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Invest The Right Way

The Indian equity markets are on an extended bull run and scaling new heights with each passing day. To illustrate, the benchmark Nifty 50 index has more than doubled to over 17,000 points from its most recent bottom of around 8,000 points. But there is a flip side to the euphoric markets. Such a performance lures many new investors to the markets, which is both a good thing as well as a bad thing. It is good because it nudges people, who are otherwise away from investments, to join the financial investments' space. The flip side is that such a market paints a rosy picture and makes people take hasty and poor decisions.

These decisions, often taken out of fear-of-missing-out caused by the euphoric markets, end up becoming causes for losses over time. This mainly happens when novice investors take exposure to relatively lesser-known businesses. Such investors, in all likelihood, do not understand the complexities of the businesses and end up taking positions just on the basis of hearsay or some stock tips. It might give good returns to some, while it could also be a recipe for disaster if you do not understand what you are getting into.

The Proper Way

If you are an investor who is investing his or her savings in the market for long-term financial goals like retirement or children's education or to buy a home or a car, taking excessive risk by investing in untested businesses might not be a wise choice. Instead, you should focus on a well-diversified portfolio

that gives you adequate exposure to different sectors of the economy. This can easily be done through a diversified large-cap or multi-cap equity mutual fund, or even an index fund.


Additionally, you can also focus on a strong theme like multinational corporations that are very likely to perform well in the medium to long term. Why should you make MNCs a part of your portfolio? The fundamental reason for any company turning in to a multinational corporation is its success in the business segment where it started. The successful business then expands to multiple geographies, adapts to newer regulatory and social climate and succeeds there too, thereby growing further. Only then, a company gains the coveted status of an MNC.

As an investor, investing in such companies, actively or passively, means having exposure to well-established companies having a track record of successful business practices and strategies. Often, such businesses offer goods or services that have acquired the status of essentials. All of this is only possible because of superior management processes evolved over time, technological edge, and a strong global brand standing.

In other words, come what may, these companies will remain in business, and do reasonably well. Take the ongoing pandemic, for instance. This phase too did not stop the sale of goods like medicines, consumer goods or services like communication and IT solutions. In fact, most MNCs came out of the pandemic-induced slowdown stronger. The other way to understand the importance of MNCs as an investment is to just look around yourself. Right from the snacks or chocolates we consume to technology solutions we use in our homes and offices, all of these are developed and sold by MNCs like Britannia Industries, Nestle, Apple Inc, Siemens, Bosch and Whirlpool, among others.

How to Invest in MNCs?

You can choose to actively invest in shares of MNCs that are listed on the stock exchanges. However, individual shares could turn out to be expensive when you try to purchase shares of multiple MNCs. The easier and a better way out is investing through MNC-themed mutual funds that invest in a broad range of MNCs. This gives you exposure to not just the MNC from one sector but from a wide range of businesses spread across different industries.

A good mutual fund will also give you exposure to MNCs from different countries that you might miss otherwise, thereby creating borderless growth opportunities for your wealth. While you must take investment decisions in line with your risk profile and financial goals, don't wait too long for the markets to reach new heights. Make MNCs a part of your investment portfolio today to gain in the long term in the form of good returns and stability. 

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