5 lessons from Saurabh's 30 years of investing experience

Delhi based Saurabh Sood is a Chartered Accountant by education and an investment banker by profession, having worked for 17 years with some of the marquee names in the hallowed turf of investment banking, before moving on to his current position 8 years ago, heading up the Indian and Chinese operations of a US based corporation. You can't get much closer to the world of finance than Saurabh has, and yet, as he describes his journey as an investor, you see that even the best stumble occasionally. What makes Saurabh a very successful investor is that he realised his limitations, focused on his strengths, learnt from his mistakes and evolved into a highly disciplined investor who can teach a thing or two to fellow investors who are now commencing their investment journeys. Saurabh was very willing to share his experiences for the benefit of fellow investors but wasn't as comfortable with us putting up his photo and his current work profile, which we have therefore omitted as desired. Here's an edited transcript of what he shared with us about his investment journey spanning 30 years.

Investing for me started out as a hobby back in 1988, when I joined college and started investing with a couple of friends in IPOs. 1988 to 1991 was a great time for IPOs, and then of course Harshad Mehta happened. When I became an investment banker, markets became a part of my profession and the passion for markets just grew on me.

Equity is clearly the best for wealth creation

During my investment banking days, I was an active equity investor. My association with markets over the years kept reinforcing my conviction that financial assets in general and equity in particular is the asset class best suited for long term wealth creation for any investor - sophisticated or otherwise, and for investors with any amounts to invest - big or small. Through all the ups and downs that I have seen in the market over the last 30 years, that conviction has never ever wavered.

But, that's not to say that I never made mistakes - I have had 10 baggers, I have had 100 baggers and I have also seen some stocks evaporate - where I lost 100% of the money invested. On balance, I've had many more wins than losses, which has made for a rather satisfying investment journey over the years.

My stumble and the lessons I drew

If there's one thing I do want to caution investors about, its from my experience with trading in the F&O segment. In the early days of the F&O segment in India, I began dabbling in trading. With open positions, the need to track constantly becomes imperative. And that's when it begins eating into your professional time. I've had situations where I would be in meetings and my broker would be trying frantically to reach me to update me on some big move or the other in a position, which required some quick decisions. It became a distraction, I realised I simply don't have the bandwidth to be a trader as well as do justice to my professional commitments. More importantly, these open positions started causing me loss of sleep on some occasions. I decided then that I should stick to what I know best and avoid strategies outside my area of conviction. I got out completely from trading and returned to my preferred style of buy and hold based on my own convictions on the businesses that I was buying and owning.

It's been 12-14 years now since I consciously eschewed short term investing from my life. Its not as if I don't track markets - I get a call everyday at 10 am from my stock broker. But I have learned to distinguish tracking from trading. I haven't sold a single stock in the last 10 years - not even in the "excesses" of 2007 or the depths of 2008 that followed.

Two parts to my portfolio

My portfolio is divided into two segments: Ashish Chadha handles my mutual fund investments which are all goal linked, and then I have my equity portfolio which is advised and executed by Dalal & Broacha.

I save regularly in MFs for creating a corpus for my son's higher education and another corpus which I intend building for myself over the next 7-8 years. Ashish met my wife during her investment banking days a couple of months after he left the army and started his fund advisory business - that would have been over 12-13 years ago. Over the years, we've become golf buddies and friends.

5 lessons that the market taught me

Here's what the market has taught me over the last 3 decades of my investment journey:

1. It really is impossible to time the markets: Its not just a convenient statement that fund managers put out - it is really impossible to time the markets, and therefore an exercise in futility.
2. Its all about your own convictions: When the going gets rough, it is only your conviction in the stocks and funds that you own, which gives you the confidence to buy more when others are panicking. To develop your conviction, you need to ask a lot of questions, you need to do your own homework. Invest only when you are convinced, not just because somebody told you to invest.
3. Develop your own investment philosophy: I vacillated between buy-and-hold and active trading for a couple of years before deciding firmly what works and what doesn't work for me. After that, I became a 100% buy-and-hold investor, buying on my convictions and have never really sold anything after that - because I didn't see any of the investment thesis that I bought into changing materially for the worse. The worst thing you can do as an investor is to change your personal investment philosophy with changing market dynamics. Take your time to develop your philosophy and then stick to it through all parts of the market cycle.
4. When to sell: I don't sell primarily because I don't know where else I would deploy the sales proceeds. I haven't found another asset class that I am convinced with outperform equity over the next 10-20 years. If I sell now because valuations are high, and then I were to go back into the

market at say 15% lower levels, only to hold on for 10 years after that, what will I be achieving with this timing call? Why not just stay put so long as you retain your long term conviction in markets and the stocks and funds you own?

5. Role of an advisor: For me, my advisor is a great sounding board. We discuss ideas, we discuss strategies, but finally I am clear that it is I who has to take the final call - its my money and it has to be my conviction. An advisor who really adds value is one who is honest, sincere and who develops his own convictions based on his own homework - that's when the team effort between the advisor and investor can do well for your portfolio.

Saurabh Sood's advisor: Ashish Chadha, Chadha Investments, Delhi

Ashish Chadha (3rd from left) receiving the Tarakki Champion 2017 award in the regional distributors category from Nimesh Shah (4th from left), CEO - ICICI Prudential AMC and Vijay Venkatram (far right), MD - Wealth Forum.