

PATH TO FINANCIAL FREEDOM

*Investments in securities market are subject to market risks, read all the related documents carefully before investing.

While we all understand the need to invest, the path to invest isn't always easy. For investors across the spectrum of expertise and experience, the feeling of not knowing enough, not having the right information at the right time, and not reading the markets right is an ever present concern.

In this Path to Financial Freedom masterclass, **Amit Gupta, Principal Officer and Fund Manager at ICICI Direct's Portfolio Management Services** breaks down the key elements to **building your own successful investment strategy** involving smart diversification and insight into market trends, irrespective of your age and experience.

KEY TAKEAWAYS:

1. Start Early: Compound Growth is Your Friend

- Begin investing as early as possible to take advantage of compounding.
- Even students can start learning about markets to develop a mindset of saving and investing.
- Compounding needs time: starting late reduces the scope of wealth accumulation, however, irrespective of your age, the best time to start investing is today.

2. The Importance of Diversification

- Spread investments across equities, debt, gold, and other asset classes to reduce risks.
- Different asset classes perform at different times; diversification ensures smoother returns over time.
- Avoid relying on one investment category; multi-asset portfolios offer resilience.

3. Equity Investments: Timing and Sectoral Trends Matter

- Don't avoid equities just because the market feels overheated. There are opportunities in sectors that are undervalued or rebounding.
- Focus on manufacturing, infrastructure, energy transition, and other emerging sectors.
- Consider sectoral rotations: Pharma and rural consumption, for example, which might surge after periods of underperformance.

4. Mutual Funds & PMS: Leverage Professional Expertise

- Mutual funds and PMS services are ideal for those seeking professional fund management and reduced volatility.
- Evaluate funds based on previous returns (but not as the only parameter). Consider looking at Sharpe ratio, and standard deviation to ensure stability.

5. Risk Management & Rebalancing: Essential for Portfolio Success

- Regularly review and rebalance portfolios: monitor alpha (excess returns over benchmarks).
- Adjust asset allocations based on life stages:
 - Young investors: 80–90% in equities.
 - Mid-career investors: Shift to 60–70% equities and increase debt exposure.
 - Retired investors: Move towards steadier assets like debt and gold.

6. Embrace Alternatives: Real Estate, REITs, and Gold

- Real estate investments should align with personal needs. India's investments in infrastructure translates into better value on properties that lie outside hot property hubs.
- Gold often offers stability during geopolitical crises: aim for 10–15% allocation in gold for long-term security.
- Explore REITs for exposure to real estate without ownership risks.

7. Navigating Market Trends: Opportunities Everywhere

- Watch for Sunrise sectors (e.g., electric vehicles, renewable energy, and ethanol blending).
- Government policies, such as PLI schemes and infrastructure development, are fueling significant investment opportunities.
- Private capex resurgence and financialization of savings will also drive markets.

8. Tax-Efficient Investing: Optimize Returns

- Use tax-efficient investment vehicles (like mutual funds and bonds) to minimize taxes on capital gains.
- The new tax regime offers simplicity. It is easier to calculate taxes, allowing you to focus on earning higher returns, even after taxes.

9. Key Psychological Pitfalls: Avoiding Common Mistakes

- Don't neglect profit booking; trim positions periodically to lock in gains. Staying invested in the long term involves hygiene: book profits and switch positions to undervalued stocks from time to time to maximize returns.
- Avoid comparing your portfolio with others: everyone has their own unique risk appetite footprint.
- Regular monitoring and hygiene in portfolio management is crucial for long-term success.

10. ICICI Direct Tools & Services: Your Wealth-Building Partner

- ICICI Direct offers a range of tools: from mutual funds, equities, PMS, to tax planning solutions.
- Access real-time portfolio updates, research-backed recommendations, and innovative investment products for all types of investors.