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## This Diwali let's get rid of some investing myths and junk lying in portfolios

### Synopsis

You have to do this consciously and ruthlessly, even if you are kicking and screaming inside - and let me tell you, your insides will be resisting every bit of it.



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Devina Mehra, Chairperson and Managing Director of First Global, is a gold medalist from IIMA as well as from Lucknow University where she broke several records. She had a seven-year-long stint at Citibank in Investment Banking & Corporate Credit/ Risk before becoming a member of the Bombay Stock Exchange in 1993 - her proprietorship which later corporatised and became India's leading institutional brokerage firm, First Global. She spearheaded First Global's globalisation over two decades ago, making First Global the first Asian (ex-Japan) firm to become a member of the London Stock Exchange and then the NASD.

First Global has since become a leading quantitative global asset management firm managing both PMS schemes in India as well as global funds.

She has been quoted widely on Global as well as Indian markets by global financial media like Wall Street Journal, Barron's, Business Week, Fortune, Forbes, CNBC, Financial Times etc.

She tweets @devinamehra and the website is [firstglobalsec.com](http://firstglobalsec.com)

Diwali has a close relationship with goddess Lakshmi and hence our wealth and prosperity. What if we look at our portfolios from the prism of Diwali?

Step One is celebrating Diwali by clean-up, which is such an integral part of the festival. This time ensure that it goes beyond just your home and cupboards.

Truly celebrate the essence of Diwali:

Declutter & remove the cobwebs of your mind.

Re-examine everything.

Throw out beliefs, opinions, theories, ideologies that no longer make sense.

Be flexible and open to change and to data - even inconvenient data.

And as far as your portfolio is concerned:

First take stock (pun intended)

Then get rid of all the junk... or it may not even be junk, but simply where there are better opportunities available in the market.

You have to do this consciously and ruthlessly, even if you are kicking and screaming inside - and let me tell you, your insides will be resisting every bit of it.

The reason is very simple: we hold on to our losers as evolution hardwired us to avoid booking losses.

Remember transaction costs are miniscule now, that can't be the reason to hold on to something that is sub optimal.

Also, waiting 'for the stock to come back to my purchase price' is irrational... The market has zero interest in YOUR purchase price!

Much better to invest in something that will give you higher [returns](#).

Know that you don't have to make it back in the same stock. Your bank balance doesn't care where the money has come from.

As a general rule, one of the pillars of successful [investing](#) is to get rid of bad investments irrespective of price, and get into good investment options.

Most people hang on to bad and losing positions and, in the process, miss out on getting into the investment options that really do well out in the future.

Do this and I can tell you greatness awaits!

On Dhanteras day, think deeply about your relationship with your dhan.

Don't invest haphazardly and without a system.

This is the time of the year when all of us worship the goddess Lakshmi but think about whether we really show her the respect that is due to her?

Think about the time you bought your mobile phone. You researched online, read articles, compared feature by feature, asked a dozen friends and then made a decision. Even to buy a saree or a shirt, we check around a bit on which shop/site is reliable.

Now think about the way you made your last portfolio decision or bought a stock.

Don't you spend more time and effort researching a 25,000 or even a 10,000 Rupees purchase than you do a 1 lac or maybe, Rs. 5 lacs stock investment?

Very often the latter is done based on some tip from a friend, or even from someone anonymous on a chat group, maybe a half heard 'expert' opinion on a TV channel, buzz about a new IPO or something of the kind.

There is little thought that goes into the typical investment decision: based on what parameters are you buying that stock, where does it fit into your portfolio, what does your portfolio look like in the first place, how is it split between various sectors or asset classes - most such questions are not addressed at all.

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Hence, you may not even think that this is the fourth Bank you are buying and now your portfolio consists of stocks where 80% are in just 2 industries. It is all done on an ad hoc basis.

Even less thought goes into monitoring that portfolio or making changes when required.

Once you think about it you will realise that no matter how many lamps you are lighting before the goddess Lakshmi you are not really showing her enough respect.

This Diwali take a pledge to really start respecting her which means respecting your own hard-earned money and investment corpus - Your khoon-pasine ki kamai.

Whether you are doing it yourself or have an investment advisor of some sort, decide today that you are going to use a proper system for investing and monitoring your portfolio. Don't invest haphazardly and without a system.

For example, the Smallcase platform gives a good opportunity to choose a portfolio basket that fits in with your goals, worldview and helps formulate the best portfolio management plan, if you're not of the PMS size.

Our own offering, FG-HUM (Human + Machine), for instance, uses a very sophisticated Artificial Intelligence model, combined with decades of human expertise, to come up with a curated, diversified, Multi-cap, multi-sector list of 25-30 stocks that solve your investment dilemmas in one shot. And the investment process is also super simple which helps in better portfolio management.

Why 25-30 stocks? Because regardless of what anyone tells you, no one knows in advance which stocks are going to be multibaggers.

No investor or fund manager in the world has had a Portfolio consisting solely or even mainly of multibaggers.

You have to buy based on a system but even then you will have some duds and will be lucky to find 10-15% of the stocks that go up several times.

This Diwali aim to really respect Lakshmi Maa and not just worship her.

Wish you and your portfolio a wonderful Diwali and a great year ahead.

(Devina Mehra is the Chairperson & Founder of First Global, a global quantitative asset management company. Their Smallcase, FG-HUM can be accessed at <https://firstglobal.smallcase.com>)