MANTRAS TO WISE INVESTING

Angel Broking
Service Truly Personalized

Save prudently…
Invest even more wisely…

MANTRA 1

Invest only in fundamentally strong companies

- Do not go for momentum or penny stocks.
- Invest only in companies with strong fundamentals; these are the ones that will withstand market pressures, and perform well in the long term.
- Equity investments cannot be sold back to the company/promoters.
- Strong stocks are also liquid stocks.

MANTRA 2

Read carefully

- Do not gamble away your hard earned money.
- Due diligence is a must.
- Read about the offer. This is an advice difficult to practice with offer documents now running into more than 1000 pages; abridged prospectus too is difficult to read. Yet, read you must, at least sections on risk factors, litigations, promoters, company history, project, objects of the issue and key financial data.

MANTRA 3

Invest in mutual funds, but select the right fund and scheme

- Mutual funds are better investment options for new investors, as the fund management is done by professionals.
- Mutual Fund investment is diversified in various stocks/sectors as per scheme objective, which reduces the company/sector specific risk.

MANTRA 4

Learn to sell

- Most investors buy and then just hold on.
- Profit is real only when it is in your bank (and not in your register or Excel sheet).
- Remember, you cannot maximize the market's profits.
- Set a profit target, and sell.

MANTRA 5

Deal only with registered intermediaries

- There are many unauthorized operators in the market who will lure you with promises of high returns, and then vanish with your money.
- Dealing with registered intermediaries is safer and allows recourse to regulatory action.

MANTRA 6

Beware of Fixed/Guaranteed returns schemes

- Anyone who is offering a return much greater than the bank lending rate is suspicious.
- Remember plantation companies-promised huge returns (in some cases 50% on Day 1) and vanished!
- Also beware of the get-rich schemes being sold through SMS and emails.

MANTRA 7

Beware of the grey market premium

- When it comes to IPOs, do not rely on grey market premiums to invest in the company. Study the company's fundamentals and make a well thought out decision.

MANTRA 8

Don’t over-depend upon ‘comfort’ factors like

- IPO Grading
- QIB subscription of IPO
- Independent Directors

MANTRA 9

Don’t blindly take decisions based on accounts just because these are audited

- There are high incidences of fraudulent accounts and mis-advertising of financial results. Satyam case is a wake up call.
- Read qualifications and notes to the accounts.
- Especially look out for unusual entries-related party transactions, sundry debtors, subsidiaries’ accounts.

MANTRA 10

Cheap shares are not necessarily worth buying

- Do not chase price, chase value.
- Price can be low because the company in fact is not doing well (but hype over the company/sector may induce you).
- Worse, the price can be low because the face value has been split

MANTRA 11

Don’t be fooled by Corporate Governance Awards/CSR

- There is a high incidence of fraudulent companies upping their Corporate Governance and Corporate Social Responsibility (CSR) activities.