

Taking “Stock” of Life or Putting “Life” into Stocks

Pradeep Darooka

The past few months have been brutal for all those who are invested in the stock market one way or the other. With a few exceptions, it has been the same all over the world. So it did not matter whether you were in the USA or India or elsewhere. It has just been a difference of degree. As always, there are a dozen conventional explanations for the stock market gyrations from the usual culprits.... analysts, money managers, media, economists, brokers. The explanations range from internet bubble burst, technology downslide, economy slowdown, and Japanese recession to Greenspan, Bush, proposed tax cuts, blah, blah, blah.

I have been equally affected by the stock market in the last few months as I have been in the last 17 years since I invested my first hard earned \$ 1,000 in the market through a mutual fund in 1984. I have also had the good fortune to be on the inside of this business during this same time through my career in the financial services industry. I have since digressed into philosophy. The parallels I see between the stock market and life is amazing. The guiding principles for life apply directly to the stock market. It has helped me deal with the stock market and manage my investments much more effectively. I thought I would share this with you.

- *Instant gratification of any kind in life almost always causes pain sooner or later. It only helps to put the senses on a high but also numbs the most important one, common sense. Ultimately the only thing that matters is how one leads and lives the entire life and what karmas and sanskaras are built up as we go along.*

Short-term market movements are very painful. This is an age old and time honored axiom in the investment world, yet completely ignored by the experts and the gullible common investor. The only

strategy that works in the long term is a disciplined approach to investing. Assess your returns for the entire portfolio and for your entire investment period.

- *Embrace everyone in life. We are all made of the same flesh and blood and nothing but a different manifestation of the Supreme Self. Broaden the outlook and open ourselves to new ideas and thoughts. There is no single path to nirvana. Be all inclusive and you will find nirvana sooner.*

Diversify, diversify, diversify! Diversification is the key to sensible investing. Do not concentrate on any sector at any time. Fads come and go. The only factors which survive in the long run are thoughtful management, sensible product/service, profitability and common sense. Concentrate on these and you will be ahead of the curve.

- *Indian scriptures emphasize the importance of a guru shishya relationship and finding the right guru. This is for nothing. The path to nirvana is strewn with obstacles and only the enlightened or realized one i.e. the Guru can help lead us there. The all-knowing Guru is also within each of us. We have to recognize and nurture it so that it can show us the path.*

Follow the herd mentality in investing and you will regret. Avoid the indices or any fund which replicates an index. Indices have now become nothing more than tools to determine a fund manager's compensation. Find a real expert who correctly reads the pulse of the market over a long enough period and does not hesitate to speak the truth. He ignores short-term peaks and valleys for long term stability. He is a beacon of light during the dark periods like the present, but leads his followers safely through. An annual return of 15% over 10 years is far healthier (for the portfolio and the body) than a 100% return in Year 1 followed by a 70% drop the next year.

- *The Gita identifies greed, lust and anger as the main obstacles to realization. These feed the ego, which is the biggest hindrance to nirvana. Gita also teaches us about contentment from the basic necessities of life. Anything beyond that is a source of misery.*

Stock markets can never sustain triple digit or high double digit returns beyond the short term. Only the speculators and the shortsighted mistake it for the real market. The investment guru and his smart investor see it as a red flag and immediately take appropriate action. If a stock tip or the investment returns are too good to be true, they probably are! Stay away.

- *There is no free lunch. We reap the fruits of karma. As you sow so you reap. Krishna counsels in the Gita that good company is as important as good actions.*

No matter how many ways anyone tries to analyze or dissect, the only factor that determines the stock price of a company is its profitability. Everything else is nothing but a figment of imagination of the investment bankers, brokers and analysts who all work for the same employer. The banker concocts the story and prices it, the broker sells it and the analyst sustains it through reinforced fiction. In the process they and their employer have been enriched and have long disappeared, leaving the gullible investor holding the stock. If you or your fund manager buy the stock of a company with no profits, or worse no revenues, you become the laughing stock. The banker, the broker, the analyst and their boss are all laughing all the way to the bank!

And finally,

- *Vedanta tells us that life is an illusion. The reality lies beyond what we can perceive with our senses or think with our minds. It can only be experienced by the realized.*

The stock market is a fiction. It is nothing but an amalgamation of individual perceptions. In short it is a zero sum game. Only the ignorant think they can swim in its turbulent waters and reach the other side safe and sound. If one lives by the stock market alone, one should also be prepared for its watery grave.

Om tat sat.