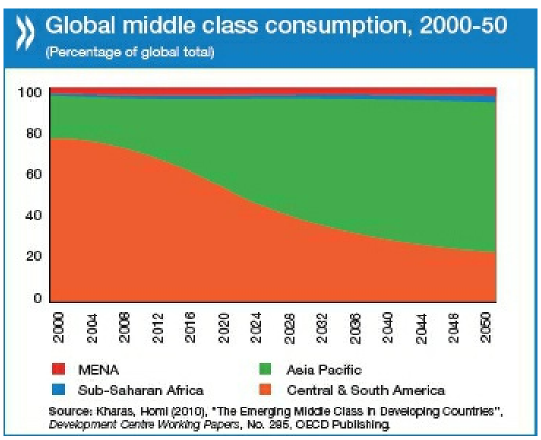
India and China will be the leaders in global economy in a few decades. Billions of people will have better life. Consumption will go up significantly. The demand for goods, services, tourism, etc. will jump. Businesses will flourish. Poverty which was created by being a colony for centuries will disappear. The 21st century belongs to India and China and other currently developing nations. No one can stop this phenomenon.



Share of global economy – past and future. Source: World Economic Forum.



Percentage of population living in extremely poor conditions. Source: World Economic Forum.



The Asian middle class is about to boom. Source: World Economic Forum.

What is a mutual fund?

A mutual fund pools the assets of its investors and invests the money on behalf of those investors. The companies that issue these funds, manage the pool of money on the investors' behalf. The underlying logic of mutual funds is that they provide diverse investments; equity mutual funds invest in stocks; bond mutual funds invest in debt; money market funds invest in cash equivalent instruments. There are more than 2000 mutual funds in India. The first one was started in 1963 called Unit Trust of India.

Most mutual funds are open ended funds. This means that shares are issued whenever someone invests in the mutual fund and shares are sold when someone withdraws his/her funds. There are closed end funds which will not be dealt in this book. These are less in number. These do not issue shares on an ongoing basis. These trade like stocks in the stock market and their value may change daily on the value of their underlying assets.

There are growth equity funds which invest in growth companies. There are mutual funds in other categories like balanced, debt, fund of funds, etc. Equity funds in general will give you the best growth rates and there is no need to waste time on the others. As India is a growing country we will stick to open ended growth mutual funds. Internal demand for goods in India is very high and India has exports also. As the Indian companies grow, the stock market and the mutual funds will keep on growing. When the underlying companies pay dividends, they are passed on to the investor.

Indian Mutual Funds:

Why should you invest in India? India has the money, energy, ambition, drive, and the brains. In a couple of decades India will be number two after China in GDP (Gross Domestic Product). The economy will keep on growing almost without a stop for decades to come. Since 1991, due to economic liberlisation, the GDP has been between 6 and 7% per year, which is superb. Nothing will stop India from becoming a powerful economy again.

I want to tell you that there is lot of money to be made in the stock market.

The richest people in the world invest in the stock market with only one goal, to make money. Yes. You can make lot of money and consistently if you follow a method.

When you buy a stock in a company you are a legal owner of the company. So buying a stock is not gambling. If you invest in a good company, your investment will be good. You have to have the knowledge to choose the right stock which has good fundamentals and good chart pattern. Also the different sectors keep rotating. Even a great stock can go down due to non-fundamental factors. So that is why I recommend investing in mutual funds. Mutual funds in India have been doing great for many years. Hats off to the Indian mutual fund managers who have been performed amazingly well. They take the responsibility of buying high quality stocks and selling them when necessary and invest into other stocks with good potential.

The Indian stock market and the Indian mutual funds will perform extremely well for several decades to come. A huge number of Indians are entering the middle class. Their purchasing power will make the Indian companies grow tremendously and thus the mutual funds will make excellent profits.

Indian Government Debt: While most western countries are reeling in debt India has been doing a superb job of controlling its debt. This is ideal for economic growth. India has proved that a country can grow without causing much debt burden. Too much debt will cause recessions. Any debt of a country becomes the liability of future generations. Even financing the debt becomes a burden. At this time the Chinese debt to GDP is over 200%. The U.S. debt to GDP is 106%. Indian debt is close to 70% of its GDP.

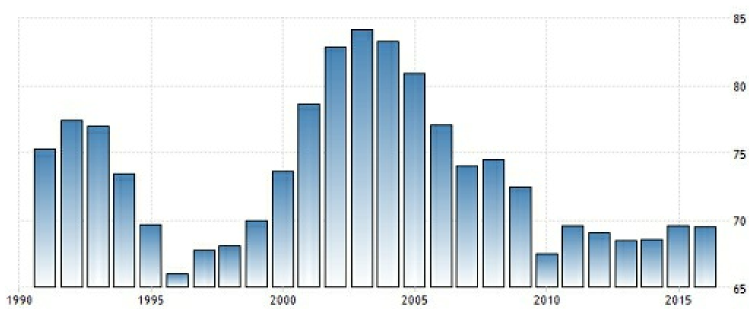


Figure Indian Government debt as percentage of GDP. Source: Trading Economics

(GDP is gross domestic product. What is that? It is the total value of goods produced and services provided in a country during one year).

How did the Indian mutual funds perform in the last 5 years? I will give you an example. As of Sep 17th 2017, SBI Small & Midcap Fund has grown 33% per year. This is a phenomenal growth. Even if you do a business, it is hard to achieve such a growth. This is an equity diversified fund. Equity fund means that it invests in stocks. Diversified means that it invests in many different sectors like technology, healthcare, energy, etc. I found 8 funds with an annual growth of over 30% over the last 5 year period. I found around 100 funds yielding an annual growth between 20% to 30% in the last 5 years. In most countries you will not find growth like that.

I will give you some details on SBI Small & Midcap Fund as an example. It has been a top performer. It is an open ended fund. Open ended fund means that every day people can invest in the fund or withdraw from the fund. There is no entry load or fee when you invest in the fund. There is an exit load of 1% if you redeem it before one year. Minimum investment is Rs5000. It has Rs7 billion in assets. It is a diversified equity growth fund.

How to Invest in Mutual Funds? I recommend that you invest in equity funds. This will give you the highest returns. Equity funds invest in stocks. Diversified equity funds invest in many different sectors of the economy, for example, health care, financial, energy, infrastructure, etc. There are also sector funds, which invest in only one sector which could be energy, healthcare, technology, etc. For example, energy sector fund which will invest in energy companies only.

I will show you **A SIMPLE YET VERY POWERFUL METHOD** of investing in mutual funds in India. This is the method I have been using for many years. I go to https://mutualfundindia.com/. In the middle of the page, “Top Performing Mutual Funds” are listed. I look at the last one year performance. I look at the list from top down. I look at the 3 year and 5 year growth rates of the top funds. I choose from the funds that have performed the best in the past one, three and five years. I invest in diversified or sector funds as long as they are the top ones. Also if there are two funds out of the top five investing in the same sector like natural resources, then I will choose only one of them. I invest in five funds in total from my analysis. To get the details on these funds, I click on their names. Then a new window pops up which gives detailed information on the fund, like fund type, investment plan, entry load, exit load, fund manager, asset size, etc.

I do not touch the ones I bought for one year and one day. If I sell before one year, there may be an exit load. Also I avoid paying capital gains tax if I hold the investment for one year and one day. After one year and one day, I go back to the same screener. I look for five top mutual funds again. I sell the ones that are not in my new best five list and buy new ones.

As of Sep 17, 2017, five funds have yielded a growth of over 40% in one year, with the top one, DSP Blackrock Natural Resources Fund has grown 48%. I found 27 funds giving a growth rate between 30% and 40%. To me this is fantastic.

If you are a non-resident Indian living outside of India, currency exchange rate will affect the returns. You have to take that into consideration when you invest in India. If the Indian rupee gets stronger while you have invested and then when you withdraw you will get more money back. But if the Indian money loses value against your currency, then you will lose some based on the currency exchange rate. You may get information on mutual funds from other Indian websites like, www.moneycontrol.com, www.FundsIndia.com, www.amfindia.com,

The Beauty of Compounding:

I have to tell you an interesting story on chess as related to compounding. As per Duncan Forbes, LLD, in his book called The History of Chess published in 1860 in London, chess, chaturanga in Sanskrit was invented in India thousands of years ago, before Mahabharata war. Around 327 BC, there was great kind by the name Kaid who was very powerful, brave and wealthy. He had a minister by the name of Sassa, a very wise man. Kaid told Sassa that his mind was constantly thinking of war and strife which was making him sad. He told Sassa that he wanted peace of mind. He told Sassa that he could ask for any boon on the day he makes him happy. Sassa created the 32 piece chess with 64 squares and presented it to the king. Prior to this chess board had more squares and more pieces. The king loved it and started playing it day and night. He asked Sassa to claim his reward of whatever he wanted.

The minister said, O' my great king, for the reward, give me one silver coin for the first square; then double it on the second square and then double it for each square. The king said that it would amount to a ridiculously trivial sum. Sassa said that he was happy and contended with what he asked for. The king called the treasurer and asked him to take Sassa to the treasury and pay him. As the treasurer came to square 32 he realized that there are not enough silver coins on this earth to pay Sassa. The calculated amount of coins was **18,446,744,073,709,551,616 (Eighteen quintillion plus)**. The king told Sassa that he would give all his territories and treasures. Sassa politely declined and said that he was very pleased with all the bounties already given by the king. This story also had the version of using grains of wheat.

This story illustrates very clearly how powerful compounding is. When you add the growth made in one year to the principal you invested, you have a bigger number. You invest this lump sum after one year and one day in a new set of five funds. So every year you are adding the principal, the appreciation and dividends as principal in the following year. Thus the snowballing effect leads to a phenomenal sum at the end.

I want to give you an example. Let us say you invest Rs10,000 one time. It is grows at 30% a year. Without adding any more money, at the end of 10 years, you will have Rs137,858. If it grows at 25% a year you will have Rs93,132. If it grows at 20% a year, you will have Rs61, 917. If you invest Rs1000 per month for 10 years and the growth is compounded yearly at 25%, you will have Rs451,230. Even if it grows at 20% a year you will have Rs344,311. This is called rupee cost averaging. As the stock market fluctuates, you will be investing at different prices. This is a very efficient way of investing. It compensates for the ups and downs in the market.

How to become a crorepati?

The trick is to start at a very early age. Because of the beauty of compounding, the results will be unbelievable. Let us say that you start investing at age 30, Rs1000 per month, at 65, and it grows at 25% a year, you will have Rs.120,746,326. This is like magic. Even if it grows at 15% a year, you will have Rs10,707,217.Of course if you can invest more money monthly, and start investing earlier, the outcome will be even better. You can strongly consider investing in mutual funds for children.

I used the following web calculator for doing my calculations: https://www.investor.gov/addition.(USA). If you go to google.com you will find other websites for calculating compound interest.

Taxation:

Capital Gains Tax Rates on Mutual Fund Investments of a Resident Indians are as follows: The STCG (Short Term Capital Gains) tax rate on equity funds is 15%. The LTCG (Long Term Capital Gains) tax rate on equity funds is NIL. The LTCG tax rate on non-equity funds is 20% (with Indexation benefit). Please consult your tax person. At this time mutual funds in India are available to Indians in India and non-resident Indians living abroad. Hopefully they will be available in the international brokerage houses at some point so that anyone can invest in them. Thus more funds will flow into India.

Conclusion: Start investing at an early age. Invest in Indian equity mutual funds, in the top 5 (or 10 if you want). Sell them after one year and one day and invest in the top 5 funds again. The phenomenon of compounding will make you a crorepati! This is a simple method with no effort on your part. Over the long haul, the investment risk is low. In a country like India which is growing at 6-7% a year, the risk is very low. The richest people in the world make money all the time in the stock market. You can do it too! Finally you do not have to have extensive knowledge of the stock market. You leave the investing to the best mutual fund managers.

You do not need many methods to make lot of money. You only need to know one best method. I have given you an easy yet the best method. You will be making money while you are sleeping. If you want, you can start with the minimum amount needed to invest. After a year or two you will be more confident. Then you can start investing more. Investing monthly, a fixed sum is the best way.

There is always market risk in the short term. But if your investment horizon is over 5 years or more your risk goes down quite a bit. The investment risk in India for many decades to come is almost non-existent. There are several ways to make money in the stock market. Let us say you invest in stocks and you hold a portfolio of 20 stocks. All of them have to go up so that you can make 20% or 30% or 40%. Think. What are the chances? You are better off leaving the selection of stocks, buying at the right time, selling at the right time to professionals who are fund managers. You spend only an hour every year for your investing needs. Yet the potential is great!

Finally you need to know only one method to succeed. You hold a convex lens in the sun above a piece of paper and you will know how powerful it is. Similarly the method I have given you is highly focused and very powerful and will make you wealthier. This is the only method I have been using in the Indian stock market with phenomenal success and I have made very good money consistently without any loss for many years.

Golden Words of Wisdom from Lord Budhha:

Do not believe in anything simply because you have heard it. Do not believe in anything simply because it is spoken and rumored by many. Do not believe in anything simply because it is found written in books. Do not believe in anything merely on the authority of your elders. Do not believe in traditions because they have been handed down for many generations. But after OBSERVATION and ANALYSIS, when you find that anything

AGREES WITH REASON, then accept it and live up to it.

If you take these words seriously and practice them, you will succeed in your life. I am totally convinced.

Best regards,

Mr. Market